

PUBLIC HEARING AND

WORK SESSION ON SB 346 TAPES 085 - 086 A/B

SENATE REVENUE COMMITTEE

MARCH 19, 1997 - 3:00 P.M. - HEARING ROOM A - STATE CAPITOL BUILDING

Members Present: Sen. Ken Baker, Chair (left meeting at 4:00 p.m.)

Sen. Neil Bryant, Vice Chair

Sen. Joan Dukes

Sen. Verne Duncan

Sen. Tom Hartung (left meeting at 4:00 p.m.)

Sen. Randy Leonard

Witnesses: Sen. Veral Tarno,

Rep. Roger Beyer, District 28

Sen. Bob Kintigh, District 22

Rep. Ken Messerle, District 48

Ray Wilkeson, Oregon Forest Industries Council

Dave Babits, Legislative Chair, Oregon Small Woodlands Association

Jeannette Holman, Legislative Counsel

Staff: Dick Yates, Economist

Carol Phillips, Committee Assistant

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TAPE 085, SIDE A

- Vice
002 Chair Called the meeting to order at 3:50 p.m.
 Bryant
- 003 Tarno Exhibit G - SB 924 (-B14). Reason this Amendment was discussed today is that it relates to both HB 3700 and SB 924. Section 11 of SB 924 deals with Essential Significant Units (ESUs) on the coastline of Oregon as it pertains to Endangered Species Act and coho salmon listing. The language in SB 924 states that if a portion of the coast is listed, either the southern ESU or the central ESU, by a federal listing then funding would be impacted. Need language in both bills to read the same regarding the agreement on the House side as to the actual funding of the Coastal Salmon Restoration Initiative. Need language in both bills to read the same. There is a proviso in SB 924 which states if the language in HB 3700 comes out in print and is approved, then the same language in SB 924 would be removed.
- Vice
035 Chair What needs to happen is these Amendments to SB 924, which we did not concur in to
 Bryant address this type of issue, needs to be put into the A-Engrossed HB 3700.
- Rep.
050 Roger Speaking on behalf of Small Woodland Association and himself as a small woodland
 Beyer owner. Speaking to the (-A9) Amendments to HB 3700. Back in November the Small Woodland Association offered an idea which is now HB 2131 that would remove the 25,000 board feet exemption on all timber owners, and the money would have helped pay for the Service Forest Program in the Department of Forestry. That was offered in good faith. Now not only is it proposed eliminate the exemption, but the harvest tax would be raised by \$1.59. In a later Amendment that is increased even further to \$2.00.
- Vice
067 Chair Answered that that is in the second year in an attempt at anticipated adjustment for what
 Bryant is necessary to meet the funding requirements.
- 069 R. Beyer This would transfer \$500,000 of that \$15 million to the Service Forestry Program, and would offset HB 2131 which was offered earlier. Now the small woodland people feel they are getting a double hit if they do not speak up.
- Vice
075 Chair Asked if there was another way to address R. Beyer's concern because this Bill is
 Bryant supposed to raise a certain amount of money for the plan, but the legislature is taking \$500,000 out of that.

Here in support of (-A9) Amendments put forth by Small Woodlands Association. Last November the Small Woodlands people volunteered to accept the removal of the 25,000

- 085 Sen. Bob Kintigh feet exemption on harvest tax and have that money go to Service Forestry. Now to add to the harvest tax for the salmon recovery plan makes a double whammy, and they just don't feel they should pay for both.
- 114 Rep. Ken Messerle Here this afternoon to discuss amendments on behalf of the Speaker, who had previous engagements. Amendments Speaker was concerned about which was HB 3700 (-A7), (-A8), and (-A10) are all combined into HB 3700 (-A12).
- 135 Sen. Dukes Asked Rep. Messerle is he feels the (-A12) Amendments are a conflict of interest, and he agreed they are. Believes the corporate timber people agreed with the small woodland association people and were okay with the Amendment.
- 141 Vice Chair Bryant Said he was okay with it as long as the correct dollar amount for funding was established.
- 145 Ray Wilkeson Oregon Forest Industries Council. Agreed that Vice Chair Bryant asked the right question. The \$500,000 if this Amendment is approved would come out of the \$15 million for the salmon plan. The rate being proposed is intended to collect \$14 million because the fishing industry is committed, and it is in the bill, to \$1 million. If the small woodlands amendment is adopted, it would reduce the total amount of money available for the plan from this source to \$13.5 million, which is less than the commitment we made and what is anticipated to fully fund the plan. Questions and discussion interspersed.
- 164 Vice Chair Bryant Asked what reaction would be to raising another \$500,000? One way to do that would be to adjust the rate to accomplish that. Asked how much of an adjustment would that be?
- 169 Dick Yates Answered that the first \$500,000 generated would go to the Forestry Department to service the program. Don't know if that is a problem at all. Initial thought was that \$500,000 had to be raised from the tax during the next biennium, so the rates he indicated were an increase of 11 cents to raise the additional \$500,000. That may be slightly high because that raised part of it in the next biennium. Rate should be more like 9 cents.
- 190 Wilkeson The Board did not agree to add that to their motion. Sentiment on Board that a harvest tax may not be the most appropriate mechanism to fund a Service Forestry Program. Made a commitment to find a way to make sure that program is kept whole.
- 205 Dave Babits Exhibit H - Written testimony dated 3/19/97. Proceeded to read Exhibit H. Questions and discussion.

