

## FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 3019

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

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

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Prepared by: Haylee Morse-Miller

Reviewed by: Matt Stayner, Kim To

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### Measure Description:

Transfers revenue from levy of additional privilege tax under forest products harvest tax to State Forestry Department Account for distribution to Oregon Forest Resources Institute Fund, Oregon Forest Land Protection Fund and Higher Education Coordinating Commission for Oregon State University Extension Service to implement Oregon Environmental Literacy Plan.

### Government Unit(s) Affected:

Forest Resources Institute, Higher Education Coordinating Commission, Department of Forestry

### Summary of Fiscal Impact:

Costs related to the measure may require budgetary action - See analysis.

### Analysis:

HB 3019 directs the State Board of Forestry to establish annually, at the beginning of each calendar year, the privilege tax rate levied upon harvesting of merchantable forest products on forestlands. This tax rate is currently established by the board of directors of the Oregon Forest Resources Institute (OFRI). Under this measure, tax funds are no longer deposited in the OFRI Fund, but are instead credited to the State Forestry Department Account with 33% then distributed to the OFRI Fund, 33% to the Oregon Forest Land Protection Fund, and 34% to the Higher Education Coordinating Commission (HECC) for use by the Oregon State University (OSU) Extension Service to implement the Oregon Environmental Literacy Plan.

The measure also makes changes to the nomination process and membership of the OFRI board of directors; and adds to the prohibited use of funds by OFRI, as well as requiring annual reporting on interactions between institute staff and elected officials, members of boards and commissions and senior agency employees. The Oregon Department of Forestry (ODF) is directed to review and approve OFRI communications and publications.

This measure takes effect January 1, 2024.

The current estimate of harvest volume provided by the Department of Revenue for the 2024 calendar year is 3.27937 billion board feet. The 2023 harvest tax rate set by OFRI, according to report #3-23 by the Legislative Revenue Office dated January 2023, is \$1.12 per thousand board feet, which is estimated to provide \$3,672,894 in revenue to OFRI in 2023 based on the projected harvest volume.

Current statute allows for OFRI to set its rate to a maximum of \$0.75 per thousand board feet, adjusted annually, by the Consumer Price Index (CPI) for All Urban Consumers, West Region, as published by the U.S. Bureau of Labor Statistics. The compound annual growth rate for the CPI during the period of 1991 to 2022 was 3.766% per year. Applying that rate, LFO estimates that the 2023 rate cap for OFRI is \$2.3592 per thousand board feet.

This fiscal impact statement uses these revenue estimates to provide the cost estimates below, but the measure permits the State Board of Forestry to annually establish the tax rate so these amounts are subject to change. Further information regarding revenue estimates will need to be provided by the Legislative Revenue Office.

### Oregon Forest Resources Institute

OFRI anticipates that this measure would cause a loss of revenue totaling approximately \$2.4 million annually, if the Department of Forestry were to retain the rate currently used by OFRI. If ODF was to use the maximum allowable rate, the revenue loss is estimated to be \$1.12 million annually. The Institute notes that the maximum loss of revenue will likely require reducing staffing from nine positions to three. This also may require elimination of programs that fulfill their current statutory mandates, such as an annual statewide educational media campaign on forestry and Oregon's forests; forestry and natural resources education programs in schools; the Landowner Education program; and public education programs such as publications, tours, and commissioning reports. These actions will be subject to the approval of the OFRI board of directors.

Although OFRI is funded by a tax, the agency's budget is not subject to Executive Branch review, or approval or modification by the Legislative Assembly. Instead, the State Forester is charged with examination and certification of this budget.

### Oregon Department of Forestry

ODF will need additional Other Funds expenditure limitation to distribute tax funds to the OFRI Fund and HECC, and expenditures from the Oregon Forest Land Protection Fund. Although the measure would increase the revenues flowing into the Oregon Forest Land Protection Fund, that fund has a statutory cap on annual expenditures of \$13.5 million and a statutory trigger that would reduce revenues from other sources should the fund balance exceed certain thresholds.

ODF also will be required to review and approve OFRI communications and publications. Because the reduction in funding for OFRI is likely to reduce the overall volume of publications produced, the actual position needs for ODF are indeterminate at this time. The agency may need to request additional position authority once OFRI budget reductions are determined, and the volume of review work is known.

### Higher Education Coordinating Commission

HECC would disburse any funds received under this measure to OSU. HECC can accomplish this fund transfer using existing resources.

OSU anticipates spending \$1.2 to \$1.4 million each biennium for implementation of the Oregon Environmental Literacy Plan. OSU would use the funds provided by this measure primarily to continue an existing contract OFRI has with the Oregon Natural Resources Education Program, which delivers K-12 educator natural resources education and manages the existing Oregon Environmental Literacy Plan; the contract costs are approximately \$700,000. OSU would also hire two full-time, permanent positions, including a Program Coordinator and Program Assistant, to provide educational programs and workshops at an estimated cost of \$266,584 in the 2023-25 biennium and \$375,243 in the 2025-27 biennium. Remaining costs includes indirect, travel, and program supplies such as funding for speakers, instructional supplies, office supplies, etc.

This measure warrants a subsequent referral to the Joint Committee on Ways and Means to increase Other Funds expenditure limitation for HECC and ODF.