

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.

HOUSE COMMITTEE ON AGRICULTURE, FORESTRY & NATURAL RESOURCES

March 12, 1991 Hearing Room F 8:15 A.M. State Capitol
Tapes 38 - 40

MEMBERS PRESENT: REP. WALT SCHROEDER, Chair REP. LIZ VANLEEUWEN,
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

MEASURES CONSIDERED: HB 2321 - WORK SESSION HB 2145 - PUBLIC HEARING &
WORK SESSION HB 2243 - PUBLIC HEARING HB 2245 - PUBLIC HEARING

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TAPE 38, SIDE A

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

WORK SESSION ON HOUSE BILL 2321

Witness: Ray Craig, Assistant State Forester, Department of Forestry

CHAIR SCHROEDER: Opens the Work Session.

012 RAY CRAIG, Assistant State Forester, Department of Forestry: HB
2321 relates to the sliding severance tax.

-There are several bills dealing with severance tax issues.

-HB 2550 is being amended to set an interim rate for the severance tax.

-There are several policy issues involved in forest taxation.

-We have visited with the Interim Forest Products Policy Committee
Co-Chairs and recommend forming an interim legislative task force to
study forest taxation issues and return in 1993 with clearly focused
issues and options.

036 REP. NORRIS: There has been interest in cottonwood plantation
farming in my district.

-People are reluctant to get involved under the current law, because cottonwood can't be viewed as a crop and they would be liable to regulation under the Forest Practices Act.

-Is there any alternative for hardwoods harvest in eastern Oregon?

CRAIG: There are two issues:

-One. Forest taxation related to cottonwoods.

-Two. Whether or not cottonwood plantations are regulated under the Forest Practices Act.

-There is a bill that would exempt these plantations from the Forest Practices Act.

REP. NORRIS: Are we talking about HB 2321?

CRAIG: HB 2321 would not exclude eastern Oregon from the severance tax.

CHAIR SCHROEDER: HB 2883 exempts cottonwoods and Christmas trees from the Forest Practices Act.

064 REP. VANLEEUEWEN: Was HB 2321 in the matrix you prepared?

CRAIG: It was not.

-We have a matrix we can discuss with HB 2320.

-They are different issues.

-HB 2321 is a taxing system as opposed to specific accomplishments.

072 REP. DOMINY: Would we use this bill as the vehicle to set-up the task force?

075 BETH PATRINO: This is the Revenue and School Finance Committee's bill.

CHAIR SCHROEDER: We can approach the creation of an interim task force through the Speaker if there is enough interest.

REP. DOMINY: He likes the concept. He is not sure it's appropriate to talk about taxation without having all of the pieces.

CRAIG: We could work with the Committee on Revenue and School Finance and prepare an amendment.

088 REP. VANLEEUEWEN: Shouldn't we put the amendment into this bill?

CHAIR SCHROEDER: We need to get this bill back to the Committee on Revenue and School Finance this week.

-It would be foolish to deal with this bill until we know what the main bill is going to be.

REP. DOMINY: We could send this bill with the recommendation that they will not deal with it this session.

-He doesn't believe this is the time to vote for this bill.

-How do we approach this?

CHAIR SCHROEDER: We could send it without any action.

105 REP. DWYER: Recommends we send it with no recommendation.

CHAIR SCHROEDER: Should we also work with the Speaker to set up a task force?

-Hearing no objections it is so ordered.

PUBLIC HEARING ON HOUSE BILL 2145 -- EXHIBITS A & B

Witness:Doug Coyle, Fire Protection Director, Department of Forestry

CHAIR SCHROEDER: Opens the Public Hearing.

116 BETH PATRINO: Describes the bill.

-She refers HB 2145-1, Proposed Amendments to House Bill 2145, dated 3/11/91 (EXHIBIT A).

130 DOUG COYLE, Fire Protection Director, Department of Forestry:
Presents testimony on HB 2145 (EXHIBIT B) and describes the amendments.

157 CHAIR SCHROEDER: Read the change as it would appear on lines 18 through 21.

COYLE: Reads the amendment.

CHAIR SCHROEDER: Closes the Public Hearing.

