

Proposed Substitute House Bill 1789 (H-1356.1)

House Agriculture & Natural Resources Committee

By Representative Kretz

Original Bill:

An act relating to expanding revenue generation and economic opportunities from natural climate solutions and ecosystem services.

Proposed Substitute House Bill (H-1356.1) compared to the Original Bill:

- Provides that ecosystem service projects must result in no net decrease in agricultural production for agricultural lands and no net decrease in the decadal sustainable harvest volume and operable forestland acres on state lands and state forestlands within the sustainable harvest unit.
- Provides that ecosystem service projects must result in a net increase in future sustainable harvest volume on forested state trust lands within the sustainable harvest unit.
- Provides that any payment for an ecosystem services project, contract, or agreement may not limit or impair the exercise of tribal treaty and reserved rights, existing tribal access to lands managed by the Department of Natural Resources (DNR), or pre-existing agreements between tribes and the DNR.
- Removes the ability of the Board of Natural Resources to transfer the authority to approve of contracts to the Commissioner of Public Lands.
- Requires the DNR to submit a report to the Legislature and the Office of Financial Management by December 1, 2024, that includes: (1) information on payment for ecosystem service projects entered into or committed to by the department, including type of projects, the number of acres involved, and projected revenues; and (2) any challenges or barriers encountered by the department in the process of attempting to implement carbon offset or payment for ecosystem service projects and recommendations to address those challenges and barriers.
- Defines "No net decrease in agricultural production," "no net decrease in decadal sustainable harvest volume," and "net increase in future sustainable harvest volume."
- Updates the intent section incorporating reference to trust beneficiaries, agriculture and forest production, carbon stored in built environment in wood products, and consultation with impacted stakeholders.
- Makes clarifying and technical changes.

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1 AN ACT Relating to expanding revenue generation and economic
2 opportunities from natural climate solutions and ecosystem services;
3 amending RCW 79.02.010 and 79.105.150; reenacting and amending RCW
4 79.64.110 and 79.22.050; and adding a new chapter to Title 79 RCW.

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF WASHINGTON:

6 NEW SECTION. **Sec. 1.** (1) The legislature finds that there are
7 myriad ways for the department to generate revenue from state lands
8 for the benefit of its beneficiaries and the state. The legislature
9 recognizes that it is in the best interest of the trust beneficiaries
10 and the state to increase revenue opportunities, diversify the trust
11 asset portfolio, and reduce costs. As new markets emerge, the
12 department should be enabled to take full advantage of opportunities
13 to diversify and grow revenue streams for beneficiaries and the
14 state, while also reducing costs.

15 (2) The legislature finds that the trust land performance
16 assessment, completed pursuant to section 7015, chapter 298, Laws of
17 2018, recommends exploring opportunities to diversify funding streams
18 for revenue generation, including utilizing carbon markets, as well
19 as other ways to monetize ecosystem services for the beneficiaries
20 and the state. The legislature further finds that the climate
21 commitment act, which established a cap and invest program under

1 chapter 70A.65 RCW, makes Washington state a leader in climate policy
2 and, through the codification of carbon offset projects, creates a
3 new way for revenue to be generated from lands and waters in the
4 state. The legislature intends that the carbon offset projects
5 established for this program benefit the people of Washington by
6 being located on Washington lands and waters to the extent possible,
7 rather than outside the state. To accomplish this, the department
8 seeks the authority to sell carbon offset credits directly under the
9 rules of the Washington state cap and invest program. Accordingly,
10 the legislature intends to provide the department the necessary
11 authority to create carbon offset projects under the cap and invest
12 program.

13 (3) The legislature finds that as the manager of nearly 6,000,000
14 acres of lands and waters, the department is well-suited to take
15 actions that increase carbon sequestration and storage, generate
16 revenue from those actions through carbon offset projects, and
17 provide additional benefits including reforestation, forest health
18 restoration, afforestation, air and water purification, habitat
19 creation, temperature regulation, stormwater management, and disaster
20 mitigation.

