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**SECOND SUBSTITUTE HOUSE BILL 1711**

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**State of Washington 65th Legislature 2017 Regular Session**

**By** House Appropriations (originally sponsored by Representatives Kretz, Springer, Pettigrew, Schmick, Short, and Condotta)

AN ACT Relating to prioritizing lands to receive forest health treatments; reenacting and amending RCW 43.79A.040; adding new sections to chapter 79.10 RCW; adding a new section to chapter 79.64 RCW; and creating a new section.

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

NEW SECTION. **Sec.**  A new section is added to chapter 79.10 RCW to read as follows:

(1)(a) The department shall, to the extent feasible given all applicable trust responsibilities, develop and implement a policy for prioritizing investments on forest health treatments to protect state lands and state forestlands, as those terms are defined in RCW 79.02.010, to: (i) Reduce wildfire hazards and losses from wildfire; (ii) reduce insect infestation and disease; and (iii) achieve cumulative impact of improved forest health and resilience at a landscape scale.

(b) The prioritization policy in (a) of this subsection must consider whether state lands and state forestlands are within an area that is subject to a forest health hazard warning or order pursuant to RCW 76.06.180.

(2)(a) The department's prioritization of state lands and state forestlands must be based on an evaluation of the economic and noneconomic value of:

(i) Timber or other commercial forest products removed during any mechanical treatments;

(ii) Timber or other commercial forest products likely to be spared from damage by wildfire;

(iii) Homes, structures, agricultural products, and public infrastructure likely to be spared from damage by wildfire;

(iv) Impacts to recreation and tourism; and

(v) Ecosystem services such as water quality, air quality, or carbon sequestration.

(b) The department's evaluation of economic values may rely on heuristic techniques.

(3) The definitions in this subsection apply throughout this section and sections 2 and 3 of this act unless the context clearly requires otherwise.

(a) "Forest health" has the same meaning as defined in RCW 76.06.020.

(b) "Forest health treatment" or "treatment" means actions taken by the department to restore forest health including, but not limited to, sublandscape assessment and project planning, site preparation, reforestation, mechanical treatments including timber harvest, road realignment for fire protection and aquatic improvements, and prescribed burning.

NEW SECTION. **Sec.**  A new section is added to chapter 79.10 RCW to read as follows:

(1)(a) Consistent with the prioritization policy developed pursuant to section 1 of this act, and to the extent feasible given all applicable trust responsibilities, the department must identify areas of state lands and state forestlands that would benefit from forest health treatments at the landscape level for the next twenty years, and ones that would benefit the most during the following six years, and prioritize and list specific lands for treatment during the subsequent biennium. The department shall update this list by November 15th of each even-numbered year.

(b) To expedite initial treatments under this act, for the 2017-2019 biennium the department may prioritize and, if funds are appropriated for this purpose, address lands for treatment that are currently identified by the department as pilot treatment projects.

(2) In order to develop a prioritized list that evaluates forest health treatments at a landscape scale, the department should consult with and take into account the land management plans and activities of nearby landowners, if available, including federal agencies, other state agencies, local governments, tribes, and private property owners, in addition to any statewide assessments done by the department. The department may include federally, locally, or privately managed lands on the list. The department may fund treatment of these nonstate lands from the forest health revolving account, provided that the treatment of such lands, in conjunction with the treatment of department-managed forested lands, will accrue superior landscape-scale benefits to state lands or state forestlands, produces a net benefit to the health of state lands and state forestlands, and the expenditure of those funds for treatment of nonstate lands has been approved by the board of natural resources as being in the best interest of the trust.

(3) By December 1st of each even-numbered year, the department must submit a report to the legislature consistent with the requirements of RCW 43.01.036, to the office of financial management, and to the board of natural resources. The report must include:

(a) A brief summary of the department's progress towards treating the state lands and state forestlands included on the preceding biennium's prioritization list;

(b) A list of lands prioritized for forest health treatments in the next biennium, including public lands prioritized for treatment pursuant to subsection (1) of this section;

(c) Recommended funding amounts required to carry out the treatment activities for the next biennium, including a summary of potential nontimber revenue sources that could finance specific forest health treatments pursuant to section 1 of this act, including but not limited to ecosystem services such as water and carbon sequestration as well as insurance and fire mitigation; and

(d) A summary of trends in forest health conditions.

NEW SECTION. **Sec.**  A new section is added to chapter 79.64 RCW to read as follows:

(1)(a) The forest health revolving account is created in the custody of the state treasurer. All receipts from the gross proceeds of forest health treatment sales as defined in this section and sections 1 and 2 of this act and all legislative transfers, gifts, grants, and federal funds must be deposited into the account. Expenditures from the account may be used only for the payment of costs incurred on forest health treatments necessary to improve forest health as defined in section 1 of this act. Only the commissioner or the commissioner's designee may authorize expenditures from the account. The board of natural resources has oversight of the account, and the commissioner must periodically report to the board of natural resources as to the status of the account, its disbursement, and receipts. The account is subject to allotment procedures under chapter 43.88 RCW, but an appropriation is not required for expenditures.

