

SENATE BILL REPORT

SB 5947

As Reported by Senate Committee On:
Agriculture, Water, Natural Resources & Parks, February 21, 2019
Ways & Means, March 1, 2019

Title: An act relating to establishing the sustainable farms and fields grant program.

Brief Description: Establishing the sustainable farms and fields grant program.

Sponsors: Senators McCoy, Schoesler, Palumbo, King, Salomon and Warnick.

Brief History:

Committee Activity: Agriculture, Water, Natural Resources & Parks: 2/19/19, 2/21/19
[DPS, DNP].
Ways & Means: 3/01/19, 3/01/19 [DP2S, w/oRec].

Brief Summary of Second Substitute Bill

- Requires the Department of Agriculture (WSDA) to develop a sustainable farms and fields grant program.
- Requires that certain activities be eligible for grants, including on-farm fossil fuel input efficiency measures, agroforestry, and carbon farming.
- Requires WSDA to report biennially to the Legislature on the performance of the program.

SENATE COMMITTEE ON AGRICULTURE, WATER, NATURAL RESOURCES & PARKS

Majority Report: That Substitute Senate Bill No. 5947 be substituted therefor, and the substitute bill do pass.

Signed by Senators Van De Wege, Chair; Salomon, Vice Chair; Warnick, Ranking Member; McCoy, Rolfes and Short.

Minority Report: Do not pass.

Signed by Senator Honeyford.

Staff: Karen Epps (786-7424)

This analysis was prepared by non-partisan legislative staff for the use of legislative members in their deliberations. This analysis is not a part of the legislation nor does it constitute a statement of legislative intent.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Second Substitute Senate Bill No. 5947 be substituted therefor, and the second substitute bill do pass.

Signed by Senators Rolfes, Chair; Frockt, Vice Chair, Operating, Capital Lead; Mullet, Capital Budget Cabinet; Billig, Carlyle, Conway, Darneille, Hasegawa, Hunt, Keiser, Liias, Palumbo, Pedersen, Rivers and Van De Wege.

Minority Report: That it be referred without recommendation.

Signed by Senators Braun, Ranking Member; Honeyford, Assistant Ranking Member, Capital; Becker, Schoesler, Wagoner, Warnick and Wilson, L..

Staff: Jed Herman (786-7346)

Background: The Department of Agriculture (WSDA) was created in 1913 and is organized into five divisions, including commodity inspection, food safety, pesticide management, plant protection, and the state veterinarian. WSDA has a duty to promote and protect agriculture and its dependent rural community in Washington State. Additionally, WSDA must carry out its assigned regulatory responsibilities to protect the public health and welfare. In 2018, WSDA received approximately \$4.6 million in specialty crop block grants to help fund twenty-five projects. A few of those projects included:

- promoting productivity and on-farm efficiencies with plastic mulches in raspberry crops;
- alternative pest management technologies for tree fruit and wine grapes;
- ensuring the sustainability of pollination services to Washington specialty crops; and
- developing a Washington organic asparagus industry.

Agroforestry is the intentional integration of trees and shrubs into crop and animal farming systems to create environmental, economic, and social benefits. For a management practice to be agroforestry, it must be intentional, intensive, integrated, and interactive. Agroforestry practices can include managed forest canopies in a woodland that protect a range of crops grown for food, landscaping, and medicinal use. Additionally, farmers and ranchers who plant pine trees on land used for livestock and forage production may be able to sell pine straw and saw logs.

Carbon farming is a process designed to maximize agriculture's potential for moving excess greenhouse gases from the atmosphere and storing them into the soil and vegetation. It focuses on carbon as a key agricultural element and involves implementing common practices known to enhance transferring and storing atmospheric carbon dioxide (CO₂) as soil and biomass carbon. This is done through common practices that support plant photosynthesis, increase soil organic matter, and reduce erosion. Because water retention and nutrient availability increase with more carbon in the soil, carbon farming may help ranchers and farmers increase production, enhance resilience to drought, and reduce input costs over time.

