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## **Testimony in Opposition to HB 2449 A House Revenue Committee**

Chair Barnhart, members of the Committee:

Friends of Family Farmers offers this testimony on HB 2449 A, a bill dealing with numerous energy tax credits. Specifically, we are opposed to the bill because of amendments adopted in the House Energy and Environment Committee that retain significant tax subsidies for manure digesters on large-scale industrial dairy operations. We supported the introduced bill's proposed re-calculation for bio-energy produced from animal manure at \$5.00 per dry ton of total solids. However, this provision was changed in the A-Engrossed version of the bill to be calculated at \$3.50 per wet ton of manure. While a slight reduction from the current tax credit of \$5.00 per wet ton of manure, this tax subsidy is problematic for a number of reasons.

While manure digesters can allow smaller scale dairies to provide community level energy while reducing pollution, we are concerned that the bulk of this tax credit is subsidizing the operation of the state's largest factory-scale dairy operation. Under the current system, millions of dollars in taxpayer funds each biennium are going to the largest dairy operation in Oregon, which is permitted to house up to 90,000 cows in confinement. We believe that the tax credit contained in the A-Engrossed version of the bill will not only continue a subsidy for an operation that doesn't need it, but that it will also lead to Oregon providing taxpayer funds to subsidize new factory-scale dairy operations. Tax credits this generous can become the 'tail wagging the dog' for operations that may not otherwise be economically viable.

It is our belief that taxpayer funds should not be used to subsidize large-scale concentrated animal feeding operations (CAFOs) 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.

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.

We strongly suggest the Revenue Committee amend HB 2449 A to recalculate the manure digester tax credit at the rate of \$5.00 per dry ton as included in the introduced bill.