

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 19, 1991                      Hearing Room F 8:15 A.M.                      State Capitol  
Tapes 44 - 46

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 2619 - PUBLIC HEARING HB 2678 - PUBLIC HEARING &  
WORK SESSION HB 2699 - PUBLIC HEARING & WORK SESSION HB 2318 - WORK  
SESSION HB 2320 - WORK SESSION

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

TAPE 44, SIDE A

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

INTRODUCTION OF COMMITTEE BILL -- EXHIBIT A

CHAIR SCHROEDER: We made an error last week in introducing a committee bill, because we didn't announce it in our schedule.

-Is there any objection to introduce this joint memorial (EXHIBIT A) as a committee bill?

013 REP. DWYER: As long as the introduction doesn't imply support.

CHAIR SCHROEDER: Correct.

016 MOTION: REP. NORRIS: Moves to introduce the Joint Memorial as a committee bill.

REP. DWYER: As long as it's at the request of the Oregon Farm Bureau.

CHAIR SCHROEDER: Hearing no objection the motion passes.

PUBLIC HEARING ON HOUSE BILL 2619 -- EXHIBIT B & C

Witnesses:Eric Lindauer, State Board of Agriculture Phil Ward, Assistant Director, Department of Agriculture Jack Munro, Association of Oregon Food Industries

023 BETH PATRINO: Describes the bill (EXHIBIT B).

035 ERIC LINDAUER, State Board of Agriculture: Presents testimony in support of HB 2619 (EXHIBIT C).

184 REP. DWYER: Why isn't it in the Governor's budget if it's so important?

LINDAUER: We requested it be included, but it was deleted because of Measure 5.

REP. DWYER: Do you think this is the time to add another position?

-It's not much money, but \$100,000 spread here and there adds up.

-How do we meet our responsibilities to the voters by adding something that has been previously dropped?

LINDAUER: That's a good point.

-This is a General Fund position, because it represents the public interest.

-You have to look at balancing the importance of agriculture to the economy of the state with the cost of this position.

-What would happen if we had an Alar situation and needed to restore the confidence of the consuming public?

-He is sensitive to the issue of adding employees.

222 REP. DWYER: How would this position add confidence in the event of an Alar scare?

LINDAUER: The State of Washington does not have a consumer representative and it took them months to respond to the Alar situation. As a result, the confidence in the apple industry was lost.

-This position can speak on the behalf of the department and represent the interests of the consumer.

CHAIR SCHROEDER: Refers to the Fiscal Impact Statement (EXHIBIT B).

-Was it a board decision to cut the position in 1982?

252 PHIL WARD, Assistant Director, Department of Agriculture: The deletion of the position was part of the agency scale back. It was discussed with the board, but was a department action and decision.

CHAIR SCHROEDER: Measure 5 cut it out?

WARD: It was deleted as part of our budget request by the Governor.

CHAIR SCHROEDER: Did the board or the department decide where to cut?

WARD: This was a proposal for a new position that was a high priority

of the board and department, but due to funding constraints not made part of the budget.

277 REP. NORRIS: Is there any other current place in the department to put this position?

WARD: This past biennium we tried to use existing resources to perform some of these functions, but this position was cut.

-There are no funds, positions or resources available?

294 REP. DOMINY: Is concerned with monitoring and doing studies. Is it just another layer of bureaucracy? There's no enforcement ability.

-What's the scope of the position and what effect will it have on the department?

LINDAUER: It may look like another layer of bureaucracy, that wasn't the intent of the board or Consumer Advisory Council.

-This position is primarily focused on education and the assurance of food safety.

-We hope it will supplement inspections and fill in some of the positions lost due to Ballot Measure 5.

REP. DOMINY: Where would you suggest we take a position away from another agency to fill this position?

LINDAUER: There is a responsibility to balance the needs of the state against a position such as this.

-You can't ignore the contribution agriculture makes to the economy nor the importance of food safety.

