

HOUSE BILL REPORT

2SHB 1835

As Amended by the Senate

Title: An act relating to a forest products commission.

Brief Description: Creating a forest products commission.

Sponsors: By House Committee on Finance (originally sponsored by Representatives Doumit, Sump, Schoesler and Clements).

Brief History:

Committee Activity:

Natural Resources: 2/23/01, 2/26/01 [DPS];

Finance: 3/7/01, 3/8/01 [DP2S(w/o sub NR)].

Floor Activity:

Passed House: 3/13/01, 93-0.

Senate Amended.

Passed Senate: 4/6/01, 47-0.

Brief Summary of Second Substitute Bill

- Authorizes creation of a commission for the purpose of promoting Washington forest products and managed forests, and assists in research related to marketing, advertising, sale of forest products, or research related to managed forests.
- Creation of the Forest Products Commission requires a positive vote by the required number of producers.
- Participation in the Forest Products Commission is limited to producers who harvest timber in Washington, and pay the timber excise tax on a minimum of 2 million board feet a year or in four consecutive calendar quarters.
- An assessment may be imposed upon producers within a range of 45 cents up to 90 cents per thousand board feet. All assessment increases must be approved by a referendum of producers.
- The initial assessment rate is established at 57 cents per thousand board feet. The initial assessment is voted upon by the producers at the same time as the proposal to create the commission and to elect the initial commission members.
- The commission consists of nine voting members. Six members must be from Western Washington, and three members must be from Eastern Washington, unless there is a lack of candidates from Eastern Washington.

HOUSE COMMITTEE ON NATURAL RESOURCES

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 11 members: Representatives Doumit, Democratic Co-Chair; Sump, Republican Co-Chair; Pearson, Republican Vice Chair; Rockefeller, Democratic Vice Chair; Buck, G. Chandler, Eickmeyer, Ericksen, Jackley, Murray and Pennington.

Staff: Bill Lynch (786-7092).

HOUSE COMMITTEE ON FINANCE

Majority Report: The second substitute bill be substituted therefor and the second substitute bill do pass and do not pass the substitute bill by Committee on Natural Resources. Signed by 10 members: Representatives Cairnes, Republican Co-Chair; Morris, Democratic Co-Chair; Berkey, Democratic Vice Chair; Roach, Republican Vice

Chair; Carrell, Conway, Pennington, Santos, Van Luven and Veloria.

Staff: Rick Peterson (786-7150).

Background:

Several commodity commissions were established in statute to help research and promote particular Washington products. These include the Washington Wine Commission, the Apple Advertising Commission, the Dairy Products Commission, and the Hardwoods Commission. These commissions elect their own governing board members and impose assessments on their members to finance activities deemed necessary.

Although there is a Hardwoods Commission, there is no broader commission that encompasses all producers of forest products. Other states, such as California, have created a Forest Products Commission.

Summary:

A Forest Products Commission may be established for the purpose of promoting Washington forest products and managed forests, and assisting in research related to marketing, advertising, or sale of forest products, or research related to managed forests. The commission is directed to create, provide for, and conduct a research, promotional, and educational campaign as sales and market conditions reasonably require.

Membership. The commission consists of nine voting members. Six of the members must be from Western Washington, and three of the members must be from Eastern Washington, unless there is a lack of candidates from Eastern Washington. After the initial election of commission members, if a position from Eastern Washington can not be filled because of a lack of candidates, then the position is filled by a person from Western Washington. A person from Eastern Washington must fill the next available vacancy. The commission must always have at least two members from Eastern Washington. The commission may also add or remove non-voting ex-officio members to the commission.

The commission members are elected by a vote of the entire group of producers unless the commission establishes districts for the nomination and election of commission members. If commissioner districts are established, and it appears that one of the positions from Eastern Washington will not be filled because of a lack of candidates, the position will be filled by a person who resides in Western Washington who is elected as an at-large member by the entire group of producers.

Three of the members from Western Washington must have annual harvest of more than 75 million board feet, and the other three members from Western Washington must have annual harvests between 2 million board feet and 75 million board feet. One of the members from Eastern Washington must have an annual harvest over 40 million board

feet, and the other member from Eastern Washington must have an annual harvest between 2 million board feet and 40 million board feet.

Each member must currently, and for the five years preceding his or her election, be actively engaged in producing forest products in the state, and meet the requirements for a "producer". A producer is someone who grows and harvests timber in Washington, and the harvest level must be at least 2 million board feet a year, as evidenced by payment of the timber excise tax.

