



Oregon

John A. Kitzhaber, MD, Governor

Department of Forestry

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February 13, 2014



"STEWARDSHIP IN FORESTRY"

Honorable Arnie Roblan, Chair
Senate Committee on Rural Communities and Economic Development
347 State Capitol
Salem, OR 97301

Re: Senate Bill 1555

Dear Chair Roblan and Members of the Committee:

For the record I am Mike Bordelon, Division Chief for State Forests, Oregon Department of Forestry (ODF).

The Oregon Department of Forestry has evaluated SB1555 and believes that the provisions in the bill, with the proposed dash-1 amendment, are workable for the agency.

As you know the bill proposes to cap performance bonds and bid bonds at \$500,000. Also, the original bill specifies that performance bonds be held by the agency no longer than 90 days from the completion or termination of a timber sale.

Our current practice is to require performance bonds that are equal to 20 percent of the bid value, with no cap on the amount. Using this method about 80 percent of our timber sales would have performance bonds less than \$500,000. By capping the performance bonds at \$500,000 the agency acquires some additional risk for the 20 percent of the higher value timber sales.

However, this risk is balanced by a very low (1-2 percent in the last 5 years) default rate on timber sales. In addition, the establishment of a \$500,000 cap will lower costs to timber sale purchasers and could translate into slightly higher bid prices to the State.

Relating to bid bonds, which timber sale purchasers provide at the time of bid, SB1555 would cap the maximum amount of the bid bond at \$500,000. ODF has no issues with this provision since almost all of our timber sales require bid bonds less than this amount.

The third provision of the bill relates to the length of time that the state holds performance bonds after completion of a timber sale. Our current practice is to hold performance bonds for 180 days

after the completion of a timber sale contract. This length of time aligns with the provisions of another statute, ORS 279C.605, which specifies that a person who provides labor or furnished materials has 180 days to file a claim against a performance bond. The original bill, without the amendment, would create some additional exposure to ODF for all timber sales. As amended, the bill aligns with the current practice and eliminates the risk of not having bond coverage for 90 days.

I appreciate the opportunity to provide an agency perspective and thank Senator Girod for working with ODF as this bill was being developed.

Sincerely,

A handwritten signature in blue ink that reads "Michael C. Bordelon". The signature is fluid and cursive, with a long horizontal flourish at the end.

Mike Bordelon, Chief
State Forests Division
Oregon Department of Forestry

Cc: ODF Executive Team
Senator Fred Girod