

**SHB 1789 - H AMD 349**

By Representative Reeves

**ADOPTED AS AMENDED 03/07/2023**

1 Strike everything after the enacting clause and insert the  
2 following:

3 "NEW SECTION. **Sec. 1.** The definitions in this section apply  
4 throughout this chapter unless the context clearly requires  
5 otherwise.

6 (1) "Ecosystem service credit" means a predetermined and  
7 standardized unit that represents a measurable ecosystem service  
8 provided in the context of a payment for an ecosystem service  
9 project.

10 (2) "Ecosystem service marketplace" has the same meaning as  
11 "ecosystem services market" as defined in RCW 76.09.020.

12 (3) "Ecosystem service project broker" means an entity that  
13 facilitates the process of matching ecosystem service providers and  
14 purchasers of ecosystem service project credits. An ecosystem service  
15 project broker may sell or procure credits on their clients' behalf  
16 and provide financing and marketing expertise. Ecosystem service  
17 project brokers may also act as ecosystem service project developers.

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

26 (5)(a) "Ecosystem services" has the same meaning as defined in  
27 RCW 76.09.020.

28 (b) Examples of ecosystem services include, but are not limited  
29 to, carbon sequestration and storage projects that are consistent  
30 with the policies outlined in RCW 70A.45.090, air and water  
31 filtration, climate stabilization, and disturbance mitigation.

1 (6) "Payment for ecosystem service project" means a transaction  
2 within an ecosystem service marketplace that transfers financial  
3 incentives to ecosystem service providers that are conditional on the  
4 provision of the service. Project types include, but are not limited  
5 to, carbon offset projects.

6 NEW SECTION. **Sec. 2.** (1) The department is authorized to enter  
7 into contracts for payment for ecosystem service projects on public  
8 lands, consistent with this chapter and other relevant laws, on terms  
9 and conditions acceptable to the department, after approval by the  
10 board of natural resources, only for the purpose of generating  
11 additional revenue by providing ecosystem services. Any ecosystem  
12 service project on state lands or state forestlands:

13 (a) Must be limited, except as provided in section 3 of this act,  
14 to:

15 (i) Afforestation;

16 (ii) Reforestation;

17 (iii) Silvicultural treatments, such as commercial or  
18 precommercial thinning operations, that does not increase rotation  
19 lengths or reduce final harvest volumes;

20 (iv) Forest restoration investments that increase overall harvest  
21 volume;

22 (v) Avoided conversion of forest and agricultural lands to  
23 another land use;

24 (vi) Urban forest management;

25 (vii) Urban tree planting; and

26 (viii) The production and use of biochar for soil amendments;

27 (b) Must be consistent with the policies outlined in RCW  
28 70A.45.090;

29 (c) Must support the workforce development goals and investments  
30 made under RCW 76.04.521;

31 (d) May not be inconsistent with ongoing forest health planning  
32 efforts and investments such as expenditures from the wildfire  
33 response, forest restoration, and community resilience account  
34 created in RCW 76.04.511;

35 (e) Must result in an increase in revenue to beneficiaries as  
36 compared to expected revenue that may exist in absence of the  
37 underlying ecosystem service project; and

38 (f) May not limit or impair the exercise of tribal treaty and  
39 reserved rights, existing tribal access to lands managed by the

1 department, or preexisting agreements between tribes and the  
2 department.

3 (2) The contract term under this section may represent the sale  
4 or lease of ecosystem service credits and may not last for a period  
5 of longer than 125 years. Proceeds from contracts for ecosystem  
6 services must be deposited into the appropriate account in the state  
7 treasury.

8 (3) The authority of the department to enter into a contract that  
9 results in payments for ecosystem service projects under subsection  
10 (1) of this section is conditional on any specific project being  
11 consistent with the department's management of the underlying public  
12 land for agriculture or commercial timber harvest and ensure the  
13 department meets its fiduciary responsibility to the state's trust  
14 beneficiaries. Any ecosystem service project, or the sum of all  
15 ecosystem service projects, other than the projects authorized under  
16 section 3 of this act, may not prevent the department from managing  
17 state lands and state forestlands for sustained yield as required by  
18 RCW 79.10.310.

19 (4) The department may:

20 (a) Directly offer for sale ecosystem service credits, consistent  
21 with this section, with established compliance ecosystem service  
22 marketplaces or verifiable and established voluntary ecosystem  
23 service marketplace;

24 (b) Enter into contracts with ecosystem service project  
25 developers or brokers, through public auction or by direct  
26 negotiation, to bring ecosystem service credits to market. Contracts  
27 for ecosystem services are subject to approval by, and the rules  
28 adopted by, the board.

