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January 13, 2016

TO: The Honorable Jim Honeyford, Capital Budget Chair
The Honorable Karen Keiser, Ranking Member, Capital Budget
Senate Ways & Means Committee

The Honorable Steve Tharinger, Chair
The Honorable Richard DeBolt, Ranking Member
House Capital Budget Committee

FROM: David Schumacher 
Director

**SUBJECT: COORDINATED AGENCY RESPONSE TO JLARC FINAL REPORT ON
STATE RECREATION AND HABITAT LANDS**

As suggested by the Joint Legislative Audit and Review Committee (JLARC) in its final report on *State Recreation and Habitat Lands*, I am transmitting a coordinated agency response regarding costs related to recreation and habitat land acquisitions. This report was prepared in collaboration with the Parks and Recreation Commission, Department of Natural Resources, Department of Fish and Wildlife, Recreation and Conservation Office, and the Office of Financial Management.

If you have any questions, please contact Nona Snell, Senior Capital Budget Assistant for the Office of Financial Management, at (360) 902-0562.

cc: Keenan Konopaski, Legislative Auditor, JLARC
Charlie Gavigan, House Appropriations Committee
Meg Van Schoorl, House Capital Budget Coordinator
Bryon Moore, Senate Ways and Means Committee
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State Agency Response to JLARC Final Report: State Recreation and Habitat Lands (issued July 1, 2015)

The July 2015 [Joint Legislative Audit and Review Committee \(JLARC\) report](#), State Recreation and Habitat Lands, made the following recommendations to more clearly identify the costs of land acquisitions:

1. State Parks, Department of Natural Resources (DNR), Department of Fish and Wildlife (WDFW), Recreation and Conservation Office (RCO), and the Office of Financial Management (OFM) should develop a single, easily accessible source for information about proposed recreation and habitat land acquisitions, including detailed outcomes and future costs, including:
 - a. Details about acquisition and funding
 - b. Acquisitions linked to plans and detailed outcomes
 - c. Future costs identified to achieve and maintain detailed outcomes
2. OFM should develop guidelines that standardize cost estimates and should address:
 - a. The number of biennia that estimates must cover
 - b. The types of expenses to be included in the estimates
3. OFM should develop a process to reconcile estimated costs with actual expenditures.

JLARC also recommended that the five agencies report to the Legislature by Jan. 1, 2016, on “a proposal outlining how the recommendations will be implemented and the estimates of any associated costs.” This coordinated agency response provides the follow-up information requested.

1. Single, Easily Accessible Source of Information

Three options are presented for potential ways to develop a more integrated system for reporting information about proposed state land acquisitions. They range in cost, the ability to search information and how the data are collected.

The 2015 JLARC report on state recreation and habitat lands stated: *The Legislature would benefit from additional information about detailed outcomes and future costs of recreation and habitat lands when considering funding requests.*

JLARC’s recommendation is that the five agencies that currently report information to the Legislature about recreation and habitat land acquisitions (WDFW, DNR, RCO, State Parks, OFM) should develop a single, easily accessible source for information on proposed acquisitions. JLARC also recommends agencies establish guidelines and reporting protocols to improve the consistency of information provided to the Legislature.

Option 1. Revise the Habitat and Recreation Lands Coordinating Group (Lands Group) forecast and monitoring reports to include additional information.

As a first step in developing such a standardized information source, the five agencies identified the information on public land acquisitions now provided in the Lands Group’s Biennial State Land Acquisition Forecast Report¹ and Biennial State Land Acquisition Performance Monitoring Report².

¹ <http://www.rco.wa.gov/documents/hrlcg/2014ForecastReport.pdf>

² <http://www.rco.wa.gov/documents/hrlcg/2014StateLandAcquisitionMonitoringReport.pdf>

The Lands Group reports fill some of the acquisition information needs identified by JLARC (Table 1).

