

Chair Nathanson and members of the House Revenue Committee:

As a resident of one of Oregon’s rural counties (Jackson County) that has historically relied heavily on the timber industry for county revenue, and having heard members of the County Board of Commissioners for years complain about the loss of revenue and the need to promote timber harvest to remedy that shortfall, I am well aware of the financial plight in which Oregon’s rural counties find themselves. I am also aware of the encouragement for unsound excessive harvest practice to which this revenue shortfall often leads. Jackson County is not alone

Rural counties throughout Oregon have suffered a shortage of funds to support basic services for decades. One of the reasons for this has been dwindling income from timber. A historic review of the forestry funding base presented in Figure 1 identifies the trend and the problem.

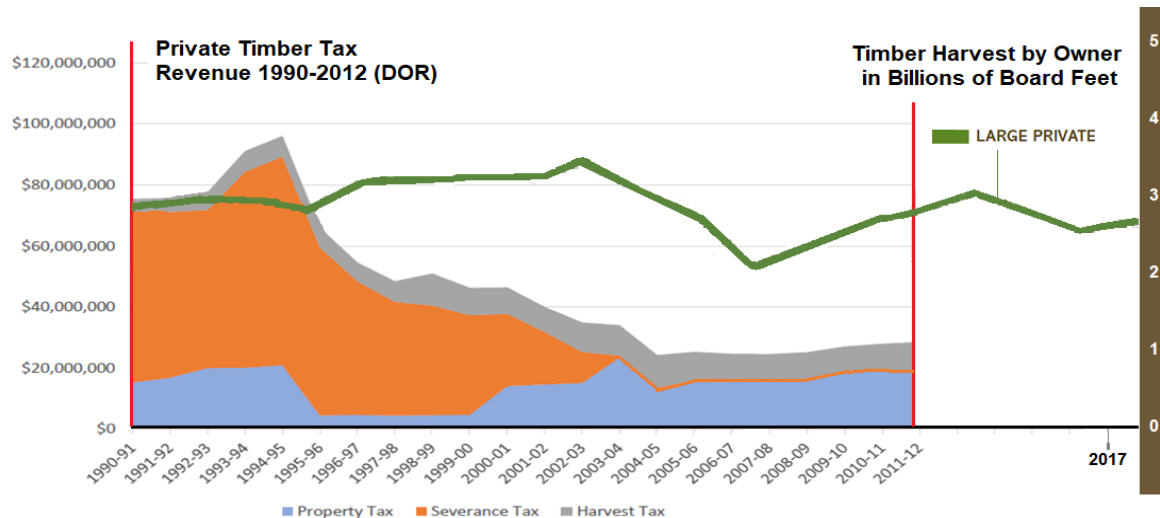


Figure 1 Trends in Oregon timber taxes during last three decades.

From a revenue peak in the mid-1990s, the income from timber harvest has dropped substantially. This drop in revenue has occurred even as the timber harvest from private timberland has returned to levels experienced in the mid-1990s. Property taxes are a critical source of funds for police, fire protection, education, and other public services provided by

local taxing districts, such as cities, counties, and schools. While revenue from the Harvest Tax and Property taxes, though fluctuating, have continued largely without change for several years (Figure 1), revenue from the Severance tax (Figures 1 and 2) has dwindled substantially. It seems reasonable to conclude that this drop has contributed considerably to the reduced county revenue and, more importantly, the difficulty imposed on rural counties in terms of maintaining services. In 2018, Emily Green reported: “Oregon’s west-side county governments are collecting 85 percent less in tax revenue from private timber companies than they were in the early 1990s, while logging on private lands has remained largely unchanged.”

