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FILE MANIFEST

OFFICE ON ENVIRONMENTAL POLICY
KATHLEEN A. MCGINTY

5 of 6

1. FOREST CONFERENCE FILES

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**TIMBER INDUSTRY
LABOR-MANAGEMENT
COMMITTEE**

April 27, 1993

United Brotherhood
of Carpenters and
Joiners of America

Western Council of
Industrial Workers

International
Woodworkers
of America, U.S.

American Forest
Resource Alliance

National Forest
Products Association

Ms. Katie McGinty
Office of Environmental Policy
The White House
Washington, D.C. 20500

Dear Ms. McGinty,

As you know, last week the Timber Industry Labor Management Committee (TILMC) endorsed the spirit and intent of the principles articulated by President Clinton at the conclusion of the April 2 Pacific Northwest Forest Conference. Both labor and management in the forest products industry were pleased to endorse the President's principles for resolving the forest management crisis in the Pacific Northwest and northern California.

Indeed, they are very similar to principles we hold as integral to an equitable solution to the crisis. In our view, the final solution should: (1) provide the release of an interim amount of timber which will provide a transition between today's disaster and the long-term solution; (2) maximize federal land harvests using practices which provide long-term protection to forest ecosystems; (3) reduce complex federal regulatory requirements which now interfere with state regulation of private forest land management; (4) ensure that court injunctions and administrative appeals are not allowed to shut down eco-system based timber sale activity; and (5) manage federal forests not included in reserves or in legislatively withdrawn areas pursuant to plans designed to comply with existing laws utilizing management techniques which result in a healthy ecosystem.

Enclosed please find our recommendations for administrative, regulatory, and legislative steps to facilitate implementation of the Administration's strategy arising from the April 2 Forest Conference. The enclosed document is self-explanatory, and responds to several questions asked by the Administration at the April 2 Forest Conference and since. We would particularly draw your attention to the suggestions on pages 29-39 which address non-federal lands in the affected region as part of a comprehensive strategy.

Also, enclosed is a concept paper prepared by the United Brotherhood of Carpenters and Joiners outlining ways to ease the economic transition which will ultimately occur in the Pacific Northwest and northern California forest products industry. These suggestions are consistent with organized labor's long-standing policy on job creation as well as worker retraining and skill upgrade programs, and with TILMC's views concerning the importance of worker and community assistance as an integral part of the solution.



We have appreciated the opportunity to work with you and look forward to the opportunity to discuss the enclosed materials with you and your colleagues. If you have any questions on the enclosure or any other matter, please do not hesitate to give me a call.

Sincerely,



Mark Rey
American Forest & Paper Association



Denny Scott
United Brotherhood Of Carpenters &
Joiners of America

cc: Tom Collier
Jim Lyons
Tom Tuchmann

Enclosures

**IMPLEMENTATION OF
THE FORTHCOMING ADMINISTRATION STRATEGY
TO ADDRESS THE NORTHWEST FOREST CONTROVERSY**

**RECOMMENDED OPTIONS FOR ADMINISTRATIVE,
REGULATORY, AND LEGISLATIVE STEPS
TO FACILITATE IMPLEMENTATION OF THE
ADMINISTRATION'S STRATEGY ARISING FROM
THE FOREST CONFERENCE**

**OFFERED BY
THE TIMBER INDUSTRY LABOR-MANAGEMENT COMMITTEE**

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I. INTRODUCTION

Through its successful Forest Conference, the Administration has seized the opportunity to develop a new policy direction for both the federal and non-federal forest lands in the Northwest -- direction that integrates environmental protection and sustainable resource use for the benefit of the American people. This new direction can break the legal gridlock which in recent years has crippled management of those lands and fostered wide-spread citizen distrust of the federal land management and federal and state wildlife agencies' intentions and abilities. To be effective, however, this new policy direction -- this Conference strategy -- must be capable of timely implementation. Unless land managers can implement the Conference strategy on a realistic but secure schedule, the gridlock will hold and the Conference's bright promise will fade. Whether the Conference strategy developed by this Administration can and will be implemented will be the ultimate test of its worth.

Set forth below are recommendations of the Timber Industry Labor-Management Committee^{1/} for policy, rulemaking, and legislative actions which should be incorporated in the Conference

^{1/} The Timber Industry Labor-Management Committee speaks for both organized labor and management on the manifold issues which will be addressed in the Conference strategy. Members from the labor side include the United Brotherhood of Carpenters and Joiners, the International Woodworkers of America, and the Western Council of Industrial Workers. Serving on the management side are the American Forest & Paper Association, the Northwest Forest Resource Council, and the California Forestry Association.

strategy to ensure that it meets this critical implementation test.

In making these recommendations, we presume that the Conference strategy^{2/} will have two parts. First, it should address the immediate short-term timber supply crisis. Unless the resource begins to flow to mills this summer, dozens of timber-starved manufacturing facilities will close their doors, thousands of workers will lose their jobs, and the flight from revenue-dependent rural communities will accelerate. To ensure delivery of timber identified for immediate sale in the Conference strategy, a number of short-term implementation steps should be taken. We provide suggestions for those steps below.

In devising an immediate "fix" to avert the short-term timber supply crisis, however, the Conference strategy should not ignore the need for more fundamental repairs to establish a long-term federal land management regime and reasonable treatment of non-federal lands that achieve the twin goals of environmental protection and economic security. Therefore, we assume the Conference strategy will also contain a long-term program.

We recognize that the long-term program which will emerge from the 60-day Conference review may not be full-blown and mature, ready for immediate implementation. This recognition has

^{2/} The Conference strategy should consider all species associated with late-successional and old growth forests and the ecosystem that sustains them. Purely for the sake of convenience, throughout the paper the term "northern spotted owl" or "owl" often is employed as short-hand to mean all those species and that ecosystem. Likewise, reference to the Fish and Wildlife Service may also include the other agency principally responsible for implementation of the Endangered Species Act -- National Marine Fisheries Service.

developed out of our experience in preparing our own legislative proposal last Congress.^{3/} While labor and industry initially had insisted that any legislation provide specific volume numbers for timber sales and specific acreage figures and boundaries for any old growth set-asides, we learned that arguments over such numbers suffocated any rational debate and decisionmaking. We came to understand the wisdom of supporting the establishment of a well-designed process for developing a long-term program, and abandoned our demands for the enactment of an instant program. Unfortunately, Congress was not prepared to entrust a process to federal land management and wildlife agencies accountable to the last Administration.

We are uncertain as to whether the authors of the Conference strategy will ultimately decide to construct a long-term program now, or to erect the process for construction of a long-term program by a future date. Even if it is the former, we must sound one caution. We would urge firmly that at least one subsequent process must occur.

The Conference's long-term strategy, even if constructed as a substantive solution now, must be amended into the land management plans of the Forest Service and Bureau Of Land Management ("BLM"). The amendments could be designed to take effect immediately, but the amendment process must continue to completion in a normal fashion thereafter. We make this assertion because we firmly contend that a Conference strategy should not be simply laid over

^{3/} S. 1156 and H.R. 2463, Forest and Families Protection Act, 102d Congress.

the existing plans. Instead, the decisions made in existing plans should be revisited in light of the Conference strategy to determine whether they remain appropriate. If this is done, we believe a significant number of areas which the plans now reserve for wildlife protection or recreation purposes may be found to no longer comport with the Conference strategy and can be opened to broader uses, including in some circumstances timber production.

Timber harvesting has been excluded from 80% of the land base of the national forests in Washington, Oregon, and northern California; Congress applied that exclusion by statute to 24%, but the other 56% was excluded by the land management agencies, primarily in their land management plans. Many of these discretionary exclusions may prove to be redundant, or even contrary, to the Conference strategy and should be removed by plan amendments. Without this so-called "zero-based" planning those amendments will not occur. For this reason, a comprehensive amendment process was one of the most fundamental principals of our legislative effort and remains critically important to us.

Whether the Conference strategy will unveil a finished long-term program or a process to arrive at the program, it too will need to pass the implementation test. Therefore, we also provide here suggestions to ensure that the long-term program can be implemented.

In all, we offer below some 33 numbered and unnumbered options for administrative and legislative actions to ensure effective and timely implementation of the Conference strategy. With very few exceptions, these actions would not alter the

substantive environmental mandates of law or regulation. They address procedure, not substance. They would embrace procedures that promote, and change procedures that frustrate, decisionmaking and management. Neither the Congress nor the Executive Branch intended that process should become an insurmountable barrier to product (i.e., the final adoption and successful implementation of federal and non-federal land management policies and programs). Many of the existing procedures in law and regulation were imposed to assure that the federal land management and wildlife agencies would fully consider environmental values before they exercised the considerable discretion Congress delegated to them. Congress has directed the Forest Service to achieve sound, balanced multiple-use management on its lands, and the BLM to provide for "permanent forest production . . . a permanent source of raw materials for the support of dependent communities and local industries" from the O&C timberlands. 16 U.S.C. §§ 1601(d)(1), 1604(e)(1); 43 U.S.C. § 1181a. The process, including the environmental review function, must serve these goals. The administrative and legislative actions we suggest below would, we believe, restore this proper role to process.

II. FEDERAL LANDS

The Conference strategy must address first the lands for which the federal government is solely responsible -- the Forest Service and BLM lands. Because management of these federal lands has been virtually paralyzed by the forest controversy in the Pacific Northwest and northern California, the Administration's ability to implement the Conference strategy for them will be

severely tested. For this reason, the lion's share of our recommendations for actions to ensure implementation of the strategy concerns these federal lands.

A. Actions Requiring No Change In Laws, Regulations, Or Their Interpretation

To meet short-term timber supply emergencies during preparation or start-up implementation of a long-term program, three actions can be taken on federal lands that do not require changing any law, regulation, or legal interpretation of law or regulation: (1) free up previously-awarded federal timber sales that are captured in sequential consultations with the U.S. Fish and Wildlife Service ("FWS") under section 7 of the Endangered Species Act ("ESA"); (2) offer new sales of dead and dying timber on national forests and BLM lands in western Washington, western Oregon, and northern California, and nearby areas on the east side of the Cascades and in the central and southern Sierras; and (3) offer "thinning" or "selective" harvest sales in northern spotted owl habitat that will not reduce the habitat's biological value.

1. Previously-Awarded Sales. Approximately 170 timber sales auctioned or sold by the Forest Service and the BLM in 1990 and 1991 cannot be operated today even though the purchasers, desperately dependent upon these sales to provide critical timber, have made substantial investments in them. Each of these sales has been suspended indefinitely until the Forest Service or BLM completes one or several sequential consultations with the FWS prompted by the listing of the northern spotted owl, designation

of northern spotted owl critical habitat, and/or listing of the marbled murrelet.

These sales contain between 600 million and 800 million board feet of timber. Most of these sales were prepared and sold under the Congressional mandate in section 318 of the FY 1990 Interior and Related Agencies Appropriations Act (P.L. 101-121). Fourteen of these sales were specifically released by the Supreme Court last year in Robertson v. Seattle Audubon Society, 112 S. Ct. 1407 (1992).

Although section 7(b)(1)(A) of the Endangered Species Act requires consultations to be completed in 90 days, these sales' consultations have been pending for 6 months to 2 years. Completing these consultations and issuing "no jeopardy" biological opinions, with appropriate incidental take authority, would be the most expeditious and effective means for the Administration to make at least a modest amount of additional timber available for processing in 1993. As stated, this would need no change in law or regulation; it simply would require compliance by the FWS with existing law.

Issuing "no jeopardy" opinions should not be scientifically controversial. As for consultations concerning the northern spotted owl, all the § 318 sales pass muster automatically since the Interagency Scientific Committee plan, which the FWS has approved, expressly assumed that all § 318 sales would be sold and harvested. Allowing these sales to go forward, therefore, could not threaten jeopardy to the owl.

As for consultations concerning marbled murrelets, the FWS admits it has no evidence that the birds have nested in any, or ever been observed near most, of the pending sales' areas. There should be ample scientific basis to find that these sales will not jeopardize the murrelet.

Two additional steps discussed in sections II.B.5. and II.B.6. below -- withdrawal of the northern spotted owl critical habitat designation and the marbled murrelet listing -- could further lessen this consultation logjam and free more short-term sales.

2. New Sales Of Dead And Dying Timber. Court injunctions currently block virtually all new Forest Service and BLM timber sales on 17 national forests and six BLM districts in western Washington, western Oregon, and northern California. Without changes in regulations or statutes, suggested elsewhere in this memorandum, almost no new sales can proceed on those forests.

There are, however, no court injunctions proscribing new timber sales on the national forests in eastern Oregon, eastern Washington and in the central and southern Sierras in California. The ecological health of those forests is poor and deteriorating rapidly. They contain millions of acres of dead and dying timber desperately needing salvage to repair that health. Even on west-side and California Klamath Province forests, it may be possible to offer salvage timber sales of dead and dying trees in areas which biologists conclude no longer constitute northern spotted owl or marbled murrelet habitat.

The Administration should adopt a crash program, with adequate salvage sale account budget authority, to offer emergency salvage timber sales on all these forests in 1993, addressing simultaneously two forest management crises -- forest health and timber supply.^{4/}

3. Sales In Protected Owl Habitat. Current Forest Service guidance protects millions of acres of spotted owl habitat. The agency has arbitrarily decided that timber harvesting that would not harm the habitat cannot occur anywhere in this vast acreage. Instead, the agency allows timber harvesting only if the result is to improve the habitat. The Administration can change this unnecessary restrictive position without amending any regulations or law. There are significant opportunities for "thinning" or "selective harvest" activities in areas of existing habitat that will not reduce the habitat's biological value. While these activities cause no harm to existing habitat, the Forest Service will not allow them because they cannot be conclusively shown to improve that habitat. There is no scientific or policy basis for this position. As these activities could make an important contribution to regional timber supply in the immediate future, the position should be changed.

B. Administrative Actions Relating To The ESA.

As discussed below in section II.D., the Endangered Species Act and the two federal land planning and management laws (Federal

^{4/} A legislative approach to address this problem nationally, H.R. 229, has already been introduced by Congressman Larry LaRocco. This bill deserves Administration support as part of any comprehensive legislative initiative.

Land Policy and Management Act ("FLPMA") and National Forest Management Act ("NFMA")) interact so poorly, procedural amendments to at least one of them will be required to make any Conference strategy ultimately effective. There are, however, a number of more immediate policy or rulemaking actions that can be taken to accelerate sale offerings in the short term. The first set of actions relates to the requirement of section 7 of the ESA that the FWS consult with the Forest Service and BLM on agency actions, including timber sales, to determine whether they are likely to jeopardize the continued existence, or adversely modify the designated critical habitat, of any endangered or threatened species. The first four options would reduce and streamline consultation on all timber sales subject to the Conference strategy; the fifth and sixth options would lighten the consultation burden on already prepared timber sales; and the last option would diminish the impact of consultations on private timberland operations.