WORK SESSION ON HOUSE BILL 2145

CHAIR SCHROEDER: Opens the Work Session.

182 MOTION: REP. DWYER: Moves to adopt HB 2145-1, Proposed Amendments to House Bill 2145, dated 3/11/91.

CHAIR SCHROEDER: Hearing no objection the motion passes.

MOTION: REP. DWYER: Moves House Bill 2145 as amended to the Committee on Ways and Means.

VOTE: The motion carries 6 to 0.

EXCUSED: REP. MEEK.

PUBLIC HEARING ON HOUSE BILL 2243 -- EXHIBIT C

Witnesses:Jim Brown, State Forester Ray Wilkeson, Oregon Forest Industries Council Gary Carlson, Oregon Small Woodlands Association

CHAIR SCHROEDER: Opens the Public Hearing on HB 2243.

BETH PATRINO: Describes the bill.

-She refers to the revised Fiscal Impact Statement (EXHIBIT C).

-She refers to the amendments submitted by the Department of Forestry as part of their testimony on January 24, 1991.

218 JIM BROWN, State Forester: HB 2243 continues the funding of the forest practices program from the Forest Products Harvest Tax.

-The language in statute is set up to sunset at the end of each biennium and the amount of harvest tax is put into the law at that time.

-The blank on line 5 of the bill is generally set in the Ways and Means Committee.

-The amendments move the funding for the forest practices program from a 40 percent harvest tax/60 percent General Fund split to being funded 100 percent from the harvest tax. The amendments also fund the industrial fire protection program 100 percent from the harvest tax.

244 REP. DOMINY: Why do we need 13 more people to do what was done last biennium?

BROWN: The 1987 Legislature made major revisions to the Forest Practices Act. They took most of the forest related elements of Goal 5, the open space goal, out of the land use planning process and into the Forest Practices Act.

-They required the Board of Forestry to develop and implement rules to protect threatened and endangered species, significant wetlands, significant ecological sites and sensitive bird nesting and rooting sites.

-We indicated that it would double the cost of the program over the next six years.

-The board is just finishing developing the administrative rules associated with the changes made in 1987.

-The administrative costs are now coming into play.

REP. DOMINY: The additional people are needed because you've taken over some of LCDC's responsibilities?

BROWN: Prior to the 1989 changes, under Goal 5, the counties were required to identify those four resource sites (previously referred to) and to do an environmental impact on the conflicts with those particular sites.

-The forest landowners didn't want 36 forest practices acts so the landowners and environmental community approached the Legislature to shift those responsibilities to the board.

281 REP. DOMINY: Will there be a reduction in the LCDC staff?

-He has a problem with the way government is growing and is concerned that there are 13 people being added to the Department of Forestry.

BROWN: This change took a significant workload away from the counties.

-We're in the process of protecting 1,000 specific sites we weren't previously administering.

-Landowners operating within 300 feet of one of these sites have to develop a written plan that has to be approved by the State Forester to make sure it complies with the administrative rules adopted by the Board of Forestry.

311 REP. DWYER: Are these people in your department already?

BROWN: These are new FTE's.

REP. DWYER: They aren't hired?

BROWN: It's not a fund shift.

REP. DWYER: Refers to page 2 of the Fiscal Analysis (EXHIBIT C).

BROWN: The fund shift occurs by shifting from a 40 percent harvest tax/60 percent General Fund to 100 percent harvest tax.

REP. DWYER: We're using this tax to add people?

BROWN: Correct.

REP. VANLEEUEWEN: Has problems with the bill.

-Didn't we have testimony from the small woodland owners that they didn't know whether or not to support the bill?

-She has a problem with shifting from the General Fund to the harvest tax.

BROWN: The Co-Chairs of the Ways and Means Committee are suggesting a 50/50 split.

REP. DWYER: Are they adding the 13 people?

BROWN: Our budget hasn't been heard yet.

365 REP. DOMINY: Are the counties going to pay us for the things that they used to do and we are going to do?

BROWN: No.

REP. DOMINY: They are having us do what they used to do and we're not being reimbursed.

-He can't support the bill, because of the addition of new employees.