29 (5) Notice of intent to contract by negotiation must be published  
30 on the department's website. The notice must be published within the  
31 90 days preceding commencement of negotiations.

32 (6) The department is authorized to conduct any additional  
33 advertising that it determines to be in the best interest of the  
34 state.

35 (7) The department may enter into contracts or agreements with  
36 third-party ecosystem service project developers or brokers for  
37 purposes that include, but are not limited to, determining the  
38 feasibility of entering into a contract for a payment for an  
39 ecosystem service project, establishing a payment for an ecosystem

1 service project with an ecosystem service marketplace, and marketing  
2 and selling credits on an established ecosystem service marketplace.

3 (8) The department must provide a report to the board upon  
4 execution of a contract for a payment for an ecosystem service  
5 project that includes the term of the contract and projected  
6 revenues.

7 (9) (a) Before entering into the sale of ecosystem service credits  
8 under this section, the board must find that the conditions of this  
9 section are satisfied and approve contract terms and a minimum  
10 payment for ecosystem services that is valid for a period of 180  
11 days, or a longer period as may be established by resolution.

12 (b) Where the board has set a minimum payment for ecosystem  
13 service credits, the department may set the final payment for  
14 ecosystem service credits, which must be based on current market  
15 prices. The board may reestablish the minimum payment at any time.

16 NEW SECTION. **Sec. 3.** (1) Except as otherwise provided in this  
17 section, the department is authorized to enter into contracts for  
18 payment for ecosystem service projects on no more than 10,000  
19 operable acres of state lands or state forestlands, inclusive of any  
20 credits required for buffer pools or other contingencies. Projects  
21 under this section are not limited to the project types identified in  
22 section 2(1)(a) of this act; however, these projects, as a condition  
23 of contract, must have a determinate harvest schedule if projects are  
24 on forested state lands or state forestlands. The authority provided  
25 in this section is conditional on the department replacing any timber  
26 volume and timber value on lands subject to the underlying ecosystem  
27 service project, during the term of the project, that may be  
28 constrained by the terms of the project.

29 (2) (a) To replace foregone timber volume and value under this  
30 section, the department must, prior to the finalization of a contract  
31 under this section:

32 (i) Create a full inventory of the land included in the project  
33 and any standing timber on the proposed underlying land;

34 (ii) Complete an estimation of timber volume that is eligible for  
35 harvest under the existing management plan for the underlying land;

36 (iii) Complete a valuation of any timber resources on the  
37 underlying land that would be available for harvest in absence of any  
38 ecosystem services contracts, including a timeline for an anticipated  
39 harvest schedule;

1 (iv) Prepare a plan for the replacement of any timber volume and  
2 timber value on lands subject to the underlying ecosystem service  
3 project and have the plan approved by the board. The plan must  
4 include a timeline that includes benchmarks for volume and value  
5 replacement that is aligned with how the land would be managed in  
6 absence of the ecosystem service project.

7 (b) (i) If the department fails to meet any replacement timeline  
8 benchmarks established in the plan, it must report this failure to  
9 the board, the office of financial management, and the legislature.  
10 The report of failure must be accompanied with a new timeline to  
11 correct the failure prior to the next timeline benchmark in the  
12 underlying plan.

13 (ii) If the department fails to remedy the failure by the next  
14 timeline benchmark, then the department will be provided adequate  
15 funding to the natural resources real property replacement account  
16 created in RCW 79.17.210, from the natural climate solutions account  
17 created in RCW 70A.65.270, to replace the foregone volume and value  
18 for the affected lands, as established in (a) of this subsection.

19 (3) Any replacement trust lands purchased under this section must  
20 be placed back into the same trust status classification as the lands  
21 included in the ecosystem service projects authorized under this  
22 section.

23 (4) If purchasing lands under this section, the department must  
24 prioritize the purchase of lands at risk of conversion to another use  
25 with the intent of managing those lands for productivity in terms of  
26 volume and value.

27 (5) The authority granted in this section expires on December 31,  
28 2033; however, contracts entered into under this section may have an  
29 execution date that extends past the expiration date for the  
30 underlying authority.

