

**PUBLIC HEARING AND WORK SESSION**

**HB 3700**

**TAPES 78, 79 A/B**

**HOUSE REVENUE COMMITTEE**

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**MARCH 13, 1997 8:30 AM HEARING ROOM A STATE CAPITOL BUILDING**

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**MEMBERS PRESENT:** Rep. Tom Brian, Chair

Rep. Lee Beyer, Vice-Chair

Rep. Tony Corcoran

Rep. Randall Edwards

Rep. Leslie Lewis (Excused a.m., arrived 3:25 p.m.)

Rep. Anitra Rasmussen

Rep. Lane Shetterly (Present a.m., arrived 3:30 p.m.)

Rep. Mark Simmons (Excused)

Rep. Ken Strobeck

**MEMBERS PRESENT:** Sen. Ken Baker, Chair

Sen. Neil Bryant, Vice Chair (Excused from p.m.)

Sen. Joan Dukes (Excused from p.m.)

Sen. Vern Duncan (Excused from p.m.)

Sen. Tom Hartung (Excused from p.m.)

Sen. Randy Leonard (Excused from p.m.)

**WITNESSES PRESENT:** Rep. Lynn Lundquist, House Speaker Rep. Ken Messerle, Chairman of House Water Policy Committee Rep. Roger Beyer, Timber owner

Paula Burgess, Governor's Assistant for Natural Resources

Dave Babits, Oregon Small Woodlands Association

Jim Myron, Oregon Trout

Joe Rohleder, Oregon Outdoors Steelheaders

Ray Wilkeson, Oregon Forest Industries Council (OFIC)

Ken Evans, Fisheries Reconstruction & Enhancement Coalition

Rep. Terry Thompson

**STAFF PRESENT:** Dick Yates, Legislative Revenue Officer

Barbara Guardino, Committee Assistant

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**TAPE 078 SIDE A**

006 Chair Brian Called meeting to order at 9:07 a.m.

**PUBLIC HEARING - HB 3700**

010 Chair Brian Opened Public Hearing on HB 3700.

House  
Speaker  
015 Rep. Lynn  
Lundquist

This bill is not so much about whether coho salmon are listed as endangered. Overriding situation is enhancing watersheds and saving salmon. Must prevent federal government intervention. Legislature needs to move forward in enhancing environment, irrespective of any federal decision. This is not just a coastal concern, it is about healthy streams, partnerships, improving watersheds across state. Implementing SB 1010 passed in 1993 is cornerstone of whole process.

HB 3700 provides opportunity for public-private partnership. No matching grants, just melding of public and private monies to make improvements happen. Wil Stell, director of National Marine Fisheries Service, is key person in the process. He will

- 043 Rep. Lundquist make the recommendation, others will decide based upon his recommendation. His decision will be forthcoming about the end of March. Implementation bill compatible with desires of Mr. Stell. Lundquist personally committed to this plan. Between landowners and industry, "what we are doing is being accomplished for only one reason - it is the right thing to do." That is the premise by which the forest industry has come forth. Also, fishermen have come forth with monies. Will talk to other groups to contribute. "In the end, if we don't affect our watershed so that when the drop of water drops onto the ground that we have control of it, that's really what it's all about."
- 094 Rep. Corcoran Urged committee to be serious about implementing SB 1010. We need the funding. Asked Lundquist to address the conception that the state is "playing chicken" with the federal government in terms of the threatened listing of coho salmon as endangered. Also, why aren't the agriculture and ranching industry participating?
- 109 Rep. Lundquist Present contingency will not allow timber money to come forward. SMU in the southern portion of state will be listed; northern and central portion will not. Does not believe southern contingency will prevent this. Wil Stell signed a bill saying that will not have any impact on whether he lists or not.
- 146 Rep. Lundquist Believes agriculture and cities should be included. Timber and agriculture have already done a lot on their own. Would prefer to use general fund money, but the funds are not there.
- 150 Sen. Dukes Much has already been accomplished with private funding, but state has a long way to go.
- 158 Rep. Lundquist Thanked Lundquist for his hard work. Referred to HB 3700 Section 14 (a). Is it his understanding if this stays in the bill, there will be a listing?
- 192 Chair Brian No, the southern portion will be listed regardless. If it stays in the bill, the timber industry money will not come forward. Believes timber industry and Mr. Stell will come to an agreement. This must be removed on Senate side.
- 216 Rep. Ken Messerle Substantive issues will be resolved in Senate in cooperation with Governor's Office. Supports HB 3700 -1Amendments, does not support -2 Amendments.
- 243 Rep. Roger Beyer Referred members to HB 3700 Section 2. Timber industry has offered to put up \$15 million in a harvest tax to help support salmon plan. Does not support this since timber industry has already done much to support streams. Until every other group in the state is ready to do as much as timber has already done for the environment, he cannot support an extra tax on timber. This includes farmers, ranchers, nurseries, cities. Should be general fund money. If not, should not be a harvest tax, levied on 1,000 board feet of timber. Effects producers on eastern side of mountains, where timber is worth half what it is worth on western side.
- 332 Chair Brian Asked Economist Dick Yates to review financial aspects of HB 3700 Corrected.

