

Washington Trust Lands & Education Funding

As new states entered the union, Congress made land grants to those states to provide support for a variety of public institutions, principally public schools. The amount of land, the purpose for the lands and conditions for sale and use were embodied in an Enabling Act. The terms set by Congress, and outlined in the Enabling Act, were accepted by the state when the people ratified a state constitution that contained provisions guiding the state's use of these lands. Unlike public lands, state trust lands are publicly owned lands that are held in trust by the state for specifically designated beneficiaries. As trustees, the state Legislature has a fiduciary duty to manage the lands for the benefit of the beneficiaries of the trust grant. These lands are managed for a diverse range of uses to meet that responsibility – generating revenue for the designated beneficiaries, today and for future generations.

State Trust Lands in Washington



Light blue designates state trust land.

Due to sale activities for given trust lands, maps may not reflect the most current holdings of a given state trust land

Map: Sonoran Institute

There are approximately 2.2 million surface acres of trust land in Washington.¹ These acres include land that is managed for timber, agriculture, grazing and commercial uses. Much of Washington trust lands are held in large, contiguous parcels, distributed through out the state, although most of the agricultural lands are maintained in their original checkerboard distribution pattern (every Section 16 and 36 of each Township).

How are trust lands in Washington managed?



Photo: Matt Stout

Trust lands in Washington are managed by the Department of Natural Resources, which is overseen by a Commissioner of Public Lands.² The Department of Natural Resources statutorily consists of the Commissioner of Public Lands, the Board of Natural Resources and the Department of Natural Resources. The Board of Natural Resources is composed of six members: the Governor or the Governor's designee, the Superintendent of Public Instruction, the Commissioner of Public Lands, the Dean of the College of Forest Resources at the University of Washington, the Dean of the College of Agriculture, Human, and Natural Resource Sciences at Washington State University, and a representative of the counties that contain State Forest Board purchase or transfer forest lands.³

Among other things, the Board of Natural Resources is to establish policies to ensure all trust land and resources within the department's jurisdiction are managed, acquired or disposed of, using "sound principles" in order to "achieve the maximum effective development and use of such lands and resources."⁴ The Board is also responsible for appraisals, appeals, approvals, and hearing functions.

The Commissioner of Public Lands is a constitutionally established position and is a statewide elected official who serves four-year terms. The Commissioner of Public Lands is also the Administrator of the Department of Natural Resources and directs its day-to-day activities.⁵

The Department of Natural Resources (DNR), as the designated trust land manager, is responsible for the overall stewardship and management of Washington trust lands. This includes making the assets productive for current and future generations, generating revenue for the beneficiaries, and acting with an undivided loyalty to the beneficiaries. DNR's mission is to "provide professional, forward-looking stewardship of our state lands, natural resources, and environment and to provide leadership in creating a sustainable future for the trusts and all citizens."⁶

Who are the beneficiaries of trust lands in Washington?

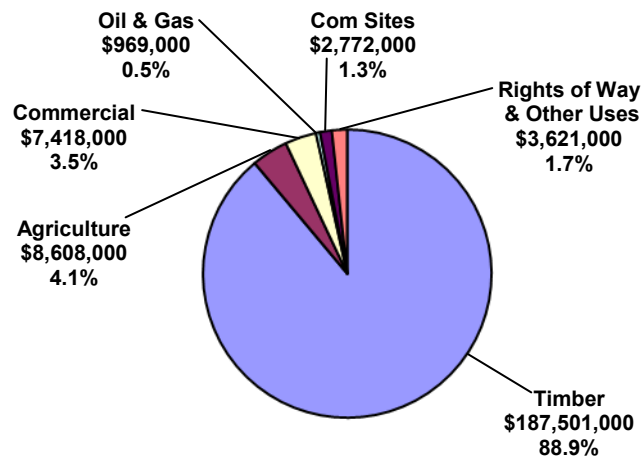
The beneficiaries of Washington's trust lands are enumerated in the state's Enabling Act and Constitution. They include Commons Schools, Washington State University, University of Washington, Normal Schools (Evergreen, Eastern, Western and Central Washington State universities), Charitable, Educational, Penal and Reformatory Institutions, the Capital Building Trust, and the citizens of the state. Through the Enabling Act, a specific acreage of land was endowed and is held in trust for each identified beneficiary. Revenues generated from those lands are deposited into designated accounts within the state Treasury. Guidance on use of these funds is derived from case law, the state Constitution, and state statute.

Washington Trust Land Beneficiary Funds and Acreage⁷

Fund	Beneficiary	Surface Acres in Fund	% Acres
Common Schools	Public Schools (K-12)	1,757,142	78.4%
Agricultural School Trust	Washington State University	71,336	3.2%
Scientific School Trust	Washington State University	82,433	3.7%
Normal School Trust	Western Washington University Central Washington University Eastern Washington University Evergreen State College	64,146	2.9%
University-Original Trust	University of Washington	2,893	0.1%
University-Transfer Trust	University of Washington	83,802	3.7%
Charitable, Educational, Penal and Reformatory Institutions Trust	Washington State Institutions	69,937	3.1%
Capitol Building Trust		109,003	4.9%
	Total	2,240,692	100.0%

Public schools received the largest endowment of land at statehood (2,424,075 acres) and still represent 78% of the trust land in Washington and receive the majority of the revenue generated by trust land in the state.⁸

How are revenues generated from trust lands?



