

HOUSE COMMITTEE ON AGRICULTURE & FORESTRY

February 08, 2001
3:30 PM

Hearing Room 50
Tapes 26 - 28

MEMBERS PRESENT: **Rep. Jeff Kropf, Chair**
 Rep. Al King, Vice-Chair
 Rep. Donna Nelson, Vice-Chair
 Rep. Robert Ackerman
 Rep. Dan Doyle
 Rep. Elaine Hopson
 Rep. Wayne Krieger
 Rep. Mary Nolan
 Rep. Tootie Smith

STAFF PRESENT: **Ray Kelly, Committee Administrator**
 Michael Reiley, Committee Assistant

MEASURE/ISSUES HEARD: **HB 2162 – Public Hearing and Work Session**
 HB 2164 – Public Hearing
 HB 2165 – Public Hearing and Work Session
 HB 2206 – Public Hearing and Work Session
 HB 2200 – Public Hearing

These minutes are in compliance with Senate and House Rules. Only text enclosed in quotation marks reports a speaker's exact words. For complete contents, please refer to the tapes.

TAPE/#	Speaker	Comments
TAPE 26, A		
003	Chair Kropf	Calls meeting to order at 3:37 p.m. Opens public hearing on HB 2162.
<u>HB 2162 – PUBLIC HEARING</u>		
016	Ray Kelly	Committee Administrator. Reads summary of HB 2162.
042	Wallace Rutledge	Director of Forestry Assistance, Oregon Department of Forestry. Submits and reads prepared testimony in support of HB 2162 (EXHIBIT A) .
078	Chair Kropf	Asks if there will be any raised fees or revenue resulting from HB 2162.
080	Rutledge	Answers no.
084	Chair Kropf	Asks why program is important.
086	Rutledge	Describes how program works to encourage better management and longer rotations of forestlands.
091	Rep. Krieger	Asks for explanation of benefits of longer rotations of forestlands.
095	Rutledge	Explains benefits including those to wildlife, water quality, and air quality.
109	Rep. Nelson	Asks why the sunset clause was originally set.
115	Rutledge	Gives the legislative history of sunset clause.
129	Rep. Nelson	Asks what the fund source is.

131	Rutledge	Answers that funding is from Western Oregon Timber Tax Account, resulting from the privilege tax.
135	Rep. Nelson	Asks for explanation of privilege tax.
137	Rutledge	Explains privilege tax and how it works.
148	Rep. Nelson	Asks if fund fluctuates.
150	Rutledge	Answers yes, that it is based on the harvest.
152	Rep. Nelson	Asks what happens for funding in case of “tough times.”
155	Rutledge	Answers that fund has generated \$30-50 million, so there have not really been “tough times.”
163	Rep. Nelson	Asks what other sources of funding there would be.
166	Rutledge	Answers that there is work group working on developing tax program for small woodland owners. Suggests that tax programs could potentially be changed.
174	Rep. Nelson	Asks what “safety net” would be in terms of funding.
182	Rutledge	Answers that there is a permanent law in which funding mechanism is separated from administration of permanent law. Observes that should the law go away, the funding mechanism would also go away.
192	Chair Kropf	Asks if money raised goes to school funds.
202	Rutledge	Answers that money goes to counties.
205	Chair Kropf	Asks if there are no new taxes and no full time employees.
207	Rutledge	Answers that there are not.
220	Ilene Waldorf	Molalla, Oregon. Submits and reads testimony in support of HB 2162 (EXHIBIT B).
286	Chair Kropf	Asks if her participation in the program has been good for her.
288	Waldorf	Answers yes.
297	Jim Denison	Lincoln County, Oregon. Testifies in support of HB 2162. Explains his involvement in the Western Oregon Small Tract Optional Tax (WOSTOT) program.
337	Rep. Krieger	Asks if people understand what is happening to forest landowners.
344	Denison	Answers he does not think so. Explains that taxation is the number one issues facing forestland owners.
371	Rep. Nelson	Asks what happens in case of a catastrophic event such as insects, forest fire, and disease.
380	Denison	Answers that they still pay the tax in the event of a catastrophic event.
392	Chair Kropf	Asks if Mr. Denison would want to keep WOSTOT in place until HB 3575 were to come up with new program to replace it.
400	Denison	Answers yes. Feels that a compromise may occur.
405	Chair Kropf	Concurs.
411	Norm Miller	Timber Tax Operations Supervisor, Oregon Department of Revenue. Submits and reads testimony (EXHIBIT C).
TAPE 27, A		
047	Chair Kropf	Asks what cost of administering the program is.
050	Miller	Answers and explains that WOSTOT program is administered by Department of Forestry while Western Oregon Privilege Tax, Eastern Oregon Privilege Tax, and Forest Products Harvest Tax are administered by the Department of Revenue. Explains where funding for these programs comes from. Expresses concern that if legislature does nothing, administrative costs will continue to be a problem
066	Chair Kropf	Asks if Mr. Miller’s concern is that not enough revenue from Privilege Tax to fund the WOSTOT program.