<https://www.streetroots.org/news/2018/09/07/cut-and-run-dry-do-oregon-tax-laws-favor-timber-industry>

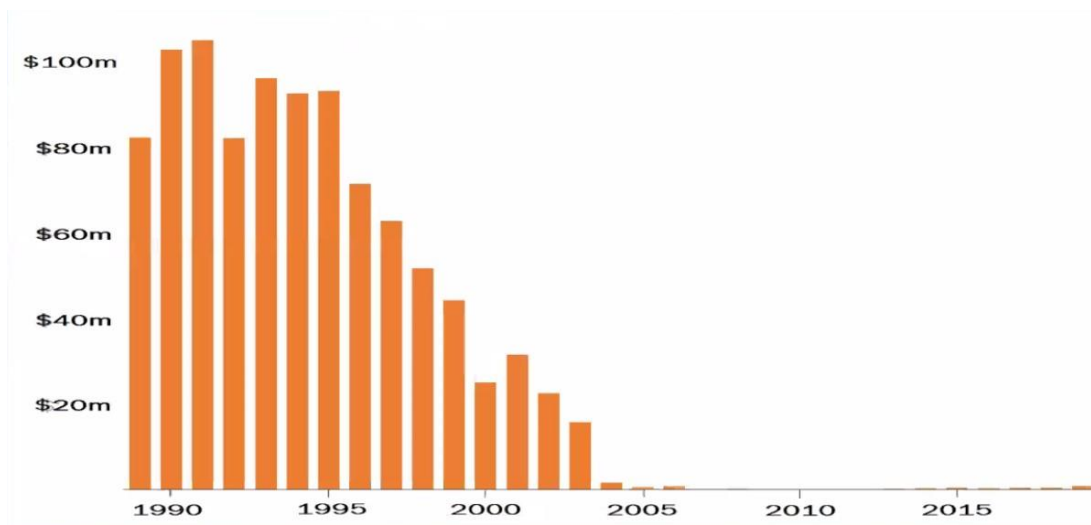


Figure 2 Trends in Oregon county revenue as property taxes were reduced and the severance tax largely phased out.

<https://www.opb.org/news/article/oregon-timber-logging-industry-data-investigation->

Since property taxes support the services listed above, this revenue is critical to maintaining adequate public services throughout rural Oregon. While revenue from timber harvest once contributed substantially to support county services, as can be seen in Figure 3, this income has dropped profoundly over the last 30 years.

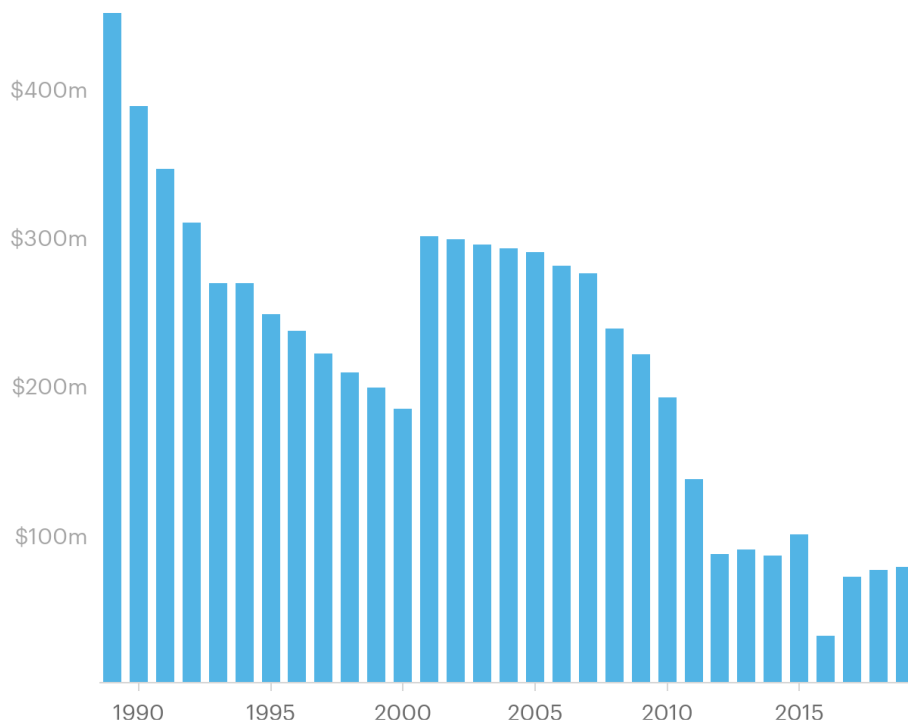


Figure 3 Loss of revenue to Oregon counties from federal timber harvest and subsidy payments.

