March 24, 2009

Honorable Brian Clem, Chair
House Agriculture, Natural Resources and Rural Communities Committee
Oregon House of Representatives
347 State Capitol
Salem, OR 97301

RE: House Bill 2214

Chair Clem and members of the Committee, I am Hal Salwasser, Director of the Oregon Forest Research Laboratory (FRL) and Dean of the College of Forestry at Oregon State University. Thank you for this opportunity to testify in support of HB 2214.

I will briefly describe the programs of the FRL and how we use revenues from the Harvest Tax to guide our work on behalf of Oregonians. In appendices to this testimony, I provide more detail on the values of forest resources to Oregonians, selected programs of the FRL and its history.

The Oregon Forest Research Laboratory delivers most of the new forest resource science and technology for the state. Our researchers work on nearly every aspect of forest resources: tree genetics, forest soils, tree growth, forest watersheds, water quality, forest wildlife, forests and climate, forest management, forest recreation, timber harvesting and transportation, wood products manufacturing, wood products engineering, high-tech wood-based composites, uses for wood products in green building and green economy, forest policy and economics, and the human dimensions of forest resources.

All of these fields are core to the mission of the Oregon Forest Research Laboratory and the College of Forestry at Oregon State University. The FRL is the forest resource research agency of the state and it is tightly integrated with the College’s teaching and extension outreach missions. Those three missions—teaching, research, and extension outreach—are how the College and the FRL meet our Land-Grant responsibilities to serve all Oregonians, both urban and rural.

The Harvest Tax rate for FRL programs for FY 2007-2009 was $0.92 per thousand board feet (MBF) of timber harvested annually in the state. At current harvest levels it yields about $2.7 million annually to support faculty and staff salaries and support services to the full diversity of the FRL’s research program. The rate was increased by $0.25 during the last biennium reflecting a corresponding increase in state appropriations to the FRL. However, with the more than 1 billion board feet harvest decline since 2007, total revenues to the FRL from the Harvest Tax now remain at pre-2007 levels for the biennium.

Here is an overview of how research is funded in the FRL. I and previous FRL Directors have used the revenues from the Harvest Tax, the FRL appropriation from the state’s General Fund, and federal formula funds called McIntire-Stennis to cover salaries, benefits and services for all faculty and staff engaged in all aspects of the research work of the FRL. Annualized, the FRL appropriation for the last biennium was $3.5 million.
and federal funds were $776 thousand. Combining FRL and HT revenues, these pooled funds are allocated to faculty and staff regardless of discipline or the focus of their research based on the portion of their appointment dedicated to research, except for the $0.10/MBF in Harvest Tax funds dedicated to research on fish and wildlife habitats in managed forests. This targeted program generates about $300 thousand per year at current harvest levels for internal competitive grants for faculty and graduate students. McIntire-Stennis funds are also allocated to faculty salaries for research that implements that federal program’s strategic plan.

The Harvest Tax supplied about 12% of annual research funding in the FRL in FY 2008 while the FRL appropriation constituted about 16% of annual research funding. The largest budget source for FRL research in FY 2008 was grants and contracts at 57% of total funding. These are predominantly federal competitive grants, research cooperatives and cooperative agreements. Revenues from endowments and gifts, federal formula funds and College Forest Revenue made up 15% of FRL funding in FY 2008.

The total FRL research enterprise results from leveraging the FRL appropriation and Harvest Tax by more than 2:1 with grants and contracts. It is delivering vital knowledge and information about the effectiveness of contemporary forest practices in protecting water quality and native fish, the development of non-toxic adhesives for interior wood panels to improve indoor air quality, roles of forests in climate change, fire risk reduction strategies for federal forests, and better uses of wood products in green building.

As Director of the FRL, I support HB 2214 and welcome the opportunity to work with the Legislative Assembly as the revenue and budget processes move forward. But given current uncertainty in other revenue streams to the FRL, I am not ready at this time to recommend a specific Harvest Tax rate for the coming biennium to the Committee.