31 (6) (a) Within five years of the initiation of a contract under  
32 this section, the department must report to the legislature,  
33 consistent with RCW 43.01.036, the outcomes of any ecosystem service  
34 projects entered into under this section. This includes, but is not  
35 limited to:

36 (i) Impacts to direct, indirect, and induced jobs, impacts to  
37 local economies, impacts to log supply, and any impacts to local tax  
38 revenue;

39 (ii) Impacts to revenues to beneficiaries;

40 (iii) Barriers to market participation;

1 (iv) Assessment of carbon sequestration on the lands enrolled in  
2 the ecosystem service project, including foregone opportunities for  
3 new forest rotations and storage in forest products.

4 (b) The department must issue reports under this subsection every  
5 five years through the life of the underlying ecosystem service  
6 project.

7 NEW SECTION. **Sec. 4.** (1) By December 1, 2024, the department  
8 must submit a report to the office of financial management and the  
9 legislature, consistent with RCW 43.01.036, that includes information  
10 on payment for ecosystem service projects entered into or committed  
11 to by the department, including type of projects, number of acres  
12 involved, and projected revenues. The report must also include any  
13 challenges or barriers encountered by the department in the process  
14 of attempting to implement carbon offset or payment for ecosystem  
15 service projects and recommendations to address those challenges and  
16 barriers, including the operability of the carbon offset rules  
17 adopted under RCW 70A.65.170.

18 (2) This section expires June 30, 2025.

19 **Sec. 5.** RCW 79.02.010 and 2018 c 258 s 1 are each amended to  
20 read as follows:

21 The definitions in this section apply throughout this title  
22 unless the context clearly requires otherwise.

23 (1) "Aquatic lands" means all state-owned tidelands, shorelands,  
24 harbor areas, and the beds of navigable waters as defined in RCW  
25 79.105.060 that are administered by the department.

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

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

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

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

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

33 (7) (a) "Forest biomass" means the by-products of: Current forest  
34 management activities; current forest protection treatments  
35 prescribed or permitted under chapter 76.04 RCW; or the by-products  
36 of forest health treatment prescribed or permitted under chapter  
37 76.06 RCW.

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

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

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

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

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

21 (12) "Public lands" means lands of the state of Washington  
22 administered by the department including but not limited to state  
23 lands, state forestlands, lands included in a state forestland pool,  
24 and aquatic lands.

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

27 (14) "State forestlands" means lands acquired under RCW  
28 79.22.010, 79.22.040, and 79.22.020.

29 (15) "State lands" includes:

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

32 (b) University lands, that is, lands held in trust for university  
33 purposes;

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

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

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

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

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

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

9 (16) "Valuable materials" means any product or material on the  
10 lands, such as forest products, forage or agricultural crops, stone,  
11 gravel, sand, peat, and all other materials of value except: (a)  
12 Mineral, coal, petroleum, and gas as provided for under chapter 79.14  
13 RCW; ~~((and))~~ (b) forest biomass as provided for under chapter 79.150  
14 RCW; and (c) ecosystem services as provided for under chapter 79.---  
15 RCW (the new chapter created in section 11 of this act).

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

18 **Sec. 6.** RCW 79.64.110 and 2021 c 334 s 995 and 2021 c 145 s 3  
19 are each reenacted and amended to read as follows:

20 (1) Any moneys derived from the lease of state forestlands or  
21 from the sale of valuable materials, oils, gases, coal, minerals,  
22 ~~((or))~~ fossils, or contracts for payments for ecosystem service  
23 projects under chapter 79.--- RCW (the new chapter created in section  
24 11 of this act) from those lands, except as provided in RCW  
25 79.64.130, or the appraised value of these resources when transferred  
26 to a public agency under RCW 79.22.060, except as provided in RCW  
27 79.22.060(4), must be distributed as follows:

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

30 (i) The expense incurred by the state for administration,  
31 reforestation, and protection, not to exceed ~~((twenty-five))~~ 25  
32 percent, which rate of percentage shall be determined by the board,  
33 must be returned to the forest development account created in RCW  
34 79.64.100. During the 2017-2019, 2019-2021, and 2021-2023 fiscal  
35 biennia, the board may increase the ~~((twenty-five))~~ 25 percent  
36 limitation up to ~~((twenty-seven))~~ 27 percent.

