

House Revenue Committee
From: Greg Peterson PE
Re: HB 3489 Amendment-1
Date; 4-25-25

When I testified yesterday, I had reviewed HB 3489, and indicated I didn't know about Amendment-1. Today I tracked down Amendment-1, which was posted on OLIS at 12:59pm yesterday, and since I left home at 12:50pm to travel to Salem for my testimony, it was impossible to read, much less digest, Amendment-1 before my testimony. At the hearing, it became obvious that others had read it, since it was repeatedly referenced, while I and some others were in the dark. I understand that OLIS postings are supposed to be the **first** public release of a bill or amendment, and leaks can impact the legislative process in a several ways; they can be used to influence the legislative process by shaping public opinion or pressuring lawmakers to act in a particular way. I trust that that the Committee is aware of this issue and is on top of it.

I was also surprised to find that Amendment-1 **replaces the entire text** of the original bill, making my 4/24 testimony irrelevant. The original bill was 25 pages, and Amendment-1 is 16 pages, with significantly different approaches and quantities. I request the opportunity to testify on Amendment-1 on many issues including;

Page 3; It's now proposed to have a flat 5% severance tax on all harvests (minus 25,000bf). The original bill also had a 25,000bf exclusion and the Severance tax was 2% for <500 acres owned, 4% for 500 to 2500 acres owned, 5% for 2500 to 5000 acres, and 6% for >5000 acres owned. I own 60 acres, and even though I made no money from my 2024 salvage logging, I had to pay the '24 harvest and severance tax. The original HB3489's 2% severance tax would be a major blow to me, and the 5% Severance tax in Amendment-1 will be a killer.

Amendment-1 also proposes to reduce the Severance tax by 50% if woodlands are FSC certified. FSC certification involves onerous paperwork and mapping, high fees, and unpalatable priorities not aligned with good forest practices. Our long-time OTFS certification is member-directed, with many qualified volunteer hours to keep costs low and provide good templates for thorough planning and periodic site visits. I don't understand why an unacceptable, politically-driven, high-cost organization, such as FSC, is so heavily favored over a non-political organization, such as OTFS, for certification. Enabling large landowners to easily halve their Severance tax would seem to go directly against the frequently heard wish of making large forest owners pay more.

There would also be a credit against the Severance tax equal to the "net income tax paid with respect to the sale of the timber" If one has a gross profit of 10 or 20% on a harvest after non-tax expenses, this credit would effectively reduce the 5% Severance tax to 4% or 3%, respectively, if one's gross profit is below 10%, then this proposed credit provides a much lower benefit. Any increase in Severance tax would be a huge hit to small woodland owner's bottom line and with my personal 2024 harvest, would have caused a even greater loss.

Page 4; OFRI's current support is embedded in the current Severance tax and Amendment-1 addresses OFRI's funding, but as a separate "privilege tax", expressed on an inflation-adjusted 1991 basis, rather than today's \$1.17/Mbf. Separating OFRI funding effectively adds 0.3% to 0.4% to the Severance tax. While some claimed that Amendment-1 would "save OFRI", by keeping it's current funding, but as a "privilege tax", separate from the Severance Tax, keeps OFRI forever in the funding spotlight and detracts from its valuable work.

The 25,000 bd ft exclusion per year for small woodland owners remains, but this is a negligible benefit for small woodland owners, who don't log a small amount every year, but instead hire a logger for a larger harvest every 10 to 20 years. This exclusion would be more meaningful if it was cumulative, so for example, an exclusion of 25,000 bf/yr for 10 years, would be 250,000 bf in a 10 year period.

Page 5 to 7; adds draconian language if one doesn't pay at least at least 25% of the Severance tax by January 31 of the next year. It takes most small woodland owners at least 60 days to gather their tax information, so Jan 31 is unrealistic.

Page 8; says the Severance tax would be divided; 1/3 to ODF for Forest Practices administration, wildfire education, K-12 outreach, Oregon Conservation Corps, and State Forestry fire suppression, 1/3 to the State Fire Marshal for fire risk reduction, and 1/3 to County general funds. This is a major change from the original bill which proposed; 40% to Wildfire Management Fund, 40% to County general funds, 10% to ODF for managing Oregon Forest Practices, and 5% to Forest Research and Experiment, and 5% to Watershed Conservation Grant Fund. Such radical changes in funding outlays gives me whiplash and raises a caution flag as to the forestry benefit, and how well the funds will be spent. While I am not familiar with the goals and cost-effectiveness of these groups, it's alarming to see such widespread swings in funding outlays. A better discussion of each group's purpose, forestry benefit, and cost-effectiveness would seem appropriate ASAP.

Page 15; would enable the State Forester to make open-ended tax increases on forest taxes, if there is a budget shortfall, without legislative or public involvement. This is highly inappropriate, since it removes any incentive to reduce costs, address the root causes of wildfires, or improve Federal wildfire cost recovery.

