

25 February 2021

TO: Representative Brad Witt, Chair
Members
House Committee on Agriculture and Natural Resources

FROM: Ernie Niemi, President

SUBJECT: SUPPORT FOR HB 2379

I am an economist with more than 40 years' experience analyzing the relationships between the timber industry and Oregon's economy. From 1978 until 2012, I was an Economist and Vice President of ECONorthwest. I currently am President of [Natural Resource Economics](http://www.nreconomics.com).

Adoption and Implementation of HB 2379 Would Yield Multiple Economic Benefits for Oregonians

HB 2379 represents an important first step toward correcting severe deficiencies in a system that currently punishes Oregon's communities and makes them more vulnerable to wildfire, while providing unfair benefits to investors in timber corporations. Specifically, it will:

- A. Reduce the fire-protection subsidy from taxpayers to private timberland owners, so that the owners' payments to the state's Fire-Protection Program more closely match the benefits they receive from the program
- B. Help offset the intensified wildfire-risks that industrial timberland owners impose on other landowners and on communities
- C. Help offset the timber industry's actions that increase communities' vulnerability to wildfire

A. HB 2379 Will Reduce the Fire-Protection Subsidy from Oregon Taxpayers To Private Timberland Owners

Under the current system, taxpayers bear a substantial portion of the costs ODF incurs to protect privately owned timberlands from fire. In the 2017-19 biennium, privately owned land comprised 77 percent of all lands receiving fire protection from ODF, but the private landowners enjoying the benefits of this fire protection paid only 31.2 percent of the Base Fire Protection Funding. That is, taxpayers paid \$72 million to support the program, while private landowners paid only \$31.2 million (Figure 1).¹ In effect, the Fire-Protection Program is equivalent to an insurance policy: each landowner pays a premium and, in exchange, the

¹ The General Fund, i.e., taxpayers, also bears the full risk of major cost-overruns. Data from Legislative Fiscal Office, presented 17 April 2019 by Representative Paul Holvey in support of HB 2495.

program stands ready to provide protection services if they experience a fire. Insurance programs generally operate on the principle that those with more property at risk pay higher premiums. In this instance, however, the industry has persuaded previous legislatures to give them special treatment: Oregon’s taxpayers pay the bulk of the Fire-Protection Program’s costs, while private timberland owners own most of the land that receives fire-protection benefits. This arrangement stands in sharp contrast to what happens with public lands, where the owners bear 100 percent of the fire-protection costs for the lands they own.

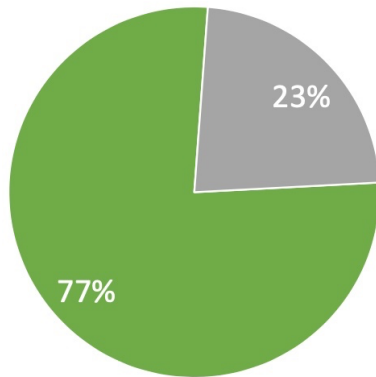
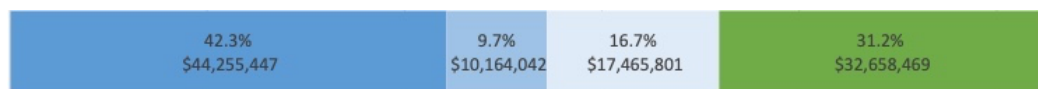


Figure 1. Privately owned timberland comprises 77 percent of the land that receives fire protection from ODF...



...but private timberland owners paid just 31.2 percent of 2017-19 Base Fire-Protection Funding

B. HB 2379 Will Help Offset the Intensified Wildfire-Risks Industrial Timberland Owners Impose on Other Landowners and on Communities

Across the heavily logged, industrial timber landscape, plantations of densely packed, small trees have a tendency to [burn with exceptionally high intensity](#). As they burn hotter and faster, they increase fire risks for adjacent lands, homes, and communities. Thus, all else equal, the owners of these lands should pay more, not less into ODF’s fire budget.

C. HB 2379 Will Help Offset the Timber Industry’s Actions that Increase Communities’ Vulnerability To Wildfire

Communities throughout Oregon are made more vulnerable to wildfire because the timber industry directly and indirectly diminishes the fiscal resources available for fire protection. It deprives communities of fiscal resources via three mechanisms:

1. Tax breaks and subsidies transfer money from Oregon’s taxpayers and communities to timber corporations
2. Industry layoffs reduce the income of workers and families
3. Timber’s negative impacts on water and other resources impede growth of jobs in other industries

1. Tax breaks and subsidies transfer money from Oregon’s taxpayers and communities to timber corporations

Timber corporations have long received subsidies and avoided paying taxes, with corporate investors enjoying benefits totaling more than \$500 million per year (Figure 2).² This transfer of wealth from Oregonians to investors deprives communities of money they otherwise would use to provide better public services. In particular, the flow of money to corporate investors through tax breaks and subsidies leaves many communities – especially rural communities – without the funds they need to improve their fire departments and take other steps, such as clearing fuels, that would reduce their vulnerability to wildfires. Adoption and implementation of HB2379 would partially offset this negative impact on communities.

