

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 28, 1991 Hearing Room F 8:15 A.M. State Capitol
Tapes 54 - 55

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 2741 - WORK SESSION HB 2243 - WORK SESSION HB
2317 - WORK SESSION HB 2319 - WORK SESSION HB 2147 - PUBLIC HEARING &
WORK SESSION

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TAPE 54, SIDE A

003 CHAIR SCHROEDER: Calls the meeting to order at 8:16 A.M.

WORK SESSION ON HOUSE BILL 2741 -- EXHIBIT A

CHAIR SCHROEDER: Opens the Work Session.

009 BETH PATRINO: Describes HB 2741-1, Proposed Amendments to House
Bill 274 1 (EXHIBIT A).

014 MOTION: REP. DWYER: Moves to adopt HB 2741-1, Proposed Amendments
to House Bill 274 1, dated 3/27/91.

CHAIR SCHROEDER: Hearing no objection the motion passes.

021 MOTION: REP. DWYER: Moves House Bill 2741 as amended to the Floor
of the House with a do pass recommendation.

VOTE: The motion carries 6 to 0.

EXCUSED: REP. MEEK.

CARRIER: REP. HUGO.

WORK SESSION ON HOUSE BILL 2243 -- EXHIBIT B

BETH PATRINO: Describes HB 2243-1, Proposed Amendments to House Bill 2243 (EXHIBIT B).

-The phrase, "industrial fire protection program" was not included in a part of the amendments and has been added to the bottom of the Hand-Engrossed bill (EXHIBIT B).

043 MOTION: REP. DWYER: Moves to adopt HB 2243-1, Proposed Amendments to House Bill 224 3, dated 3/27/91 and on line 17, before the period insert, "and the industrial fire prevention program".

048 REP. DOMINY: Does this make it 100 percent funded by the General Fund?

REP. DWYER: This is the industrial fire prevention aspect.

REP. DOMINY: That's currently the 60/40 split?

PATRINO: The Forest Practices Act is 60/40 and would remain funded that way.

CHAIR SCHROEDER: The amendment would include the industrial fire protection program funded 100 percent from the harvest tax.

057 REP. VANLEEUEWEN: Is confused.

REP. DWYER: This is the program where they check the industrial equipment.

CHAIR SCHROEDER: Hearing no objection the motion passes.

070 MOTION: REP. DWYER: Moves House Bill 2243 as amended to the Committee on Ways and Means with a do pass recommendation.

VOTE: The motion carries 6 to 0

EXCUSED: REP. MEEK.

WORK SESSION ON HOUSE BILL 2317 -- EXHIBITS C & D

Witnesses:Sen. Bill Bradbury, District 24 Bernie Agrons, Retired State Representative Chuck Smith, Manager, Debt Management Division, Oregon State Treasury

CHAIR SCHROEDER: Opens the Work Session.

098 SEN. BILL BRADBURY, District 24: We worked long and hard to encourage small woodlot owners to manage their property for tree production.

-Small woodlot owners are unlikely to get the money back that they spend on managing their trees.

-This measure addresses the non-liquidity of small woodlot investment.

-The people the bill is aimed at are not the current managers of small woodlots.

-The bill addresses those who are not managing their lands as productive

small woodlots.

-Concerns were addressed by small woodlot owners, but the program is not aimed at them.

138 BERNIE AGRONS, Retired State Representative: Presents testimony in support of HB 2318 (EXHIBIT C).

REP. NORRIS: What's ACP?

AGRONS: Agricultural Conservation Program.

-They give grants to people engaged in reforestation and silviculture.

-He continues with his testimony.

356 REP. VANLEEUEWEN: Who owns 16 percent; the small woodlot owners?

AGRONS: Yes.

-It's a very small number who are growing timber.

REP. NORRIS: The 16 percent includes both categories?

AGRONS: The entire population.

370 REP. DWYER: You mentioned the state's risk of fire is distributed throughout the state.

-We wouldn't require insurance on timber we loaned money?

AGRONS: It would be a good idea, but it's not readily available.

-The state has an insurance policy.

REP. DWYER: It only pays the cost of fighting the fire.

-What are the limits and the anticipated interest rate?

AGRONS: It's in the bill.

-It has to do with the cost of money the state has.

REP. DWYER: What if the harvest doesn't generate the necessary revenue?

AGRONS: Then they both lose.

-We can estimate the harvest volume.

REP. DWYER: Assuming there's no fire or beetles.

AGRONS: Assuming those things we can say how much will be there.

-We can make assumptions as to the values.

-The chances are the values will be exceeded.

-It's discounted back to the present value.

-Those calculations are usually conservative.

REP. DWYER: It costs money to harvest the timber; are those costs figured in?

AGRONS: Those costs would also be deducted.