1. "May Affect" Rule. Current FWS regulations require federal agencies to consult on every action that "may affect" a listed species, even if the effect is so remote that no jeopardy to the species is conceivable. In practice, many agencies (including the Forest Service) interpret this rule so conservatively they consult on any action that may affect a single member of a species (in this case, a spotted owl or marbled murrelet) or one acre of the species' habitat. The "may affect" rule results in literally hundreds of pending consultations on actions that involve no real risk of jeopardy to the continued

existence of the species, preventing timely implementation with no corresponding species' benefit. Precious agency resources are squandered on non-issue consultations.

The "may affect" consultation rule is not mandated by the ESA. The Administration could amend the rule to require consultation only when an action is likely to adversely affect a listed species or designated critical habitat or to affect the entire listed species over all or a significant portion of its range. This rule change could be general or apply only to listed species receiving protection under the Conference strategy. In either case, it would allow the FWS to focus its resources on major agency proposals that carry some real risk of jeopardy to a listed species, and would give the Forest Service and BLM more latitude to achieve the Administration's Conference strategy, statutory, and Congressional goals for timber sales and other resource outputs. Most of the now-pending consultations would be unnecessary if this change were adopted. In addition, this change would likely eliminate the basis of the current BLM injunction issued by the court in Lane County Audubon Society v. Jamison, 958 F.2d 290 (9th Cir. 1992) (requiring consultation on so-called "Jamison Strategy" under "may affect" rule).

Alternatively, the Forest Service, the BLM and the FWS could jointly issue special "counterpart consultation regulations" prescribing special consultation rules for the two land management agencies to use with the northern spotted owl or other old growth-associated species. Counterpart regulations are authorized by the FWS consultation regulations (50 C.F.R. § 402.04), and can

supersede the general consultation rules. These regulations could limit consultations to cases where an action is likely to adversely affect a listed species, or could adopt some other standard to eliminate less important consultations. These special rules could accelerate and improve the current cumbersome consultation system.

As yet another alternative solution to the same problem, the Administration could, without changing any regulation, embrace the view of four members of the Supreme Court in Lujan v. Defenders of Wildlife, 112 S. Ct. 2130, 2142 (1992), that the FWS consultation regulations are not binding on other agencies such as the Forest Service and BLM. It could determine that each land management agency may submit for consultation only those actions the agency determines to have a reasonable risk of jeopardizing a listed species. Like amending the "may affect" rule or issuing "counterpart consultation regulations," this change would limit consultations to agency actions that pose a real risk of jeopardy, and would avoid needless consultations on minor actions where no chance of jeopardy could exist. This at least would partially relieve the current consultation traffic jam.

Adoption of any one of these three options would signal an Administration commitment to a real partnership among the agencies in which the Forest Service and BLM would assume a less subordinate and more cooperative relationship with the FWS in considering and protecting listed species.

2. Re-emphasize The Jeopardy Standard. Consultations are conducted by individual FWS biologists who often have little

expertise in the species in question. They typically possess even less knowledge of the law. The consequences are that consultation decisions are often subjective and highly variant, and frequently misapply the law. The consultation standard is not whether the action will harm or injure even a single owl, murrelet, or other listed species' member (that is the ESA § 9 "take" standard). Instead, under ESA § 7, it is whether the action will "likely jeopardize the continued existence" of the entire species. If this proper standard were to be uniformly applied in timber sale consultations, a significantly larger number of sales would emerge unscathed and likely more quickly. The Conference strategy should include clear direction to the FWS on the proper standard to apply in consultations.

3. Enforceable Consultation Deadline. The FWS is continually violating the ESA by either ignoring the 90-day deadline for consultation or compelling the Forest Service or BLM to find an extension to be "mutually agreeable" under ESA § 7(b)(1)(A). The deadline is not simply slipped by a few days; it is flaunted by months, even a year or more, of inaction. This behavior should not be condoned. The Secretary should announce that rigorous adherence to the 90-day deadline will be required for any consultations on actions to which the Conference strategy applies. To ensure adherence, the statement should include a "finality" policy that any action for which the consultation is not completed by the deadline will be deemed to cause "no jeopardy."

4. Grouped Sales Consultations. Consultations are still frequently conducted on individual timber sales. This sale-by-sale form of consulting provides very little in the way of an overview of how the timber sale program as a whole is affecting listed species, and vice-versa. The Conference strategy should require that the Forest Service and BLM send, and the FWS receive, for consultation, groupings of proposed timber sales over a given period (e.g., one to three years) in a given Forest Service or BLM planning unit or all agency planning units in a wider area (e.g., each state). This broader consultation would permit the agency to better judge the likelihood of jeopardy and permit more flexibility in redesigning, or substituting for, problem sales. It would also reduce the number of consultations (and National Environmental Policy Act documents) exposed to potential appeals and litigation.

5. Withdrawal Of Owl Critical Habitat Designation. This is the first of two options that would reduce the consultation burden for sales already prepared and captured within the consultation process. In December 1992, a U.S. District Court in Oregon ruled that the FWS had violated the National Environmental Policy Act ("NEPA") by failing to conduct an environmental review when it designated critical habitat for the northern spotted owl.^{5/} The FWS has not yet acknowledged the validity of this ruling, continuing to insist that it need not comply with NEPA. If the Administration acknowledges its NEPA obligation in designating critical habitat, it could vacate the

^{5/} Douglas County v. Lujan, 810 F. Supp. 1470 (D. Or. 1992).

unlawfully designated owl habitat decision and thereby eliminate the need to conduct dozens of currently-pending critical habitat consultations. This step would not jeopardize the owl due to the land management agencies' prior consultations on the same prepared sales after the listing of the owl and its continuing duty to comply with the "take" and other prohibitions of ESA § 9.

6. Withdrawal Of Murrelet Listing. The second option concerning consultation on prepared sales relates to the ESA listing of those marbled murrelets located in California, Oregon and Washington as a "threatened species." At each of the four stages of the listing process, the FWS expressed concern that the marbled murrelets in the three-state area might not be "listable" under the ESA.^{6/} That grouping of murrelets clearly does not constitute a "species" or "subspecies." What concerned the FWS scientists is that it also might not constitute a "distinct population" -- the third and last listable category under the ESA § 3(10) definition of "species."

In recent listing decisions (e.g., two northern goshawk petitions, North Cascades lynx petition, and western yellow billed cuckoo), the FWS has taken the consistent, and legally and scientifically defensible, position that, to constitute a "distinct population," a grouping of species' members must be reproductively isolated and distinct from other species' members. Yet, the three-state marbled murrelet grouping was listed despite

^{6/} See 57 Fed. Reg. 45328, 45330 (Oct. 1, 1992 final listing); 57 Fed. Reg. 33479-80 (July 29, 1992 notice on time extension); 56 Fed. Reg. 28362, 28363 (June 20, 1991 proposed listing); 53 Fed. Reg. 40479 (Oct. 17, 1988 finding on petition to list).

the distinct likelihood that murrelets in the three-state area and Canadian murrelets interbreed. The FWS was sufficiently concerned that the listing might not stand because of the lack of a "distinct population" that it announced in the preamble to the listing decision its intention to conduct a 90-day review of the "distinct population" issue. See 57 Fed. Reg. at 45330. The FWS also received at least three notices of citizen suit alleging that no ESA-listable "species" exists. The 90-day review deadline expired in December 1992. Several of the signatories to the citizen suit notices sent a second letter stating a willingness to postpone litigation if the review were promptly concluded. Those same signatories notified the Administration of their decision to delay further the filing of the lawsuit(s) during the 60-day period for development of the Conference strategy.

As part of the Conference strategy, the Administration should complete the 90-day review of the marbled murrelet listing, make the appropriate determination that the listing is invalid because the three-state grouping does not constitute a "distinct population," and withdraw the listing. This, too, would reduce the currently-pending consultation burden for timber sales. The advantage of completing the review and undertaking the withdrawal in the context of an overall Conference strategy is that the strategy can incorporate marbled murrelet policies that will ensure no loss of protection for the subspecies upon delisting.

7. Non-Federal Land Access Consultation. A particularly troublesome and legally questionable consultation problem concerns consultations over BLM and Forest Service grants

of access across their lands to private timberlands. At issue is the predilection of the FWS to review and either find jeopardy from, or demand imposition of conditions on, silvicultural activities on the private lands during the course of these consultations. As noted in III.1. below, the adverse implications of this expansive consultation process for private timberland production are potentially severe since a significant percentage of private timberland in the three-state region are accessible only across federal lands.

These Forest Service and BLM access grants are extremely minor federal actions, typically involving minute strips of federal land 40 feet in width and a few hundred feet in length, with no measurable impact on the threatened wildlife species in question. In these cases, federal access is required by statute, regulation, or binding contractual agreements. Consultation is largely pointless if limited to the usually indistinguishable effects on listed species arising directly from the federal action -- authorizing construction, use, and maintenance of the limited right-of-way. It is needlessly, and likely unlawfully, intrusive whenever it extends to the actions to be conducted on the accessed non-federal land. Numerous silvicultural activities on private land have been restricted or delayed by this extension of consultation. In fact, Forest Service officials were sufficiently concerned about FWS demands that the agency (without statutory authority to do so) must condition its access grants with restrictions on private land use they prepared and issued an access policy on January 28, 1993. This policy provides that the

Forest Service will not condition access to meet FWS's concerns that private land uses not cause ESA takings.

The Conference strategy should include policies which (i) clarify that consultations with the Forest Service and BLM on grants of access to private timberlands will consider only the direct effects of the agency actions on the federal lands, and (ii) set standards for the level of such effects that will trigger such consultations.

C. Administrative Actions Relating To The National Forest Management Act.

1. Amend The Viability Rule. The single greatest roadblock to federal forest management in the Pacific Northwest and northern California has not been a law but a regulation -- a regulation which is not required by statute. The injunctions issued against the Forest Service since 1989 have been grounded on that regulation, not the Endangered Species Act or the National Forest Management Act. The regulation, known as the "viability" rule, was adopted in 1982 by the Forest Service as part of a comprehensive set of planning rules. It dictates that "[f]ish and wildlife habitat shall be managed to maintain viable populations of existing native and desired non-native vertebrate in the planning area. For planning purposes, a viable population shall be regarded as one which has the estimated numbers and distribution of reproductive individuals to insure its continued existence is well distributed in the planning area." 36 C.F.R. § 219.19 (see also 36 C.F.R. § 219.27(a)(6)).

This regulation has no counterpart in statute. Apparently, it is derived from the biological diversity provision of the NFMA, the first and only such provision yet enacted. 16 U.S.C. § 1604(g)(3)(B). That provision is very carefully qualified; it requires consideration of diversity in planning "to meet overall multiple-use objectives," "within the multiple-use objectives of a land management plan," "where appropriate," and "to the degree practicable." It clearly maintains the supremacy of the multiple-use mandate for national forest planning and management. As one federal court has found, while the NFMA diversity provision requires procedural consideration of diversity, it mandates no substantive result and contains no discernible legal standard.^{7/}

Yet, contrary to the statutory provision from which it is apparently derived, the § 219.19 viability regulation would seem to set a standard that is substantive, subordinates the Forest Service's multiple-use mandate, and is absolute, without flexibility. Worse, the rule stands in stark contradiction to the statutory provision's purpose -- to enhance biological diversity. It also contradicts one of the most significant themes to arise from the Conference -- ecosystem management. By requiring that planning and management focus on individual species, and only vertebrates, it limits severely the wider field of vision required for considering biological diversity. Further, by requiring that each species' viability be established within specific National Forest planning units (not even between units, and not together

^{7/} Sierra Club v. Robertson, 810 F. Supp. 1021, 1027-28 (W.D. Ark. 1992).

with BLM, Park Service, state, or private lands), it frustrates thoroughly any effort to devise management strategies for most large ecosystems.

As it has no real grounding in and is not required by statute, is contrary to the emerging federal land management concepts of ecosystem management and biological diversity protection, and serves as the principal legal cause of the forest management gridlock, this regulation deserves repeal or amendment. In 1991, the Forest Service proposed to narrow the rule to apply only to species not listed as threatened or endangered under the ESA. 56 Fed. Reg. 42300 (Aug. 27, 1991). The inadequacy of this proposal was demonstrated graphically by Judge Dwyer's most recent injunction in which he required the Forest Service to analyze the effect of forest plans on the viability of some 32 species associated with late successional and old growth forests that are not listed under the ESA.

Repeal is the most direct and preferred response to this inappropriate rule. Another is to simply amend the rule to parallel the language of the statutory provision from which it is apparently derived -- NFMA's biological diversity provision.^{8/} This would enhance forest management generally by restoring the supremacy of the multiple-use mandate, according emphasis to procedural consideration of biological diversity in planning, and

^{8/} Such language is now found in the rules not in a stand-alone section as is the viability rule (§ 219.19 "Fish and Wildlife Resource") but as the last of seven subsections in a kitchen-sink section (§ 219.27 "Management Requirements").

removing a significant roadblock to implementation of biological diversity protection and ecosystem management concepts.

2. Administrative Appeals. Until the enactment of section 322 of the FY 1993 Interior and Related Agencies Appropriations Act (P.L. 102-381), there existed no statutory right of an administrative appeal of a federal land management decision. The Forest Service and BLM have offered opportunities to appeal as a method of encouraging citizen involvement. With § 322, the Forest Service (at least for this fiscal year) is required to provide for appeals of decisions to undertake activities and projects (such as timber sales) that implement forest plans. Yet this section properly de-emphasizes appeals, favoring instead citizen participation prior to those decisions. The section establishes a 30-day comment period to permit the Forest Service to hear about and correct problems in a timely manner before, and avoid the delays and costs of processing appeals after, the decisions are made. The Administration issued a proposed rule to implement § 322 on April 14.^{9/}

The rule, like § 322, for the first time requires that standing to bring an appeal is dependent on the appellant's expression of interest in the project or activity prior to the decision. Since only an expression of interest is required, however, administrative appeal by ambush is not foreclosed -- this de minimus standing requirement still allows appellants to withhold their particular concerns and challenges until after the decision is made and then serve them on the agency for the first

^{9/} See 58 Fed. Reg. 19369 (April 14, 1993).

time in the notice of appeal. Just as numerous federal courts have now precluded the raising of issues in litigation that were not aired in the preceding administrative appeal process,^{10/} so should the final appeal rule limit standing to those who commented, and the subject matter to those issues that were raised, during the pre-decision comment period. Identical limitations already exist in BLM regulations governing protests of planning decisions.^{11/}

Second, to ensure early timber sales of trees that are dead and dying from disease, insects, or pests under the Conference strategy, the final rule must reflect the draft rule's position that emergency actions are not subject to appeal. Indeed, given the dire economic straits of timber-dependent communities and families, the Administration should consider defining all 1993 and 1994 timber sales in federal forests to which the Conference strategy applies to be emergency actions exempt from appeal. This, of course, would not preclude judicial review of those sales.

