

These minutes contain materials which paraphrase and/or summarize
statements made during this session. Only text enclosed in quotation
marks report a speaker's exact words. For complete contents of the
proceedings, please refer to the tapes.

Public Hearing: HB 2243 and HB 2245

HOUSE COMMITTEE ON AGRICULTURE, FORESTRY & NATURAL RESOURCES

January 24, 1991 Hearing Room F 8:15 A.M. State Capitol
Tapes 08 - 10

MEMBERS PRESENT: REP. WALT SCHROEDER, Chair REP. LIZ VANLEEUEWEN,
Vice-Chair REP. SAM DOMINY REP. BILL DWYER REP. TIM JOSI REP. JOHN MEEK
REP. CHUCK NORRIS

STAFF PRESENT: BETH PATRINO, Administrator EDWARD C. KLEIN,
Assistant

WITNESSES: JAMES BROWN, State Forester RAY CRAIG, Forest Practices
Director, Department of Forestry WARD ARMSTRONG, Oregon Forest Industry
Council LEO WILSON, Administrator, Emergency Fire Cost Committee,
Department of Forestry

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proceedings, please refer to the tapes.

TAPE 08, SIDE A

The tape started after the hearing was called to order.

CHAIR SCHROEDER: Calls the meeting to order at 8:15 A.M.

PUBLIC HEARING ON HOUSE BILL 2243 -- EXHIBITS A, B & C

EXHIBIT A contains a description of the bill.

000 CHAIR SCHROEDER: Does this have a subsequent referral?

001 BETH PATRINO: It's to Ways and Means, but I think that's in error.

002 REP. DWYER: It should be Revenue.

010 JAMES BROWN, State Forester: Presents Testimony on HB 2243 (EXHIBIT
B).

-He refers to the amendments (page 3, EXHIBIT B).

-The second part of the amendment makes it clear the Forest Products Harvest Tax is a privilege tax and not subject to Measure 5.

-Currently the Forest Products Harvest Tax for the support of the Forest Practices Act is \$.16. If this is approved it would increase this between \$.79 and \$.86 a thousand. That depends on the budget level approved by the Legislature and the estimate of the amount of harvest that will occur during the biennium.

041 CHAIR SCHROEDER: That increase is in addition to the amount that goes to the Forest Research Laboratory and to the fire fund?

BROWN: Correct.

CHAIR SCHROEDER: It's now \$.87 per thousand and includes the \$.16?

BROWN: Correct.

CHAIR SCHROEDER: You'd have the balance between \$.16 and \$.87 plus the increase from \$.79 to \$.86; that would be an additional \$.60 to \$.70?

BROWN: Correct.

REP. DWYER: What would the total be?

BROWN: With the current proposals, about \$1.55.

-The next bill proposes increasing the harvest tax to \$.50. I think the Research Laboratory proposal is \$.25 or \$.30.

055 REP. DOMINY: What is the current total tax?

BROWN: If you put all the proposals together it's \$.87. It's being doubled, but not through this bill.

CHAIR SCHROEDER: It's currently \$.16 to the Oregon Practices Act.

BROWN: \$.30 to the Oregon Forest Land Protection Fund (The Emergency Fire Cost Account).

CHAIR SCHROEDER: The Forest Research Lab?

BROWN: \$.20 they're asking for \$.30.

CHAIR SCHROEDER: That adds up to \$.66.

BROWN: That's what it is currently.

CHAIR SCHROEDER: What's the total for the future if all these increases are approved?

BROWN: The Forest Practices Act is \$.80; \$.30 for the lab.

-WARD ARMSTRONG informs me the Research Lab is now \$.21; that increases the total to \$.67.

-The proposal for the Oregon Forest Land Protection Fund is \$.50. The proposal for Forest Practices is \$.80. That comes to \$1.60; a little more than double.

CHAIR SCHROEDER: There's another proposal to increase it another \$.75.

084 REP. DWYER: The new increase is \$.80 or \$.87?

BROWN: \$.87 is the outside.

CHAIR SCHROEDER: That would increase about a dollar with this new total.

REP. DWYER: About one hundred and forty percent.

BROWN: Refers to the table on page 2, EXHIBIT B.

096 REP. NORRIS: Is the Forest Research Lab covered in this forest practices program?

BROWN: No; that's part of Oregon State University's budget and will come in a separate bill.