-There has to be a check and balance to show that someone besides the state is paying for a service that is already being done through an old mechanism. We should go back to the old system.

BROWN: The concept behind the Forest Practices Act was that landowners wanted one agency to regulate all their activities.

-We are the designated management agency under the Federal Clean Water Act and Federal Clean Air Act with respect to forestlands. There are other examples in the statutes.

-There was a major political conflict surrounding who had the responsibility for regulating private forestland, LCDC or the Board of

Forestry?

-The landowners wanted one agency, the Board of Forestry, to write and administer those regulations.

-The compromise bill in 1987 reconstituted the Board of Forestry and shifted the responsibility of certain Goal 5 resources to the Board of Forestry.

-The landowner and environmental communities were strong proponents for doing that.

CHAIR SCHROEDER: We could have had 36 separate forest practices acts.

BROWN: That was the issue. There were a number of court cases in the wings.

453 REP. DWYER: The counties were willing to have separate log export policies. What is the consistency between one Forest Practices Act and 36 log export policies?

-The counties wanted to retain the right to export their own logs.

CHAIR SCHROEDER: We're talking about the County Trust Lands.

TAPE 39, SIDE A

023 BROWN: The counties were split on which way to go.

032 REP. VANLEEUEWEN: Because of the rules you are being required to add 13 more staff?

-What happened on the heron? She received no response to her inquiry.

BROWN: They just had the public hearing.

-Staff is still preparing the record and has not made a recommendation.

-He will reply when he receives the necessary information.

REP. VANLEEUEWEN: You're asking for more people?

BROWN: The statute passed in 1987 requires the board to identify these sites, to identify any conflicts that might occur as a result of commercial forest operations (on private land) and then design appropriate administrative rules to provide for both the harvesting of timber and the protection of the species.

REP. VANLEEUEWEN: The person who harvests the timber will be charged even though they might not be able to harvest.

BROWN: The person who harvests will pay.

REP. VANLEEUEWEN: Has a problem with that policy.

061 REP. NORRIS: How did this bill come about?

BROWN: Presents a brief history of the funding for the Forest Practices Act.

-This bill is in current statute.

-Two pieces change every session:

-One is on line 5, the pennies per thousand board feet. That's generally set after our budget goes through the Ways and Means Committee.

-The second change is on lines 12 and 13, the extension of the sunset clause.

-The Governor's recommended budget recommends the program be fully funded out of the Forest Products Harvest Tax.

REP. NORRIS: That's what your amendments do?

BROWN: Correct.

REP. NORRIS: There's this additional personnel requirement.

BROWN: That's part of the budget.

REP. DWYER: What's the current rate?

BROWN: \$.16.

097 REP. JOSI: What do mean that the 13 people are part of the budget?

BROWN: That's a decision package within the budget. We've recommended adding 13 people to the forest practices program to administer the law and regulations as a result of the changes in 1987.

REP. JOSI: It doesn't say anything about that in HB 2243?

BROWN: HB 2243 is strictly a funding measure.

-The Ways and Means Committee decides the level of budget we ought to have.

REP. JOSI: If we pass HB 2233, we're not endorsing the 13 positions?

BROWN: No.

REP. JOSI: We're not even addressing that?

CHAIR SCHROEDER: The fiscal analyst has confused us by putting those 13 people on the Fiscal Analysis.

REP. JOSI: What happens if we pass the bill and Ways and Means does not approve the 13 FTE's?

BROWN: Certain elements of the program would not be carried out.

REP. JOSI: Would the counties continue to do it?

BROWN: The counties are precluded by law from doing it.

REP. JOSI: They're doing it now?

BROWN: No.

REP. JOSI: It's not being done?

BROWN: It's being done by the Department of Forestry since 1987.

127 CHAIR SCHROEDER: At about the same level?

BROWN: Correct.

REP. JOSI: You want to bring it up to the level the statute dictates?

BROWN: Correct.

CHAIR SCHROEDER: This is a Budget and Management request to backfill funds that normally come from other sources.

-We could set a percentage rate like the 50 percent that was mentioned. The public gains a great deal from the Forest Practices Act.

