



Oregon

John A. Kitzhaber, MD, Governor

Department of Forestry

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"STEWARDSHIP IN FORESTRY"

Honorable Brad Witt, Chair
House Committee on Agriculture and Natural Resources
347 State Capitol
Salem, OR 97301

Re: Senate Bill 1555A

Dear Chair Witt and Members of the Committee:

For the record I am Ed Deblander, Oregon Department of Forestry Asset Unit Manager for State Forests.

The Oregon Department of Forestry has evaluated SB1555A and believes that the provisions in the bill are workable for the agency.

As you know the bill proposes to cap performance bonds and bid bonds for state timber sales at \$500,000. Also, the bill specifies that performance bonds be held by the agency no longer than 180 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.

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, SB1555A 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. SB 1555A requires that ODF hold performance bonds no

longer than 180 days from completion of the timber sale contract. This provision is consistent with our current practice and it also aligns with the provisions of another statute, ORS 279C.605, which specifies that a person who provides labor or furnished materials for a state contract has up to 180 days to file a claim against a performance bond.

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

Sincerely,



Ed Deblander, Asset Unit Manager
State Forests
Oregon Department of Forestry

Cc: ODF Executive Team
Senator Fred Girod