



February 24, 2022

Chair Beyer, Vice-Chair Boquist, and members of the Senate Finance and Revenue Committee,

Thank you for the opportunity today to provide testimony in **support of HB 4055-A**, which proposes to re-establish the Forest Products Harvest Tax (“harvest tax”) for three programs that rely on landowner contributions, as well as a new component developed as part of the Private Forest Accord (“PFA”) agreement. For the record, my name is Mike Eliason, General Counsel and Director of Government Affairs for the Oregon Forest and Industries Council, a trade association representing forest products manufacturers and larger forest landowners from all over Oregon. Together, OFIC members provide for themselves, their families and more than 60,000 other households via direct employment from their lands and manufacturing facilities.

For more than twenty years, the harvest tax has enjoyed landowner support for the programs the tax supports and has generally passed with little fanfare and bipartisan support. Unfortunately, due to a variety of factors, the tax was not renewed during the 2021 legislative session and therefore left several programs at Oregon State University as well as the budget for the Department of Forestry’s administration of the Forest Practices Act within the Private Forests program in a state of uncertainty. While it is true that the harvest tax is structured differently than many other taxes, there are valid reasons for this. Unlike other natural resource agencies, the Department of Forestry does not have a “fee” bill. In many respects, the harvest tax serves this purpose. Determining an accurate rate requires an evaluation of three factors: the ending balance at the Department of Forestry, the projected needs of the Department in their next biennial budget and projected harvest levels. Typically, the harvest tax calculations remain fluid until the agency (and higher education re: OSU) budget is determined and the harvest tax is married up with those budgets in Ways and Means and move forward from there.

We appreciate the work that has been done to get HB 4055 to a place where OFIC can support it today. Specific to the A-engrossed version now up for consideration, we offer the following comments:

- The rates for the two Oregon State University programs funded by the harvest tax are now correct at 90 cents per thousand board feet for the Forest Research and Experiment Lab, and at 21 cents per thousand board feet for Professional Forestry Education, respectively. It’s important to note that landowners agreed to more than double the tax rate from 10 cents to 21 cents per thousand board feet during the 2021 session in order to increase forestry staffing at OSU and remain committed to that increase in this 2022 bill.
- The rate of \$2.07 per thousand board feet for the Department of Forestry’s administration of the Forest Practices Act is the agreed upon rate from the 2021 session and is appropriately carried forward here. Also important to note is the \$2.07 rate is an almost 50% increase from the previous biennium.
- We support the inclusion of additional landowner funding for the benefit of riparian function and aquatic habitat projects, which will flow to the Oregon Conservation and Recreation Fund for projects administered by the Department of Fish and Wildlife. The funding will start at \$2.5

million annually and will increase to \$5 million annually once a Habitat Conservation Plan and corresponding incidental take permit is approved by the federal services. This landowner contribution will remain in place until either landowner contributions reach a total of \$250 million or the incidental take permit is revoked or withdrawn, whichever occurs first.

- Finally, we have no objection to the inclusion of language directing the Legislative Revenue Office to study the harvest tax and present to the relevant Revenue committees prior to January 15, 2023. Although legislation is not needed to request that work, we have no opposition to such a study. Similarly, we are not opposed to the request to begin preliminary deliberations on the harvest tax rates using data from the February Revenue Forecast. However, it must still remain the process to wait until after the May forecast and the budget needs of both the Department of Forestry and Oregon State University are determined before the final rates are filled in. The harvest tax bill should continue to be married up with final agency budgets in Ways and Means to ensure that accurate rates are approved.

In closing, we'd like to thank the legislature for working diligently to ensure a bill that landowners can support is brought forward for 2022. In addition, we support the negotiated Private Forest Accord agreement and stress the important connection between the new funding stream included in the harvest tax and the overall agreement package. We therefore urge the committee to support HB 4055. Thank you for the opportunity to comment.

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Oregon Forest and Industries Council