



Board of Commissioners

Office: (541) 766-6800

Fax: (541) 766-6893

4500 SW Research Way
Corvallis, Oregon 97333

bentoncountyor.gov

MEETING MINUTES
BENTON COUNTY BOARD OF COMMISSIONERS
JULY 16, 2024

Present: Xanthippe Augerot, Chair; Pat Malone, Commissioner; Rachel McEneny, County Administrator

Excused: Nancy Wyse, Vice-Chair; Vance Croney, County Counsel

Elected

Officials: Sheriff Jef Van Arsdall; District Attorney John Haroldson

Staff: Maura Kwiatkowski, Meeting Recorder; Cory Grogan, Public Information Officer; Rick Crager, Assistant County Administrator; Ryan Joslin, Assistant District Attorney; April Holland, Damien Sands; Health Services; Bailey Payne, Community Development

Guests: John Harris, Horsepower Productions; Timothy Nierman, Diane Scottaline, Misha Marie, The Arc of Benton County; Brandon Pursinger, Association of Oregon Counties; Paul Nietfeld, Community Member

1. Call to Order and Introductions

Chair Augerot called the meeting to order at 9:00 AM. Introductions were made.

2. Review and Approve Agenda

The agenda was approved with no changes.

3. Proclamations

- 3.1 Proclaiming July 2024 as Americans with Disabilities Month in Benton County, Proclamation P2024-016

Timothy Nierman from The Arc of Benton County read the proclamation aloud.

MOTION: Malone moved to adopt Proclamation P2024-016 proclaiming July 2024 as Americans with Disabilities Month in Benton County. Augerot seconded the motion, **which carried 2-0.**

4. Comments from the Public

Paul Nietfeld addressed the Board regarding the landfill, potential expansion, and revenue as a follow-up to his March 2023 testimony. First, the BCTT (Benton County Talks Trash) final report did not provide guidance on expected future landfill revenue to Benton County, but estimates for expected future landfill surcharge revenue can be generated from the fee schedule in the 2020 landfill franchise agreement and the intake tonnage projections provided by the landfill operator as part of the solid waste process workgroup effort, which projected that volumes will continue to run close to the level of the intake tonnage cap for as long as the cap is in place, meaning about 1.05 million tons per year.

Second, for the landfill franchise agreement, the base franchise fee will drop from \$3.5 million in 2024 to \$2.5 million next year if expansion is not approved. However, and this is important, at the current and projected intake tonnage levels, it is the per-ton host fee that determines the total payout to the county for each calendar year, not the franchise fee. Because of this, the county will meet or exceed its expected landfill surcharge revenue for the 2023-25 biennium without any expansion approval and would continue to receive about \$3.6 million per year from the landfill beyond the current biennium without an expansion. For example, in calendar year 2025, the no expansion host fee figure of about \$3.43 per ton, at an expected intake rate of 1.05 million tons per year, generates a total 2025 calendar year revenue of \$3.6015 million with no expansion. Benton County's landfill surcharge for revenue goals for the current biennium can be achieved without expansion of the landfill, and future biennia would continue to see \$7-plus million per biennium surcharge revenue figures at this intake level without expansion approval. Note: all revenue figures quoted are non-inflation adjusted dollars.

Third, given the above, it should be clear to all involved in landfill-related decisions that the integrity of the county budget is not dependent on approval of a landfill expansion. This is good news. Nietfeld indicated he would follow up by email to the commissioners and Jennifer Ambuehl (Financial Services providing the calculations for the information presented today.

In relation to Work Session Item 5.1, Nietfeld expressed deep appreciation of Benton County's efforts in support of citizens with mental health issues and particularly to the Benton County Sheriff's Office for the professionalism, competence, and understanding of its deputies in dealing with citizens suffering with these burdens.

5. Work Session

5.1 Behavioral Health Deflection Program Briefing

Holland and Crager provided an update on House Bill (HB) 4002 regarding funding appropriated to counties for deflection programs to help support a behavioral health deflection program. Benton County will receive at least \$231,000 for this purpose.

The current priority is to establish a program coordinator to fulfill the duties required by the legislation, including coordinating with partners such as the District Attorney's Office, law enforcement, and behavioral health service providers. Staff is working on a position description for a program coordinator, which is a requirement of HB 4002. The current plan is for the program coordinator to be assigned to the Health Department, but this could change.

The meeting packet included a draft workflow, which is a framework staff is working on, and discussions will continue. The Criminal Justice Council (CJC) notified the county our application had been deemed intact. The grant committee will meet August 1 to decide on Benton County's final resource allocation; Crager expressed optimism regarding the county's funding prospects

The draft framework provides that eligible individuals will be those cited with possession of a controlled substance misdemeanor who are residents of Benton County with no history of violent crime or sex offenses, no outstanding out-of-county warrants, and not subject to a restitution order. Individuals may also potentially be referred by emergency response teams or social service providers. Participation would be voluntary.

Discussions with the District Attorney's Office include working to define the requirements for an individual to be considered successful. When has an individual completed the right steps in the program to move away from the citation? A required regional symposium is scheduled for July 24 in Bend, and five Benton team members will attend. Our draft framework will be part of the discussions at the symposium, and county team members will receive guidance to help improve on progress to this point. There will be a debrief team meeting afterward to further refine the framework. Holland has worked on a draft position description for the program coordinator. Getting this position in place is a very important element. The tentative go-live date for the program is January 1, 2025.

Holland added that a great deal of learning has been occurring; there have been many conversations with multiple partners to determine where to begin with the program, how to build something that includes all the necessary elements, and to build something that can be scaled as we demonstrate success to serve even more people.

Van Arsdall and Haroldson expressed their support for program development and thanked county staff for their efforts to secure grant funding to establish the program.

Crager noted that Sara Hartstein (Health) is working to leverage opioid settlement funds and utilizing additional behavioral health resources through the current contract with the Oregon Health Authority. Some community partners have indicated their Measure 110 resources could potentially be available to support the program. Crager sees the potential to also add additional partners to the effort.

Augerot cited the importance of leveraging multiple funding sources and indicated there may be an opportunity with US Bureau of Justice assistance grants.

Malone requested a specific definition of deflection. Holland suggested deflection is a community-centered practice offering an alternative to entering the justice system and wrapping people in a system of care, including treatment and other basic needs. Augerot added the intent is to reach people before they officially enter the justice system. Haroldson remarked that deflection is another form of moving a case from a traditional track; sometimes referred to as diversion, conditional discharge, or a pre-charging agreement to move someone away from the traditional justice system.

In response to a question from Malone, Crager indicated the grant is a one-time appropriation; the program will need sustainability. There will be ongoing legislative discussions, and the indication from the state is that we should expect resources beyond the 2023-25 biennium.

Augerot pointed to the role of community health centers in the process, as well as that of the Coordinated Homeless Response Office. Crager indicated the county's Juvenile Director is also a partner; the entire county is coming together to support a deflection program.

Crager and Lindsey Goodman will track program requirements and deadlines until the program coordinator is in place.

McEneny indicated staff would return in November with another update on the deflection program.

5.2 Proposed County Timber Revenue Options

Representing the Association of Oregon Counties and the Council of Forest Trust Land Counties (CFTLC), Pursinger briefed the Board on the state's proposed Habitat Conservation Plan (HCP) and the impacts of the HCP on county timber revenue.

The CFTLC is made up of 15 counties on the west side of the state. In the 1930s and 1940s, these 15 counties deeded in trust to the state, forest lands for long-term forest management. This arrangement is unique among Oregon counties.

In March 2023, the Legislative Coastal Caucus sent a letter to the Governor, which advised the proposed HCP being created by the Oregon Department of Forestry (ODF) would significantly impact communities. The Governor's April 2023 response expressed interest in working to solve the problem, assuming the HCP goes into effect.