REP. NORRIS: What's the purpose of this bill?

BROWN: To fund the Forest Practices Act and industrial fire inspection.

REP. NORRIS: Does this refer to the harvest on any and all lands?

BROWN: Correct. All timber harvested pays this harvest tax to support these three things we've been talking about.

114 REP. DWYER: The General Fund used to pay a good portion of this.

BROWN: Our budget request is about \$122 million. \$20 million is General Fund; the balance is dedicated fees or revenues off the land. A small amount of the General Fund goes into administration; a large part goes into the fire control program. It pays half of the landowners cost of fire protection. Insect and disease management is fully funded by the General Fund and about half of service forestry is paid by the General Fund.

REP. DWYER: How does this biennium's budget compare to the last biennium's? Are we swapping fees for General Fund money?

BROWN: Yes; we're down \$5.6 million. That's been transferred to the Harvest Tax.

REP. DWYER: Is there an increase in any services provided under the Forest Practices Act to those who pay the fees?

BROWN: Yes.

145 RAY CRAIG, Forest Practices Director, Department of Forestry: Additional services include additional clerical time in our field offices and would add forest practices officers (13 full-time equivalents) plus two staff specialists to train forest practices foresters, landowners and operators in our rule making.

REP. DOMINY: The total request is around \$122. What was your last budget?

BROWN: About \$100 million.

REP. DOMINY: There is a \$22 million increase in your overall budget.

BROWN: Part of that is an increase in the base budget; it takes inflation into account. Our base budget this time was \$116 million.

CHAIR SCHROEDER: What's the \$116 million?

BROWN: The Executive Department adjusts the current budget to take inflation into account; that moved us to \$116 million.

-A large part of the additional \$4 million is additional investments in state forest lands, which is dedicated funds.

179 REP. VANLEEUEWEN: What's the average yield per acre on the westside?

BROWN: It varies north to south. In your area, about 50,000 board feet to the acre.

REP. VANLEEUEWEN: This tax is just assessed at harvest?

BROWN: It only applies at the time you harvest timber. It was designed that way, because those are the people that are creating activity for the agency.

REP. NORRIS: What is the gross for the harvest of 1,000 board feet?

BROWN: We sell timber from state lands at \$325 to \$350 dollars per thousand board feet.

REP. NORRIS: Out of this proposal we're charging \$.86.

BROWN: Correct.

CRAIG: Describes the amendments.

-He refers to the amendments, page 3 (EXHIBIT B).

-There is an amendment to Oregon Laws being proposed by the Department of Revenue which would exclude the Harvest Tax from Measure 5.

CHAIR SCHROEDER: The wording gets it out of Measure 5?

BROWN: I was incorrect; that's in a Department of Revenue bill. The amendment funds the agency 100 percent for Forest Practices and includes industrial fire protection.

CHAIR SCHROEDER: The industrial fire protection program is different than the one we had last session?

CRAIG: Correct.

CHAIR SCHROEDER: This is primarily for inspection on industrial sites directly related to timber harvest and not for natural or camper caused fires?

CRAIG: Correct.

-We have forest practices foresters throughout the state. Generally, one individual inspects both operations for industrial fire prevention as well as the forest practices program.

-He describes what they look for in industrial fire protection.

251 WARD ARMSTRONG, Oregon Forest Industry Council: We're probably in support.

-The industry was concerned that the Forest Practices Act would be well funded; we agreed to share 40 percent of the cost.

-We feel it's inappropriate for the industry to pay more than 50 percent.

-Measure 5 makes this an unusual year. We want the Forest Practices Act adequately funded.

-We're introducing legislation to increase the cost and we understand our need to pay that fair share.

-The money under Measure 5 is not there to fund the new program of industrial fire protection.

-We want to fund those programs and would like to maintain the traditional public policy role of the 40/60 split, but we may have to divert from that. There seems to be willingness to go along with that for this biennium as we wait and see what happens with Measure 5.

-There is a Department of Revenue bill to take some activities out from under Measure 5. It would redefine timber at the time of harvest so it would not be called a tax on property.

-If timber is treated the way all other rural property is treated, then timber stays at a very high level. That influences our reaction to HB 2243.

