

Tapes 222-223 (A/B) Public Hearing: HB 3410A Work Session: HB 2322A, HB 2320A HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE June 4, 1991 8:00 AM Hearing Room A State Capitol Building Members Present: Representative Delna Jones, Chair Representative Carl Hosticka, Vice-Chair Representative Mike Burton Representative Kelly Clark Representative Bev Clarno Representative Mike Nelson Representative Fred Parkinson Representative John Schoon Representative Jim Whitty

Staff Present: Terry Drake, Legislative Revenue Office Linda Leach, Committee Assistant Witnesses Present: Senator Bob Kintigh, District 14 Ray Craig, Oregon Department of Forestry Joe Misek, Oregon Department of Forestry Gil Riddell, Association of Oregon Counties Ron Chastain, WOST Consortium (Western Oregon Severance Tax) Jane Myers, Oregon Forest Industries Council (OFIC) Gary Carlson, Oregon Small Woodlands Association Tom Roose, Corvallis, Oregon Kim Worrell, Associated Oregon Counties Representative Walt Schroeder, District 48 TAPE 222 SIDE A 005 CHAIR JONES called the meeting to order at 8:12 and conducted administrative business PUBLIC HEARING - HB 341 0A 015 SEN. KINTIGH discussed the necessity for retaining and funding the Western Oregon Small Tract Optional Tax (WOSTOT) and read his prepared testimony. Exhibit 1 054 Questions and discussion. 065 RAY CRAIG supported HB 3410A and gave background information relating to the development of HB 3410. He reviewed the Department of Forestry's budget process involving the retention of (WOSTOT). HB 3410A streamlines the WOSTOT program and provides a funding source (not the General Fund). ' These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance June 4, 1991 Page 2

097 JOE MISEK supported HB 3410A and summarized his prepared testimony. Exhibit 2 170 Questions and discussion regarding work and amendments on HB 3410 in the House Committee on Agriculture, Forestry and Natural Resources. 182 Questions and discussion regarding land which is capable of production and the mechanics of WOSTOT compared to other forms of timber taxation. 200 CHAIR JONES referred to fiscal analysis of HB 3410A. Exhibit 3 210 JOE MISEK continued with his testimony regarding What this bill does and Conclusion. Exhibit 2 269 Questions and discussion regarding justification of funding WOSTOT from severance taxes. 291 RAY CRAIG discussed taxes returned to counties and county administration needs. He related Sen. Bradbury's position that proposed funding from severance taxes was viable in light of budget restraints and cuts. 321 GIL RIDDELL did not oppose the WOSTOT program but was concerned with the proposed funding from local severance taxes which would be used for a state program and benefits a group of landowners who have opted into the program instead of paying severance taxes. He requested the committee to consider self funding proposals presented by Ron Chastain. He requested a sunset date and inclusion of the WOSTOT program in an interim study on timber taxation. 356 RON CHASTAIN described the WOST Consortium which is comprised of approximately seventy school districts in Western Oregon which are affected by the Western Oregon Severance Tax. He presented and reviewed statistical data and funding options. He noted his only opposition to HB 3410 is the funding source. Exhibit 4 380 Questions and discussion regarding benefits to school districts and counties from the use of the WOSTOT program. TAPE 223 SIDE A 001 Questions and discussion continued regarding impact from a fund shift. 033 RON CHASTAIN reviewed a chart entitled Western Oregon Small Tract Optional Tax Acreage and Values, May 1991. Exhibit 4 Questions and discussion regarding varying factors involved with charts provided by Ron Chastain.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance June 4, 1991 Page 3 073 RON CHASTAIN referred to page 2 of his handout and reviewed SelfFunding Alternatives for HB 3410A. Exhibit 4 111 JANE MYERS supported HB 3410A and presented Proposed Amendments reflecting a sunset date for the costs funded from the Western Oregon Severance Tax (limited to the 1991/93 biennium). She suggested a review of WOSTOT program during the 1991/92 interim and the concept of a productivity tax on timberland. Exhibit 5 132 Questions and discussion. 134 GARY CARLSON described the three thousand Western Oregon landowners in the WOSTOT program and parcels of land involved. He noted the program is 30 years old. He discussed alternative ways for administration and provided examples of increased fees for the Department of Forestry. Gary Carlson provided qualified support for HB 3410. 284 TOM ROOSE opposed HB 3410 and addressed a fairness issue. He gave examples of his land (40 acres) and economic difficulties he has encountered. He provided suggestions for ways to help small tract land owners (capital gains treatment, farm credit system, market for logs). TAPE 222 SIDE B 001 Questions and discussion. 020 CHAIR JONES commented on economic hardships on many small businesses during the 1980's (not unique to timber). Questions and discussion regarding original issue in HB 3410 (gut and stuff into current form) and problems with interested party hearing notifications. 040 Questions and discussion. 060 CHAIR JONES recessed the meeting at 9:12 and ACTING CHAIR HOSTICKA reconvened the meeting at 9:40. WORK SESSION - HB 2322A 068 ACTING CHAIR HOSTICKA reviewed HB 2322A which extends capital gains deduction to corporations meeting the definition of small woodlands. He referred to Proposed Amendments HB 2322A4, 4/23/91 and HB 2322-A5, 5/31/91. Exhibits 7, 8 075 TERRY DRAKE reviewed Proposed Amendments HB 2322-A4 and HB 2322A5. He pointed out an additional technical change discussed in an earlier committee meeting to change "timber" to "timberland" on page 1, line 16 and page 2, line 3.

