



OSWA Position on HB 2466

March 28, 2017

Oregon Small Woodlands Association (OSWA) believes this House bill, which creates another forest products severance tax, is ill-advised and poorly thought out and fails to equitably address a very complex fire funding formula.

OSWA members have a long, successful partnership with the Department of Forestry (ODF) in fire cost management through our members' participation on their local fire protection association boards.

The 2013 Wildfire Protection Act exemplifies this good public policy that addressed the funding complexities of Oregon's fire prevention and suppression programs, which are managed by ODF. The collaborative process which created this law included the Board of Forestry, ODF staff, large industrial (OFIC) and small non-industrial landowners (OSWA). The Legislature should follow this model when considering statutory changes to address future catastrophic fire finance liabilities.

Using the framework of success from the past, ODF recently completed an extensive review of large fire costs. They worked collaboratively with legislators, OSWA, OFIC and other stakeholders to develop an extensive report on the equity of catastrophic wildfire costs. That report is available from ODF. Although many concepts were considered, no legislative proposals came forward from this review.

One additional study was requested by the review committee which has also recently been completed, the ODF/BLM protection contract review. This report is also available from ODF.

As this proposal is not the product of any of the collaborative processes recently completed, OSWA asks the House Revenue Committee members to oppose HB 2466.

Background on the Oregon Forestland Protection Fund (OFLPF)

The **OFLPF** pays for the landowner's share of wildfires which escape initial attack on lands protected by the Oregon Department of Forestry (**ODF**). **ODF** protects all private forestlands from fire and contracts to protect western Oregon BLM lands.

Large catastrophic fires cost millions of dollars, which is paid by the **OFLPF**, the state general fund, and an insurance policy. The Federal Emergency Management Agency (**FEMA**) pays a portion of these fire costs when communities or homes are threatened or destroyed.

Currently, the **OFLPF** is funded each year with:

- (1) **\$3.75** from an **\$18.75 minimum assessment** on small forest lots owned by land owners inside the forest protective boundaries. The remaining **\$15** goes into the **ODF** district's annual protection budget;
- (2) **5 cents per acre** paid by owners of timbered tax lots in western Oregon inside the forest protective boundaries;
- (3) **7½ cents per acre** paid by owners of grazing lands and eastern Oregon timberlands inside the forest protective boundaries;
- (4) **\$47.50 surcharge** paid by land owners, who have tax lots with improvements (buildings) inside the forest protective boundaries; and
- (5) **62.5 cents per MBF¹ severance tax** paid on timber harvested on all Oregon lands - private, county, state and federal. *(Tribal lands do not pay any of the above taxes, nor are their fire costs eligible for OFLPF reimbursements. They protect their own lands.)*

These income streams, plus interest, generate about **\$13 million each year** into the **OFLPF**.

Oregon purchases an insurance policy to help fund large fire suppression costs. State law requires the **OFLPF** and the **General Fund** split the **first \$20 million** paid for catastrophic large fires. For 2017, the insurance policy to protect the state general fund has a **\$50 million** deductible. This leaves a **\$30 million gap**, which the general fund is responsible for. The insurance policy then pays the next **\$25 million**.

¹ Thousand Board Feet

Forestland Ownership, Timber Harvests and Proposed Tax Increases

(acres and harvest data from OFRI)

1. Family woodland owners *and* rural residents in the wildland-urban interface pay about **70%** of the income stream into the **OFLPF** each year through the **minimum assessment**, the **surcharge**, plus the annual **severance tax** charged to those who decide to harvest. That's about **\$8.5 million** each year.
2. **Family woodland owners** own about **14%** of Oregon forestland. We harvest **12%** of the annual **4.1 BBF² harvest**, or about **0.49 BBF**. The proposed *additional* **\$10/MBF** severance tax will cost family woodland owners who harvest at least **\$4.9 million each year**.
3. **Large private landowners** manage about **20%** of Oregon forestland. They harvest **66%** of the annual **4.1BBF harvest**, or about **2.7 BBF**. The proposed *additional* **\$10/MBF** severance tax will cost them at least **\$27.1 million each year**. *(Many are family-owned businesses.)*
4. **Federal government** owns **60%** of Oregon forestland. They harvest **13%** of the annual harvest, or about **0.53 BBF**. The proposed \$10/MBF severance tax will generate about **\$5.3 million each year** from federal lands.
5. **State and Counties** own **4%** of Oregon forestland. They harvest **7%** of the annual harvest, or about **0.29 BBF**. The proposed \$10/MBF severance tax will generate about **\$2.9 million each year** from these lands.

Other Fire Protection Taxes

6. Forest land owners whose parcels are larger than the **minimum assessment** are required to pay a **per-acre assessment** to their **ODF district**. The tax varies by district, ranging from \$1.25 per acre per year, up to over \$3.00 per acre per year. This pays for fire prevention, initial attack and suppression, and a daily minimum on large fires.
7. Family woodland owners who have improvements (buildings) on their property and who are in a **Rural Fire District** pay for structural and fire protection based on assessed values. These costs range from \$250 to more than \$500 per year.

² Billion Board Feet