Summary of Bill (Second Substitute): Subject to appropriations, the WSDA must develop a sustainable farms and fields grant program (program). WSDA must consult with Washington State University, and the United States Department of Agriculture Natural

Resources Conservation Service. Certain activities must be included as activities eligible for grant funding under the program, including:

- on-farm fossil fuel input efficiency measures, including any activity or technology that reduces the quantity of fuel or electricity used, the quantity of water used, and the quantity of fossil fuel-based fertilizer or pesticide used;
- agroforestry; and
- carbon farming.

WSDA must ensure, to the extent practicable based on grant applications received, that roughly 20 percent of available funding is awarded to the three categories described above. The remaining available funding should be awarded to the most effective projects, as determined by WSDA, regardless of category. When prioritizing grant recipients, WSDA must seek to maximize the total reduction in atmospheric carbon dioxide equivalents per dollar awarded by leveraging other nonstate public or private funding. In consultation with Washington State University, the State Conservation Commission, the United States Department of Agriculture Natural Resources Conservation Service, and the Department of Natural Resources, WSDA must determine methods for estimating, measuring, and verifying outcomes under the program.

Sustainable farms and fields grant funding may be applied towards:

- down payments on equipment or other types of loans;
- blended use of fossil-fuel based pesticides and fertilizers and non-fossil-fuel based pesticides and fertilizers;
- no till equipment, precision agriculture equipment, advanced irrigation systems, and GIS technologies; or
- costs associated with installation of carbon farming practices or agroforestry practices.

Grant applicants may apply to share equipment purchased with sustainable farm and field grant funding. Sustainable farms and fields grant funding may not be awarded to fund activities on lands that are participating in a land retirement program, activities on commercial working forest land, or ocean-based aquaculture or blue carbon practices. WSDA may award up to 20 percent of available sustainable farms and fields grant funds to projects that would not otherwise qualify for funding by maximizing the total reduction in atmospheric carbon dioxide equivalent per dollar awarded.

WSDA must use 5 percent of available funds on educational campaigns that raise awareness about the sustainable farms and fields grant program and WSDA may spend up to 50 percent of any unused funds on educational campaigns. WSDA may use up to 10 percent of available funds to provide technical assistance to grant applicants and may use up to 5 percent to cover the cost of administering the program. WSDA must make reasonable efforts to award at least 80 percent of funds made available for sustainable farms and fields grants each fiscal year.

Grants awarded for carbon farming activities with an uncertain storage life may include ongoing annual payments for the previous year's storage, or upfront cumulative payments based on the expected storage in future years. Grants that include upfront payments for future benefits must be conditioned to include penalties for default due to negligence on the

part of the recipient. Grant recipients may be required to allow access to the property, with reasonable notice, to monitor impacts of the project. All grant recipients must allow information about their projects to be made available to the public.

WSDA must biennially report to the Legislature on the performance of the sustainable farms and fields grant program. The sustainable farms and fields account is created in the state treasury. WSDA must also report by November 15, 2019 the recommendations for amounts of appropriations to be made to the account.

No appropriations may be made to the sustainable farms and fields account until January 2020, except to provide funds for rulemaking and the report to the Legislature.

EFFECT OF CHANGES MADE BY WAYS & MEANS COMMITTEE (Second Substitute):

- Amends and adds definitions.
- Provides grants may not be awarded for commercial forestry businesses except for the production of agricultural products or for areas depleted by fire or pest infestations, and grants may be used for costs associated with estimation, measurement, and verification.
- Requires WSDA to deprioritize projects that fail to increase carbon sequestration at a landscape level.
- Requires WSDA to initiate rulemaking and submit a report to the Legislature by November 15, 2019.
- Provides no appropriations may be made to the sustainable farms and fields account until January 2020, except to provide funds for rulemaking and the report to the Legislature.
- Makes costs associated with requirements of the bill subject to the availability of amounts appropriated.