069	Miller	Answers yes. Expresses concern about both funding of the WOSTOT program and the administration of the privilege tax.
072	Chair Kropf	Asks if Mr. Miller is “anticipating less revenue from privilege tax collections because other timber owners have chosen to pay full value of their land in timber as opposed to old system.”
076	Miller	Answers yes and explains how tax system works.
093	Rep. Krieger	Asks if timber harvesting does not produce enough dollars to take care of administration for the part Department of Revenue is involved with.
100	Miller	Answers that there is concern that administrative costs could be excessive.
119	Rep. Krieger	Asks how much of \$2 million goes to specific WOSTOT program in situations where many landowners are preparing to harvest their timber.
129	Miller	Answers that those in WOSTOT program, participants are paying on the entire value of the land throughout the duration of their tenure in the program.
145	Rep. Krieger	Asks how small woodland owner can afford to plant trees and pay property tax on 100% of the value.
155	Miller	Explains how the tax system works.
158	Rep. Krieger	Expresses concern that amount that landowners would pay would be greater than the value of the land. States that he does not think it would be good for small landowners.
163	Miller	Answers that he does not have all information about which Rep. Krieger is asking.
170	Rep. Doyle	Asks if the work group Mr. Miller is working with is dealing with the issue.
177	Miller	Answers that the work group is not dealing with the program itself but only with funding and trying to keep costs low.
200	Rep. Doyle	Asks if funding would change if sunset clause were changed.
208	Miller	Answers that work group is still examining this issue.
224	Rep. T. Smith	Points out that without WOSTOT, much of the forestland in Oregon would be non-existent. Suggests that if administrative costs are high, those costs should be brought down rather than raising more money to pay for higher administrative costs.
244	Miller	Answers that work group is addressing this issue in their way.
251	Rep. Nelson	Points out that overhead of the program seems excessive. Asks if there has been an audit done to determine which services are necessary to help reduce administrative costs.
270	Miller	Answers that there has not been an audit, but the Department of Revenue is concerned about costs. Points out that the program has been reducing in size, so it needs to be examined so that it can operate efficiently.
283	Rep. Nelson	Expresses desire that costs will be brought down so that the program can continue to help those who rely on it.
309	Ray Wilkeson	Oregon Forest Industries Council (OFIC). Testifies in support of HB 2162. Suggests that while administrative costs are high, they are necessary for the program to operate properly. Expresses support for Mr. Miller’s testimony.
332	Rep. T. Smith	Asks where timber production would be today without private forestlands.
348	Wilkeson	Answers that timber harvest has switched from being half on public lands and half on private lands, to about 95% on private lands.

354	Rep. T. Smith	Asks what would happen without harvest of timber on private lands.
358	Wilkeson	Answers that there would be essentially no timber harvest. Points out that this would have devastating impact on rural economies. Expresses hope that that would not happen.
374	Rep. King	Expresses support for the program.
383	Wilkeson	States that OFIC supports HB 2164, HB 2165, and HB 2200.
395	Chair Kropf	Closes public hearing on HB 2162 and opens work session on HB 2162.

HB 2162 – WORK SESSION

398	Rep. King	MOTION: Moves HB 2162 to the floor with a DO PASS recommendation and BE REFERRED to the committee on School Funding & Tax Fairness/Revenue.
403	Rep. King	Expresses thanks for Mr. Miller’s testimony providing important information about future of timber lands in Oregon. Expresses support for HB 2162.
415	Rep. Krieger	Declares potential conflict of interest. VOTE: 9-0
425	Chair Kropf	AYE: In a roll call vote, all members present vote Aye. The motion CARRIES.
429	Chair Kropf	Closes work session on HB 2162. Opens public hearing on HB 2164.