Revenue Streams from Washington Trust Lands
For All Beneficiaries Combined, FY 2004⁹

DNR generates revenue from these lands in a number of ways. The three largest sources of revenues from trust lands in FY 2004 were timber harvests, agricultural and grazing leases, and commercial real estate leases. Since forest lands comprise a majority of the land base, revenues derived from timber harvests will continue to be major source of trust income.

While traditionally the biggest source of income for the beneficiaries has come from timber harvests, diversification of the land trust portfolio has resulted in increases in revenues from commercial real estate and agricultural leases.¹⁰ As allowed by the Legislature, DNR has slowly acquired or developed properties in industrial/business areas of the state. In addition, some of Washington's agricultural trust lands have been developed into prime vineyards. These lands, and other irrigated agricultural lands, are providing higher lease rates than other dry-land agricultural properties.

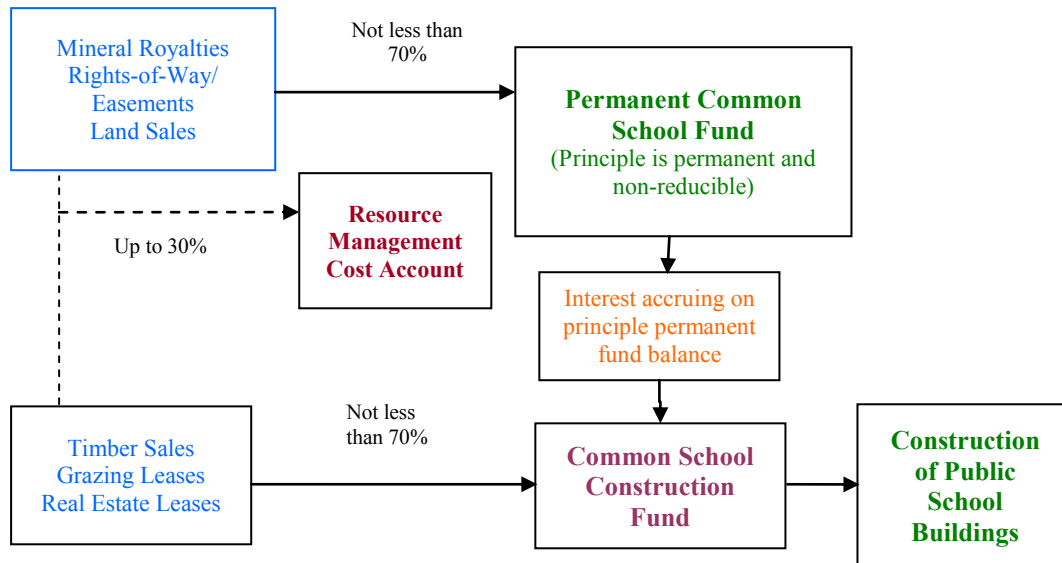
How does the revenue get to the beneficiaries?

An Asset Management Council, made up of key members of the department's state land divisions and executive management, provide management direction within the policies established by the Board of Natural Resources to diversify income streams from the various land classifications DNR manages. All monies received by DNR from trust land uses are deposited with the State Treasurer on a daily basis. The State Treasurer then disburses that revenue into the appropriate fund or accounts based upon requirements found in state law. In the case of Common Schools trust there is one account within the state general fund and one permanent fund into which proceeds are deposited. The account within the state general fund is called the Common School Construction Fund and the permanent fund is the Permanent Common School Fund. The Permanent Common School Fund receives net revenues from non-renewable sources such as permanent land sales, mineral royalties, and proceeds from the issuance of permanent rights-of-way or easements.¹¹ Proceeds from the sale of timber or crops, the interest accruing on the Permanent Common School Fund, and income from land rentals is deposited into the Common School Construction Fund.¹² The Common School Construction Fund is available for distribution to the public school system for construction purposes through the Superintendent of Public Instruction, once it is appropriated by the Legislature.¹³

The Common School Construction Account, the state's contribution to public school construction and remodeling, provides matching funds to districts for building new schools and major remodeling of existing schools. Districts must have the necessary funds for the project, primarily raised through a local bond or levy and then the match is determined through a formula that takes into account the district's projected enrollment and the district's current square foot allocation.¹⁴ Trust contributions account for anywhere from 36% to 56% of the state's contribution to public school construction budgets over the past ten years.¹⁵ The costs associated with the management of trust lands are paid for from a revolving account established by the legislature called the Resource Management Cost Account. The legislature, on a biennial basis, provides DNR with an allotment from this account that can only be used to make investments in the trust assets and to pay for costs associated with the management of the trust assets.¹⁶ By statute, a deduction up to 30% is allowed to be taken

from all monies received from all trusts except those covered by the Morrell Act (Agriculture College Trust).¹⁷ It is the responsibility of the Board of Natural Resources to determine the deduction allowed to be taken for management purposes. DNR expenditures from the RMCA for 2004 were \$32,499,000, while receipts were \$31,018,000. The RMCA fund balance as of June 30, 2004 was \$12,470,000, approximately a three month operating balance for state trust land management and administration.

