



Oregon

Kate Brown, Governor

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March 10, 2015

Honorable Chris Edwards, Chair
Senate Environment and Natural Resources Committee
Room 411, State Capitol
900 Court St. NE
Salem, OR 97301



Re: Senate Bill 248 – Relating to Sales of Timber from State Lands

Dear Chair Edwards and Members of the Committee:

The Department of Forestry appreciates the opportunity to provide testimony in support of Senate Bill 248.

Oregon Department of Forestry's State Forests Division manages 830,000 acres of forest land throughout the state. The Division is self-funded primarily by the sale of timber from State Forest land. Currently the Division does not generate enough revenue to cover management costs and provide adequate revenue to beneficiaries (Counties and Common School Fund). As such, the Board of Forestry directed the State Forests Division to examine current business practices and identify opportunities to increase revenue and improve State Forests financial viability. SB 248 supports this goal by clarifying Department of Forestry's current authority of how to market and sell timber from State Forests.

ORS 530 authorizes the State Forester to enter into and administer contracts for the sale of timber from lands owned or managed by the Department of Forestry. ORS 279A exempts these contracts from public contracting laws. This exemption was established during the 1995 legislative session with the passage of SB 749. SB 749 received broad support and no opposition. This proposed bill, SB 248, clarifies Department of Forestry's timber sale authority to include alternative methods for the sale of timber and extends the existing exemption to include these alternative methods.

Under the current method of selling timber from State Forests, a single purchaser will buy standing trees in the sale area and is responsible for all project work associated with the sale. Currently Oregon Department of Forestry includes all activities necessary or convenient for the sale of timber as part of one overarching timber sale contract.

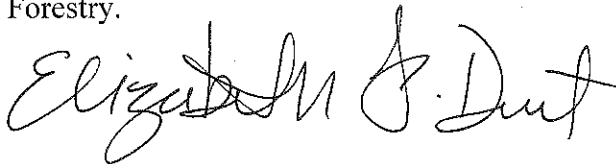
Alternatives to this approach have been identified as a way to increase revenues to both the agency and the beneficiaries. SB 248 explicitly clarifies Oregon Department of Forestry's authority to enter into and administer individual contracts separately from the sale of timber. Individual contracts

include but are not limited to activities such as timber harvesting, sorting, selling and transporting logs; gravel pit development or operation; and road construction, maintenance or improvement.

Oregon Department of Forestry believes that contracting separately for these activities has the potential to maximize timber value in some circumstances, thereby assisting with improved financial viability for State Forests and beneficiaries. Contracting separately will allow Oregon Department of Forestry to sell logs directly to one or more mills which has the potential to increase revenue while maintaining control over all chain-of-custody steps from the forest to the mill. This is an industry standard method with many forest landowners selling logs directly to the mill. Oregon Department of Forestry has been advised by several industry experts on how to successfully implement this approach. Additionally, under current practice purchasers frequently cannot start harvesting until roads are built which can take a year or more. Under SB 248, purchasers would not be responsible for performing any of the infrastructure improvement work necessary for harvest. Rather, Department of Forestry would contract for project work separately. This would facilitate the completion of project work prior to selling regular stumpage sales. Selling sales with road construction requirements complete will allow purchasers to start harvesting as soon as contracts are executed.

The work performed under the anticipated separate contracts is exactly the same as the work performed under Oregon Department of Forestry's current timber sale contracts. The exact same activities that are exempt under current timber sales are the same as those that would occur under separate contracts. SB 248 would clarify that the exemption applies under this alternative method.

I appreciate the opportunity to testify on Senate Bill 248 on behalf of the Oregon Department of Forestry.



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