TAPE 26, B

HB 2164 – PUBLIC HEARING

016	Kelly	Reads summary of HB 2164.
028	Ray Craig	Assistant State Forester, Oregon Department of Forestry. Introduces Ross Holloway and Mike Propes.
035	Ross Holloway	State Forests Program Director, Oregon Department of Forestry. Submits and reads testimony in support of HB 2164 (EXHIBIT D).
072	Rep. King	Asks why effective date of July 1, 2003 is so late.
074	Holloway	Answers that it is due to budgetary issues and fiscal considerations.
078	Mike Propes	Polk County Commissioner. Submits and reads prepared testimony in support of HB 2164 (EXHIBIT E).
095	Craig	Points out that there may be an amendment dealing with watershed assessments, which the Department of Forestry would support.
110	Propes	Asserts that counties would also be in support.
116	Matthew Moritz	Audubon Society of Portland. Introduces Sybil Ackerman.
123	Sybil Ackerman	Conservation Director, Audubon Society of Portland. Submits and summarizes prepared testimony in support of HB 2164 (EXHIBIT F).
140	Rep. King	Asks what fiscal impact would be for watershed assessment.
142	Ackerman	Answers that the change would leave the discretion to the Department of Forestry to decide how much to use funds for watershed assessment.
152	Rep. King	Asks for clarification regarding testimony about watershed assessment funding.
156	Ackerman	Explains how budget would operate regarding watershed assessment.
162	Rep. King	Asks for further clarification about budget.
164	Ackerman	Gives further explanation.

168 Rep. King Expresses concern that well-meaning program could potentially lose focus.
182 Chair Kropf Closes public hearing on HB 2164. Opens public hearing on HB 2165.

HB 2165 – PUBLIC HEARING

195 Kelly Reads summary of HB 2165.
209 Holloway Submits and reads prepared testimony in support of HB 2165 **(EXHIBIT G)**.
239 Rep. King Asks if what is being created is a budget line not a trust fund.
244 Holloway Answers that it is authority to receive gifts, grants, and donations as well as appropriation authority to take them and expend them.
251 Rep. King Clarifies that no one in the future will need to audit to determine how well the money was spent.
254 Holloway Answers that that is correct. Points out that money would be dedicated to specific projects that would already be planned.
257 Rep. Nelson Asks where money will come from.
263 Craig Answers that it will come from a number of sources. Cites examples of groups from which funding may come.
277 Rep. Nelson Asks if portion of staff's time would be spent soliciting funding.
283 Craig Answers that they do not anticipate spending a great deal of time seeking money. Suggests that it is more of an availability issue.
296 Rep. Nelson Expresses concern about spending money to promote program.
309 Holloway Points out that most organizations they already deal with are interested in stepping in, so there would not be a great need for advertising.
324 Chair Kropf Closes public hearing on HB 2165. Opens work session on HB 2165.

HB 2165 – WORK SESSION

333 Rep. Krieger **MOTION: Moves HB 2165 to the floor with a DO PASS recommendation and BE REFERRED to the committee on School Funding & Tax Fairness/Revenue.**
VOTE: 9-0
AYE: In a roll call vote, all members present vote Aye. The motion CARRIES.
360 Chair Kropf
365 Chair Kropf Closes work session on HB 2165. Opens public hearing on HB 2206.

HB 2206 – PUBLIC HEARING

381 Kelly Reads summary of HB 2206.
398 John Phillips Property Tax Division, Oregon Department of Revenue. Submits and summarizes prepared testimony **(EXHIBIT H)**.
TAPE 27, B
029 Chair Kropf Closes public hearing on HB 2206 and opens work session on HB 2206.

HB 2206 – WORK SESSION

034 Rep. Nelson **MOTION: Moves HB 2206 to the floor with a DO PASS recommendation and BE REFERRED to the committee on School Funding & Tax Fairness/Revenue.**
VOTE: 9-0
AYE: In a roll call vote, all members present vote Aye. The motion CARRIES.
045 Chair Kropf
048 Chair Kropf Closes work session on HB 2206. Opens public hearing on HB 2200.

