



# Oregon

John A. Kitzhaber, MD, Governor

MEASURE: HB 2124  
EXHIBIT: B  
HOUSE REVENUE COMMITTEE  
DATE: 3/23/2011 PAGES: 4  
SUBMITTED BY: SATISH UPADHYAY

## Department of Forestry

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STEWARDSHIP IN FORESTRY

March 23, 2011

Honorable Phil Barnhart, Co-Chair  
Honorable Vicki Berger, Co-Chair  
House Committee on Revenue  
Oregon State Capitol  
Salem, OR 97301

RE: House Bill 2124

Dear Co-Chairs Barnhart and Berger and Members of the Committee:

The Department of Forestry appreciates the opportunity to provide testimony in support of House Bill 2124.

House Bill 2124 amends ORS 321.015 to establish the Forest Products Harvest Tax rates for calendar years 2012 and 2013 in support of the Oregon State University Forest Research Laboratory and the Oregon Department of Forestry's administration of the Oregon Forest Practices Act. For the Department of Forestry, when combined with public funds, the bill maintains the concept of 'shared responsibility' for Forest Practices program delivery between the general public and forest landowners.

The tax rates that are established by the bill are set on a "per thousand board feet (MBF) harvested" basis, and are calculated considering current biennium ending balance, projected budget requirements for the next biennium, and forecasted harvest levels for the next two years. As shown in Attachment 1, Oregon harvest levels declined during the 1990's, due to reduction in harvest from federal lands. As shown in Attachment 2, that resulted in rate increases as the budget needs were spread across lower harvest volumes. Since 1999, both the harvest level and tax rates had generally stabilized at approximately 4.0 billion board feet per year, until the recent economic downturn caused a decline in harvest levels as market demand dropped. The 2009 harvest level of 2.7 billion board feet is the lowest level since the Great Depression-level harvest of 2.6 billion board feet. The 2010 harvest level increased slightly to 3.1 billion board feet. We are currently anticipating harvest levels for the next two years of approximately 3.0 to 3.4 billion board feet per year.

The Harvest Tax is collected by the Oregon Department of Revenue, and actual tax receipts are transferred to the Department of Forestry on a quarterly basis. At this time, we still have one of eight revenue transfers remaining in the current biennium. That transfer will occur in early May of this year. Because the new rates in HB 2124 for the next two-year period are, in part, based on the ending balance in this biennium, we would suggest that rates not yet be inserted into the bill. In addition to the current biennium actual revenue consideration, as a revenue source, the Harvest Tax is directly linked with the Department's biennial budget. Therefore, the rate



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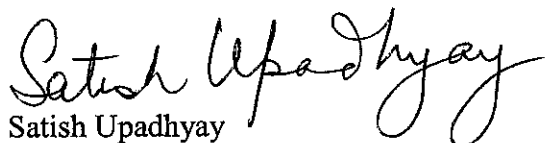
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calculations must remain fluid until the agency's budget bill is at or near completion. This link necessitates a concurrent consideration of both HB 2124 and the agency's budget bill, HB 5023, in the Joint Ways and Means Committee during the final legislative budget process.

In summary, the Department of Forestry supports HB 2124, and welcomes the opportunity to work with the Legislative Assembly as the revenue and budget processes move forward.

If you have follow-up questions, please contact me.