These minutes paraphrase and/or summarize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance June 4, 1991 Page 4 090 TERRY DRAKE explained an estimated revenue impact based on HB 2322A (and proposed amendments) of \$3.5 million for the 1993/95 biennium. He compared changes from his original revenue impact dated 3/5/91. Exhibit 9 102 Questions and discussion. 106 MOTION REP. WHITTY moved adoption of Proposed Amendments HB 2322A4, 4/23/91 and change "timber" to "timberland" on page 1, line 16 & page 2, line 3. 113 Questions and discussion regarding removing contract right to cut and revenue impact. 123 ACTING CHAIR HOSTICKA restated Rep. Whitty's motion. 131 ORDER There being no objection, ACTING CHAIR HOSTICKA so ordered. 133 Questions and discussion regarding direction from Chair Jones about HB 232 2. 139 TERRY DRAKE reviewed Proposed Amendments HB 2322-A5 which move the impact into the 1993/95 biennium and provided a statement to the federal government from Oregon. 149 Questions and discussion. 156 MOTION REP. PARKINSON moved adoption of Proposed Amendments HB 2322-A5, 5/31/91. 160 ORDER There being no objection, ACTING CHAIR HOSTICKA so ordered. 161 MOTION REP. PARKINSON moved HB 2322A as amended to the floor with a do pass recommendation. 170 DISCUSSION 189 VOTE In a roll call vote, the motion was adopted (8-0). AYES: Reps. Nelson, Parkinson, Schoon, Whitty, Clark, Clarno, Jones, Hosticka. EXCUSED: Rep. Burton. WORK SESSION - HB 2320A 206

CHAIR JONES explained HB 2320A is from the Subcommittee on Property Taxation and reviewed testimony heard. HB 2320A relates to assistance from the Department of Forestry in relationship to timberlands which may lose tax treatment. She questioned the outcome of a working group.

These minutes paraphrase anal/or su~narize statements made during this meeting. Text enclosed in quotation marks reports the speakers exact words. For complete context of proceedings, please refer to the tape recording. House Committee on Revenue and School Finance June 4, 1991 Page 5 220 TERRY DRAKE made a technical comment (page 2, line 17) relating to penalty provisions and a possible conflict with HB 2550. 238 Questions and discussion regarding definition of penalty and a possible conflict. CHAIR JONES noted to "flag" possible conflict as described by Terry Drake. 252 REP. PARKINSON explained why he was not supportive of HB 2320. He noted impact on landowners who bought property with certain expectations and then the rules are changed. 266 RAY CRAIG reviewed a meeting with Rep. Schroeder, Rep. Parkinson, Sen. Bradbury, Rep. VanVleit, Joe Misek and Ray Craig in which there was a discussion of issues relating to Forestry's budget and a connection with HB 232 0. He expressed the working group's support of HB 2320A with the exception of Rep. Parkinson. 303 Questions and discussion regarding different levels of HB 2320 implementation presented by Ray Craig. HB 2320A reflects Alternative #3. Exhibit 12 390 Questions and discussion clarifying Alternative #3. 400 Questions and discussion follow regarding impact if HB 2320 fails and the availability of a map in September, 1991 which will identify underproductive lands. 399 RAY CRAIG explained the map will be a public document and will identify underproductive lands. It is the Department of Forestry's belief that the county assessors will begin a process to declassify the identified properties which will result in a penalty situation to landowners. TAPE 223 SIDE B 008 Questions and discussion regarding timeframe for property owners to prepare and qualify their property for special assessment (after notified that their land is underproductive and to avoid a penalty). 017 RAY CRAIG indicated without HB 2320 a landowner may still contact the Department of Forestry for assistance in developing their land. 023 RAY CRAIG reviewed HB 2320A which provides a plan, timelines, tools, technical advice for landowners to develop their land and retain designated forestland status. 030 Questions and discussion regarding a property owner changing from one special assessment to another special assessment. 065 Questions and discussion regarding definition of forestland and underproductive forestland by administrative rule.

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HB 2320 an assistance in management or a strong hold from government.
223 REP. CLARNO was concerned with the "tone" in HB 2320 and she gave
an example. 235 Questions and discussion regarding alternatives for
nonproductive lands. 271 REP. SCHOON was concerned with a shift from
landowners meeting State Forestry requirements to quality forestry
issues. He gave examples of diversified lands and needs. 290
MOTION REP. CLARK moved HB 2320A to the floor with a do pass
recommendation. 310 VOTE In a roll call vote, the motion failed
(3-2). AYES: Reps. Clarno, Clark, Jones. NAYS: Reps. Parkinson, Schoon.
320 CHAIR JONES adjourned the meeting at 10:26.

Linda Leach, Committee Assistant

Kimberly Taylor, Office Manager

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Page 7 EXHIBIT SUMMARY 1. Testimony from Senator Bob Kintigh, 6/5/91 -
HB 3410 2. Testimony from Joe Misek, 6/4/91 - HB 3410 3. Fiscal Analysis
HB 3410A, 5/21/91, LFO - HB 3410 4. Western Oregon Small Tract Optional
Tax Acreage and Values, May 1991 and Self-Funding Alternatives for HB
3410A, Ron Chastain - HB 3410 5. Proposed Amendments to HB 3410A, OFIC,
6/4/91 - HB 3410 6. Staff Measure Summary HB 3410A, House Committee on
Agriculture, Forestry and Natural Resources, 6/4/91 - HB 3410 7.
Proposed Amendments HB 2322-A4, 4/23/91, LRO - HB 2322 8. Proposed
Amendments HB 2322-A5, 5/31/91, LRO - HB 2322 9. Revenue Analysis HB
2322, 3/5/91 - HB 2322 10. Staff Measure Summary HB 2322A, House
Committee on Agriculture, Forestry and Natural Resources, HB 2322 11.
Fiscal Impact Assessment, HB 2322A, LFO, 3/11/91 - HB 2322 12. HB 2320
Implementation Alternatives, Joe Misek, 5/13/91 - HB 2320

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