Common School Trust Revenue Distribution Chart¹⁸



Public schools in Washington receive funding from a combination of federal, state and local funds. State funding provides more than half – 55.6% - of total education funding, and of the state’s portion, trust land revenues make up approximately 1.4% of that amount.

FY 2003 Public School Funding Source Diagram¹⁹

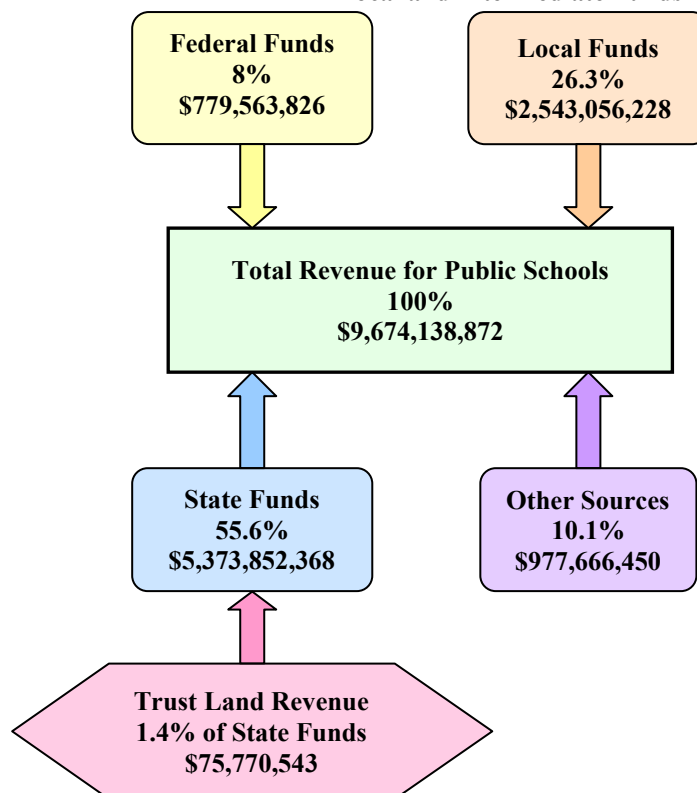




Photo: Alden Boetsch

Trust land revenues play a consistent role in the overall funding of public school construction in Washington and contribute between a third to over half of the state's School Construction Budget established by the Superintendent of Public Instruction on a biannual basis.²⁰

Sources:

- ¹ Data provided by Margaret Pilaro Barrette, Constituent Relations Manager, Washington State Department of Natural Resources, Personal Communication, 2006.
- ² Revised Code of Washington § 43.30.105 and § 43.30.421.
- ³ Revised Code of Washington § 43.30.205.
- ⁴ Revised Code of Washington § 43.30.215.
- ⁵ Revised Code of Washington § 43.12.010 and § 43.30.105.
- ⁶ Washington State Department of Natural Resources, About Us, website, <http://www.dnr.wa.gov/base/aboutdnr.html>.
- ⁷ Data provided by Margaret Pilaro Barrette, from Lands Managed by the Department of Natural Resources, July 1, 2006 Brochure.
- ⁸ Ibid.
- ⁹ Washington State Department of Natural Resources, Annual Report 2003-2004.
- ¹⁰ Data provided by Margaret Pilaro Barrette, Constituent Relations Manager, Washington State Department of Natural Resources, Personal Communication, 2006.
- ¹¹ Washington Constitution Article IX § 3 and Revised Code of Washington § 28A.515.300.
- ¹² Washington Constitution Article IX § 3 and Revised Code of Washington § 28A.515.320.
- ¹³ Revised Code of Washington § 28A.525.162.
- ¹⁴ Gordon Beck, Acting Director, School Facilities and Organization, Office of the Superintendent of Public Instruction, Personal Communication, 2007.
- ¹⁵ Office of the Superintendent of Public Instruction 2007-09 Biennial Capital Budget Request.
- ¹⁶ Revised Code of Washington § 79.64.010.
- ¹⁷ Revised Code of Washington § 79.62.040.
- ¹⁸ Developed with information from Washington Department of Natural Resources, Constitution and Statutes.
- ¹⁹ FY 2003 data from National Center for Education Statistics (NCES) with the exception of the Trust Land Revenue data which was provided by DNR (Barrette, 2006). "Other Sources" is defined as "Revenue from bond principal and premiums, sale of school property, or compensation from loss of fixed assets." NCES Database, Glossary, <http://nces.ed.gov/ccd/bat/Glossary.Asp?letter=O>.
- ²⁰ State of Washington Legislative Evaluation and Accountability Program Committee, Legislative Budget Notes, Biennium 1997 - 2005.

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