-We could set a dollar and cent rate. \$.83 would be required to make it 100 percent funded.

147 REP. DWYER: The Governor told you to be creative to find the money?

BROWN: We were told to find the money and take cuts.

REP. DWYER: Where were the cuts?

BROWN: In Service Forestry, Forestry Assistance Program and in administration.

REP. DWYER: None of these duties overlap?

BROWN: No.

REP. JOSI: Provisions of the Forest Practices Act are not being met, because you don't have the personnel?

BROWN: Correct.

REP. JOSI: What happens if you don't get adequate personnel?

-You continue the way things are now?

BROWN: Yes.

-The concept behind administration of the act is to prevent resource damage before it occurs.

-We prioritize operations as highly environmentally sensitive, moderately sensitive or low.

-We focus on the high priority operations.

-We are currently getting to about 50 percent of those operations.

170 REP. DOMINY: Before the bill has my support we have to send Ways and Means a note that says we do not have any increase in FTE's.

-You can have my vote if you can write some amendments that accomplish

that.

REP. VANLEEUEWEN: Why doesn't HB 2243 fit into the matrix that you were to put together?

BROWN: The matrix was designed to put into focus the bills that came out of the interim committee.

REP. VANLEEUEWEN: Doesn't separate things from the interim. It's a total program.

BROWN: We can put them together.

REP. VANLEEUEWEN: We need them put together.

-These 13 employees could be backfilled into other programs and not even show.

BROWN: They'd be administering different laws.

REP. VANLEEUEWEN: They're all part of the department.

213 REP. NORRIS: What's your total personnel?

BROWN: 800 FTE. About 500 are permanent. It's about 1,200 total with the seasonal employees.

REP. NORRIS: If all your proposals are approved this session, what would be the total?

BROWN: About 830.

REP. NORRIS: You said you had to take some cuts?

BROWN: The major increase is in Forest Practices, about a 20 FTE total.

REP. NORRIS: The department would increase as a result of this session.

BROWN: Primarily in forest practices.

237 REP. JOSI: How does the Forest Practices Act benefit the general public?

BROWN: The act requires landowners to protect water, air, fish and wildlife. The act specifically requires the board to also deal with those four resources.

-The 1987 session required the board to adopt rules to protect threatened and endangered species, certain sensitive bird sites and to protect significant wetlands.

-There are a number of commodity and non-commodity benefits.

REP. JOSI: Does the Forest Practices Act protect the interests of the general public rather than the industry?

BROWN: Both.

CHAIR SCHROEDER: The way the bill is written it doesn't look promising. We need to do something, but this may not be the way to do it.

278 RAY WILKESON, Oregon Forest Industries Council: This is an important bill for the forest practices program.

-The complexities of administering the Forest Practices Act have increased since 1987.

-The industry supported the 1987 bill.

-By approving the bill you are telling the Ways and Means Committee to maintain the 60/40 split, which ought to be maintained.

-Some adjustments are unavoidable.

-This is an important program that needs to be appropriately funded.

-He has no reason to disagree with the need for 13 more people.

-There is another major bill dealing with the Forest Practices Act.

-If that passes, there's no question they could keep 13 new people busy.

CHAIR SCHROEDER: Should we defer action on this until we hear that bill?

WILKESON: That's hard to say.

-We would like to keep the 60/40 split and would like to avoid 100 percent financing from the harvest tax.

CHAIR SCHROEDER: The 100 percent financing came from the amendments.

WILKESON: We suggest you not include those amendments

-There are good reasons for maintaining the 60/40 split.

-SEN. BRADBURY indicated that if the industry pays more than half of the costs of administration for this program it creates a perception that the industry may have an undue influence on how the program is administered and enforced.

366 REP. DWYER: The trouble with the whole process is perception.

-Not one person has come forward to say this is not a good program.

-We are faced with severe budgetary restraints and yet there is a systematic increase in FTE's and a systematic shift from General Fund to Other Funds.

-Government keeps growing; this is not the message from Ballot Measure 5.

WILKESON: Could make a number of suggestions to eliminate programs from the DEQ.

REP. VANLEEUEWEN: Objected to the 1987 change in the law.

