

HOUSE REVENUE COMMITTEE
MAY 29, 2003 8:30 AM STATE CAPITOL BUILDING

Members Present: Representative Lane Shetterly, Chair
Representative Wayne Scott, Vice Chair
Representative Joanne Verger, Vice Chair
Representative Phil Barnhart
Representative Vicki Berger
Representative Pat Farr
Representative Mark Hass
Representative Elaine Hopson
Representative Max Williams

Witness Present: Representative Jerry Krummel, District 26
Michael Mason, Confederated Tribes of the Warm Springs
Henry Wiens, Hillsboro School District
Ray Wilkeson, Oregon Forest Industries Council
Ross Holloway, Oregon Department of Forestry (ODF)
Steve Thomas, ODF
Dave Ivanoff, Hampton Affiliates
John McIntosh, Cascade Sun Works
Mike Graine, Oregon Office of Energy

Staff Present: Paul Warner, Legislative Revenue Officer
Steve Meyer, Legislative Revenue Office
Richard Yates, Legislative Revenue Office
Lizbeth Martin-Mahar
Kathy Tooley, Committee Assistant

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004 Chair Shetterly Calls meeting to order at 8:45 a.m.

OPENED WORK SESSION 819A

010 Steve Meyer Provided update on SB 819-A, in regards to: Local option revenue exclusion from school equalization formula; and weighting for small high schools in a merger situation.

030 Meyer Discussed approval to remove subsequent referral to Ways and Means. Described –A10 and -A11 amendments.

070 Chair Shetterly Asked who brought the –A11 amendments?

071 Meyer Staff requested the –A11 amendments for clarification in the event one or more small high schools merge and timing for fiscal purposes.

077 Chair Shetterly It doesn't substantially affect the A-Engrossed bill?

078 Meyer The amendment is just a clarification.

081 Rep. Williams Didn't we have testimony from a small high school that was going to have a loss of revenues as a result of the consolidation?

082	Rep. Hopson	Yoncalla.
082	Chair Shetterly	That was the purpose of the consolidation provision in the bill itself.
084	Meyer	Described –A7 amendments, as Rep. Krummel’s amendment.
091	Rep. Farr	MOTION: MOVED ADOPTION OF THE –7 AMENDMENTS INTO SB 819-A.
094	Rep. Farr	The –A7 amendments recognize disparities in high and low end high school funding; and growth beyond the capacity of the state to fund correctly.
100	Rep. Hass	Sympathetic to goal of amendment, but cited unfairness in dealing with one high growth school district at the expense of others The issue needs to be dealt with for all districts, or make the formula clearer.
112	Rep. Verger	Declining enrollment and high growth are two critical issues in Oregon that need to be reviewed in one discussion
124	Rep. Barnhart	The key point is ADMw is underfunded statewide; school budgets need to be adequate to pay real education costs, and these issues would disappear.
123	Rep. Hopson	Discussed her “no” vote, although has compassion for Sherwood; concurred with Rep. Verger. Sherwood has lowest funding in Oregon, but funding is based on adjustments for unique circumstances such as English as a Second Language (ESL) and Special Education for which Sherwood has low representation. Need to look at this issue within the total picture.
148	Rep. Krummel	Discussed Sherwood’s exceptionally high sustained growth over past 12 years. Agreed funding formula is flawed, dollars per student have declined steadily for the last 10 years. Sherwood is a train wreck about to happen. Cited excellent management of existing resources; and reduced teacher experience. Encouraged support for -7 Amendments.
190	Chair Shetterly	Funding limitations are reflected in the Committee’s comments.
195	Rep. Farr	Cited history of favoring single school districts, Sherwood’s inclusion in SB 819-A should not be a problem.
207	Rep. Barnhart	Agreed with Rep. Krummel’s concerns regarding Sherwood’s current funding. Discussed similar situation, in his district although not as bad. Oregon will get to the point where it doesn’t work any longer. The solution is to figure where per pupil funding should be to fund needed programs.
240		ROLL CALL: MOTION FAILED 3-6-0
		REPRESENTATIVES VOTING AYE: Farr, Scott, Williams. VOTING NO: Barnhart, Berger, Hass, Hopson, Verger, Chair Shetterly.
253	Chair Shetterly	Closed Work Session on SB 819-A

OPENED WORK SESSION ON SB 550-A

258	Steve Meyer	Described SB 550-A; discussed high cost disability account, and high cost transportation districts.
293	Meyer	The -A7 amendment replaces the bill, proposes changes to the high cost disabilities grant; sunsets the provision at the end of this biennium; and does not restore the high cost out-of-state disabilities fund.

