House Bill 3490

Sponsored by Representative GAMBA

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure as introduced.

Establishes state policy regarding natural climate solutions. Establishes Natural and Working Lands Fund and provides for transfer of moneys from fund to certain state agencies. Prescribes uses of moneys from fund and requires Oregon Global Warming Commission to report to legislature on uses of moneys from fund.

Directs State Department of Energy and commission to prepare baseline, activity-based metrics and community impact metrics for net biological carbon sequestration in natural and working lands and establish biological carbon sequestration goals.

Directs State Department of Energy, in coordination with commission, to study workforce training programs needed to support adoption of natural climate solutions and provide results to committees of Legislative Assembly related to environment no later than September 15, 2024.

Authorizes commission to appoint natural and working lands advisory committee.

Directs State Department of Agriculture to establish competitive grant program for equipment to support soil health practices.

Requires use of wood products certified by Forest Stewardship Council in public improvement contract for construction or renovation of public building.

Requires Department of State Lands to require managed grazing techniques in lease of common school grazing lands on or after effective date of Act.

Directs State Forester to consider impact of climate change in determinations of greatest permanent value of managed forest lands.

Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

- Relating to natural climate solutions; and prescribing an effective date. 2
 - Be It Enacted by the People of the State of Oregon:
 - SECTION 1. As used in sections 1 to 10 of this 2023 Act:
 - (1) "Biological carbon sequestration" means the removal of carbon dioxide from the atmosphere by plants and other organisms and the storage of carbon in organic matter, including storage in grasslands, forests, soils and oceans.
 - (2) "Carbon dioxide equivalent" means the amount of carbon dioxide by weight that would produce the same global warming impact as a given weight of another greenhouse gas.
 - (3) "Climate resilience" means the capacity of society, the economy and ecosystems to cope with the impacts of climate change by responding or reorganizing in ways that maintain their essential function, identity and structure, and in the case of ecosystems, biodiversity, while also maintaining the capacity for adaptation and transformation.
 - (4) "Environmental justice community" has the meaning given that term in ORS 182.535.
 - (5) "Managed grazing" has the meaning given that term in section 20 of this 2023 Act.
 - (6) "Natural and working lands" means:
 - (a) Lands:
 - (A) Actively used by an agricultural owner or operator for an agricultural operation, including but not limited to active engagement in farming or ranching;
 - (B) Producing forest products;
 - (C) Consisting of forests, woodlands, grasslands, sagebrush steppes, deserts, freshwater

NOTE: Matter in **boldfaced** type in an amended section is new: matter [italic and bracketed] is existing law to be omitted. New sections are in **boldfaced** type.

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and riparian systems, wetlands, coastal and estuarine areas or the submerged and submersible lands within Oregon's territorial sea and marine habitats associated with those lands;

- (D) Used for recreational purposes, including, but not limited to, parks, trails, greenbelts and other similar open space lands; or
- (E) Consisting of trees, other vegetation and soils in urban and near-urban areas, including, but not limited to, urban watersheds, street trees, park trees, residential trees and riparian habitats; and
 - (b) Lands described in paragraph (a) of this subsection that are:

- (A) Held in trust by the United States for the benefit of any of the nine federally recognized Indian tribes in this state;
- (B) Held in trust by the United States for the benefit of individual members of any of the nine federally recognized Indian tribes in this state;
- (C) Within the boundaries of the reservation of any of the nine federally recognized Indian tribes in this state; or
- (D) Otherwise owned or controlled by any of the nine federally recognized Indian tribes in this state.
- (7) "Natural climate solution" means an activity that enhances or protects the capacity of natural and working lands for biological carbon sequestration or greenhouse gas emissions reduction, while maintaining or increasing climate resilience, human well-being, biodiversity and ecological system functions.
 - SECTION 2. The Legislative Assembly declares that it is the policy of this state to:
- (1)(a) To sequester in Oregon's natural and working lands, the following amounts of carbon dioxide equivalent, as measured against a 2010-2019 "business as usual" baseline:
 - (A) At least 5 million metric tons of carbon dioxide equivalent per year by 2030; and
 - (B) At least 9.5 million metric tons of carbon dioxide equivalent per year by 2050.
- (b) The carbon sequestration goals described in this subsection are in addition to the greenhouse gas reduction goals described in ORS 468A.205.
- (2) Implement strategies to advance natural climate solutions to mitigate the future impacts of climate change.
 - (3) Invest in research to improve our understanding of:
- (a) The effects of natural climate solutions on natural and working lands and the products produced by natural and working lands; and
- (b) The contributions of natural climate solutions to reducing greenhouse gas emissions, increasing net biological carbon sequestration and strengthening climate resilience.
 - (4) Direct state agencies to incentivize and implement natural climate solutions by:
- (a) Securing and leveraging federal and private investments in natural climate solutions on natural and working lands;
 - (b) Prioritizing the use of existing programs to administer funds;
- (c) Ensuring equitable benefits of climate mitigation for environmental justice communities, landowners and land managers;
- (d) Ensuring that a diversity of landowners and managers are able to voluntarily participate in incentive-based programs for natural climate solutions and climate resilience;
- (e) Identifying resources to provide incentives to land managers interested in voluntarily adopting practices that optimize natural climate solutions;

