



# Oregon

Kate Brown, Governor

## Department of Forestry

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"STEWARDSHIP IN FORESTRY"

March 26, 2015

Honorable Phil Barnhart, Chair  
House Committee on Revenue  
Oregon State Capitol  
Salem, OR 97301

**RE: House Bill 2455**

Dear Chair Barnhart and Members of the Committee:

The Department of Forestry appreciates the opportunity to provide testimony in support of House Bill 2455.

House Bill 2455 amends ORS 321.015 to establish the Forest Products Harvest Tax rates for calendar years 2016 and 2017 in support of the Oregon State University (OSU) Forest Research Laboratory, OSU professional forestry education, 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 Act program delivery between the general public and forestland owners.

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 1990s, 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, the harvest level had generally stabilized at approximately 4 billion board feet per year – and tax rates had stabilized as well – until the economic downturn caused a decline in harvest levels as market demand dropped.

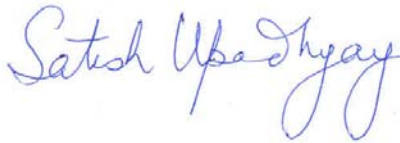
The 2009 harvest of 2.7 billion board feet is the lowest since the post-Depression harvest of 2.6 billion board feet in 1934. The 2010 harvest increased slightly to 3.2 billion board feet. Harvest levels in 2011 and 2012 increased to 3.6 billion board feet. In 2013, Oregon's timber harvest rose to 4.2 billion board feet, marking the fourth consecutive year of increase, reflecting the economic recovery that has occurred over those years. We are currently anticipating annual harvests for the next two years of approximately 4.0 and 4.1 billion board feet.

The Oregon Department of Revenue collects the Harvest Tax and transfers the receipts 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. This transfer will occur in early May of this year. Because the new rates in HB 2455 for the next two-year period are based in part 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, the Harvest Tax is directly linked with the Department's next biennial budget. Therefore, the rate calculations must remain fluid until the agency's budget bill is at or near completion. This link necessitates a concurrent consideration of HB 2455 and the agency's budget bill, HB 5019, in the Joint Ways and Means Committee during the final legislative budget process.

In summary, the Department of Forestry supports HB 2455, 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.

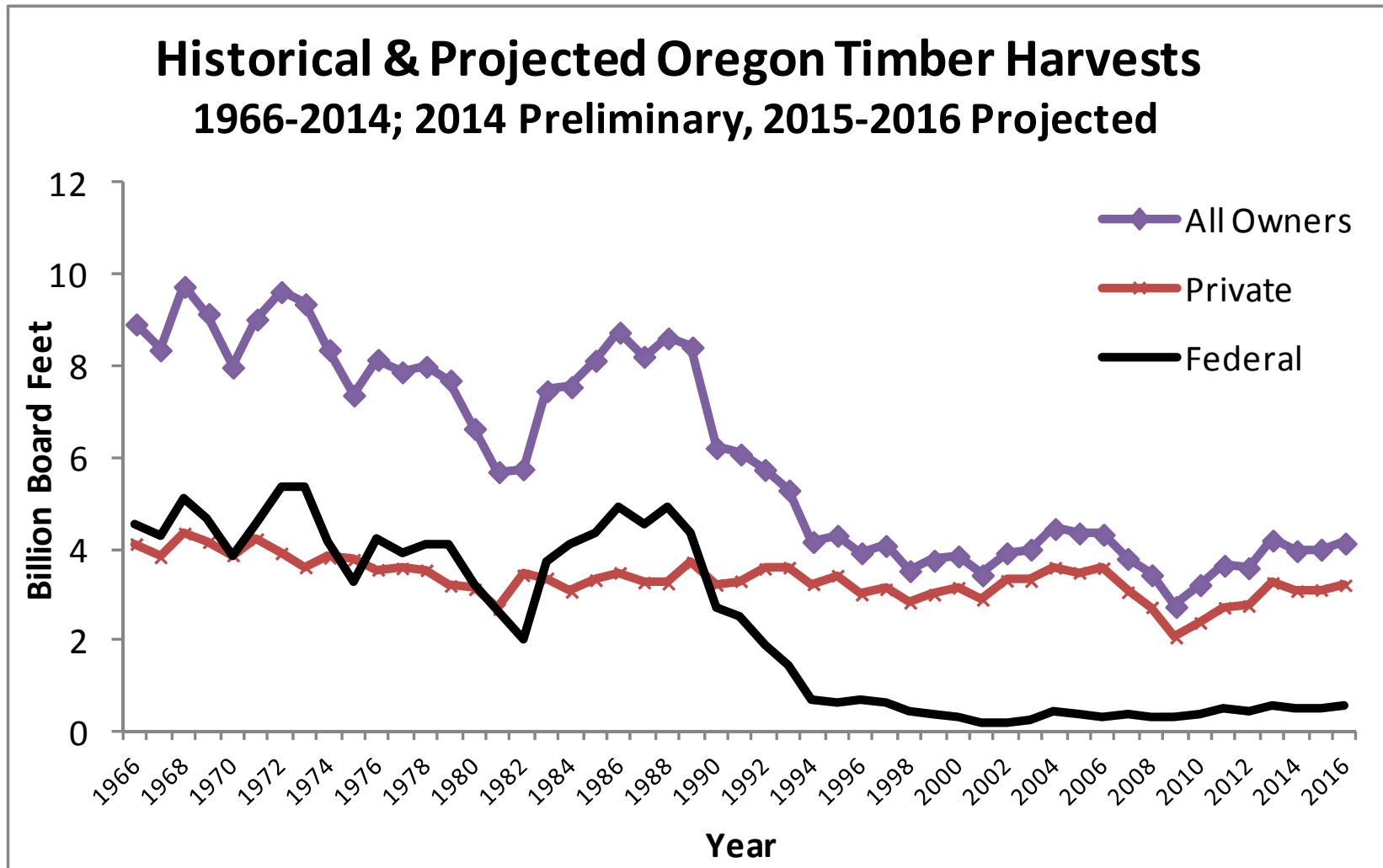
Sincerely,



Satish Upadhyay  
Administrative Services Division Chief  
Oregon Department of Forestry  
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Attachments (2)

c: Doug Decker, State Forester  
Richard Whitman, Governor's Natural Resources Policy Advisor  
Matt Stayner, Legislative Analyst, LFO  
Dustin Ball, CFO Analyst, BAM  
Christine Broniak, Economist, LRO  
Agency Executive Team  
ODF Legislative Tracking Unit



## OREGON FOREST PRODUCTS HARVEST TAX RATES (dollars per thousand board feet harvested)