304 Meyer The -A9 amendment, (Exhibit 1), is related to small high school merger language seen in SB 819-A, including the correction amendment.

324 Rep. Hass What is the purpose of doing that?

326 Chair Shetterly It saves the small school piece if SB 819-A fails, under any circumstance.

330 Meyer Described the -A10 amendment, (Exhibit 2), as the Portland amendment to SB 819-A.

337 Meyer Described the -A11 amendment, (Exhibit 3), as an agreement by the Department of Education (DOE) with the school district to put money into a lease-payment fund for an Indian Tribe with capital costs for improving school facilities. Did not know the source of the amendment.

349 Chair Shetterly Believes it is from Michael Mason and the Confederated Tribes of Warm Springs.

354 Michael Mason The -A11 amendment involves the Warm Springs Elementary School reconstruction in Madras. Discussed agreement between the tribe and school district regarding elementary school construction.

412 Chair Shetterly How does this relate to the bonding of the federal impact funds the Committee dealt with earlier? It's about the same school isn't it?

414 Mason It's about the same school, but more specific. It discusses an agreement to lease, where the agreement is already in place. The impact bond is issued by the school district, it's a little different.

421 Chair Shetterly Do they work together?

426 Mason They could, the school district could use the impact aid dollars to build a school under SB 807. Does not see it happening with the elementary school, but does with the middle school where there is an extremely high eighth grade drop out rate.

434 Chair Shetterly Clarifies bill only affects the Madras School District and its relationship with the tribe? It doesn't affect school fund distribution or any other districts?

436 Mason Answered affirmatively. It is very narrow; it has to be a lease payback type of agreement.

444 Rep. Verger SB 807 is impact aid that would be bonded and there was an agreement with the school district, are we talking about a different school?

451 Mason It's the same school district. The issue arose in the last two weeks when bond counsel indicated the need for this.

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018 Henry Wiens Discussed calculation of high costs and including Education Service District (ESD) resources in calculations on high cost students, (Exhibit 4). Discussed possible unintended consequences if ESD is not included.

070 Rep. Barnhart Most of the required calculations for the suggested change are already being done?

077	Wiens	Answered affirmatively, for purposes of determining fiscal maintenance efforts.
078	Rep. Barnhart	These are small changes in the record keeping part?
080	Wiens	Answered affirmatively.
081	Meyer	It may relate to how the DOE defines approved costs as to how clean that would be.
084	Rep. Verger	Do the -A7 amendments change the school finance distribution sheets?
087	Meyer	Simulation 12. No. It is based on \$25,000.
090		Questions and discussion regarding sunset of -A7 amendments.
121		Questions and discussion regarding Simulation 12 and winners and losers.
157	Chair Shetterly	This more accurately reflects costs that are not being met, and redresses inequities in the formula.
161	Rep. Williams	This seems like a -A7 amendment in a bill that just failed that was attempting to do a very similar thing. The committee should not be supremely rigid in its analysis of winners and losers when it comes to the school funding formula.
171	Rep. Hopson	There are differences between the amendment just discussed and one with high needs which can change from year-to-year if a district unexpectedly has a student with \$170,000 needs.
177	Chair Shetterly	Including potentially Sherwood. Discussed nature of school funding legislation. Asked for Wiens concerns to be addressed if possible.
190	Chair Shetterly	Closed Work Session on SB 550.

