



To: Members of the House Agriculture and Natural Resources Committee

From: Rex Storm CF, Executive Vice President
Associated Oregon Loggers, Inc.

Kevin Campbell, Lobbyist
Associated Oregon Loggers, Inc.

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**Re: Testimony in Opposition to Legislation Proposing Additional Taxes on the
Timberland Forest Products and Making Changes to the Oregon Forest Resource
Institute (OFRI) - HB. 2070, 2430, 2389, 2379, and 2357**

Good afternoon Chair Witt, Vice-Chairs Breese-Iverson and Hudson and members of the committee:

For the record, my name is Kevin Campbell. I am here today on behalf of the Associated Oregon Loggers to speak in opposition to the series of bills before the committee that propose additional taxes on timberland forest products and that make changes to the Oregon Forest Resource Institute.

The Associated Oregon Loggers is a statewide trade association that serves as the voice of Oregon's forest operators. AOL represents nearly 1000 mainly small, generational family businesses that employ more than 22,000 Oregonians who provide statewide sustainable forest management services for Oregon's forestlands, economic stability for their communities, living wages to their families and many are family forest owners themselves. These are the folks who do the work of forest management including hazard reduction, fire protection, forest restoration, reforestation, road construction, recreation access and harvest operations.

Our opposition to the proposed taxation and education impacts is grounded in our mission to ensure family forest businesses can thrive as well as our commitment to sustainable resource management that drives rural community stability and success. In light of our complete agreement with Mr. James testimony opposing HB 2357 and its impact on OFRI, I will focus my brief testimony on the four timberland forest products tax bills.

Let me begin by saying that the timing of this legislation couldn't be worse: pandemic, economic malaise, unprecedented wildfires and the catastrophic ice storm. All these have slowed forestry field operations and added significant business expenses. Initial survey research, conducted by AOL, estimates a direct loss of over \$100 million to small business forest contractors due to the wildfires alone.

When we consider increased timberland taxes, it is easy to assume that the impacts will be limited to large landowners. The truth is that the timber industry operates as a market that is shared by the large and small businesses that operate within it. As such, we are like a family where impacts to one family member impacts the others.

Nearly all Oregon forestland management is conducted on an independent contractor basis by small outfits passed down from one generation to the next. Increases in forestland taxation would impact family forest small businesses in at least four very tangible and negative ways:

1. Small family forest businesses own 36% of all Oregon private forestland and would be subject to the added tax cost.
2. Forest landowners pass-on the added tax cost to contractors by subtracting from rates paid to those generational businesses
3. Increased tax will result in less investment in forest management, causing damage to small family forest businesses.
4. Larger and more costly wildfires would be the result of fewer voluntary operator and landowner “first responders”.

I would like to close by sharing a story of one generational forest business that illustrates the challenges these small logging companies are experiencing.

For 43 years, Plikat Logging, Inc. of Camas Valley has provided excellent forest management contract services to Douglas County and the Southwest Oregon region. Founded in 1979, this second-generation small business is an owner-operated family venture run by Wally, Debbie, Stephanie, Jeff, and Kristal Plikat. Soon, the third Plikat generation will join-in the family business!

The Plikat family produces a family-wage livelihood for 74 employees engaged in contract forest management services. These skilled trades-professionals on any given day deploy tens of millions of dollars of capital and modern technology, while utilizing dozens of specialized heavy equipment, machinery, rigging, heavy trucks and vehicles.

September’s wildfire incident brought tragedy to the Plikat’s family business with millions of dollars in uninsurable losses due to burned equipment, destroyed timber, unreimbursed remobilization and deep losses from production idling capped by suddenly-escalating costs and shortages of labor, supplies, equipment, capital and vendor services.

Even as the Archie Creek fire was destroying their equipment and property, Plikat deployed what people and equipment they had left to fight the flames. They joined landowners and other small logging companies to battle the fire, an effort that included hundreds of personnel and over 400 pieces of heavy equipment. It is important to note that much of the firefighting efforts of Plikat and others are not reimbursed.

As a sad irony, while fighting September’s Archie Creek Fire, the Plikat’s own 240-acre family forestland burned, another uninsurable loss that will now require the family to conduct recovery operations and find significant resources for forest restoration.

To top it all, the Plikat’s many losses in 2020 were met with the newly-required CAT tax quarterly payments on their unprofitable gross operations.

On behalf of the Plikat family and the nearly 1000 small generational logging companies that join them to manage Oregon’s forests, we urge the committee to **not** move forward with these bills.