

HOUSE REVENUE COMMITTEE
AUGUST 7, 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

Witnesses Present: Tom Tuchmann, U.S. Forest Capital
Scott Cooper, Crook County Judge
John Shelk, Ochoco Lumber Company
Scott Shickli, Orrick, Herrington and Sutcliffe
Hasina Squires, Special Districts Association of Oregon
Michelle Deister, League of Oregon Cities
Ray Wilkeson, Oregon Forest Industries Council, (OFIC)

Staff Present: Paul Warner, Legislative Revenue Officer
Richard Yates, Legislative Revenue Office
Kathy Tooley, Committee Assistant

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004 Chair Shetterly Calls meeting to order at 8:35 a.m.

OPENED WORK SESSION HB 3633

010 Yates Provided background and description of HB 3633, "Staff Measure Summary HB 3633", (Exhibit 1), provided -4 amendments (Exhibit 2) and "Revenue Impact Statement HB 3633", (Exhibit 3).

028 Rep. Verger How can the municipalities decide the land within their boundaries is subject to taxation, when municipalities are not taxed? Also, this board can't levy taxes?

030 Yates The -4 amendment says the municipality can decide whether the authority will pay taxes. The authority itself cannot levy a tax.

041 Rep. Barnhart What is the definition of a municipality?

042 Yates The bill defines municipality as a city or county.

050 Tom Tuchmann A municipality that creates the forest authority is the decision maker on whether the forest authority is taxed or not.

058 Scott Cooper Spoke in support of HB 3633. Paraphrased written testimony (Exhibit 4).

145 John Shelk Discussed two sawmills in Prineville that could return to operation employing 200 as a result of this bill. The bill would assist 3 lumber companies that have lands up for sale. Some of lands are being partitioned off into 160 acre parcels, taking away from traditional forestry

use and is a concern to the forestry industry that has relied on federal resources and now has to rely on private lands for resource of lumber. Spoke of gap coupled with timber land for sale without prospect of a timber buyer keeping the land in the same use. These bonds do not obligate a municipality to buy the lands, it enables them to hold the lands in their current use, allowing lands to rest and then come back into full production. Land then can be managed on a sustained basis. Looking for a mechanism that ensures future timber supply.

- 211 Rep. Verger Are you limited to not being able to sell this back?
- 222 Scott Shickli Does not believe there is a restriction on party to whom it could sell or purposes after purchase, drafted to leave it to good sense of the governing board of a community forest authority.
- 233 Chair Shetterly What does that do with the bond when authority wants to sell the property?
- 234 Shickli It's not a matter of the statute; it's a matter of finance if revenue bonds are outstanding. Any bondholder purchasing a revenue bond would want to make certain that strings are attached to the assets so those assets cannot be sold out from under them. Sale of some or all of the assets securing debt service in the bonds can be used to set up a fund to pay the bond off.
- 246 Chair Shetterly Bondholders wouldn't necessarily run the risk of being paid off early and lose their investment expectation?
- 250 Tuchmann It is like selling a house with a mortgage on it; the proceeds would be used to pay off debt and there would be a new owner.
- 253 Shickli Typically with revenue bonds, the bondholders receive call protection for a number of years where the bond cannot be called. If sold during the non-call period a fund would be set up to continue paying debt service on the bond.
- 260 Rep. Barnhart Questions and discussion regarding the rate of growth of ponderosa and Douglas Fir
- 274 Rep. Barnhart The authority can do this and break even?
- 276 Tuchmann Answered affirmatively. Based on feasibility analyses done in Washington, California and Oregon, qualifying each transaction is different, described process. HB 3633 allows a municipality to allow a forest authority to have the discussions.
- 290 Cooper Have not penciled out, but would like flexibility to go forward, currently use revenue bonds on housing authority, hospital authorities, economic projects, said none of these authorities have had a negative outcome.
- 298 Rep. Barnhart The secret is to get land at a low price, with a loan where debt is stretched out long enough to harvest. Is that a reasonable summary?
- 308 Cooper Answered affirmatively
- 310 Rep. Farr Discussion regarding Douglas fir habitat vs. ponderosa and costs.
- 317 Rep. Berger Have you thought through what it would mean for a municipality and its immediate needs, including catastrophic, vs. a private company.