No more than one member of the commission may be employed by, or be connected with in a proprietary capacity, with the same business organization. Members of the commission must be citizens and residents of the state, and be over 21 years of age. Each member must also derive a substantial portion of his or her income from the production of forest products.

Commission members are elected for four-year terms. The initial commission members are elected to staggered terms. Each member of the commission is compensated up to \$35 per day when engaged in business of the commission, and is reimbursed for actual travel expenses.

Assessment Authority and Approval. An assessment may be imposed upon producers within a range of 45 cents up to 90 cents per 1000 board feet on each species of forest products. All assessment increases must be approved by a referendum of producers. The assessment is to be established for the marketing year no later than January 1 of each year, or as soon thereafter as possible. The commission may increase assessments in excess of the fiscal growth factor established in statute for fee increases.

The initial assessment rate is established at 57 cents per 1,000 board feet. The initial assessment is voted upon by the producers at the same time as the proposal to create the commission and to elect the initial commission members.

An assessment is considered approved if : (1) At least 51 percent of the number of producers participating in the referendum vote in favor of the assessment, and these producers represent at least 61 percent of the volume of the producers who participate in the referendum; or (2) At least 65 percent by numbers of producers participating in the referendum vote in favor of the assessment, and these producers represent at least 51 percent of the volume of the producers replying in the referendum. At least 40 percent of the eligible producers must participate in the referendum in order for an assessment to be approved.

An assessment is due and payable to the commission when the commission calls for payment. The assessment becomes a personal debt of the person assessed. If a person fails to pay an assessment when it is due, the commission may add to the unpaid assessment an amount not to exceed 10 percent of the assessment to pay for the cost of

collection. If a person fails to pay an assessment, the commission may bring a civil action in court for collecting the sum.

Funds collected by the commission may be deposited in a separate account in the commission's name in any bank that is a state depository. Expenditures and disbursements may be made from the account without an appropriation.

Election Process. The director of the Department of Agriculture must call an initial meeting of forest product producers for nominating people to serve as commission members. The Department of Revenue (DOR) is required to provide the director with a list of all qualified producers in the state based upon the department's tax records prior to the meeting. Any producer may be nominated orally at the meeting for membership on the commission, or may be nominated by a petition filed with the department that is signed by at least five producers. The initial members are elected by secret mail ballot under the supervision of the director. At this initial election, the producers will vote on whether or not to create the commission, the initial slate of commissioners, and the initial assessment. If the requisite approval is not obtained for creation of the commission, the provisions of this law are inoperative.

After the initial election of commission members, the commission is directed to establish procedures for conducting elections. The commission is directed to hold its annual meeting each October for the purpose of nominating commission members and transacting business. Prior to receiving nominations, the DOR must provide the commission with a list of all qualified producers within the state based upon the department's tax records.

The DOR may charge the commission for the costs of producing quarterly harvest activity reports. The commission is considered a state agency for purposes of the DOR releasing harvest excise tax information to the commission. The commission may only use taxpayer information provided by the DOR for the purposes authorized by law.

EFFECT OF SENATE AMENDMENT(S):

Language is added to restrict the use of tax information that the commission receives from the Department of Revenue.

Appropriation: None.

Fiscal Note: Not Requested.

Effective Date: Ninety days after adjournment of session in which bill is passed.

Testimony For: (Natural Resources) (Original bill) This will benefit the forest products industry by helping inform the public about forest products and managed forests. Small tree farmers will benefit by the promotion of forest products without the burden of paying

the assessments. Similar commissions have been highly successful in other states. The research authorized for better management of forests will benefit the forests, the industry, and the public.

Testimony For: (Finance) This bill has eastside and westside support. It only applies to companies that annually harvest over \$2 million board feet. This is the equivalent of between 400 and 450 log trucks loads. This bill has timber industry support. The Department of Natural Resources is not a "producer" and so is not subject to assessment for the forest products commission.

Testimony Against: (Natural Resources) None.

Testimony Against: (Finance) None.

Testified: (Natural Resources) Bill Garvin, Washington Forest Protection Association; Paul Barnum, Weyerhaeuser Company/Washington Forest Protection Association; Steve Tveit, Boise Cascade Company/Washington Forest Protection Association; and Bill Pickell, Washington Contract Loggers Association.

Testified: (Finance) Representative Sump, prime sponsor; and Bill Garvin, Washington Forest Protection Association.