

# Senate Bill 1061

Sponsored by COMMITTEE ON RULES (at the request of Governor Theodore R. Kulongoski)

## SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Allows State Forester to acquire property for establishment of working forests. Directs State Forester to manage property acquired for working forest for long-term revenue to support persons attending institutions in Oregon University System.

Establishes Working Forests Higher Education Fund. Continuously appropriates moneys to State Treasurer.

Establishes Working Forests Revenue Fund. Continuously appropriates moneys to State Forester.

Establishes Working Forests Bond Fund. Continuously appropriates moneys to State Treasurer.

Establishes Working Forests Revenue Bond Administrative Fund. Continuously appropriates moneys to Oregon Department of Administrative Services.

Allows State Treasurer to issue working forests revenue bonds.

## A BILL FOR AN ACT

1  
2 Relating to working forests; and appropriating money.

3 Whereas working forests--forests that retain the capacity for long-term timber management and  
4 other forest values--are extremely important to the people of rural Oregon because working forests  
5 provide an economic base, a source of recreation, fish and wildlife habitat, and a source of high  
6 quality water and because working forests help sustain rural communities; and

7 Whereas changing economic conditions and ownership patterns of forests have resulted in the  
8 conversion of forestlands to uses other than timber production; and

9 Whereas the conversion of forestlands to other uses has resulted in a reduction in the produc-  
10 tive capacity of the forests; and

11 Whereas forestry-related jobs are an important part of community stability and quality of life  
12 in rural Oregon; and

13 Whereas the timber supply from federal forests has been significantly reduced due to manage-  
14 ment policies; and

15 Whereas Oregon lacks stable funding for higher education and due to this lack of stable funding,  
16 public institutions of higher education have increased tuition rates; and

17 Whereas increased tuition rates force many of the best and brightest Oregon high school stu-  
18 dents to choose to attend college outside the state; and

19 Whereas state-owned forestlands have proven to be a good investment for the state, producing  
20 funding for schools, a strong financial return on investment, an increased level of wildlife habitat,  
21 recreational opportunities and sustained timber volumes; now, therefore,

22 **Be It Enacted by the People of the State of Oregon:**

23 **SECTION 1. Sections 2 to 8 of this 2005 Act are added to and made a part of ORS chapter**  
24 **530.**

25 **SECTION 2. (1) The State Forester may acquire, by purchase, lease, exchange, gift or**  
26 **otherwise, real property or any interest in real property to serve as a working forest.**

**NOTE:** Matter in **boldfaced** type in an amended section is new; matter [*italic and bracketed*] is existing law to be omitted.  
New sections are in **boldfaced** type.

1       (2) The State Forester shall manage working forests acquired pursuant to this section in  
2 a manner that generates long-term revenue. The State Forester may generate long-term  
3 revenue from working forests through the sale of forest products and may supplement the  
4 revenue generated from the sale of forest products in any manner that is consistent with the  
5 goal of providing a long-term, stable revenue stream for the Working Forests Revenue Fund,  
6 including the sale or lease of conservation easements, the sale of forestry carbon offsets and  
7 the issuance of permits and licenses.

8       (3) The State Forester may manage working forests for public purposes that do not  
9 generate revenue for the Working Forests Revenue Fund, including recreation, fish and  
10 wildlife habitat, and watershed protection. The State Forester may also manage working  
11 forests in a manner that, for a reasonable period of time, does not generate revenue if nec-  
12 essary to achieve long-term management objectives.

13       (4) The State Forester may hold and manage working forests with other entities, as long  
14 as the forests are managed in a manner that is consistent with this section.

15       (5) As used in this section, “working forest” means real property or an interest in real  
16 property that is managed primarily for timber production to produce revenue over the long  
17 term for the benefit of higher education.

18       **SECTION 3.** (1) The Working Forests Higher Education Fund is established separate and  
19 distinct from the General Fund. Interest earned by the Working Forests Higher Education  
20 Fund shall be credited to the fund. Moneys in the fund are appropriated continuously to the  
21 State Treasurer for the purposes specified in this section.