I will be pleased to answer any questions.

Sincerely,

Hal Salwasser
Director Oregon Forest Research Laboratory
Appendix 1.

Forests in Oregon cover more than 30 million acres, 48% of the state’s land area. They define much of the identity of the state. In a healthy economy, the forest cluster – all entities engaged in conserving and managing forests or creating jobs, wealth, products or services from forest resources -- contributes about $13 billion and over 85,000 direct jobs to our state’s annual economy. It is a mainstay of many rural communities. When our state and national economies rebound, the cluster will again be a mainstay of economic vitality and produce many of the resources and services that support a high quality of life. All Oregonians, urban as well as rural and regardless of economic conditions, enjoy the clean water, wood products, fish and wildlife, scenic vistas and a myriad of recreation opportunities that flow from management and conservation of our state’s abundant and diverse forested lands. That management requires cutting-edge science, highly skilled managers, and targeted know-how, all needed to adapt to change and meet consumer needs. Keeping Oregon’s private forest land in forest uses also requires that the private forestland owners and forest products sectors be competitive in an aggressive global marketplace—that, in turn, requires innovation in management practices, product manufacturing and business systems.

Oregon’s forests and forest sector infrastructure are vital to sustaining quality of life in Oregon and they are a key competitive advantage for the future of the state in turbulent economic times and increasing globalization. Whether the focus is on quality of life or economic growth the FRL helps Oregon maximize that competitive advantage.

Helping to Grow a Sustainable Economy

Oregon grows very high quality, but costly, wood. The state is the largest state supplier of softwood limber in the country and one of the leading centers in the world for wood product manufacturing. However, to compete in the global wood market, the forest industry must grow high-quality wood more efficiently, reduce costs and become more innovative in developing new products, processes and business systems.

- The FRL, in partnership with the OSU Extension Service, launched the OREGON WOOD INNOVATION CENTER in 2007 to foster that innovation. This Center was described by Oregon Business magazine as one of the top five ideas to fire up the Oregon economy. The Center is now actively helping entrepreneurs and established firms develop new opportunities for the future.

- An Innovation Success ---An Oregon company adopted a new idea developed by an OSU scientist for a wood adhesive that is made from soybeans rather than the customary alternatives derived from oil. The adhesive, which is marketed as a “green” product to home owners, is now utilized by the largest producer of interior plywood in North American. That company used over 30 million pounds of soy flour to make the adhesive in 2006. This year that Oregon-based company began selling rights to use the adhesive worldwide.
Success—FRL research on emissions from lumber dry kilns saved small-to medium-sized Oregon lumber producers over $10 million. Other new product and process innovations are on the horizon!

In 2007 the FRL established the Center for Intensive Planted-forest Silviculture to increase forest productivity and economic value through innovation in the woods and forest operations. This new initiative targets helping forest landowners be more competitive, enabling them to maintain their lands in forest uses.

Enhancing Oregon’s Quality of Life

Oregon forests play a major role in the quality of life for all Oregonians. Whether as a source of clean water and air, diverse plant and animal species, recreation or jobs, our forests are essential to all Oregonians. Keeping our forests healthy and productive, so they can serve our present needs, and also serve the needs of our children and their children is at the heart of sustainable forestry and the mission of the College and FRL.

Healthy and Sustainable Forests

- The Watersheds Research Cooperative now operational in 2 more watersheds beyond the initial Hinkle Creek installation, Alsea and Trask. Strong, interdisciplinary teams of scientists from OSU, state and federal agencies and the private sector are evaluating the impacts of contemporary forest management on water quality and fish abundance to ensure that forest practices are compatible with yielding the clean water essential to public health and to sustaining fish populations in Oregon’s streams, while also being economically efficient for landowners.

- Swiss Needle Cast disease is costing Oregonians over $200 million per year in lost forest productivity in western Oregon and is threatening the viability of Douglas-fir forests in the Oregon Coast Range. OSU scientists funded by the FRL and landowners are developing solutions to manage this disease and reduce its negative impacts.