360 REP. DWYER: This is a program restoration.

-We have to make serious cuts. We have to cut the Senior Nutrition Program.

-If you had the choice between adding a bureaucrat and feeding a senior, what choice would you make?

LINDAUER: Wants to make it clear that this position was requested by the Board of Agriculture and Consumer Advisory Council and not by the Department of Agriculture.

REP. DWYER: You said it was in their budget package.

LINDAUER: We requested it be in their budget.

CHAIR SCHROEDER: The question is can we afford to do it now?

422 JACK MUNRO, Association of Oregon Food Industries: There is no evidence we've had consumer related problems relative to the department.

-He is confident there are currently staff in the department who would speak to issues.

-If there were a consumer related problem the way to deal with it is not

to add another FTE.

TAPE 45, SIDE A

020 MUNRO: This agency is looking at \$7 million in increased fees if all the proposed fee increases occur.

-There are at least 12 positions being proposed and 71 temporary positions becoming permanent.

-Given the current situation, this is not the time to add another FTE.

039 CHAIR SCHROEDER: Do you know the cost of the Alar situation to Oregon producers?

MUNRO: Has no idea.

-If there is a situation like that in Oregon, the industry should respond to it.

REP. DOMINY: Is there a difference in perception between the time this position was filled and now?

MUNRO: Can't directly respond.

-There is nothing in the existing budget that would cut people from the food and dairy inspection programs.

-He is not aware of any crisis in confidence relative to the department.

CHAIR SCHROEDER: Closes the Public Hearing.

PUBLIC HEARING ON HOUSE BILL 2678 -- EXHIBIT D

Witnesses: Mike McKoen, Klamath Basin Shippers and Growers Nels Iverson, Oregon Potato Commission Keith Cyrus, Oregon Potato Commission Will Wise, Oregon Potato Commission:

CHAIR SCHROEDER: Opens the Public Hearing.

081 BETH PATRINO: Describes the bill (EXHIBIT D).

087 MIKE MCKOEN, Klamath Basin Shippers and Growers: Testifies in support of HB 2678.

-We need to become better businessmen in marketing.

-We need to obtain the necessary funding to insure the Potato Commission doesn't lose ground to big budgeted competitors.

-The Oregon Potato Commission is lacking the necessary funding to substantiate the \$100 million in annual sales.

-Oregon potato growers are willing to spend their money to convince consumers Oregon grows the best potatoes in the world.

-The potato industry can be more aggressive about proclaiming health benefits.

-Consumers should be urged to eat five servings a day as a cancer

preventative.

-Sales of produce will increase a minimum of \$30 billion annually if consumption levels rise from 2.2 servings per day to three servings per day.

-The five servings a day program is lacking the necessary funding.

138 CHAIR SCHROEDER: What's the five a day program?

MCKOEN: Since the Alar scare there has been scientific evidence that eating five fruits and vegetables a day is a cancer preventative.

-The problem is finding the funding to advertise nationally.

-The Potato Commission was developed 40 years ago and the assessment was developed 40 years ago, which doesn't leave us enough money to allocate to these types of programs.

CHAIR SCHROEDER: You're not talking about five servings of potatoes, your talking about five servings of fruits and vegetables?

MCKOEN: Yes.

162 REP. DOMINY: How many potato growers are involved?

MCKOEN: In the Klamath basin there are 28 packers and shippers. Twenty-three voted in favor of this proposal. Two weren't present and the others didn't vote.

-We can hardly represent the \$135 million net sales to growers with a \$.025 assessment per sack.

-Idaho assesses \$.08 a sack, they have a \$10.1 million budget.

-There are approximately 300 to 350 growers in the Klamath basin.

-The growers in our area want to promote our product.

212 REP. DOMINY: What share of the state are Klamath potatoes?

MCKOEN: Doesn't know. We grow about 32,000 acres.

CHAIR SCHROEDER: A lot of you growers also grow in California. Does California have an assessment?