REP. DWYER: Where is the money coming from?

AGRONS: Revenue bonds.

REP. DWYER: How can you sell a revenue bond if there is no income for 60 years.?

AGRONS: That can be done with the state sponsoring the bonds.

437 CHAIR SCHROEDER: We will be discussing that.

AGRONS: A small piece goes to the Common School Fund.

CHAIR SCHROEDER: For the committee's information, there are no firms buying and holding immature timber. They are buying and harvesting it.

461 REP. JOSI: Why not a repayment program?

AGRONS: Because there's no money to make the repayments with.

-You can borrow at current interest rates, but you have to start paying it back.

-If there is a state partnership there has to be balloon payment at the end.

TAPE 55, SIDE A

026 REP. JOSI: What if a spotted owl moves in?

AGRONS: The state and landowner suffer.

030 REP. MEEK: How would the landowner suffer?

AGRONS: Then it would be the state.

REP. MEEK: This is an innovative idea.

-Some of these programs already exist. Private companies assist small landowners.

-The Small Woodlands Association doesn't see a need for this.

-It appears that a lot of people that could get involved in this program don't want it.

AGRONS: Large companies have tree farm programs. They provide technical expertise and advice, but give no money nor take an interest in the timber rights.

-They make a gentleman's agreement that when timber becomes merchantable they get first rights to cut.

-They are not investing heavily in silvicultural practices or purchasing

the rights for young timber.

-The Oregon Small Woodlands Association is not the targeted population.

-The Department of Forestry did an attitude survey of small woodlot owners. The majority didn't own the property to grow timber.

-We're trying to change that population by removing some of the obstacles to invest in timber lands.

-Ownerships turn over every several years.

111 REP. MEEK: If people are not doing the practice they wouldn't qualify for the program. They need a management plan. They have to meet certain standards. That isn't the person you just described.

AGRONS: We're trying to put in place an incentive for them to do that.

-Management plans don't have to be complex.

-The State Forester would establish certain criteria. He wouldn't expect the State Forester to write the plans. It could be done by a service forester, but we don't want the State Forester to spend a lot of time and money on this.

136 REP. DWYER: The House has passed some landmark legislation to assist these people.

-It hasn't had a chance to work.

-There may be a need for this down the line.

-He gets nervous about government assuming all the risk and supplying the money.

-The only redeeming value in this bill is that it may help slow down the transfer of property.

AGRONS: It goes further than that.

-Some will use it and some won't.

-The idea is not to take a position in timber. The idea is to have that capability available.

-A landowner will be willing to spend money on the land if they know they can get money out of the immature timber, if they are ever in need of money.

-This is being made available as an incentive for people to invest their cash in timber. The purpose is not to lend money.

182 REP. VANLEEUEWEN: Where will the dollars come from?

AGRONS: Revenue bonds.

REP. VANLEEUEWEN: This overlaps with HB 2320.

-It looks like HB 2320 would be incentive enough without this.

AGRON: HB 2320 addresses a situation that's being abused.

-It says you meet the criteria or lose the tax break.

-That won't cause someone to invest in their trees.

230 CHUCK SMITH, Manager, Debt Management Division, Oregon State Treasury: Discusses the difference between general obligation bonds and revenue bonds.

-In revenue bonds the source of repayment is the project the revenue bonds funded.

-If the state sold \$10 million dollars in revenue bonds, the interest and principal is paid every six months starting six months after issuance.

-The state has to pay \$843,000 a year to repay the bonds.

-It's important the cash coming in matches the cash going out.

316 REP. DOMINY: How could we sell revenue bonds when cash won't come in for 20 years?

-There's no option for a balloon payment.

SMITH: Was referring to typical revenue bonds.

-Appropriations are not pledged, only revenues from the project are pledged.

-He describes the Oregon Baccalaureate Bonds, an example of zero coupon bonds.

-Zero coupon revenue bonds have to have a very assured source of repayment at the end of a 20 or 30 year period.

361 REP. DOMINY: Is that kind of security in this bill?

SMITH: Can't speak to the details of forest management and production.

-If the state sells revenue bonds--even zero coupon bonds--in order to sell the bonds, investors need assurance the monies will be available at the end of the period.

394 REP. DWYER: We're talking about 40 or 50 years.

-What would be the accrued interest rate on a loan of \$1 million that is not paid back for 50 years?

SMITH: It would be about 10 times what's borrowed.

REP. DWYER: The bill is well intentioned, but investors won't take the risk.

-In order to make the program work the state will have to assume the risk.

425 REP. JOSI: It's becoming apparent revenue bonds won't work. What about general obligation bonds?

SMITH: Revenue bonds could work if they were backed up somehow.

-The legislature can appropriate monies to meet the obligation of general obligation bonds.