^{10/} E.g., National Forest Preservation Group v. Butz, 485 F.2d 408, 411 (9th Cir. 1973); Sierra Club v. Robertson, 810 F. Supp. 1021, 1030 (W.D. Ark. 1992).

^{11/} Any person who participated in the planning process and has an interest which is or may be adversely affected by the approval or amendment of a resource management plan may protest such approval or amendment. A protest may raise only those issues which were submitted for the record during the planning process.

D. Statutory Changes To Remove Procedural Conflicts

No amount of administrative action can surmount an underlying statutory problem: the procedures established in the two federal land planning and management statutes (NFMA and FLPMA) and the Endangered Species Act operate at cross purposes. The combined effect of these three statutes working in conflict -- rather than harmony -- resulted in the cascading series of uncoordinated agency actions and court injunctions that define the forest controversy in the Pacific Northwest and northern California. In particular, NFMA and FLPMA take a long-term, cumulative view of land management activities through comprehensive planning, whereas the ESA focuses incrementally on each individual management activity as it occurs. Furthermore, the deadlines for and frequency of decisions under the ESA do not correspond with the timing and length of decisions in the NFMA's and FLPMA's planning processes. New listings, critical habitat designations, and recovery plans can continually interrupt ongoing planning, effectively preventing its completion. If the planning is completed, these successive ESA decisions can supersede and virtually invalidate the resultant plan, thereby frustrating its implementation.

To harmonize the procedures (not, we emphasize, the substantive standards) of the three statutes, we suggest three changes (which could be made either in the ESA or the NFMA and FLPMA). These changes either could be general, or could relate only to federal lands to which the Conference strategy applies.

1. Emphasis On Plan Consultation. The law ought to require that the principal consultation will occur on each land management plan amendment or revision. (If the long-term program is to be fully fleshed-out in the Conference strategy, the first consultation could be on it, exempting the subsequent amendments to Forest Service and BLM plans that incorporate the strategy.) Thereafter until the plans are amended or revised again, consultation would not be required for implementing actions that either are identified in the plans or are consistent with guidelines for such actions contained in the plans. Implementing actions that are not identified in the plans or are inconsistent with the plans' guidelines would continue to undergo individual consultations.

This change would move consultation away from its present incremental approach and apply it more rigorously to the critical planning stage in federal land management when the most significant decisions are made. By focusing ESA attention at the planning stage and on entire planning units rather than on single activities and their immediate sites, this change should prod all three agencies -- Forest Service, BLM, and the FWS -- toward management at the landscape and ecosystem levels, and away from the project and species-specific levels.

2. Compliance Declaration. Once the plans have undergone consultation and been found to cause "no jeopardy" or been altered to embrace a "reasonable and prudent alternative," the law ought to declare them in compliance with the ESA until the plans are amended or revised again. This would assure that a new

or successive new listings of species, designations of critical habitat, or publications of recovery plans which may occur shortly after completion of the land management plan, and the ESA consultation on it, do not automatically invalidate the document.

We suggest an additional change to ensure that, if the new species listing, habitat designation, or recovery plan provides sufficient new information to raise significant questions about the existing land management plan, the compliance declaration would be terminated and the plan re-opened. This change would add a new process that permits citizens and other federal agencies to petition the Forest Service or BLM for a plan amendment or revision. This process (as we proposed it in S. 1156/H.R. 2463 last Congress) would ensure that the declaration of compliance would not be abused; any citizen or agency (including the FWS) which feels at any time that alteration of the land management plan and a new ESA consultation review is warranted by changed conditions or new information would have the means to remove the compliance declaration by submitting the petition for plan amendment or revision. To ensure that the petition is treated properly by the Forest Service or BLM, the decision to accept or reject it should also be required to undergo consultation with the FWS.

3. Superseding ESA Actions By The Conference Strategy.

An alternative or supplement to the two suggestions above would eliminate entirely the need to make a number of ESA decisions during implementation of the Conference strategy. The rationale for this approach is that the protections to be accorded by such

ESA decisions are already embodied in the Conference strategy. Therefore, to avoid sequential ESA decisions on new listing petitions, critical habitat designations, or recovery plans, legislation could excuse the FWS from making such decisions on any Forest Service and BLM lands to which the Conference strategy applies.

Alternatively, the legislation could excuse the agency only from making new management decisions under the ESA that might interrupt implementation of, or invalidate, the Conference strategy. This would be accomplished by lifting only the requirements to prepare recovery plans for listed species on lands to which the strategy applies and to engage in consultations on agency actions on such lands. The FWS would continue to make decisions on species' listings and critical habitat designations. New ESA-related management concerns that might arise after adoption of the Conference strategy could be accommodated by providing for periodic comprehensive reviews of the Conference strategy, at which time any implications of species listings and habitat designations made since the last review could be considered.

E. Statutory Changes To Narrow Legal Challenges To The Conference Strategy

Certain legislative provisions narrowly focused on the Conference strategy and its relationship to existing statutory procedural requirements are also warranted if the strategy is to avoid multiple legal challenges and be timely implemented.

1. Exemption Of Actions To Implement The Conference Strategy From Additional NEPA Requirements. In D.1. and D.3. above, we offered action options to reduce the frequency of ESA consultations after adoption of the Conference strategy. Each new consultation opportunity is also an appeal and litigation opportunity. The same holds for the NEPA documentation requirements. If it is the intention of the Administration to consult, and prepare an Environmental Impact Statement ("EIS"), on the Conference strategy, the same rationale for avoiding repetitive consultations on subsequent actions implementing the strategy discussed in D.1. and D.3. applies to repetitive NEPA documents. NEPA compliance should not be required for initial amendments to land management plans to incorporate the Conference strategy and for any actions implementing those plans that are consistent with and meet any requirements of the strategy and plans. An alternative phrasing to arrive at the same end would deem any federal action that is consistent with and meets any requirements of the Conference strategy to be in compliance with NEPA (and ESA).

2. Consistency Limitation. A broader version of the above alternatives is to provide that administrative and judicial review of any action on federal land to which the Conference strategy applies is limited to whether the action is consistent with the requirements of the strategy and the applicable land management plan (which has incorporated the strategy). This requirement would focus any appeals and litigation on the terms of the Conference strategy and not allow parties to return to legal

challenges over issues that are not central to that strategy. This option could be applied either only to the short-term program to expedite sale offerings in 1993 and perhaps 1994, or more generally to the long-term program.

3. No Injunction Of Management Of Federal Lands To Which The Strategy Applies. A narrower version of the above alternatives is to retain the right to bring litigation under any relevant statute against any action implementing the Conference strategy but restrict the nature of any injunction a court may issue if the suit is successful. The court could order the agency to correct the violation of law (e.g., redo the NEPA or other documentation on the decision, initiate rulemaking, etc.) but not enjoin the operation of the action. Management could then proceed while the agency rectifies the legal infirmity. This policy could be applied to litigation over plan amendments only, or both plans and projects, related to the Conference strategy.

4. Declaration Of NEPA And ESA Compliance On The Strategy Itself. Unfortunately and ironically, if the Administration chooses to engage in consultation, and prepare an EIS, on the Conference strategy, it is likely providing additional litigation hooks for the strategy's opponents. A compromise, which demonstrates both good faith compliance with the ESA and NEPA and a determination to see the strategy implemented timely, would be to undertake consultation and prepare the EIS and then have Congress endorse those actions once they are completed as satisfying the two statutes (similar to the Congressional endorsement of the EIS on the Alaska pipeline).

III. NON-FEDERAL (PRIVATE AND STATE) LANDS

The principal scientific reports on the northern spotted owl -- Interagency Scientific Committee, Gang of Four, and Scientific Analysis Team -- propound strategies that rely entirely on federal lands to provide protection for the subspecies. The Fish and Wildlife Service, however, has insisted that private and state (non-federal) lands must play a major role in owl protection.

In July 1990, the FWS issued the Owl Guidelines, which imposed circles of 1.2 mile to 2.2 mile radii around owl nests and activity centers on non-federal lands. Although the Guidelines were ostensibly voluntary, they contained an explicit threat of prosecution of private timberland owners and state regulators of private timberland operations for any deviation from the Guidelines' strictures. The Guidelines were rescinded in October 1991 (after suit was filed challenging their validity in the absence of rulemaking). The FWS, however, continues to insist that the Guidelines are the "best science" and to send letters to state regulators and private landowners alleging that the ESA will be violated if strict adherence to the owl circles is not maintained. After the Interior Department received numerous complaints about the FWS's continued reliance on the rescinded Guidelines, the Assistant Secretary for Fish, Wildlife, and Parks in August 1992 announced as a matter of enforcement discretion that attention would be focussed on smaller owl circles (500 acres). The FWS has ignored this new policy in favor of the rescinded Guidelines' circles, although it apparently has not been rescinded.

The FWS is not alone in restricting silvicultural activities on non-federal land that might adversely affect the owl. State regulators under the various state forest practices acts and other state laws are imposing restraints on harvesting in a variety of areas. These restraints may not be focussed on, but still benefit, the owl.

Despite the burdensome federal and state restrictions that require non-federal lands to contribute to owl protection, this protection is not credited -- or even recognized -- in the various strategies to conserve the owl on federal lands. In its failure to recognize the significance of the owl protection provided by non-federal lands (protection it nevertheless compels), the federal government has imposed unnecessarily burdensome constraints on timber harvesting on federal lands. At the same time, by continuing to insist that the non-federal lands contribute to owl protection after it has devised owl strategies that rely solely on federal lands, the federal government is also making unreasonable and unwarranted demands on non-federal lands.

Significant benefits to all landowners -- federal and non-federal -- could be achieved by a Conference strategy that places modest but explicit reliance on non-federal lands to assist in the effort to protect the owl (in effect, to participate in management of ecosystems that do not correspond with political or ownership boundaries). The Administration could include non-federal lands in its Conference strategy by formally adopting policies toward them that are less restrictive but more formal than the ad hoc policies of the Guidelines. Private landowners would be

advantaged by both the greater certainty and lesser burdens provided by those new policies. And, establishing a more predictable level of owl protection on non-federal lands that is not as intrusive as the Guidelines' rescinded, but still imposed, standards -- if it is properly recognized -- should restore a measure of flexibility in federal land management that is not provided by the present owl strategies.^{12/}

The following administrative steps could be taken to incorporate non-federal lands in the Conference strategy:

1. General Habitat Conservation Plan. The Fish and Wildlife Service could prepare a general or model habitat conservation plan ("HCP") and offer incidental take permits to any non-federal landowners who subscribe to it. The FWS usually does not initiate or actively engage in negotiating HCPs, and has never drafted an HCP on its own, preferring instead to review HCPs prepared by other parties. Nothing in the ESA or the FWS regulations, however, requires the FWS to assume such a relatively passive role. Indeed, by his actions in approving the listing of the California gnatcatcher and the Georgia-Pacific Memorandum of Agreement on the red-cockaded woodpecker, Secretary Babbitt has indicated a preference for more active, innovative approaches by the FWS toward issues of ESA compliance on non-federal lands.

^{12/} There should be no misunderstanding that we are actively challenging and will continue to challenge the FWS's highly expansive reading of its ESA authority over private landowners in other forums. Even so, in the spirit of good faith, we offer these options for the Conference strategy. These options should not be viewed as an open invitation to regulate private timberlands.

Were the FWS to prepare a general HCP (which should be less aggressive than the Guidelines but, like the Guidelines, could have differing requirements based on varying regional conditions) and hold it out for signatures, a significant number of non-federal landowners seeking certainty and immunity from the ESA's severe sanctions, and welcoming the more moderate FWS approach, would likely sign. Although preparation of the HCP and collection of signatures could take time (perhaps 1 to 1½ years), certain assumptions could be made about the number of landowners and acreage of land to which the HCP ultimately would apply for purposes of devising the Conference strategy for federal lands. Furthermore, the Conference's program for federal lands could have a "fail-safe" clause providing an automatic "opener" or an automatic pre-announced policy change if the assumptions about non-federal lands' contribution to owl protection are not realized by a date certain.

2. Section 4(d) Rule. If an immediate, known level of owl protection on non-federal lands is deemed necessary to permit implementation of a federal lands strategy that relies on assistance from the non-federal lands, it could be accomplished by promulgation of a special rule under section 4(d) of the Endangered Species Act. The ESA applies the "take" and other prohibitions in the statute only to endangered species; ESA § 4(d), however, permits the Interior Department to apply those prohibitions in whole or in part to threatened species -- such as the northern spotted owl and marbled murrelet -- by rulemaking. In a controversial rule (50 C.F.R. § 17.31(a)), the FWS applied

all the ESA's prohibitions for endangered species in a blanket fashion to all threatened species. That same rule, however, provided that for any specific threatened species the agency could remove or tailor those prohibitions by promulgating a special rule (which it has done for the grizzly bear and several other threatened species). We understand that the FWS may have been drafting such a special rule for the northern spotted owl ever since the agency rescinded the Guidelines.

An ESA § 4(d) rule could be more controversial for non-federal landowners than the general HCP proposal in 1. above because the rule, unlike the HCP, would not be strictly voluntary. The rule would set standards that all landowners would be compelled to follow, while the general HCP proposal simply would convey an invitation to landowners to participate (and avoid the continued experiencing of the confusion and restrictions of the rescinded Guidelines). The rule, however, could be composed in a manner that would still win favor with most non-federal landowners. It could be drafted to: (i) be substantially less severe than were the rescinded Guidelines; and (ii) sunset by or shortly after the time the general HCP would be completed and offered for signatures. The sunset provision would ensure that the compulsory effect is removed after a brief period. However, as the sunset also would eliminate the FWS guidance concerning which landowner activities are immune from ESA sanctions, it should serve as a strong incentive for landowners to sign the HCP. If time is of the essence, the rule could be issued as an emergency or "interim final" rule with a 30-day effective date.

