

**FISCAL IMPACT OF PROPOSED LEGISLATION**

**Measure: HB 2588 - A**

Seventy-Eighth Oregon Legislative Assembly – 2015 Regular Session  
Legislative Fiscal Office

*Only Impacts on Original or Engrossed  
Versions are Considered Official*

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**Measure Description:**

Imposes severance tax on harvest of timber from forestlands in Oregon of \$10 per thousand board feet and directs distribution of revenue.

**Government Unit(s) Affected:**

Department of Forestry, Department of Revenue (DOR), Oregon Watershed Enhancement Board (OWEB), Counties

**Summary of Expenditure Impact:**

See Analysis below.

**Local Government Mandate:**

This bill does not affect local governments' service levels or shared revenues sufficient to trigger Section 15, Article XI of the Oregon Constitution.

**Analysis:**

The measure establishes a severance tax of \$10 per thousand board feet to be deposited in the Forestland and County Reserve Fund. This tax would be in addition to the existing Forest Products Harvest Tax of \$3.43 (as of 2015) per thousand board feet. The measure also directs the distribution of the revenue, including allocating 50 percent of the amount to the Forest Fire Reserve Fund for costs associated with preventing or suppressing forest fires and for the administration of the fund, and 10 percent would go to the Watershed Conservation Grant Fund to be used for restoration projects. The remaining revenue would be distributed to counties based on the timber harvest in each county.

The Department of Revenue (DOR) would be responsible for collecting and distributing the tax revenue. DOR believes that they would be able to use existing forms and processes that are used for the Forest Products Harvest Tax. Given the magnitude of the tax increase, DOR would need to add one new auditor/appraiser position (0.75 FTE in 2015-17) at a cost of \$142,673 in 2015-17 to complete the necessary compliance work. DOR assumes that these costs would be paid from the General Fund as the bill does not provide for revenue from the tax to be used for DOR administrative costs. Costs would increase to \$203,256 in 2017-19 as the position is fully phased in.

The Oregon Watershed Enhancement Board (OWEB), which administers the Watershed Conservation Grant Fund, estimates additional revenue of \$4 million per year that would be available to provide grants for watershed restoration projects on forestlands. OWEB typically incurs administrative costs of 10 percent, but notes that the cost to administer the new revenue is indeterminate because it will depend on the complexity of the grant program that is designed.

The Forestry Department estimates that approximately \$20.5 million per year would be transferred to the Forest Fire Reserve Fund which could be used by the Department for the prevention and suppression of fires on forestlands, as well as for mitigation costs or repair of damage by fires on such lands. In addition, the Department may use the funds to cover their costs for administering the fund and for vehicles, equipment, and other resources appropriate to carrying out the responsibilities outlined above.