REP. JOSI: They would work?

SMITH: They would probably work.

TAPE 54, SIDE B

021 CHAIR SCHROEDER: There are proposed amendments which mention revenue bonds. Now you are saying general obligation bonds would work?

SMITH: That's correct, but you would need a constitutional provision to do so.

-The Legislature has the statutory authority to establish a revenue bond program.

027 REP. VANLEEUEWEN: How much do we currently owe on general obligation bonds?

SMITH: We have about \$5.6 billion outstanding.

REP. VANLEEUEWEN: Property taxes back them up?

SMITH: Several things.

-They are ultimately backed by property taxes, but are paid for from the revenues of the programs that the bonds have funded.

-He elaborates.

-The state has a lot of general obligation bonds outstanding, but they are self-supporting.

REP. VANLEEUEWEN: Does it come under the limit of Ballot Measure 5?

SMITH: Measure 5 would not constrain the state's ability to pay.

REP. DWYER: Is there an existing program that this could fit in?

-How would the state insure against the risk in order to make these marketable?

SMITH: There is a constitutional provision that allows the State Forester to issue general obligation bonds for forest rehabilitation and reforestation.

-He does not know if this program would fit under that authority.

-It would take some legal analysis to see if this program fit.

-The state is on the hook to the extent of the security that's pledged.

REP. DWYER: The state would have to assume the risk or insure against the risk.

SMITH: There may be ways to insure against risk other than purchasing insurance.

-A large reserve could be set aside.

REP. DWYER: Would that add cost to the bonds?

SMITH: Yes. Those reserves would have to be dedicated to the payment of the bonds.

099 REP. NORRIS: Could you economically do bond sales for each purchase or would you have to have a periodic purchase of bonds to cover this?

SMITH: You would have to have a periodic sale.

118 MOTION: REP. DWYER: Moves to allow REP. MEEK to cast his vote on House Bill 274 1 and House Bill 2243.

CHAIR SCHROEDER: Hearing no objection the motion passes.

REP. MEEK: Votes Aye on HB 2741 and House Bill 2243.

CHAIR SCHROEDER: Recesses at 9:25 A.M.

-He reconvenes at 9:32 A.M.

-He refers to amendments submitted by ANTHONY BOUTARD, 1000 Friends of Oregon (EXHIBIT D).

-He closes the Work Session.

WORK SESSION ON HB 2319

148 BETH PATRINO: Describes the bill.

CHAIR SCHROEDER: This is revenue neutral?

BETH PATRINO: There was testimony to that effect.

158 MOTION: REP. DOMINY: Moves House Bill 2319 to the Committee on Revenue and School Finance with a do pass recommendation.

VOTE: The motion carries unanimously.

PUBLIC HEARING ON HOUSE BILL 2147

Witnesses: Terry Witt, Executive Director, Oregonians for Food and Shelter LeRoy Kline, Director, Insects and Disease, Department of Forestry Jim Brown, State Forester

189 TERRY WITT, Oregonians for Food and Shelter: Testifies in support of HB 214 7 and HB 2147-1, Proposed Amendments to House Bill 2147 (EXHIBIT E).

-The amendments accomplish all of the changes sought by the Department of Forestry without being overly burdensome nor eliminating the flexibility needed.

-The bill:

-1. Defines an IPM process.

-It specifies prevention and suppression strategies for implementation and makes recommendations, but not on a mandatory basis.

-2. It gives the State Forester authority to declare a control district and to take appropriate action.

-3. It provides the State Forester with an opportunity to charge for contracted services to private landowners.

-4. It eliminates inconsistencies in conflicting language in aerial application of pesticides.

218 REP. DWYER: Refers to page, 3 lines 41 and 42, HB 2147. The State Forester is authorized to charge for the cost of services.

-That opens a whole scenario.

REP. DOMINY: Could JIM BROWN address what that means?

REP. DWYER: The present law gives the State Forester the authority to charge and adds other areas they may charge for.

-What does that mean?

255 LEROY KLINE, Administrator, Insect and Disease Control, Department of Forestry: We looked at a variety of funding sources. There could be certain types of services which may benefit a landowner and they ought to pay for that service. This would help offset some of the General Fund deficit.

REP. DWYER: It gives you a blank check.

KLINE: The Board of Forestry would develop the criteria.

REP. DWYER: Has problems with that.

CHAIR SCHROEDER: Is that at the request of the landowner?

BROWN: There was a case last year where a landowner was willing to pay us for our service.

CHAIR SCHROEDER: Did your service forester do that?

BROWN: It was our insect and disease people.

CHAIR SCHROEDER: Is concerned that people may eventually pay for a service forestry role.

BROWN: That is not our intent.

