

April 2, 2015

Chair Clem and Members of the House Committee on Rural Communities, Land Use and Water:

The Oregon Business Plan supports HB 2434A. This summer Oregon Business Plan partners including the Oregon Business Council, the Oregon Business Association, and Associated Oregon Industries hit the road with Business Oregon and Regional Solutions to learn about opportunities to help meet the Oregon Business Plan goals of creating jobs, raising incomes and reducing poverty in every part of Oregon.

We held a dozen meetings with business and community leaders. Opportunities to boost our natural resource industries were a major topic at all of the meetings. In particular, participants focused on opportunities to create more value-added forest and agricultural products. **The key take-away from these sessions was that natural resources industries are sunrise, not sunset, industries in Oregon, but only if we make the proper investments** to help our rural communities thrive and take advantage of a renewed global interest in high quality wood, agricultural, and other natural resource-based products.

From the manufacturing of cross-laminated timber to the development and use of unmanned aerial vehicles to new opportunities to expand food processing technologies, rural Oregon is full of opportunity. But to take advantage of that opportunity we have to treat our natural resources industries like we treat our urban, high tech industries: with a rigorous focus on innovation.

House Bill 2434A will work best in concert with other policies and investments before the legislature this year. Among others these include HB 2435A, the Rural Infrastructure Opportunity Fund, which helps rural communities invest in the “last mile” of infrastructure needed to solidify major economic development opportunities; investments in career and technical education that will help people secure the newly created jobs in value-added manufacturing; the availability of water; policies and investments to support the thinning of our overstocked federal forests and the use of biomass that comes off of those forests; and the on-the-ground research, technical assistances and know-how provided by the OSU Statewide programs.

The 2015 legislative session presents a major opportunity to reinvest and reinvigorate rural Oregon at a time when both local and global demand is growing for products that rural Oregon is uniquely positioned to produce. We hope that you support HB 2434A, along with the other rural investments described above, to demonstrate the legislature’s commitment to helping rural Oregon maintain the ingredients for economic success that the Oregon Business Plan has labeled “The 4Ps for Prosperity:” **People, Place, Productivity and Pioneering Innovation.**

Thank you,

Jeremy Rogers

Vice President, Oregon Business Council; Director, Oregon Business Plan

Ps...Attached is a summary of the input from this summer’s regional meetings that relate specifically to opportunities in natural resource industries. Separate write-ups focus on recommendations related to infrastructure, workforce, entrepreneurship, and other issues that cut-across industries. All of this can be found here: <http://www.oregon4biz.com/dev/www/BOR/Economic-Forums/>. I have also attached a copy of the complete Oregon Business Rural/Natural Resource Industry Agenda. For the Oregon Business Plan agendas on infrastructure and on connecting education to careers, visit www.oregonbusinessplan.org.

Community Perspectives On Growing Natural Resource Industries

Priorities from 2014 Regional Economic Forums
For Discussion at the Leadership Summit

South Central Oregon (Klamath Falls)

- Expanding food/agricultural exports and processing opportunities, including distilleries.
- Expanding forest/wood products industries especially in high value added products.
- Having a sound forest management plan that can allow access to timber and fiber supply and enhance timber stewardship; replanting after fires, additional timber lands brought back into production
- Providing more affordable power to enable growth in processing and related production of food and fiber.
- Increasing investments and reinvestments in R&D in technologies to increase operational and water efficiency, the use of drones, etc.
- Improving water quality and quantity and enhancing water storage.
- Expanding agri-tourism and recreational economy associated with natural resource assets.

Southern Oregon (Medford)

- Enhanced infrastructure to existing food processors of all sizes.
- Expanded production of natural and organic products specifically:
 - More growers to support large processors (like Amy's) within the region.
 - Link with other regions to support supply over a longer time and
 - The Extension Service to better understand and support niche agricultural markets.
- Assurance of a sustainable volume of water; predictability of supply
 - Implement WISE and
 - Implement education and incentives for efficient use of water.
- A strong marketing strategy to promote the region

Eastern Oregon (Ontario)

- Targeted growth in mining operations and value added forest products.
- Development of local biomass processing capabilities and facilities.
- A perception that Oregon's state leadership and government agencies want and value natural resource development; supported by a marketing campaign that promotes Oregon's natural resource industries.
- Agencies that have a can do, make it happen attitude for natural resources development supported by certainty and predictability in regulatory process.
- Business Oregon, Oregon Business Plan and Regional Solutions all working together to advocate for more projects in Eastern Oregon, providing quantified social and economic impacts/benefits on projects and financing.
- A solid range restoration program that includes a sage grouse strategy and that enhances production and opens new markets for animal and crop operations; An effort to establish a National Center of Excellence for range restoration.
- Water policies that are more flexible and fit the unique circumstances of Eastern Oregon.
- Significant investment in agricultural water infrastructure including upland storage, irrigation systems and rewards for conservation.