21 (4) The legislature further finds that the department manages
22 approximately 3,000,000 acres of state lands and state forestlands
23 for various trusts that provide significant revenues for
24 beneficiaries. The revenues derived from trust lands are critical for
25 the trust beneficiaries to provide services, and those revenues
26 should be maintained and increased over time, while acknowledging
27 fluctuating market dynamics in all businesses. The trust lands
28 managed by the department produce revenue through various means,
29 including agriculture uses and commercial timber harvest, that
30 provide additional societal benefits for residents, such as access to
31 local food products, and forest products that store carbon in the
32 built environment.

33 (5) Trust lands managed by the department for agricultural and
34 timber harvest also provide jobs and direct, indirect, and induced
35 economic benefits, especially for rural communities. The loss of
36 agricultural and forestlands is a major obstacle in the continued
37 survival, competitiveness, and economic contribution of Washington
38 state's agricultural-based and forest-based industries, and therefore
39 the local and rural economies they support. Additionally, maintaining
40 agricultural lands and healthy managed forests is critical to

1 maintaining infrastructure to ensure continued agricultural and
2 timber production in Washington state and the carbon benefits these
3 lands provide.

4 (6) The legislature further finds that private industry is
5 leading the way by entering carbon markets and that the department
6 should have similar authority as private industry to enter carbon
7 markets and payment for ecosystem service projects on state lands to
8 generate revenue and reduce costs for beneficiaries and the state.

9 (7) Additionally, the legislature finds that by granting the
10 department direct authority to enter payment for ecosystem service
11 markets on public lands, including through contracts with payment for
12 ecosystem service project developers or brokers, the department will
13 be able to create additional revenue streams to complement existing
14 traditional revenue streams thereby reducing costs for beneficiaries
15 and the state. Opportunities include projects in which the department
16 would be able to generate revenue through the reforestation of
17 certain postwildfire areas that otherwise would not have been
18 replanted. These areas will regenerate more quickly and robustly than
19 had they not been replanted, which will result in more revenue for
20 beneficiaries from future harvests.

21 (8) The legislature also finds that forest health treatments that
22 increase the resilience of Washington forests to wildfire may be
23 eligible for carbon offset projects, thus creating a new source of
24 funding for those treatments, reducing the costs to the state or
25 beneficiaries by generating new revenue sources.

26 (9) The legislature further finds that areas that have been
27 transferred out of trust status into natural areas or natural
28 resource conservation areas may be eligible for carbon offset
29 projects or other payment for ecosystem service projects, which would
30 create a new revenue stream from lands that otherwise would not
31 generate revenue and that the department currently incurs a cost to
32 maintain.

33 (10) The legislature additionally finds that the department could
34 acquire working forestlands at risk of conversion and generate
35 revenue for beneficiaries and for the state both through carbon
36 offset projects having prevented the forestland from likely
37 converting to nonforestland, and additionally through future harvests
38 on those acquired forestlands.

39 (11) The legislature finds that similar opportunities exist in
40 aquatic lands for kelp and eelgrass conservation and restoration

1 projects that reduce conservation and restoration costs to the state
2 and help to generate revenue for the aquatic lands enhancement
3 account that funds salmon habitat improvements.

4 (12) Therefore, the legislature intends to establish the direct
5 authority for the department to generate revenue on its lands and
6 waters through payment for ecosystem service projects, including
7 through contracts with payment for ecosystem service project
8 developers or brokers, while clearly establishing and maintaining the
9 oversight authority of the board of natural resources, and the trust
10 beneficiaries through their representatives on the board of natural
11 resources, for all contracts for ecosystem services on state trust
12 lands. This includes, but is not limited to, carbon offset projects.

13 (13) It is also the intent of this act that the department
14 consider the development and marketing of carbon offset projects and
15 associated ecosystem services as added value opportunities on state
16 trust lands and that such projects are not to be used to replace
17 agricultural, commercial timber harvest, and other revenue-producing
18 activities on state trust lands. At no time is the sustainable
19 harvest to be reduced or replaced on state forestlands in favor of
20 carbon offset or payment for ecosystem service projects without the
21 consent of the beneficiaries.

22 (14) It is also the intent of this act that carbon offset or
23 ecosystem service projects implemented by the department on state
24 trust lands result in no net decrease of agricultural production for
25 agricultural lands and no net decrease in the decadal sustainable
26 harvest volume and operable forestland acres on state lands and state
27 forestlands within the sustainable harvest unit, and that they result
28 in a net increase in future sustainable harvest volume on forested
29 state trust lands within the sustainable harvest unit.