- (f) Strengthening land manager education, engagement and technical assistance efforts;
- (g) Providing financial assistance for tribal governments, local governments, as defined in ORS 174.116, or nongovernmental organizations for the purpose of entering into voluntary transactions with willing landowners to acquire natural and working lands to enhance the local benefits of natural climate solutions;
- (h) Increasing and deploying natural climate solutions in and around our urban and built environment; and
- (i) Optimizing the social, health, ecological, climate resilience and economic benefits of natural climate solutions, including:
 - (A) Reducing heat island effects;
- (B) Improving air quality;

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- (C) Improving flood control;
- (D) Improving soil health and productivity;
- (E) Improving wildfire resilience and community protection;
 - (F) Improving drought resilience and response;
- 16 (G) Improving wetland and riparian functionality for enhanced water quality and quan-17 tity;
 - (H) Increasing long-term fiber supplies;
 - (I) Increasing the climate resilience of fish and wildlife; and
- 20 (J) Increasing protection for coastal communities from the impacts of storm surge.
- 21 (5) Direct state agencies to incorporate natural climate solutions into their missions, 22 programmatic investments and performance metrics.
 - (6) Direct state agencies to use metrics designed to track progress in implementing natural climate solutions.
 - SECTION 3. (1) The Natural and Working Lands Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Natural and Working Lands Fund shall be credited to the fund. Moneys in the Natural and Working Lands Fund are continuously appropriated to State Department of Energy for the purposes described in this section and section 4 of this 2023 Act.
 - (2) At the written request of the State Department of Energy, the State Treasurer shall transfer moneys from the balance available in the Natural and Working Lands Fund on August 1 of each year to the following funds in accordance with allocations established by the department by rule under subsection (3) of this section:
 - (a) The Agriculture Natural Climate Solutions Fund established under section 11 of this 2023 Act.
- (b) The Forestry Natural Climate Solutions Fund established under section 12 of this 2023
 Act.
- 38 (c) The Watershed Natural Climate Solutions Fund established under section 13 of this 39 2023 Act.
- 40 (d) The Fish and Wildlife Natural Climate Solutions Fund established under section 14 41 of this 2023 Act.
 - (3) The State Department of Energy shall establish by rule the allocations under subsection (2) of this section. Allocations may be adjusted annually and must be based on the anticipated needs of the agency to which moneys are allocated. The department shall consult with the State Department of Agriculture, the State Forestry Department, the State De-

partment of Fish and Wildlife and the Oregon Watershed Enhancement Board before adopting or adjusting allocations under this subsection.

SECTION 4. (1) Subject to subsections (2) and (3) of this section, the State Department of Agriculture, the State Forestry Department, the State Department of Fish and Wildlife and the Oregon Watershed Enhancement Board shall use moneys allocated from the Natural and Working Lands Fund to:

- (a) Provide incentives to help landowners, land managers, tribal governments and environmental justice communities adopt practices that support natural climate solutions; and
- (b) Provide financial assistance for technical support for landowners, land managers, tribal governments and environmental justice communities for the adoption of natural climate solutions.
- (2)(a) The State Department of Agriculture, the State Forestry Department, the State Department of Fish and Wildlife and the Oregon Watershed Enhancement Board shall provide incentives and financial assistance according to the following priorities:
- (A) First, to incentives and financial assistance that will increase net biological carbon sequestration within natural and working lands.
- (B) Second, to incentives and financial assistance that will reduce greenhouse gas emissions from natural and working lands.
- (b) Incentives and financial assistance shall be designed to promote, as applicable, the following biological carbon sequestration strategies:
 - (A) Planting cover crops on agricultural lands, with priority given to perennial plants;
 - (B) No-till farming practices;

