

HB 4004 A STAFF MEASURE SUMMARY

House Committee On Agriculture, Land Use, Natural Resources, and Water

Action Date: 02/11/26

Action: Do pass with amendments and be referred to Revenue by prior reference. (Printed A-Eng.)

Vote: 11-0-0-0

Yeas: 11 - Boice, Cate, Hartman, Helm, Levy B, Marsh, McDonald, McLain, Munoz, Owens, Scharf

Fiscal: Has minimal fiscal impact

Revenue: Revenue impact issued

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Meeting Dates: 2/2, 2/11

WHAT THE MEASURE DOES:

The measure authorizes owners of small tract forestland that is disqualified from special assessment solely due to Douglas fir mortality to defer, rather than immediately pay, any back taxes. It sunsets this option on January 2, 2028. The measure authorizes the Oregon Water Resources Department (OWRD) to grant water right permit holders a single seven-year extension if development delays result from specific land use permit delays or related appeals, provided the applicant is either within their original construction deadline or already holds a valid extension when applying. It makes technical corrections to OWRD's personnel requirements and final order timelines for water rights and permits, and it directs OWRD to promote enrollment in the federal Conservation Reserve Enhancement Program for water users who voluntarily cancel groundwater rights in restricted areas.

Detailed Summary:

Small Tract Forestland Back Tax Deferral

- Authorizes owners of small tract forestland that is disqualified from special assessment solely due to Douglas fir mortality to defer, rather than immediately pay, any back taxes
- Gives direction to county assessors on how to administer the tax deferral
- Requires landowners to submit a written notice by April 1 of the assessment year, requesting the deferral and certifying Douglas fir mortality impact
- Requires disqualified properties to be valued and assessed under standard ad valorem taxation rules
- Sunsets January 2, 2028

Extension of Time for Water Right Permit Holders

- Authorizes OWRD to, for good cause shown, grant one extension of time not exceeding seven years to water right permit holders, other than those holding a permit for municipal use, quasi-municipal, group domestic, or group domestic expanded uses, to complete construction and apply water beneficially, if OWRD can determine that development delays under the permit resulted from one of the following:
 - Delays in permit issuance by another local, state, or federal government
 - Appeals of local, state, or federal decisions on a permit
- Requires applicants for such extension to either have not received a prior extension and apply before their original construction due date, or have a valid extension of time at the time of application

Personnel Requirements and Final Order Timelines for OWRD

- Makes a technical correction to ensure timeline consistency for proposed final orders on water rights and permits

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- Removes the requirement that OWRD's director or principal assistant be a registered engineer while requiring the department to employ one

Conservation Reserve Enhancement Program

- Directs OWRD to promote enrollment in the federal Conservation Reserve Enhancement Program for water users who voluntarily cancel groundwater rights in restricted areas

ISSUES DISCUSSED:

- Current definition of "boat"
- Legislative intent of the previous measure modifying Waterway Access Permit requirements to exclude single inner tubes and inner tubes that are tied together
- Legislative history of Waterway Access Permit applicability
- Sunset provisions for the small tract forestland back tax deferral
- Eligibility for the seven-year extension of time proposed by the measure
- OWRD's discretion to shorten the extension timeline
- Fiscal impact of the provisions directing OWRD to promote enrollment in the Conservation Reserve Enhancement Program
- Impact of Conservation Reserve Enhancement Program provisions on federal match funding

EFFECT OF AMENDMENT:

The amendment limits the measure to small tract forestland, converts the back-tax exemption to a tax deferral, and sunsets the measure on January 2, 2028. It authorizes OWRD to grant water right permit holders a single seven-year extension if development delays result from specific land use permit delays or related appeals, provided the applicant is either within their original construction deadline or already holds a valid extension when applying. It further makes technical corrections to OWRD's personnel requirements and final order timelines for water rights and permits, and it directs OWRD to promote enrollment in the Conservation Reserve Enhancement Program for water users who voluntarily cancel groundwater rights in restricted areas.

Detailed Summary:

Small Tract Forestland Back Tax Deferral

- Limits the measure to small tract forestland
- Converts the back-tax exemption to a tax deferral when land is disqualified from special assessment solely due to Douglas fir mortality
- Provides direction to county assessors on how to administer the tax deferral
- Requires landowners to submit a written notice by April 1 of the assessment year, requesting the deferral and certifying Douglas fir mortality impacts
- Requires disqualified properties to be valued and assessed under standard ad valorem taxation rules
- Sunsets January 2, 2028

Extension of Time for Water Right Permit Holders

- Authorizes OWRD to, for good cause shown, grant one extension of time not exceeding seven years to permit holders, other than those holding a permit for municipal use, quasi-municipal, group domestic, or group domestic expanded uses, to complete construction and apply water beneficially, if OWRD can determine that development delays under the water right permit resulted from one of the following:
 - Delays in permit issuance by another local, state, or federal government
 - Appeals of local, state, or federal decisions on a permit
- Requires applicants for such extension to either have not received a prior extension and apply before their original construction due date, or have a valid extension of time at the time of application

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BACKGROUND:

Forestland Assessments

Since 2015, Douglas fir dieback in southwest Oregon has increased significantly, with an estimated 260,000 trees killed across roughly 150,000 acres between 2016 and 2019. Environmental changes (such as fire, drought, and insect infestations) can create landscapes that no longer support the stocking density required to maintain the forestland status designation required for special tax assessments. A property owner whose land is disqualified from special assessment status is subject to paying back taxes.

Water Right Extensions

After a water right permit is issued, the holder is given a set period of time to complete the construction of proposed works and apply the water beneficially. Under certain circumstances, OWRD may grant an extension of this deadline. The passage of House Bill 3342 (2025) limited the types and number of extensions available to permit holders.

OWRD Water Right Processing Timelines

House Bill 3342 (2025) established the conditions under which a proposed final order becomes a final order without further action by OWRD. A technical correction is needed to address an internal incongruity of the language in that measure.

OWRD's Organizational Structure

Over many years, Oregon's water management agency has evolved from the State Engineer's office into its current OWRD structure. Current law still requires certain leadership positions to serve as principal assistants reporting directly to the agency's director, a requirement that the Department of Administrative Services recently flagged as unmet.

Conservation Reserve Enhancement Program

The Harney Valley Groundwater Conservation Reserve Enhancement Program is administered by OWRD and the U.S. Farm Service Agency to provide incentives for eligible groundwater irrigators who choose to enroll and voluntarily cancel their groundwater rights to reduce their consumptive water use.