

HOUSE REVENUE COMMITTEE

FEBRUARY 9, 1999 ñ 8:30 A.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Rep. Ken Strobeck, Chair

Rep. Anitra Rasmussen, Vice Chair

Rep. Deborah Kafoury

Rep. Jeff Merkley

Rep. Diane Rosenbaum

Rep. Lane Shetterly

Rep. Jim Welsh

Rep. Max Williams

Rep. Bill Witt

Staff: Lizbeth Martin-Mahar, Economist, Legislative Revenue Office

Richard Yates, Economist, Legislative Revenue Office

Barbara Guardino, Committee Assistant

Witnesses: Gary Bartholomew, Multnomah Co. Oregon Assoc. of County Tax Collectors

Diane Belt, Washington Co. Assoc. of Oregon Tax Collectors

Dexter Johnson, Legislative Counsel Office

George Brown, Dean of College of Forestry, OSU

Lorena Buren, Administrative Services Division

Ray Wilkeson, Oregon Forest Industries Council

TAPE 038, SIDE A

005 Chair Strobeck Called meeting to order at 8:35 a.m. Will not consider HB 2049 today. Opened public hearing on HB 2047.

PUBLIC HEARING ñ HB 2047

020 Lizbeth Martin-Mahar Reviewed HB 2047-1 amendments **(EXHIBIT 1)**.
Reviewed HB 2047-2 amendments **(EXHIBIT 2)**.
Reviewed Revenue Impact of Proposed Legislation for HB 2047-1 and HB 2047-2 **(EXHIBITS 3, 4)**.

059 Gary Bartholomew Asked if any questions for ñ1 and ñ2 amendments.

090 Diane Belt Everything they discussed has been addressed.

099 Rep. Merkley Asked for clarification on amendments, how they would interface.

139 Dexter Johnson Procedure when more than one amendment is, each amendment has to stand independently. Committee adopts multiple amendments, they are returned to legislative counsel then are rolled into one amendment, bill becomes A-Engrossed. Discussion and questions interspersed.

186 Chair Strobeck Closed public hearing on HB 2047. Opened work session on HB 2047.

WORK SESSION ñ HB 2047

188 Vice Chair Rasmussen **MOVED -1 AMENDMENTS TO HB 2047 BE ADOPTED.**
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

191 Vice Chair Rasmussen **MOVED -2 AMENDMENTS TO HB 2047 BE ADOPTED.**
HEARING NO OBJECTION, THE CHAIR SO ORDERED.

196 Rep. Williams **MOTION: MOVED HB 2047, AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

196 VOTE **ROLL CALL VOTE: MEASURE PASSES 8-0-1**

REPRESENTATIVES VOTING AYE: KAFOURY, MERKLEY, ROSENBAUM, SHETTERLY, WILLIAMS, WITT, VICE CHAIR RASMUSSEN, CHAIR STROBECK

EXCUSED: REP WELSH

REP. MERKLEY WILL CARRY THE BILL.

214 Chair Strobeck Closed work session on HB 2047; opened public hearing on HB 2049.

PUBLIC HEARING n HB 2049

225 Lizbeth Martin-Mahar Reviewed HB 2049-2 amendments (**EXHIBIT 5**). Reviewed Revenue Impact of Proposed Legislation for HB 2049-2 (**EXHIBIT 6**). Extends county tax collectors the same authority to collect debts from seizure of personal property to real property machinery and equipment. Reviewed sections 1-5.

 Difficult to estimate revenue impact.

284 Diane Belt This deals with problem with ability to collect taxes on machinery and equipment when it has left the county. It is taxed as real property, so tax collector cannot seize it. In Washington County, lost over \$158,000. Bill gives counties authority to collect those funds. Gave examples of equipment lost.

340 Chair Strobeck Closed public hearing on HB 2049. Opened work session on HB 2049.

WORK SESSION n HB 2049

343 Vice Chair Rasmussen **MOVED -2 AMENDMENTS TO HB 2049 BE ADOPTED.**

HEARING NO OBJECTION, THE CHAIR SO ORDERED.

