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Testimony on HB 2449 House Energy and Environment Committee

Chair Vega Pederson, members of the Committee:

Friends of Family Farmers offers this testimony on HB 2449, a bill dealing with numerous energy tax credits. Specifically, we are writing in support of the introduced bill's proposed recalculation for bio-energy produced from animal manure at \$5.00 per dry ton of total solids.

While manure digesters are a way to produce energy, we are concerned that the bulk of this tax credit is currently being used to subsidize the operation of larger factory-scale dairy operations using liquid manure systems. It is our understanding that the bulk of this tax credit, receive on order of millions of dollars in taxpayer funds per year, currently goes to one operation, which only uses a manure digester to handle a small fraction of its annual methane and manure output. If the current overly generous tax credit stays the same, we are concerned it will provide taxpayer funds to subsidize new factory-scale dairy operations in Oregon. Tax credits this generous can become the 'tail wagging the dog' for operations that may not otherwise be economically viable on their own.

It is our belief that taxpayer funds should not be used to subsidize large-scale concentrated animal feeding operations in Oregon, whether through manure digesters or otherwise. These operations are typically well capitalized even as they artificially depress milk prices, and threaten the future of Oregon's smaller scale dairies, which are often forced to lower their prices to compete. Already operating on small margins, many small dairies cannot compete with larger operations that collect tax credits for partial disposal of their manure. The proposed shift to a dry ton calculation for animal manure will still provide a tax credit for manure digesters, but will not make this as lucrative and attractive for new, large dairies.

Further, we are concerned that the state has still not followed through with the recommendations of 2008's Task Force on Dairy Air Quality, which was intended to fund new air quality monitoring, encourage best practices, and in 2015, begin enforcement of air quality violations from larger dairies. Created as part of SB 235 in 2007, the consensus recommendations of this task force have never been funded or followed through on. The full report and funding requests can be found here - <http://library.state.or.us/repository/2012/201204101013082/finalReport.pdf> . We believe funding the Task Force's recommendations should take priority over manure tax credits.

Lastly, we oppose the 'dash 2' and 'dash 3' amendments, which would provide a tax credit at the rate of \$3.50 per wet ton of animal manure. We are concerned that this credit is still far too generous to a handful of operations and may still incentivize the establishment of new, large dairies in Oregon. If a 'wet ton' calculation is retained, we would suggest paying at the rate of \$1.00 per ton.