CLOSED PUBLIC HEARING ON HB 3700

OPENED WORK SESSION ON HB 3700

328 Yates Discussed aspects of the A-Engrossed HB 3700. Section 2 essentially raises forest products harvest tax for the purpose of generating \$14 million from increasing the tax for two calendar years 1998-99. This sets rate for first year and requires Department of Revenue to adjust the rate in second year. Purpose of this is that Forestry is putting up money committed to Watershed Improvement Grant Fund. Tax is stopped once total deposits to that fund reach \$15 million. Forestry is guaranteeing the amount, but allows the amount they actually have to pay to be decreased if they can get other people to make grants into that fund. Sand & Gravel people have agreed to put \$400,000 into the fund. Provides also that if in fact total deposits reach \$15 million, any taxes paid in quarters paid following that time will be refunded to the timber industry.

382 Yates Goes on to establish the Watershed Improvement Grant Fund and provides that fund will be administered by the Governor's Watershed Enhancement Board. Provides those funds will be used to provide grants as detailed in Section 5 line 7 of bill: Watershed and riparian habitat conservation activities, watershed and riparian education efforts, implementation of watershed enhancement plans, and water quality improvement plans. Section 6 explains conditions people applying for these grants must meet in order to qualify. Projects must be reviewed and approved by technical committees and must provide a public benefit through the improvement of water quality, fish or wildlife habitat, or public information and education.

412 Yates Sections 9, 10, and 11 show continuation of some sunset dates on taxes which already exist for fishing licenses, permits for commercial fishing, and catch fees. Section 9 also increases license fees. This will raise about \$11 million for the next biennium, and \$1 million of that goes into this watershed improvement grant.

426 Yates Section 15 makes this forest products harvest tax (Section 2) contingent on \$15 million being made available in the General Fund. Section 16 repeals the forest products harvest tax depending upon the listing or requirements on forest practices in Oregon by the federal government in excess of what Oregon requires under its forest practices act.

TAPE 086, SIDE A

032 Yates Discussed Exhibit K - (-12) Amendments and Exhibit G - (-14) Amendments. Line 13 through 20 of the (-14) is the exact same language, so there is no contradiction with respect to forest practices. (-14) continues to require there not be a listing. Questions and discussion.

093 Sen. Dukes Comments regarding Restoration and Enhancement Board. It is sport and commercial fishermen deciding what grant applications they should approve and give money to for habitat restoration. These are people who understand the needs and have been at it for a few years.

- 108 Yates Continuation of remarks. Exhibits B, C, D, E, and F. Questions and discussion interspersed.
- 136 Yates Regarding (-12) amendments. The rates are changed. In the bill it shows \$1.59 for both years. I had stated previously that all timber cut in Oregon is subject to forest products harvest tax, but that is not true. Timber from Bureau of Indian Affairs lands is not subject to the tax. 25,000 board feet exemption is not subject to the tax. To raise the \$13.6 need would require \$1.75 instead of \$1.59 in first year. Then the Department of Revenue has the latitude to increase that to a maximum of \$2.00 in second year if necessary. However, the rate could fall if the harvest is larger. Oregon Trout people (in the bill page 3 line 14) allowable uses of the money in this grant program would add an additional allowable use which is the acquisition from a willing seller to an interest in land that protects the watershed resources.
- 175 Vice Chair Bryant Asked if it must be a fee interest or other lesser interest in land. Does that mean when you hold title, but also means you could enter a long-term lease?
- 164 Yates Would agree, but stated that might be a question for LC to answer since it is a legal question.
- 184 Jeannette Holman Agreed that is the way she would read it. Could be anything less as well as an easement, etc. Questions and discussion.
- 220 Vice Chair Bryant MOVES (-12) AMENDMENTS TO HB 3700 BE ADOPTED.
HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 241 Vice Chair Bryant MOVES HB 3700 AS AMENDED BY THE (-12) AMENDMENTS TO THE SENATE FLOOR WITH DO PASS RECOMMENDATION.
HEARING NO OBJECTION, THE VICE CHAIR SO ORDERED.
- 248 Vice Chair Bryant Adjourned meeting at 4:30 p.m.

Carol Phillips

Committee Assistant

Kim James

Office Manager

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Exhibit Summary:

A. HJR 85, Kane, Written testimony dated 3/19/97 for record only, 10 pages

B. HB 3700, Yates, Forest Products Harvest Tax For Salmon, 1 page

C. HB 3700, Yates, Staff Measure Summary dated 3/19/97, 1 page

D. HB 3700, Yates, Staff Measure Summary dated 3/13/97, 1 page

E. HB 3700, Yates, Revenue Impact Statement, 1 page

F. HB 3700, Yates, Fiscal Impact Statement, 1 page

G. SB 924, Tarno, (-B14) Amendments, (JH/ps) 3/19/97, 2 pages

H. HB 3700, Babits, Written testimony dated 3/19/97, 6 pages

I. HB 3700, Yates, (-A9) Amendments, (JH/ps) 3/18/97, 1 page

J. HB 3700, Yates, (-A11) Amendments, (JH/ps) 3/19/97, 1 page

K. HB 3700, Yates, (-A12) Amendments, (JH/ps) 3/19/97, 1 page