3. Voluntary "Consultation." Instead of or in addition to promulgating an ESA § 4(d) rule, the FWS could offer to engage in a "consultation" process with non-federal landowners.

During oral argument in a recent ESA lawsuit before the U.S. Court of Appeals in D.C., a prominent liberal panel member expressed astonishment that the ESA did not establish and the FWS did not provide any informal, voluntary procedure for private and state landowners to gain FWS advice on whether their activities complied with the ESA, particularly when such a (non-voluntary) procedure is available to federal agencies (the ESA § 7 consultation process). Nothing in the ESA would prevent the FWS from offering voluntary 90-day reviews of activities on non-federal land virtually identical to the ESA § 7 consultation procedure for federal agency actions.

Without statutory change, this voluntary "consultation" process would not be as advantageous to non-federal landowners as the consultation required by the ESA for federal agency actions in two respects. First, the non-federal landowner's activity would have to be reviewed under the more stringent "take" any member of the species standard applicable to activities on non-federal lands rather than the "jeopardize the continued existence" of the entire species standard applicable to federal agency actions in ESA § 7 consultation. Furthermore, the landowner could not receive the immunizing incidental take statement which the FWS is authorized to issue to the federal agency at the end of a successful consultation. Just the same, a FWS offer to provide voluntary advice upon request (either permanently or until the general HCP

is completed) could be viewed by non-federal landowners as a welcome change from the unsolicited, threatening statements and letters they now receive with increasing frequency from the otherwise uncommunicative agency.

4. Refinement Of "Take" Concept. In addition to reduction in the stringency of the Guidelines' geographical restrictions, the ESA § 4(d) rule and/or voluntary "consultation" proposals would need to include a refinement of the "take" concept. The FWS has chosen to define by rule (50 C.F.R. § 17.3) only two of the various words defining "take" in section 3(19) of the ESA -- "harm" and "harass." The regulatory definition of "harm" introduced the concept of habitat modification which had been stricken from the "take" definition during enactment of the ESA. And, even though the FWS's regulatory definition refers to habitat modification that "actually kills or injures" a listed species, the Department of Justice has argued in court that harm "requires evidence of actual physical impacts -- killing or injury to wildlife,"^{13/} and two U.S. district courts have ruled in the last year that "harm" requires actual injury or death,^{14/} the FWS continues to threaten possible "take" enforcement actions (perhaps

13/ Federal Brief (Oct. 9, 1991) at 21 in Sweet Home Chapter of Communities for a Great Oregon v. Lujan, No. 91-1468-NHJ (D.D.C.).

14/ Sweet Home Chapter of Communities for a Great Oregon v. Lujan, 806 F. Supp. 279 (D.D.C. 1992); Swan View Coalition, Inc. v. Turner, No. CV-89-121-H-CCL (D. Mont. decided Dec. 7, 1992).

relying on earlier court rulings^{15/} that had found "take" where no evidence of current physical injury was present).

While the Administration may wish to defer the question of whether so loose an interpretation of the regulation and the statute is permissible generally for endangered species or for other threatened species, it should relax the interpretation in the ESA § 4(d) rule and/or the non-federal lands "consultations" for the northern spotted owl (due to the owl's relatively large population and the primary focus on federal lands for the owl's protection). This change would be particularly well received by state agency officials and private timberland owners who are baffled by the agency's frequent expansive reading of its own "harm" regulation.

5. Eliminate Enforcement Threats Against State Regulatory Agencies. The FWS has threatened regulatory agencies in all three states harboring northern spotted owls with criminal prosecution under the ESA if they issue timber harvesting permits to private landowners that allow harvesting inconsistent with the rescinded Guidelines. The FWS asserts that issuance of state permits in accordance with all applicable state law can be an incidental take under the ESA. Not surprisingly, the threatening admonitions have intimidated these agencies into blocking much private harvest activity that could conflict with the Guidelines.

Yet no statute, regulation, or court ruling directs or finds that a state agency violates the ESA by issuing a regulatory

^{15/} E.g., Palila v. Hawaii Department of Land and Natural Resources, 852 F.2d 1106 (9th Cir. 1988).

permit. To the contrary, in 1992 the Supreme Court held that the federal government lacks constitutional authority to compel states to regulate private citizens. In New York v. United States, 112 S. Ct. 2408, 2429 (1992), the court stated: "No matter how powerful the federal interest involved, the Constitution simply does not give Congress the authority to require the states to regulate. . . . Where a federal interest is sufficiently strong to cause Congress to legislate, it must do so directly; it may not conscript state governments as its agents." Id. Thus, the FWS may not constitutionally force states to regulate private conduct under the ESA. The Conference strategy should acknowledge this constitutional reality and clarify enforcement of the ESA by stating clearly that, because a private landowner conducting harvesting under a state permit must still comply with, and the permit does not purport to exempt the landowner from, the ESA, a state permit does not constitute a prohibited "take" under the ESA.

This pronouncement would relieve state agencies of the threat of criminal prosecution for following state law, facilitate the rapid issuance of necessary state permits, and make it easier for landowners to supply private timber promptly to mills, but would not affect the government's ability to take enforcement action against any silvicultural activity on non-federal lands which it believes constitutes a violation of the ESA "take" prohibition.

6. Modification Of Viability Rule. In addition to the reasons provided in II.C.1. above, the Forest Service viability rule must be modified as suggested if non-federal lands are to be included in the Conference strategy. That rule, by requiring that

the viability of the northern spotted owl, marbled murrelet, or any other species associated with old growth forest must be assured solely within the Forest Service planning unit does not admit of any existing contribution of non-federal lands to the protection of the species. Without the ability to recognize the contribution for viability of species coming from outside the national forests' boundaries, an overarching advantage of addressing non-federal lands in the Conference strategy -- reduction of the protection burden on federal lands -- is lost.

7. Non-Federal Land Access Consultation. A significant percentage of private timberland in the Pacific Northwest and northern California is landlocked within BLM or national forest lands. To achieve access to those lands, the landowner must obtain access grants from the Forest Service and BLM. To grant that access, the agencies must undergo consultation with the FWS. As discussed in II.B.7., the FWS has taken the legally questionable tack of seeking to deputize the BLM and Forest Service to control private land silvicultural activities by demanding that the two land management agencies place conditions on those activities in the access grants. The recommendation made in II.B.7. -- clarify that consultations on federal grants of access to private timberlands will consider only the direct effects of the agency actions on the federal lands, and set standards for the level of such effects that will trigger such consultations -- is of critical importance to private timberland owners and should be an integral part of the Conference strategy's non-federal lands component.

* * * * *

The fate of the timber industry and its workers in the Pacific Northwest and northern California is inextricably linked to the Conference strategy. It is not hyperbole to say the strategy is the last best hope to resolve the region's forest controversy and alleviate its timber supply crisis. That is why we offer these recommendations to facilitate implementation of the strategy even before we know its contents. We believe these recommendations reflect the principles announced by the President at the conclusion of the Conference. Last week, we publicly endorsed the President's principles, and, in the same spirit, we offer these recommendations.

CONCEPT PAPER FOR ECONOMIC TRANSITION PROGRAM IN THE NORTHWEST FOREST PRODUCTS INDUSTRY

PREPARED BY THE UNITED BROTHERHOOD OF CARPENTERS AND JOINERS
OF AMERICA

April 23, 1993

Goal: Develop a special initiative to provide assistance to timber-dependent communities and dislocated forest workers that will serve to smooth the transition to lower federal timber sale levels in a manner that builds on the principles of partnership and mutual responsibility between government, labor and the private sector by amending existing federal assistance programs or introducing new legislation.

INTRODUCTION:

The purpose of this paper is to discuss the economic stability issues that surround the problem of the Pacific Northwest and northern California in adjusting to a smaller timber harvest from public lands that has and will occur due to wildlife habitat protection plans and the anticipated increase in the use of ecosystem sensitive forest management techniques. It does not deal with the forest management issues themselves. The UBCJA, of course, also has a keen interest in forest management issues and advocates a solution that maximizes timber harvest levels to the extent possible so as to minimize the need for community stabilization and worker adjustment. We fully understand, however, that there will be human and economic fallout resulting from any administrative and/or legislative solution and therefore feel strongly that any legislation must have a comprehensive economic transition component.

It should be noted at the outset that the emphasis here is more on providing a framework for discussion of federal policy options rather than on specifying a comprehensive program in fine detail. Only the basic objectives of an appropriate federal role and the general outline of a strategy for achieving the objectives are presented in this concept paper.

OVERVIEW:

The Pacific Northwest forest products industry provides a unique opportunity to initiate an innovative program to facilitate the transition to lower timber harvests. A unique approach may be available for a unique set of circumstances. The timber-dependent communities are rural with their own advantages and disadvantages. The work force is not readily mobile. Relocation strategies, therefore, offer little promise of success. The work force already possess a wide diversity of skills that can be utilized in rural settings. Because this crisis is associated with one of the few federal programs that generates revenue for the federal government, the adjustment proposal should be financed from internal sources rather than drawing on the federal treasury. There are forest improvement needs that create employment opportunities in those rural areas and there are opportunities to achieve a higher level of labor intensive value-added manufacture that can generate more jobs per thousand board feet of timber processed. It's the principle of achieving a higher number of man hours per volume of raw materials and manufacturing a higher value product (i.e. rocking chairs in addition to commodity dimension lumber).

These unique circumstances permit a high wage-high skill strategy to be implemented. There are two sides to this coin. Side #1 is the economic stabilization/economic development component. Side #2 is the comprehensive education/skill upgrading piece.

Funding sources that can be tapped for both of these programs (actually they should be tightly integrated) are timber sale receipts. Another source of funds are the customs collections generated by the 6.5% countervailing duty imposed on Canadian lumber imports in 1992. In this case, rather than eliminating the CVD the government would recognize the stumpage subsidy granted to Canadian producers and put the customs collections to good use helping disadvantaged American workers. These funds should be dedicated exclusively to the "Pacific Northwest Forest Community Rural Development Fund". Funds would then be made available for comprehensive long term education and skill upgrade programs and for companion economic development programs to insure the link between jobs created and skills being taught.

ECONOMIC DEVELOPMENT:

This plan envisions greater coordination of economic development programs administered at the state and local levels. Currently they are disjointed, ad hoc and lack adequate financial support. For example, the Schools of Forestry at the Universities of Washington, Oregon State and Humboldt State could be providing a wealth of assistance on alternatives for sawn lumber. These schools should be part of the network that comes into play when a forest products company is seeking ways to diversify and continue operations. When a firm seeks assistance there ought to be teams available to help evaluate product lines, manufacturing process, raw material availability, markets, alternate ownership configurations and other variables/options.

Vital to this piece is a capital pool from which start-up or renovation capital can be drawn. Senator Leahy introduced a forest management bill in 1992 that included a rural development bank for the express purpose of providing a source of financing. This principle is central to making any economic development strategy work. A portion of the funds dedicated to the PNW Forest Community Rural Development Fund should be earmarked for the rural development bank.

Another part of the job creation strategy should address forest improvement investments. There is a great deal of employment created with watershed restoration and improvement projects and it's the type of work that forest industry loggers do routinely in the woods today. Watershed restoration and improvement is but one example of forest improvement work that needs to be performed. Several other areas of forest resource management have significant project backlogs.

EDUCATION AND TRAINING:

The other side of the coin deals with education and skill upgrading. Existing adjustment assistance programs, mostly funded and administered under the Job Training Partnership Act, are only marginally effective. Typically, training funds are aimed at short-term courses providing dislocated workers with limited opportunities for genuine skill training. The Pacific Northwest can serve as a laboratory to test new approaches to programs designed to help dislocated workers

transition into new employment and new careers. This national demonstration project would allow long-term training and education.

Specific options for providing training for dislocated workers, which could be used separately or in combination, include both on-the-job training and classroom vocational and technical training. Subsidized higher education programs should also be available to impacted workers. Experience has taught that general ongoing education allows workers the best opportunity for adapting to employment disruptions. Depending on each worker's current skill, experience, and employment aspirations, one particular type of training or education might be more appropriate than the others. Such choices add flexibility to an adjustment program and increase the chances of successful results.

When embracing longer term education and skill upgrade training it is necessary to also provide adequate support services for those enrolled in the training courses. This means that a comprehensive program should have income supplements that carry people beyond the time that unemployment benefits run out. In addition, the program should provide for a health care package that covers participants and their families for the duration of the training. There is a joint responsibility here. These benefits should be made available to individuals who enroll in the certified and approved courses.

There is also the problem of delivery. The Job Training Partnership Act allows for wide variation at the state level concerning implementation of programs for dislocated workers. The states of California, Oregon and Washington all have mechanisms in place to deliver dislocated worker programs. The mechanisms are very different from state to state. For example, the programs are more centralized in Washington than in Oregon. One of the more successful programs in Oregon is administered by Lane County Community College. Community colleges are generally not involved in the delivery system in Washington. Each state decides how to allocate JTPA formula and discretionary funds and establishes policies that emphasize certain services over others.

SERVICE DELIVERY:

Experience and research have clearly demonstrated the benefits of ongoing labor and management involvement in the design and implementation of programs for dislocated workers. Labor organizations are often in the best position to participate in the planning and operation of economic dislocation program because they have a natural "access" to their members. Involvement of unions in the outreach process is especially important. The UBCJA is in a unique position to assist displaced timber workers.

Most workers who are likely to be affected by job loss in the timber industry have a strong attachment to the work force. Most have long and reliable work histories. They often have transferable skills which need to be assessed and related to other job and training opportunities. One example that comes to mind is the training and certification that should be conducted for performing forest restoration and improvement work. Watershed restoration involves the use of heavy equipment--some of it identical to equipment used for building logging roads. The union may be in the best position to carry out this training and to certify that those trained are qualified. There should be a direct link between the dislocated forest worker,

eligibility for training in forest improvement activities and placement in those jobs when they are created. Forest industry workers who are unemployed due to changes in national forest policy should have first priority to receive training, receive certification and to perform the forest improvement work. We do not want a situation where work is created in rural timber-dependent communities and then performed by equipment operators imported from metropolitan areas

EARLY WARNING:

In a 1992 General Accounting Office (GAO) study of the two major federal programs designed to help dislocated workers, both the Trade Adjustment Assistance Act (TAA) and the Economic Dislocation and Worker Adjustment Assistance (EDWAA) were described as "slow to provide assistance." The GAO report points out that reaching workers before layoff increases the chances for prompt reemployment. One component of the recent Defense Authorization Act provides for allowing eligible workers displaced by cutbacks in the defense industry to begin receiving services 180 days in advance of an announced layoff date, even if they have not received a notice of termination. The ingredients for a successful program to assist displaced timber workers must include advance notice of termination and the ability to serve soon-to-be displaced workers before they are laid-off.