Section 2: Estimates are based on forecast of harvest, \$1.59 per \$1,000 levied for 1998 and 1999. The \$1.59 rate is calculated to raise \$14 million. Sections 5 and 6 deal with what will be done with this money - grant programs to improve watershed quality.

342 Dick Yates Referred to Fiscal Impact Statement: Increased fishing license fees, permit fees and catch fees will raise \$5 million. Of that total, \$1 million goes into watershed improvement. The \$14 million will be added to that to total \$15 million.

394 Rep. Edwards Asked if cost would be passed onto consumer for lumber.

404 Yates Adds \$1.59 to cost of production of product that yields \$400. Doubts it will have significant market impact. Patterned after existing tax.

432 Rep. Corcoran Is the \$1.59 an increase over existing tax?

### **TAPE 079 SIDE A**

032 Yates The existing tax is set every biennium by legislature, then it sunsets. Currently, program supports OSU forest research, reinforcement of Forest Practices Act, etc. Add rates to Forest Resource Institute, brings rate to \$2.11. Adjustments have not been determined. \$1.59 will be added on top of this.

050 Rep. Corcoran With decreased harvest, speculation that this \$1.59 will not be enough to raise \$14 million. At what point does this begin to have a negative impact on harvesting?  
Irritated that timber industry is the only group that has stepped up to help.

072 Yates The calculators of that rate want full amount to be raised by next biennium. That results in a higher rate.

076 Sen. Dukes If an aggregate tax is agreed upon, will agreement be reached quickly enough to adjust it before bill leaves Senate?

080 Yates Bill is fast tracked, but does not believe there is a time problem.  
Questions and discussion.

095 Sen. Duncan Asked about differential between western side of mountains and eastern side.

110 Yates Does not have figures, can get them.

112 Vice Chair Beyer Asked, how does imposing privilege tax relate to the existing one?

115 Yates There are two privilege taxes: Forest Products Harvest Tax; severance tax.

124 Rep. Edwards Asked how cap cancels out to become a refund.

Directed members' attention to HB 3700 -1 Amendments (EXHIBIT A); and HB 3700 -5 Amendments (EXHIBIT B). The -5 makes changes to -1

Referred to bill, Section 2, Subsection (5), page 1, line 23: Ceasing of severance tax in middle of reporting period is not workable.

134 Yates Once deposits reach \$15 million, rate will be reduced, and legislature will hold in suspense the amount raised by \$1.59 figure. At end of year will take total amount and figure the percentage of money overpaid relative to total harvest. Everyone gets a refund.

Fiscal Impact Statement is based on -5 Amendments.

186 Chair Brian Explained HB 3700 -5 is the -1 plus financial information. House Speaker is aware of this version.

195 Rep. Shetterly Referred to -5, beginning at line 19: Assumption is \$15 million will be exceeded. Wondered if this could create a disincentive to harvest, and reduce collections.

211 Yates Blank on line 9 would allow a higher rate in order to be more assured of reaching this amount. Negotiations underway with other interested parties to come up with some money. If this occurs, timber industry contribution will be reduced.

Reviewed HB 3700 -5 Amendments:

Adds Section 12 which deals with restoration and enhancement.

232 Yates Subsection (7), new definitions relating to program. Not revenue issues.

Forestry estimates are different from May forecast.

Questions and discussion concerning rate collected.