392 REP. NORRIS: What law or laws could we repeal and amend to reshape government?

WILKESON: There are some programs in other agencies.

-The Forest Practices Act and program is a sound and sensible way to regulate private forestry.

-It needs to be funded at a level to accomplish its objective.

-If we didn't have a Forest Practices Act something else would fill that void and we don't want to contemplate what that might be.

REP. NORRIS: We may need to adjust public perceptions to the reality of drastic reductions in government.

REP. JOSI: This needs to get to Ways and Means, otherwise the funding mechanism for the Forest Practices Act won't be discussed?

WILKESON: That is essentially correct, assuming the Way and Means Committee couldn't figure out another way to do it.

TAPE 38, SIDE B

034 GARY CARLSON, Oregon Small Woodlands Association: Concurrs with RAY WILKESON.

-You ought to send it to the Committee on Ways and Means

CHAIR SCHROEDER: As is?

CARLSON: The decision packages on staffing levels will have to be in Ways and Means.

048 REP. JOSI: Would you tell them we don't approve of the extra FTE's?

CARLSON: Doesn't know what the right level of staffing is.

-We don't want the program perceived as a "toothless tiger."

-We need to weigh the cost to the landowners against the public perception that the forest practices act is not doing its job.

REP. JOSI: Ballot Measure 5 created a lot of "toothless tigers."

062 REP. DWYER: We can send the message ourselves by putting the current rate in the bill that indicates we don't expect government to grow.

CHAIR SCHROEDER: Closes the Public Hearing.

-He recesses at 9:17 A.M.

-He reconvenes the Meeting at 9:29 A.M.

PUBLIC HEARING ON HOUSE BILL 2245

Witnesses: Leo Wilson, Administrator, Oregon Forest Land Protection Fund
Jim Brown, State Forester Ray Wilkeson, Oregon Forest Industries Council

CHAIR SCHROEDER: Opens the Public Hearing on HB 2245.

070 BETH PATRINO: The bill was first heard on January 24, 1991.

-She describes the bill.

092 REP. MEEK: This fund does not fall under Measure 5?

BETH PATRINO: Believes that is the case.

100 LEO WILSON, Administrator, Oregon Forest Land Protection Fund:
Presents testimony and amendments on HB 2245 (EXHIBIT D).

151 REP. DWYER: How does it protect the state?

-Who derives the income from the Catastrophic Fire Fund and how is it distributed?

WILSON: These amendments would increase the revenue to the fund by approximately \$8 million a year.

-There is no money in the fund to pay for anything above that. The only alternative would be to turn to the Emergency Board or General Fund.

-There is no money available to pay for \$35 million in fires like we had in 1987.

167 JIM BROWN: Until 1989, the total cost for wild land fire control was paid by the landowners.

-In 1987 we spent about \$33 million for wild land fire control. About half of that was covered through this fund and through the Federal Emergency Management Administration. We came to the Emergency Board for the remaining \$15 million.

-The Emergency Board directed us to review the system.

-In 1989, the Legislature changed it so that landowners are responsible for first \$10 million, above that the state is responsible.

-The Emergency Board directed that the department purchase insurance to protect the state.

-We purchased a \$35 million insurance premium with a \$7.5 million deductible at a price of \$2.4 million.

-The state is liable above \$35 million.

200 REP. VANLEEUEWEN: Is this an annual or biennial cost?

BROWN: Annual.

REP. VANLEEUEWEN: What is the deductible?

BROWN: \$7.5 million.

217 CHAIR SCHROEDER: What was the most expensive fire?

BROWN: 1987 was the most expensive year.

CHAIR SCHROEDER: There was the Silver fire, Police fire, Longwood fire and others.

BROWN: Those were in the same year and were U.S. Forest Service fires, which were not our responsibility.

REP. VANLEEUEWEN: The Awbrey Hall fire was caused by a campfire. We should amend this bill and put a fee on campers so they help pay the costs.

-People who build in forest or farm zones should be required to build with fire resistant roofing. Do you have a suggestion for making this a requirement?

BROWN: We're working with the building codes agencies and county planning departments to make those changes.