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- 012 Cooper The bill leaves the option to municipalities to determine the level of real and personal property taxation; they are not going to let anything go that might be a source of real property revenue. Regarding catastrophic fire prevention, 40% of Crook County lands are unprotected with default plans already in place, a few more acres is not going to make a difference.
- 028 Shelk Nature of revenue bond, the cost of issuing the bond plus the payment stream can be tailored to a sustainable harvest. The option of zero coupon bonds that do not immediately have to be funded gives flexibility to purchase and manage this type of property.
- 031 Cooper Local governments are under enormous pressure to do something to stem unemployment. His community's work force is trained for hands on manufacturing. This bill provides a tool to take to town meetings to show that something is being done. Running out of options; looking for flexibility and answers.
- 048 Rep. Berger Cautioned panel to be careful with financial plan, and avoid getting into hotter water due to the ground-breaking nature of the bill. Likes the concept.
- 054 Shelk HB 3633 only authorizes activity, the project has to fly on its merits. It requires study, having foresters examine property and its marketability and planning for 30-40 years to coincide with revenue bond streams.
- 059 Rep. Berger Concurred.
- 087 Rep. Farr Regarding May 14 testimony, described HB 3633 as an exciting concept addressing environmental needs with sustainable harvests and fish buffers.
- 096 Chair Shetterly The purpose of the bill is to enhance the productive use of forest land. Are there risks the other way? If a municipality buys a productive piece of forest land and puts it off limits. The revenue bond would have the requirement to be paid back. When this land comes under ownership of a community forest authority, is there increased risk for litigation or other interests challenging harvest activities or plans?
- 087 Shelk Discussed requirement for repayment of revenue bonds on the lands. There has to be an economic component to any decision made on the property. A governing board brings together industry and environmentalists.
- 110 Cooper Described a county advisory committee which was required to balance economic and conservation interests and has worked together effectively in the interest of forest health and species protection.
- 126 Rep. Verger Concerned about forest fire risk from people buying land close to forest lands and zoning them residential. Has that discussion taken place within the properties you are talking about?
- 135 Shelk Discussed difficulties in forest interface issues outside of Bend parceled in 160 acre pieces, this legislation is meant to truncate that activity.

143	Rep. Verger	Concurred with that intent.
145	Rep. Barnhart	Commented on the need for educated moderates in the area of resource development and preservation. See this as a useful tool for management of orphan lands and bringing people together in a new understanding of what should be done in forest management.
165	Cooper	There is a big core of moderates out there that are just as concerned about forests and recreational opportunities as they are about the economic side.
179	Rep. Verger	The -2s are not incorporated into the -4 amendments?
180	Rep. Shetterly	No, they stand by themselves.
181		Discussion regarding differences between -1 and -2 amendments; -4 includes the -3 amendments.
193	Yates	Asked counsel if there would be a problem in adopting -2 and -3 amendments.
194	Chair Shetterly	Or the -2 and the -4.
195	Yates	Answered affirmatively.
197	Chair Shetterly	Noted that the -3 and -4 amendments took care of the problem of one county buying land in another county.
203	Rep. Farr	I do not have the -3 amendments.
204	Rep. Shetterly	They are included in the -4 amendments.
210	Hasina Squires	Appreciate collaboration between business and local governments. Supported -4 amendments that allow cities, counties and special service districts to make property exemption optional. A taxing district may elect to continue to impose property taxes within those zones; districts if not responding to notice would have foregone taxes.
229	Michele Deister	Interesting idea, have not had an opportunity to look at carefully, but appreciate that it is a local option. Concerned about how it would work to buy property outside of jurisdiction.
235	Chair Shetterly	Property cannot be purchased by another county and was taken care of in the -4 amendments.
238	Deister	Does not feel it would affect many incorporated cities.
246	Ray Wilkeson	OFIC does not have an official position on the bill, discussed briefly and did not anticipate it would be going forward. Shelk has been a longstanding member of the timber community. This is a land issue; 160 acres is not an economically viable piece of property. There are economic consequences if that was allowed to happen.
258	Wilkeson	If land is converted from forest use to another use environmental protections are lost. There is an environmental and economic benefit to keeping land in resource use.
267	Chair Shetterly	Amended comments regarding -4 amendments, it does allow for purchase of lands outside the jurisdiction of the municipality, but only with