- FRL investments of around $300,000 each year in the Fish and Wildlife Habitat in Managed Forests Research Program provides science to forest managers and policy regulators that guides responsible stewardship of fish and wildlife habitat resources.

Recreation and Tourism

- Recreation faculty in the FRL have forged new working relationships with state and federal recreation agencies, increasing their access to our best scientists and improving our input to recreation degree programs. Over 130 students are enrolled in Recreation Resource Management and Outdoor Recreation Leadership and Tourism Programs in Corvallis and at the OSU – Bend campus.
Public Safety in Oregon

The environment that we live and work in is an essential ingredient for Oregonians’ quality of life. Citizens and businesses alike value safe and healthy housing; clean air for healthy living and good vistas; abundant clean water supplies for drinking, habitat, and recreating; a safe and efficient transportation infrastructure that supports business and public use; and safe workplace environments.

Safe, Green and Sustainable Housing

- Building codes and construction practices to ensure that wood homes are stronger during earthquakes, tornadoes, and other wind events have been improved based on research from the College of Forestry Structural Engineering Laboratory;
- FRL scientists are national leaders in developing tools for architects and designers to evaluate the environmental costs of materials and products through life cycle analysis. There is no material “greener” than wood for residential construction.

Abundant Clean Water

- FRL scientists are exploring how forested watershed ecosystems work and if there are effects of forest operations on water quality and aquatic habitat. This work will help policy makers balance protection of the environment against excessive regulations that cost jobs and hurt the economy. For example, if excessive regulations reduced timber harvest in Oregon by only 10%, the impact on the Oregon economy could be a loss of $1.3 billion and 8,500 jobs.

Clean Air

- FRL scientists are helping communities maintain healthy air and visibility of beautiful vistas through research. One study led to effective low cost monitoring systems for dry kiln emissions, a common air quality concern in forest products manufacturing.

- Another study showed that improved utilization of small trees harvested for wood products or bioenergy production could generate significant amounts of renewable energy, reduce smoke and greenhouse gas emissions, add jobs, and reduce costs of fighting wildfires by over $100 million annually.

Transportation Infrastructure and Safety

- Highway and forest road systems play a key role in the Oregon economy, as well as access to rural homes and recreation. FRL scientists have developed tools to identify high risk areas and improved forest road system design and construction practices that reduce road-related landslides. These have the potential to save Oregonians over $100 million annually.
Workforce Safety

- A productive work force is key to a globally competitive forest industry. FRL scientists and Extension faculty have partnered with OR-OSHA, state agencies, trade associations, and private employers to refine forestry safety regulations and train new employees, many of whom will come from diverse backgrounds and language skills.

- Technology innovations will aid in worker safety. For example, new synthetic rope technology has been refined for logging and trucking operations as a 90% lighter-weight substitute for steel cable, with promise for reduced injuries and substantial reductions in medical claims.

Global Warming

- Increasing global temperatures are forecast to impact the quality of life in Oregon in many ways. Forests and especially watersheds could be significantly affected with severe implications for urban and rural Oregon. FRL scientists are assessing potential impacts and are developing alternatives for actions to minimize negative impacts of climate change to forest and water ecosystems and to gain significant climate benefits from forests, forest management and forest products. Projections are key to developing contingency plans for manufacturing, agricultural, and tourism industries that are now established based on the current rather than the likely future environment.
Appendix 2.

History of Oregon’s Forest Research Laboratory and FRL-related Forest Harvest Tax

- In 1941, the Oregon Legislature initiated a forestry research program, administered through the Oregon State Board of Forestry, in cooperation with the (then) School of Forestry at (then) Oregon State College (OSC). Research activities were focused at OSC. The enabling legislation called for the creation of two Advisory Committees, one for Forest Products and one for Forestry. These initial committees focused more on the technical review of individual research projects, and not as a research policy advisory body.