30 NEW SECTION. **Sec. 2.** The definitions in this section apply
31 throughout this chapter unless the context clearly requires
32 otherwise.

33 (1) "Carbon offset credit" means one metric ton of carbon dioxide
34 equivalent removed from the atmosphere or prevented from being
35 emitted into the atmosphere as a result of a carbon offset project
36 and within a carbon market transaction.

37 (2) "Carbon offset project" has the same meaning as "offset
38 project" as defined in RCW 70A.65.010.

1 (3) "Ecosystem service credit" means a predetermined and
2 standardized unit that represents a measurable ecosystem service
3 provided in the context of a payment for an ecosystem service
4 project.

5 (4) "Ecosystem service marketplace" has the same meaning as
6 "ecosystem services market" as defined in RCW 76.09.020.

7 (5) "Ecosystem service project broker" means an entity that
8 facilitates the process of matching ecosystem service providers and
9 purchasers of ecosystem service project credits. An ecosystem service
10 project broker may sell or procure credits on their clients' behalf
11 and provide financing and marketing expertise. Ecosystem service
12 project brokers may also act as ecosystem service project developers.

13 (6) "Ecosystem service project developer" means an entity that
14 sources and initiates ecosystem service projects on behalf of the
15 ecosystem service provider including, but not limited to, by working
16 with ecosystem service project standards and verification bodies,
17 bearing financial risks of projects, and working with a network of
18 distributors and retailers to deliver auditable ecosystem service
19 project credits to a marketplace. An ecosystem service project
20 developer may also act as an ecosystem service project broker.

21 (7)(a) "Ecosystem services" has the same meaning as defined in
22 RCW 76.09.020.

23 (b) Examples of ecosystem services include, but are not limited
24 to, carbon sequestration and storage, air and water filtration,
25 climate stabilization, and disturbance mitigation.

26 (8) "Payment for ecosystem service project" means a transaction
27 within an ecosystem service marketplace that transfers financial
28 incentives to ecosystem service providers that are conditional on the
29 provision of the service. Project types include, but are not limited
30 to, carbon offset projects.

31 NEW SECTION. **Sec. 3.** (1) The department is authorized to enter
32 into contracts for payment for ecosystem service projects on public
33 lands on terms and conditions acceptable to the department and
34 approved by the board of natural resources for the purpose of
35 generating additional revenue by providing ecosystem services that
36 directly or indirectly benefit humans or enhance social welfare. Any
37 ecosystem service projects on state lands and state forestlands for
38 which the department enters into a contract must result in no net
39 decrease in agricultural production for agricultural lands and no net

1 decrease in the decadal sustainable harvest volume and operable
2 forestland acres on state lands and state forestlands within the
3 sustainable harvest unit. Ecosystem service projects must also result
4 in a net increase in future sustainable harvest volume on forested
5 state trust lands within the sustainable harvest unit. The contract
6 must increase the revenue to beneficiaries relative to the revenue
7 that would have been generated on that parcel in the absence of the
8 payment for ecosystem service project over the contract term. The
9 contract term may last for a period of up to 125 years. Proceeds from
10 contracts for ecosystem services must be deposited into the
11 appropriate account in the state treasury.

12 (2) The department may enter into payment for ecosystem service
13 projects on all public lands managed by the department, as long as
14 the projects are consistent with the department's ability to manage
15 the public lands for agriculture and commercial timber harvest and
16 ensure the department meets its fiduciary responsibility to the
17 state's trust beneficiaries. Ecosystem service projects must not
18 prevent the department from managing state lands and state
19 forestlands for sustained yield as required by RCW 79.10.310, impede
20 the setting of the sustainable harvest level as required by RCW
21 79.10.320, prevent the department from harvesting timber to achieve
22 the sustainable harvest level, result in a net decrease in
23 agricultural production, or result in a net decrease in the decadal
24 sustainable harvest volume and operable forestland acres on state
25 lands and state forestlands within the sustainable harvest unit. Any
26 ecosystem service projects proposed on state forestlands that may
27 limit the department's ability to manage state forestlands for
28 agriculture, commercial timber harvest, or other uses that generate
29 revenue for beneficiaries, may only be entered into with the consent
30 of the affected beneficiaries.

