

House Revenue Committee

Re: HB 2495 and its various amendments are unfair to woodland owners, especially after the Gross Receipts Tax. God help us if the proposed cap & trade bill passes

Date: May 29, 2019

For decades, the natural cycle of fire has been suppressed to protect property values, forest resources and public safety. And for the past 50 years, fire suppression has been coupled with mostly passive management on federal and state-owned forests. As a result, publicly-owned western Oregon forests and the drier federal forests of eastern and southwestern Oregon have grown uncharacteristically dense. These forests are now the source of well over 90% of Oregon's fire acreage and are increasingly at risk of even larger and more severe wildfires than they have experienced historically.

HB 2495 proposes to make current forest products harvest tax rates permanent, and double the rate private landowners would pay for fire protection. This increased tax <sup>comes</sup> on top of the recently passed Gross Receipts Tax, which will be pyramided (i.e. imposed multiple times) on forest products. Since forest products are sold on the open market, its added cost is passed down the chain (contractor, lumber retailer, lumber wholesaler, lumber mill, and sort yard), with each entity paying the gross receipts tax, with the cumulative burden passed onto the woodland owner. In this example,  $7 \times 0.49\%$ , or 3.5% of the gross harvest proceeds. This pyramided effect is greater than the profit earned in any harvest during my twenty years of being a small woodland owner, and so to now propose to also increase the harvest tax will be devastate the legacy I had intended to pass to my grandson.

God help us if ~~there the~~ cap & trade passes, as the average household will have to <sup>pay</sup> \$344,000 to \$556,000 more after tax and for those in our industry, with our essential pickups, trucks, and various pieces of equipment, the cost will be far greater even yet. It is ironic that this is the only group that actively works everyday to sequester 43% of Oregon's GHC (green house gases). We stand ready to do more, if we are not taxed out of existence by HB 2495 and the many bills before this legislature.

The increased HB 2495 tax is intended to be dedicated to fund a new Wildfire Suppression Fund to pay for emergency fire suppression costs, purchasing fire insurance, severity resources, acquiring fast-mobilizing, short-term contingency resources, enhancing district resources and mitigating forest patrol assessments.

While it is correct that landowners pay just 62.5 cents/mbf for fire suppression *in harvest taxes*, the committee may have been left with the impression the harvest tax is the sole funding mechanism paid by landowners for fire protection and suppression. That is incorrect.

In 2018, Oregon's private forest landowners paid nearly **\$29.5 million** in fire protection and suppression costs. This figure does not include roughly **\$14 million in in-kind contributions** - private timber companies provide in heavy equipment and fire cache resources their trained employees utilize to fight fire side-by-side with ODF in the complete and coordinated fire protection program. And most expensive of all - this figure does not include the total cost accounting of any wildfire: lost resources, ravaged environmental protections, and degraded water and air quality.

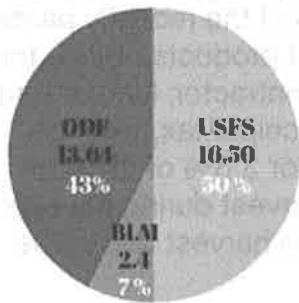
In addition to the \$0.625/mbf collected through the harvest tax, forest landowners pay a variety of per-acre assessments (in some instances at rates that exceed property taxes collected for local schools), minimum lot charges, and improved lot charges. These are all unique to Oregon's fire funding model. For example, in WA and ID **all large fire costs** are paid by the general fund. In CA and AK, 100% of **all fire costs** are paid through the general fund.

Oregon private landowners contribute more to fire protection and suppression than any other landowners in any other state. Period. Including:

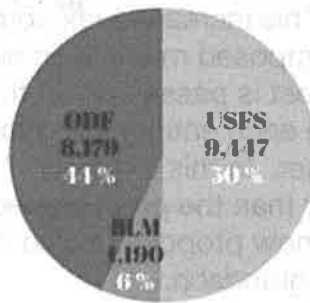
- 50 percent of ODF's base fire protection budget
- 50 percent of the costs for severity resources (air attack resources, additional crews, etc),
- 50 percent of the premium for Oregon's catastrophic insurance policy
- 50 percent of the first \$20 million in large fire costs

While ODF and the USFS protect roughly the same number of acres in Oregon, and they both experience about the same number of jurisdictional fire starts, since 2009 only 14 percent of the acres burned were on private and state lands. Two things are clear: ODF fire protection model is working and Oregon's forest landowners are already outsized contributors relative to its fire footprint.