246 CHAIR SCHROEDER: How much of the fire fund is paid for by the General Fund and public?

-A couple of years ago we talked about California paying 100 percent from their General Fund, Washington paying 70 percent from their General Fund. Oregon is below that.

BROWN: The last legislature agreed to pay half of the landowners's basic fire protection for western Oregon, like they do for eastern Oregon.

-Half of the costs are paid by the General Fund and half by the landowners.

-The Oregon Forestland Protection Fund is a self-insurance fund. The landowners have agreed they'll pay for \$10 million and the state will pay above that.

-On balance the appropriate people or groups of people are paying for the fire protection system.

CHAIR SCHROEDER: Is it true that about 75 percent of the fires are caused by nature or the general public?

BROWN: Yes.

-The cost and revenues about balance.

292 REP. MEEK: Have you done an evaluation on the value of the insurance policy in regards to it's worth?

-You have to pay \$10 million before you can file a claim.

-That seems like a lot of money for very little insurance.

BROWN: We have purchased insurance since 1979 or 1980. In the past the premiums were \$8 million to \$10 million with a \$2 million to \$3 million deductible.

-The insurance companies have lost money every year but one.

-The premium is reflective that they have paid out more than they've taken in.

-That rate is guaranteed for three years.

330 WILSON: The policy is with Lloyds of London. They are the only ones who would sell us the insurance.

-This seemed to be best bargain we could get.

-The claims are in excess of the premiums we paid.

-The deductible is less than the average fire cost.

-At the end of the third year, if we have not made a claim, we will receive a \$400,000 reimbursement.

364 REP. MEEK: How long are we into this?

WILSON: This is the third year.

REP. MEEK: We'd be in the next biennium whether we renew it or not?

WILSON: The Emergency Fire Cost Committee makes the final decision at their quarterly meeting in March.

-We have just asked General Services to proceed for another year.

REP. MEEK: We're under the same agreement this year as we were the previous two years?

WILSON: This is actually the second year.

-We were previously insured with a \$3 million deductible. The value was less than \$8 million.

-We collected over \$7 million on that policy. The premium was \$1.4 million.

REP. MEEK: The policies are significantly different.

-The state needs to evaluate the policy structured to the risk.

WILSON: We are not locked into the purchase of the policy.

-We annually decide whether or not to continue.

-The insurance brokers who handle the negotiations for the Department of General Services look at the market. Lloyds is still the only company interested.

-This is a very unique policy, there is nothing else like it.

-We hope to have a successful fire year and see a substantial deduction in the premium.

REP. MEEK: We had a good deal in the past. Did we exceed the claims last year?

WILSON: We did not.

TAPE 39, SIDE B

019 BROWN: That's a good line of questioning.

-The insurance company wants to make money. They'll spread their annual cost through the premiums.

-The Legislature needs to determine whether or not they want to pay the premium or bear the risk through the emergency fund.

REP. MEEK: This is a small amount of insurance considering the budget of the state.

BROWN: In 1987, the \$15 million the Emergency Board granted us was almost half the emergency fund. That's why we went forward with this insurance concept.

031 CHAIR SCHROEDER: Are there any reserves in the fire fund?

WILSON: We have a deficit of \$3.4 million.

CHAIR SCHROEDER: How much have we paid in premiums?

WILSON: Doesn't have the figures with him, but can get them to him.

CHAIR SCHROEDER: You said we've taken in more than we've paid. How long until the insurance company raises the premiums?

BROWN: That's the cycle we're into now. That's what REP. MEEK was pursuing.

-The deductible is now equivalent to our annual cost.

CHAIR SCHROEDER: Our annual cost has been higher in the last two or three years.

BROWN: We think we'll be facing a bad fire season with the drought in eastern and southern Oregon.

050 WILSON: Continues with amendments, page 2 of the testimony.

082 CHAIR SCHROEDER: Do you have a dollar and cent figure from the harvest tax?

WILSON: He refers to Attachment 2, paragraph (4) of the amendment.

103 REP. DOMINY: Could you compare those numbers with current law?

WILSON: The harvest tax is currently \$.30.

CHAIR SCHROEDER: That's just the part that goes to the fire fund?

