

FISCAL IMPACT OF PROPOSED LEGISLATION

81st Oregon Legislative Assembly – 2021 Regular Session
Legislative Fiscal Office

Measure: HB 2357 - A7

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

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Measure Description:

Establishes Sound Forestry Practices Subaccount and Family Forestlands Subaccount as subaccounts of State Forestry Department Account.

Government Unit(s) Affected:

Oregon Forest Resources Institute, Department of Forestry (ODF)

Summary of Fiscal Impact:

Costs related to the measure are indeterminate at this time - See explanatory analysis.

Summary of Expenditure Impact:

See Analysis:

Analysis: The measure directs the Oregon Department of Forestry (ODF) to develop and apply sound forestry practices to:

- Promote forest health;
- Incorporate regulation and monitoring of pesticide use in forests;
- Employ adaptive resource management; and
- Advance climate science or climate policy as it relates to forest management.

The measure requires ODF to provide support for any committee created by the Board of Forestry to serve owners of small forestlands; provide support for owners of small forestlands in understanding the Oregon Forest Practices Act; and conduct education initiatives for owners of small forestlands. The measure also requires establishing, at the beginning of each calendar year, the rate of tax levied for this portion of the Harvest Tax that is not to exceed \$0.75 per thousand board feet as adjusted annually for inflation since 1991 based on the Consumer Price Index for All Urban Consumers, West Region (All Items), as published by the Bureau of Labor Statistics of the United States Department of Labor. The proceeds would be directed as follows:

- 50% to the Sound Forestry Practices Subaccount;
- 33% to the Oregon Forest Resources Institute Fund; and
- 17% to the Family Forestlands Subaccount to provide support to owners of small forestlands.

The measure changes the composition of the Board of Directors of the Oregon Forest Resources Institute (OFRI) by adding two additional voting members with specific qualifications and specifies certain restrictions on the use of OFRI funding and reporting on staff and certain individuals. The -A7 amendment removes consideration of producers in OFRI board appointments, specifies that voting members representing environmental community and fish and wildlife are appointed by Senate President and Speaker of the House, clarifies that appointed member of the public must be non-affiliated, and clarifies voting status and requirements of OFRI board members.

The change in the distribution of revenue from this portion of the Harvest Tax results in a significant reduction in revenue for the Oregon Forest Resources Institute. The measure reduces the distribution to OFRI from this portion of the Harvest Tax from 100% to 33%, a reduction of 67%. The fiscal impact to OFRI is indeterminate

because the harvest tax rate has not been set and therefore the future revenue for OFRI operations is unknown. The change in distribution of the harvest tax revenue would likely result in programmatic and staffing reductions that would allow OFRI to operate within the confines of available revenue. The addition of two Board members would not materially affect OFRI operating costs.

There is no methodology for how the future tax rate would be set, only that the tax rate would be between \$0.01 and \$0.75 per thousand board feet as adjusted by the inflation factor noted in the measure. Using the compound annual growth rate of the consumer price index (CPI) of all urban consumers, west region (all items) from 1991 through 2020 of 2.4248% as a proxy, the tax rate cap for this portion of the Harvest Tax would be roughly \$1.58. The current tax rate as set by OFRI is \$1.12 per thousand board feet and is projected to generate approximately \$8.1 million in the 2019-21 biennium.

The fiscal impact on ODF is indeterminate due to the unknown future tax rate that is to be set by ODF, and the scale and scope of the programs funded by the tax. The current tax rate would continue be in effect and is assumed to be allocated as outlined in the bill from the effective date of the measure until the new rate is set by ODF at the beginning of the calendar year. Although it is assumed that ODF would make use of the funds allocated to the accounts created to implement the programs outlined in the bill, the actual operation of those programs is yet to be determined.

Note that the Oregon Forest Resources Institute is a quasi-governmental agency exempt from certain state financial administration laws, and the Institute's budget is not subject to Executive Branch review, or approval or modification by the Legislative Assembly.