

## FISCAL IMPACT OF PROPOSED LEGISLATION

Measure: HB 2206 - 4

82nd Oregon Legislative Assembly – 2023 Regular Session

Legislative Fiscal Office

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

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### Measure Description:

Requires Department of State Lands to study creation of credits for restoration of salmon habitat.

### Government Unit(s) Affected:

Department of State Lands, Department of Fish and Wildlife, Department of Revenue, Department of Agriculture, Legislative Counsel, Water Resources Department

### Summary of Fiscal Impact:

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

### Analysis:

HB 2206 - 4 directs the Department of State Lands (DSL), in consultation with the Oregon Department of Fish and Wildlife (ODFW) to develop by rule a salmon credit pilot program to improve the health of wild coho and chinook salmon in the Coquille watershed basin. The pilot program is to encourage and create financial incentives for landowners to engage in voluntary salmonid habitat restoration projects, and allow purchase of salmon credits in order to comply with conditions imposed on certain permits, authorizations, or resolution of violations related to the Coquille or Coos watershed basins. The prices for a salmon credit are to be set at an amount that compensates the generator of the credit for the average costs of a salmon credit project, and also generates an additional amount for deposit in the Salmon Credit Trust Fund which is established by this measure. Moneys in the fund are to be invested, and moneys in the fund are continuously appropriated to DSL to pay dividends as described below.

DSL is to inspect a salmon credit project at least once every three years to ensure that the salmon credit project satisfies the requirements of the pilot program. The measure requires DSL to adequately staff the program to ensure that applications to become a credit generator, or transactions for the purchase of salmon credits, are processed expeditiously. DSL must also make decisions on applications to become a credit generator within 30 days of receiving an application.

After a salmon credit project has been completed, DSL is to inspect the project to confirm the project has been completed and certify an amount of salmon credits for the project. After completion and certification of a salmon credit project, the credit generator must convey a permanent easement to the state for the portion of the property on which the salmon credit project is located to preserve the use of the property as salmonid habitat. After DSL receives payment from a credit purchaser for a salmon credit, the department must send the credit generator an amount calculated to reimburse the credit generator for the actual costs of the project, unless the credit purchaser assumed the costs of the project. The remaining amount of the salmon credit purchase price is to be deposited on behalf of the credit generator in the Salmon Credit Trust Fund. The credit generator is entitled to a salmon credit dividend based on the amount of salmon credits purchased, for as long as the salmon credit project meets the requirements of the salmon credit pilot program. DSL is to annually determine a dividend amount for salmon credits generated by each salmon credit project based on the amount deposited in the fund, and a rate of return established by the department. DSL may establish fees to cover the costs to the department of implementing the program. Fees are to be credited to the Common School Fund.

DSL and ODFW are to consult with the U.S. Army Corps of Engineers, and any other relevant federal agencies, to develop a programmatic general permit to authorize restoration activities under the salmon credit pilot program that occur in navigable waters of the United States. The program is operative on the date that this permit is established. DSL may not approve a salmon credit project after January 2 of the sixth calendar year following the establishment of a programmatic general permit. The measure takes effect on the 91st day after the Legislative Assembly adjourns sine die.

The fiscal impact of this measure will be dependent on the time it takes for the U.S. Army Corps of Engineers to develop a programmatic general permit. DSL estimates that this permit could take approximately two years to be approved. Costs could change based on the permitting timeline. Given the small geographical scope of this measure, it is also not clear what the demand for this program will be, which could change agency staffing needs.

#### Department of State Lands

Total costs for DSL implementation of this measure are estimated at \$444,656 in the 2023-25 biennium and \$470,880 in the 2025-27 biennium. This measure would require DSL to hire two permanent, full-time Natural Resource Specialist 4 positions (each 0.75 FTE in the 2023-25 biennium, and 1.00 FTE in the 2025-27 biennium). Position costs are estimated at \$348,656 in the 2023-25 biennium and \$464,880 in the 2025-27 biennium, plus position-related services and supplies. These positions would create and administer the credit program.

In addition, DSL anticipates one-time costs in the 2023-25 biennium totaling \$60,000 for a facilitator for rulemaking; as well as mapping tools and website development.

DSL has identified these as General Fund costs, however, the agency does not operate any programs using General Fund currently. Additionally, the measure allows for the department to establish fees calculated to cover the costs of implementing the program. The fee revenue generated is to be deposited in the Common School Fund, the primary source of funding for DSL programs. The Legislative Fiscal Office assumes that the fees established will be sufficient to cover those costs. Therefore, the Legislative Fiscal Office assumes that the DSL identified costs will be paid from the Common School Fund.

#### Oregon Department of Fish and Wildlife

ODFW anticipates needing two permanent, part-time Natural Resource Specialist 3 positions (each 0.44 FTE in 2023-25 and 0.50 FTE in 2025-27). One position would be based in ODFW's Headquarters to assist with rulemaking, the Army Corps of Engineers permit process, and facilitate work with the Department of State Lands. The second position would be regionally located and work on technical aspects of the rulemaking and work with community partners. Total costs are estimated at \$184,364 General Fund in the 2023-25 biennium and \$245,819 General Fund in the 2025-27 biennium, including \$146,864 for personal services in the 2023-25 biennium and \$195,819 in the 2025-27 biennium, with \$37,500 and \$50,000 in services and supplies in each biennium respectively.

#### Other agencies

This measure has no or minimal impact for the Water Resources Department, Department of Revenue, Oregon Department of Agriculture, and Legislative Counsel.

This measure warrants a subsequent referral to the Joint Committee on Ways and Means for consideration of its budgetary impact.