-We're adopting a wait and see attitude. We're willing to support HB 2243, but we're asking the committee to reserve judgement until you see what happens in the Revenue Committee and in the Ways and Means Committee.

-It will be difficult to know how to resolve these policy matters for some time.

329 REP. DWYER: What about your concerns that \$165 million in the Governor's budget are additional fees, formally General Fund Money? We raised fees last session without Measure 5.

-Do you have concerns that when the pressure is on, Measure 5 is becoming a whip, we cut budgets and increase fees and taxes? We want to increase tax powers constitutionally.

-Do you expect these fees to go down? Do you expect government to continue to spend the money?

ARMSTRONG: We share those concerns. We recognize the responsibility to continue important services. but we have grave concerns to make public policy shifts, because it's expedient. It will be hard to go back; we're worried about that.

REP. DWYER: Me too.

352 REP. DOMINY: We're increasing a budget when we're trying to cut. Do you see the need for the Department of Forestry to slim their budget and come back with less than \$120 million? Is there a need for this increase?

ARMSTRONG: Is not an expert on the department's budget. He has participated in a review of the budget last spring.

-Over the last 10 years there was a tightening of the Department of Forestry's budget. Most of those requests are justified and needed.

-Fire protection, increasing the productivity on small woodlots, the regulation of activities and the pressure of the public to protect other values are very important.

-Oregon has a lot at stake in having a strong Department of Forestry. It needs to be able to do its job.

-This agency has not had the funds they should have had.

TAPE 09, SIDE A

015 CHAIR SCHROEDER: Ways and Means will make the final decision, but we'll determine the policy.

REP. NORRIS: Will the added cost to the timber industry have any competitive disadvantage?

ARMSTRONG: This tax is small.

-We have concerns about the Western Oregon Severance Tax. Oregon taxes timber higher than any other timber producing state.

035 REP. DWYER: What's the severance tax?

ARMSTRONG: Six and one-half percent of the total value.

REP. DWYER: It averages a little over \$16 per thousand. We used to tax the timber on an ad valorem basis.

045 REP. JOSI: You keep referring to the 60/40 split going to 100 percent for the short term?

ARMSTRONG: Correct.

REP. JOSI: What if we had an amendment that would allow the 100 percent this biennium with an automatic review next biennium?

ARMSTRONG: That would be very appropriate.

CHAIR SCHROEDER: Would a sunset do that or would we specify review?

BROWN: The bill has a sunset.

054 REP. MEEK: Some tightening of the Department of Forestry's budget did need to take place.

-Our timber harvest probably won't increase.

-We have a dilemma of an increasing budget and a shifting of some of the

taxes.

-A trend is not to set up more regulations to enhance business.

-Our number one industry does produce income tax for this state. We have to address more than the sunset and the rate of tax.

BROWN: We appreciate your concern over our budget increase. Our budget--if you take away inflation--is the same as the budget we had in 1973. The responsibilities placed on the agency have increased dramatically.

091 ARMSTRONG: This committee will have an opportunity to review some very important public policy issues.

-This debate is part of a larger debate; what is the future of the forest products industry? The future is in doubt.

-We have to decide how to tax timber equitably. We tax timber at a higher level than any other state. This tax is a small piece.

-There is a high level of regulation.

-The forest products industry will say you shouldn't do what you've been doing.

-You will hear a lot about the basic questions.

-This is the opening shot of how we finance how we're regulated.

-It's important that the regulation of forestry be credible, firm and strong so we don't harm our environment. Regulation has to be uniform and based on good management.

-It's our judgement this system will help finance that.

132 CHAIR SCHROEDER: REP. MEEK, brought up a good point. WARD, raised a philosophical issue we'll be dealing with this session; this is a small portion of what we'll be dealing with.

REP. DWYER: Isn't it premature to look at these fee based bills when we're sorting out how we deal with Measure 5?

-He won't support this until he knows what's going on.

-Is not questioning the department's need. We're asked to make policy decisions before we know what the policy's going to be at the other end.

CHAIR SCHROEDER: It's the intent of the Chair that we won't do anything for a while. Our intent is to listen and to have more discussion and come back later for updates and see where we're going.

REP. DWYER: Understands the Leadership wants to get things moving. The product is what's important. Just hearing things is not being efficient.