Wildfire Root Causes

It should be mentioned that wildfires have been in Oregon forever, with ample evidence that Western Oregon wildfires reoccur every 100 to 450 years, Southwest Oregon wildfires reoccur every 25 to 50 years, and Eastern Oregon wildfires reoccur every 2 to 25 years. The shorter intervals naturally keep forest fuel loads low, removed brush, and kept invasive species, such as Juniper, in check. Longer fire intervals enable forest fuel loads to steadily increase, eventually setting the stage for the increased probability of a high severity fire, which can be very destructive to the forest, and when a wildland-urban interface is reached, can destroy homes and kill people.

Man interrupted the natural fire cycles some 70 years ago, when he began to fight wildfires, which had the unintended consequence of causing fuel loads to accumulate, setting the stage

for more intensive fires later. For the past 10 years, while the number of wildfires has stayed nearly constant, the intensity and acres burned significantly vary from year to year.

In 1989/90, the northern spotted owl was declared threatened, causing Federal harvests to drop by 90% in many national forests, yet their trees continued to grow, and without continued harvests, the fuel load continued to increase, but thinning and road maintenance budgets were cut. Today these forests have accumulated significant fuel loads, are choked with overly dense stands, yet often have poorly maintained roads for fire fighting and forest management. Most wildfires start on public lands, often from campfires outside of managed campgrounds. State/National forest policies aim is too often to let small fires “burn themselves out”, which is sometimes successful, saving a little money, but too often, manageable small fires get out of hand, leading to out of control destructive fires, costing many millions to control. This is a complaint common to over a dozen Oregon fire fighters and many others. A policy change is overdue.

Some who testified yesterday sought a way to tax large timber companies for a larger share of wildfire costs, even though there are as many fires on grasslands, and public lands have a far greater number and more intense wildfires than private forestlands. While most fires originate on and burn on public land, the respective agencies don't have a history of paying their full share or paying promptly, leaving the State General fund in a funding pinch whenever there is a bad fire year, such as 2020. ODF has found the Federal government to be particularly difficult and delinquent in paying its share of wildfire costs.

While few would argue against REITs paying taxes equivalent to comparable Oregon-based companies, it should be noted that the REIT tax structure is deeply rooted in Federal and State legislation, and to make meaningful progress, they should be revisited first, rather than replace the current Severance tax with an even more aggressive tax in a very bad year for forestry.

I've found that REITs actively manage their land and employ a significant local workforce and local contractors who pay lots of Oregon taxes. REITs are not the root cause of large wildfires, and in fact, they vigorously restrict public access during periods of high fire risk and have dedicated fire crews who quickly put out any fire on their land.

By comparison, private forests are actively managed, replanting after a harvest, vegetation control, thinning, and maintaining roads. Any fires are put out quickly in-house or with hired contractors, quickly limiting fire size and avoiding out-of-control situations. They also closely manage public access and shut down all access during periods of high fire risk.

Historically, lightning was the primary cause of wildfires, but humans now start more wildfires, particularly on public lands, where summer campfires can easily get out of hand. Today, only 8% of federal timber growth is harvested, 36% dies/decays, and 56% adds to fuel load/timber volume. Compare that to private forests, where 77% of timber growth is harvested, 11% dies/decays, and 12% adds to fuel load/timber volume. With a 4.5 to 1 ratio of overall fuel load accumulation/acre, it should be apparent that federal forest fuel loads can be powder kegs waiting to ignite.

For example, the Siuslaw National Forest harvests 0.3% and Willamette National Forest harvests 0.6% of their forests each year, equivalent to a 333 and 167 year cycle, respectively. By modern silviculture standards, these would be poorly managed stands, since tree mortality significantly increases after 70 years, so fuel loads will accumulate and most trees will go to waste or burn.

Availability of sawmills

We live in a global economy, with stiff foreign competition. Oregon mills have increased automation to reduce labor costs and increase output to stay competitive. Unfortunately, this leads to fewer sawmills, each with higher output, for a given log supply.

There are only 4 sawmills left in Eastern Oregon, so haul distances are often uneconomical, leading to timber left unharvested (to eventually die or burn) and the few remaining mills are supplied mostly by private forests within a reasonable haul distance. Currently, over 60% of eastern and central Oregon landowners can't afford to haul logs to one of the few remaining mills. Without significant federal forest harvests, there won't be more log supply, and thus there won't be more sawmills to reduce forest fuels.

In western Oregon mills, 9 mills closed in the last year, leading to longer haul costs and less competition between mills buying logs. Under current markets, over 25% of landowners can't afford to haul their logs to a sawmill.

Small woodland Owners

Most of small woodland owners do not have the large logging equipment used today to efficiently harvest timber. While some may have small or aging equipment, able to harvest a few trees per day, logging is hard work and can be unsafe without the right equipment and operators. Most small woodland owners hire a logger and need to harvest about 500,000 bd ft to provide the economies-of-scale needed in strong markets to find a quality logger at a reasonable price. Too often, strong markets occur during winter, which requires that costly upgrades to culverts and roads are already in place prior to a harvest. Few small woodland owners have the deep pockets to do this work before a harvest, and even fewer will be able to do so after Amendment-1.