WILSON: Correct.

REP. DOMINY: You want to increase it to \$.64?

WILSON: The surcharge is currently \$30 land would increase to \$44.

-The minimum assessment is currently \$15; none of it goes to this fund.

123 REP. VANLEEUEWEN: What are you proposing the assessment to be?

WILSON: The bill proposes \$20, with \$5 going to the fund.

REP. DOMINY: There is a \$.065 charge.

WILSON: That's currently \$.04 in eastern Oregon and \$.04 on grazing in western Oregon.

CHAIR SCHROEDER: Go over that again?

WILSON: It is currently \$.02 in western Oregon.

138 REP. DWYER: The current rates are on page 3, lines 30 through 32, HB 224 5.

CHAIR SCHROEDER: You're proposing an increase of from \$.05 to \$.065 if the balance is zero?

BROWN: Through one of the other amendments, if the fund reaches \$15 million all these funds shut off.

REP. DWYER: Why are you proposing to pay the premium out of the General Fund?

-Can't we design some way to accumulate some kind of base so we don't have to pay insurance to Lloyds of London?

BROWN: The current structure was passed in 1989. The statute instructs us to buy insurance.

REP. DWYER: You're changing what the statute says.

BROWN: We're recommending that change.

REP. DWYER: Why should the General Fund pay?

BROWN: The reason for that recommendation is that the premium is protecting the state for amounts above \$10 million.

REP. DWYER: We can't we design a mechanism to hold the General Fund harmless?

BROWN: We could.

REP. DWYER: Why don't we think about doing it?

CHAIR SCHROEDER: Keep the higher figure and use the surplus to pay it off?

REP. DWYER: Exactly.

-Why cut the payments off when this could support the fund.

CHAIR SCHROEDER: It depends who's paying for it. In this case landowners are paying the costs. Some costs should be incurred by the general public.

REP. DWYER: How much did you get from the Emergency Board when the fund went broke?

BROWN: In 1987 we got \$15.3 million.

CHAIR SCHROEDER: Wasn't the total appropriation from the Emergency

Board \$50 million?

BROWN: It was \$36 million.

-There's one other amendment (see page 2 and Attachment 3 of testimony).

203 REP. NORRIS: Is there a simplified guide so landowners can understand this?

BROWN: We have a handout that we can get to you.

CHAIR SCHROEDER: It would help if you had a visual aid like a chart.

REP. VANLEEUEWEN: Maybe staff could put together a matrix for us.

-She has a problem dealing with a small segment without seeing the total picture.

REP. NORRIS: How do we arrive at who pays what?

BROWN: The first tier is the local fire district. Half is paid by the General Fund and half by the landowner.

-The fund pays for a large fire that exceeds their capability.

-There are four sources that contribute to this fund out of the landowners's pocket.

-First. Active commercial operations pay out of the timber they harvest.

-Second. People with structures on forestland pay a fee.

-Third. Grazing land in eastern Oregon and timberland in western Oregon that is used for grazing pay a per acre assessment.

-Fourth. The minimum assessment of \$15 or \$20.

REP. DWYER: Would like to see a cumulative total of all the fees and charges to the landowners currently and the department's "wish list".

BROWN: We can provide that.

273 REP. MEEK: The amendments are significantly higher than the bill.

-You're increasing the reserve base to \$15 million, but can't spend more than \$10 million. What happens to the other \$5 million?

BROWN: The landowners are liable for the first \$10 million.

-The reserve base was increased to \$15 million to allow the agency to accumulate some money in case revenues were down or we had a series of bad fires.

-The fund is based on an annual harvest of 12.5 billion feet. The current rate of \$.30 is based on a biennial harvest of 17 billion board feet.

-The change to \$.30 is partly based on the reduction of timber harvest.

REP. MEEK: It's not the landowners's fault we're cutting less timber.

-The crux of the issue is that we're setting more and more timber aside that will be exposed to fire, yet we're putting the burden of protecting that timber on those that have timber to harvest.

BROWN: That's a concern of ours.

-In the LaGrande-Molalla area there have been a number of fires that started on federal lands that ran on to private lands, which we had to suppress. Part of that cost is associated with the U.S. Forest Service's burn policy.