MCKOEN: There is a small assessment that goes to research and development.

CHAIR SCHROEDER: How do you propose to do this if you grow in both states?

MCKOEN: We will assess the state the crop is grown in.

CHAIR SCHROEDER: What is the California assessment?

MCKOEN: One and one-half cents.

CHAIR SCHROEDER: Does anyone say their potatoes are grown in California to get the lower assessment?

MCKOEN: It could be done. Most growers are happy to pay the assessment.

249 REP. NORRIS: What are we doing to put Oregon products in the Oregon stores?

MCKOEN: We have worked with the Potato Commission, the Klamath Basin Growers Association and the Klamath Shippers Association to fund promotions with anyone who has any interests in our market.

-It costs money to get new items shelf space.

REP. NORRIS: Do you meet face to face with the people who make the decisions to buy.

MCKOEN: We don't have the budget to compete with Idaho. We have to spend our money more wisely.

CHAIR SCHROEDER: If this goes through you'd be half of Idaho's assessment.

316 NELS IVERSON, Oregon Potato Commission: Testifies in support of HB 267 8.

-Without the Potato Commission there would be little funds expended to work on the problems of the potato industry.

Without these funds continuing research efforts would fail.

-Our budget for the current fiscal year is only \$60,000 for domestic and foreign advertising. After overhead and research there are no funds left for advertising and promotion.

-All commercial potato growers will pay the assessment.

-The Potato Commission is a self-help program.

368 KEITH CYRUS, Oregon Potato Commission: Describes the division of the state into five regions for potato production.

-The acreage in production was down last year.

-The potato growers indicated we need to spend more money on research.

-The research requests are in excess of \$250,000. We're facing too many requests and not enough money.

-We try to put dollars into markets where we can get returns.

TAPE 44, SIDE B

028 CYRUS: We're trying to develop new varieties of potatoes in research.

CHAIR SCHROEDER: Are you representing the commission?

CYRUS: Yes.

042 REP. VANLEEUEWEN: Why don't you go to a \$.05 assessment?

CYRUS: That time will come.

-We've discussed making a change in the procedure so we can go directly to the growers for an increase.

-This assessment will generate \$250,000 to \$300,000.

-Our emergency fund has been depleted.

056 REP. VANLEEUEWEN: If we didn't set a fee can you increase the fee?

IVERSON: You would have to modify the statute.

-We're looking at these issues in our legislative committee.

REP. VANLEEUEWEN: Can you get voluntary contributions?

IVERSON: A lot of research projects are receiving contributions from different sources.

071 REP. MEEK: What is the difference in tonnage between Oregon and Idaho?

CYRUS: We produce about 23 million hundred weight.

079 WILL WISE, Oregon Potato Commission: The acreage in Oregon is 52,000, in Idaho it is 360,000 acres.

IVERSON: We have letters from each of the five growing districts in support of HB 2678.

091 REP. NORRIS: What's the percentage of production in Klamath Falls?

CYRUS: Twelve percent.

REP. NORRIS: What about central Oregon?

CYRUS: About four percent.

CHAIR SCHROEDER: He closes the Public Hearing.

-He recesses at 9:20 A.M.

-He reconvenes at 9:34 A.M.

WORK SESSION ON HOUSE BILL 2678

CHAIR SCHROEDER: Opens the Work Session.

-This has a subsequent referral to Ways and Means.

130 MOTION: REP. DWYER: Moves House Bill 2678 to the Committee on Ways and

Means with a do pass recommendation.

VOTE: The motion carries unanimously.

PUBLIC HEARING ON HOUSE BILL 2699 -- EXHIBIT E

Witness:Daren Coppock, Administrator, Oregon Grains Commission

CHAIR SCHROEDER: Opens the Public Hearing.