Table 1. The acquisition information needs identified by JLARC currently provided to the Legislature in Lands Group reports

| Acquisition Information Need Identified by JLARC | Lands Group Forecast Report | Lands Group Monitoring Report |
|---|-----------------------------|-------------------------------|
| Location | X | X |
| Acreage | X | X |
| Current use | | |
| Initial cost | X | X |
| Fund sources | X | X |
| Link to agency management unit plan(s) | X | |
| Detailed outcomes for the property and management unit | | |
| Description of agency progress toward achieving detailed outcomes | | |
| Anticipated costs | | |

The following acquisition information was identified by JLARC and is not currently provided to the Legislature through the Lands Group forecast and/or monitoring reports:

- **Current use.**
- **Link to agency management unit plan(s).** Information on the project’s ties to greater planning efforts is provided in the Lands Group forecast report, but not in such a way as to explain why the project is a strategic investment for the agency. JLARC recommends that the planning link information include additional information, such as:
 - » How the acquisition relates to the agency’s ownership and its plans for an entire management unit.
 - » The detailed outcomes for the property and entire management unit.
 - » The agency process toward achieving the detailed outcomes.
 - » How the acquisition helps achieve those outcomes.
- **Detailed outcomes for the property and management unit.** Project goals are identified in general terms (e.g., healthy fish and wildlife, sustainable outdoor experience), but not quantified or described in measurable terms. JLARC recommends that the goals of the acquisition include more details on outcomes — what they are and how the acquisition will achieve them. JLARC recommends the agencies report the following detailed outcomes:
 - » Specific development plans
 - » Service improvements
 - » Staffing levels
 - » Habitat restoration needs
- **Description of agency progress toward achieving detailed outcomes.**
- **Anticipated costs.** JLARC recommends OFM develop guidelines that include, at a minimum, the number of biennia estimates must cover and the types of expenses to be included. The following cost estimate breakdowns are recommended by JLARC:
 - » Estimate of future capital costs for the property and management unit.
 - » Estimate of future operating costs for the property and management unit.
 - » Estimate of future maintenance costs by property and management unit.
 - » Explanation of how the proposed acquisition affects estimated costs for the management unit.

As a no-cost option to incorporate the new information in the Lands Group’s forecast and monitoring reports, we propose the revised report format (forecast report version shown below) be adopted for all future reports (See Figure 1). Agencies have absorbed the staff time to prepare monitoring reports and forum presentations, which has been considerable, depending on the number of proposals. It will be difficult to expand that workload without affecting timelines for other agency priority work.

Figure 1. Revised template for the Habitat and Recreation Lands Coordinating Group Forecast Report. New information as requested by JLARC is shown in red.

| Project Name and Year | | 5 | | | | | | | | | | |
|--|---|---|----------------|-------------------------|---------------------|---------------------------|--------------------------|---|--------------------|---|--------------|--|
| Agency | Department of Natural Resources | <table border="1"> <tr><td>Proposed Acres</td></tr> <tr><td>Proposed Funding Source</td></tr> <tr><td>Type of Acquisition</td></tr> <tr><td>Proposed Acquisition Cost</td></tr> <tr> <td>Anticipated Future Costs</td> <td> Include the following estimates per OFM guidance: <ul style="list-style-type: none"> • Future capital costs for the property. • Future operating costs for the property. • Future maintenance costs for the property. • Additional costs incurred to the management unit from the addition of the property. </td> </tr> <tr> <td>Revenue Generation</td> <td>Describe any relevant method of revenue generation and estimated annual amount.</td> </tr> <tr> <td>Partnerships</td> <td>List Partners and what partnerships will contribute to the long-term success of the project.</td> </tr> </table> | Proposed Acres | Proposed Funding Source | Type of Acquisition | Proposed Acquisition Cost | Anticipated Future Costs | Include the following estimates per OFM guidance: <ul style="list-style-type: none"> • Future capital costs for the property. • Future operating costs for the property. • Future maintenance costs for the property. • Additional costs incurred to the management unit from the addition of the property. | Revenue Generation | Describe any relevant method of revenue generation and estimated annual amount. | Partnerships | List Partners and what partnerships will contribute to the long-term success of the project. |
| Proposed Acres | | | | | | | | | | | | |
| Proposed Funding Source | | | | | | | | | | | | |
| Type of Acquisition | | | | | | | | | | | | |
| Proposed Acquisition Cost | | | | | | | | | | | | |
| Anticipated Future Costs | Include the following estimates per OFM guidance: <ul style="list-style-type: none"> • Future capital costs for the property. • Future operating costs for the property. • Future maintenance costs for the property. • Additional costs incurred to the management unit from the addition of the property. | | | | | | | | | | | |
| Revenue Generation | Describe any relevant method of revenue generation and estimated annual amount. | | | | | | | | | | | |
| Partnerships | List Partners and what partnerships will contribute to the long-term success of the project. | | | | | | | | | | | |
| Proposed Project Description and Purpose | Describe the project and what the significance is to the bigger picture. | | | | | | | | | | | |
| Current Use | Describe how the property is currently being used. | | | | | | | | | | | |
| Location | Description of location | | | | | | | | | | | |
| Legislative District | # | | | | | | | | | | | |
| Planning Link | How does the acquisition relate to the agency’s current ownership and its plans for an entire management unit? What are the outcomes for the entire management unit and how will the acquisition contribute to achieve those outcomes? Explain how the project is a strategic investment for the agency. | | | | | | | | | | | |
| Project Outcomes | Describe the anticipated outcomes of the acquisition in detail, including specific development plans, service improvements, staffing levels, habitat restoration needs, and projected accomplishments (e.g., recreational opportunities for XX community, population enhancement of XX sensitive species) | | | | | | | | | | | |
| Current Progress on Outcomes | Describe the agency’s current progress towards achieving the detailed outcomes as explained above. | | | | | | | | | | | |