-We think there are ways to renegotiate the agreements with the U.S. Forest Service.

-Historically, the private landowners have had to bear the costs.

-Fire has played an important part of the ecology of the state.

-Because we've suppressed fires and limited the use of fire, we've set ourselves up for some major fires.

340 REP. VANLEEUEWEN: Some of us met with CONGRESSMAN JIM JONTZ, who's adamant about not cutting more public timber.

-The state's economy is dependant on that timber.

-CONGRESSMAN JONTZ said he'd abide with what the Oregon delegation wants him to do.

-We're increasing the costs on people as we're preventing them from making investments.

-We have to encourage private enterprise.

BROWN: Does not disagree.

-The thrust of your comments are at the heart of the concerns of the Board of Forestry.

429 RAY WILKESON: The OFIC believes the current funding is inadequate. HB 224 5 is a good proposal.

-Some unanticipated things happened in 1989:

-1. The number of improved lots was underestimated.

-2. We didn't think about the impact of a large deductible on an insurance policy and the fact that the first \$5 million to \$7 million would have to come out of the fund every year.

-We need the additional revenues and this bill is a fair approach.

-The cost of the burden is spread around.

-The harvest tax applies to U.S. Forest Service timber.

-The improved lot surcharge is an appropriate source.

-There is a good combination of fees.

TAPE 40, SIDE A

030 REP. VANLEEUEWEN: Are you supporting the bill and not the amendments?

WILKESON: If the amendment to pay for the insurance from the General Fund was approved, the amendments providing for the surcharge wouldn't be necessary.

-With the current budget situation, it might be difficult to pay for the premium out of the General Fund. We strongly support that amendment.

-The insurance is to protect against a risk the state has agreed to assume.

REP. VANLEEUEWEN: Which amendment recommended the General Fund pay for the insurance?

WILKESON: Attachment 1.

-We strongly support that amendment.

-We have to make sure we have the funds to put out the fires.

054 REP. DOMINY: The second attachment doubles the fees.

-Do we need the \$15 million?

-Should we send it to Ways and Means without the amendments or with just the amendments dealing with the insurance premiums?

WILKESON: We support the insurance premium amendment.

-Our board thinks the surcharge may be necessary.

-The \$15 million cap probably makes sense.

-The landowner's obligation of the fund remains at a maximum of \$10 million.

083 REP. VANLEEUEWEN: Attachment 2 changes the reserve fund from \$10 million to \$15 million.

WILKESON: Was referring to that.

-The shift to \$15 allows for a buildup.

-If the fund reaches \$10 million these taxes are not collected.

CHAIR SCHROEDER: REP NORRIS is being excused.

096 REP. DWYER: If the fees are raised there is no reason to pay the premium out of the General Fund.

WILKESON: The insurance insures the state against the risk the state has agreed to assume. It's not a risk for the landowner.

-Prior to 1989 it was the landowners's risk.

REP. DWYER: That agreement said the premium is to be paid out of fire fund and not the General Fund.

-You want us to keep the risk and pay it out of the General Fund.

WILKESON: That's a policy question.

CHAIR SCHROEDER: The General Fund protects the state.

WILKESON: The insurance protects the state.

CHAIR SCHROEDER: Is it fair for the industry to continue paying for fire protection that may be going to the public sector?

WILKESON: Couldn't agree more. That's the justification for paying it out of the General Fund.

CHAIR SCHROEDER: Is the timber set aside to benefit the industry or public?

WILKESON: It's not to benefit the industry.

CHAIR SCHROEDER: Closes the Public Hearing.

-At the request of the Department of Forestry we will postpone HB 2320 and hear it on Thursday when we hear HB 2318.

-He adjourns at 10:30 A.M.

Submitted by: Reviewed by:

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

EXHIBIT LOG:

- A - Amendments to HB 2145 - Doug Coyle - 1 page
- B - Testimony on HB 2145 - Doug Coyle - 5 pages
- C - SMS/Fiscal/Revenue impacts for HB 2243 - Staff - 2 pages
- D-Testimony on HB 2245 - Leo Wilson - 18 pages