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HOUSE BILL 2170

State of Washington 69th Legislature 2026 Regular Session

By Representatives Reeves, Parshley, Ryu, Ramel, Doglio, Zahn, Wylie, Morgan, Scott, Fosse, and Pollet; by request of Department of Natural Resources

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

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

NEW SECTION. **Sec. 1.** (1) The legislature finds it is in the best interest of the trust beneficiaries and the state to increase revenue opportunities, diversify the trust asset portfolio, and reduce costs. As new markets emerge, the department should be enabled to take full advantage of opportunities to diversify and grow revenue streams for beneficiaries and the state.

(2) The legislature finds that the trust land performance assessment, completed pursuant to section 7015, chapter 298, Laws of 2018, recommends exploring opportunities to diversify funding streams for revenue generation, including utilizing carbon markets, as well as other ways to monetize ecosystem services for the beneficiaries and the state. The legislature further finds that the climate commitment act, which established a cap and invest program under chapter 70A.65 RCW, makes Washington state a leader in climate policy and, through the codification of carbon offset projects, creates a new way for revenue to be generated from lands and waters in the

state. The legislature intends that the carbon offset projects established for this program benefit the people of Washington by being located on Washington lands and waters to the extent possible, rather than outside the state.

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

(4) The legislature further finds that private landowners are leading the way by entering carbon markets and that the department should have similar authority as private landowners to enter carbon markets to generate revenue and reduce costs for beneficiaries and the state. For these reasons, the legislature believes the department should have the same authority to enter carbon markets as private landowners for ecosystem services projects on state lands.

(5) The legislature finds that similar opportunities exist in aquatic lands for kelp and eelgrass conservation and restoration projects that reduce conservation and restoration costs to the state and help to generate revenue for aquatic lands enhancement account funds for salmon habitat improvements.

(6) Therefore, the legislature intends to establish the direct authority for the department to generate revenue on its lands and waters through payment for ecosystem service projects including, but not limited to, carbon offset projects. Accordingly, the legislature intends to provide the department the necessary authority to create carbon offset and ecosystem services projects under the cap and invest program and other regulatory and voluntary ecosystem service market places.

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

(1) "Carbon credit" means 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.

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

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

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

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

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

(7) "Ecosystem services" has the same meaning as defined in RCW 76.09.020. Examples of ecosystem services include, but are not limited to, carbon sequestration and storage, air and water filtration, climate stabilization, and disturbance mitigation.

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

NEW SECTION. **Sec. 3.** (1) The department is authorized to enter into contracts for payment for ecosystem service projects on terms and conditions acceptable to the department for the purpose of generating revenue by providing ecosystem services that directly or indirectly benefit humans or enhance social welfare. The contract term may last a period of up to 125 years. Proceeds from contracts

for ecosystem services must be deposited into the appropriate account in the state treasury.

(2) The department may enter into payment for ecosystem service projects on all public lands managed by the department.

(3) The department may:

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

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

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

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

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

NEW SECTION. **Sec. 4.** (1) Before entering into the sale of ecosystem service credits under this chapter, the board must approve contract terms and a minimum payment for ecosystem services that is valid for a period of 180 days, or a longer period as may be established by resolution. The board may reestablish the minimum payment at any time.

(2) Where the board has set a minimum payment for ecosystem service credits, the department may set the final payment for ecosystem service credits, which must be based on current market prices.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(15) "State lands" includes:

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

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

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

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

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

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

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

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

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

(17) "Ecosystem services" has the same meaning as defined in RCW 76.09.020. Examples of ecosystem services include, but are not limited to, carbon sequestration and storage, air and water filtration, climate stabilization, and disturbance mitigation.

Sec. 6. RCW 79.64.110 and 2025 c 424 s 988 are each amended to read as follows:

(1) Any moneys derived from the lease of state forestlands or from the sale of valuable materials, oils, gases, coal, minerals, ((~~or~~)) fossils, or contracts for ecosystem services from those lands,

except as provided in RCW 79.64.130, or the appraised value of these resources when transferred to a public agency under RCW 79.22.060, must be distributed as follows:

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

(i) The expense incurred by the state for administration, reforestation, and protection, not to exceed 25 percent, which rate of percentage shall be determined by the board, must be returned to the forest development account created in RCW 79.64.100. During the 2017-2019, 2019-2021, 2021-2023, 2023-2025, and 2025-2027 fiscal biennia, the board may increase the 25 percent limitation up to 27 percent.

(ii) Any balance remaining must be paid to the county in which the land is located or, if the land acquired under RCW 79.22.040 was exchanged, transferred, or disposed, payment must be made to the county from which the land was exchanged, transferred, or disposed. For counties participating in a land pool created under RCW 79.22.140, to each participating county proportionate to its contribution of asset value to the land pool as determined by the board. Payments made under this subsection are to be paid, distributed, and prorated to the various funds in the same manner as general taxes are paid and distributed during the year of payment. However, a county may in its discretion pay, distribute, and prorate payments made under this subsection of moneys derived from state forestlands acquired by exchange or as replacement lands, for lands acquired through RCW 79.22.040, in the same manner as general taxes are paid and distributed during the year of payment for the former state forestlands that were subject to the exchange.

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

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

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

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

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

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

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

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

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

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

(1) After deduction for management costs as provided in RCW 79.64.040 and payments to towns under RCW 79.115.150(2), all moneys received by the state from the sale or lease of state-owned aquatic lands ((~~and~~)), from the sale of valuable material from state-owned aquatic lands, and from the sale of ecosystem services under chapter 79.--- RCW (the new chapter created in section 9 of this act), shall be deposited in the aquatic lands enhancement account which is hereby created in the state treasury. After appropriation, these funds shall be used solely for aquatic lands enhancement projects; for the purchase, improvement, or protection of aquatic lands for public purposes; for providing and improving access to the lands; and for volunteer cooperative fish and game projects. The aquatic lands enhancement account may be used to support the shellfish program, the ballast water program, hatcheries, the Puget Sound toxic sampling program and steelhead mortality research at the department of fish and wildlife, the knotweed program at the department of agriculture, actions at the University of Washington for reducing ocean acidification, which may include the creation of a center on ocean acidification, the Puget SoundCorps program, and support of the marine resource advisory council and the Washington coastal marine advisory council. During the 2017-2019 and 2019-2021 fiscal biennia, the legislature may transfer from the aquatic lands enhancement account to the geoduck aquaculture research account for research related to shellfish aquaculture. During the 2015-2017 fiscal biennium, the legislature may transfer moneys from the aquatic lands enhancement account to the marine resources stewardship trust account.

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

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

(b) Utilize the statement of environmental benefits, consideration, except as provided in RCW 79.105.610, of whether the applicant is a Puget Sound partner, as defined in RCW 90.71.010, whether a project is referenced in the action agenda developed by the Puget Sound partnership under RCW 90.71.310, and except as otherwise provided in RCW 79.105.630, and effective one calendar year following the development and statewide availability of urban forestry

management plans and ordinances under RCW 76.15.090, whether the applicant is an entity that has been recognized, and what gradation of recognition was received, in the evergreen community designation program created in RCW 76.15.090 in its prioritization and selection process; and

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

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

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

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

NEW SECTION. **Sec. 9.** Sections 1 through 4 of this act constitute a new chapter in Title 79 RCW.

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