287 Rep. Simmons Asked if severance tax has been considered rather than harvest tax.

293 Yates Directed members to preliminary Fiscal Impact statement.

Page 2 -5 Line 8: Delete "1990," insert 1998.

312 Yates Referred to original bill, HB 3700, Section 12: Department of Fish and Wildlife must transfer \$1 million of increased fees into watershed improvement grant fund. Question was when. It has been amended to be 1997-99 biennium.

-5 Amendment: Page 4, lines 14-15.

381 Chair Brian -5 Page 1, Lines 19 and 22, is \$15 million correct, or should it be \$14 million?

399 Yates Intention is to say tax paid after \$15 million threshold is reached. Any taxes after that are subject to refund.

- 037 Sen. Dukes Noted potential of bookkeeping complications in returning money after \$15 million threshold, if other industries decide to contribute to fund.
- 071 Chair Brian Questions and discussion.  
Invited public testimony.
- 079 Paula Burgess Provided context for current discussions on HB 3700. Is a revenue bill, and one of three bills that would implement Oregon Plan. It accompanies SB 924 to provide legislative oversight of implementation; and HB 5042, the appropriations bill. Wil Stell, director of National Marine Fisheries Service, will make recommendation on two listing decisions, one in north and central parts of Oregon coast; one in southern Oregon. Will make this decision week of March 24.
- 129 Sen. Dukes Echoed Rep. Messerle's concerns about -2 Amendments. R & E program has been broadly supported in past. She would not welcome changes. Suggested allow problems to be worked out and returned to Senate Revenue.  
Concern with -5 wording: "Enhancement includes but is not limited to ..."
- 158 Dave Babits See written testimony (EXHIBIT C) Verbatim . Requests amendment to HB 3700 that "provides the funding for Service Forestry since it is not funded by this bill ..."
- 247 Babits In addition, referred to HB 3700 Section 5 line 32 to include Department of Forestry in water quality improvement plans.  
Questions and discussion concerning amendment to HB 3700.  
Clarified, keep 25,000 board foot exemption in place to benefit small timber owners. Harvest tax is doubling.
- 261 Jim Myron Refer to written testimony (EXHIBIT D ) Watershed and Riparian Habitat Conservation Investment Fund. HB 3700 Section 5  
Corrected version removes language relative to acquisition of land from land from a willing seller. Oregon Trout will support bill if committee restores acquisition language.  
Refer to written testimony (EXHIBIT E) representing Northwest Sportfishing Industry Association, etc. Rohleder supports HB 3700 -1 Amendments. To do this, increased surcharges. To do this, sponsored HB 2973. The -5 Amendments contain language of HB 2973.
- 284 Joe Rohleder R & E program was started in 1989, to tax fish farms. Good program. Wants to broaden scope with increased fees. Supports -5 Amendments.  
Also see letter from Liz Hamilton, executive director of NSIA (EXHIBIT F); and Fish Restoration and Enhancement Program flier (EXHIBIT G).
- 348 Sen. Dukes How much additional funds would R & E board raise?

Would raise additional \$3.8 million. Commercial fishing fees won't be increased. \$3 million new dollars.

Defined:

Angler access

355 Rohleder Aquatic inventories -- survey to determine how the fish are doing.

Hatchery restoration -- Old state-run hatcheries are obsolete and need to be modified.

Liberation equipment -- This is the only source of buying new equipment.

### **TAPE 079 SIDE B**

Reaffirmed OFIC's commitment of contributing \$14 million.

Contingency language of great concern. Working with National Marine Fisheries Service to create mutually acceptable language that will allow Oregon plan to work for two years without federal intervention.

034 Ray  
Wilkeson Comment relating to taxes: Hopes committees realize OFIC is willing to increase its taxes. Has concerns about other taxes. Suggested surcharge on ad valorem taxes. Harvest tax not perfect, but is the best of several options. Surcharge on ad valorem taxes, given HJR 85, would be unconstitutional on any other property owner except forest land owners.

Questions and discussion interspersed.

Believes severance tax is a method of collecting deferred land taxes. Major concerns about this. Believes this is a method of collecting ad valorem property tax.

070 Wilkeson Eastside members were present at board meeting, supported this issue. Disproportionate tax on east side. Steelhead listing coming up in July, in Eastern Oregon, and they are attempting to avoid that listing.

Questions and discussion interspersed.