359 Vice Chair Rasmussen **MOTION: MOVED HB 2049 AS AMENDED, TO THE HOUSE FLOOR WITH A DO PASS AS AMENDED RECOMMENDATION.**

364 VOTE **ROLL CALL VOTE: MOTION PASSES 9-0-0**

REPRESENTATIVES VOTING AYE: MERKLEY, ROSENBAUM, SHETTERLY, WELSH, WILLIAMS, WITT, KAFOURY, VICE CHAIR RASMUSSEN, CHAIR STROBECK

REP. WELSH WILL CARRY THE BILL.

378 Chair Strobeck Closed work session on HB 2049. Opened public hearing on HB 2112.

PUBLIC HEARING n HB 2112

385 Richard Yates Reviewed HB 2112. Bill Sets forest products harvest tax rates for forest research at Oregon State University, and for 40% of administrative costs for Forest Practices Act. Rates are set each biennium to fund these two programs.

442 Yates Reviewed Staff Measure Summary (**EXHIBIT 7**) n overhead presentation.
Slide 1: Forest Products Harvest Tax Model For HB 2112 (1999)

TAPE 039, SIDE A

041 Yates Information on quarterly distributions, estimated over five years.

101 All Questions and discussion concerning harvest tax model.

137 Yates Noted, bill will go to Ways and Means before final passage to the floor.

145 Rep. Witt Asked Yates to review adjustment.

147 Yates Complied. More questions and discussion.

174 George Brown Will answer questions about the rate for the Forest Research Lab at Oregon State University (Section 1 of bill). In regard to numbers, have spoken to constituents. These numbers keep lab whole. Challenge is forecasted harvest. Dependent on federal government for their harvest; they are not harvesting at projected rates. Operating at same buying power as in 1970. This creates incredible challenges in providing research base. The lab is the research arm of state government that provides forestry information to policymakers, managers, public.

222 Rep. Witt How many additional dollars does this law bring into the University?

229 Brown Estimated over \$2 million/year.

242	Chair Strobeck	What kind of services does laboratory provide?
245	Brown	Legislature created it in 1941. Provides research support for whole spectrum of forest industry and forest product manufacturing.
261	Lorena Buren	Reviewed written testimony: Department of Forestry ñ House Bill 2112 ñ Forest Products Harvest Tax (EXHIBIT 8). This is 40% of funding. Most of increase is due to decline in harvest level in last decade. Three major reasons: Reduced harvesting on federal lands, Asian economy, Canada being more competitive.
292	Buren	<p>Suggested modification on bill, line 21 ñ from \$1.02 to \$1.08. This will enable them to support governorís recommended budget.</p> <p>Briefly explained Forest Practices Program. Provides training and technical assistance to landowners, collect inventory information, etc.</p> <p>The endangered species option package looks into long-term stream temperature monitoring activities, provides information for water protection rules, etc.</p>
352	Rep. Merkley	Asked, do they anticipate using funds beyond their budget?
357	Buren	<p>No. In past biennium there was a balance forward. This year zero harvest due to declining revenues.</p> <p>More discussion and questions concerning current service level, projected increase.</p>

TAPE 038, SIDE B

013	Ray Wilkison	Spoke in support of the measure. This bill will assess between \$7 - \$7.5 million in taxes over the next two years against timber industry. Hopes committee will view this discussion in broader context. Favors \$1.08 figure.
047	Chair Strobeck	Will need amendment to change \$1.02 to \$1.08 for Forest Practices Act.
055	Chair Strobeck	Closed public hearing on HB 2112. Opened public hearing on HB 2126.

PUBLIC HEARING ñ HB 2126

058	Richard Yates	Reviewed HB 2126:
-----	---------------	-------------------

Section 1 of bill cleans up Measure 50 language. M50 says school districts will not have their timber taxes offset against their levy. Bill makes it clear that this includes educational service districts and community colleges.

077 Yates

Section 3: Deals with tax imposed on value harvested in western Oregon, and how this money goes back to the district after Dept. of Revenue collects it?

Section 4: Reference change

Section 5: Deals with offset process that overlays distribution of receipts.

