

Good afternoon Chair Witt and Members of the Committee. I am Peter Daugherty, and I serve as Oregon's State Forester and the director of the Oregon Department of Forestry. I appreciate the opportunity to provide the committee with information on the Forest Products Harvest Tax and how it funds the department's work.

The current total Forest Products Harvest Tax rate is \$4.13 per thousand board feet. Of that, about \$2 helps fund two critical areas of natural resource protection work at the department: regulating forest operations and putting out wildfires.

The Forest Products Harvest tax funds up to 40% of the department's administration of Oregon's Forest Practices Act, with the remainder coming from the General Fund. The Forest Practices Act is a cornerstone of natural resource protection in Oregon, requiring post-harvest reforestation, streamside buffers and other measures to ensure sound forest management. It also provides a stable regulatory environment for forest businesses. Harvest tax revenues help fund our landowner education and assistance programs and enforcement work on forest activities, such as timber harvest, road construction and maintenance, treatment of slash, chemical use, and reforestation on non-federal lands.

The current harvest tax rate for supporting forest practices act administration is \$1.39 per thousand board feet. Every biennium, the department submits a legislative concept to amend ORS 321.015 and update the three rates that fund Forest Practices Act administration and Oregon State University forestry education and research for the next two calendar years. This session, the rate update is in House Bill 2070.

The Forest Practices Act administration rate is calculated using three factors:

1. the ending balance for the current biennium,
2. projected budgetary needs for the next biennium,

3. and forecasted harvest levels for the next two years.

Unlike the portion of the rate specific to Forest Practices Act administration that changes biennially, the portion dedicated to emergency fire suppression costs does not have a regular update cycle. It is currently set at 62.5 cents per thousand board feet, which goes into the Oregon Forestland Protection Fund. The harvest tax is one of five revenue streams for the fund, and accounts for approximately 21% of the fund. The other revenue streams are landowner acreage assessments (13%), minimum lot assessments (6%), improved lot surcharges (58%), and interest accrued on the account balance (2%).

This fund was established by the Legislature to balance emergency fire suppression costs across ODF's fire protection districts. All non-federal forestland owners pay into the fund and that money is available to any of the protection districts to cover emergency fire suppression costs that exceed a district's base fire protection budget. The fund has a \$13.5 million annual expenditure cap, which, along with General Fund contributions, goes toward emergency fire suppression costs (\leq \$20 million), severity resources (\leq \$3 million), and the state's fire insurance policy premium (\$0.5 million). When expenditures are less than the annual cap, the fund may strategically invest in the department's fire prevention, detection, or suppression capacity, such as purchasing additional detection cameras, or more recently forward looking infrared technology (FLIR) for our detection aircraft.

The Emergency Fire Cost Committee, whose members are appointed by the Board of Forestry, is responsible for Oregon Forestland Protection Fund distributions. This work includes overseeing the tracking and auditing of large fire costs, reimbursements, and recoveries; and the annual firefighting insurance policy renewals and tracking any claims against the policy.

Thank you for your time today and I am glad to answer any questions.