NAME OF COUNTY PROPOSED ACQUISITION

Option 2: Modify the public lands inventory to allow for the Lands Group’s forecast and monitoring reports to be linked to individual parcels. This option would link shape files in the inventory with the corresponding information in the forecast and monitoring reports. It would include the ability to store and link to these and other relevant documents. Option 1 does not create a mechanism for state agencies to keep their information up to date as that information will still need to be gathered and synthesized in the RCO report. Option 2 would provide a “bare minimum” systems update that would enable building the linkage among forecast and monitoring reports generated by the Lands Group and minimally expand the reporting capabilities of the inventory application. (For more details, see the attached description and cost estimate from the contractor who developed the inventory.)

Option 3: Expand the public lands inventory so the state agencies directly update their ownership data and other information described above. This option provides a data entry interface so state

agencies can enter and review their forecast and monitoring reports, which ensures that the inventory framework stays relevant and useful. Option 3 also includes enhanced reporting of forecast and monitoring information and the ability to view/sort data as needed. Partnering agencies will be able to log in and update their ownership information as it changes through a “partnering agency data input portal.” Once the mechanism for updating the data has been constructed, the reporting capabilities will be expanded to allow end users to generate and print their own ownership reports by geographic boundaries and data ranges. The land information data input screens will capture the necessary information to meet the reporting needs below. Additional information requested by JLARC will be included, such as detailed outcomes from the property and entire management unit, current use and anticipated future costs. (For more information on this option, see the attached description and cost estimate from the contractor who developed the inventory.)

Note: The cost estimates provided are those associated with modifying the public lands inventory for Option 2 and 3. None of the options includes costs associated with agency collection and reporting of data, administration of the inventory, or the partnering agencies’ involvement in developing or enhancing the inventory. Those cost estimates would need to be developed following legislative direction on which option to pursue.

2. Guidelines to Standardize Land Acquisition Cost Estimates

In its recommendation that OFM develop guidelines to standardize land acquisition cost estimates, JLARC identified two elements: 1) the number of biennia that estimates must cover, and 2) the types of expenses to be included in the estimates.

For the purpose of estimating future costs, a period of 10 years will provide the basis for determining which ongoing costs may be based on the usage of an inflationary factor. Ten years should be a long enough time frame for the majority of acquisitions.

Guidelines for standard land acquisition and future cost estimates of owning land will be based on categories of varied costs that state agencies pay when acquiring land. Currently, the three agencies (Parks, DNR and WDFW) that incur ongoing operating and maintenance land acquisition costs use different methods and naming conventions when accounting for costs. OFM will standardize costs based on the following categories:

1. Capital cost of acquiring the property including transaction/closing costs/other eligible expenses (weed control, fencing, signage).
2. Operating cost of owning and maintaining land and buildings (immediate costs).
3. Capital cost of improving/restoring property for the intended use (fencing, weed control, signage).
4. Operating and maintenance cost of land and buildings (future costs).
5. Property assessments (payment in lieu of taxes, local improvement districts, stormwater).

(See Appendix A for a matrix of the categories with additional detail.)