Tax Break or Subsidy	Annual value (\$ millions)	Source(s)
Property tax exemption – standing timber	\$250.2	ODR Tax expenditure report
Large tract forestland special assessment	\$53.7	ODR Tax expenditure report
Property tax exemption – logging roads	\$22.5	ODR Tax expenditure report
Property tax exemption – skyline yarders	\$2.9	ODR Tax expenditure report
Subsidized federal timber – BLM	\$47.3	BLM analysis
Partial weight mile tax exemption – logging trucks	\$5.2	ODT analysis
Unreimbursed firefighting costs on timberland	\$134.2	USDA, ODF expenditure data
Unreimbursed ODF private forest program	\$23.4	ODF expenditure report
Severance tax exemption – large owners	\$14.9	Calculated
Subtotal:	\$554.3	

Figure 2. Tax breaks and subsidies to the timber industry top \$500 million per year. Much of this amount is a transfer from local communities to rich, out-of-state corporate investors

2. The timber industry undercuts fire protection in Oregon’s communities by laying-off workers

Timber corporations have further reduced the fiscal capacity of many communities by aggressively laying-off workers who live in these communities. Following the Great Recession, for example, the lumber and wood-products industry cut its workforce by about one-third. As a result, in communities with a past dependence on timber, fewer workers receive wages they can use to invest in fire-proofing their homes and communities (Figure 3).³ This loss of timber wages compounds the lack of fiscal resources – from tax breaks and subsidies – that diminish rural communities’ ability to take the steps necessary to reduce their vulnerability to wildfires.

² Center for Sustainable Economy and Natural Resource Economics. 2021. [Why President Biden Must Reinstate Owl Habitat Protection as Quickly as Possible.](#)

³ Oregon Forest Resources Institute. 2018 and 2019. Oregon Forest Facts.

As Timber Harvest Recovered from the Great Recession

...Mill Jobs Did Not

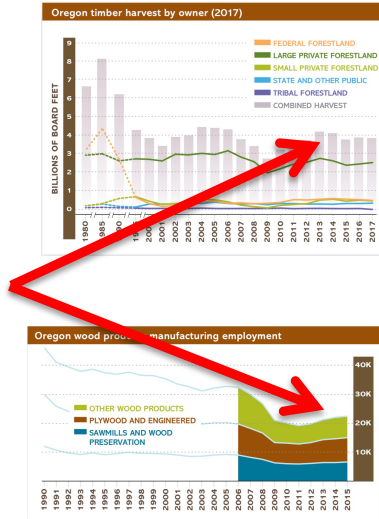


Figure 3. The timber industry eliminated about one-third of jobs following the Great Recession

It is important to note that the industry’s ever-present effort to cut its workforce undermines a potential argument against HB 2379: that the timber industry deserves exemption from paying more to support ODF’s fire-protection program because it employs so many workers and supports the economy of so many rural communities. The industry’s own behavior puts a lie to this argument. It employs far fewer workers than in the past and, if past is prologue, it will continue to shed workers and employ even fewer workers in the future. In sum, the timber industry is a primary source not of economic stability but of economic instability in Oregon’s rural communities. Adoption and implementation of HB 2379 will offset some of this instability by providing resources to help communities reduce their wildfire vulnerability.

3. The timber industry undercuts fire protection in Oregon’s communities by damaging resources they need to diversify

As rural communities try to cope with losses of jobs in the timber industry, the industry’s land-management practices degrade the resources the communities need to develop replacement jobs and diversify their economies. For example, recent research clearly shows that industrial clearcuts reduce the amount of water in streams, increase turbidity, and raise water temperature, thereby creating risks for municipal water supplies, and degrading habitat for salmon and other aquatic species dependent on higher and colder flows.⁴ These impacts make

⁴ Seeds, J., 2010. Turbidity Analysis for Oregon Public Water Systems: Water Quality in Coast Range Drinking Water Source Areas. Salem, OR: Department of Environmental Quality; Harr, R.D., 1982. Fog drip in the Bull Run Municipal Watershed, Oregon. *Water Resources Bulletin* 18(5): 784-789; Perry, T.P., Jones, J.A., 2017. Summer streamflow deficits from regenerating Douglas-fir forest in the Pacific Northwest, USA. *Ecology* 2017;10:e1790.; Groom, J.D., 2013. Stream temperature responses to timber harvest and best management practices. In: Anderson, P.D.; Ronnenberg,

nearby communities less attractive to new businesses by raising the risk that water supplies may become intermittent or more expensive.

Industrial timber practices also have a negative impact on the economies of nearby communities by diminishing their attractiveness to recreationists and tourists, most of whom will not visit and spend money in communities surrounded by stumps. Research by the BLM reinforces this conclusion, demonstrating that industrial logging's negative impacts on recreation values equals almost one-half the value of the logs produced, and other research indicates it is reasonable to anticipate that the value of lost recreation from logging will increase rapidly in the future.⁵

K.L., eds. Density management in the 21st century: west side story. Gen. Tech. Rep. PNW-GTR-880. Portland, OR: US Department of Agriculture, Forest Service, Pacific Northwest Research Station: 207-207; NOAA Fisheries, 2016. Recovery Plan for Oregon Coast Coho (*Oncorhynchus kisutch*). Available online at: <https://repository.library.noaa.gov/view/noaa/15986>.

⁵ Bureau of Land Management, 2014. [Final Environmental Impact Statement for the Proposed Resource Management Plan for Western Oregon](#); ECONorthwest, 2015. [Outdoor Recreation Scarcity and Abundance in Western Oregon: A Spatial Analysis](#).