In August 2023, former CFTLC Chair David Yamamoto of Tillamook County received an invitation from Governor Kotek's Natural Resources Advisor to begin conversations to identify the financial impact of the proposed HCP on trust land counties and how to mitigate the anticipated revenue decrease. Then-Commissioner Yamamoto asked for others from CFTLC to participate in the discussions. Five commissioners were selected to represent each of the five CFTLC districts: Yamamoto representing Tillamook; Commissioner Bangs representing Clatsop; Washington Commissioner Willey representing District 3 (Washington, Clakamas, and Columbia); Linn Commissioner Tucker representing District 4 (Benton, Lincoln, Linn, Marion, and Polk); and Coos Commissioner Sweet representing District 5 (Coos, Douglas, Josephine, Klamath, and Lane).

Meetings began in September 2023, and the purpose was to identify the magnitude of the proposed HCP impact. Fourteen of the 15 CFTLC counties would be impacted by the HCP; Klamath would not be impacted. Of the 14 impacted, there is a 10-year historical average of 239 million board feet harvested from state forests. ORS 530.110 provides that counties and the ODF share in all revenue generated from timber harvest. Counties receive 63.75 percent of that revenue, and ODF keeps 36.25 percent. ORS 530.115 requires that counties share the 63.75 percent. Counties keep 10 percent; and after that, the County School Fund (CSF) receives 25 percent of the remainder. After the CSF allocation, any special taxing district that overlays where the state forest land is located receives a portion of the remaining funds.

The 239 million board feet was generated across the 14 counties as the 10-year historical average. According to ODF, 185 million board feet is what could be expected to be harvested, which equals a reduction of 54 million board feet. Benton County has historically seen about three million board feet as its 10-year historical average. According to ODF, under the HCP, Benton would remain around three million board feet, which is something of an anomaly amongst the trust land counties.

Last year's stumpage was \$496 per 1,000, but the expected 10-year historical average for stumpage is \$411 per 1,000. This essentially correlates to a reduction of \$22 million generated from state forests. How will this deficit be mitigated? Fifteen different proposals were discussed amongst the five commissioners, Pursinger, and three staff from the Governor's office. The goal was to identify changes that need to be made before the HCP would go into effect in 2026. The single opportunity to make changes will be in the 2025 legislative session.

The Governor's office identified three proposals on which to continue conversations. Of the amount allocated to counties, special districts, and schools, which of the three recipients will be affected by the \$22 million reduction? Fifty percent of all revenue received by counties

goes to schools. Overall, a third goes to the counties, a third goes to ODF, and a third goes to schools. School districts would be placed on the School Equalization Program. Four school districts are not currently in the School Equalization Program.

Pursinger provided an overview of the three options selected by the Governor:

Option 1: ODF absorbs the entire financial impact. Statute would need to change so that 82 percent goes to county special districts and schools. The remaining 18 percent would go to ODF. Potential pitfall of Option 1: a reduction of \$22 million to the ODF State Forest Division (SFD). This means ODF SFD would not necessarily have the staff or resources to sell the timber contracts to ensure there is sufficient revenue generated for county special districts and schools.

Option 2: ODF would receive the same dollar amount as currently; the department would need to receive 47 percent instead of the current 36 percent. This would reduce the county's special districts and schools share to 53 percent, with an even split of 26.5 percent each. Option 2 was not well received by the counties, since the lands were county forests deeded in trust to the state to manage. One of the requirements under the statute for greatest permanent value is timber harvest. Seeing a reduction of that magnitude to the counties was not viewed favorably by the counties.

Option 3: The reduction would be experienced by the local school districts. This means 53 percent to counties and noneducational special districts and 47 percent to ODF. County special districts and ODF would receive the same amount as previously. School districts would be placed wholly on the School Equalization Program (SEP). This is not a simple or straightforward option. Four school districts in the state are not currently in the SEP because local revenues exceed the amount those districts would receive from the state. Those four districts are located in Tillamook and Clatsop Counties, two of the trust land counties. Additional conversations will be needed if Option 3 is the path selected and the SEP is able to make up the additional revenue needed to be allocated to the impacted school districts, not just the four not in the SEP. More conversations would also be needed with school administrators, school boards, teachers, etc. At this point, only the Governor's Office and the counties are engaged in the conversations.

On June 28, a CFTLC full membership meeting was held; Wyse attended and received information. The request from the Governor is that CFTLC provide by mid-August a recommendation as to which of the three options counties prefer. This allows one month to bring trust land counties back together to officially take (or not take) an official position. If the trust land counties decide to do nothing, it is a \$22 million deficit that will affect the counties, ODF, and the schools.

Regarding impact specific to Benton County, the current 10-year historical average is at \$411 per 1,000, or \$375,000. According to ODF, with the anticipated annual harvest over the HCP lifespan of 70 years, Option 1 would result in \$557,000 for Benton, Option 2

\$359,000, and Option 3 \$719,000. Last year, the stumpage price was \$496 instead of the historical average of \$411, so all numbers will increase by approximately \$100,000. The current year stumpage price projection is \$550 per 1,000. If timber prices continue to increase, all of these numbers will continue to increase. Conversely, if the market decreases, the county could potentially see a decrease, regardless of the option selected.

Augerot noted Benton County is fortunate the HCP impact is nearly neutral in terms of long-term revenue. She tends to favor Option 3 because it seems to be the direction other states, including Washington, are moving. Augerot believes educators, schools boards, and other educational interest groups would be strongly opposed to the change.

Malone asked about discussion regarding general fund dollars being put into the mix to soften the effects of whichever option moves forward. Pursinger indicated whichever option is moved forward, the recipient of the significant brunt of the \$22 million reduction would be looking to the legislature for a general fund appropriation. Malone noted it is easy to argue that the HCP benefits all the people of Oregon with different effects on people in different counties. The state should soften the blow of whatever option ultimately moves forward.

Crager agreed with Augerot that Option 3 is likely the best option to minimize impact. Augerot pointed out that education will be at the forefront of the upcoming legislative session and that \$22 million is not a significant amount in the context of education funding. It is, however, a huge impact at the county level.

Pursinger noted only one Benton County school district receives timber harvest revenue, which is the Philomath School District. Pursinger has heard thoughts similar to Augerot's expressed by other state land trust counties.

[Exhibit 1]

6. Consent Calendar

- 6.1 Approval of the April 2, 2024 Board Meeting Minutes
- 6.2 Approval of the April 16, 2024 Board Meeting Minutes
- 6.3 Approval of the May 7, 2024 Board Meeting Minutes

MOTION: Malone moved to approve the Consent Calendar. Augerot seconded the motion, **which carried 2-0.**

7. New Business

7.1 Oregon Cascades West Council of Governments Fiscal Year 2024-25 Membership Renewal and Dues

Kwiatkowski advised the Board the 2024-25 dues for the county’s Oregon Cascades West Council of Governments membership were currently due and payable if the Board wished to continue the membership. Annual dues are \$29,750.13, and this amount was included in the Board’s 2023-25 budget.

MOTION: Malone moved to approve the Fiscal Year 2024-25 Oregon Cascades West Council of Governments membership renewal and payment of dues in the amount of \$29,750.13. Augerot seconded the motion, **which carried 2-0.**

8. Other

No other business was conducted.

9. Announcements

Augerot noted the Open Streets Corvallis event scheduled for Sunday, July 21; it is an outstanding community event.

McEneny added that the Sheriff’s Office will be competing in a charity softball game on July 24 at Coleman Field on the Oregon State University campus.

10. Adjournment

Chair Augerot adjourned the meeting 10:14 AM.



Xanthippe Augerot, Chair



Maura Kwiatkowski, Recorder

*Items denoted with an asterisk do not have accompanying written materials in the meeting packet.