CHAIR SCHROEDER: That's not the intent; it's to get a start on this process.

168 REP. NORRIS: What harvest level do you anticipate for this biennium?

BROWN: About 17.5 billion board feet.

REP. NORRIS: Has it been trending down; what's the curve look like?

BROWN: It's historically ranged from 14 billion to 18 billion. With the changes in the national forest and BLM harvest levels, the national forest plans and the spotted owl are the major causes for the dip; coupled with the current recession in the forest products industry.

REP. NORRIS: Could you show us what the levels of harvest have been for the last 10 years?

BROWN: We have that prepared and can show you. It fluctuates. In the past it was based on market conditions. The down turn of the Federal supply because of the plan and spotted owl complicates things.

196 REP. VANLEEUEWEN: Is the 17.5 billion board feet for the year or biennium?

BROWN: Biennium.

REP. VANLEEUEWEN: We need to see something that shows us the various taxes on the property and the timber on the property, by either scenario, for the life of a stand of trees.

CHAIR SCHROEDER: Refers to the handout on timber taxes based on the South Coast (EXHIBIT A, 1/22/91).

215 REP. MEEK: We need to be kept updated on the various pieces.

REP. DWYER: Could you provide a comparison of the harvestable land base today, as it compares to 1973?

-You mentioned your budget was the same today as it was in 1973. Wants to see if the land base compares.

BROWN: Private land?

REP. DWYER: Harvestable land base prior to the spotted owl and all the withdrawals. You're not making a fair comparison.

BROWN: We regulate the private lands; we're not involved in Federal lands, except in review of their plan. We'll supply the information.

REP. DWYER: You don't do forest practices on Federal lands?

BROWN: They provide their own protection and administer their own level of forest practices.

CHAIR SCHROEDER: Isn't the state Forest Practices Act a base; they usually do above that.

BROWN: They have an agreement with us that they will meet or exceed the Forest Practices Act. The method of review is through DEQ.

CHAIR SCHROEDER: We'll call you back; keep us informed.

264 REP. DOMINY: Thanks JIM BROWN for supplying the committee with the smoke management report.

CHAIR SCHROEDER: Refers to testimony on HB 2243 and HB 2245 supplied by GARY CARLSON, Oregon Small Woodlands Association (EXHIBIT C).

271 EDWARD C. KLEIN, Committee Assistant: GARY CARLSON was unable to attend the Hearing.

CHAIR SCHROEDER: Closes the Public Hearing.

-He recesses at 9:04 A.M.

-He calls the meeting back to order at 9:10 A.M.

-REP. DWYER is excused.

PUBLIC HEARING ON HOUSE BILL 2245 -- EXHIBITS D, E, F, G & H

CHAIR SCHROEDER: Opens the Public Hearing.

300 BETH PATRINO: Describes HB 2245 (EXHIBIT D).

334 BROWN: Presents background on the forest fire protection system (Also see testimony EXHIBIT E).

CHAIR SCHROEDER: Describes how the legislation was put together.

BROWN: Presents, "Disaster in the Making: The Awbrey Hall Fire", a video tape which illustrates the complexities of the fire control responsibilities.

TAPE 08, SIDE B

-The video continues.

262 BROWN: They were predicting we were going to get northwest winds; we were fortunate those winds never developed.

271 REP. NORRIS: What can and should we do for those who are at risk? Will it increase the risk and take public funds to take care of them?

BROWN: This is a national problem.

-The National Association of State Foresters, the U.S. Forest Service and National Fire Prevention Association are working to raise people's awareness to take positive steps to reduce fire hazard and to get structural fire protection.

-He refers to "Disaster In The Making" (EXHIBIT F). This and the video are part of our educational efforts to try and make the awareness happen.

-After the bad fire season in southern Oregon in 1987, we got some money from the Federal Emergency Management Administration to help pay for the cost of those fires. One of their requirements was that we develop a mitigation plan to try and prevent those kinds of fires.

-One of the projects was to develop a state-wide map of high risk hazard areas. We're going into those areas and distributing the brochure and video and a pocket calculator the people cans use to evaluate the risk of their homes and the preventive steps they can take.

-We're also participating with LCDC and the counties to try to get people to avoid placing homes in high risk areas.