Standardized Costs Methodology

1. To standardize costs, OFM will collect past and current cost information, using the categories listed above, on earlier land acquisitions.
2. OFM will determine ranges of costs by category based on past and future costs:
 - a. Actual costs of land acquisitions.
 - b. Actual costs of operations and maintenance on those properties.
 - c. Estimates of future costs of developing, operating and maintaining those properties.

Although 10 years is recommended as a standard for cost estimating, OFM will continue to review cost guidelines to be sure the cost ranges and categories are accurately reflected by agencies and OFM standards.

Today, agencies find it difficult to collect and report costs by the standard categories because the accounting methods they use differ from each other and from OFM's recommendation for standardized costs. Once a property has been acquired, agencies then budget ongoing operation and maintenance costs by management unit rather than by a specific acquisition. For instance, WDFW manages 33 wildlife areas, each with a management plan. Costs for new properties acquired are then budgeted as part of the entire wildlife area. Staff does not track expenditures by property, only by the wildlife area served. Depending on the level of detail collected for each property, reconfiguring systems and/or budget allotments to track expenditures to this detailed level could be expensive.

3. OFM Should Develop a Process to Reconcile Estimated Costs with Actual Expenditures

JLARC recommends that OFM develop a process to reconcile estimated operating and maintenance costs with actual expenditures. Reconciling actual operating and maintenance costs to estimated costs on a project-by-project basis is extremely difficult, given how agencies budget costs and the limitations of the state accounting system. Because agency land acquisitions and development projects are often part of an existing ownership, agencies do not track expenditures for new additions separately from the original ownership. And because agencies often manage lands on a regional or subregional basis, they do not necessarily account for costs by individual property.

The most successful way to reconcile estimated costs with actual expenditures would be for OFM and agencies to review and compare actual expenditures with estimated costs for selected projects that have strong expenditure data. This could be done on a six-year cycle and then be used by OFM to inform future operating and maintenance cost estimates as recommended in the JLARC report.

Appendix A

The table below outlines information OFM will gather from agencies that will be used as the basis for land acquisition cost ranges and estimates guidelines.

| Category | Description, Uses and Caveats |
|--|--|
| 1. Basic land information to be acquired | |
| <ul style="list-style-type: none"> ▪ Purchase and legal description ▪ Land location (nearest town or city; county) ▪ Current land-use category ▪ Desired or intended use plan after acquisition ▪ Estimated closeout date ▪ Land statistics (gross acre, land cost per acre) | <p>Current land-use category includes critical habitats, natural areas, donations, inholding, state and trust lands, trails, water access, urban wildlife, farmland, riparian areas.</p> <p>Desired or intended use after acquisition may be similar to the current land-use category. This plan may be set in stages or phases to achieve acquisition intent.</p> |
| 2. Land classifications or planned use intensity | |
| <ul style="list-style-type: none"> ▪ Low intensity <ul style="list-style-type: none"> › Natural area preserve › Natural forest area › Natural area ▪ Medium intensity <ul style="list-style-type: none"> › Resource recreation area ▪ High intensity <ul style="list-style-type: none"> › Recreation area › Heritage area (cultural/historic uses) | <p>Agencies establish “planned use” intensity or impact of the desired purpose at time of land acquisition.</p> |
| 3. Costs associated with land acquisition transactions | |
| <ul style="list-style-type: none"> ▪ Operating cost and staffing ▪ Other | <p>Agencies employ staff to process and conduct legal transactions relevant to the land purchase. Cost for agency staff should be estimated and incorporated in total acquisition costs. Agencies must identify these staff members and their anticipated FTE and supporting expenditures.</p> |
| 4. Capital cost of acquiring the property including transaction/closing costs | |
| <p>Expenditures for the acquisition of land, whether obtained by purchase, donations or by condemnation under the applicable eminent domain laws of the state of Washington, including expenses directly and necessarily related to such purchase or condemnation.</p> | <p>Land purchases must be consistent with adopted plans or other formal agency strategic direction.</p> <p>Cost of existing structures that improve the real property, such as buildings, facilities, roads, parking areas and bridges.</p> |