31 (3) The department may:

32 (a) Directly offer for sale ecosystem service credits with
33 established compliance or voluntary ecosystem service marketplaces;

34 (b) Enter into contracts with ecosystem service project
35 developers or brokers, through public auction or by direct
36 negotiation, to bring ecosystem service credits to market. Contracts
37 for ecosystem services are subject to rules adopted by the board.

38 (4) Notice of intent to contract by negotiation must be published
39 on the department's website. The notice must be published within the
40 90 days preceding commencement of negotiations.

1 (5) The department is authorized to conduct any additional
2 advertising that it determines to be in the best interest of the
3 state.

4 (6) The department may enter into contracts or agreements with
5 third-party ecosystem service project developers or brokers for
6 purposes that include, but are not limited to, determining the
7 feasibility of entering into a contract for a payment for an
8 ecosystem service project, establishing a payment for an ecosystem
9 service project with an ecosystem service marketplace, and marketing
10 and selling credits on an established ecosystem service marketplace.

11 (7) The department must provide a report to the board upon
12 execution of a contract for a payment for an ecosystem service
13 project that includes the term of the contract and projected
14 revenues.

15 (8) Any payment for an ecosystem service project, contract, or
16 agreement may not limit or impair the exercise of tribal treaty and
17 reserved rights, existing tribal access to lands managed by the
18 department, or preexisting agreements between tribes and the
19 department.

20 NEW SECTION. **Sec. 4.** (1) Before entering into the sale of
21 ecosystem service credits under this chapter, the board must approve
22 contract terms and a minimum payment for ecosystem services that is
23 valid for a period of 180 days, or a longer period as may be
24 established by resolution. The board must find that ecosystem service
25 projects on state lands and state forestlands or agricultural lands
26 will result in no net decrease in agricultural production and no net
27 decrease in the decadal sustainable harvest volume on state lands and
28 state forestlands in the sustainable harvest unit where the projects
29 are located. The board must find that ecosystem service projects
30 overall result in a net increase in future sustainable harvest volume
31 in those sustainable harvest units where the projects are located.
32 The board must also find that the contract will increase the revenue
33 to beneficiaries relative to the revenue that would have been
34 generated on that parcel over the contract term in the absence of the
35 payment for ecosystem service project. The board may reestablish the
36 minimum payment at any time.

37 (2) Where the board has set a minimum payment for ecosystem
38 service credits, the department may set the final payment for

1 ecosystem service credits, which must be based on current market
2 prices.

3 NEW SECTION. **Sec. 5.** By December 1, 2024, the department must
4 submit a report to the office of financial management and the
5 appropriate committees of the legislature that includes information
6 on payment for ecosystem service projects entered into or committed
7 to by the department, including type of projects, number of acres
8 involved, and projected revenues. The report must also include any
9 challenges or barriers encountered by the department in the process
10 of attempting to implement carbon offset or payment for ecosystem
11 service projects and recommendations to address those challenges and
12 barriers.

13 **Sec. 6.** RCW 79.02.010 and 2018 c 258 s 1 are each amended to
14 read as follows:

15 The definitions in this section apply throughout this title
16 unless the context clearly requires otherwise.

17 (1) "Aquatic lands" means all state-owned tidelands, shorelands,
18 harbor areas, and the beds of navigable waters as defined in RCW
19 79.105.060 that are administered by the department.

20 (2) "Board" means the board of natural resources.

21 (3) "Commissioner" means the commissioner of public lands.

22 (4) "Community and technical college forest reserve lands" means
23 lands managed under RCW 79.02.420.

24 (5) "Community forest trust lands" means those lands acquired and
25 managed under the provisions of chapter 79.155 RCW.

26 (6) "Department" means the department of natural resources.

27 (7) (a) "Forest biomass" means the by-products of: Current forest
28 management activities; current forest protection treatments
29 prescribed or permitted under chapter 76.04 RCW; or the by-products
30 of forest health treatment prescribed or permitted under chapter
31 76.06 RCW.