EFFECT OF CHANGES MADE BY AGRICULTURE, WATER, NATURAL RESOURCES & PARKS COMMITTEE (First Substitute):

- Removes the requirement that WSDA must consult with the Departments of Commerce and Ecology before offering grants.
- Requires WSDA to inform the Department of Natural Resources of any application involving state lands.
- Requires WSDA to consider projects that maximize ecosystems co-benefits including habitat.
- Provides that grant funding may be used towards other equipment listed and grant applicants may apply to share equipment purchased with grant funding.
- Provides that WSDA may award up to 20 percent for projects that would not otherwise qualify for funding by maximizing the total reduction in atmospheric carbon dioxide equivalent per dollar awarded.
- Adds definitions of terms.

Appropriation: None.

Fiscal Note: Available.

Creates Committee/Commission/Task Force that includes Legislative members: No.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Staff Summary of Public Testimony on Original Bill (Agriculture, Water, Natural Resources & Parks): *The committee recommended a different version of the bill than what was heard.* PRO: This bill establishes a grant program to allow agriculture to reduce its carbon output and will help reduce the overall carbon footprint of the state. The primary barriers to on-farm innovation and improved environmental performance are cost-related and not an unwillingness on the part of producers. This legislation would allow more producers to enroll in conservation programs, reduce greenhouse gas emissions and fossil fuel use on farms, and dramatically increase rates of carbon sequestration, while also improving water quality habitat and water conservation efforts across the state. The bill would help reduce carbon emissions, it would help sequester carbon from all sources, and it would also help improve fish and wildlife habitat. This bill focuses on protecting farm and ranch land, promoting environmentally sound farming practices, and keeping farmers on the land. This bill would help provide the financial and technical assistance that farmers and ranchers need to implement practices that reduce their greenhouse gas emissions but also really improve the viability in productivity on these farms. This bill will help farmers invest in sustainable operations throughout their food supply chain from healthy soils to reducing pesticides to reducing fossil fuel emissions.

OTHER: There are concerns about how this bill would be implemented. The bill contains some vague terms, such as commercial farms, and discusses large and small farms, but does not describe criteria for large and small farms. There may be opportunities to include new innovative programs, like commodity buffers being used in Spokane County, under the agroforestry language in the bill. It may make sense to have the Conservation Commission and WSDA study this issue in the interim and bring the stakeholders together to discuss how a program like this would work. This bill looks to find ways to provide an opportunity to our hardworking farmers and ranchers by providing incentives to reduce fossil fuel consumption and by promoting healthy soil practices.

Persons Testifying (Agriculture, Water, Natural Resources & Parks): PRO: Senator John McCoy, Prime Sponsor; Joanna Grist, PCC Community Markets; Greg Rock, Carbon Washington; Patricia Hickey, Washington Association of Conservation Districts; Daryl Williams, Tulalip Tribe; Hannah Clark, American Farmland Trust; Jay Gordon, Policy Director, Washington Dairy Federation.

OTHER: Heather Hansen, Washington Farm Forestry Association; Alison Halpern, Washington State Conservation Commission; Tom Davis, Washington Farm Bureau; Evan Sheffels, WSDA.

Persons Signed In To Testify But Not Testifying (Agriculture, Water, Natural Resources & Parks): No one.

Staff Summary of Public Testimony on First Substitute (Ways & Means): *The committee recommended a different version of the bill than what was heard.* PRO: We have lost soil carbon due to prolonged dairy and beef cattle farming. We need to return carbon back to the soil, for our grandchildren's grandchildren. I have seen the benefits of carbon farming. It would be great to have grants for carbon farming, as it would benefit the local economy. Organic farming and putting carbon back into the soil offsets our carbon footprint. I do not understand how anyone could be against this.

Persons Testifying (Ways & Means): PRO: Bob Gilby, Rokalu Farms; Nathaniel Lewis, Oyster Bay Farm; Rebecca Canright, citizen.

Persons Signed In To Testify But Not Testifying (Ways & Means): No one.