- (C) Managed grazing practices on private agricultural lands;
- (D) Systems for withdrawing compostable materials from the general public waste stream and using those materials for soil augmentation;
 - (E) The use of perennial crops instead of annual crops, especially on grazing lands;
 - (F) The application of agroforestry practices in appropriate landscapes;
- (G) Lengthening logging rotations on all state-owned and private lands to no less than 80-year cycles;
 - (H) The retention of mature and old-growth forests on state and federal forest lands;
 - (I) Preventing the conversion of natural forests to managed plantations;
 - (J) Increasing green tree retention on forest land during harvest;
- (K) The protection of riparian buffers and restoration of forested riparian areas and wetlands;
 - (L) The reforestation of historically forested areas;
- (M) Avoiding conversion of natural ecosystems that sequester carbon and have a high biodiversity value; and
 - (N) The protection of existing coastal and marine ecosystems.
- (3) The State Department of Energy, in consultation with the Oregon Global Warming Commission, the State Department of Agriculture, the State Forestry Department, the State Department of Fish and Wildlife and the Oregon Watershed Enhancement Board, shall adopt rules to describe the areas of responsibility, in carrying out subsection (1) of this section, for each agency that receives an allocation from the Natural and Working Lands Fund.
- (4) The State Department of Energy, the Oregon Global Warming Commission, the State Department of Agriculture, the State Forestry Department, the State Department of Fish

and Wildlife and the Oregon Watershed Enhancement Board shall jointly:

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- (a) Coordinate, to the maximum extent practicable, on the development and implementation of programs and activities related to natural climate solutions to reduce duplication and overlapping or redundant efforts;
- (b) Review, at regular intervals, progress made in implementing natural climate solutions and barriers to future implementation;
 - (c) Identify opportunities for cross-agency coordination on natural climate solutions; and
- (d) Identify opportunities for leveraging natural climate solution capacities across agen-9 cies.
 - (5) Agencies that receive an allocation from the Natural and Working Lands Fund under section 3 of this 2023 Act shall provide to the Oregon Global Warming Commission an accounting of the uses of moneys from the fund by the agency.
 - (6) The Oregon Global Warming Commission shall provide a summary of the uses of the Natural and Working Lands Fund, and identify additional funding needs, in a report to the committees of the Legislative Assembly related to the environment, in the manner provided by ORS 192.245, no later than September 15 of each year.
 - SECTION 5. (1) No later than December 1 of each even-numbered year, the Oregon Global Warming Commission, in consultation with the State Department of Energy, the State Department of Agriculture, the State Forestry Department, the State Department of Fish and Wildlife and the Oregon Watershed Enhancement Board, shall submit a report, in the manner provided by ORS 192.245, to the interim committees of the Legislative Assembly related to the environment and the Governor. The report shall include:
 - (a) A list of projects funded by the Natural and Working Lands Fund during the previous 24 months and the amount expended for each project.
 - (b) A summary of state, federal and private sources of funding for natural climate solutions.
 - (c) An assessment of projects described in paragraphs (a) and (b) of this subsection in light of the baseline and metrics adopted under section 6 of this 2023 Act.
 - (d) A list of projects, grants or other activities that are planned for the upcoming calendar year.
 - (e) A summary of anticipated climate threats to Oregon's natural and working lands in the upcoming biennium.
 - (f) An assessment of gaps in programs and authorities to better fulfill the policies described in section 2 of this 2023 Act.
 - (g) An inventory and assessment of existing programs that relate to natural climate solutions.
 - (2) Before finalizing the report under subsection (1) of this section, the commission shall solicit public comment on the report and include a summary of comments received in the final version of the report submitted to the Legislative Assembly and Governor.
 - (3) The State Department of Energy shall provide staff support to the commission for the purpose of preparing the reports under this section and section 4 (6) of this 2023 Act. The department may contract with a third party to provide staff support services described in this subsection.
 - SECTION 6. (1) The State Department of Energy and the Oregon Global Warming Commission shall, in coordination with the State Forestry Department, the State Department of

Agriculture, the State Department of Fish and Wildlife and the Oregon Watershed Enhancement Board, and in consultation with relevant federal agencies, establish and maintain:

- (a) A net biological carbon sequestration baseline for natural and working lands;
- (b) Activity-based metrics in accordance with subsection (2) of this section; and
- (c) Community impact metrics in accordance with subsection (3) of this section.
- (2) Activity-based metrics shall be used to evaluate progress toward increasing net biological carbon sequestration in natural and working lands, as measured against the net biological carbon sequestration baseline. Activity-based metrics may include, but need not be limited to, acres of lands for which certain management practices have been adopted.
- (3) Community impact metrics shall be used to evaluate the positive and negative effects, over time, of strategies for net biological carbon sequestration in natural and working lands on landowners, land managers and communities. Community impact metrics may include, but need not be limited to:
- (a) Metrics to measure the effects of net biological carbon sequestration strategies on jobs, local economies, environmental integrity and public health; and
- (b) Metrics to evaluate the accessibility of a diverse range of landowners to net biological carbon sequestration programs.
- (4) The State Department of Energy may contract with a third party to assist the department in performing its duties under this section.
- SECTION 7. (1) The State Department of Energy and the Oregon Global Warming Commission, in coordination with the State Forestry Department, the State Department of Agriculture, the Oregon Watershed Enhancement Board, the Department of State Lands, the Department of Land Conservation and Development and federal land management partners, shall develop a natural and working lands net biological carbon sequestration inventory. The inventory must:
- (a) Be based on the best available field-based and remote sensing data on biological carbon sequestration and greenhouse gas emissions; and
- (b) To the greatest extent possible, be developed using methods consistent with methods used to assess greenhouse gas fluxes related to land use, land change and forestry for the United States Environmental Protection Agency's Inventory of U.S. Greenhouse Gas Emissions and Sinks.
- (2) The State Department of Energy shall update the inventory and submit a report describing the inventory to the Oregon Global Warming Commission no later than December 1 of each even-numbered year.
- (3) The State Department of Energy may contract with a third party to assist the department in performing its duties under this section.
- SECTION 8. (1) The State Department of Energy, in coordination with the Oregon Global Warming Commission, shall study the workforce and training programs needed to support adoption of natural climate solutions on natural and working lands.
- (2) The department shall provide the results of the study, and may include recommendations for legislation, in a report to the committees of the Legislative Assembly related to the environment, in the manner provided under ORS 192.245, no later than September 15, 2024.
- (3) The department may contract with a third party to assist the department in performing its duties under this section.

- 1 SECTION 9. Section 8 of this 2023 Act is repealed on January 2, 2025.
 - SECTION 10. (1) The Oregon Global Warming Commission may appoint a natural and working lands advisory committee to advise the commission in the performance of the commission's duties under sections 1 to 10 of this 2023 Act.
 - (2) The advisory committee shall consist of at least 15 members, including but not limited to representatives of:
 - (a) Tribal governments;
- 8 (b) Local governments;

- (c) Forest products interests or organizations;
- 10 (d) Agricultural interests or organizations;
- 11 (e) Environmental justice interests;
- 12 (f) Conservation interests;
 - (g) The scientific community with expertise in natural climate solutions; and
- 14 (h) Technical service providers.
 - (3) The State Department of Energy shall provide staff support for the advisory committee. The department may contract with a third party to provide staff support services under this subsection.
 - SECTION 11. (1) The Agriculture Natural Climate Solutions Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Agriculture Natural Climate Solutions Fund shall be credited to the fund. Moneys in the fund are continuously appropriated to State Department of Agriculture to:
 - (a) Provide incentives and financial assistance as described in section 4 of this 2023 Act; and
 - (b) For the administrative expenses of the department in implementing section 4 of this 2023 Act, except that no more than 10 percent of moneys may be used for administrative expenses.
 - (2) The Agriculture Natural Climate Solutions Fund consists of moneys transferred to the fund under section 3 of this 2023 Act.
 - (3) The Family Farm Viability Account is established as a separate account within the Agriculture Natural Climate Solutions Fund. Of the moneys transferred to the Agriculture Natural Climate Solutions Fund under section 3 of this 2023 Act, 33 percent shall be transferred to the Family Farm Viability Account. Moneys in the account shall be used by the department to provide competitive grants to farms or ranches with annual gross cash farm income under \$250,000 to carry out biological carbon sequestration strategies described in section 4 of this 2023 Act.
 - SECTION 12. (1) The Forestry Natural Climate Solutions Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Forestry Natural Climate Solutions Fund shall be credited to the fund. Moneys in the fund are continuously appropriated to the State Forestry Department to:
 - (a) Provide incentives and financial assistance as described in section 4 of this 2023 Act; and
 - (b) For the administrative expenses of the department in implementing section 4 of this 2023 Act, except that no more than 10 percent of moneys may be used for administrative expenses.
 - (2) The Forestry Natural Climate Solutions Fund consists of moneys transferred to the

fund under section 3 of this 2023 Act.

SECTION 13. (1) The Watershed Natural Climate Solutions Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Watershed Natural Climate Solutions Fund shall be credited to the fund. Moneys in the fund are continuously appropriated to the Oregon Watershed Enhancement Board to:

- (a) Provide incentives and financial assistance as described in section 4 of this 2023 Act; and
- (b) For the administrative expenses of the board in implementing section 4 of this 2023 Act, except that no more than 10 percent of moneys may be used for administrative expenses.
- (2) The Watershed Natural Climate Solutions Fund consists of moneys transferred to the fund under section 3 of this 2023 Act.