OLDER WORKERS:

The group of impacted workers that always presents the biggest challenge is the group between ages 50 and 62. This group of dislocated workers have more difficulty obtaining alternative employment even if retrained and there is a policy question whether or not an education/retraining investment in this group provides adequate social returns.

The Redwood Employee Protection Program, designed to assist workers impacted by the Redwood National Park Act, contained a feature that may have application here. It provided pension benefit supplements for those individuals caught in this hard-to-place age group. It did so by making contributions to the forest industry unions' retirement funds. The Western Council of Industrial Workers, the UBCJA affiliate, has experience with that program and has asked a pension attorney and the actuarial firm of Milliman and Robertson to look into it. Actuarial studies were done for the impacted workers in the redwood region and present value amounts were contributed by the federal government to provide for those incremental benefits. Those plans are joint labor-management Taft-Hartley plans.

This kind of strategy should be considered for the package of legislation that will be developed to deal with the old-growth forests in the Pacific Northwest. It should not, however, be considered a pure entitlement. To receive this benefit forest industry workers could perhaps be required to enroll in education programs that teach people how to become active in economic planning and economic transition activities. These activities in rural communities are traditionally carried out by business, developers and government. Citizens can bring important perspectives to the table concerning strategies that promote a high wage-high skill economic base. A systematic education program that teaches fundamentals and encourages

participation can go a long way toward improving rural economic development programs.

MANAGING THE ADJUSTMENT PROCESS:

Over the years, the government has initiated a number of special employee protection programs to compensate workers for their employment losses caused by government policies or actions. Examples include the Trade Adjustment Act, the Redwood National Employee Protection Plan, programs to aid impacted defense workers and transportation employees displaced by deregulation. These programs share certain characteristics with each other, such as more generous income maintenance programs and the availability of long-term training options for affected workers. We recommend a similar vehicle to assure that displaced timber workers in the Pacific Northwest receive assistance tailored to address their needs.

We believe an efficient adjustment assistance process requires bringing together state and community leaders, affected employers, employee representatives, and labor market experts. There is little doubt that many externalities are born by the communities involved in a shutdown. Certainly it is appropriate to involve external groups that bear the costs of economic dislocation into the adjustment process. We believe that the UBCJA is in a unique position to play a major role in organizing and coordinating such an effort.

Because of many unpredictable variables -- most significantly the timber volume that any government solution to the current problem produces -- it is difficult to estimate the size of the dislocation problem anticipated for the Pacific Northwest. However, it is safe to say that a significant number of timber workers will be adversely affected. The need exists, therefore, to develop an effective administrative system to coordinate government, employer, and labor, at all levels, in efforts to deliver adjustment services that are tailored to the specific needs of the communities and workers involved.

From policy makers and resource allocators at the national level, to planners and administrators at the state and local levels, to service deliverers, to recipients of ameliorative services and programs, there is a need for clear policy, coordinated responses, and resources adequate to meet identified needs. When affected timber workers -- community residents and taxpayers -- ask for and need help, it should be available.

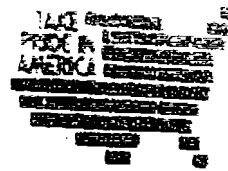
CONTACT: DENNY SCOTT
INDUSTRIAL DEPARTMENT
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United States Department of the Interior

OFFICE OF THE SECRETARY
Washington, D.C. 20240



TRANSMISSION NOTICE

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456-623

TO: Name MARC CHUPKA
Agency/Phone # DET

From: DAN SAKURA
Office of the Secretary
1849 C Street, N. W.
Washington, D. C. 20240

No. of pages to follow: _____
Date: _____
Time: _____

PHOTOCOPY
PRESERVATION

April 10, 1993

MEMORANDUM

To: Peter Yu
Marc Chupka
Stephanie Solien
Tom Tuchman
Chuck Richards
Rob Portman

From: Dan Sakura

Subject: Input from Carpenters

Attached are some policy proposals from Denny Scott of the Carpenters union. In brief, he calls for:

- comprehensive economic transition strategy
- designated funding from timber revenue source, e.g log export tax
- increased involvement from state forestry schools
- increased access to capital for rural areas, eg Leahy
- addressing the health care issue

- forest improvement projects, such as watershed projects, with job preferences for timber workers
- improved educational opportunities for workers through community colleges
- better delivery of training to dislocated workers
- allowing unions to deliver training assistance
- pension benefit supplements for workers between 50-62

PHOTOCOPY
PRESERVATION

Memorandum**To: Dan Sakura****From: Denny Scott****Subject: Discussion Draft for Economic Transition Program in the Pacific Northwest
Forest Products Industry**

Goal: Develop federal legislation that provides assistance to timber-dependent communities and dislocated forest workers that will serve to smooth the transition to lower timber sale levels in a manner that builds on the principles of partnership and mutual responsibility between government, labor and the private sector.

Overview: This proposal deals only with the economic stability issues that surround the problem of the Pacific Northwest in adjusting to a smaller timber harvest from public lands that has and will occur due to wildlife habitat protection plans and the anticipated increase in the use of ecosystem sensitive forest management techniques. It does not deal with the forest management issues themselves. The UBCJA, of course, also has a keen interest in the forest management issues and advocates a solution that maximizes timber harvest levels to the extent possible so as to minimize the need for community stabilization and worker adjustment. We fully understand, however, that there will be human and economic fallout resulting from any legislative solution and therefore feel strongly that any legislation must have a comprehensive economic transition component.

Proposal: The Pacific Northwest forest products industry provides a unique opportunity to initiate an innovative program to facilitate the transition to lower timber harvests. A unique approach may be available for a unique set of circumstances. The timber-dependent communities are rural with their own advantages and disadvantages. The work force is not readily mobile. Relocation strategies, therefore, offer little promise of success. The work force already possess a wide diversity of skills that can be utilized in rural settings. Because this crisis is associated with one of the few federal programs that generates revenue for the federal government, there is also an opportunity to finance this proposal from internal sources rather than drawing on the federal treasury. There are forest improvement needs that create employment opportunities in those rural areas and there are opportunities to achieve a higher level of labor intensive value-added manufacture that can generate more jobs per thousand board feet of timber processed. It's the principle of achieving a higher number of man hours per volume of raw materials and manufacturing a higher value product (i.e. rocking chairs instead of commodity dimension lumber).

These unique circumstances permit a high wage-high skill strategy to be implemented. There are two sides to this coin. Side #1 is the economic stabilization/economic development component. Side #2 is the comprehensive education/skill upgrading piece.

**PHOTOCOPY
PRESERVATION**

Funding sources that can be tapped for both of these programs (actually they should be tightly integrated) are timber sale receipts or a fee or tax attached to log exports. These funds should be dedicated exclusively to the "Pacific Northwest Forest Community Rural Development Fund". Funds would then be made available for comprehensive long term education and skill upgrade programs and for companion economic development programs to insure the link between jobs created and skills being taught.

This program envisions greater coordination of economic development programs. Currently they are disjointed, ad hoc and lack adequate financial support. For example, the Schools of Forestry at the University of Washington, Oregon State and Humboldt State could be providing a wealth of assistance on alternatives for wood products manufacturers. These schools should be part of the network that comes into play when a forest products company is seeking ways to diversify and continue operations. When a firm seeks assistance there ought to be teams available to help evaluate product lines, manufacturing process, raw material availability, markets, alternate ownership configurations and other variables/options.

Vital to this piece is a capital pool from which start-up or renovation capital can be drawn. Senator Leahy introduced a forest management bill in 1992 that included a rural development bank for the express purpose of providing a source of financing. This principle is central to making any economic development strategy work. A portion of the funds dedicated to the PNW Forest Community Rural Development Fund should be earmarked for the rural development bank.

Another part of the job creation strategy should address forest improvement investments. There is a demonstrated need to repair forest watersheds that have been crisscrossed with roads. Many of these roads are poorly constructed or have inadequate culverts. A heavy storm would undoubtedly cause many of these roads to wash out and to degrade the watershed and streams below. There is a great deal of employment created with watershed restoration projects and it's the type of work that forest industry loggers do routinely in the woods today. Watershed restoration is but one example of forest improvement work that needs to be performed.

The other side of the coin deals with education and skill upgrading. The Pacific Northwest can serve as a laboratory to test new approaches to programs designed to assist dislocated workers transition into new employment and new careers. Existing programs are typically short courses with limited opportunities to give dislocated workers genuine skill training. This national demonstration would allow long term training and education. Education (as distinguished from training) should be one of the options available to impacted workers. Experience has taught that general ongoing education allows workers the best opportunity for adapting to employment disruptions. This principle, then, should be one of the options available to forest industry workers dislocated due to changes in federal forest management methods.

When this kind of presumption is made it is necessary for the program to allow impacted workers to have eligibility for at least two years.

When embracing longer term education and skill upgrade training it is necessary to also provide adequate support services for those enrolled in the training courses. This means that a comprehensive program should have income supplements that carry people beyond the time that unemployment benefits run out. In addition, the program should provide for a health care package that covers participants and their families for the duration of the training. There is a joint responsibility here. These benefits should be made available to individuals who enroll in the certified and approved courses.

There is also the problem of delivery. California, Oregon and Washington have mechanisms in place to deliver dislocated worker programs. The mechanisms are very different from state to state. For example, the programs are more centralized in Washington than in Oregon. One of the more successful programs in Oregon is administered by Lane County Community College. Community colleges are generally not involved in the delivery system in Washington. A centralized federal program of the kind developed when the redwood park was legislated in the 1970s is probably not feasible at this time due to the dispersal of manpower programs to the states. There is, however, an opportunity to make a more expansive program available qualified organizations that are delivering programs now.

In addition, new entrants should be allowed. It is my view that the union can deliver many of these programs more effectively than some of the state agencies. The fund referred to above should be able to take applications for programs from the existing agencies already carrying out programs and from newly formed entities that may be in a unique position to deliver a specified program. One example that comes to mind is the training and certification that should be conducted for performing forest restoration work. Watershed restoration involves the use of heavy equipment--some of it identical to equipment used for building logging roads. The union may be in the best position to carry out this training and to certify that those trained are qualified. There should be a direct link between the dislocated forest worker, eligibility for training in forest improvement activities and placement in those jobs when they are created. Forest industry workers who are unemployed due to changes in national forest policy should have first priority to receive training, receive certification and to perform the forest improvement work. We do not want a situation where work is created in rural timber dependant communities and then performed by equipment operators imported from metropolitan areas.

The group of impacted workers that always presents the biggest challenge is the group between ages 50 and 62. This group of dislocated workers have more difficulty obtaining alternative employment even if retrained and there is a policy

question whether or not an education/retraining investment in this group provides adequate social returns.

The redwood worker adjustment program contained a feature that may have application here. It provided pension benefit supplements for those individuals caught in this hard-to-place age group. It did so by making contributions to the forest industry unions' retirement funds. The Western Council of Industrial Workers, the UBC affiliate, has experience with that program and has asked a pension attorney and the actuarial firm of Milliman and Robertson to look into it. Actuarial studies were done for the impacted workers in the redwood region and present value amounts were contributed by the federal government to provide for those incremental benefits. Those plans are joint labor-management Taft-Hartley plans.

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THE WHITE HOUSE

WASHINGTON

April 20, 1993

MEMORANDUM FOR INTERAGENCY WORKING GROUP
ON ECOSYSTEM MANAGEMENT ECONOMIC ISSUES

FROM:

Peter Yu
National Economic Council

SUBJECT:

Funding, Structure, Process

First of all, attached please find EPA's current thinking on the economic package. Please review this as we will discuss it at Thursday's meeting.

Given the severe time constraints, we should start to narrow options and reach consensus where possible. I thought it would be useful to begin in the areas of funding, structure, and process. There are several options in each of these areas, and pros and cons to each (see below). However, we cannot, of course, provide the Principals and the President simply with long menus of choices; we must be more thoughtful and more sensitive about the relationships among various options. Based on our Monday conversation and the various submissions, I see three different organizational models for the proposed relief efforts in the Northwest.

Please review this. We can spend the first 10 minutes of Thursday's meeting discussing this issue. My question is: Are these the correct options? not Which of these options is the best?

Model 1: The Regional Commission Model

Pooled funding: A separate appropriation would create incentives for self-perpetuation and self-aggrandizement. On the other hand, a dependency on discretionary agency monies would greatly weaken the commission. Pooled funds strikes the right balance.

Independent, multi-government structure: More than just another Task Force, the Commission would bring together decisionmakers from all levels of government and all relevant agencies. Sufficiently independent from the several agencies.

Evolving process: Because of need for quick response, during the first two years coordinate discretionary spending. For the next five years, institute a challenge grant process that will involve communities from the grass roots up.

RDC integration: The RDCs will serve as the primary conduit for proposals. All proposals must be reviewed by (but not approved by) the relevant RDC.

Model 2: The Enhanced Cooperation Model

Handwritten notes:
 Please give me a quick list of all funding options now under consideration & (logically) where we do funding in private funds?? Also - what are we doing at the Sewardship Forestry program??

-2-

Coordinated discretionary funding: Both pooled funding and a separate appropriation are unlikely, vulnerable, and unwieldy.

A task force: Existing agencies are hard at work in this region, and are all equals. All they need is coordination.

Coordinated spending: Some of the current programs work, all we need is to do what we do better and in a more coordinated fashion.

Model 3: The Disaster Relief Model

Special appropriation: Special needs call for special money.

A lead agency: This cannot be run through 10 different agency; one entity needs to be responsive and responsible.

Grant making: The lead agency should have plenary authority to spend the appropriation.

-3-

Dimensions of Organization Issues

Issue 1: Funding**Option 1: A straight appropriation****Pro:** Most flexibility**Con:** Possible redundancy, no incentive for agencies to cooperate**Option 2: Pooling of funds****Pro:** Incentives for agency cooperation, flexibility**Con:** Most difficult politically and legally**Option 3: Use current discretionary funds****Pro:** Easiest politically**Con:** Contingent and vulnerable to shifts in priority**Issue 2: Structure****Option 1: Regional commission****Pro:** Symbolic value, enhanced authority**Con:** Too many commissions already**Option 2: Interagency coordination****Pro:** Less costly than commission**Con:** Poor success rate**Option 3: Lead agency (e.g., USDA Incident Command System)****Pro:** Concentration of responsibility**Con:** Reduced cooperation from other agencies**Issue 3: Process****Option 1: Challenge grant (with matching state funds)****Pro:** Involves and reorients community**Con:** Too slow start; too consultant based**Option 2: Discretionary program coordination****Pro:** Requires less start up time**Con:** Difficult and still patchwork

All of these options assume that the proper role for the RDCs is consultative. Although the RDC is an important and well-equipped body, it cannot function as a decision making body.