22       (2) The fund shall consist of moneys credited to the fund by the State Forester from the  
23 Working Forests Revenue Fund, moneys appropriated to the Working Forests Higher Edu-  
24 cation Fund by the Legislative Assembly and gifts, grants, donations, bequests and  
25 endowments to the fund.

26       (3) The State Treasurer shall use the moneys in the fund to provide financial aid to res-  
27 idents of this state who attend institutions within the Oregon University System. The State  
28 Treasurer may pay the expenses necessary to administer the financial aid program from  
29 moneys in the fund.

30       **SECTION 4.** (1) The Working Forests Revenue Fund is established separate and distinct  
31 from the General Fund. Interest earned by the Working Forests Revenue Fund shall be  
32 credited to the fund. Moneys in the fund are appropriated continuously to the State Forester  
33 for the purposes specified in this section.

34       (2) The fund shall consist of moneys obtained by the State Forester from management  
35 of working forests pursuant to section 2 of this 2005 Act.

36       (3) Moneys in the fund shall be used for the following purposes, in the following order  
37 of priority:

38       (a) Forest management and fire protection for the working forests;

39       (b) Payments in lieu of property taxes to the counties in which the working forests are  
40 located;

41       (c) Transfer to the Working Forests Bond Fund established pursuant to section 5 of this  
42 2005 Act;

43       (d) Transfer to the Working Forests Revenue Bond Administrative Fund established  
44 pursuant to section 6 of this 2005 Act; and

45       (e) Transfer to the Working Forests Higher Education Fund and to the counties in which

1 the working forests are located.

2 (4) If moneys are available for the purposes specified in subsection (3)(e) of this section,  
3 90 percent of the moneys shall be transferred to the Working Forests Higher Education Fund  
4 and 10 percent shall be transferred to the counties in which the working forests are located.

5 **SECTION 5.** (1) The Working Forests Bond Fund is established separate and distinct from  
6 the General Fund. Interest earned by the Working Forests Bond Fund shall be credited to  
7 the fund. Moneys in the fund may be invested as provided in ORS 293.701 to 293.820.

8 (2) The fund shall consist of moneys transferred to the fund by the State Forester pur-  
9 suant to section 7 of this 2005 Act.

10 (3) Moneys in the fund are appropriated continuously to the State Treasurer for the  
11 purpose of:

12 (a) Paying, when due, the principal of, interest on and premium on, if any, outstanding  
13 working forests revenue bonds;

14 (b) Funding working forests bond reserves; and

15 (c) Paying amounts due to the providers of credit enhancement or instruments used to  
16 establish reserves for working forests revenue bonds pursuant to section 8 of this 2005 Act.

17 (4) If the State Treasurer establishes reserves for working forests revenue bonds as  
18 provided in section 8 of this 2005 Act, the reserves shall be credited to an account in the  
19 Working Forests Bond Fund designated by the State Treasurer.

20 (5) The State Treasurer may establish any accounts or subaccounts in the fund that the  
21 State Treasurer determines are necessary or appropriate.

22 **SECTION 6.** (1) The Working Forests Revenue Bond Administrative Fund is established  
23 separate and distinct from the General Fund. Interest earned by the Working Forests Re-  
24 venue Bond Administrative Fund shall be credited to the fund. Moneys in the fund may be  
25 invested as provided in ORS 293.701 to 293.820.

26 (2) The fund shall consist of moneys transferred to the fund by the State Forester pur-  
27 suant to section 7 of this 2005 Act.

28 (3) Moneys in the fund are appropriated continuously to the Oregon Department of Ad-  
29 ministrative Services to be used to pay bond-related costs.

30 **SECTION 7.** (1) If working forests revenue bonds issued pursuant to section 8 of this 2005  
31 Act will be outstanding for any part of a fiscal year, the Oregon Department of Administra-  
32 tive Services shall, prior to the beginning of the fiscal year, certify to the State Forester the  
33 amount of money needed for the fiscal year to:

34 (a) Pay bond principal, interest or premiums scheduled to be paid for working forests  
35 revenue bonds in the fiscal year;

36 (b) Fulfill any reserve requirements in connection with any outstanding working forests  
37 revenue bonds;

38 (c) Restore the balance in any reserve account for working forests revenue bonds to the  
39 level that the state has agreed to maintain in the account, including any amounts due under  
40 an instrument authorized by section 8 of this 2005 Act; and

41 (d) Pay bond-related costs that will be due in the fiscal year.