OPENED WORK SESSION ON HB 3632

203	Richard Yates	Described HB 3632.
222	Yates	Described difference between -2, (Exhibit 5), and -3 amendments, (Exhibit 6). Testimony received that penalties are being relaxed is untrue.
246	Chair Shetterly	Clarified -2 amendments provisions. In Counsel's opinion the language regarding penalty provisions were superfluous to the purpose of the language. The -3 amendment reinstates superfluous penalties to statutes.
264	Yates	Concurred.
266	Rep. Hass	Also discussed with Counsel and agreed, but if it creates confusion it should be addressed.
270	Yates	Balance of amendments expands from Tillamook and Clatsop State Forests to include all trust lands under ORS 530, except Common School Forest Lands (CSFL).
284	Yates	The -4 amendments, (Exhibit 7), attach an emergency clause.
286	Yates	The -5 amendments, (Exhibit 8), restore original language in terms of purpose "greatest permanent value" and define "secure the greatest permanent value".

292	Chair Shetterly	(2)(k) addresses the disease vs. the species?
300	Yates	Answered affirmatively, it is the same as the bill, just reorganizes. Defines "greatest permanent value".
310	Chair Shetterly	That language is drawn from the Forest Practices Act (FPA)?
315	Ray Wilkeson	Affirmed the evaluation of the amendments. The -5 amendments lift policy statement of the FPA and is a tighter way to get at the bill's purpose. It sends a clear message to the ODF and Board of Forestry about legislative intent.
328	Wilkeson	Another effect of the -2, -3 amendments is to eliminate language that is too restrictive in allowing practices above the minimum standards of the FPA.
344	Rep. Barnhart	Concerned if the language allows the Board to exceed the standards of the FPA. Do the amendments get there? Cited reference to "shall be achieved through compliance with" in the -2, and -3 amendments
346	Wilkeson	Provided example of private land stream buffers of 50 to 100 feet, on state lands 170 feet are required. Landowners often leave more; this bill allows the state to do the same thing.
385	Chair Shetterly	Another is reforestation, private landowners reforest for density. That wouldn't be out of compliance with the FPA, to reforest with more trees than required or to leave more trees in the buffers.
397	Rep. Barnhart	Compliance is different than limited to.
399	Chair Shetterly	Agreed.
398	Wilkeson	That's a problem with that sentence, the amendment removed it. It's a good amendment.
401	Chair Shetterly	Compliance addresses the minimum standards.
420	Chair Shetterly	Do you have any immediate response to the change in language in the -2, -3, -5 amendments?
425	Ross Holloway	The amendments would allow people on the ground to use judgment and flexibility and possibly exceed a standard. Does not think it allows the Board to continue with the current forest management plan which specifies a higher standard. That plan would have to be amended.
451	Chair Shetterly	Agreed.
454	Rep. Verger	The Tillamook County Commissioner said that state lands should have a higher standard. Is there a reason, in being compliant with federal regulations or working as a partner with federal regulations that there is a higher standard in the FPA?
468	Holloway	You are referring to the Forest Management Plan (FMP) having a higher standard than the FPA?
469	Verger	Answered affirmatively.
470	Holloway	Described the development of the standard "greatest permanent value" which specifies a higher management goal. Discussed integrated strategies developed. The proposed legislation redefines "greatest permanent value"

requiring the Board to amend the OARS to reflect that and will have different findings to make on the package of strategies as to whether it meets the definition of “greatest permanent value”.

- 501 Chair Shetterly The answer is no, it is not there by any requirement of federal law?
- 503 Holloway It was developed off the “greatest permanent value” rule, not by federal law.
- 505 Holloway Adopted by the Board, not as part of a federal process, but a state process.
- 046 Rep. Verger Not in partnership; strictly standards the Board felt it needed; no other partnership or federal requirements, and no other benefit for the state?