Sincerely,

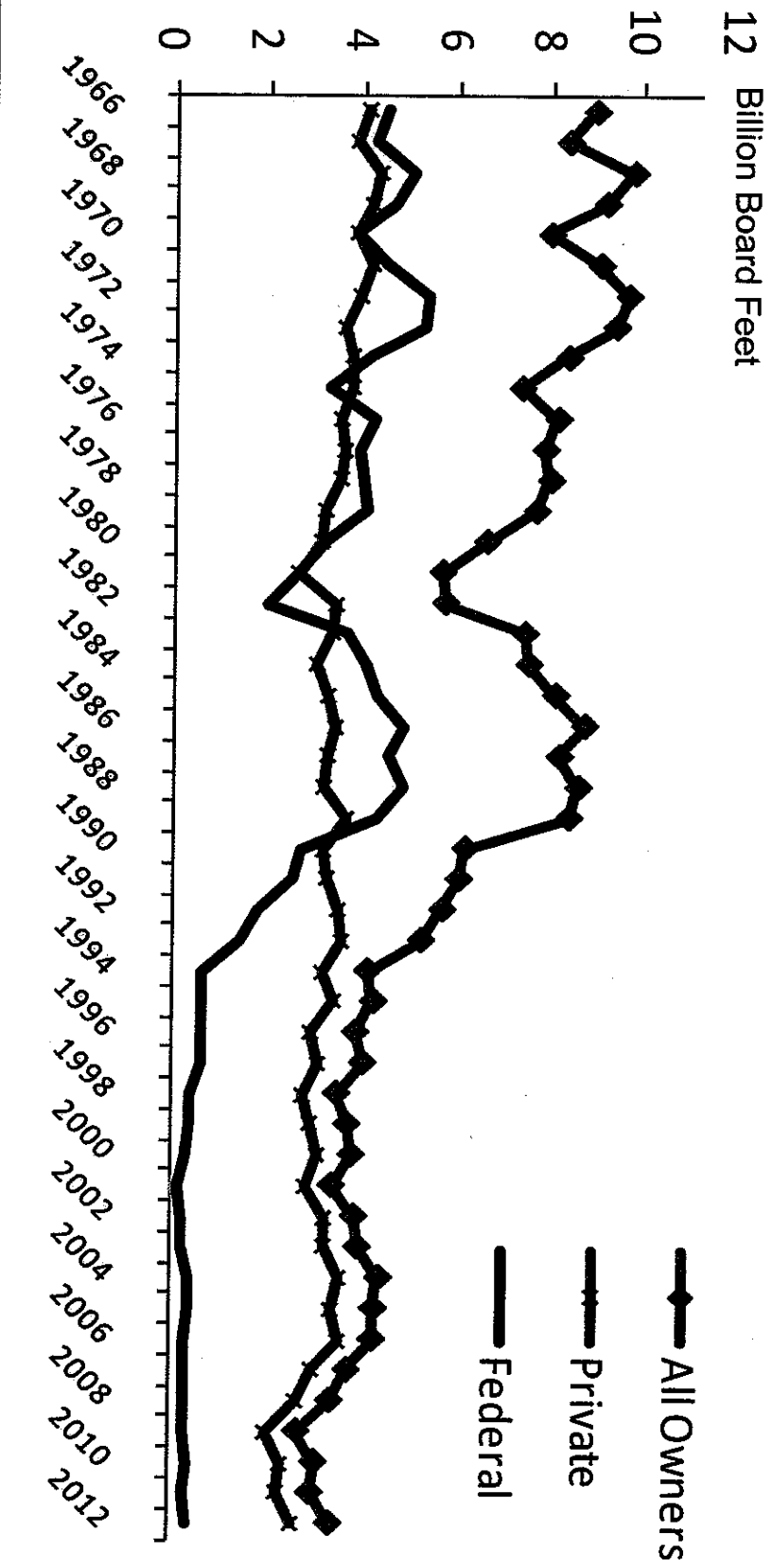


Satish Upadhyay  
Administrative Services Division Chief  
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Attachments (2)