145 DAREN COPPOCK, Administrator, Oregon Grains Commission: Presents testimony in support of HB 269 9 (EXHIBIT E).

172 REP. DWYER: How much is the assessment and what flexibility does the commission have in changing it?

COPPOCK: The assessment is at \$1 per ton. This bill is a change in timing and not a change in the total assessment.

-Currently, we can collect an assessment on wheat as it goes to the market or as it comes out of the loan program and into the market.

-This bill would allow us to collect an assessment on the grain in the year it is produced.

REP. DWYER: Is there any cap in the current law?

COPPOCK: There is no cap. Currently it is set in public hearings with grower support. It's under the general ORS Chapter 576 procedures.

185 REP. VANLEEuwEN: How would you collect this when it enters the federal loan program?

COPPOCK: The Commodity Credit Corporation would deduct the amount of the assessment and forward it to us.

190 REP. JOSI: If the wheat is stored you can't collect the assessment until it moves?

COPPOCK: Until it comes out of the loan. This refers to barley. Wheat can be collected as it goes into the loan program.

REP. JOSI: It doesn't move, because the pricing isn't right?

COPPOCK: That's one reason.

REP. JOSI: A rancher might sit on the barely until the price is right. You may assess prematurely.

COPPOCK: When the grain goes into the loan program the producer receives a loan from the Commodity Credit Corporation in lieu of selling that crop.

-Our assessment would be collected from the loan payment.

213 REP. VANLEEuwEN: How much triticale is produced in Oregon?

COPPOCK: About 300 tons.

-Barley makes up 99 percent of our total.

REP. DWYER: Does this have a subsequent referral?

CHAIR SCHROEDER: No.



-He closes the Public Hearing.

WORK SESSION ON HOUSE BILL 2699

CHAIR SCHROEDER: Opens the Work Session.

231 MOTION: REP. VANLEEUVEN: Moves to send House Bill 2699 to the Floor of the House with a do pass recommendation.

VOTE: The motion carries unanimously.

CARRIER: REP. NORRIS.

WORK SESSION ON HOUSE BILL 2320 -- EXHIBITS F, G & H

Witnesses: Gary Carlson, Oregon Small Woodlands Association Ann Hanus, Assistant State Forester, Department of Forestry Joe Misek, Timber Tax Specialist, Department of Forestry Ray Craig, Assistant State Forester, Department of Forestry

258 GARY CARLSON, Oregon Small Woodlands Association: We testified we felt House Bill 2320 was not necessary.

-ORS 321.367 does allow the State Forester some leeway in dealing with a landowner whose land does not meet the stocking standards, but who has a management plan.

-The State Forester can check up to make sure the plans are being followed.

-The requirement has been on the books for 12 years and we believe the program will be accomplished over the next two years.

-The first step in the process is identifying underproductive lands.

-The 1993 session is the time to amend any language we find necessary.

306 ANN HANUS: We believe that HB 2320 goes a long way in helping us address problems we have with small landowners in developing good stewardship practices on underdeveloped land.

CHAIR SCHROEDER: As amended?

HANUS: Yes.

330 REP. VANLEEUVEN: It's my understanding you've been granted federal funding to accomplish the identification of underproductive lands and you haven't made use of those dollars yet.

-How long ago did you receive those dollars and what was the amount?

HANUS: We were granted those monies for the current biennium. We have started work on the underproductive lands survey which will go hand-in-hand with this bill.

-It is a complicated and extensive survey that will go on for several years.

REP. VANLEEUVEN: What is the amount?

HANUS: Can provide that for the committee.

REP. VANLEEUWEN: Approximately.

HANUS: It is about \$750,000 for this biennium.

REP. VANLEEUWEN: Does it have to be spent in this biennium?

HANUS: Most of it will be spent this biennium.

REP. VANLEEUWEN: Hasn't it been spent yet?

HANUS: It's being spent as we speak.

-We matched the federal grant of \$350,000 with General Funds.

-We hope to get more stewardship dollars in the years ahead.

-It's not in the Governor's recommended budget, but we're working with the Executive Department to find some creative ways to match and get those dollars for the next biennium.