SECTION 14. (1) The Fish and Wildlife Natural Climate Solutions Fund is established in the State Treasury, separate and distinct from the General Fund. Interest earned by the Fish and Wildlife Natural Climate Solutions Fund shall be credited to the fund. Moneys in the fund are continuously appropriated to the State Department of Fish and Wildlife to:

- (a) Provide incentives and financial assistance as described in section 4 of this 2023 Act; and
- (b) For the administrative expenses of the department in implementing section 4 of this 2023 Act, except that no more than 10 percent of moneys may be used for administrative expenses.
- (2) The Fish and Wildlife Natural Climate Solutions Fund consists of moneys transferred to the fund under section 3 of this 2023 Act.

SECTION 15. (1) The State Department of Agriculture shall establish by rule a competitive grant program for the purchase, maintenance and operation of farm equipment to support the following soil health practices:

- (a) Maximizing soil cover;
- (b) Minimizing soil disturbance;
- (c) Maintaining biodiversity;
- (d) Maintaining a continual live plant in the soil; and
- (e) Integrating livestock to recycle nutrients.
 - (2) Equipment purchased through a grant awarded under the program must be:
 - (a) Equipment that is typically used on a seasonal basis only; and
- (b) Kept by a soil and water conservation district for loan to small farmers within the county in which the district is located.
- (3) Equipment may be incorporated into any existing tool lending programs within the county.
- (4)(a) The department shall convene an advisory committee in accordance with ORS 183.333 to assist the department in drafting rules under this section. The advisory committee shall also advise the department in evaluating grant applications according to an applicant's ability to support the soil health practices described in subsection (1) of this section.
- (b) As far as is practicable, the membership of the advisory committee shall represent a diversity of social, economic, cultural and geographic backgrounds. At least one member of the committee shall be an owner or employee of a farm or ranch with annual gross cash farm income under \$250,000.

(5) Rules adopted under this section may include a list of equipment types that are eligible to be purchased with grant funds.

SECTION 16. In addition to and not in lieu of any other appropriation, there is appropriated to the State Department of Agriculture, for the biennium beginning July 1, 2023, out of the General Fund, the amount of \$______, which may be expended for the purpose of awarding grants under section 15 of this 2023 Act.

SECTION 17. Section 18 of this 2023 Act is added to and made a part of ORS chapter 279C.

SECTION 18. Every public improvement contract for the construction or renovation of a public building shall contain a condition requiring that any wood product used in the construction or renovation bear a certification from the Forest Stewardship Council.

SECTION 19. Section 20 of this 2023 Act is added to and made part of ORS 273.805 to 273.825

SECTION 20. (1) As used in this section:

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- (a) "Biological carbon sequestration" has the meaning given that term in section 1 of this 2023 Act.
- (b) "Managed grazing" means rotational or deferred grazing, managed in ways that increase biological carbon sequestration in accordance with the best available science regarding crop, soil and livestock classifications, that moves livestock through a series of three or more paddocks according to their forage needs, desired residue height and biological carbon sequestration levels in vegetation and soils.
- (2) In addition to the terms described in ORS 273.815, the Department of State Lands shall require managed grazing on common school grazing lands in all leases entered into on or after June 1, 2024.
- (3) The department shall adopt rules to implement this section. Rules adopted by the department may include approved managed grazing techniques, including but not limited to:
 - (a) The use of mobile or temporary fencing;
 - (b) Requirements for the regular rotation of herds to lessen grazing intensity; and
 - (c) The planting of perennial grass seeds instead of annual grass seeds.
- (4) In adopting rules under this section, the department shall incorporate the best available science on soil and biological carbon sequestration. Rules for managed grazing techniques must be designed to achieve the goal that common school grazing lands achieve net biological carbon sequestration.
- SECTION 21. In addition to and not in lieu of any other appropriation, there is appropriated to the Department of State Lands, for the biennium beginning July 1, 2023, out of the General Fund, the amount of \$______, which may be expended for the purpose of carrying out section 20 of this 2023 Act.
- <u>SECTION 22.</u> (1) The State Forester shall consider the impacts of climate change in any determination of the greatest permanent value of forest lands managed by the State Forester pursuant to ORS 530.050 or 530.490.
 - (2) The State Board of Forestry shall adopt rules to implement this section.
- <u>SECTION 23.</u> This 2023 Act takes effect on the 91st day after the date on which the 2023 regular session of the Eighty-second Legislative Assembly adjourns sine die.