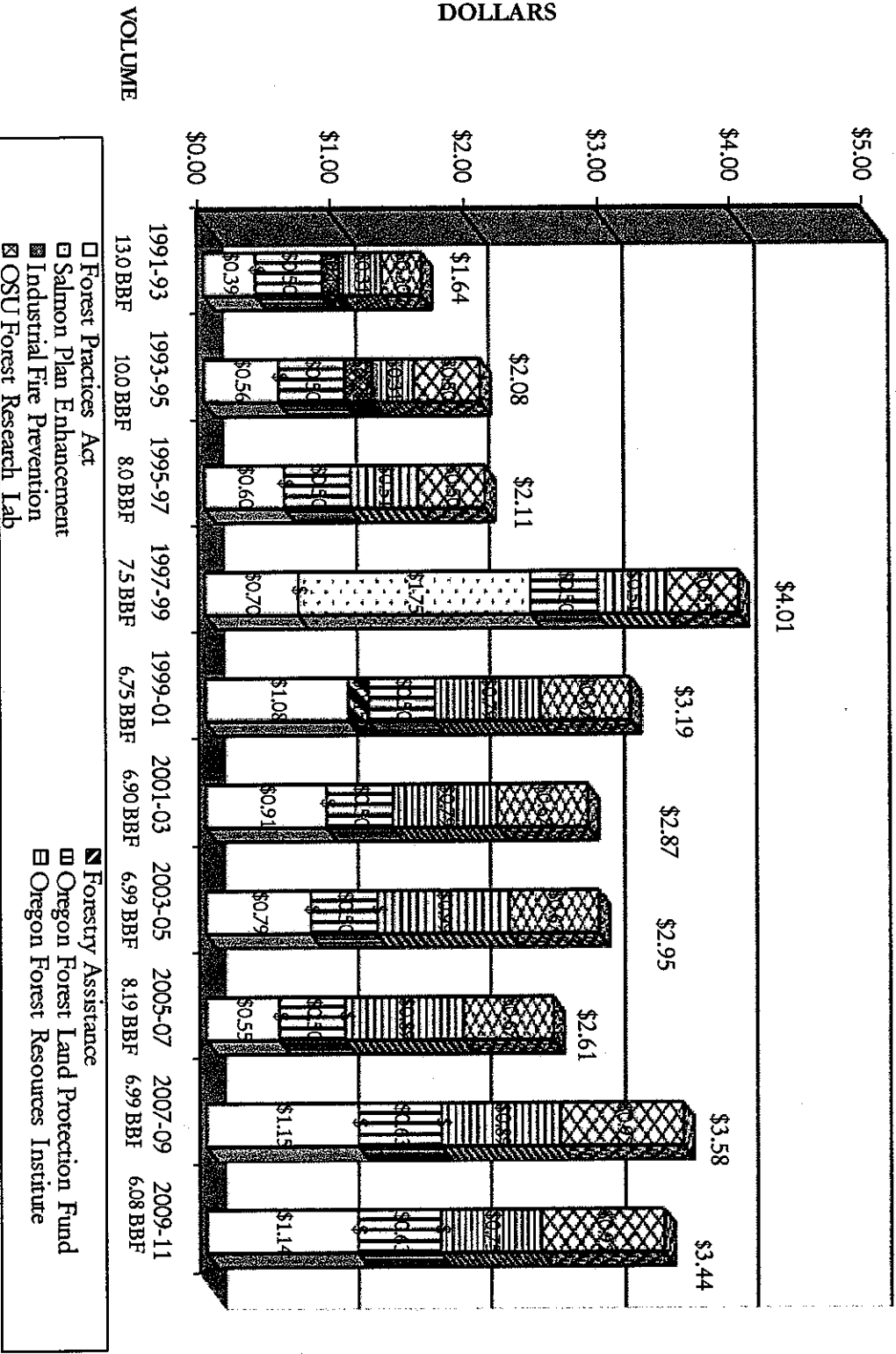
c: Agency Executive Team  
Richard Whitman  
Susie Jordan  
Art Ayre  
Christine Broniak - LRO  
ODF Legislative Tracking Unit

## Historical & Projected Oregon Timber Harvests 1966-2012; 2010 Preliminary, 2011-2012 Projected



# OREGON FOREST PRODUCTS HARVEST TAX RATES

(dollars per thousand board feet harvested)



- VOLUME**
- Forest Practices Act
  - Salmon Plan Enhancement
  - Industrial Fire Prevention
  - OSU Forest Research Lab
  - Forestry Assistance
  - Oregon Forest Land Protection Fund
  - Oregon Forest Resources Institute