CHAIR SCHROEDER: If we give you this \$151,433 from the Western Oregon Severance Tax fund, will the Federal Government continue to match some of that money?

-What happens if the Federal Government drops the money?

383 HANUS: If we don't reserve the federal stewardship money we'll have to discontinue some of the work.

-She'd have to find out if they could use the \$151,000 to leverage additional funds.

394 JOE MISEK, Timber Tax Specialist, Department of Forestry: The survey has been paid for to identify the land in it's raw data base. It's like a snapshot. It doesn't have any fancy overlays. HB 2320 adds in some of the overlays.

-It's a beginning. The underproductive land has not changed in 20 years.

REP. VANLEEUWEN: You have identified the underproductive land and now need to find out who owns it?

MISEK: We have put out a request for proposals and have selected a contractor to get the base information.

-The contract has to be completed by the end of this biennium.

-We'll have to match computer runs from the service foresters with this snapshot so we can contact the landowners where the underproductive land exists.

TAPE 45, SIDE B

024 REP. NORRIS: You're using the term "snapshot" as a figure of speech?

MISEK: That's correct.

029 REP. JOSI: What did you mean by the stewardship program?

HANUS: The stewardship program was passed by Congress.

-We have been successful in securing those funds, which we've had to match.

-The funds are being used to try to encourage landowners to follow good stewardship practices.

REP. JOSI: Is the \$350,000 part of these stewardship monies?

HANUS: Yes. The total program is about \$700,000.

-We won't have the General Fund match in the next biennium.

REP. JOSI: The \$700,000 does not tell us who owns what? HB 2320 would give us the ability to complete the job?

MISEK: That's correct. It allows us to begin the process.

-Staff will be trying to put some of this information into a geographic information system at a future date.

REP. JOSI: You mentioned the "snapshot approach" and talked about working with the individual landowners. That implies the \$750,000 begins to do what you're proposing now?

078 HANUS: We're using the federal funds to help us provide some of the information and assistance we'll need. The \$151,000 were asking for in HB 2320 would enable us to carry that effort forward.

083 REP. JOSI: HB 2320 is a good bill, but it may be too early considering Ballot Measure 5. In a couple of years we will know how much underproductive forestland is out there and you'll be able to come back and give us a more definitive picture.

MISEK: We will know which lands are underproductive by July 1 or at least by September.

-The question before the committee may be; is the overall picture more valuable while the overall picture is current? Since state resources have already been expended, do we want to take advantage of that information and be able to work with it immediately?

-He understands the decisions that have to be reached considering Ballot Measure 5 and the other competing resources.

REP. JOSI: You have authority to do that now.

-The issue comes down to taking advantage of the data when it's available in September and allocating resources for the additional FTE.

MISEK: The first part of ORS 321.367 talks about lands that were logged prior to 1973 and have never been converted. The State Forester can work with those landowners to convert the land.

-The second part of that law says if the State Forester finds lands that don't meet the management standards he notifies the county assessor, who

declassifies the lands.

-If the committee wishes--when we identify the underproductive lands, if they weren't logged prior to 1973, we can notify the county assessors and have all those lands declassified.

-HB 2320 allows us to work with those landowners.

134 CHAIR SCHROEDER: We have at least two alternatives:

-Declassify the lands.

-Work with those people as outlined in HB 2320.

141 CARLSON: Refers to 321.367 (2).

-We don't think HB 2320 is necessary.

-Taking money out of the severance tax account needs to be considered.

-The small landowners are dismayed that the department wants to eliminate the Western Oregon Small Tract Optional Tax program, because they were asked to make cuts.

-They now want to take the severance tax to pay for a new program with Other Funds.

CHAIR SCHROEDER: What if the Western Oregon Small Tract Optional Tax wasn't touched? Would it change your opinion?

CARLSON: Somewhat.

-He hasn't heard anything that indicates HB 2320 is necessary.