<https://www.opb.org/news/article/oregon-timber-logging-industry-data-investigation-methods/>

While the concept of imposing taxes may be problematic to some Oregonians, it is critical to realize that the state is an outlier on the west coast in terms of revenue from timber harvest. Thus, while Oregon has 39% more forestland than Washington State and harvests 46% more timber, the revenue accruing to the state is 1/3rd that collected in Washington. Schick, Davis and Younes 2020 OPB/ProPublica, Dec 2020 <https://www.opb.org/news/article/oregon-investigation-timber-logging-forests-policy-taxes-spotted-owl/>. These authors pointed out that in order to retain its timber industry investment, Oregon lowered taxes and kept weak environmental protections in place on private forest lands compared to neighboring states. They continue: “Despite such concessions, the country’s top lumber-producing state has fewer forest-sector jobs per acre and collects a smaller share of logging profits than Washington or California.”

These authors further point out that Wall Street real estate trusts and investment funds have been taking over Oregon’s private forests and reaping the benefit of timber tax cuts that have cost Oregon rural counties \$3 billion over the last three decades. It’s worth stressing that the major benefits from the tax cuts have accrued not to Oregonians, but to investors living thousands of miles away from the state, sometimes outside the country. This is because much

of our forested land is owned by REITs (Real Estate Investment Trusts) and TIMOs (Timber Investment Management Organizations).

Tree-huggers, environmentalists, the Northwest Forest management Act and Northern spotted owls are blamed for much of the reduction in employment and county revenue from our forests. However, in a 2017 update of Oregon's timber history Josh Lehner in an Oregon Office of Economic Analysis (<https://oregoneconomicanalysis.com/2017/10/10/oregons-timber-history-an-update/>), pointed out that employment in this industry dropped in the 1980s as a result of a combination of factors, including: the economic recession of the 1980s leading to industry restructuring, increased competition of logs from BC and the southern U.S., and automation of the industry resulting in the need for fewer workers. Though harvest recovered by the end of the 1980s, employment did not. The timber industry was already downsizing employment before the restrictions imposed by 1994 Northwest Forest plan. Meanwhile, Schick et al further note that: "Half of the 18 counties in Oregon's timber-dominant region lost more money from tax cuts on private forests than from the reduction of logging on federal lands...."

It is evident that Oregon's rural counties are losing out financially from the lax approach that our state has adopted *vis a vis* timber extraction. By reimposing a meaningful severance tax on timber harvest, the legislature can reduce the pressure imposed by county commissioners to promote excessive harvest policies. Promoting timber harvest compromises the ability of our forests to capture and store (sequester) carbon. In this context, it is worth noting that Oregon's temperate coniferous rainforests are among the most valuable ecosystems on the planet in terms of their capacity to sequester carbon and thus counter global warming and the climate chaos it imposes. The state needs a mechanism that restores income to rural counties while protecting our forests from increased harvest. HB2379 could remedy this profound discrepancy.

While the essential principle embodied in HB2379 is sound, its potential for assisting the financial plight of rural Oregon counties could be strengthened by raising the percentage of generated revenue returned to the counties. Meanwhile, the target for the tax should focus on the large corporate landowners, the REITs and TIMOs. rather than small woodland owners. Additionally, in this age of global warming and climate chaos, the program instituted by this proposal should incorporate incentives that encourage forest owners to practice climate smart forestry such as that which could lead to Forest Stewardship certification.

Our specific recommended adjustment are:

Out-of-state REITS and TIMOs currently paying no Oregon corporate tax, personal income tax, or excise tax should be contributing their fair share to Oregon tax coffers rather than using Oregon's forests as a resource to extract merely for short-term profit.

Small woodland owners should be subjected to lower rates than large industrial forest landowners.

The tax rate should be graded to reward landowners achieving Forest Stewardship Council certification, or demonstrably employing longer rotation cycles and/or promoting forest health for carbon sequestration, water quality and quantity, soil health, species diversity and/or fire management

A substantial percentage of the revenue should be directed to rural timber counties to be used as they deem appropriate, a percentage should be directed to watershed protection, and the remainder to a fire management fund.

In summary, we support the principle of reimposing the severance tax but urge adjustments in the program.

Sincerely,

Alan Journet

A handwritten signature in black ink that reads "Alan Journet". The signature is written in a cursive, flowing style with some loops and flourishes.

Co-facilitator

Southern Oregon Climate Action Now