AGENDA

Council of Forest Trust Land Counties Full Membership Meeting

CFTLC Full Member Meeting
Friday, June 28 · 8:30 – 10:00 am

Video call link: <https://meet.google.com/oip-fkwx-osq>
Or dial: (US) +1 413-424-4492 PIN: 631 144 123#

	TIME	ITEM	PAGE	SPEAKER
1.	8:30 am	Call to Order, Welcome, Introductions	X	Chair Sweet
2.	8:35 am	Discussion of Small Table Meetings <ul style="list-style-type: none"> • Where we were • Where we are • Options Presented 	3 24	Chair Sweet Branden Pursinger, CFTLC Executive Director
3.	9:00 am	Discussion with Trust County Membership	X	Chair Sweet Branden Pursinger CFTLC Executive Director Trust County Membership
4.	9:45 am	Logistics of upcoming process	X	Chair Sweet Branden Pursinger, CFTLC Executive Director
5.	9:55 am	Other Business / Announcements	X	Chair Sweet
6.	10:00 am	Adjourn	X	Chair Sweet





Date:	June 21, 2024
To:	CFTLC Commissioners
From:	Branden Pursinger, Executive Director, CFTLC
Subject:	CFTLC small table group discussions – summary and background

Background

On March 7, 2023, the Oregon State Legislative Coastal Caucus sent a letter to Governor Kotek regarding the impacts the proposed Western Oregon Habitat Conservation Plan (HCP) before the Oregon Board of Forestry (BOF) would have on their districts. The Governor responded on April 4, 2023 with a commitment to “working with all willing to engage in a thoughtful and collaborative discussion aimed at solving this larger issue.” During the spring of 2023, conversations about HCP impacts between the Board of Forestry (BOF), Department of Forestry (ODF) and the Forest Trust Land Advisory Council (FTLAC) were also occurring. As part of this dialogue, the Council of Forest Trust Land Counties (CFTLC) Chair David Yamamoto requested meetings with the governor’s natural resource advisors to discuss HCP impacts from the county perspective.

On August 4, the Governor’s Natural Resource Advisor, Geoff Huntington proposed a meeting with CFTLC to discuss the potential revenue shortfall if the proposed HCP was adopted. These meetings were set for September 11 and 13 and structured to be “listening sessions” to give the Trust Land Counties the opportunity to explain, from their perspectives, what the impact of the proposed HCP would have on their individual county. In preparation for these meetings with the governor’s office, throughout the month of August CFTLC Executive Director Branden Pursinger met individually with each Trust Land County representative to review county-specific HCP impacts and projected revenue shortfalls based on the most recent modeling data available.

Following the September CFTLC listening sessions, Mr. Huntington met with CFTLC Chair Yamamoto, Vice Chair Sweet, and Executive Director Branden Pursinger. Mr. Huntington requested a small table of CFTLC commissioners to meet regularly and develop potential solutions to address projected county revenue reduction if the HCP was adopted. Chair Yamamoto agreed to convene this smaller group of Commissioners with the understanding that it would not have the authority to make final decisions or take a position on behalf of CFTLC.

Representatives for the CFTLC small table were identified according to the five districts established in the CFTLC bylaws.

District 1: Tillamook County – Commissioner David Yamamoto/Commissioner Erin Skaar¹

District 2: Clatsop County – Commissioner Courtney Bangs

District 3: Clackamas, Columbia, Washington Counties – Washington County

Commissioner Jerry Willey

District 4: Benton, Lincoln, Linn, Marion, Polk Counties – Linn County Commissioner Will Tucker

District 5: Coos, Douglas, Josephine, Klamath, Lane – Coos County Commissioner John Sweet

The CFTLC small table commissioners met weekly with the governor's office for 1-1½ hours from October 2023 through the spring of 2024. The group operated under the following set of agreed upon guiding principles and goals:

- 1. Identify structural change(s) to the existing statutory framework for sharing revenue from timber harvest on state owned forest lands with the goal of replacing projected shortfalls in direct payments to trust land counties, special districts, and the Oregon Department of Forestry (ODF) resulting from a Habit Conservation Plan (HCP) being developed by the ODF.*
- 2. Identify a statutory framework with the goal of ensuring stable, equitable and long-term direct payments for ODF, trust counties and special districts. This framework may encompass a suite of changes and strategies as necessary to achieve stable, equitable and long-term support for the trust counties and special districts.*
- 3. Continue to distribute revenue from timber harvests conducted pursuant to an HCP and Oregon Forest Practices Act consistent with long-held practices.*
- 4. In addition to a statutory framework for direct payments, consider and identify separate opportunities and strategies to address indirect impacts on local economies and communities from reductions in timber harvests resulting from implementation of an HCP.*
- 5. Acknowledge that trust counties will be impacted in different ways by the expected timber harvest reductions resulting from an HCP, with some counties likely to experience cultural and economic impacts of substantial scope.*
- 6. Recognize that the goal of the small group discussions is to propose potential changes to the existing statutory framework for providing direct payments to trust counties, special districts, and ODF, not to propose adjustments or changes to an HCP.*

¹ Commissioner Yamamoto stepped down as a Tillamook County Commissioner effective December of 2023, January 2024 Tillamook County was represented by Commissioner Erin Skaar.

Impact of proposed HCP on Trust Land Counties

The HCP impacts fourteen of the fifteen Trust Land Counties, the charts below show the projected outcomes of the HCP by county in acres.²

	Benton	Clackamas	Clatsop	Columbia	Coos	Douglas	Josephine	Lane
Total Acres	8,344	7,219	144,641	6,338	7,181	8,600	2,468	24,324
Roads	300	221	3,973	226	161	261	22	536
Non-Forest	5	283	1,584	89	36	108	224	41
Admin.	39	48	537	30	7	43	15	84
Inoperable	0	58	4,463	56	259	42	195	2,346
FPA Wild	0	0	83	0	0	3	0	0
LSPS	0	0	135	0	0	0	0	273
RCA*	624	416	15,443	481	772	864	105	1,762
Inner Gorge	0	0	194	0	0	0	0	0
Murrelet^	1,495	0	20,498	19	2,525	415	0	4,615
NSO^	295	720	10,635	0	601	1,467	422	1,143
Old Growth	0	0	0	0	0	0	0	0
HCA+	903	2,041	22,704	0	836	1,891	461	1,753
None / Constraints	4,684	3,432	64,391	5,436	1,983	3,507	1,023	11,771

	Lincoln	Linn	Marion	Polk	Tillamook	Washington
Total Acres	15,456	21,139	18,236	6,039	297,522	46,265
Roads	563	367	486	222	6,472	1,262
Non-Forest	96	226	1,032	14	632	65
Admin.	46	80	1,118	16	8,358	388
Inoperable	142	582	2,426	8	76,172	3,685
FPA Wild	0	13	81	0	30	6
LSPS	0	0	0	0	4,011	0
RCA*	1,518	1,870	1,228	698	26,177	4,191
Inner Gorge	0	21	20	0	9,338	132
Murrelet^	2,359	0	0	1,504	10,522	3,224
NSO^	53	4,940	935	11	6,368	4,949
Old Growth	0	0	0	0	1	0
HCA+	645	1,334	3,404	337	35,023	4,138
None / Constraints	1,034	11,436	7,507	3,229	114,418	24,227

* RCA would be required, regardless of other HCP constraints (Forest Practices Act)

^ Current Acres Protected for Murrelet and NSO inside HCAs

² Figures obtained from State Forest Division at ODF

+ HCA includes the acres that can be managed for the first 30 years of HCP

According to the December modeling report released by ODF the following projections are anticipated for the impacted Trust Land Counties³:

	2021 ⁴ Harvest Actuals	2022 Harvest Actuals	2023 Harvest Actuals	Scenario 1 ⁵	Scenario 2	Scenario 3	Scenario 4
Benton	1.3	2.7	2.8	3.8	3.1	3.5	3.2
Clackamas	0.2	3.7	3.0	1.7	1.5	1.7	1.9
Clatsop	72.2	72.1	73.7	47.9	44.4	45.2	45.6
Columbia	0	6.8	0.9	4	3.9	3.8	3.8
Coos	0	0	0	1.4	1.5	1.5	1.4
Douglas	0.2	1.2	0.7	1.5	1.4	1.3	1.4
Josephine	1.3	0	0	0.3	0.3	0.3	0.3
Lane	8.3	4.9	14.1	8.5	8.2	8.5	9.3
Lincoln	9.0	3.8	1.1	8.3	7.2	7.5	7.4
Linn	16.4	7.2	5.2	7.7	7.3	7.6	8
Marion	21.7	10.0	1.2	3.5	3	3.5	3.6
Polk	1.2	1.5	0	2.6	2.4	2.3	2.6
Tillamook	81.1	46.7	65.5	74.2	69.1	69.8	72.2
Washington	36.2	33.1	21.2	16	14.5	16.4	15.6
TOTAL VOLUME (mmbf)	249.1	193.7	189.4	181.4	167.8	173.2	176.3

ODF has stated publicly that an annual harvest once the HCP goes into effect is modeled to produce a total of 185 MMBF. The draft AOPs released for public comment in April of 2024⁶ listed the “FY25 Draft AOP in MMBF” after removing Klamath County’s harvest as 179.4. For the purposes of projections later in this memo and subsequent, the small table uses 185 MMBF total.