-The Awbrey Hall fire was a very complex situation; there were multiple jurisdictions involved. It worked well because of the management system.

-We had dry runs of a fire like this in the Bend area for about five years.

-Some of the other proactive things we're doing is working with local fire services.

-Who pays was a major debate last session. Last session you clarified that our role was to first protect life, then resources, and property only as it relates to protecting the resource.

-The Fire Marshall takes care of the structures. When this happens the Fire Marshall has to come to the Emergency Board in order to pay the structural organizations that help him.

-Wild land fires are paid for through the Oregon Forest Land Protection Fund, the subject of HB 2245.

-Multiple sources contribute to the self-insurance fund. It reflects the people we're protecting. This adds complexity to what revenue sources go into the fund. They balance out with the level of service people receive.

-This fire cost \$2 to \$3 million. The cost increased because homes were out there. Our job was not to protect the structures.

377 REP. DOMINY: Last session we worked on legislation in the Housing Committee that dealt with disclosure in advance of people purchasing forest lands. The purpose was for people to know they didn't have the same protection they had in the city.

-Has there been any impact; have we accomplished anything with that legislation?

BROWN: The notice is going out. He doesn't know if there's an impact on people deciding to buy or not to buy.

-Insurance companies are taking a harder look at whether they will insure structures in that type of situation.

REP. DOMINY: What do we need to do to make it better?

BROWN: A series of agencies are working together with the building codes agencies. If homes are going to be built in those areas they have to be designed and built in a fire safe way.

-In the changing of Goal 4, the forest land goal, by LCDC there is some stiff language in the administrative rules that requires people to provide defensible space and place homes where there is less fire risk and build adequate roads.

-Some pieces are coming together.

-He's asked staff to work with different fire services and the Fire Marshall to come back in 1993 with a complete overview of how the state will address legally, financially and operationally the control of fire in these types of situations.

-The operational structure is there; some areas need to be smoothed out.

TAPE 09, SIDE B

015 CHAIR SCHROEDER: A lot of people think a fire won't happen to them.

BROWN: Was struck by the total destruction of the homes.

028 REP. VANLEEUEWEN: You mentioned multiple resources go into the fire protection fund. Do any camping or park fees go into the fund?

BROWN: No. The landowner and General Fund equally share the cost of running the local fire agency.

-The landowners take responsibility for paying the next \$10 million. That's what the bill talks about.

-We buy insurance through Lloyds of London for \$33 million to protect the state from anything that costs above \$10 million.

-Above that \$43 million the state is at risk.

050 REP. VANLEEUEWEN: One group gets charged a fee, but some users don't contribute.

BROWN: The general public is paying through the General Fund.

-People with homes in the forest are paying a surcharge on their property into the self-insurance fund.

REP. VANLEEUEWEN: People who vacation are not contributing.

BROWN: Not the fishers, hunters and campers.

063 CHAIR SCHROEDER: That's why the General Fund was raised from 25 percent to 50 percent.

REP. VANLEEUEWEN: Many people who pay through the General Fund do not camp, hunt or fish.

REP. NORRIS: How did the Awbrey Hall Fire get its name? Are copies of the video available?

BROWN: Copies are available.

-He describes how the fire was named.

-He continues with a discussion of the sections of the bill (EXHIBIT E).

093 REP. VANLEEUEWEN: Increase the surcharge per biennium or per year?

BROWN: Per year.

-He refers to section 3 (EXHIBIT E).

-He refers to amendments (EXHIBIT E), which make the Harvest Tax exempt from Measure 5.

-He refers to "Outline of Presentation" (EXHIBIT G).

132 REP. VANLEEUEWEN: Where are you getting the \$8 million?

BROWN: Refers to "B. 1", page 1. The \$8 million referred to is on the top of page 2.

-He refers to the graph on page 2.

-The bill was written pre Measure 5. There is little likelihood of the General Fund paying the insurance premium. We recommend we go back and work with the landowner community as to how we make sure the revenues and expenditures balance and then come back to you once we've had that opportunity.

171 CHAIR SCHROEDER: You indicated you wanted to put this on hold.

BROWN: Until we work with the landowners.

REP. VANLEEUEWEN: Refers to "C." page 2. Are there enough homes to bring in the \$6 million?

BROWN: The "89,131 Improved Lots" are the actual lots that got built.