181 REP. MEEK: You represent the most active of the small woodland owners. Give me your perception where this law will effect those people you represent?

CARLSON: Doesn't see much change at all.

REP. MEEK: The bill won't affect the people in the business except to make sure their current management plans are done.

-The current law doesn't enable the department to work with the landowners who have underproductive land.

-HB 2320 gives them the prerogative to get the lands into production.

-The issue is the use of severance tax dollars.

-The bill doesn't address the small woodland owners already doing the job. It addresses the underproductive acres.

CARLSON: We have some major conflicts in viewing these lands.

-The biggest one is wildlife versus timber production.

-He suspects there will be a significant reduction in the estimate of underproductive forestlands.

-Some of our members are reluctant to convert their brush covered lands to plant douglas fir, because they want to maintain wildlife.

-We haven't come to grips with regulating forestland.

253 HANUS: We are not saying every acre of a landowner's property should be converted to forestland.

-We recognize landowners have a variety of objectives.

-We work with them so they can maximize the benefits for timber harvest and for wildlife.

The committee needs to determine if it wants to make a long-term investment in forestland?

-We are concerned with bringing the underproductive lands into production.

-This bill is an excellent response to Measure 5, it shows the legislature is willing to make a long-term investment.

CHAIR SCHROEDER: At the last meeting we discussed some of the open land in and around forestland. Is there about 10 percent allowed?

HANUS: The definition allows flexibility (See the highlighted sections of ORS 321.257 EXHIBIT F).

292 REP. NORRIS: This bill is trying to improve the production of forestland.

-Getting lands into compliance has a great deal to do with how much tax is paid.

-Under the current law the State Forester goes to the tax assessor and has the land declassified, he doesn't go to the landowner.

-Is HB 2320 an advantage to the landowner because the first step is the department is there to help?

MISEK: The State Forester never received funding to implement the law.

-He is convinced there is land that doesn't meet the standards which still receives the tax benefit. The department doesn't have the funding to make the inspections.

REP. NORRIS: Is this a funding bill or a procedural bill?

MISEK: We're looking at both in HB 2320.

361 REP. DWYER: 22,500 small woodland owners don't belong to the Small Woodlands Association.

CARLSON: They choose not to belong.

REP. VANLEEUEWEN: Where in the bill does the \$151,000 come from?

MISEK: Refers to page 3, section 2 of Hand-Engrossed HB 2320 (EXHIBIT H). The \$151,433 are monies collected from the Western Oregon Timber Tax Account.

REP. VANLEEUEWEN: Where is the money coming from? A forestland tax or a severance tax?

MISEK: The severance tax.

REP. VANLEEUEWEN: Where in the bill?

408 HANUS: ORS 321.307.

REP. VANLEEUEWEN: This bill also refers to the severance tax?

BETH PATRINO: As amended.

REP. VANLEEUEWEN: Was there any agreement to pay more out of the severance tax?

CHAIR SCHROEDER: My understanding is that this would be added to the administrative costs before it was distributed to the schools. It would be an infinitesimal amount.

HANUS: Three-tenths of a percent

REP. DWYER: Out of 1,200 schools.

TAPE 46, SIDE A

016 CHAIR SCHROEDER: This bill is aimed at those who are probably not members of your association?

CARLSON: That's a generalization.

CHAIR SCHROEDER: People are getting the timber assessment who don't care to grow timber.

CARLSON: You may have a wrong reference on page 2, line 18 of the Proposed Amendments. It refers to ORS 321.267. I think you mean ORS 321.367?

BETH PATRINO: Thinks he's correct.

CHAIR SCHROEDER: If we move this there would have to be an amendment.

REP. DWYER: It goes to Revenue.

CHAIR SCHROEDER: Is ORS 321.367 correct?

HANUS: Yes.

044 REP. JOSI: If we vote no on this it will have implications for HB 2318.

REP. VANLEEUEWEN: Did someone break this down to \$2 per school district? It's hope of future gain.