32 (b) "Forest biomass" does not include wood pieces that have been
33 treated with chemical preservatives such as: Creosote,
34 pentachlorophenol, or copper-chrome-arsenic; wood from existing old
35 growth forests; wood required to be left on-site under chapter 76.09
36 RCW, the state forest practices act; and implementing rules, and
37 other legal and contractual requirements; or municipal solid waste.

1 (8) "Good neighbor agreement" means an agreement entered into
2 between the state and the United States forest service or United
3 States bureau of land management to conduct forestland, watershed,
4 and rangeland restoration activities on federal lands, as originally
5 authorized by the 2014 farm bill (P.L. 113-79).

6 (9) "Improvements" means anything considered a fixture in law
7 placed upon or attached to lands administered by the department that
8 has changed the value of the lands or any changes in the previous
9 condition of the fixtures that changes the value of the lands.

10 (10) "Land bank lands" means lands acquired under RCW 79.19.020.

11 (11) "Person" means an individual, partnership, corporation,
12 association, organization, cooperative, public or municipal
13 corporation, or agency of a federal, state, or local governmental
14 unit, however designated.

15 (12) "Public lands" means lands of the state of Washington
16 administered by the department including but not limited to state
17 lands, state forestlands, lands included in a state forestland pool,
18 and aquatic lands.

19 (13) "State forestland pool" or "land pool" means state
20 forestlands acquired and managed under RCW 79.22.140.

21 (14) "State forestlands" means lands acquired under RCW
22 79.22.010, 79.22.040, and 79.22.020.

23 (15) "State lands" includes:

24 (a) School lands, that is, lands held in trust for the support of
25 the common schools;

26 (b) University lands, that is, lands held in trust for university
27 purposes;

28 (c) Agricultural college lands, that is, lands held in trust for
29 the use and support of agricultural colleges;

30 (d) Scientific school lands, that is, lands held in trust for the
31 establishment and maintenance of a scientific school;

32 (e) Normal school lands, that is, lands held in trust for state
33 normal schools;

34 (f) Capitol building lands, that is, lands held in trust for the
35 purpose of erecting public buildings at the state capital for
36 legislative, executive, and judicial purposes;

37 (g) Institutional lands, that is, lands held in trust for state
38 charitable, educational, penal, and reformatory institutions; and

1 (h) Land bank, escheat, donations, and all other lands, except
2 aquatic lands, administered by the department that are not devoted to
3 or reserved for a particular use by law.

4 (16) "Valuable materials" means any product or material on the
5 lands, such as forest products, forage or agricultural crops, stone,
6 gravel, sand, peat, and all other materials of value except: (a)
7 Mineral, coal, petroleum, and gas as provided for under chapter 79.14
8 RCW; ~~((and))~~ (b) forest biomass as provided for under chapter 79.150
9 RCW; and (c) ecosystem services as provided for under chapter 79.---
10 RCW (the new chapter created in section 10 of this act).

11 (17) (a) "Ecosystem services" has the same meaning as defined in
12 RCW 76.09.020.

13 (b) Examples of ecosystem services include, but are not limited
14 to, carbon sequestration and storage, air and water filtration,
15 climate stabilization, and disturbance mitigation.

16 (18) "Net increase in future sustainable harvest volume" means
17 there must be an increase in future calculations of the sustainable
18 harvest level within the sustainable harvest unit where the projects
19 are located that is demonstrably due to the payment for ecosystem
20 service projects over the contract term of the projects considered.

21 (19) "No net decrease in agricultural production" means no net
22 decrease in the productivity of agricultural land entered into an
23 ecosystem service project that is demonstrably due to the payment for
24 ecosystem service projects.

25 (20) "No net decrease in decadal sustainable harvest volume and
26 operable acres on state lands and state forestlands" means no net
27 decrease in the sustainable harvest volume and operable acres within
28 the sustainable harvest unit where the projects are located that is
29 demonstrably due to payment for ecosystem service projects in the
30 sustainable harvest level on state lands and state forestlands
31 calculated according to RCW 79.10.320 for the decade in which the
32 department is currently operating under at the time of project
33 initiation.