HB 2200 – PUBLIC HEARING

062	Jim Cathcart	Forest Resource Trust Manager, Oregon Department of Forestry. Submits and reads prepared testimony in support of HB 2200 (EXHIBIT I) .
241	Rep. Nolan	Commends Mr. Cathcart and Oregon Department of Forestry for their work. Asks about outreach that has been done throughout program development and what might be done to follow up after committee hearing to fine tune proposal with help of other groups.
253	Cathcart	Answers that outside groups were not consulted to begin with, but after HB 2200 was proposed and introduced, they met with other groups for their input.
308	Chair Kropf	Clarifies that carbon offset program is used to create new forestlands to create ability to offset emissions from newer projects and money is split: 50%- non-federal forest landowner, 25%- State Forester, and 25%- funding administration of the program.
320	Cathcart	Gives clarification of program funding.
335	Craig	Further clarifies program funding.
351	Shawn Miller	PacificCorp. Submits and reads testimony in support of HB 2200 (EXHIBIT J) .
427	Darcy Davis	Northwest Climate Change and Forest Organizer, American Lands Alliance. Submits and summarizes prepared testimony in support of HB 2200 (EXHIBIT K) .
TAPE 28, A		
029	Daniel Hall	American Lands Alliance. Summarizes prepared testimony in support of HB 2200.
070	Chair Kropf	Asks if all sources of greenhouse gases can be accounted for.
081	Hall	States that he believes it is possible to model and project and verify greenhouse gas fluxes based on models already created by researchers.
095	Chair Kropf	Asks for Mr. Hall’s opinions regarding nitrogen fertilizers.
098	Hall	States that he believes that in sustainable forestry, some nitrogen-based fertilizers are probably necessary
104	Chair Kropf	Asks what is meant by “more natural forest stand and structure,” as cited in testimony. Asks if the meaning is to manage fire loads or allow forest to reach the old-growth stage.
111	Hall	Answers that older forests tend to be less flammable. Asserts that fire is part of ecosystem.
129	Chair Kropf	Asks if controlled burning is opposed, or careful application is appropriate.
132	Hall	Answers that they support careful application.
139	Chair Kropf	Asks what is meant by “indiscriminate use” of fire suppression as cited in testimony.
145	Hall	Answers that language in proposals is written to deal with constituents’ concerns about forest health. States that in the right circumstances at the right time, fire suppression is acceptable, and should be used with more natural forest stand development.
166	Jason Miner	Conservation Biologist, Oregon Trout. Submits and reads testimony in support of HB 2200 (EXHIBIT L) .
203	Rep. Nolan	Asks if Mr. Miner is aware of proposal for advisory committee made by American Lands Alliance.
206	Miner	Answers that he has seen it briefly and mentions list of organizations in support, asserts that he would support it.

211	Rep. Nolan	Points out that since list is comprehensive, she would welcome further opinion.
219	Catherine Mater	Vice President, Mater Engineering and Board of Directors, Forest Resource Trust Foundation and Board of Directors, Forest Trends and Senior Fellow, Pinchot Institute for Conservation and Commissioner, Oregon Economic Development Commission. Testifies in support of HB 2200. Gives overview of Forest Trends organization and suggests that they will be very interested in Oregon should HB 2200 pass. Describes the certification process for those who manage their forestlands in a sustainable fashion.
308	Rep. Doyle	Asks Ms. Mater for her thoughts about State Forester acting as a marketer as opposed to the private sector.
312	Mater	Answers that she believes that HB 2200 does not prohibit private sector from marketing. Stresses that HB 2200 is “benchmark policy,” both exciting and uncertain.
334	Chair Kropf	Requests 15 copies of information to which Ms. Mater referred.
340	Brad Higbee	Renewable Northwest Project. Submits and reads prepared testimony in support of HB 2200 (EXHIBIT N).
361	Chair Kropf	Asks if Renewable Northwest Project will be proposing any amendments.
365	Higbee	Answers no.
369	Chair Kropf	Closes public hearing on HB 2200. Adjourns meeting at 5:53 p.m.

Submitted By,

Reviewed By,

Michael Reiley,
Committee Assistant

Ray Kelly,
Committee Administrator

EXHIBIT SUMMARY

- A – HB 2162, written testimony, Wallace Rutledge, 7 pp**
- B – HB 2162, written testimony, Ilene Waldorf, 2 pp**
- C – HB 2162, written testimony, Norm Miller, 1 p**
- D – HB 2164, written testimony, Ross Holloway, 3 pp**
- E – HB 2164, written testimony, Mike Propes, 1 p**
- F – HB 2164, written testimony, Sybil Ackerman, 2 pp**
- G – HB 2165, written testimony, Ross Holloway, 1 p**
- H – HB 2206, written testimony, John Phillips, 4 pp**
- I – HB 2200, written testimony, Jim Cathcart, 16 pp**
- J – HB 2200, written testimony, Shawn Miller, 2 pp**
- K – HB 2200, written testimony, Darcy Davis, 11 pp**
- L – HB 2200, written testimony, Jason Miner, 1 p**
- M – HB 2200, Getting it Right: Emerging Markets for Storing Carbon in Forests, Catherine Mater, 58 pp**
- N – HB 2200, written testimony, Brad Higbee, 1 p**
- O – HB 2200, letter supporting HB 2200, John Savage, 1 p**