

SENATE BILL REPORT

SB 6805

As Reported By Senate Committee On:
Agriculture & Rural Economic Development, February 04, 2008
Ways & Means, February 12, 2008

Title: An act relating to promoting farmland preservation and environmental restoration through conservation markets.

Brief Description: Promoting farmland preservation and environmental restoration through conservation markets.

Sponsors: Senators Haugen, Rasmussen, McAuliffe, Kline and Kohl-Welles.

Brief History:

Committee Activity: Agriculture & Rural Economic Development: 1/28/08, 2/4/08[DPS-WM].

Ways & Means: 2/11/08, 2/12/08 [DPS(ARED)].

SENATE COMMITTEE ON AGRICULTURE & RURAL ECONOMIC DEVELOPMENT

Majority Report: That Substitute Senate Bill No. 6805 be substituted therefor, and the substitute bill do pass and be referred to Committee on Ways & Means.

Signed by Senators Rasmussen, Chair; Hatfield, Vice Chair; Schoesler, Ranking Minority Member; Jacobsen, Morton and Shin.

Staff: Bob Lee (786-7404)

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 6805 as recommended by Committee on Agriculture & Rural Economic Development be substituted therefor, and the substitute bill do pass.

Signed by Senators Prentice, Chair; Fraser, Vice Chair, Capital Budget Chair; Pridemore, Vice Chair, Operating Budget; Zarelli, Ranking Minority Member; Brandland, Carrell, Hatfield, Hewitt, Hobbs, Honeyford, Keiser, Kohl-Welles, Oemig, Parlette, Rasmussen, Regala, Roach, Rockefeller, Schoesler and Tom.

Staff: Elise Greef (786-7708)

Background: Often agencies have environmental mitigation and compliance requirements associated with permitting processes for the construction of public projects such as highways

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or private projects. Interest exists in enhancing or restoring fish and wildlife habitat, planting riparian areas, dispersing flood waters, providing water filtration, or providing other environmental benefits.

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 provide 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 Bill (Recommended Substitute): 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 State. 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;
- collaborating with farm and small forest landowners' organizations and agricultural special purpose districts to determine interest in and to assess market-ready products;
- identify opportunities for conservation markets that could provide ongoing revenue to farm and small forestry operations to improve their long-term viability;
- work with public agencies to determine potential demand and their willingness to use these products; and
- coordinate 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 in 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 costs; 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.

EFFECT OF CHANGES MADE BY AGRICULTURE & RURAL ECONOMIC DEVELOPMENT COMMITTEE (Recommended Substitute): The study is expanded to also consider the potential benefit of conservation markets to small forest landowners.

Appropriation: None.

Fiscal Note: Requested on January 23, 2008.

Committee/Commission/Task Force Created: No.

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

Staff Summary of Public Testimony on Original Bill (Agriculture & Rural Economic Development): PRO: It is time to look for new ways to incentivize obtaining environmental benefits from farm land through conservation markets. An example is asking farmers if they would be willing to grow a winter crop, or to allow ponding to occur on their property for snow geese, and still plant another crop in the spring for traditional food production. 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 farm use. 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.

OTHER: Ecology supports the concept and would like to be part of the discussions. Because the bill is not included in the Governor's request budget, Ecology nor the Conservation Commission cannot formally support it. The Conservation 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.

Persons Testifying (Agriculture & Rural Economic Development): PRO: Don Stuart, American Farmland Trust; John Larsen, Washington Association of Conservation Districts; Bill Robinson, The Nature Conservancy; Jack Field, Washington Cattleman Association; Chris Cheney, Washington Fryer Commission; Jay Gordon, Washington State Dairy Federation; Dan Wood, Washington Farm Bureau.

OTHER: Ron Schultz, Washington State Conservation Commission; Josh Baldi, Department of Ecology.

Staff Summary of Public Testimony on Recommended Substitute (Ways & Means): PRO: Not included in the Governor's budget because the concept came to the Legislature after the Governor's proposal was submitted. The Conservation Commission is working with Senator Rasmussen to accelerate the timeline of the study. The state is faced with several big problems: rapid growth, loss of agricultural lands, and the expenditure of hundreds of millions of dollars on mitigation. These problems could all be wrapped up and addressed together, using each of the problems to help solve the other — yielding better environmental protection and better returns on expenditures. This bill will save state and local dollars through cooperative solutions, rather than conflicts in court, and preserve farm infrastructure such as water filtration and dispersal. The fiscal note is overstated. Currently, public funds spent on mitigation are in the form of direct appropriations; this allows the market to work to solve problems.

Persons Testifying (Ways & Means): PRO: Ron Shultz, State Conservation Commission; Don Stuart, American Farmland Trust; Dan Wood, Washington State Farm Bureau; Bill Robinson, The Nature Conservancy.