42 (2) After payment of forest management and fire protection costs and after payments in  
43 lieu of property taxes to counties, if moneys are available in the Working Forests Revenue  
44 Fund, the State Forester shall transfer to the Working Forests Bond Fund and to the  
45 Working Forests Revenue Bond Administrative Fund an amount equal to the amount certi-

1 **fied by the Oregon Department of Administrative Services pursuant to subsection (1) of this**  
 2 **section. If moneys are not available in the Working Forests Revenue Fund in an amount**  
 3 **equal to the amount certified, the State Forester shall transfer available moneys in the fol-**  
 4 **lowing order of priority:**

5 **(a) An amount of money to the Working Forests Bond Fund that, when added to moneys**  
 6 **already in the Working Forests Bond Fund, is sufficient to pay any bond principal, interest**  
 7 **and premium scheduled to be paid during the fiscal year;**

8 **(b) An amount of money to reserve accounts for working forests revenue bonds that is**  
 9 **sufficient to restore the balances in those accounts to the level that the state has agreed to**  
 10 **maintain; and**

11 **(c) Any remaining amount of money to the Working Forests Revenue Bond Administra-**  
 12 **tive Fund.**

13 **SECTION 8. (1) In accordance with the applicable provisions of ORS chapters 286 and 288,**  
 14 **at the request of the State Forester, the State Treasurer may issue working forests revenue**  
 15 **bonds to:**

16 **(a) Finance the acquisition and management of working forests pursuant to section 2 of**  
 17 **this 2005 Act;**

18 **(b) Pay the costs of issuing working forests revenue bonds incurred by the State Treas-**  
 19 **urer and the Oregon Department of Administrative Services; and**

20 **(c) Pay for the administration of the working forests revenue bond program.**

21 **(2) The State Treasurer may, at the request of the State Forester, issue one or more**  
 22 **series of refunding working forests revenue bonds. The State Treasurer shall structure the**  
 23 **refunding working forests revenue bonds so that the amount required to pay those bonds in**  
 24 **each fiscal year does not exceed the anticipated amount of working forests revenue bonds**  
 25 **that are refunded. The State Treasurer shall issue refunding working forests revenue bonds**  
 26 **in the amounts that the State Treasurer determines are necessary and appropriate to:**

27 **(a) Pay the principal, interest and premium on the bonds to be refunded; and**

28 **(b) Pay any bond-related costs incurred in the issuance of refunding working forests re-**  
 29 **venue bonds.**

30 **(3) Working forests revenue bonds issued under this section are payable from:**

31 **(a) The amount pledged for payment under subsection (7) of this section; and**

32 **(b) Any moneys appropriated by the Legislative Assembly for that purpose.**

33 **(4) Working forests revenue bonds are not general obligations of this state and are not**  
 34 **secured by or payable from any funds or assets of this state other than the amounts pledged**  
 35 **for payment or security and any moneys appropriated by the Legislative Assembly for that**  
 36 **purpose. The Legislative Assembly is not under any obligation to provide any appropriated**  
 37 **funds and is not liable to any party for a failure to provide an appropriation.**

38 **(5) All working forests revenue bonds issued pursuant to this section shall contain a**  
 39 **statement that the state is not obligated to pay working forests revenue bond principal, in-**  
 40 **terest or premium from any source other than the amounts pledged for payment and any**  
 41 **appropriated funds and shall contain a statement that the full faith and credit and the taxing**  
 42 **power of the State of Oregon are not pledged to the payment of working forests revenue bond**  
 43 **principal, interest or premium.**

44 **(6) The State Treasurer may establish reserves for working forests revenue bonds. The**  
 45 **reserves may be in the form of cash, investments, surety bonds, municipal bond insurance,**