written consent of each municipality affected.

276 Tuchmann We're comfortable with the final amendment.

278 Rep. Williams Discussed the changing nature of the economy, relayed personal experience growing up in Bend. We are on a slide that isn't going to restore us to the glory days of the timber industry, these small steps will allow communities to support themselves with a resource-based economy makes sense with the dwindling supply of timber.

285 Chair Shetterly Discussion regarding how land would be managed under Forest Practices Act, (FPA), would it be helpful in the bill to incorporate an amendment that says the land would be managed in accordance with the FPA? Does that help underscore the commercial nature of the enterprise and the management purposes for this land to be used?

305 Shelk If it helps the Legislature with the comfort level it is one thing. It is absolutely implicit and explicit in the nature of this land that it will be managed under the FPA. The issues Wilkeson mentioned will not come into play as long as it is managed for timber.

310 Tuchmann Concurred.

312 Shelk Regarding Rep. Williams comment on dwindling supply, there is not a dwindling supply of timber in Oregon. On many timber lands including national forests it is growing too thick, and is growing up and dying.

317 Rep. Williams I should have said dwindling availability.

318 Shelk Concurred.

322 Rep. Verger Time is of an essence, does not believe the bill should be moved to the interim. It is a good bill and should be passed.

327 Rep. Barnhart Concurred, this will provide a tool that will be extremely valuable for counties and for planning purposes. If it turns out the chair's comments are well-placed, the Senate could add an amendment to the bill.

334 Chair Shetterly Do you have a position on the amendment regarding the FPA?

335 Wilkeson It would be appropriate for FPA to apply to those lands under these circumstances.

337 Chair Shetterly By default there is no other standard that would apply.

338 Wilkeson Felt it was not necessary to make it explicit.

340 Rep. Verger **MOTION: MOVED ADOPTION OF THE -2 AMENDMENT INTO HB 3633.**

ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL MEMBERS PRESENT EXCEPT REP. HASS EXCUSED.)

341 Rep. Verger **MOTION: MOVED ADOPTION OF THE -4 AMENDMENT INTO HB 3633.**

ORDER: HEARING NO OBJECTION, THE CHAIR SO ORDERS. (ALL MEMBERS PRESENT EXCEPT REP. HASS, EXCUSED.)

343	Rep. Verger	MOTION: MOVED HB 3633, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS RECOMMENDATION ROLL CALL: MOTION PASSED 8-0-1 REPRESENTATIVES VOTING AYE: Barnhart, Berger, Farr, Hopson, Scott, Verger, Williams, Chair Shetterly. EXCUSED: Hass. Reps. Verger and Farr will carry the bill.
348	Chair Shetterly	Closed the work session on HB 3633.
349	Chair Shetterly	Meeting adjourned at 9:35 a.m.

Tape Log Submitted by,

Kathy Tooley, Committee Assistant

Exhibit Summary:

1. Yates, "Staff Measure Summary HB 3633", 1 page
2. Yates, "HB 3633-4 Amendments", 1 page
3. Yates, "Revenue Impact HB 3633", 1 page
4. Cooper, "Statement", 3 pages
5. Lorensen, "Written Testimony", 2 pages