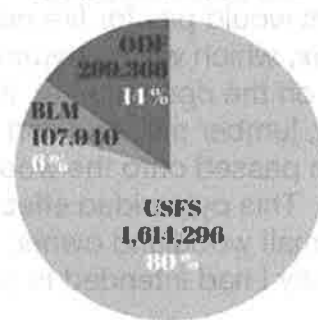
Acres Protected (millions)



Number of Fires 2009-2018



Acres Burned 2009-2018



HB 2495 and its various amendments unfairly penalize forest landowners. During previous public testimony on this bill, proponents grossly misrepresented the full extent of the current value of the harvest tax paid by forest landowners. The following table shows the 17-19 rates for the harvest tax, the five programs the tax supports, and the total revenues for the biennium based on projections of a steady 4 billion board foot annual harvest.

PROGRAM	2017-19 RATE/ mbf	EST TAX REVENUE/ BIENNIUM@ est 8bbf harvest
Oregon Forest Resources Institute (commodity commission)	\$1.0900	\$8,720,000
Forest Practices Act administration Oregon Department of Forestry	\$1.5660	\$12,528,000
Professional Forestry Education OSU College of Forestry	\$0.1000	\$800,000
Forest Research Lab OSU College of Forestry	\$0.9000	\$7,200,000
Fire Protection	<u>\$0.6250</u>	<u>\$5,000,000</u>
<b>FPHT CUM TOTALS</b>	<b>\$4.2810</b>	<b>\$34,248,000</b>

HB 2495 and the amendments will:

- Unfairly shift the general funds responsibility to pay for wildfire emergency suppression cost to forest landowners who harvest timber.
- Disrupt the forest product harvest tax system which provides funds for essential programs in fire, forest practices, and research that are important to all Oregonians.
- Remove the biennial sunset which provides flexibility to adjust these important programs as needed.
- Shift the state's responsibilities in the Wildfire Protection Act to landowners who already pick up the majority of costs in protecting Oregon's forests from fire.
- Put in jeopardy Oregon's ability to receive federal FEMA funds when forest fires threaten homes.

The public causes 36% of fires, which includes those resulting from campfires, shooting, fireworks, & careless acts. An additional 25% of fires are from lightning. All landowners cause 37% of all fires, but only 4% of those are from large/ small landowner logging/harvest related operations. **Taxing timber harvest to pay for fire is not warranted when 96% of all fires are not timber harvest related.**

- Landowners currently pay 50% of the fire costs. This new tax would shift the entire burden to pay for fires caused by the public or nature onto landowners.
- Landowners who cause fires by harvest/operations are already responsible for costs to \$300,000 or up to the total cost if they were negligent.
- Rural landowners currently pay surcharges on structures and minimum lots which fund large fire costs and ODF district base budgets

I am a senior citizen Small Woodland owner and I intensely manage my forests thru thinning and vegetation control to minimize the risk of fire and regularly maintain my roads to provide the best possible access, should fire fighting be required. I also spend thousands of dollars annually to keep noxious weeds and grass under control, which is particularly challenging since I am located next to a large-state-owned forest that does minimal control. This applies to Himalayan Blackberry and Scotch broom, an oily plant that would go up in flames if torched, as well as other invasive species. I am doing a far better job at this than state or federal managers—I take it seriously and do the work myself.

The ratio of ODF's Private Forest Division via the Forest Products Harvest Tax should remain at the current percentage, with the general fund paying for all the benefits the public receives without lifting a finger to help.

I strongly oppose shifting a greater percentage of costs to the regulated private community while at the same time choosing to ignore the huge value of the in-kind contributions and ignoring there pyramiding of gross receipts tax on forest products.

Regards,

Greg Peterson

**\* HB2495 Amendments:**

HB 2495 -1, in addition to the base bill, imposes a 2.5% severance tax on the harvest of all timber except that from small tract forestland program.

HB 2495 -2 replaces the base bill, extends the current forest products harvest tax rates, adds \$10/mbf harvest tax directed to a new Wildfire Suppression Fund. Monies in the fund would be appropriated for emergency fire suppression costs, purchasing insurance, severity resources, acquiring fast-mobilizing, short-term contingency resources, enhancing district resources and mitigating forest patrol assessments.

HB 2495 -4 replaces the base bill and redirects 60% of the harvest tax currently dedicated to the Oregon Forest Resources Institute (the timber sector's commodity commission) to a new Wildfire Suppression Fund allocated through the Emergency Board to the State Forester for the purpose of paying for emergency fire suppression costs.