	FY 25 Draft AOP in MMBF
Benton	3.0
Clackamas	4.1
Clatsop	57.3
Columbia	0
Coos	0
Douglas	0

³ Klamath County, although a Trust Land County, is not subjected to the provisions of the Western State Forest Habitat Conservation Plan

⁴ [All Trust Land County Annual Reports can be found here.](#)

⁵ [December Modeled Outputs for State Forest](#) impacts by the HCP can be found on page 9 of the report.

⁶ <https://www.oregon.gov/ODF/Working/Pages/StateForests.aspx>

Josephine	0
<i>Klamath</i>	7.1
Lane	9.9
Lincoln	5.6
Linn	5.9
Marion	0.0
Polk	1.1
Tillamook	65.1
Washington	27.4
TOTAL COUNTY VOLUME	179.4

Assumptions

To identify the harvest gap, the small table agreed to use the historical 10-year average of 239 million board feet (MMBF) per year as the underpinning for comparing future anticipated harvest levels under the HCP. ODF has updated their harvest projections and models as recently as December of 2023. ODF has proposed a harvest plan of approximately 185 MMBF after the implementation of the proposed HCP. This represents approximately 23% reduction in state forest harvest volumes, which will result in a corresponding decrease in harvest revenue.⁷

For the purposes of illustrating the solution options outlined in the second memo, the group agreed to use the 10-year average net stumpage price as of 2023 of \$411/MBF.⁸ This stumpage price can be found in the CFTLC Annual Report produced by the Oregon Department of Forestry.⁹ This stumpage price is used here for illustrative purposes only, revenue distributed to trust land counties under the proposed revenue reallocation solutions will be according to actual stumpage price at the time of harvest. If a solution to address the revenue gap projected under the HCP is *not* based on actual market price and instead on a delta or average stumpage price, that price must be negotiated with counties.

Based on the assumptions outlined above, the revenue reduction projected is below:

Historic Harvest Amount x Average Net Stumpage Price

- 239,332 MBF x \$411 = \$98.3M total
- Local Share: \$62.7M (63.75% of total)
- State Share: \$35.6M (36.25% of total)

⁷ It should be noted the decrease in revenue amount is anticipated to fluctuate due to the dependance upon the stumpage price at the point of harvest.

⁸ This is achieved by taking the 10-year average stumpage price of \$451/mbf and subtracting the project costs of \$40/mbf.

⁹ [2023 Council of Forest Trust Land Annual Report](#)

Actual Harvest Amount x Average Net Stumpage Price

- 185,000 MBF x \$411 = \$76M
- Local Share: \$48.5M (63.75% of total)
- State Share: \$27.5M (36.25% of total)

The Harvest Gap: Historic Harvest Amount - Actual Harvest Amount

- 239,332 MMBF – 185,000 MMBF¹⁰ = 54,332 MMBF

The Revenue Gap: Harvest Gap x Average net stumpage price

- 54,332 MMBF x \$411 = \$22.3M
- Local Share: \$14.2M (63.75% of total)
- State Share: \$8M (36.25% of total)

Proposed solutions

The following list includes those offered as potential solutions for discussion. These proposals were the product of a wide-ranging brainstorming exercise and were not necessarily endorsed by any of the CFTLC small table commissioners or the governor's office.

1. A large enough amount of money set aside in an account to cover the revenue gap for the next 70 years.
2. A recreational tax that applies only to the visitors of the state forestlands
3. The state would give the state forest lands back to the counties to manage (caveat is they would manage under the Forest Practices Act and Private Forest Accord requirements like current county owned forests are required).
4. Fully decoupling by selling their portion of the trust agreement to the state
5. PILT/SRS style payment
6. Potential Timber Severance Tax
7. Land Replacement for newly designated non-harvestable lands
8. Carbon credits
9. Article XI-E Bonds
10. Revenue Reallocation:
 - a. Counties, Special Districts and Schools receive the harvest revenues – ODF decoupled from harvest revenues - placed on General Fund
 - b. Schools and ODF receive the harvest revenues – Counties and Special Districts are decoupled from harvest revenues – placed on General Fund.
 - c. Counties, Special Districts and ODF receive the harvest revenues – schools are decoupled from harvest revenues and placed on School Equalization and additional revenues from the Common School Fund.
11. ODF is placed on the General Fund, however their funding is tied to harvest through ORS or Administrative Rule Making
12. Direct payment to counties for any land taken out of harvest – state would purchase

- the lands placed in Habitat Conservation Areas from the Trust agreement.
13. Guaranteed Capital Construction projects and funds from the state on a regular interval.
 14. State would compensate counties for the property not subjected to property taxes.
 15. Changes to the Transient Lodging Tax.

The governor's office and small table commissioners explored all proposals over the course of weekly meetings and ultimately moved forward with the revenue reallocation options outlined in items 10 a-c as the most palatable. The accompanying memo prepared by Melissa Cribbins, Forest Policy Consultant for Governor Kotek, details these three options.

Additional issues discussed

Although the purpose and focus of the small table meetings was limited to addressing revenue reductions based on current harvest allocation percentages, commissioners consistently emphasized the broader impact on their local economies and the livelihoods of those working in the forest industry and requested assurances that these impacts be mitigated as much as possible.

The Bureau of Land Management estimates there are thirteen jobs supported for every million board feet of timber harvest in Oregon.¹¹ For comparison, an analysis of federal and state data from Washington state shows 15 direct jobs created per million board feet of timber harvest with a total of 36 jobs per million board feet when considering the indirect and induced jobs.¹² That same analysis found direct wages of \$917,000 per million board feet. With the reduction of harvest from the proposed HCP, counties can anticipate a loss of 1,035 direct jobs and direct payroll losses anywhere from \$63m to \$81m across the impacted Trust Land Counties; if the indirect jobs are factored in as well, a total job loss across the TLC could be as high as 3,170.

Today, although still a proposed HCP, the Oregon Department of Forestry has implemented reduced harvest levels through the current Implementation Plans (IPs) and draft Annual Operating Plans (AOPs) to bring harvest in line with the proposed amounts under the HCP if enacted.

The forest products industry has stated that they have begun closing mills in Trust Land Counties based, in part, on the reduction in public land harvest availability. At the time of this memo's writing, four mills have announced closure resulting in a loss of 276 direct mill jobs.¹³ These direct mill jobs do not include the lost logging and trucking jobs, nor the indirect and induced jobs.

Governor Kotek has indicated her openness to conversations aimed at addressing the

¹¹ BLM (Bureau of Land Management). 2022. Bureau of Land Management Western Oregon Timber Update. Handout provided at the 2022 American Forest Resources Council Annual Meeting 4/20/2022.

¹² https://data.workingforests.org/doc/WFPA_Industry_Econ_Impacts_2021_b.pdf

¹³ Hampton Lumber, Banks – 58 jobs; Rosboro, Eugene – 25 jobs; Interfor, Philomath – 100 jobs; C&D, Riddle - 93 jobs.

broader economic impacts. In her March 6th 2024 Letter to the Board of Forestry regarding the pending HCP vote, Governor Kotek wrote:

I also understand addressing the projected shortfall in direct payments does not mitigate the indirect economic impacts that may also result from harvest reductions on state-owned forests along with a host of other causes. While this has not been the focus of our ongoing conversations with the county representatives, I am interested in working with those who are interested to discuss ideas for addressing this challenge as well.¹⁴

¹⁴ It should be noted that this potential conversation regarding logging jobs is a separate conversation and one that most likely will include additional representatives, not just Trust Land County Commissioners.