Central Oregon (Bend)

- A forest restoration and biomass program with local flexibility, including increased funding and support of federal forest collaboratives.
- Enhanced resources and cooperation among government agencies to fight fires with sustainable funding mechanisms for firefighting resources.
- A fully developed plan to address invasive species and Juniper reduction that reflects conditions unique to Central Oregon.
- Expansion of value-added and precision agriculture companies and markets.
- Encouraging innovative growers with investment capital, business assistance and facilities to develop and test new products.
- Innovation funding for commercializing new ideas (state funds currently focused on high tech) whereas a significant amount of innovation is happening in natural resource industries.
- A clear water strategy that addresses certainty of supply (allocation, storage, efficiency/use).
- A coordinated regional statewide marketing plan of natural resource products and business.
- Zoning land-use laws that have more local flexibility and control.

North Coast (Astoria)

- New commercial fishing rules are putting a severe constraint on the fishing industry in the north coast. Fishing regulations should be revisited for their economic impact on rural areas and to create consistency among state and federal regulations.
- Infrastructure investments are needed to support natural resource industries including:
 - A cold storage facility like those that are present in many other coastal communities along the West Coast.
 - Enhanced port infrastructure with capacity to handle more exports so companies do not need to go elsewhere to ship the product.
 - Improvements to freight mobility in the region, including the long-discussed Astoria bypass.
- A new management plan for the Tillamook and Clatsop State Forests that better realizes the economic potential of these forests while protecting habitat and environmental values.
- Business Oregon's loan programs could be structured in a way to underwrite risk for critical industry sectors in Oregon, such as natural resource industries, that are undergoing change. Because of regulatory uncertainty, accessing traditional bank financing is difficult.

Northeast Oregon (Pendleton)

- The regional Columbia River/Umatilla water plan fully implemented.
- Support of state leaders for the regional leaders position on the Blue Mountain Forest plan revision
- A steady timber supply and an adequate market for biomass to support forest restoration goals, including
 - The continuation in support of forest collaboratives
 - Stewardship contracts for the Umatilla and Wallowa Whitman national forests.
 - Incentives for biomass energy similar to what we've done with wind and solar.
- Support the growth of adaptive farms (e.g. wine and other value added agriculture) by employing greater land use flexibility including the "go below" process and including parcels as small as 10 acres.
- Local flexibility in land use boundaries to help meet housing and business development needs.
- An adequate supply of housing at all income levels for the region.
- Rational regulations implementing the new FEMA flood maps.
- A regional slaughter facility in place and operational and reforming/revising slaughter disposal regulations.
- Ecosystem services incentives for the environmental benefits that land owners create.
- Educating Westside communities and leaders about the unique challenges, opportunities and solutions of Eastern Oregon.

North Central Oregon (The Dalles)

- Get the Sage Grouse plan right with strong stakeholder engagement, data and accountable leadership.
- Increase markets and harvests of Juniper including more assistance in identifying niche markets for Juniper that are economically viable, and that is supported by a Juniper certification program.
- Increase the production value of food crop, beverage manufacturing and niche markets (e.g. jellies, jams and preserves made from local fruits).
- Increase the agritourism in the region.
- Strengthen forest restoration, including continued support for and expansion of forest collaboratives.
- More and ongoing support and technical assistance for rural and small businesses attempting to grow resource-based companies, including help with product development and access to capital and markets.
- Increase the funding for transportation and port infrastructure to get products to market.
- Have a Columbia River Treaty Right that supports the region's economic and community vision.
- Increased partnerships with the state of Washington, including funding for the Gorge Commission.
- Complete a regional water management plan, which will require leadership from the Governor's office and resources to engage and organize community stakeholders

South Coast (Coos Bay)

- A predictable supply a federal timber and fiber, along with a sound forest management plan to sustain supply. This includes passing an O&C forest lands bill and increasing state support for forest collaboratives.
- Community understanding and support of the benefits of natural resource industries.
- An increase in the production and diversity of value added food products including branded cranberries, seafood, dairy, beef and lamb.
- Increasing community supported fisheries with boat to table efforts that are branded and promoted by a more robust statewide Seafood Oregon campaign and a regional campaign that identifies key products, amenities and infrastructure to brand South Coast Seafood; Augmenting State branding with coordinated local marketing campaigns by community groups, Curry, Coos and Douglas Counties, and Wealth Works.
- Continued growth in aquaculture with a goal of doubling production in the next five years. This includes having estuary policies consistent with aquaculture use and includes water quality testing, new areas for shellfish, and off channel water storage; and working with Oregon State University on aquaculture research and development and pilot projects to demonstrate new approaches.

Put Our Natural Resources to Work

Draft for Discussion at the Leadership Summit

Manage Oregon's public forests and foster innovation to restore forest health, reduce wildfire risk, improve rural economic vitality, and increase utilization of biomass energy.