Initial Thoughts on EPA's Contribution to the Pac NW Forestry Conference Economic Package

April 21, 1993

Topics:

- Watershed Resource Restoration Projects
- Reforestation of Forest land and Other Lands
- Environmental Monitoring
- Superfund Site Cleanups
- Waste Water Treatment System Improvements/Drinking Water System Improvements

Recurring Issues and Concepts:

- Market failures
 - nonmarket values
 - common property resources
 - distributional concerns
 - imperfect information
- Internalize social costs to private producers vs. public payments for public benefits
- Preventive investments vs. after the fact remediation
- Monitoring as a strategic tool for planning and mitigation
- Targeting as an efficiency tool
- Infrastructure
 - value-added chain
 - diversification efforts
 - "green" infrastructure vs. traditional bricks and mortar
- Cost effectiveness:
 - jobs

WORKING DOCUMENT

OPTIONAL FORM 88 (7-80)

FAX TRANSMITTAL

of pages = 10

To	<i>Peter Yu</i>	From	<i>Tom Peterson</i>
Dept / Agency		Phone #	<i>260-2277</i>
Fax #	<i>456-2723</i>	Fax #	<i>260-2300</i>
NSN 7540-01-317-7306		5010-101	
GENERAL SERVICES ADMINISTRATION			

- health risk reduction (human and ecological)
- economic stimulus (public and private)
- quality of life
- Data availability and uncertainty
- Existing program funds vs. new funding sources
- Status of President's Economic Stimulus Package (refer to handout)
- State vs. federal control of pass-throughs; renegotiation of formulas and allocations
- Interagency integration of programs and funding sources
- Realistic assessment of need and returns

Watershed Resource Restoration Projects

- Infrastructure improvements to existing forest roads, bridges, stream crossings, water structures, loading yards, etc.
- Implementation of best management practices for future forestry operations. These include a variety of measures.
- Restoration of damaged stream and river systems, including riparian zones (banks and buffers) and stream beds.
- Wetland and bottomland restoration.
- Restoration of damaged hillsides (eroded areas).
- Reforestation of logged sites or unforested sites in riparian areas.
- Removal of dams and hydro facilities; restoration of natural hydro and aquatic systems.
- Combination of restoration with monitoring to assess results, guide actions

Benefits:

- Significant immediate, intermediate and long-term employment in rural, timber dependent areas.
 - Labor and equipment intensive
 - Skills match those involved in logging, transport, tree planting, etc.
 - Quick startup
- Very significant environmental benefits to water quality and fisheries, particularly salmon spawning areas at risk (EPA annual survey showed 27,000 landslides, large percentage of streams classified as water quality impaired).
- Assists state, federal and private compliance several environmental laws (CWA, CZMA, etc.).
- Cost effective as an ecological risk reducer in comparison to other water quality investments (nonpoint source pollution represents the majority of water quality related ecological risk at present, many point sources have largely been resolved with infrastructure and regulatory programs).
- Applies to federal and nonfederal lands on both westside and eastside areas in region.
- Provides current link to related long term issues; no need to wait.
- Can be targeted to areas of high ecological risk or high unemployment.

- Can be included used as a mitigation measure for higher harvest silvicultural options both on federal and nonfederal lands.
 - prevent problems before cutting
 - restore as you cut
 - monitor continuously
- Acts as a preventive investment that reduces future outlays for remedial pollution control actions.
- Reforestation increases future timber supplies.

Costs:

- A variety of data is available to determine costs and efficiencies.
- Recommendation by Pacific Rivers Council for \$157 million over several years to restore region's river systems.

Financing:

- Existing CWA Section 319 funds
- RDA funds
- Presidents Economic Stimulus Package:
 - \$47 million increase in \$50 million EPA nonpoint source control fund under CWA Section 319; additional funding separated for geographical targeting
 - No match required to insure quick infusion for job creation purposes
 - \$2.4 million proposed for habitat restoration projects in Pac NW
- new share of federal timber receipts on a per log or per acre basis (internalizes social costs of pollution)
- reforestation and best management practices funds from Forests for the Future, USDA Tree Planting Initiative, Forest Incentives Program, Agricultural Conservation Program, Stewardship Incentive Program.
- Conservation Reserve type program?
- others?

Reforestation of Forest land and Other Lands

Reforestation is incomplete on many actively managed forested lands, both federal and nonfederal. In addition, some suitable lands that were converted to agriculture or industry in past years can be replanted.

Candidate sites are not homogeneous in commercial or environmental need or potential. Reforestation should be sensitive to market and nonmarket values, market failure.

Benefits:

- water quality improvements
- improved future timber supplies
- climate benefits/carbon sequestration
- improved recreational opportunities, if properly done
- improved wildlife habitat/species viability, if properly done
- ongoing employment benefits
- can be targeted to areas of high ecological risk and return, also high unemployment

Costs:

- back of the envelope:
 - 1.5 persons/day/acre planted (ball park)
 - 3.4 - 19 million acres potential for planting
 - 9067 - 50,667 person years employment
 - \$214/acre establishment (labor, equipment and materials); assume 50% cost share = \$107 acre
 - \$363 million for 3.4 million acres/9067 job years = \$40,124 per job year; includes labor, materials, administrative costs

Financing:

- reforestation funds from Forests for the Future, USDA Tree Planting Initiative, Forest Incentives Program, Agricultural Conservation Program, Stewardship Incentive Program

- President's Economic Stimulus Package
- share of federal timber receipts on a per log or per acre basis (internalizes social costs of pollution)
- CWA Section 319 funds
- RDA funds
- Conservation Reserve
- others?

Environmental Monitoring

- Water Quality Standards under the Clean Water Act (CWA) require standards and monitoring for chemical, physical and biological criteria. At present, only chemical criteria are covered adequately by standards or monitoring in many areas, particularly forest lands.
- Physical and biological criteria are more typically the limiting factors for species viability in forest and agricultural lands.
- Species viability is, of course, a legal concern of other federal laws including: the Endangered Species Act (ESA), National Forest Management Act (NMFA)/USFS and Forest and Land Planning and Management Act (FLPMA)/BLM.
- NEPA/EIS requires documentation of environmental effects of proposed actions. Monitoring provides such data.
- A significant amount of litigation has occurred regarding physical and biological criteria of water quality standards nationwide and in the Pac NW. Some areas are under court ordered implementation schedules at present. Others may follow.
- Monitoring is technically and administratively feasible. Program mechanisms are in place and waiting for funding and administrative action.
- Monitoring can be considered a stand alone action or an integrated tool that improves efficiency of other actions.

Benefits:

- Significant employment can be created in the immediate, intermediate and long term. (Dr. Thomas related his group's finding that significant employment effects could be expected.)
- Employment can be targeted to areas of high ecological risk and high unemployment; these tend to coincide with intensive forestry areas.
- Early detection of ecological risks allows more cost effective responses; this is particularly an issue regarding salmon stocks at risk.
- Monitoring programs would allow more effective targeting and prioritization of species protection and recovery efforts.
- Legal compliance under several federal laws may be enhanced and thus reduce litigation risk. This is relevant to west side and east side federal lands.
- Can be used as a mitigation measure for higher harvest silvicultural options on federal lands. Also, can be included as a best management practice on nonindustrial lands using federal cost sharing.

Costs:

- Data is available from the Portland group and other sources.
- Current monitoring budgets for EPA are very limited (only \$500,000 currently budgeted for EPA water quality monitoring programs nationwide).

Financing:

- EPA/EMAP funded currently at \$100 million; not clear if this represents funding source
- USGS/NAWQA funded currently at \$100 million; not clear if this represents funding source
- USDA/FS National Resource Assessment?
- share of timber receipts?
- others?

Superfund Site Cleanups

- Sites in the Pac NW:
 - Oregon - 5 sites in local areas, 8 sites total
 - Washington - 25 sites in local areas, 45 total
 - Northern California - 5 sites in local areas, 88 total
- EPA has some discretion in hiring.

Benefits:

- Significant reduction of human and ecological health risks.
- Significant employment benefits (requires training).
- Tilts expenditures toward cleanup vs. legal and administrative expenses.
- Can be targeted to some extent to high unemployment areas.

Costs:

- \$25 - 30 million per site remediation cost; includes labor, technology, administration
- Costs per job and job potential can be calculated
- Retraining may be an issue

Financing:

- existing EPA/CERCLA programs
- additional funding from President's Economic Stimulus Package
- others?

Waste Water Treatment System Improvements/Drinking Water System Improvements

Local governments are financially constrained and having difficulty in meeting federal mandates, including EPA laws.

Benefits:

- Significant human and ecological health benefits.
- Assists compliance with CWA, SDWA, other federal environmental mandates.
- Frees up local funding for other social services.
- Provides immediate and intermediate employment benefits.
- Provides infrastructure stimulus to local communities.
- May be a key component of economic diversification efforts; ability to attract new industry depends on infrastructure.

Costs:

- Data is available for calculations.

Financing:

- RDA funds
- President's Economic Stimulus Package
 - State Revolving Loan Fund: proposed moving \$840 million into FY 93 budget; continue allocation of \$2 billion/year.
 - Oregon: \$9.6 million
 - Washington: \$14.8 million
 - California: \$60.8 million
- Governor Roberts requested \$20 million additional for wastewater and drinking water treatment
- Others?

Possible Consequences of Extending
the Statutory Definition of Disaster

Problems: (1) SBA has declined to issue economic injury disaster (EIDL) declarations for the timber industry in some areas where timber companies were prevented from performing their "normal" operations because of the effects of a long rainy spell in. In these cases, there was no flooding and the excessive rainfall was not a "sudden" event, as required by the statutory definition of "disaster", but was rather the cumulative effect of rainfall spread over a period of months. Inquiries about this matter have been received from Texas, South Carolina, Louisiana and Mississippi.

(2) In addition to the above, the timber industry in some parts of the country appears to be in substantial economic difficulty for a variety of reasons and may be in need of financial assistance.

There are now indications that some members of Congress are considering legislation to extend the definition of disaster to either or both of these situations.

Discussion: The result of changing the definition of disaster by eliminating the word "sudden" would be to substantially extend the definition and include many businesses that are not now eligible. It would be a large step toward treating circumstances that are normally considered part of a business' entrepreneurial risk as disasters that are eligible for subsidized Federal financial assistance. Thus, any gradual change in climatic or seasonal conditions would be covered. Common circumstances as too little snow (harmful to ski vacation areas), too much snow or too cool weather (harmful to warm weather vacation areas), too warm winters (harmful to overcoat manufacturers), unseasonably cool periods (harmful to sea shore vacation areas and warm weather clothing manufacturers), long rainy and cloudy spells (harmful to all vacation areas), droughts (harmful to a host of different industries) would all become eligible.

In the past, there have been specific legislative attempts to provide subsidized EIDL assistance to industries that have found themselves in economic difficulties. For example, there have been EIDLs for small businesses adversely effected by coal mine and health safety legislation, product disasters, plant inspection, egg product inspection, wholesome poultry products, air and water pollution, base closings, currency devaluation, etc. These programs were all repealed in 1981 and 1984 when it became apparent that the cost, in terms of loan losses was higher than the then Federal budget deficits could handle. In fact, for many businesses, these loans merely put off the inevitable, that is the recognition that the industry had changed and that some change and fall out within the industry was to be expected. It was determined then that normal entrepreneurial risks involved in daily business operations or with changing industries should not be within the scope of the subsidized disaster loan program.

Result: It is impossible to estimate the many different types of gradual conditions that

might be covered. In fact, it would not be difficult to find a related gradual natural cause or an external economic cause for almost any setback that affected a geographic area or a particular industry. Similarly, it is impossible to estimate the numbers of EIDL requests we would receive, or the number or amount of loans that would be made.

In the past we had authority to make EIDLs for the specific matters mentioned above as well as for a catchall labelled "economic dislocation". The catchall was used to cover situations that would normally be considered entrepreneurial risks. In 1981, Congress repealed this and other specific EIDL designations in recognition of their cost. Our experience indicates:

- ♦ The loss rates from the specific economic injury situations previously covered by the statute were very high, many exceeding 25 percent.
- ♦ EIDL applications are the most difficult to prepare and the most difficult to process. The cost to the applicant and to SBA is substantial.
- ♦ So long as disaster loans are subsidized, every dollar loaned will result in adding to the Federal deficit, even if there were no losses, that is, if every loan were repaid in full.
- ♦ The more normal entrepreneurial risks that are treated as eligible for subsidized Federal financial assistance, the more demand there will be generated to extend that eligibility to provide similar assistance to non covered businesses, industries or locations.

Background and Recommendations for Action

(from John H. Gibbons)

Background

- The timber industry in the west is causing the rapid destruction of old growth forest. Only about 10-20 percent of the ancient forest in the Pacific Northwest 200 years ago remains intact today. At present harvest rates most of the remaining forest will be destroyed over the next two decades. Natural resource depletion of this scale is not a new phenomenon; for example, the mining industry boom and bust of the late 19th century resulted in significant environmental degradation and necessitated an economic transition in the region.
- As the remaining forest diminishes, pressures increase to save the remnants for a variety of reasons including the value of protecting a unique ecosystem, aesthetic considerations, scientific study, and tourism. The long-term economic value of old growth forests, per se, is potentially very large. Those who emphasize the long-term value of the ancient forests are easy targets for those who support the status quo and alternative uses solely in the context of short-term economic concerns.
- The Forest Service has generally not managed the nation's forests in the context of ecosystem protection or multiple use. Rather it has emphasized timber production. Despite a great deal of "planning," monitoring has been inadequate to determine if the plans are being implemented and baseline information on preexisting conditions is lacking.
- Funding levels assumed in the forest planning process are not matched by budget requests or appropriations. The current budget process for the Forest Service is in need of revision.
- The National Environmental Policy Act (championed by Henry M. "Scoop" Jackson) and the Endangered Species Act (ESA) were designed to protect U.S. natural resources. Despite claims to the contrary, most disputes between parties arising under these laws have been resolved amicably.
- In the Northwest, the impacts of wide scale human activities, particularly timbering and dam building, have threatened the extinction of several species (including salmon and the spotted owl) necessitating actions to force better protection under the ESA and NEPA.
- The attached Issues Brief developed by the Congressional Research Service entitled "Spotted Owls and Northwest Forests" (January 14, 1993) is a good introduction to the key issues before the Forest Conference.