37 (ii) Any balance remaining must be paid to the county in which  
38 the land is located or, for counties participating in a land pool  
39 created under RCW 79.22.140, to each participating county



1 proportionate to its contribution of asset value to the land pool as  
2 determined by the board. Payments made under this subsection are to  
3 be paid, distributed, and prorated, except as otherwise provided in  
4 this section, to the various funds in the same manner as general  
5 taxes are paid and distributed during the year of payment. However,  
6 in order to test county flexibility in distributing state forestland  
7 revenue, a county may in its discretion pay, distribute, and prorate  
8 payments made under this subsection of moneys derived from state  
9 forestlands acquired by exchange between July 28, 2019, and June 30,  
10 2020, for lands acquired through RCW 79.22.040, within the same  
11 county, in the same manner as general taxes are paid and distributed  
12 during the year of payment for the former state forestlands that were  
13 subject to the exchange.

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

18 (iv) With regard to moneys remaining under this subsection  
19 (1)(a), within seven working days of receipt of these moneys, the  
20 department shall certify to the state treasurer the amounts to be  
21 distributed to the counties. The state treasurer shall distribute  
22 funds to the counties four times per month, with no more than (~~ten~~)  
23 10 days between each payment date.

24 (b) For state forestlands acquired through RCW 79.22.010 or by  
25 exchange for lands acquired through RCW 79.22.010, except as provided  
26 in RCW 79.64.120:

27 (i) Fifty percent shall be placed in the forest development  
28 account.

29 (ii) Fifty percent shall be prorated and distributed to the state  
30 general fund, to be dedicated for the benefit of the public schools,  
31 to the county in which the land is located or, for counties  
32 participating in a land pool created under RCW 79.22.140, to each  
33 participating county proportionate to its contribution of asset value  
34 to the land pool as determined by the board, and according to the  
35 relative proportions of tax levies of all taxing districts in the  
36 county. The portion to be distributed to the state general fund shall  
37 be based on the regular school levy rate under RCW 84.52.065 (1) and  
38 (2) and the levy rate for any school district enrichment levies. With  
39 regard to the portion to be distributed to the counties, the  
40 department shall certify to the state treasurer the amounts to be

1 distributed within seven working days of receipt of the money. The  
2 state treasurer shall distribute funds to the counties four times per  
3 month, with no more than (~~ten~~) 10 days between each payment date.  
4 The money distributed to the county must be paid, distributed, and  
5 prorated to the various other funds in the same manner as general  
6 taxes are paid and distributed during the year of payment.

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

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

12 (1) Except as provided in RCW 79.22.060, all land, acquired or  
13 designated by the department as state forestland, shall be forever  
14 reserved from sale, but the valuable materials thereon may be sold or  
15 the land may be leased in the same manner and for the same purposes  
16 as is authorized for state lands if the department finds such sale or  
17 lease to be in the best interests of the state and approves the terms  
18 and conditions thereof.

19 (2) Ecosystem services may be sold only if consistent with the  
20 conditions in chapter 79.--- RCW (the new chapter created in section  
21 11 of this act) and may not be sold if chapter 79.--- RCW (the new  
22 chapter created in section 11 of this act) does not appear in  
23 codified statute.

24 (3) In the event that the department sells logs using the  
25 contract harvesting process described in RCW 79.15.500 through  
26 79.15.530, the moneys received subject to this section are the net  
27 proceeds from the contract harvesting sale.

28 **Sec. 8.** RCW 79.105.150 and 2022 c 157 s 19 are each amended to  
29 read as follows:

30 (1) After deduction for management costs as provided in RCW  
31 79.64.040 and payments to towns under RCW 79.115.150(2), all moneys  
32 received by the state from the sale or lease of state-owned aquatic  
33 lands (~~and~~), from the sale of valuable material from state-owned  
34 aquatic lands, and from the sale of ecosystem services under chapter  
35 79.--- RCW (the new chapter created in section 11 of this act), shall  
36 be deposited in the aquatic lands enhancement account which is hereby  
37 created in the state treasury. After appropriation, these funds shall  
38 be used solely for aquatic lands enhancement projects; for the

1 purchase, improvement, or protection of aquatic lands for public  
2 purposes; for providing and improving access to the lands; and for  
3 volunteer cooperative fish and game projects. The aquatic lands  
4 enhancement account may be used to support the shellfish program, the  
5 ballast water program, hatcheries, the Puget Sound toxic sampling  
6 program and steelhead mortality research at the department of fish  
7 and wildlife, the knotweed program at the department of agriculture,  
8 actions at the University of Washington for reducing ocean  
9 acidification, which may include the creation of a center on ocean  
10 acidification, the Puget SoundCorps program, and support of the  
11 marine resource advisory council and the Washington coastal marine  
12 advisory council. During the 2017-2019 and 2019-2021 fiscal biennia,  
13 the legislature may transfer from the aquatic lands enhancement  
14 account to the geoduck aquaculture research account for research  
15 related to shellfish aquaculture. During the 2015-2017 fiscal  
16 biennium, the legislature may transfer moneys from the aquatic lands  
17 enhancement account to the marine resources stewardship trust  
18 account.