1 lines of credit, letters of credit or other similar instruments. The State Treasurer may agree  
2 to maintain the reserves at particular levels, but solely from the amounts that may be  
3 pledged to pay working forests revenue bonds under subsection (7) of this section. If the re-  
4 serves are drawn down below the level that the State Treasurer has agreed to maintain, the  
5 Director of the Oregon Department of Administrative Services shall promptly certify to the  
6 Legislative Assembly, or if the Legislative Assembly is not in session, to the Emergency  
7 Board, the amount needed to restore the reserves to the agreed-upon level. The Legislative  
8 Assembly or the Emergency Board may provide appropriated funds in the amount certified  
9 by the director. Any appropriated funds shall be used by the State Treasurer to immediately  
10 restore the balance in the reserves established for the working forests revenue bonds. The  
11 state may enter into agreements with the owners of working forests revenue bonds that  
12 specify the timing and content of the director's certification.

13 (7) Notwithstanding any other provision of law, the State Treasurer may pledge unex-  
14 pended working forests revenue bond proceeds and moneys remaining in the Working For-  
15 ests Bond Fund after payment of forest management and fire protection costs and after  
16 payments in lieu of property taxes to the counties to pay working forests revenue bonds and  
17 to pay amounts due in connection with any credit enhancement or any instrument used to  
18 establish reserves for working forests revenue bonds. The lien of the pledge is valid and  
19 binding upon delivery by the state of the working forests revenue bonds, credit enhancement  
20 or instrument secured by the pledge. The amounts pledged are immediately subject to the  
21 lien of the pledge upon transfer to the Working Forests Bond Fund or to the Working For-  
22 ests Revenue Bond Administrative Fund regardless of whether physical delivery, filing or  
23 other acts have occurred. Except to the extent provided in the pledge, the lien of the pledge  
24 is superior to all other claims, liens and appropriations. The State Treasurer may issue  
25 working forests revenue bonds in different series and may provide that each series be se-  
26 cured by a lien or pledge that is superior to, subordinate to or on a parity with a lien or  
27 pledge securing any other series of working forests revenue bonds.

28 (8) An agreement made under this section for the benefit of owners of working forests  
29 revenue bonds is a contract between the state and the owners of the bonds. The State  
30 Treasurer, or the Director of the Oregon Department of Administrative Services with the  
31 consent of the State Treasurer, may agree with providers of credit enhancement or instru-  
32 ments used to establish reserves for working forests revenue bonds and with owners of  
33 working forests revenue bonds that:

34 (a) Except as permitted by a pledge made under subsection (7) of this section, the state  
35 may not create any lien or encumbrance on moneys remaining in the Working Forests Re-  
36 venue Fund after payment of forest management and fire protection costs and after pay-  
37 ments in lieu of property taxes to the counties that is superior to the liens of the pledges  
38 made under subsection (7) of this section;

39 (b) The state shall ensure that sufficient funds are available to:

40 (A) Pay the principal, interest and premium due on all outstanding working forests re-  
41 venue bonds;

42 (B) Maintain the agreed-upon balance in any reserves established for working forests  
43 revenue bonds; and

44 (C) Pay amounts due to the providers of credit enhancement or instruments used to es-  
45 tablish reserves for working forests revenue bonds; and

1       (c) The state shall manage and operate working forests until all working forests revenue  
2 bonds are paid.

3       (9) If the State Treasurer determines that acquisition is cost-effective, the State Treas-  
4 urer may acquire a municipal bond insurance policy, letter of credit, line of credit, surety  
5 bond or other credit enhancement device for working forests revenue bonds and may enter  
6 into any related agreements.

7       (10) The State Treasurer may provide that moneys in the Working Forests Bond Fund  
8 or the Working Forests Revenue Bond Administrative Fund may be held by a trustee. The  
9 State Treasurer may enter into agreements with a trustee regarding the use and application  
10 of the moneys held in those funds. The State Treasurer may transfer amounts credited to  
11 those funds to the trustee.

12       SECTION 9. Notwithstanding ORS 286.505 to 286.545, the Legislative Assembly authorizes  
13 the issuance of \$\_\_\_\_\_ million for working forests revenue bonds during the biennium be-  
14 ginning July 1, 2005.  
15 \_\_\_\_\_