Recommendations

- 1) Encourage Congress to amend current laws governing the use and protection of forests to more explicitly recognize a broader array of concerns and values, including ecosystem protection, and sustainable and multiple use of forest resources. Take steps to preserve major portions of the last 10 percent of the ancient forest as a national treasure.
- 2) Require the Forest Service to establish more extensive baseline data on the state of the nation's forests. Mandate more extensive monitoring of the impacts of human activities on forests and require regular public reporting on these impacts. Require that the Forest Service provide for greater public participation in the forest policy-making process.
- 3) Consider mechanisms to more closely integrate the activities of the Forest Service (within the Department of Agriculture) with other land management activities in the Department of Interior.
- 4) Mandate a review of the system by which counties are compensated by the federal government in connection with forest resources. Require the development of a new more equitable system that fairly compensates counties for the tax exempt status of federal lands. (At the present time counties are compensated according to timber receipts which may vary by as much as 50 percent per year. Counties therefore have a stake in the degree of timbering that takes place.)
- 5) Provide greater assistance to states and counties impacted by forest issues as they undergo economic conversion. This could include more support for small business loans and technical assistance for promoting business development especially those that a) do value-added processing of forest products beyond timbering and rough saw milling, and b) take advantage of multiple uses of national forests (e.g., hiking, fishing, and other recreational activities).

Grillet

STATE: California

Department(s) responsible for ED: Business and Trade Agency

Activities, dollars and assessment of effectiveness wrt:

1. Planning and Policy development

Agency is in the process of defining its mission. Not organized to respond to dislocations of any type.

2. State ED Strategy

Governor recently issued a growth management strategy.
No economic development strategy.

3. Business management assistance programs

No

4. Business financing programs

Three EDA funded RLFs with approx. \$4m. capital. Two in process of being revitalized.

5. Industrial extension/technology transfer capacity

DOC/NIST funded Manufacturing Center serving LA area, primarily defense conversion

6. Assistance for local planning and strategy development

None

7. Rural Development Council

No. State withdrew its request.

8. ED related infrastructure

Rural Development Infrastructure Program. \$3m. loan fund for rural construction projects

9. Other

State Employment Training Fund is supporting operating costs of the Process Technology Training Center recently established (EDA funded construction) in Siskiyou County. Provides manufacturing process training to dislocated timber workers.

STATE: Washington

Department(s) responsible for ED: Trade and ED, and Community Affairs Depts.

Activities, dollars and assessment of effectiveness wrt:

1. Planning and Policy development

100 staff for Trade and ED and 300 in Community Affairs

2. State ED Strategies

~~Multi-agency Governor's Timber Team established in 1991. Biennial funding \$750,000. Coordinates multi-agency community assistance program. Strategy is value added forest products (not diversification)~~

3. Business assistance programs

Forest products division (10 professional staff) provides marketing, process improvement technology assistance, maintenance of existing equipment, formation of local business networks, etc., to forest product companies

4. Business financing programs

USDA/Forest Service funded RLF for forest product companies (approx. \$1.7m) nb. State legislation precludes using state funds for business loans.

5. Industrial extension/technology transfer capacity

- University of Washington applied last year for NIST/MTC program. Probably will reapply in 1974.

- In process of designing a state supported technology transfer network. Boeing and Battelle have their own programs as does Hanford.

6. Assistance for local planning and strategy development

7. Rural Development Council

Yes

8. ED related infrastructure

\$5.2m. grant/loan fund of which \$3.2m targetted to timber dependent communities

9. Other

- JTPA through Employment Security Admin., active PICs.
- State is very active in wood product export market development. Japan: Washington Village constructed of State wood products, expanding market for wood fixtures (doors, windows).
Looking to european market for finished wood products.
- Concerned that President not suggest diversification sectors, eg tourism. State believes community expectations exceed reality. Also should be sensitive to potential defense conversion problems. Military base dependency high, will likely be impacted in the future.
- Timber dependency is not exclusively a rural problem. Areas of the Seattle/Tacoma MSA have problems.
- State facing \$2b. deficit.
- By design, no state regional offices

STATE: Oregon

Department(s) responsible for ED: Oregon Economic Development Department
(includes Dept. of Communit Dev.)

Activities, dollars and assessment of effectiveness wrt:

Funded primarily with State lottery revenues. Currently \$150m. pa. Tax limitation legislation passed three years ago (Ballot measure 5.) contributed to current fiscal crisis. Pressure to reallocate lottery funds to education.

1. Overall planning/policy development capacity

2. State ED Strategies

Oregon Shines and Oregon Benchmarks

Key Industries Program.

Re timber industry problems, focus appears to be on diversification versus timber industry restructuring etc.

3. Business assistance programs

- Regional Business Development Officers (5 one person offices. Business recruitment
- 19 small business development subcenters, 50% SBA funding (through Lane County Community College) and 50% State match (considered exemplary among such programs)
- State ranks fifth in rate of entrepreneurial development. Need less to stimulate entrepreneurship but to ensure they survive and expand.

4. Business financing programs

State RLF of \$12-15m. Small business financing but not strategically focused.

5. Industrial extension/technology transfer capacity

- Oregon Wood Products Competitiveness Council/Association (expected to apply for NIST/MTC assistance under defense conversion), service network to increase productivity and competitiveness of member firms.
- Key industries program networks companies with mutual research needs to seek help from universities

6. Assistance for local planning and strategy development

- Regional Strategies Program started in 1987, \$60m. to date to support development and implementation of regional strategies. Evaluation by independent contractor

endorses concept, indicates some success, but State needs to place more emphasis on building regional professional capacity to organize, plan and manage implementation. Program is ongoing but State fiscal problems may limit funding.

- Non-profit Rural Development Initiatives Inc.. Supports capacity building to very small communities, emphasis on timber dislocations. Program includes circuit riders providing among other things, grant writing assistance.

7. Rural Development Council

Very active forum for sharing ideas and information. Developing a Rural Development Information Network.

8. ED related infrastructure

Through regional strategies program and community development program. Latter includes CDBG and special public works "severely affected communities program."

9. Other

- Manages State JTPA. Started regional "work force quality councils" in 1991.

OK

**FEDERAL INVESTMENTS TO ENHANCE JOB OPPORTUNITIES AND ASSIST
TIMBER-DEPENDENT COMMUNITIES AND LOCAL GOVERNMENTS IN OREGON**

FEDERAL ASSISTANCE TO COUNTIES

\$79 million

To shield O&C counties from the loss of annual revenue caused by changing federal policies through appropriations to supplement timber receipts.

\$94 million

Annual National Forest Receipts to the counties for eight owl forests where timber harvest has declined.

FOREST RESTORATION

\$100 million+

Inventory and monitoring essential to understanding how our actions affect forests, reconstruction of the forest road system to reduce its impact on watersheds and fish habitats, and thinning to reduce the resistance of forests to fire and disease. This would create jobs for Oregonians.

\$30 million

Comensurate funding for Oregon (compared to Washington) in the Region 6 Forest Service economic stimulus request. (Oregon has fourteen national forests, Washington has seven.) This would create jobs for Oregonians.

SHORT TERM TIMBER SUPPLY

Amount to be determined

The Forest Service and BLM need to be funded sufficiently to plan an immediate short term supply. This would help to protect jobs in Oregon.

MANAGEMENT ACROSS OWNERSHIPS

Amount to be determined

Fund an office within the federal government whose sole responsibility is to coordinate among federal agencies and across ownership boundaries.

\$4 million

Funding increase in the Forest Stewardship Program. This would provide forest management assistance to small private landowners.

\$5 million

Matching funds for a major reforestation and restoration effort to be undertaken on scattered parcels of private land.

RESEARCH

Amount to be determined

Research essential to ensure adaptive management approach achieves desired results.

ECONOMIC
DEVELOPMENT
DEPARTMENT

March 18, 1993

Memo to: Governor Barbara Roberts
Anne Squier, Governor's Senior Policy Advisor

From: Jon Jaqua, Interim Director *Jon Jaqua*
Oregon Economic Development Department

Subject: Forest Summit Funding Proposals

The Problem. The listing of the Northern Spotted Owl as an endangered species and other changes in the management of federal forest lands threaten a substantial portion of the state's traditional timber supply. Job losses in the timber and lumber industry lead to business failures, lower tax revenues, and social problems in timber-dependent communities.

Oregon Dilemma. Since the 1989-91 biennium, OEDD has developed a number of pilot programs to assist timber-dependent communities. The Governor and Legislature added assistance in the 1991-93 biennium with a multi-dimensional package. Due to continuing decline in timber supply, however, the needs are greater than state and local funds available.

Federal Funding. Federal funding could assist Oregon in three key areas with specific programs and projects within those areas. (Detail is provided in an addendum.) A fourth area includes recommendations on federal programs.

A. COMMUNITY/RURAL DEVELOPMENT

1. Rural Economic Diversification for Timber-Dependent Communities (REDP) - REDP assists rural timber-dependent communities to develop and obtain funding for strategic plans and projects designed to avert decline, stabilize and diversify their economies. Through a partnership between OEDD and the State-funded Rural Development Initiatives, 20 timber-dependent communities received an economic assessment, developed a strategic plan, and received funding from federal and other sources to implement the strategic plan and projects. An additional 30 communities are ready to implement their plans only to be stymied by a lack of resources or expertise to move their projects and plans to reality. An additional \$15 million would provide OEDD and RDI with the resources necessary to provide initial implementation assistance to the 30 communities with existing plans and follow-up assistance to the 20 communities initially served. REDP is currently administered by OEDD, economic assessments and strategic planning is funded in part by the Oregon Lottery, and project and plan implementation assistance is funded in part by the U.S. Forest Service's Old Growth Diversification Program. *★* \$15 million federal funding. *★*

Barbara Roberts
Governor



775 Summer St. NE
Salem, OR 97310
(503) 373-1200
FAX (503) 581-5115

2. Safe Drinking Water Fund - Oregon is headed for a crisis during the 1990's because new federal regulation mandates that many more contaminants in drinking water be controlled, requiring new and expensive treatment. All of Oregon's water systems in timber dependent communities are being affected. As a result, household and business water bills will skyrocket unless state and federal assistance is provided. As timber dependent communities attempt to make the transition to a more diversified economy, they simply can't afford the negative economic repercussions that will result without that assistance. OEDD proposes to establish and capitalize a Safe Drinking Water Fund to provide grants, loans and sale of revenue bonds to fund drinking water system projects in timber dependent communities. Request: \$10 million.

3. Wastewater Treatment Financial Assistance Fund - New federal mandates under the Clean Water Act are posing serious financial hardships for local governments because of the extremely expensive collection and treatment systems required. The state is substantially under capitalized in its ability to react to the demand for upgrade these systems. This is particularly true in transitioning timber dependent communities where state and federal assistance is necessary to make these projects affordable. Without this assistance, these communities will not be able to successfully make a viable transition to a more diversified and healthy economy. OEDD proposes to establish and capitalize a Wastewater Treatment Financial Assistance Fund to provide grants, loans and sale of revenue bonds to fund wastewater treatment facility projects in timber dependent communities. Request: \$10 million.

B. BUSINESS/INDUSTRY DEVELOPMENT

1. Manufacturing Technology Center (MTC) - A Pacific Northwest MTC to support improvements in industry competitiveness. A top priority for the MTC would be collaborative efforts within the secondary wood products industry. The MTC would be established with a market, product development, and manufacturing network focus driving efforts to transfer manufacturing technology. Oregon plans to initiate a Key Industry Industrial Modernization consulting service using state funds. Request: \$5 million federal NIST funds over a five-year period.

2. Market Development Fund (MDF) - A Secondary Wood Products MDF would provide a flexible investment vehicle to support collaborative ventures targeted at market development and expansion activities. Repayment would be tied to product sales. Priority would be given to multi-firm projects creating jobs, positively impacting rural communities, and matched at least 2:1 by equity investments. Request: \$1 million federal funds.

3. Business Finance Programs - Included would be:

- a. Loan and Bond Guarantee Program - To address the most pressing needs of value-added industries (working capital, equipment, fixed assets, export financing) the Oregon Guarantee Program (OGP) would establish a \$25 million dollar loan and bond insurance program to back lines of credit and loans made to secondary wood products manufacturers. The OGP loss reserve fund would be capitalized with \$5 million, guarantee commitments would be authorized at five times the loss reserve fund (\$25 million) and would have a contingent source of revenues to pay claims. \$10 million federal funding.
- b. Targeted Oregon Business Development Fund (OBDF) - OBDF, a revolving loan fund to help smaller businesses expand, would target loans to businesses in timber dependent communities. \$1.6 million federal funding.

4. Oregon Quality Initiative - Continue development of the Oregon Quality Initiative as a nonprofit organization with local OQI chapters and services in rural communities, develop a Total Quality Management (TQM) curriculum in community colleges, and assist businesses to meet ISO 9000 high performance standards. \$500,000 NIST STEP grant.

5. Key Industries Flexible Networks - A Flexible Networks Program provides grants to groups of firms that allow them cooperatively to adapt to a changing competitive environment and operate more effectively and efficiently. \$1.2 million federal funds for matching grants and brokers to create 100 networks.

C. WORKER ASSISTANCE/TRAINING

1. Oregon Dislocated Worker Program - To retrain displaced timber workers and provide readjustment assistance to all dislocated workers in a streamlined, regional delivery of services that supplements the Job Training Partnership Act. \$6 million federal funding.

2. Dislocated Worker Apprenticeships - To retrain dislocated workers in apprenticeship training programs in growth industries, including occupations that have not historically been a part of apprenticeship. \$500,000 federal funds.

3. Employment Services - See Oregon Employment Division's materials in addendum.

D. FEDERAL PROGRAMS

The State of Oregon and Oregon Economic Development Department work closely with the Economic Development Administration and U.S. Forest Service on a number of federal programs and therefore support enhancement of the following programs:

1. EDA Stimulus Package - Support the targeting of \$50 million to Economic Development Administration (EDA) to accelerate the approval and funding of existing projects.
2. Title IX Sudden and Severe Economic Dislocation Program (SSED) -  Strongly support expansion of the SSED program definition to include Timber Industry Dislocation.
3. Transfer of Existing Funds to EDA - Support transferring to EDA funds over the projected amount to be allocated for Oregon under President Clinton's Department of Housing and Urban Development Community Development Block Grant Stimulus Package. This additional funding will be targeted to timber-dependent communities.
4. U.S. Forest Service - Increase federal funding for the USFS Rural Economic Diversification Program targeted to timber-dependent communities, in particular the Old Growth Diversification Program.
5. Bureau of Land Management - Initiate a funding program similar to the USFS Rural Economic Diversification Programs through the BLM.