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- 052 Holloway Concurrent with developing all the FMP strategies, ODF talked to federal agencies about habitat conservation plans (HCP). Believes the current “greatest permanent value” is what drove the development of current strategies. If those words change, they will need to be looked at again to determine the goals trying to achieve with those strategies. It will be different. Discussed basis for strategy development and species provisions for a HCP and protection under the Federal Endangered Species Act (ESA) from prosecution. If the ESA went away, those standards would be appropriate to meet the current definition of “greatest permanent value”.
- 066 Chair Shetterly Is the original revenue impact statement congruent with Ivanoff's? The -2 or -3 amendments would look at revenue impact of \$107 million per biennium?
- 072 Yates That's what Ivanoff testified to, would prefer ODF provide a number they think is legitimate.
- 075 Chair Shetterly Ivanoff, based on ODF, numbers developed a revenue impact based on the additional forests; does that sound correct?
- 084 Holloway Was not familiar with methodology, thinks it was extrapolated out using additional acres. ESA issues in some of the other districts are much more constraining than for Tillamook and Clatsop. It is less likely ODF could make the additional changes without coverage under the ESA.
- 092 Rep. Hass Do any of these amendments ease your concerns about this bill?
- 093 Holloway Answered affirmatively, the two primary issues for ODF are amending the Board's administrative rule and amending the FMP which will be a long process will include public input and review. It will have to be initiated and carried forward because the bill fundamentally changes several standards included in the current administrative rule the Board adopted in the FMP.
- 102 Rep. Williams Assuming the bill passes, and it goes through the process of amending administrative rules and developing a new FMP, do you believe you have the ability within the statute to amend the FMP in a manner that would still provide the same level of habitat protection currently provided?
- 109 Holloway We would not be providing the same level of habitat proposed, but would protect the endangered species as required.
- 115 Chair Shetterly At the levels that are over and above the ESA?
- 117 Steve Thomas The concept was to, over time and across the landscape, create enough

habitat that there would not be a need for a HCP on state lands so it would not be necessary to manage site by site for these species. Discussed limitations of the approach.

- 131 Chair Shetterly In terms of amending the FMP, doesn't the FPA give you the template that this bill directs to be implemented for forest management purposes? Shouldn't that make it easier to amend the FMP?
- 141 Thomas Agreed, but it would require public and shareholder discussion, a process that takes time. Agreed the language is more definitive.
- 148 Rep. Barnhart Have you provided us with the current definition of "greatest permanent value" based on administrative rules?
- 150 Thomas Don't believe so, but it can be provided.
- 152 Rep. Barnhart Curious about difference in proposed amendments. If the bill is adopted with -5, How long will it take to get to a new management plan and increased cut that Mr. Ivanoff is talking about?
- 166 Chair Shetterly The Chair requested -4 amendments which provide an emergency clause, to get the bill jumpstarted, so it doesn't have to wait for January 1.
- 171 Thomas Just approved fiscal 2004 timber sale plan. Described survey taken two years prior to sale to ensure there is not a threatened and endangered (T&E) species issue. If more volume is added, would have to look for areas that do not have endangered species issues or it would be 2-3 years to see increased volume through the planning process. Once sold there is typically a 2-3 year period before revenue flows for a straightforward project; 4-6 years if more involved.
- 191 Holloway Agreed with Thomas' assessment. Described Board's emergency rule making process, followed by a more formal rulemaking process. It would be rapid to have revenue flowing in 2 years from date declaring there would be more volume on the market.
- 204 Rep. Barnhart Should not expect additional revenue in 2003 biennium?
- 205 Thomas That's what we put in ODF revenue impact statement, no additional revenue for 2003-05 biennia; because of the timing of sale preparation tasks required, particularly the key T&E survey.
- 208 Rep. Hopson Could you talk about ongoing revisions to the FMP, the form and the stakeholders?
- 218 Holloway The plan was adopted two years ago, and the implementation plan just approved; have not made any revisions to date. Discussed stakeholders; and process for forest management planning. FMP specifies parameters. Amendments discuss 3 of 4 core structural strategies of FMP. Involves public meetings, outreach and county advisory committee.
- 235 Chair Shetterly The FPA would be the template for the plan.
- 238 Holloway That narrows the strategies, but there are still major amendments to the existing plan.
- 241 Thomas Discussed a work in progress with the counties on harvest levels; counties hiring a consultant; a 2 year work plan in process for better data. In order to fully implement plan, have to have strong adaptive management strategy

monitoring the research strategy. Have been commended on adaptive management plan for the Northwest. Do have research projects to ensure the premises are valid, and if not, what changes need to be made.