Federal Forests

- Increase and expand the state's investment in federal forest restoration through collaborative efforts that accelerate the pace and scale of federal forest management throughout the state – especially in fire-prone forests of eastern and southwest Oregon – to provide a sustainable timber supply, create jobs in rural Oregon and reduce wildfire risk while enhancing forest health and protecting communities, infrastructure and municipal water supplies.
- Pass a bill in 2015 such as the Wildfire Disaster Funding Act that treats wildfire as a natural disaster and protects Forest Service restoration and management budgets.
- Support federal budgets that advance forest health activities; create incentives for states that invest in federal forest restoration.
- Pass a bill in 2015 that provides adequate timber volumes, county revenues and certainty of harvest and conservation outcomes on Oregon's O&C timberlands managed by the BLM.
- Continue the state's engagement with the Forest Service to implement new authorities for forest restoration under the Farm Bill.

State Forests

- Develop a Forest Management Plan for state forests that better achieves the economic potential of these forests while protecting critical habitat and conservation values.
- Fully fund state research programs that model and map marbled murrelet habitat to best understand how to scientifically integrate forest management and habitat conservation.

Innovation

- Invest in R&D to advance the use of innovative wood products in commercial buildings by supporting the National Center for Advanced Wood Products Manufacturing and Design, a collaboration between the Oregon State University Colleges of Forestry and Engineering, and the University of Oregon School of Architecture and Allied Arts.
- Focus and align marketing efforts to create stronger public demand for innovative wood products.
- Create opportunity to design, engineer and construct a tall, all-wood structure in Oregon, 12-16 stories.

Biomass

- Invest state funds in a statewide biomass strategy to support project development, help access capital, increase information transfer, and deliver targeted technical assistance to rural communities.
- Improve the effectiveness of the Biomass Producer and Collector Tax Credit and pilot a production-based tax credit incentive for bioenergy projects.

Juniper Utilization

- Continue support for the state's Western Juniper Alliance, including working capital and technical assistance for western juniper producers and entrepreneurs, more and better data on juniper, and strategies to increase the pace and scale of juniper management, removal and utilization.

Grow Oregon's agriculture and food processing industries.

Oregon's food production industry has been an economic bright spot. In addition to the recommendations below, in 2015 state leaders should work with the private sector to create an economic development roadmap to maintain and accelerate growth in this industry. This effort should include an ambitious plan to increase

exports, expand existing businesses, start new ones, invest in R&D, and educate a food industry workforce to make Oregon a global center for quality and sustainable food production.

Adopt Responsible Federal Policy

- Pass an immigration reform bill that includes an agriculture guest worker program.
- Create certainty around federal tax policies that impact agricultural producers and encourages investments into their operations.
- Resolve key federal regulatory uncertainties in way that supports the growth of Oregon's agriculture and food processing industries. These include, among other issues, the potential listing of Sage Grouse as a protected species, Federal Emergency Management Agency and National Marine Fisheries Service plans for managing development in flood plains, and the Clean Water Act definition of "Waters of the U.S."

Invest in Infrastructure

- See Oregon Business Plan infrastructure agenda. The development of water supply infrastructure across is critical to the growth of Oregon's agriculture and food processing industries, as our increased investments in our transportation networks and public ports

Increase Agriculture and Food Processing Innovation and Productivity

- Invest in natural resource industry innovation including Oregon State University agriculture and forestry extension services, Experiment Station and Forest Research Laboratory (Statewide Programs). These investments support the sustainable management of working landscapes; ensure water quality and quantity; promote public health, food safety and security; support business development in value-added manufacturing; and educate tomorrow's natural resource industry leaders.
- Invest in the growth of Oregon's unmanned aerial systems (UAS) industry, which is a significant rural economic development opportunity in its own right, and has major implications for increased productivity of Oregon's agriculture and forest products industries.
- Stimulate investment and expansion in the food processing industry by expanding the 5 year property tax exemption on newly acquired machinery and equipment to bakery, egg, and dairy producers.

Keep Farms, Ranches and Forests Working

- Although Oregon has successfully avoided large-scale forest and farm conversion, these lands are increasingly threatened by generational change in land ownership, by activities that take land out of production, by imbalances between federal, state and private land management, and by lack of access to capital. The state should create financial and other tools to assist existing and new landowners in maintaining productive, working farms and forestlands.
- The legislature should fund the state's Sage Grouse Plan to reduce the threat to Sage Grouse by limiting rangeland wildfires, invasive grasses, and juniper, while strengthening rural economic vitality.

State Regulatory Policy

- Adopt more flexible regulatory policies to help Oregon's "frontier" communities take advantage of opportunities to improve the ecological and economic health of farms and ranches, promote agritourism, and increase value-added processing near communities where food is raised.
- Do no harm. Policymakers should work with rural communities and natural resource industries as partners to meet key objectives rather than imposing new and onerous regulations that make it difficult for them to grow.