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## Agriculture and Natural Resources Committee

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### HB 1789

**Brief Description:** Expanding revenue generation and economic opportunities from natural climate solutions and ecosystem services.

**Sponsors:** Representatives Reeves, Fitzgibbon, Chapman, Kloba, Ramel, Pollet and Fosse; by request of Department of Natural Resources.

#### Brief Summary of Bill

- Authorizes the Department of Natural Resources to enter into contracts for ecosystem services projects to generate revenue by providing ecosystem services that directly or indirectly benefit humans or enhance social welfare.
- Requires the Board of Natural Resources to approve contract terms and minimum payment for ecosystem services before entering into a contract unless it transfers its authority to the Commissioner of Public Lands by resolution.

**Hearing Date:** 2/14/23

**Staff:** Rebecca Lewis (786-7339).

#### Background:

The Department of Natural Resources (DNR) manages 5.6 million acres of state-owned land, which includes forestlands; aquatic lands; and state trust land that provides revenue to help pay for construction of public schools, universities, and other state institutions, and funds services in many counties. The Commissioner of Public Lands (Commissioner) is a separately elected

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statewide official and the administrator for the DNR. The Commissioner chairs the state's Board of Natural Resources, which sets policy for the management of state lands and also the Forest Practices Board, which regulates forest operations.

Generally, valuable materials that are derived on state forestlands and state-owned aquatic lands may be sold, and the funds from those sales must be used in certain ways:

- Monies derived from the sale of valuable materials from state forestlands, except for sales derived from forest health treatments, must be deposited into the Forest Development Account. Through the 2023 fiscal biennium, up to 27 percent must be returned to the Forest Development Account for administration, reforestation, and protection costs. Any balance remaining must be paid to the county in which the land is located or, in the case of a land pool, to each county participating in the pool.
- Monies derived from the sale of valuable materials derived from state-owned aquatic lands must be deposited into the Aquatic Lands Enhancement Account (ALEA). Funds in the ALEA must be used solely for: (1) aquatic lands enhancement projects; (2) purchase, improvement, or protection of aquatic lands for public purposes; (3) providing and improving access to aquatic lands; and (4) volunteer cooperative fish and game projects.

### **Summary of Bill:**

The Department of Natural Resources (DNR) may enter into contracts for payment for ecosystem services projects on all public lands managed by the DNR, according to terms and conditions acceptable to the DNR, in order to generate revenue by providing ecosystem services that directly or indirectly benefit humans or enhance social welfare. Contracts may last for up to 125 years. Ecosystem services projects are projects that provide benefits that the public enjoys as a result of natural processes and biodiversity. Ecosystem services include carbon sequestration and storage, air and water filtration, climate stabilization, and disturbance mitigation.

Proceeds from contracts must be deposited into the appropriate account in the State Treasury and distributed in the same manner as money derived from the sale of valuable materials under current law. Proceeds from contracts on state forestlands must be deposited into the Forest Development Account. Proceeds from the sale of ecosystem services derived from state-owned aquatic lands must be deposited into the Aquatic Lands Enhancement Account.

The DNR may:

- directly offer ecosystem services credits for sale with established compliance or voluntary ecosystem services marketplaces;
- enter into contracts with ecosystem services project developers or brokers through public auction or by direct negotiation to bring ecosystem services credits to the market, subject to rules adopted by the Board of Natural Resources (Board); and
- enter into contracts or agreements with third-party ecosystem services project developers or brokers for purposes that include determining the feasibility of entering into an ecosystem services project contract, establishing a payment for an ecosystem services

project with an ecosystem services marketplace, and marketing and selling credits on an established ecosystem services marketplace.

The DNR must publish notice of intent to contract by negotiation on its website within 90 days preceding the commencement of negotiations. The DNR may conduct additional advertising that it determines is in the best interest of the state.

Upon execution of a contract, the DNR must report the term of the contract and projected revenues to the Board. Before entering into a sale of ecosystem services credits, the Board must set a minimum payment and approve contract terms valid for at least 180 days. The Board may reestablish the minimum payment at any time. The DNR may set the final payment, which must be based on current market prices. For any sales of ecosystem services credits that the Board is required to approve, the Board may by resolution transfer the authority to approve contract terms and set minimum payments to the Commissioner of Public Lands.

Definitions are provided for the following additional terms:

- Ecosystem services credits are defined as a predetermined and standardized unit that represents measurable ecosystem services provided in the context of a payment for an ecosystem services project.
- A carbon credit is defined as one metric ton of carbon dioxide equivalent removed from the atmosphere or prevented from being emitted into the atmosphere as a result of a carbon offset project and within a carbon market transaction.
- A carbon offset project is defined as a project that reduces or removes certain greenhouse gasses.

**Appropriation:** None.

**Fiscal Note:** Requested on February 13, 2023.

**Effective Date:** The bill takes effect 90 days after adjournment of the session in which the bill is passed.