141 Chair  
Brian Recessed at 10:35 a.m.

### **PUBLIC HEARING CONTINUED**

153 Chair Brian Reconvened meeting at 3:20 p.m.

Read portion of letter from Wil Stell (National Marine Fisheries Service) to House Speaker Lynn Lundquist, Senate President Brady Adams:

"I strongly oppose Section 12 (HB 3700) and encourage you to delete it. The inclusion

- 156 Rep. Corcoran of Section 12 will cut the funds for the program in half and pose a very serious risk that this entire effort will collapse ... Section 12 has two fatal flaws. First, it would have no (positive) effect on NMFS' decision, and thus accomplishes nothing from a listing perspective. Second, it runs the risk of causing the entire collapse of the Oregon Plan just at the very time we are all working so hard to make it a reality ... It is in my view, a killer provision."
- 186 Rep. Terry Thompson Hard to disagree with the director of NMFS when he is that explicit. Section 12 needs to be modified or deleted.

## WORK SESSION

- 230 Chair Brian Opened work session.
- 234 Dick Yates Directed members' attention to HB 3700 -6 Amendments (EXHIBIT H). They incorporate into -5.
- 253 Sen. Baker Commented on line 9: \$1.59 per thousand ... This is limited so there is no leeway in reaching \$15 million.
- 273 Vice Chair Beyer **MOVED TO ENTER -6 AMENDMENTS INTO HB 3700.**
- 276 Chair Brian **ASKED IF ANY OPPOSITION TO MOTION TO ADOPT -6 AMENDMENTS AND MOVE INTO HB 3700.**
- 278 Rep. Corcoran **OPPOSED -6 AMENDMENTS.**
- 279 Chair Brian **NOTING REP. CORCORAN'S OPPOSITION, CHAIR ORDERED ADOPTION OF -6 AMENDMENTS INTO HB 3700.**
- 282 Vice Chair Beyer **MOVE HB 3700 AS AMENDED FORWARD WITH A DO PASS RECOMMENDATION.**  
**VOTE 7-1-1**
- 289 Vote **IN A ROLL CALL VOTE, MEMBERS VOTING AYE: REPS. EDWARDS, LEWIS, RASMUSSEN, SIMMONS, STROBECK, VICE CHAIR BEYER, CHAIR BRIAN.**  
**MEMBERS VOTING NO: REP. CORCORAN**  
**MEMBERS EXCUSED: REP. SHETTERLY**
- 297 Chair Brian **MOTION CARRIED. HB 3700 MOVED TO THE FLOOR WITH A DO PASS RECOMMENDATION. CARRIER WILL BE IDENTIFIED LATER.**
- 299 Rep. Corcoran Explained his "no" vote. He does want plan to go through. Concerned that an endangered species listing will occur on the central coast run, and this will have a damaging economic impact on timber, agriculture and commercial fishing industries.
- 322 Vice Chair Beyer Asked if any members own property that would be affected, please not e it for the record.
- 332 Rep. Corcoran Noted for the record, a potential conflict of interest as a forest land owner.



339 Rep. Lewis Noted for record she owns land, but young trees that won't be harvested soon, so no conflict of interest.

346 Chair  
Brian Adjourned meeting at 3:31 p.m.

Submitted by, Reviewed by,

Barbara Guardino Kim James

Committee Assistant Revenue Office Manager

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**EXHIBIT SUMMARY:**

A. HB 3700, Yates, HB 3700-1, 3 pp.

B. HB 3700, Yates, HB 3700-5, 4 pp.

C. HB 3700, Babit, Testimony on House Bill 3700, 1 p.

D. HB 3700, Myron, Watershed and Riparian Habitat Conservation Investment Fund, 1 p.

E. HB 3700, Rohleder, Testimony of Joe Rohleder, 11 pp.

F. HB 3700, Rohleder, letter from Liz Hamilton, 2 pp.

G. HB 3700, Rohleder, Fish Restoration and Enhancement Program, 8 pp.

H. HB 3700, Yates, HB 3700-6, 4 pp.

I. HB 3700, Yates, Revenue Impact of Proposed Legislation, 1 p.

J. HB 3700, Yates, Staff Measure Summary, 1 p.

K. HB 3700, Yates, Fiscal Analysis of Proposed Legislation, 1 p.