- 273 Chair Shetterly Describe the analysis on the \$107 million in projected revenue.
- 263 Dave Ivanoff Described methodology. Discussed reduction in logging costs; appraisal process; and timing of incremental revenue stream. Industry operations cited raw material shortage, and resulting layoffs. Suggests more rapid response in areas of young stands affected by Swiss needle cast (SNC) felt there could be more rapid flow of revenue than ODF staff indicated.
- 344 Chair Shetterly Recognition of emergency for timber industry, also recognize need for protection of environment and species. The Legislature has a responsibility to recognize economic situation and look at an area that has been neglected for 20 years for diversification. Need to act quickly as mills are closing resulting in loss of jobs and revenues.
- 378 Questions and discussion regarding location of other forest areas affected by -2 and -3 amendments.
- 380 Rep. Farr Would hope people adopting the implementing rules would recognize the emergency Oregon is in and if possible expedite within a 2-3 year plan.
- 414 Chair Shetterly Normally gives deference to agency expertise and authority, but does not feel it is infringing on the agency, as there is a FMP in place. This is a Legislative policy decision; cited desire to protect the environment and species, but also provide opportunity for jobs and revenue for the state.
- 458 Rep. Williams **MOTION: MOVED ADOPTION OF THE -3 AMENDMENT INTO HB 3632.**
ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL MEMBERS PRESENT).
- 465 Chair Shetterly **MOTION: MOVED ADOPTION OF THE -4 AMENDMENT INTO HB 3632.**
- 468 Chair Shetterly **ORDER: HEARING TWO OBJECTIONS, THE CHAIR SO ORDERS. OBJECTING: REPS. HOPSON AND BARNHART. (ALL MEMBERS PRESENT, THE VOTE WILL BE RECORDED AS 7-2-0).**
- 474 Rep. Farr The -5 amendments seem to go a long way to ease alarm about this bill.
- 478 Rep. Farr **MOTION: MOVED ADOPTION OF THE -5 AMENDMENT INTO HB 3632.**
- 486 Chair Shetterly **ORDER: HEARING TWO OBJECTIONS, THE CHAIR SO ORDERS. OBJECTING: REPS. HOPSON AND BARNHART. (ALL MEMBERS PRESENT THE VOTE WILL BE RECORDED AS 7-2-0).**
- 493 Chair Shetterly **MOTION: MOVED HB 3632, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION**

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- 035 Rep. Hopson Will vote against passage of HB 3562. Discussed difficulty of no vote based on her representation of Tillamook and Clatsop Counties and the need for jobs. Opposed bill based on long arduous process where stakeholders were at the table. Cited letter from Clatsop Commissioners in opposition, (Exhibit 9). FTLC has not taken a position and it would benefit the most. Discussed

historical confrontation, and costs for environmental protests in Tillamook County. ODF has heard loudly and clearly that this needs review, particularly for SNC, to increase harvest without running into ESA problems.