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| <p>Costs may include:</p> <ul style="list-style-type: none"> ▪ Land/property ▪ Existing structures ▪ Environmental review ▪ Appraisal fees ▪ Title reports ▪ Excise fees closing costs <p>The cost to improve the property, such as fencing, weed control, signage, landscaping.</p> <p>Site improvement projects not part of a larger capital development project outlay</p> <ul style="list-style-type: none"> ▪ Demolition of buildings and structures ▪ Removal of trees and plant material <p>Clearing of land or demolition of vacant buildings.</p> | <p>Includes expenditures for the reconstruction or preservation improvement of existing buildings or structures on the land.</p> <p>Normal maintenance and costs associated with routine janitorial activities and day-to-day upkeep are not considered capital cost improvements and should be included in other relevant categories.</p> <p>Grading, rerouting of utilities and erosion control may be financed when they precede a planned capital development outlays project to be undertaken on the same site.</p> |
| <p>5. Operating cost of owning and maintaining land and building (immediate costs)</p> | |
| <p>Expenditures necessary to maintain and operate the land and other capital development outlays include:</p> <ul style="list-style-type: none"> ▪ Staffing costs ▪ Agency administrative costs ▪ Weed control ▪ Fire fuel control ▪ Forest health treatment ▪ Utilities (water, sewer, garbage) ▪ Energy (electricity, natural gas) ▪ Janitorial services ▪ Rolling stock and grounds equipment ▪ Building maintenance and repair (painting, insulating) ▪ Other (trail maintenance) | |
| <p>6. Capital cost of developing land, including restoration, necessary to achieve land intended use</p> | |
| <p>Costs related to the construction, extension, replacement, reconstruction or upgrading to meet the intended use plan of the land:</p> <ul style="list-style-type: none"> ▪ Eligible capital expenses (architecture and engineering, environmental review, permitting, project management, construction supervision, agency indirect expenses) ▪ Treatment of historic structures and features ▪ Day-use facilities ▪ Picnic shelters ▪ Entrance road | <p>Capital facilities and landscape restoration costs necessary to achieve the site's intended recreation and conservation purpose.</p> |

| | |
|---|--|
| <ul style="list-style-type: none"> ▪ Vehicular/pedestrian/bicycle access ▪ Day-use parking ▪ Trail developments ▪ Comfort stations/vault toilets ▪ Campground ▪ Cabins/yurts ▪ Meeting facilities ▪ Concession structures ▪ Landscaping ▪ Utility systems (water, sewer, power, communications) ▪ Administrative facilities (office, maintenance shop) ▪ Demolition ▪ Renovation ▪ Restoration ▪ Deconstruction ▪ Right-of-way purchase ▪ Boating facilities (ramps, piers, floats, buoys) ▪ Beach/water access areas | |
|---|--|

7. Operating and maintenance cost of land and building (future costs, after intended use development)

| | |
|--|--|
| <ul style="list-style-type: none"> ▪ Costs to operate and maintain the land and buildings after full development: ▪ Staffing costs ▪ Agency administrative costs ▪ Office supplies and equipment ▪ Utilities (water, sewer, garbage) ▪ Energy (electricity, natural gas) ▪ Rolling stock and grounds equipment ▪ Building maintenance and repair (painting, insulating) ▪ Telecom ▪ Drinking water system management ▪ Other: incidental (signs, access control, litter pickup) ▪ Sewer and septic systems maintenance ▪ Routine janitorial activities and day-to-day upkeep ▪ Clearing of land ▪ Repairing vandalism or cleaning ▪ Minor carpentry work and other building maintenance activities ▪ Weed control, lake management, other assessments ▪ Grounds maintenance ▪ Tools/equipment ▪ Road maintenance and abandonment | |
|--|--|

| | |
|---|--|
| <ul style="list-style-type: none"> ▪ Fence maintenance ▪ Forest management (arborist work, thinning) ▪ Access management ▪ Resource management ▪ Water distribution system operation ▪ Sewer system operation ▪ Electric power distribution system operation ▪ Trail/walkway/bridge maintenance ▪ Law enforcement ▪ Natural/cultural resource interpretation and education ▪ | |
| 8. Other Property Assessments | |
| <ul style="list-style-type: none"> ▪ Payment in lieu of taxes ▪ Fire assessment ▪ Local improvement district assessments ▪ Noxious weed assessment ▪ Lake district management assessment ▪ Stormwater assessment ▪ Road association assessment | |