34 **Sec. 7.** RCW 79.64.110 and 2021 c 334 s 995 and 2021 c 145 s 3
35 are each reenacted and amended to read as follows:

36 (1) Any moneys derived from the lease of state forestlands or
37 from the sale of valuable materials, oils, gases, coal, minerals,
38 ~~((or))~~ fossils, or contracts for payments for ecosystem service
39 products from those lands, except as provided in RCW 79.64.130, or

1 the appraised value of these resources when transferred to a public
2 agency under RCW 79.22.060, except as provided in RCW 79.22.060(4),
3 must be distributed as follows:

4 (a) For state forestlands acquired through RCW 79.22.040 or by
5 exchange for lands acquired through RCW 79.22.040:

6 (i) The expense incurred by the state for administration,
7 reforestation, and protection, not to exceed (~~(twenty-five)~~) 25
8 percent, which rate of percentage shall be determined by the board,
9 must be returned to the forest development account created in RCW
10 79.64.100. During the 2017-2019, 2019-2021, and 2021-2023 fiscal
11 biennia, the board may increase the (~~(twenty-five)~~) 25 percent
12 limitation up to (~~(twenty-seven)~~) 27 percent.

13 (ii) Any balance remaining must be paid to the county in which
14 the land is located or, for counties participating in a land pool
15 created under RCW 79.22.140, to each participating county
16 proportionate to its contribution of asset value to the land pool as
17 determined by the board. Payments made under this subsection are to
18 be paid, distributed, and prorated, except as otherwise provided in
19 this section, to the various funds in the same manner as general
20 taxes are paid and distributed during the year of payment. However,
21 in order to test county flexibility in distributing state forestland
22 revenue, a county may in its discretion pay, distribute, and prorate
23 payments made under this subsection of moneys derived from state
24 forestlands acquired by exchange between July 28, 2019, and June 30,
25 2020, for lands acquired through RCW 79.22.040, within the same
26 county, in the same manner as general taxes are paid and distributed
27 during the year of payment for the former state forestlands that were
28 subject to the exchange.

29 (iii) Any balance remaining, paid to a county with a population
30 of less than (~~(sixteen thousand)~~) 16,000, must first be applied to
31 the reduction of any indebtedness existing in the current expense
32 fund of the county during the year of payment.

33 (iv) With regard to moneys remaining under this subsection
34 (1)(a), within seven working days of receipt of these moneys, the
35 department shall certify to the state treasurer the amounts to be
36 distributed to the counties. The state treasurer shall distribute
37 funds to the counties four times per month, with no more than (~~(ten)~~)
38 10 days between each payment date.

1 (b) For state forestlands acquired through RCW 79.22.010 or by
2 exchange for lands acquired through RCW 79.22.010, except as provided
3 in RCW 79.64.120:

4 (i) Fifty percent shall be placed in the forest development
5 account.

6 (ii) Fifty percent shall be prorated and distributed to the state
7 general fund, to be dedicated for the benefit of the public schools,
8 to the county in which the land is located or, for counties
9 participating in a land pool created under RCW 79.22.140, to each
10 participating county proportionate to its contribution of asset value
11 to the land pool as determined by the board, and according to the
12 relative proportions of tax levies of all taxing districts in the
13 county. The portion to be distributed to the state general fund shall
14 be based on the regular school levy rate under RCW 84.52.065 (1) and
15 (2) and the levy rate for any school district enrichment levies. With
16 regard to the portion to be distributed to the counties, the
17 department shall certify to the state treasurer the amounts to be
18 distributed within seven working days of receipt of the money. The
19 state treasurer shall distribute funds to the counties four times per
20 month, with no more than (~~ten~~) 10 days between each payment date.
21 The money distributed to the county must be paid, distributed, and
22 prorated to the various other funds in the same manner as general
23 taxes are paid and distributed during the year of payment.

24 (2) A school district may transfer amounts deposited in its debt
25 service fund pursuant to this section into its capital projects fund
26 as authorized in RCW 28A.320.330.

