

HOUSE BILL REPORT

SSB 6805

As Reported by House Committee On:

Agriculture & Natural Resources

Appropriations

Title: An act relating to promoting farm and forest land preservation and environmental restoration through conservation markets.

Brief Description: Promoting farm and forest land preservation and restoration through conservation markets.

Sponsors: Senate Committee on Agriculture & Rural Economic Development (originally sponsored by Senators Haugen, Rasmussen, McAuliffe, Kline and Kohl-Welles).

Brief History:

Committee Activity:

Agriculture & Natural Resources: 2/25/08, 2/27/08 [DPA];

Appropriations: 3/1/08 [DPA(APP w/o AGNR)].

Brief Summary of Substitute Bill (As Amended by House Committee)

- Requires the State Conservation Commission to conduct a feasibility study on the viability of establishing farm and forestry-based conservation markets in Washington.

HOUSE COMMITTEE ON AGRICULTURE & NATURAL RESOURCES

Majority Report: Do pass as amended. Signed by 13 members: Representatives Blake, Chair; Van De Wege, Vice Chair; Kretz, Ranking Minority Member; Warnick, Assistant Ranking Minority Member; Eickmeyer, Grant, Kristiansen, Lantz, Loomis, McCoy, Nelson, Newhouse and Orcutt.

Staff: Colleen Kerr (786-7168).

Background:

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.

Generally, a conservation bank is a market enterprise that offers landowners incentives to enhance habitat or provide protection for other environmental goals, such as the preservation of farm and forest-land. Landowners can profit from selling credits to parties who need to compensate for environmental impacts. This system of credits allows those public or private entities that need or want credits to purchase the credits from those who are awarded credits for projects that provide the enhancement. Through this system, landowners may receive benefits from participation. These banks can function as part of a larger conservation market as a method of achieving environmental policy goals.

Interest is expanding in the use of conservation markets that award various types of environmental mitigation credits for projects that enhance habitat or other environmental values. This system of credits allows those public or private entities that need or want credits to purchase the credits from those who are awarded credits for projects that provide the enhancement. This option uses market forces to make available incentives to provide these environmental benefits through a system of credits. Interest exists in examining the use of conservation markets in a way that takes advantage of environmental enhancement opportunities that exist on farms and small forestry operations, but that also improve the viability of these operations without taking whole farms or significant amounts of land out of production.

Summary of Amended Bill:

The State Conservation Commission (Commission) is directed to conduct a study on the feasibility and desirability of establishing farm and forestry-based conservation markets in Washington. To carry out this study, the Commission may enter into a contract with an entity that has knowledge and experience in agriculture and of conservation markets. The study would include:

- an evaluation of agricultural conservation markets operating in other states;
- collaboration with farm and small forest landowners' organizations and agricultural special purpose districts to determine interest in and to assess market-ready products;
- identification opportunities for conservation markets that could provide ongoing revenue to farm and small forestry operations to improve their long-term viability;
- working with public agencies to determine potential demand and their willingness to use these products; and
- coordination with the Department of Ecology regarding its "Mitigation that Works" project, the Department of Agriculture regarding the "Future of Farming" project, the William D. Ruckelshaus Center relating to voluntary approaches relating to critical areas, and the Office of Farmland Preservation work relating to retaining farmland and agricultural production.

The Commission is to present its findings and recommendations on the conservation markets study to the Governor and the appropriate legislative committees by December 1, 2008.

If the study determines that conservation markets are feasible and desirable, the Commission

must conduct two demonstration projects. To be chosen as a demonstration project area, there needs to be:

- enthusiastic farmers;
- a substantial supply of potential restoration products from farms;
- a potential for public and private cost-sharing of expenses; and
- upcoming development of permitting activity that is likely to trigger significant mitigation demands.

If the project proceeds to the demonstration project phase, the Commission is to report its findings and recommendations to the Governor and the appropriate committees of the Legislature by December 1, 2009.

Amended Bill Compared to Substitute Bill:

The amended bill clarifies that the study is to explore the feasibility and desirability of farm and forest-based conservation markets.

Appropriation: None.

Fiscal Note: Available.

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

Staff Summary of Public Testimony:

(In support) The bill will help the state to address environmental impacts caused by development, improve the efficiency and effectiveness of mitigation efforts, and save the state money. The state is spending a considerable amount of money on environmental mitigation and restoration work and it is unnecessary to buy or condemn farmland and remove it from agricultural use. Conservation markets provide a voluntary mechanism to provide ongoing revenue to farms to produce environmental benefits and keep farm land in use. This effort could provide the state with a mechanism to benefit both the agriculture industry and the environment, in particular wetland mitigation. A study is needed to show how conservation markets would work. Other states and Europe have used conservation markets which can be used as models.

(Neutral) Ecology supports the concept and would like to be part of the discussions. Because the bill is not included in the Governor's requested budget, Ecology nor the Commission cannot formally support it. The Commission supports the policies behind the bill. If the project proceeds to the demonstration project stage, the intent is to have one on the west side and another on the east side of the state.

(Opposed) None.

Persons Testifying: (In support) Don Stuart, American Farmland Trust; Dan Wood, Washington Farm Bureau; Mike Ryherd, Clear Valley Environmental Farm; and Bill Robinson, The Nature Conservancy.

(Neutral) Josh Baldi, Washington Department of Ecology; and Ron Schultz, Washington State Conservation Commission.

Persons Signed In To Testify But Not Testifying: None.

HOUSE COMMITTEE ON APPROPRIATIONS

Majority Report: Do pass as amended by Committee on Appropriations and without amendment by Committee on Agriculture & Natural Resources. Signed by 34 members: Representatives Sommers, Chair; Dunshee, Vice Chair; Alexander, Ranking Minority Member; Bailey, Assistant Ranking Minority Member; Haler, Assistant Ranking Minority Member; Anderson, Chandler, Cody, Conway, Darneille, Ericks, Fromhold, Grant, Green, Haigh, Hinkle, Hunt, Hunter, Kagi, Kenney, Kessler, Kretz, Linville, McDonald, McIntire, Morrell, Pettigrew, Priest, Ross, Schmick, Schual-Berke, Seaquist, Sullivan and Walsh.

Staff: Alicia Dunkin (786-7178).

Summary of Recommendation of Committee On Appropriations Compared to Recommendation of Committee On Agriculture & Natural Resources:

A null and void clause was added, making the bill null and void unless funded in the budget.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill takes effect 90 days after adjournment of session in which bill is passed. However, the bill is null and void unless funded in the budget.

Staff Summary of Public Testimony:

We want to make sure that more farmers stay on their land and this bill is only a study but it is very important to the future of the state. There is broad support for this bill in the agriculture and environmental community. This bill was not in the Governor's budget because the policy was not yet developed when her budget was developed. Last session you had a task force on protecting working farms. We now have conservation resource enhancement that pays farms to maintain buffers but now some of those contracts are expiring and we want to replace that with allowing farmers to sell credits for their buffers that would shift funds to the public sector to the private sector.

Persons Testifying: Don Stuart, American Farmland Trust; and Ron Schultz, Washington State Conservation Commission.

Persons Signed In To Testify But Not Testifying: None.