Appendix A: A Brief History of the Trust Land Counties

In the late 1930s, the wood products industry across the nation began a practice known as “cut and run.” They believed the value was in the tree and not in the land. So, what many companies in the wood products industry began doing was harvesting the trees as quickly as they could process them and then moving on to a different location. They did not replant and manage the land like they do today. After the trees were harvested, these lands were abandoned, and the land fell into foreclosure. Counties then reclaimed these lands through tax foreclosure proceedings.

Here in Oregon, the State Planning Board sent a report to Governor Charles Henry Martin in December of 1936 stating that over 1.7 million acres of timber and grazing lands were in county ownership through these tax foreclosures. By 1939, Governor Charles Sprague saw that figure rise to 2,000,000 acres. The largest of these blocks of timberland in county ownership were in Douglas, Tillamook, and Deschutes Counties. The largest blocks of grazing land were in Harney, Malheur, and Lake Counties.

These lands were held in fee by the counties. Because of this, the land generated no taxes. Local governments, dependent upon property taxes for revenues at this time were nearly bankrupt. County governments had two options, they could sell the land and place the lands back on the tax rolls, or they could keep the land as they were. County governments were in this catch 22. If they were able to sell the land, they ran the risk of having more cut and run occur; however if they didn't, they would not have any revenue to stay operational.

Beginning in 1939, the Legislature in partnership with these forestland foreclosed Counties, enacted a series of laws which provided for a third option for the timber land. The lands would be held in trust by the State of Oregon. The Oregon Department of Forestry, under the direction of the State Forester and the Board of Forestry would manage these lands on the county's behalf. This was done through a series of contract agreements with the counties. These contracts stated the Department of Forestry would replant the forests and manage them on the counties behalf, and in exchange the state and the counties would share the revenues.

Although this was a great solution to the problem facing counties, little revenue was actually being generated out of these forests held in trust by the state. The little funds raised from the forests simply supported the state's management of the lands. The reason for this little revenue was primarily two fold. First, many of the trees had recently been planted and were not at harvestable age, and two, what was available to harvest many caught fire in the Tillamook Burn and various other devastating wildfires.

Recognizing this, Governor Sprague in 1939 began to support a program which provided for the funding of the rehabilitation of the land. Governors Snell [1943-1947] and McKay [1949-1952] supported this effort as well. Legislation was enacted in 1947 to place on the forthcoming ballot an addition to the Oregon Constitution. In November of 1948, Oregon Measure 302 was put to the voters. What ultimately passed by a mere 2500 votes, or less than 1%, created a new type of bonding authority for the state, what became Article XI-E Bonds. A

new type of General Obligation bond that could be used for the reforestation, rehabilitation, and protection of these forests.

By 1965, the Legislature stated that the major benefits of this reforestation program would go to the counties, and counties should consider assuming responsibility for payment of the costs of the rehabilitated bonds. The Legislature directed the Department of Forestry to meet with the counties and determine if an appropriate agreement might be reached for repayment of the debt. Meetings were held over a three-year period, and the foundation for what became the Council of Forest Trust Land Counties was created.

Counties and the Department of Forestry met to discuss and consider proposals. A final meeting of this group was held in December of 1968 when the counties gave their approval to proposed legislation which subsequently became ORS 530.115 (2). The payment by counties for paying off these Article XI-E Bonds from many years prior.

By 1969, State Forester Ed Schroeder began conversations with county officials suggesting a need for a regularly constituted group of county individuals to meet with the Department of Forestry officials on a regular and long term basis. Conversations were also had with Governor Tom McCall [1967-1975]. At the annual Conference for the Association of Oregon Counties (AOC) in November of 1978, Schroeder again broached the subject with county leaders. He emphasized that a close working relationship between the 15 counties that deeded forestland to the state in trust and his department would be of benefit to both. The first meeting between the counties and the Department was held on December 28, 1978 in the Tillamook Forest, just a few miles up the road from where your meeting is being held.

Discussions at this first meeting found a few issues to be prevalent.

First, counties needed to be familiar with the development of their forest lands to protect county interests and to correct a growing assumption that the lands could be manipulated unilaterally by the state;

Second, the deeds which transferred the lands to the state were in fact 'contracts' and continued in effect so far as the Department of Forestry was concerned, but this point needed to be strengthened;

Third, there is a continuing need for regular meetings between county officials and the Department of Forestry; and

Lastly, the Attorney General had been asked for an opinion on the county repayment program for the rehabilitation of the bond debt.

In 1978, the Oregon legislature passed a law to establish the Crabtree Valley State Park in eastern Linn County. This area was owned by Willamette Industries (known today as Weyerhaeuser). This area contained some of the oldest trees in the state – some were approaching 1000 years old. The original plan was to do a land exchange between industry and the Bureau of Land Management, however when that deal fell through, the state began looking into a land exchange between industry and the state. The land would be converted into a park, run and administered by the Oregon State Parks Department and Willamette Industries

would receive state timberland of equal value. This land today is known as the Santiam State Forest in Linn County.

Issues around the “Crabtree Caper” of 1978 made it clear to the counties they needed to come together in a formal organization to represent and protect their trust deeded interests. The Council of Forest Trust Land Counties (CFTLC) was formed.

CFTLC was established with five main objectives:

- 1) Protect the trust and contractual relationship between the forest trust land counties and the state of Oregon.
- 2) Support sound, active management of county forest trust lands.
- 3) Protect the flow of revenues from county forest trust lands for essential local public services.
- 4) Support forest trust land counties.
- 5) Provide an organization that will effectively communicate these objects.

This new organization, CFTLC worked the legislative process to kill this proposed legislation and plan. Then, the counties filed a lawsuit against the state of Oregon, known as Tillamook 1. The crux of that lawsuit was around whether the state could give away lands deeded to the state by counties under contract. The Supreme Court ruled in the counties favor. They found that the Oregon legislature could not give away portions of the state forests to create a new state park.

The Counties were able to place in statute, ORS 526.156 which established the Forest Trust Land Advisory Committee. A statutory committee which is required to consult and communicate with the Department of Forestry, State Forester, and Board of Forestry on any and all matters related to the State Forestlands.

The revenue agreement reached and placed in statute calls for all revenues generated through timber harvest in these deeded trust forests, or state forests, to be shared with the counties and the Department of Forestry. The first 15% is taken off the top of all generated revenues and goes to the Department for distribution to the State Forests Protection Subaccount. This fund is used to pay for the cost of fire protection in the state forests. The remainder was divided 75% to the counties and 25% to the Department. (ORS 530.110). What this equates to after all distributions are made is, the counties receive 63.75% of the revenue generated and the Department of Forestry receives 36.25% of the revenue generated.

The Department uses their funds to run the State Forest Division. It is the only division at the Department of Forestry to have never needed or relied on the General Fund for operations. The Counties distribute the funds into three buckets.

On average the 15 trust land counties distribute funds in the following ways.

- 1) Counties keep ~17% for their own expenses
- 2) Counties allocate ~60% to schools
- 3) Counties allocate the remaining ~23% to the various special districts in their counties.

