

HB 3940 B STAFF MEASURE SUMMARY**Carrier:** Rep. Levy B**House Committee On Revenue****Action Date:** 06/19/25**Action:** Do pass with amendments. (Printed B-Eng.)**Vote:** 6-1-0-0**Yeas:** 6 - Hudson, Levy B, Marsh, Nathanson, Smith G, Walters**Nays:** 1 - Reschke**Fiscal:** Fiscal impact issued**Revenue:** Revenue impact issued**Prepared By:** Chris Allanach, Legislative Revenue Officer**Meeting Dates:** 5/1, 6/18, 6/19**WHAT THE MEASURE DOES:**

Creates a tax on oral nicotine products, defined as any noncombustible item—excluding those classified as moist snuff for tax purposes—that contains nicotine from any source (or a nicotine analogue) and is intended for human consumption through non-inhalation methods. The proposed tax is 65 cents per container for packages containing up to 20 units, with an additional tax of 3.25 cents for each unit beyond 20. It begins on January 1, 2026. Requires the transfer of 20 percent of the interest earned by the Rainy Day Fund to the Landscape Resiliency Fund (6.7 percent) and the Community Risk Reduction Fund (13.3 percent). Increases the Forest Products Harvest Tax used for the payment of benefits related to fire suppression from 62.5¢ to \$1 (per thousand board feet) beginning January 1, 2026 and indexes the rate to inflation in subsequent years.

Creates the State Forestry Department Large Wildfire Fund for wildfire mitigation and suppression. Allows Oregon Department of Forestry (ODF) to transfer moneys from the Large Wildfire Fund to other funds, except to the Oregon Forest Land Protection Fund, as needed. Allows the State Forester to request funds to offset the annual costs of fire protection provided by the State Forester. Expands the information the State Forester must provide the Emergency Board for each fire consuming at least 1,000 acres.

Defines “centralized administration costs” as all costs associated with the administration of the State Forestry Department; services such as fire management on forestland and emergency response and support; and the procurement of relevant supplies. Requires these costs be funded through the General Fund.

For Fire Protection Districts, defines the term "budget" to mean moneys needed for the preparedness for, prevention of, and suppression of, forest fires on forestland. Establishes a minimum pro rata rate of 30 cents per acre provided by the State Forester to support the protection of grazing land; indexes the rate to inflation. Includes in the fee limits for lands not owned by public agencies, grazing land that is owned in fee by a federally recognized Indian tribe or a member thereof.

Repeals the acreage assessment. Increases the improved lot surcharge from \$47.50 to \$58 and indexes it to inflation. Increases the minimum lot assessment from \$18.75 to \$20 and indexes it to inflation. Eliminates the connection between a reduced minimum lot assessment and the balance of the Oregon Forest Land Protection Fund.

Defines terms related to the Emergency Fire Cost Committee (EFCC) and modifies its membership. Authorizes the committee to make minimum qualifications for membership and to establish standards and procedures related to its administration. Requires the first five members be appointed by December 31, 2025. Clarifies the role of the committee and allows the committee to adopt rules relating to the administration of the Oregon Forest Land Protection Fund. Allows the rules adopted by the EFCC to include a process for reviewing the fund disbursements and establishing best practices for reviewing budgets and suppression costs.

HB 3940 B STAFF MEASURE SUMMARY

Modifies certain financial aspects of the Oregon Forest Land Protection Fund. Aligns annual expenditures to be consistent the State Forestry Department fiscal year. Prohibits funds from being used to pay for centralized administration costs. Allows funds to be used for loans to the State Forestry Department or forest protection associations for wildfire costs. Repeals the current cap structure.

Removes statutes relating to zone 1 and zone 2 classifications for purposes of ODF classification; rezone zone 1 lands as Class 3 lands (grazing lands). Includes on the tax roll Rural Fire Protection District (RFPD) land within a city; increases that amount of RFPD land (with a structure) on the tax roll from 5 acres to 10 acres; unimproved RFPD lots up to 10 acres are included on the tax roll. Allows for the transfer of funds from the State Fire Marshall Mobilization Fund to the State Fire Marshal Fund and the Community Risk Reduction Fund. Ensures any loan from the State Treasurer made in the 2025-27 biennium would get an appropriation to repay. Defines terms for Treasury Loans and establishes a process. Requires the State Forestry Department to apply an offset against the annual costs of fire protection provided by the department for certain forestland. Removes the appropriation related to fire protection cost offsets. Eliminates the requirement that biennial ending balances in the Cash Flow Repayment Fund be transferred to the General Fund. Established the Wildfire Prepared Structure Program. Takes effect on the 91st day following sine die.

ISSUES DISCUSSED:

- Work of the Fire 35 group
- Opposition to the payroll and bottle taxes
- Support for the dedication of the retaliatory tax
- Risk of increasing landowner assessments to the existing program
- Need to find funding for mitigation, preparedness, and suppression
- Identified revenue sources are not sufficient, but are a start
- Dedication to risk reduction and mitigation
- Concern about nicotine tax revenue not dedicated to public health
- Desire to increasing share of Rainy Day Fund interest
- Lack of preemption for the nicotine tax
- Ability for future legislatures to modify the transfers of interest on the Rainy Day Fund
- Value of identifying isolated revenue sources for mitigation

EFFECT OF AMENDMENT:

Replaces the revenue sources with a new tax on oral nicotine products and a partial transfer of interest on the Rainy Day Fund. Makes other programmatic changes. Expands the policy for the use of the Forest Products Harvest Tax (FPHT) to include preparedness. Removes the extensions of two parts of the FPHT dedicated to OSU Research and the Forest Practices Act. Allows ODF to transfer moneys from the Large Wildfire Fund to other funds, except to the Oregon Forest Land Protection Fund (OFLPF), as needed. Modifies the membership of the Emergency Fire Cost Committee (EFCC). Requires reimbursements made from the OFLPF to be credited to the fund. Allows the rules adopted by the EFCC to include a process for reviewing the fund disbursements and establishing best practices for reviewing budgets and suppression costs. Defines terms for Treasury Loans and establishes a process. Removes the appropriation related to fire protection cost offsets. Eliminates the requirement that biennial ending balances in the Cash Flow Repayment Fund be transferred to the General Fund. Established the Wildfire Prepared Structure Program.

BACKGROUND:

House Bill 5701 from 2024 directed the Oregon Department of Forestry and the Oregon State Fire Marshal to create a 35-member workgroup to identify solutions for sustainable wildfire mitigation and response funding to mitigate and suppress wildfires in Oregon. That group arrived at six potential funding sources. Four of those

HB 3940 B STAFF MEASURE SUMMARY

sources are included in this bill. The fifth option is contained in SB 1177 which proposes to divert the current personal kicker to a wildfire fund. The sixth option is contained in SJR 11; it would constitutionally dedicate a portion of Lottery revenues to a wildfire fund.