REP. DWYER: If investment in timber is increased the school districts will benefit in the long-run.

WORK SESSION ON HOUSE BILL 2318 -- EXHIBITS I & J

CHAIR SCHROEDER: Opens the Work Session on HB 2318, because it is related to HB 2320.

067 CARLSON: He supports the amendments for HB 2318.

-We are concerned with the requirement for a treatment plan to be certified as being free to grow.

-In no other section of the income tax law is some kind of pre-approval or pre-certification required.

-This is an unnecessary regulation.

CHAIR SCHROEDER: Where in the bill is that?

CARLSON: Refers to page 2, lines 21, 22, 25, 26 and 29 of the Hand-Engrossed Bill (EXHIBIT J).

REP. DWYER: There are precedents for this. You can deduct mileage and you have to prove it or it is not allowed.

-We could leave the law alone and not give you anything. If you want a tax break you have to show your expenses.

CARLSON: A state agency does not require people to prove their odometer readings.

131 REP. JOSI: He has to keep receipts for his business.

-A small woodland owner will have to document their expenses.

REP. DWYER: That's true, but it's not a law that is in place.

-We have to determine whether or not we want these conditions.

154 REP. VANLEEuwEN: Is not sure how page 2, lines 21 through 28 will be implemented.

-Does an owner have to get a certificate every year?

177 MISEK: We're talking about the activity surrounding reforestation that can not be currently expensed.

HANUS: If you comply with the reforestation requirements of the Forest Practices Act you meet this.

REP. VANLEEuwEN: What's the every year?

MISEK: The State Forester will be approving those expenses for the years the expenses are incurred.

-There is precedent for certification in existing tax law. ORS 136.317, the conversion tax credit, directs we make sure those costs for reforestation are reasonable. We come back after two growing seasons to reinspect the lands for the other 15 percent of the 30 percent tax credit. If the land has not been taken care of the landowner has to pay back the credit.

221 REP. DOMINY: There is no requirement to qualify.

REP. DWYER: Doesn't see anything contrary in requiring this.

CARLSON: No one has to take advantage of this, but if it is going to be successful the provision needs to be as easy as possible.

-If the program is to be successful, where will the Department of Forestry employees come from to do the certification?

265 HANUS: We discussed a set of alternatives for implementation.

CHAIR SCHROEDER: It will take 1.68 FTE's to implement this.

CARLSON: We're losing a program in the Department of Forestry budget we don't want to lose and will shift employees if this bill is implemented.

CHAIR SCHROEDER: Are we shifting or working smarter and harder?

MISEK: We can't use federal money to accomplish a state tax program. The choices are very complicated.

-We've tried to weave together some mutual objectives to use those federal dollars to buy as much as we can.

312 REP. NORRIS: What's the connection between these two bills?

HANUS: The connection is the package put together by the interim committee.

REP. NORRIS: HB 2320 talks about the impact in the property tax bill. HB 231 8 talks about favorable state income tax treatment.

-Is it true that any of these expenses must be currently capitalized?

MISEK: For most woodland owners, it's the costs involved in reforestation.

REP. NORRIS: Under current law there is no option to expense?

MISEK: Correct.

REP. NORRIS: HB 2318 refers to a management plan and HB 2320 refers to a treatment plan; are they the same thing?

MISEK: A management plan is much broader.

-A treatment plan looks at the activity that's to be accomplished.

REP. NORRIS: Has trouble looking at the connection between the bills.

CHAIR SCHROEDER: They were put together because of the staffing and budget, but they can stand alone.

366 MOTION: REP. DOMINY: Moves to adopt HB 2318-2, Proposed Amendments to House Bill 2318, dated 3/18/91.

REP. JOSI: This has the treatment plan?

-The underlying thread is the treatment and/or management plan that is funded with the \$151,000,



-He supports HB 2318.