295 REP. VANLEEUEWEN: Refers to page 3, lines 29 to 36, HB 2147.

REP. DWYER: They can charge for anything they do on the land.

KLINE: We won't do anything a landowner doesn't want.

REP. DWYER: These changes no longer make it voluntary.

-He has no inclination to give the department authority without limiting that authority.

328 REP. DOMINY: Refers to page 5, the inserted language on line 4, Hand-Engrossed HB 2147 (EXHIBIT E).

-Does that make it clear that you can't charge unless it's requested?

KLINE: That's the intent.

REP. DOMINY: Without this language, if someone requested services what would you do?

KLINE: We would provide it free.

REP. DOMINY: Under the current law they could adopt rules that would allow for a fee.

BROWN: We've never interpreted it that way.

-It could be read that way.

REP. DWYER: The Legislature shouldn't be the scapegoat to say the law authorizes them to charge for their services.

CHAIR SCHROEDER: TERRY WITT, do you have any comments?

369 WITT: The intent is that charges would only be for requested services.

-It is unclear whether authorization extends beyond what's requested.

CHAIR SCHROEDER: Subsection (1) allows the department to go on land with a court order.

-Would this require a charge if the landowner refuses to allow you on their land?

WITT: Some of the discussions centered around the ability of the department to contract on a prearranged basis.

-Maybe some language can be included so it's not an after the fact charge, but a charge for an agreed to situation.

412 REP. DOMINY: Agrees with the concept, but would feel better to draft an amendment on how much they charged so we aren't voting for a blank check.

-Would you be willing to draft an amendment on the formula used in deciding what that fee should be?

REP. MEEK: There probably should be fee schedules, but the department is providing a service.

-He will push for that language to be deleted.

-The language is clear enough.

BROWN: It would be acceptable to delete the new language.

CHAIR SCHROEDER: On the Hand-Engrossed Bill delete page 4, line 41.

BROWN: And page 5, lines 3 and 4.

REP. DWYER: That would help.

TAPE 55, SIDE B

022 REP. NORRIS: What can you currently do?

KLINE: We work with landowners, encouraging them to take preventive or suppression action.

-We can require mandatory control.

REP. NORRIS: Can you obtain court authority to go on to the land?

KLINE: Yes.

BROWN: There are procedures to be followed.

REP. NORRIS: Is this bill trying to create a situation where the state can properly act to a potential infestation or are we trying to define integrated pest management?

KLINE: We're defining integrated pest management.

REP. NORRIS: Is that what's behind this bill?

KLINE: This bill does a lot of things. It clarifies outdated language.

REP. NORRIS: Are we looking at this in the context of SB 262?

KLINE: This is very reasonable and not costly.

REP. NORRIS: What if this fails to pass?

-We couldn't have uncontrolled infestations?

KLINE: Doesn't think so.

058 CHAIR SCHROEDER: Are we in agreement on the definition of integrated pest management on page 1, line 20?

069 REP. VANLEEuwEN: What are the statutory references on page 6, section 10 of the Hand-Engrossed bill?

BROWN: Everything, including the underlined material is what's in the statute. The section deletes subsection 3 of that provision.

REP. VANLEEuwEN: It increases the fine?

BROWN: It deletes it.

-He explains.

095 WITT: This was in response to our request that we clean up inconsistencies between the forest practices statutes and pesticide statutes.

CHAIR SCHROEDER: Closes the Public Hearing.

WORK SESSION ON HOUSE BILL 2147

CHAIR SCHROEDER: Opens the Work Session.

109 MOTION: REP. DOMINY: Moves to adopt the Hand-Engrossed House Bill 214 3, 2147- 1, dated 3/28/91 and to delete the new language on page 3, lines 41 to 43.

REP. DWYER: Don't we need to delete the new language on page 5, lines 3 and 4?

MOTION: REP. DOMINY: Moves to delete page 5, lines 2 through 4.

BROWN: Urges the committee leave the first sentence on page 5, lines 2 and 3.

MOTION: REP. DOMINY: On page 5, line 3, after the period delete the rest of the line and delete line 4.

CHAIR SCHROEDER: Hearing no objection the motion passes.

139 MOTION: REP. DOMINY: Moves House Bill 2147 as amended to the Floor of the House with a do pass recommendation.

VOTE: The motion carries unanimously.

CARRIER: REP. JOSI.

CHAIR SCHROEDER: Adjourns at 10:02 A.M.

Submitted by: Reviewed by:

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

EXHIBIT LOG:

A - Amendments to HB 2741 - Staff - 3 pages B - Amendments to HB 2243 - Staff - 2 pages C - Testimony on HB 2317 - Bernie Agrons - 4 pages D-Amendments to HB 2317 - Anthony Boutard - 5 pages E-Amendments to HB 2147 - Terry Witt - 8 pages