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

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

23 (b) Utilize the statement of environmental benefits,  
24 consideration, except as provided in RCW 79.105.610, of whether the  
25 applicant is a Puget Sound partner, as defined in RCW 90.71.010,  
26 whether a project is referenced in the action agenda developed by the  
27 Puget Sound partnership under RCW 90.71.310, and except as otherwise  
28 provided in RCW 79.105.630, and effective one calendar year following  
29 the development and statewide availability of urban forestry  
30 management plans and ordinances under RCW 76.15.090, whether the  
31 applicant is an entity that has been recognized, and what gradation  
32 of recognition was received, in the evergreen community designation  
33 program created in RCW 76.15.090 in its prioritization and selection  
34 process; and

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

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

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

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

7 **Sec. 9.** RCW 79.15.010 and 2003 c 334 s 331 are each amended to  
8 read as follows:

9 (1) Valuable materials situated upon state lands and state  
10 forestlands may be sold separate from the land, when in the judgment  
11 of the department, it is for the best interest of the state so to  
12 sell the same. The sale of any ecosystem services is limited to  
13 consistency with the conditions in chapter 79.--- RCW (the new  
14 chapter created in section 11 of this act) and may not be sold if  
15 chapter 79.--- RCW (the new chapter created in section 11 of this  
16 act) does not appear in codified statute.

17 (2) Sales of valuable materials from any university lands  
18 require:

19 (a) The consent of the board of regents of the University of  
20 Washington; or

21 (b) Legislative directive.

22 (3) When application is made for the purchase of any valuable  
23 materials, the department shall appraise the value of the valuable  
24 materials if the department determines it is in the best interest of  
25 the state to sell. No valuable materials shall be sold for less than  
26 the appraised value thereof.

27 **Sec. 10.** RCW 70A.65.270 and 2021 c 316 s 30 are each amended to  
28 read as follows:

29 (1) The natural climate solutions account is created in the state  
30 treasury. All moneys directed to the account from the climate  
31 investment account created in RCW 70A.65.250 must be deposited in the  
32 account. Moneys in the account may be spent only after appropriation.  
33 Moneys in the account are intended to increase the resilience of the  
34 state's waters, forests, and other vital ecosystems to the impacts of  
35 climate change, conserve working forestlands at risk of conversion,  
36 and increase their carbon pollution reduction capacity through  
37 sequestration, storage, and overall system integrity. Moneys in the  
38 account must be spent in a manner that is consistent with existing

1 and future assessments of climate risks and resilience from the  
2 scientific community and expressed concerns of and impacts to  
3 overburdened communities.

4 (2) Moneys in the account may be allocated for the following  
5 purposes:

6 (a) Clean water investments that improve resilience from climate  
7 impacts. Funding under this subsection (2)(a) must be used to:

8 (i) Restore and protect estuaries, fisheries, and marine  
9 shoreline habitats and prepare for sea level rise including, but not  
10 limited to, making fish passage correction investments such as those  
11 identified in the cost-share barrier removal program for small  
12 forestland owners created in RCW 76.13.150 and those that are  
13 considered by the fish passage barrier removal board created in RCW  
14 77.95.160;

15 (ii) Increase carbon storage in the ocean or aquatic and coastal  
16 ecosystems;

17 (iii) Increase the ability to remediate and adapt to the impacts  
18 of ocean acidification;

19 (iv) Reduce flood risk and restore natural floodplain ecological  
20 function;

21 (v) Increase the sustainable supply of water and improve aquatic  
22 habitat, including groundwater mapping and modeling;

23 (vi) Improve infrastructure treating stormwater from previously  
24 developed areas within an urban growth boundary designated under  
25 chapter 36.70A RCW, with a preference given to projects that use  
26 green stormwater infrastructure;

27 (vii) Either preserve or increase, or both, carbon sequestration  
28 and storage benefits in forests, forested wetlands, agricultural  
29 soils, tidally influenced agricultural or grazing lands, or  
30 freshwater, saltwater, or brackish aquatic lands; or