- In 1945, Oregon’s Forest Products Laboratory was created at OSC and Dean Paul Dunn was named as Director. The Oregon Board of Forestry continued as the research policy-making body.

- In 1947, the Timber Harvest Tax Act was passed by the Oregon Legislature, setting aside revenue generated by a tax on the harvest of timber in the state for research in both forestry and forest products. At this time also, a Forest Lands Research Program was set up in the Oregon Department of Forestry (ODF) with divisions of forest management, regeneration, and protection.

- In 1954, the Oregon State College Forest Experiment Station was established by the Board of Higher Education as a sub-unit of the Agricultural Experiment Station (AES) and located on the OSC campus in new facilities at 30th and Western in Corvallis. That building, initially designated as the Oregon Forest Research Center, was soon occupied by the existing campus Forest Products staff and also by the Board of Forestry’s Forest Lands Research group that moved down from Salem.

- The research programs, finances, and facilities of the Oregon Forest Research Center were transferred to the State Board of Higher Education (from the Forest Protection and Conservation Committee) in 1961 and the Board of Higher Education established two advisory committees, one for forest management and one for forest products. The building at 30th and Western was re-named the Forest Research Laboratory and it became part of the Forest Research Division of the Oregon Agricultural Experiment Station (AES). The administrator of that Division was appointed an Associate Director of the AES and reported to the Dean, School of Forestry.

- The FRL was removed fiscally and programmatically from the AES in 1965 through ORS 526.225. The Dean of the School of Forestry was also appointed as Director of the Forest Research Laboratory. At that juncture, the faculty of the School of Forestry and the staff of the FRL were still separate units.

- The School and the FRL merged scientific personnel in 1967. Three existing instructional departments of the School and two existing FRL research
departments were consolidated into the current Forest Engineering, Forest Products, and Forest Resources (then Forest Management) Departments. Each Department in the College had and still have both teaching and research missions, faculty all holding joint appointments for teaching and research.

- Our records show that 1970 was the first year that Harvest Taxes came to OSU for the FRL. The initial rate was $0.06/MBF during 1970-1973. It increased to $0.07 during 1974-1975, and $0.0925 during 1975-1977. From 1977-1979, the rate was $0.1795/MBF, $0.13 during 1979-1981, and $0.20 from 1981-1983. From 1984-1985 the rate was $0.23/MBF. During this period, in strong economic years, nearly 8 billion board feet of timber was harvested annually in the state, roughly half from private and state forests and half from the state’s abundant federal forests.

- The existing two (technical) Research Advisory Committees were merged into a single FRL (policy) Advisory Committee in 1985 by ORS 526.225, which also designated the committee’s composition and process for appointment by the State Board of Higher Education: 15 members of which “nine members shall be individuals who are actively and principally engaged in timber management on forest lands, harvesting or the processing of forest products, three members shall be individuals who are the heads of state and federal public forestry agencies and three members shall be individuals from the public at large.” In 1991, ORS 526.225 was amended to designate that one of the first group of nine members shall be from a small woodland owner’s association.

- In 1989, a subcommittee of the FRL Advisory Committee did a study of FRL accomplishments and provided advice on future directions (1990-2000) in anticipation of the change of Directors. The full Advisory Committee meets with FRL leaders on an annual or more frequent basis as needed and advises the FRL Director on research topics of high interest to them. It no longer reviews individual research projects nor spends time on the technical details of particular projects.

- The Harvest Tax rate remained constant from 1986-1991 at $0.21/MBF. It was $0.30/MBF during 1991-1993, $0.40 during 1994-1995 with the $0.10 rate increase to support research focused on fish and wildlife habitats in managed forests, and $0.50 during 1996-1997, reflecting the loss in total revenue due to declines in federal timber harvests. During 1998-1999 the rate was increased to $0.55/MBF and adjusted to $0.67/MBF in 2000, where it remained until 2007.

- For the 2007-2009 biennium, the rate for Harvest Tax devoted to the FRL was set at $0.92/MBF.