(b) The forest health revolving account is an interest-bearing account and the interest must be credited to the account.

(2) Beginning December 31, 2018, the unobligated account balance may not exceed, at the end of each fiscal year, the sum of any account balance attributable to legislative transfers, gifts, grants, and federal funds, plus twenty million dollars. Beginning December 31, 2018, any account balance that exceeds this amount at the end of the fiscal year must be disbursed to the appropriate trust beneficiary as determined by the board of natural resources.

(3)(a) Except as provided in (b) and (c) of this subsection, expenditures on state lands and state forestlands for forest health treatments by the department from the forest health revolving account must be consistent with the prioritization policy under section 1 of this act and the prioritization list created under section 2 of this act.

(b) The department is not bound to adhere to the list submitted to the legislature under section 1 of this act in the event that emerging information or changed circumstances support a reprioritization of lands consistent with the policy created under section 1 of this act.

(c) The department is not required to apply the prioritization policy of section 1 of this act where doing so would be incompatible with the conditions of funding provided by the federal government or another organization that is contributing funds to forest health treatments involving the department.

**Sec.**  RCW 43.79A.040 and 2016 c 203 s 2, 2016 c 173 s 10, 2016 c 69 s 21, and 2016 c 39 s 7 are each reenacted and amended to read as follows:

(1) Money in the treasurer's trust fund may be deposited, invested, and reinvested by the state treasurer in accordance with RCW 43.84.080 in the same manner and to the same extent as if the money were in the state treasury, and may be commingled with moneys in the state treasury for cash management and cash balance purposes.

(2) All income received from investment of the treasurer's trust fund must be set aside in an account in the treasury trust fund to be known as the investment income account.

(3) The investment income account may be utilized for the payment of purchased banking services on behalf of treasurer's trust funds including, but not limited to, depository, safekeeping, and disbursement functions for the state treasurer or affected state agencies. The investment income account is subject in all respects to chapter 43.88 RCW, but no appropriation is required for payments to financial institutions. Payments must occur prior to distribution of earnings set forth in subsection (4) of this section.

(4)(a) Monthly, the state treasurer must distribute the earnings credited to the investment income account to the state general fund except under (b), (c), and (d) of this subsection.

(b) The following accounts and funds must receive their proportionate share of earnings based upon each account's or fund's average daily balance for the period: The 24/7 sobriety account, the Washington promise scholarship account, the Washington advanced college tuition payment program account, the Washington college savings program account, the accessible communities account, the Washington achieving a better life experience program account, the community and technical college innovation account, the agricultural local fund, the American Indian scholarship endowment fund, the foster care scholarship endowment fund, the foster care endowed scholarship trust fund, the contract harvesting revolving account, the Washington state combined fund drive account, the commemorative works account, the county enhanced 911 excise tax account, the toll collection account, the developmental disabilities endowment trust fund, the energy account, the fair fund, the family leave insurance account, the food animal veterinarian conditional scholarship account, the forest health revolving account, the fruit and vegetable inspection account, the future teachers conditional scholarship account, the game farm alternative account, the GET ready for math and science scholarship account, the Washington global health technologies and product development account, the grain inspection revolving fund, the industrial insurance rainy day fund, the juvenile accountability incentive account, the law enforcement officers' and firefighters' plan 2 expense fund, the local tourism promotion account, the multiagency permitting team account, the pilotage account, the produce railcar pool account, the regional transportation investment district account, the rural rehabilitation account, the Washington sexual assault kit account, the stadium and exhibition center account, the youth athletic facility account, the self-insurance revolving fund, the children's trust fund, the Washington horse racing commission Washington bred owners' bonus fund and breeder awards account, the Washington horse racing commission class C purse fund account, the individual development account program account, the Washington horse racing commission operating account, the life sciences discovery fund, the Washington state heritage center account, the reduced cigarette ignition propensity account, the center for childhood deafness and hearing loss account, the school for the blind account, the Millersylvania park trust fund, the public employees' and retirees' insurance reserve fund, and the radiation perpetual maintenance fund.

(c) The following accounts and funds must receive eighty percent of their proportionate share of earnings based upon each account's or fund's average daily balance for the period: The advanced right-of-way revolving fund, the advanced environmental mitigation revolving account, the federal narcotics asset forfeitures account, the high occupancy vehicle account, the local rail service assistance account, and the miscellaneous transportation programs account.

(d) Any state agency that has independent authority over accounts or funds not statutorily required to be held in the custody of the state treasurer that deposits funds into a fund or account in the custody of the state treasurer pursuant to an agreement with the office of the state treasurer shall receive its proportionate share of earnings based upon each account's or fund's average daily balance for the period.

(5) In conformance with Article II, section 37 of the state Constitution, no trust accounts or funds shall be allocated earnings without the specific affirmative directive of this section.

NEW SECTION. **Sec.**  If any provision of this act or its application to any person or circumstance is held invalid, the remainder of the act or the application of the provision to other persons or circumstances is not affected.

NEW SECTION. **Sec.**  If specific funding for the purposes of this act, referencing this act by bill or chapter number, is not provided by June 30, 2017, in the omnibus appropriations act, this act is null and void.

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