**Appendix B
Historical Harvest By County¹⁵**

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Benton	4,645	11,060	3,498	3,236	6,777	1,134	5,412	2,920	2,392	5,154	3,983	233
Clackamas	4,701	2,832	2,211	2,048	1,151	2,049	0	2,603	2,478	8,936	26	0
Clatsop	131,150	86,209	94,211	91,366	77,347	87,145	105,266	82,590	60,524	60,536	79,234	54,705
Columbia	2,978	2,889	3,607	3,415	3,346	6,847	1,002	7,982	0	0	1,732	558
Coos	762	1,042	377	1,708	1,668	2,803	1,962	1,566	2,140	0	0	0
Douglas	1,877	29	12	1,243	2,465	2,498	2,607	1,369	1,780	1,777	1,311	767
Josephine	0	0	0	0	106	259	390	489	0	0	0	0
Klamath	2,841	2,181	17,350	4,509	8,725	7,947	6,855	8,745	17,924	13,725	10,900	8,760
Lane	9,313	3,933	12,247	7,416	4,554	6,839	7,057	6,618	10,388	24,645	13,741	8,483
Lincoln	4,603	3,729	8,260	6,725	1,654	5,431	4,914	6,158	884	11,931	5,498	1,865
Linn	13,631	15,271	23,620	8,103	9,114	10,170	8,032	16,492	13,305	1,173	4,164	20,560
Marion	4,721	5,405	10,148	15,682	13,078	5,612	6,635	5,583	12,698	9,118	242	1,596
Polk	3,456	884	1,167	2,076	2,059	917	0	628	1,527	237	1,751	1,439
Tillamook	58,779	70,477	93,134	104,769	81,990	69,256	69,979	80,689	66,092	60,974	80,652	78,176
Washington	10,180	34,934	11,813	24,613	30,365	26,718	16,801	43,708	47,440	31,701	26,255	43,717
Total	253,637	240,875	281,655	276,909	244,399	235,625	236,912	268,140	239,572	229,907	229,489	220,859
Total (- Klamath)	250,796	238,694	264,305	272,100	235,674	227,678	230,057	259,395	221,648	216,182	218,589	212,099

¹⁵ [Compiled using the CFTLC Annual Reports going back to 2003](#)

	2015	2016	2017	2018	2019	2020	2021	2022	2023	3 year Annual Average	5 year Annual Average	10 year Annual Average	15 year Annual Average	20 year Annual Average
Benton	767	1,210	7,139	3,590	4,699	4,058	1,310	2,706	2,888	2,301	3,132	2,860	3,231	3,708
Clackamas	1,682	104	3,019	3,225	805	2,124	218	3,784	3,054	2,352	1,997	1,802	2,137	2,117
Clatsop	80,200	89,503	103,963	113,528	62,896	89,826	72,193	72,102	73,745	72,680	74,152	81,266	80,054	81,854
Columbia	0	5,642	4,615	2,887	7,968	619	0	6,889	987	2,625	3,293	3,017	2,725	3,049
Coos	5	2	0	0	0	0	0	0	0	0	0	1	378	664
Douglas	982	2,440	2,846	3,196	727	1,913	211	1,267	775	751	979	1,512	1,598	1,511
Josephine	329	17	266	982	663	68	1,315	0	0	438	409	364	301	244
Klamath	16,102	5,947	9,560	15,130	11,233	4,721	10,450	4,167	13,845	9,487	8,883	9,992	10,538	9,939
Lane	4,534	357	14,757	11,919	15,727	17,229	8,394	4,919	14,138	9,150	12,081	10,046	10,860	9,895
Lincoln	10,556	7,208	4,544	13,662	6,842	5,708	9,025	3,815	1,154	4,665	5,309	6,438	6,251	5,978
Linn	12,731	8,042	14,285	14,948	16,733	3,811	16,451	7,221	5,214	9,629	9,886	12,000	10,877	11,472
Marion	3,942	6,286	7,829	5,096	16,547	1,728	21,760	10,022	1,298	11,027	10,271	7,610	7,359	8,015
Polk	670	0	0	0	0	2,578	1,291	1,569	0	953	1,088	755	779	940
Tillamook	78,792	79,074	80,237	86,216	100,292	84,635	81,136	46,789	65,553	64,493	75,681	78,090	75,952	77,946
Washington	47,578	30,204	11,362	40,846	52,073	19,328	36,297	33,116	21,209	30,207	32,405	33,573	33,442	31,504
Total	258,870	236,036	264,422	315,225	297,205	238,346	260,051	198,366	203,860	220,759	239,566	249,324	246,484	248,836
Total (- Klamath)	242,768	230,089	254,862	300,095	285,972	233,625	249,601	194,199	190,015	211,272	230,683	239,332	235,946	238,897

Appendix C

Every county follows the provisions of ORS 530.115 however each county administers the funding a little differently. Statute allows a county to keep a portion of the harvest revenues for county operations, a portion is required to go to the County School Fund, and then the remainder goes to the special districts within the area. These Special Districts vary county by county.¹⁶

Benton County:

Benton County allocates the funding they receive in the following ways. The first \$200,000 of harvest revenues to maintain forest roads designated as timber routes; 10% is distributed to the County General Fund for county administration and 25% to the County School Fund. The remaining balance is distributed to the taxing districts where the timber harvests occur according to their relative tax rates.

- Benton County Administration
- Benton County School Fund
- Benton County District
- 911 Emergency Service District
- Extension District
- Library
- Soil and Water
- Linn-Benton Community College
- Philomath School District
- Lin-Benton-Lincoln ESD
- Hoskins Kings Valley FD
- Blodgett Summit FD

Clackamas County:

Clackamas County retains 25% for the County General Fund and allocates 25% of the remaining for the County School Fund, the remaining to the taxing districts in tax code 035-14.

- Clackamas County Administration
- Clackamas County School Fund
- Clackamas Community College
- Clackamas ESD
- Molalla River SD
- County Extension & 4H
- Molalla Aquatic
- County Library
- Rural Clackamas District

¹⁶ Compiled using the list of Special Districts as found in the [Federal Services NEPA EIS document](#) (pgs 1698-1839)

- Soil Conservation
- County Public Safety
- Port of Portland
- Urban Renewal County / County Special Projects
- Vector Control
- County Emergency Radio Bond

Clatsop County:

Clatsop County allocates their funding in the following ways: The Clatsop County Board of Commissioners adopted a resolution April of 2002 allowing for the allocation of 1% for law enforcement services on state forest lands within their counties (Clatsop County 2019:231). This funding offsets some of the costs incurred by the county in maintaining timber harvests within the county. In addition to this allocation, 10% of the payments are regained by the county for the general fund as well as for special projects (Clatsop County 2019:442). Of the remaining balance, 25% is distributed to the County School Fund and the remaining to all taxing districts where timber harvests on state forestland occurs.

- Clatsop County Administration
- Clatsop County School Fund
- Clatsop County District
- Astoria
- Astoria U/R Astoria East
- Astoria U/R Astoria West
- 4H & Extension Service
- 4H & Extension Service Astoria East
- 4H & Extension Service Astoria West
- Clatsop County U/R Astoria East
- Clatsop County U/R Astoria West
- Port Astoria
- Port Astoria U/R Astoria East
- Port Astoria U/R Astoria West
- Care Center
- Care Center U/R Astoria East
- Care Center U/R Astoria West
- Community College
- Community College U/R Astoria East
- Community College U/R Astoria West
- New ESD
- New ESD U/R Astoria East
- New ESD U.R Astoria West
- SD 1
- SD 1 U/R Astoria East
- SD 1 U/R Astoria West
- Sunset Transportation
- Sunset Transportation U/R Astoria East

- Sunset Transportation U/R Astoria West
- Rural Law
- Road District #`
- Knappa-Svensen-Burnside RFD
- John Day RFD
- Lewis & Clark RFD
- Olney Walluski RFD
- Knappa SD
- Elsi-Vinemaple RFD
- Jewell SD
- Clatskanie SD
- Westport-Wauna RFD
- Mist-Birkenfeld RFD
- Sunset Park
- Union Health
- SD 10
- Cannon Beach RFD
- Hamlet RFD
- Warrenton Hammon SD

Columbia County:

Columbia County distributes 10% of the payments to the County General Fund, 25% of the balance to the County School Fund, and the remainder to specific taxing districts. It is important to note, the taxing districts that receive harvest revenues in Columbia County are not tied to where the timber harvest occurs.

- Columbia County Administration
- Columbia County School Fund
- Columbia County District
- Columbia 4-H
- Columbia County Development Agency
- Jail Operations
- 911 Communication District
- Greater St. Helens Aquatic District
- Mist-Birkenfeld RFD
- Northwestern Regional ESD
- St Helens 502 SD
- Rainier 13 SD
- Scappoose 1 JT SD
- Vernonia 47 JT SD
- Portland Community College

Coos County:

Coos County distributes 10% to the County General Fund, 25% to the County School Fund, and the remainder to the taxing districts where the timber harvests occur.