27 **Sec. 8.** RCW 79.22.050 and 2003 c 334 s 220 and 2003 c 313 s 7
28 are each reenacted and amended to read as follows:

29 Except as provided in RCW 79.22.060, all land, acquired or
30 designated by the department as state forestland, shall be forever
31 reserved from sale, but the valuable materials thereon may be sold,
32 ecosystem services may be sold as long as the sale of ecosystem
33 services results in no net decrease in agricultural production and no
34 net decrease in the decadal sustainable harvest volume on state lands
35 and state forestlands, as well as a net increase in future
36 sustainable harvest volume, and that the contract increases the
37 revenue to beneficiaries relative to the revenue that would have been
38 generated on that parcel over the contract term in the absence of the
39 payment for an ecosystem service project, or the land may be leased

1 in the same manner and for the same purposes as is authorized for
2 state lands if the department finds such sale or lease to be in the
3 best interests of the state and approves the terms and conditions
4 thereof.

5 In the event that the department sells logs using the contract
6 harvesting process described in RCW 79.15.500 through 79.15.530, the
7 moneys received subject to this section are the net proceeds from the
8 contract harvesting sale.

9 **Sec. 9.** RCW 79.105.150 and 2022 c 157 s 19 are each amended to
10 read as follows:

11 (1) After deduction for management costs as provided in RCW
12 79.64.040 and payments to towns under RCW 79.115.150(2), all moneys
13 received by the state from the sale or lease of state-owned aquatic
14 lands (~~and~~), from the sale of valuable material from state-owned
15 aquatic lands, and from the sale of ecosystem services under chapter
16 79.--- RCW (the new chapter created in section 10 of this act), shall
17 be deposited in the aquatic lands enhancement account which is hereby
18 created in the state treasury. After appropriation, these funds shall
19 be used solely for aquatic lands enhancement projects; for the
20 purchase, improvement, or protection of aquatic lands for public
21 purposes; for providing and improving access to the lands; and for
22 volunteer cooperative fish and game projects. The aquatic lands
23 enhancement account may be used to support the shellfish program, the
24 ballast water program, hatcheries, the Puget Sound toxic sampling
25 program and steelhead mortality research at the department of fish
26 and wildlife, the knotweed program at the department of agriculture,
27 actions at the University of Washington for reducing ocean
28 acidification, which may include the creation of a center on ocean
29 acidification, the Puget SoundCorps program, and support of the
30 marine resource advisory council and the Washington coastal marine
31 advisory council. During the 2017-2019 and 2019-2021 fiscal biennia,
32 the legislature may transfer from the aquatic lands enhancement
33 account to the geoduck aquaculture research account for research
34 related to shellfish aquaculture. During the 2015-2017 fiscal
35 biennium, the legislature may transfer moneys from the aquatic lands
36 enhancement account to the marine resources stewardship trust
37 account.

38 (2) In providing grants for aquatic lands enhancement projects,
39 the recreation and conservation funding board shall:

1 (a) Require grant recipients to incorporate the environmental
2 benefits of the project into their grant applications;

3 (b) Utilize the statement of environmental benefits,
4 consideration, except as provided in RCW 79.105.610, of whether the
5 applicant is a Puget Sound partner, as defined in RCW 90.71.010,
6 whether a project is referenced in the action agenda developed by the
7 Puget Sound partnership under RCW 90.71.310, and except as otherwise
8 provided in RCW 79.105.630, and effective one calendar year following
9 the development and statewide availability of urban forestry
10 management plans and ordinances under RCW 76.15.090, whether the
11 applicant is an entity that has been recognized, and what gradation
12 of recognition was received, in the evergreen community designation
13 program created in RCW 76.15.090 in its prioritization and selection
14 process; and

15 (c) Develop appropriate outcome-focused performance measures to
16 be used both for management and performance assessment of the grants.

17 (3) To the extent possible, the department should coordinate its
18 performance measure system with other natural resource-related
19 agencies as defined in RCW 43.41.270.

20 (4) The department shall consult with affected interest groups in
21 implementing this section.

22 (5) Any project designed to address the restoration of Puget
23 Sound may be funded under this chapter only if the project is not in
24 conflict with the action agenda developed by the Puget Sound
25 partnership under RCW 90.71.310.

26 NEW SECTION. **Sec. 10.** Sections 1 through 5 of this act
27 constitute a new chapter in Title 79 RCW.

--- END ---