31 (viii) Either preserve or establish, or both, carbon  
32 sequestration by protecting or planting trees in marine shorelines  
33 and freshwater riparian areas sufficient to promote climate  
34 resilience, protect cold water fisheries, and achieve water quality  
35 standards;

36 (b) Healthy forest investments to improve resilience from climate  
37 impacts. Funding under this subsection (2)(b) must be used for  
38 projects and activities that will:

39 (i) Increase forest and community resilience to wildfire in the  
40 face of increased seasonal temperatures and drought;

1 (ii) Improve forest health and reduce vulnerability to changes in  
2 hydrology, insect infestation, and other impacts of climate change;  
3 or

4 (iii) Prevent emissions by preserving natural and working lands  
5 from the threat of conversion to development or loss of critical  
6 habitat, through actions that include, but are not limited to, the  
7 creation of new conservation lands, community forests, or increased  
8 support to small forestland owners through assistance programs  
9 including, but not limited to, the forest riparian easement program  
10 and the family forest fish passage program. It is the intent of the  
11 legislature that not less than \$10,000,000 be expended each biennium  
12 for the forestry riparian easement program created in chapter 76.13  
13 RCW or for riparian easement projects funded under the agricultural  
14 conservation easements program established under RCW 89.08.530, or  
15 similar riparian enhancement programs;

16 (c) Legislative transfers, if necessary, to the natural resources  
17 real property replacement account created in RCW 79.17.210 for  
18 reimbursement to state land trust beneficiaries for foregone timber  
19 volume and value under section 3 of this act.

20 (3) Moneys in the account may not be used for projects that would  
21 violate tribal treaty rights or result in significant long-term  
22 damage to critical habitat or ecological functions. Investments from  
23 this account must result in long-term environmental benefits and  
24 increased resilience to the impacts of climate change.

25 NEW SECTION. **Sec. 11.** Sections 1 through 4 of this act  
26 constitute a new chapter in Title 79 RCW."

27 Correct the title.

EFFECT: The striking amendment makes the following changes to the  
substitute bill:

- Limits the types of ecosystem service projects (projects) the department of natural resources (DNR) may enter into contracts for in most cases to: afforestation; reforestation; silvicultural treatments that do not increase rotation lengths or reduce final harvest volumes; forest restoration investments that increase overall harvest volume; avoiding conversion of forest and agricultural lands to another land use; urban forest management and tree planting; and producing and using biochar for soil amendments.

- Requires projects to be consistent with ongoing forest health planning efforts, investments, and policies related to maintaining and enhancing the state's ability to continue to sequester carbon through natural and working lands and forest products.

- Requires projects to support the forest sector workforce development goals and investments required of the DNR by statute.
- Requires projects to result in an increase in revenue to beneficiaries as compared to the revenue expected in absence of the project.
- Removes the requirements that projects result in no net decrease in agricultural production for agricultural lands and no net decrease in the decadal sustainable harvest volume and operable acres on state forestlands within sustainable harvest units.
- Authorizes the DNR to enter into contracts for projects with determinate harvest schedules on no more than 10,000 operable acres of state lands or state forestlands that are not subject to project type limitations. The authority to enter into contracts for these projects expires on December 1, 2033. For these projects:
  - The DNR must take a series of actions to replace any timber volume and timber value on lands subject to these projects, during the term of the project, that may be constrained by the terms of the project;
  - If purchasing lands, the DNR must prioritize purchasing lands at risk of conversion to another use;
  - The DNR must, within five years of entering into a contract and every five years throughout the life of the contract, report to the Legislature on outcomes of the project; and
  - Funding from the natural climate solutions account may be used for funding the real property replacement account for reimbursement to state land trust beneficiaries for foregone timber volume and value.
- Specifies that carbon sequestration projects that are consistent with maintaining and enhancing the state's ability to continue to sequester carbon through natural and working lands and forest products are examples of ecosystem services.
- Modifies the reporting requirement to specify that the report must include information on the operability of carbon offset rules, and to require the report to be submitted to the legislature consistent with state laws requiring reports to the Legislature to be submitted electronically.
- Specifies that ecosystem services may not be sold if the chapter created in the bill allowing the sale of ecosystem services from state lands is not codified.
- Removes the intent section.
- Removes definitions of terms that are not used in the striking amendment.
- Makes technical and clarifying changes.

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