- Coos County Administration
- Coos County School Fund
- Coos County 4H Extension
- Coos County Library Services
- Coos County District
- South Coast ESD
- Coos Bay SD 9
- Southwestern Oregon Community College
- Port of Coos Bay
- Coos County Airport
- Millicoma Park and Recreation
- Coos County Urban Renewal
- North Bend SD 13
- North Bay RFD
- Lakeside RFD

Douglas County:

Douglas County distributes 10% to the County General Fund, 25% to the County School Fund, and the remainder to the taxing districts where the timber harvest occurs.

- Douglas County Administration
- Douglas County School Fund
- Douglas County District
- 4H Extension
- Douglas ESD
- Umpqua Community College
- Glendale Ambulance District
- Glendale SD 77
- Glendale FD
- Humphrey Road District
- North Douglas SD 22
- Umpqua Public Transportation
- Lower Umpqua Hospital
- Lower Umpqua Parks and Recreation
- Lower Umpqua Library
- South Coast ESD
- Reedsport SD 105
- Southwestern Oregon Community College
- South Umpqua SD 19

Josephine County:

Josephine County distributes 10% of the harvest revenues to the County General Fund, 25% of the balance to the County School Fund, and the remainder to the taxing districts where the timber harvests occurred.

- Josephine County Administration
- Josephine County School Fund
- Josephine County District
- Three Rivers SD
- Rogue Community College
- Southern Oregon ESD
- 4H/Extension Service District
- Josephine Community Library District
- Wolf Creek RFD

Klamath County

Klamath County is not subject to the Western Forests Habitat Conservation Plan

Lane County:

Lane County distributes 10% to the County General Fund, 25% to the County School Fund and the remainder to the taxing districts where the timber harvests occurred.

- Lane County Administration
- Lane County School Fun
- Lane County District
- Fern Ridge SD 28J
- Lane Community College
- Lane SD
- Lane County 4-H Extension
- Lane County Public Safety
- Fern Ridge Library District
- Lane Fire Authority
- Port of Siuslaw
- Mapeton SD
- Western Lane Ambulance District
- Mapleton FD
- Swisshome Deadwood RFD
- Crow Applegate Lorane SD
- Junction City SD
- Blachly SD
- Lake Creek RFD
- Eugene SD

Lincoln County:

Lincoln County distributes 25% to the County General Fund, 25% to the County School Fund, and the remainder to tax code 260 – regardless of where the timber harvests occurred.

- Lincoln County Administration
- Lincoln County School Fund
- Lincoln County District
- Lincoln County Animal Service District
- Lincoln County SD
- Extension District
- Transportation District
- Community College
- Linn-Benton ESD
- Library
- Port of Toledo

Linn County:

Linn County distributes 10% to the County General Fund, 25% of the balance to the County School Fund, and the remainder to the taxing districts where the timber harvest occurred.

- Linn County Administration
- Linn County School Fund
- Linn County District
- Linn-Benton-Lincoln ESD
- Linn-Benton Community College
- Lebanon SD
- Lebanon Aquatic Center
- 4H Extension District
- Sweet Home SD
- Sweet Home Ambulance District
- Chemeketa Community College
- Chemeketa Library
- Santiam Canyon SD
- Gates RFD

Marion County:

Marion County distributes 10% to the County General Fund, 25% to the County School Fund and the remainder to the taxing districts where the timber harvest occurred.

- Marion County Administration
- Marion County School Fund
- Marion County District
- Marion Soil and Water District
- Marion 4-H Extension District

- Silver Falls SD
- Willamette Reg. ESD
- Chemeketa Community College
- Silver Falls Library
- Regional Library
- Drakes Crossing FD
- North Santiam SD
- Stayton FD
- Santiam Canyon SD
- Linn-Benton-Lincoln ESD
- Gates FD

Polk County:

Polk County retains 100% of the harvest revenues generated and uses the funds to reimburse the Polks Public Works Department for the maintaining of timber routes within the county.

- Polk County Administration

Tillamook County:

Tillamook County distributes 28% to the County General Fund, 23% to the County School Fund and the remainder to the taxing districts where the timber harvest occurred.

- Tillamook County Administration
- Tillamook County School Fund
- Tillamook County District
- County Library
- Nestucca Valley SD 101
- Northwest Regional ESD
- Tillamook Bay Community College
- 4-H Extension
- Emergency 911
- Tillamook Transportation
- Tillamook Soil and Water Conservation
- Port Tillamook Bay
- Nestucca RFD
- SD 9
- Port of Garibaldi
- Tillamook FD
- SD 56 (Neah-Kah-Nie)
- Port of Nehalem
- North County Recreation District
- Nehalem Bay Health District
- City of Garibaldi

- SD 63

Washington County:

Washington County distributes 20% to the County General Fund and Road Fund, 25% to the County School Fund and the remainder to the 12 taxing districts regardless of where the timber harvests occurred.

- Washington County Administration
- Washington County School Fund
- Washington County District
- Port of Portland
- Tualatin Valley FD
- Forest Grove RFD
- Tri-City RFD
- SD 511 (Gaston)
- SD 13 (Banks)
- SD 15 (Forest Grove)
- SD 49 (Vernonia)
- SD 1J (Hillsboro)
- Northwest Regional ESD
- Portland Community College

To: John Sweet, Chair, Coos County Commissioner,
Erin Skaar, Vice-Chair, Tillamook County Commissioner,
Will Tucker, Linn County Commissioner,
Courtney Bangs, Clatsop County Commissioner,
Jerry Willey, Washington County Commissioner,
Branden Pursinger, Executive Director, Council of Forest Trust Land Counties,
David Yamamoto, Ex-Officio, former Tillamook County Commissioner

From: Melissa Cribbins, Attorney at Law, Consultant

Date: June 13, 2024

Subject: Memo Regarding Conversations About Potential Funding Options for Forest
Trust Lands HCP Revenue Decrease

BACKGROUND & PURPOSE

Thank you for the opportunity to engage in conversations with all of you, each representing each of the districts that comprise the broader membership of the Council of Forest Trust Land Counties (CFTLC) to discuss the impacts of the federally required Habitat Conservation Plan (HCP). These meetings were intended to compile your thoughts and concerns in the event that the HCP is passed. While the HCP is not final, the Board of Forestry agreed on March 7, 2024, to move it forward to the federal services. At this time, I want to memorialize our discussions from these meetings.

Over the course of these meetings, this small group has discussed the specific amount for the projected revenue gap and options for resolving the revenue gap and has shared input identifying potential revenue options. This work was done in the context of identifying what, if any, legislative action is needed to replace the revenue that the trust counties, school districts, special districts, and Oregon Department of Forestry will experience with the implementation of the proposed HCP.

This memorandum describes three options to address the projected revenue gap between historic harvest revenue and projected revenue under the HCP. Historically, the local revenue share has been an average of \$65 million dollars annually. When referenced in this memorandum, the terms “revenue gap” and “revenue decrease” include the difference in revenue amounts for the trust land counties, school districts and other applicable special districts. We all understand and acknowledge that this revenue amount will fluctuate depending on timber sale prices and volume, and only represents the amount of revenue as it exists at this time.

I deeply appreciate all of the thoughtful work that the Commissioners put into these discussions. It is clear how much each of you cares about your county and its citizens. These were not easy discussions, but everyone came to the table prepared to work, and made important and meaningful contributions in order to try and resolve these issues.

ASSUMPTIONS

I have been meeting with the Counties to determine the scope of the projected future harvest and subsequent revenue deficit. In our conversations, we agreed to use the ten-year annual harvest historical average of 239 million board feet (MMBF) per year as the underpinning for comparing historical harvest levels with those anticipated by the HCP. ODF has presented and modeled a proposed harvest plan of approximately 185 MMBF after the implementation of the new HCP. This represents an approximately 23% reduction in harvest volumes, and a corresponding percent decrease in harvest revenue based upon our agreed upon approach for this process. The average net stumpage price for same ten-year historical average period was \$411.51. This number is used solely for the purpose of estimating loss of future revenue to the counties and ODF from diminished harvest volumes; however, moving forward the net stumpage price will increase and decrease depending on the timber market, species, and project costs. The Counties were adamant that their revenues should remain tied to timber harvest, and not be fully decoupled as we currently see with the federal forests.