- 069 Rep. Barnhart Concurred with Rep. Hopson. Telling point is County Commissioners, the people closest to the issue and not connected with ODF, are split on the issue and would benefit the most. Concerned with issue raised by Commissioner Tim Josi, with federal government controls on land that should be part of Oregon's economic base. Impressed with scientific research and planning on forests. Oregon needs funds now; this will not produce much income because of delays necessary in the process. Would like to see clear explanation of plan to harvest diseased timber and possibility of harvesting those at a faster rate. Not willing at this point to second guess the Board.
- 121 Rep. Farr This bill doesn't preclude scientific funding of forest, it encourages it. -5 amendments address most of the concerns. Have to understand Oregon is in an emergency state, two years is too long, need to move faster.
- 132 Rep. Berger Discussed historical diminishment of forests through clear cuts; swinging to a stop/halt philosophy cited need to strike a balance. Likes -5 language that defines securing "greatest permanent value". Resource can be managed to serve both needs. Legislature needs to make a clear policy statement to ODF, believes bill will do this. Will support the bill as a balance to get back to harvesting the forest in a reasonable way.
- 157 Chair Shetterly Hopes giving ODF the template of FPA that it should be easier to move on sales and move the revenue stream more quickly. This is for the long term; the intent is sustainable harvest on a permanent basis. If the Legislature finds the FPA is deficient for the long term maintenance of sustainable yield, it can be addressed for private and state land. Appropriate to move these under a common management system.
- 185 **ROLL CALL: MOTION PASSED 7-2-0**
REPRESENTATIVES VOTING AYE: Berger, Farr, Hass, Scott, Verger, Williams, Chair Shetterly. VOTING NO: Barnhart, Hopson.
- 193 Rep. Barnhart Gave notice of a possible minority report.
- 195 Chair Shetterly **Chair Shetterly will carry the bill.**
- 197 Chair Shetterly Closed Work Session on HB 3632.

OPENED WORK SESSION ON HB 2652

- 200 John McIntosh Supported extending tax credits for solar portable tag systems, allowing customers installing large scale systems to take advantage of four years of tax credit, to offset installation of large systems. Asked Office of Energy to give an idea of costs of the tax credit which is less than \$30,000 for the next biennium, with potential investment of \$3 million.
- 241 Mike Graineey Discussed -8 amendment energy provisions, Exhibit 10). The Governor's Office is interested in the economic development and renewable resource aspects of the bill. The -8 amendments, include aspects that address McIntosh's interest in residential solar tax credits.
- 292 Rep. Barnhart Big problem with electricity is peak power production, the most expensive part; would these systems have an effect on peak power?

298	McIntosh	Solar portable tag system is at peak production in the middle of the summer, with longest days and when the sun is brightest. In winter months, there is 2.9 hours of sun a day.
307	Rep. Barnhart	Do you know how that compares to actual peak demand times for use of electricity and whether or not this would reduce the demand or take the place of electricity when demand is low?
313	Grainey	This bill would help in a general way by diversifying resources, to the extent that wind and solar provide additional resources for electricity production. The Northwest traditionally has a winter electric peak vs. summer electric peak in the Southwest. When California has problems, the whole region has problems. There would be a market for increased clean energy provided by solar and wind power any time during the year and would help regional stability.
335	Chair Shetterly	Closed Work Session on HB 2652.
339	Chair Shetterly	Meeting adjourned at 10:28 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant

Exhibit Summary:

1. Meyer, "SB 550-A9 Amendments", 4 pages
2. Meyer, "SB 550-A10 Amendments", 27 pages
3. Meyer, "SB 550-A11 Amendments", 2 pages
4. Wiens, "Testimony on SB 550", 1 page
5. Yates, "HB 3632-2 Amendments", 1 page
6. Yates, "HB 3632-3 Amendments", 1 page
7. Yates, "HB 3632-4 Amendments", 1 page
8. Yates, "HB 3632-5 Amendments", 3 pages
9. Westbrook "Written Testimony HB 3632", 1 page
10. Grainey, "HB 2652-8 Amendments", 37 pages
11. Martin-Mahar, "HB 2652-9", 3 pages
12. Martin-Mahar, "Staff Measure Summary HB 2652", 2 pages
13. Martin-Mahar, "Revenue Impact HB 2652-2", 1 page
14. Martin-Mahar, "HB 2652- Amendments", 2 pages
15. Martin-Mahar, "HB 2652-2", 19 pages
16. Martin-Mahar, "HB 2652-4", 1 page
17. Martin-Mahar, "HB 2652-5", 3 pages
18. Martin-Mahar, " Revenue Impact HB 2652-7", 1 page
19. Martin-Mahar, "HB 2652-7", 19 pages
20. Martin-Mahar, "HB Revenue Impact 2652-8", 1 page
21. NCSL, "Tax Policy Handbook for State Legislators", 68 pages