161 Yates

Section 6: Similar to Section 3, but deals with eastern Oregon

Section 7: Offset process for eastern Oregon

Section 8: Effective date for changes

Section 9: Preserves 1964 value as adjusted

Section 10: Deletes need to continue the 1964 value

187 Yates

Slide presentation, **(EXHIBIT 10)** Timber Tax Distribution, Eastern Oregon (page 5).

On west side Department of Revenue controls the amount the districts will receive; on east side county treasurer determines amount of offsets.

244 Yates

Continued slide presentation, explanation of distribution formulas.

315 Yates

Distribution To Districts Within County ñ Current Law For Eastern Oregon

400 Yates

Continued slide presentation, began discussion of Timber Tax Distribution, Western Oregon (exhibit 10, page 1)

-

TAPE 039, SIDE B

034 Yates

Continued discussion on slide show: Offset process for western Oregon

064 Yates

County Allocations ñ Current Law for Western Oregon Legislative Administration Committee

HVF ñ Harvest Value Factor

LVF ñ Land Value Factor

158		Discussion and questions interspersed throughout slide show.
164	Yates	Distribution To Districts Within County ñ Current Law for Western Oregon Legislative Administration Committee Code area allocation varies per county.
242	Yates	HB 2126; Eastern and Western Oregon County Allocation Allocation codes are the same on east and west. No longer deal with harvest value and land values don't change much.
307	Yates	Asked, why stop here? Lot of fluctuation has been taken out, not much flexibility left to determine what district gets what share.
218	Rep. Merkley	Conceptually this isn't even two steps (distributing to county then distributing to code areas). It's really the amount of land value within a code area as a percent of the land value in total?
334	Yates	No, clarified.
345	Yates	Discussed provisions in sections 5 and 7 of bill ñ Offset Process: (exhibit 10, page 8). Procedure for western Oregon works; state intended for the same procedure to work on eastern side. Doesn't accomplish this. Offset process controls who owns money and when they get it. Western Oregon HB 2126(5) Eastern Oregon HB 2126 (7) ETT = Estimated Timber Tax
399	Yates	Section 4 (of the bill): Allows Department to correct an error. Section 5: Specifies process by which assessors adjust the rates.
425	Yates	Main difference on east side is in subsection 4: Treasurer certifies amount on deposit, determines proportion for each district, certifies timber tax offsets. That becomes the basis upon which money is distributed.

TAPE 040, SIDE A

024	Yates	Referred to District Shares of 1998-99 Timber Tax Offsets, Western Oregon (EXHIBIT 12), a hypothetical distribution. 60% goes to K-12; 4% to ESDs, 6% to community
-----	-------	---

colleges.

071 Vice Chair Rasmussen Questions concerning how timber receipts are calculated.

115 Chair Strobeck Adjourned meeting at 10:30 a.m.

Submitted by, Reviewed by,

Barbara J. Guardino Kim T. James

Committee Assistant Revenue Office Manager

Exhibit Summary:

1. HB 2047, Martin-Mahar, HB 2047-1: Proposed Amendments to HB 2047, 1 p.
2. HB 2047, Martin-Mahar HB 2047-2: Proposed Amendments to HB 2047, 1 p.
3. HB 2047, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2047-1, 2 pp.
4. HB 2047: Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2047-2, 2 pp.
5. HB 2049, Martin-Mahar, HB 2049-2: Proposed Amendments to House Bill 2049, 1 p.
6. HB 2049, Martin-Mahar, Revenue Impact of Proposed Legislation for HB 2049-2, 2 pp.
7. HB 2112, Yates, Staff Measure Summary with Forest Products Harvest Tax Model, 4 pp.
8. HB 2112, Buren, Letter from Department of Forestry RE: House Bill 2112 ñ Forest Products Harvest Tax, 4 pp.
9. HB 2126, Yates, Staff Measure Summary, 1 p.
10. HB 2126, Yates, Timber Tax Distribution (slide presentation), 8 pp.
11. HB 2126, Yates, 1998-99 Western Oregon Timber Tax Distributions, Benton County, 1 p.
12. HB 2126, Yates, District Shares of 1998-99 Timber Tax Offsets, 1 p.
13. HB 2126, Yates, 1998-99 Western Oregon Timber Tax Distributions, 1 p.