Based on the assumptions outlined above, the **current** annual harvest revenue from the forest will be \$76 million dollars per year. This means that the **current** total projected revenue decrease is \$22 million annually which includes both the County/Local Share and ODF portions.

SUMMARY OF OPTIONS

We have discussed three ways to address this revenue decrease. The first option is for the current revenue percentage allocation set out in statute to be changed from 63.75% local share to 87% of allocation of revenue to local share in order to make the Local Share whole after the reduction in harvest levels. This would leave approximately 13% of harvest revenue to be allocated to ODF. This option would require additional revenue to fund the shortfall in the ODF budget.

The second option is the reverse scenario - increase ODF's percentage to 49% and allocate 51% to the Local Share, which would result in a decrease of timber harvest revenue to the Local Share and would require additional revenue to cover the local share revenue decrease.

The third option is to remove schools from the harvest revenue sharing, essentially creating a two-way split (instead of the current three-way split. The local share would be the portion of their historical ten-year average that was not associated with payments to school districts (approximately 50% of the total) in anticipation of the schools' portion being covered by the existing school equalization formula. The result of removing school funding from the Local Share harvest revenue is an impact on the school equalization fund that would need to be filled by the Legislature. These options are summarized in the table below.

	CURRENT	UNDER HCP	OPTION 1	OPTION 2	OPTION 3
	31.86%/36.25%/ 31.86%	31.86%/36.25%/ 31.86%	41%/18%/ 41%	26.5%/47%/ 26.5%	53%/47%/ 0%
Counties/Special Districts:	\$31.35M	\$24.25M	\$31.2M	\$20.15M	\$40.5M
ODF amount:	\$35.60M	\$27.6M	\$13.7M	\$35.6M	\$35.6M
School districts	\$31.35M	\$24.25M	\$31.2M	\$20.15M	\$0M
Total:	\$98.3M	\$76.1M	\$76.1M	\$76.1M	\$76.1M
Decrease:		\$22.2M	\$21.9M (ODF)	\$22.4M (Local)	See equalization discussion below

EXPLANATION OF OPTIONS

Throughout our discussions, the stated priority of the County representatives was to fully replace decreased revenue to Counties, special districts and the school districts (collectively referred to as “Local Share”). Currently, the Local Share portion of timber receipts is 63.75% of the net harvest revenue, and it is distributed among the Counties, special districts, and schools. The projected revenue decrease attributable to Local Share is approximately \$14.2 million dollars per year. Under the current distribution formula, ODF’s State Forests Division receives 36.25% of the total harvest revenue (which is used to largely fund their operations), and the Department’s projected shortfall is approximately \$8 million dollars per year.

Summary for Option 1: Change the Allocation Formula to provide 82% of the harvest revenue to the “Local Share” (41% to Counties/Special Districts and 41% to Schools) and 18% to ODF. Any shortfall to ODF programs would need to be funded out of the State’s General Fund, or some currently unidentified revenue source.

Under the HCP, ODF has projected that 185 MMBF of timber would continue to be harvested per year. This would result in an \$8 million dollar decrease per year of funding for ODF and \$14.2 million dollar decrease per year to the Local Share. If the Local Share were allocated 82% (41% to Counties/Special Districts and 41% to Schools) the harvest revenues, it would cover the projected decrease to the Local Share and the percentage to ODF would then be 18% of revenue resulting in a shortfall of approximately \$21.9 million dollars to the ODF budget.^{1,2} This would likely have to be made up through the State’s General Fund, or some other currently unidentified revenue source.

Summary for Option 2: Change the allocation formula to provide 47% of the harvest revenue to ODF and 53% of the harvest revenue to the Local Share (26.5% to Counties/Special Districts and 26.5% to Schools) shortfall in Local Share revenue would then need to come from General Fund or Other Fund sources not related to timber receipts.

This change in percentage allocation would resolve any HCP related funding issues for ODF; other economic shortfalls are outside of the scope of this workgroup. It also resolves a recurring concern that the Counties have expressed regarding a lack of incentive for ODF to harvest trees if they are not dependent on harvest revenue by making ODF entirely dependent on harvest revenue.

In this scenario, the additional revenue for the Local Share would need to come from another source, such as the State’s General Fund or some other currently unidentified revenue source. Based on the projections and assumptions used in our discussions, this distribution formula would provide the Local Share with

¹ As long as Counties continue to have their payments based on actual harvest, this number will change based on the timber market and actual harvest stumpage values. For the sake of simplicity, this analysis is based on the ten-year average for average net stumpage values. While the Counties have expressed a strong preference that any future payments be based on current net stumpage values, it is not possible to predict what the timber market will do in the future.

² It is worth noting that there is significant dispute between ODF and the Counties as to what will happen with harvest after the initial thirty-year period, when no further harvest is allowed in the Habitat Conservation Areas (HCAs), which the Counties fear could further drive down harvest levels below the initial projections from ODF.

approximately \$40.3 million annually in harvest revenue under the HCP, leaving a revenue gap of approximately \$22.4 million annually while ODF's revenue would be fully accounted for.

It is worth noting that this has been the least supported option during discussions due to the need to return to the legislature bi-annually for local share funding.

Summary for Option 3: Remove the schools from the Local Share revenue distribution portion, and substitute with school equalization formula funds.

The percentage of the harvest funding that is distributed to schools varies by County. Eight of the fifteen impacted counties responded to a request for precise information on this point, and the percentages provided showed a range from 50-70% of the timber receipts to counties were passed through to school districts. This is significant, because decoupling schools entirely from reliance on timber receipts would eliminate the projected shortfall to other County programs based on the assumed 23% reduction in revenue that will result from the HCP. Given this possibility, we closely examined opportunities for a different revenue stream to impacted school districts, and received preliminary confirmation that these districts would become eligible for funding under the school equalization formula if timber receipts were no longer made available to the districts.

When calculating school equalization payments, state managed timber revenues are included as a local resource in the state equalization formula, and a reduction in these revenues to districts in the Forest Trust Land Counties would result in adjustments across the entire system. For example, if there is a reduction in state managed timber revenues for counties of \$1 million dollars statewide, this reduction would be spread across all districts through the equalization formula.³ The School Equalization Fund would need to be adjusted by ½ -1% to account for this change in revenue.

When assessing this option, it must be acknowledged that there would be differing impacts to different school districts because of different funding arrangements across counties. For instance, based on information provided in response to our inquiry, there are four schools located in the Trust Land Counties' area that currently or historically receive more funds than they would receive under the school equalization fund. These schools are all located in Tillamook and Clatsop Counties. These schools receive funds in excess of what the school equalization fund would provide, and on higher harvest years, the schools use their additional funds to pay for capital improvements and capital construction project, including roofs, gym floors, and new boilers. As identified in the table in the Summary of Options section above, this option anticipates approximately \$9.1 million dollars additional that can be distributed by the Counties as they see fit.

³ Any adjustments are proportionately shared depending on the size and needs of the school district if all things remain constant. For example, a district the size of Portland Public Schools, with an ADMw of approximately 53,000, their share of the statewide reduction would be about \$2,623,500. A district the size of Jewell School District, with an ADMw of 282, would see a reduction of approximately \$14,100. These numbers are approximate because the rate of \$1.50 considers both the impact to the school district and the Education Service District (ESDs), as the total amount of State and Local Revenues are split 95.5 for school districts and 4.5 for ESDs. In this event, the statewide reduction would be \$30 million dollars. Generally, every million dollars either added to or subtracted from the school equalization fund represents about \$1.50 per weighted Average Daily Membership (ADMw) statewide. The current rate per ADMw for the state is approximately \$10,000. Removing the schools from the distribution would reduce this number to \$9955. To offset the decrease, the state would need to reinvest \$30 million dollars into the school equalization fund.