CHAIR SCHROEDER: That's an accurate figure.

BROWN: We didn't have that information last session.

184 REP. DOMINY: In previous legislation on combining lots, we discussed a possible shift from small woodlot owners to larger lots. Is there a shift involved in this from small woodlot owners? Who pays the new bill?

BROWN: The bill you refer to allows owners to combine lots and not pay the minimum assessment on both lots.

197 LEO WILSON, Administrator, Emergency Fire Cost Committee: We assume there will be a very small shift in those lots.

REP. DOMINY: Can you do a computer analysis of what the shift might be?

WILSON: We don't have that data.

BROWN: This committee and Ways and Means in 1989 had a concern about the equity of who pays for what.

-We were asked to do an equity study and have just completed it and will make that available to the committee.

218 REP. MEEK: Measure 5 and the General Fund not paying for the insurance premium gets back to the equity issue as does REP. VANLEEUEWEN's point about the public's utilizing the forests for recreation and not paying their share. The landowners' take on the total responsibility.

BROWN: The equity study addresses that issue.

REP. MEEK: Would like to see that study.

CHAIR SCHROEDER: We'll bring these bills back.

240 REP. DOMINY: Maybe we could combine these two or three bills dealing with revenue as a package.

CHAIR SCHROEDER: We intend to do that.

REP. NORRIS: A lot of protection and enhancement of natural resources allows people to enjoy it for free. We need to look at ways to share the costs. There is not equity.

BROWN: That's been a major concern.

REP. NORRIS: Supports the justification of a certain amount of General Fund money for these costs.

-Do the references to lots or parcels have any relation to size? Does it mean any size lot or parcel on which there is an improvement?

BROWN: If there is an improvement on the tax lot, irrespective of size, it gets the surcharge.

272 CHAIR SCHROEDER: Does combining lots include improved lots?

BROWN: Under the other bill you are considering they could be combined.

UNIDENTIFIED PERSON: Not audible.

REP. NORRIS: Is the surcharge presented as part of the normal property tax bill and turned over to the suppression fund?

BROWN: Correct.

CHAIR SCHROEDER: WARD ARMSTRONG was scheduled to testify, but he has another appointment.

302 REP. MEEK: He should be given a copy of the minutes and he can come back when it's rescheduled.

CHAIR SCHROEDER: He'll be given an opportunity to testify later.

REP. NORRIS: Since this deals with fiscal issues there will be subsequent referrals.

CHAIR SCHROEDER: We'll have to combine them so we can coordinate what we do with the other committees.

315 MOTION: REP. DOMINY: Moves to adjourn.

CHAIR SCHROEDER: What impact would HB 2243 and HB 2245 have on funds going to counties?

BROWN: None in our view. That is a concern of the Council of Forest Trust Land Counties. Last session the Harvest Tax extended to all Federal Timber. The Council of Forest Trust Land Counties had a concern how that might influence Congress in terms of how the BLM timber is distributed. That's not come in to play.

-Their concern is how that might impact county revenue.

-As REP. NORRIS pointed out, this is a pretty small tax in terms of total value and has a relatively minor influence on the purchaser when they pay for their timber. In my view the revenue split to the counties is relatively small.

(EXHIBIT H contains recommend amendments to HB 2245, presented by FRED ROBINSON, Assistant State Forester).

338 CHAIR SCHROEDER: Closes the Public Hearing.

-Next Tuesday, January 29, we will be meeting at the Department of Agriculture at 8:30 A.M.

-He adjourns at 10:10 A.M.

Submitted by: Reviewed by:

Edward C. Klein, Beth Patrino, Committee Assistant Committee
Administrator

EXHIBIT LOG:

A - SMS, Fiscal and Revenue impacts on HB 2243 - Staff - 2 pages
B - Testimony on HB 2243 - Jim Brown - 3 pages C - Testimony
on HB 2243 and HB 2245 - Gary Carlson - 1 page D-SMS, Fiscal and Revenue
impacts on HB 2245 - Staff - 3 pages E-Testimony on HB 2245 - Jim Brown
- 5 pages F-"Disaster in the Making" - Jim Brown - 8 pages G-Outline of
Presentation - Jim Brown - 4 pages H-Amendments to HB 2245 - Fred
Robinson - 6 pages