-He is having trouble grappling with the policy decision on HB 2320.

-He would be in favor of HB 2320 if he knew how big the problem was.

-You need to look at both bills.

-If you pass both you don't double the money?

407 CHAIR SCHROEDER: You spend the same amount of money if you pass both?

REP. JOSI: HB 2318 has the carrot and stick approach.

-We won't know how big the problem is until September.

REP. MEEK: Calls for the question.

428 RAY CRAIG, Assistant State Forester, Department of Forestry: You can move existing resources to implement one or the other. The problem is if both bills pass.

-HB 2318 has no reference to the timber tax account.

CHAIR SCHROEDER: REP. MEEK has called for the question.

VOTE: The motion to adopt the HB 2318-2 amendments passes unanimously.

470 MOTION: REP. DOMINY: Moves to send House Bill 2318 as amended to the Committee on Revenue and School Finance with a do pass recommendation.

VOTE: The motion carries unanimously.

TAPE 47, SIDE A

026 MOTION: REP. DWYER: Moves to adopt HB 2320-1, Proposed Amendments to House Bill 2320, dated 3/18/91.

REP. DOMINY: There was a technical change to the amendments.

REP. DWYER: On page 2, line 18, HB 2320-1, ORS 321.267 should be changed to ORS 321 .367.

REP. DOMINY: Will vote no.

-The need for the additional FTE's at a cost of \$151,433 has not been proven.

-The second concern is using the Western Oregon Timber Tax Account.

047 REP. VANLEEuwEN: Refers to page 1, line 15, "if any".

-What happens to those people if they don't have any?

BETH PATRINO: That was a technical change to cover a situation if there was not an existing management plan.

REP. DWYER: It puts the landowner back in the loop.

REP. VANLEEUEWEN: If the landowner didn't have a plan, but was doing everything wanted in the treatment plan everything will be okay?

MISEK: That's a good question. If a landowner is managing the land successfully there is no need for a plan.

079 VOTE: The motion passes 5 to 2.

AYE: REP. DWYER, REP. MEEK, REP. NORRIS, REP. VANLEEUEWEN, REP. SCHROEDER.

NAY: REP. DOMINY, REP. JOSI.

083 MOTION: REP. DWYER: Moves HB 2320 as amended to the Committee on Revenue and School Finance with a do pass recommendation.

REP. MEEK: There has been healthy discussion on these issues.

-The severance tax is used to supplement a variety of things. There are precedents for its use not only for the protection of forestlands, but for their development and promotion.

-We can say the money will be used to develop forestland.

-This will not impede the development of small woodlands and can develop long-term growth.

-This is good for Oregon.

REP. DWYER: Calls for the question.

CHAIR SCHROEDER: These bills are innovative and new. Hopefully we've grown along with them.

REP. JOSI: He's been convinced to vote for the bill.

136 VOTE: The motion carries 6 to 1.

AYE: REP. DWYER, REP. JOSI, REP. MEEK, REP. NORRIS, REP. VANLEEUEWEN, REP. SCHROEDER.

NAY: REP. DOMINY.

CHAIR SCHROEDER: Adjourns at 11:00 A.M.

Submitted by: Reviewed by:

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

EXHIBIT LOG:

- A - Draft Joint Memorial - Rep. Meek - 1 page
- B - SMS/Fiscal/Revenue impacts for HB 2619 - Staff - 3 pages
- C - Testimony on HB 2619 - Eric Lindauer - 3 pages

D-SMS/Fiscal/Revenue impacts for HB 2678 - Staff - 3 pages  
E-Testimony on HB 2699 - Daren Coppock - 2 pages  
F-ORS 321.257 - Joe Misek - 1 page  
G-Amendments to HB 2320 - Staff - 4 pages  
H-Hand-Engrossed HB 2320 - Staff - 5 pages  
I-Amendments to HB 2318 - Staff - 2 pages  
J-Hand-Engrossed HB 2318 - Staff 5 pages