1988-89 Payments to Washington Counties from Federal Forest Lands
as % of Total County Revenue and % Federal Land Ownership per County

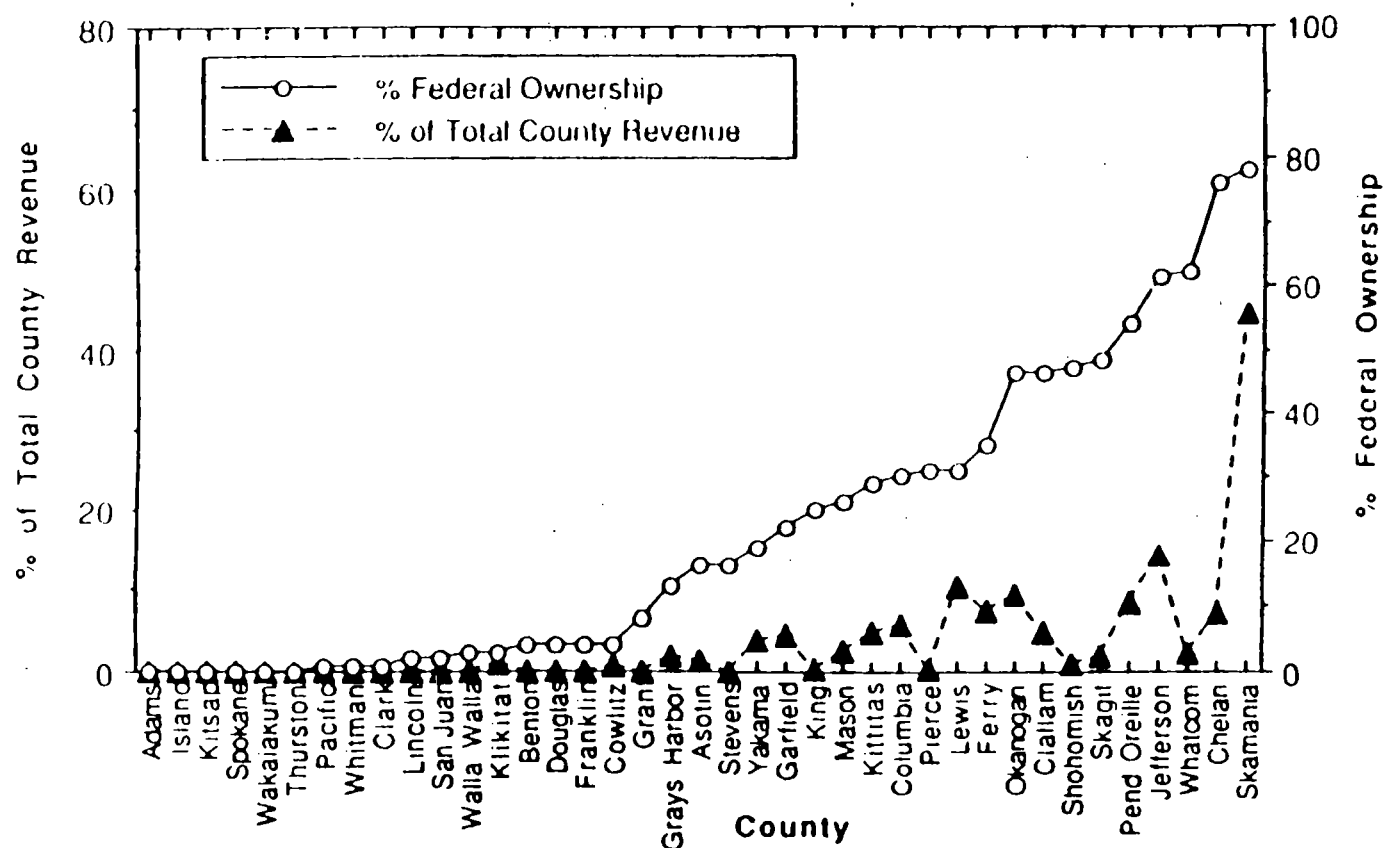


Fig. 2. Payments to Washington counties from federal forest receipts as a percent of total county revenue (left axis) and percent of federal land ownership (right axis), 1988-1989. Total does not include payments to schools, because school funding is accounted for separately. Counties are ranked according to percentage of federal ownership.

Source: Bray, Martha and Robert G. Lee, "Federal Forest Revenue Sharing With Local Governments in Washington, Oregon and California." Northwest Environmental Journal, 1991.

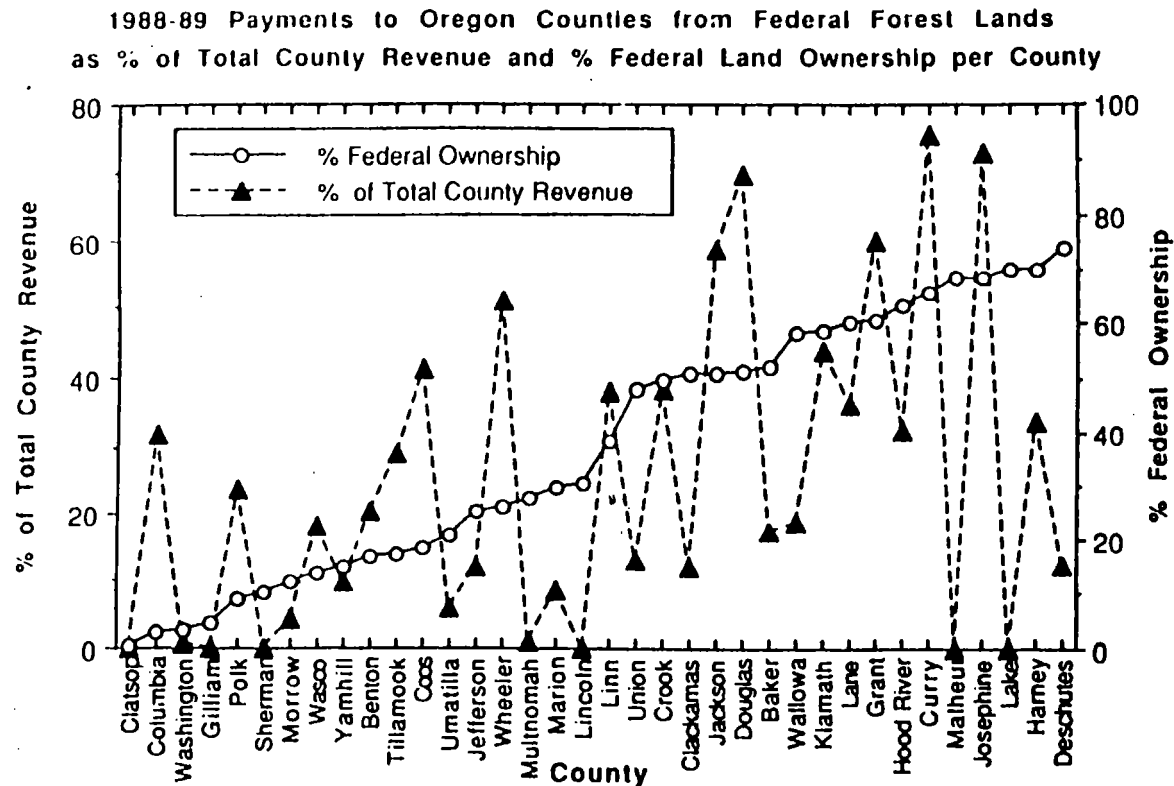


Fig. 3. Payments to Oregon counties from federal forest receipts as a percentage of total county revenue (left axis) and percent of federal land ownership (right axis), 1988-1989. Total does not include payments to schools, because school funding is accounted for separately. Counties are ranked according to percentage of federal ownership. Federal forest receipts are a more significant source of revenue in Oregon than Washington or California.

Source: Bray, Martha and Robert G. Lee, "Federal Forest Revenue Sharing With Local Governments in Washington, Oregon and California." Northwest Environmental Journal, 1991.

1988-89 Payments to No. California Counties from Federal Forest Lands
as % of Total County Revenue and % Federal Land Ownership per County

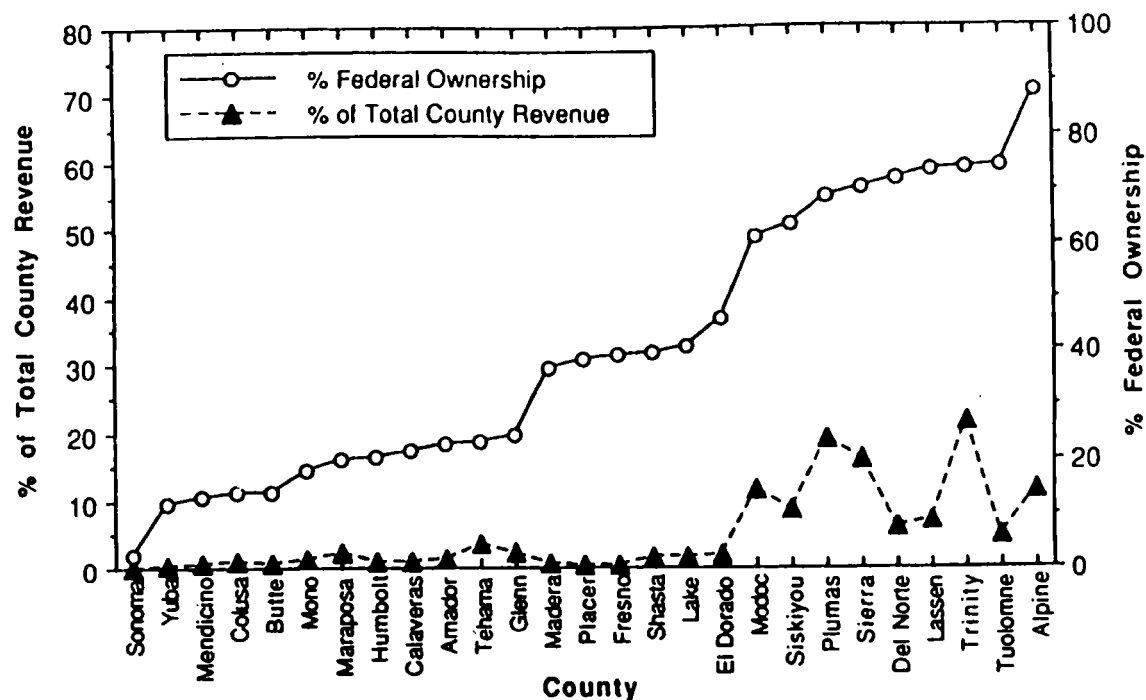


Fig. 4. Payments to California counties from federal forest receipts as a percentage of total county revenue (left axis) and percentage of federal land ownership (right axis), 1988-1989. Total does not include payments to schools, because school funding is accounted for separately. Counties are ranked according to percentage of federal ownership.

Source: Bray, Martha and Robert G. Lee, "Federal Forest Revenue Sharing With Local Governments in Washington, Oregon and California." Northwest Environmental Journal, 1991.

1988-89 Total Payments to Washington Counties from Federal Forest Receipts

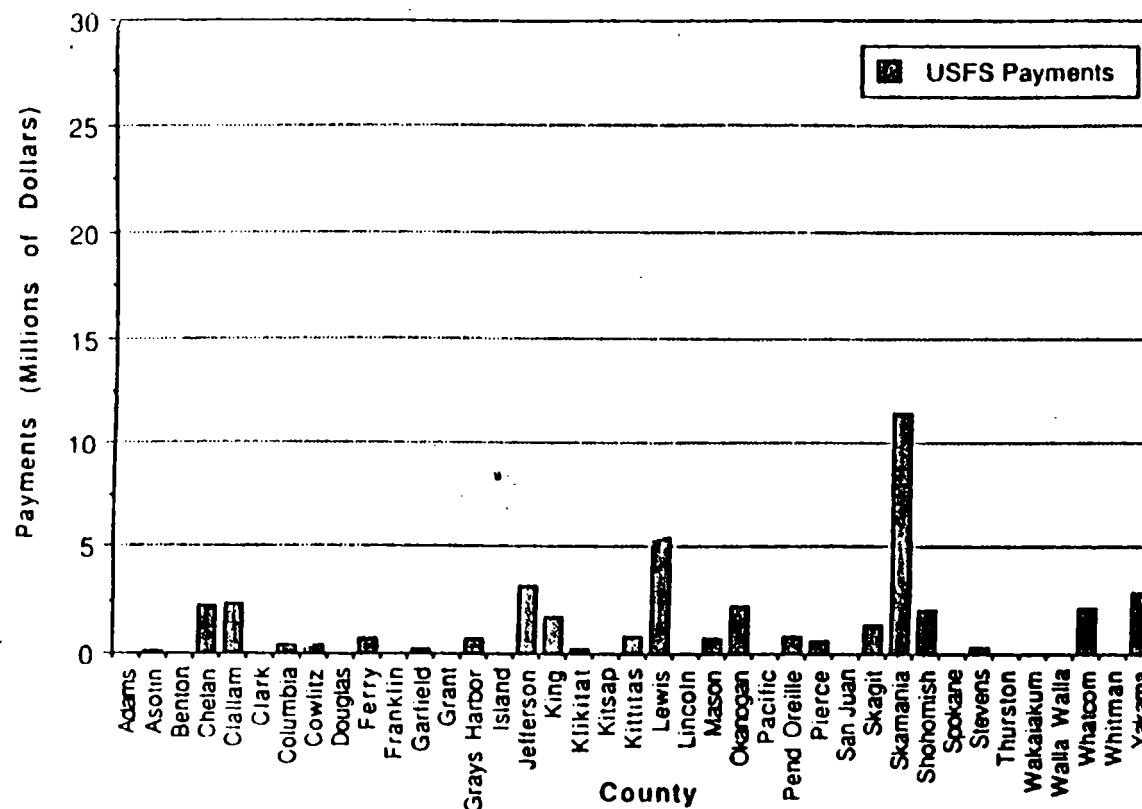


Fig. 5. Total 1988-1989 payments to Washington State counties from federal forest receipts. Fifty percent is distributed to roads and 50 percent to schools.

Source: Bray, Martha and Robert G. Lee, "Federal Forest Revenue Sharing With Local Governments in Washington, Oregon and California." Northwest Environmental Journal, 1991.

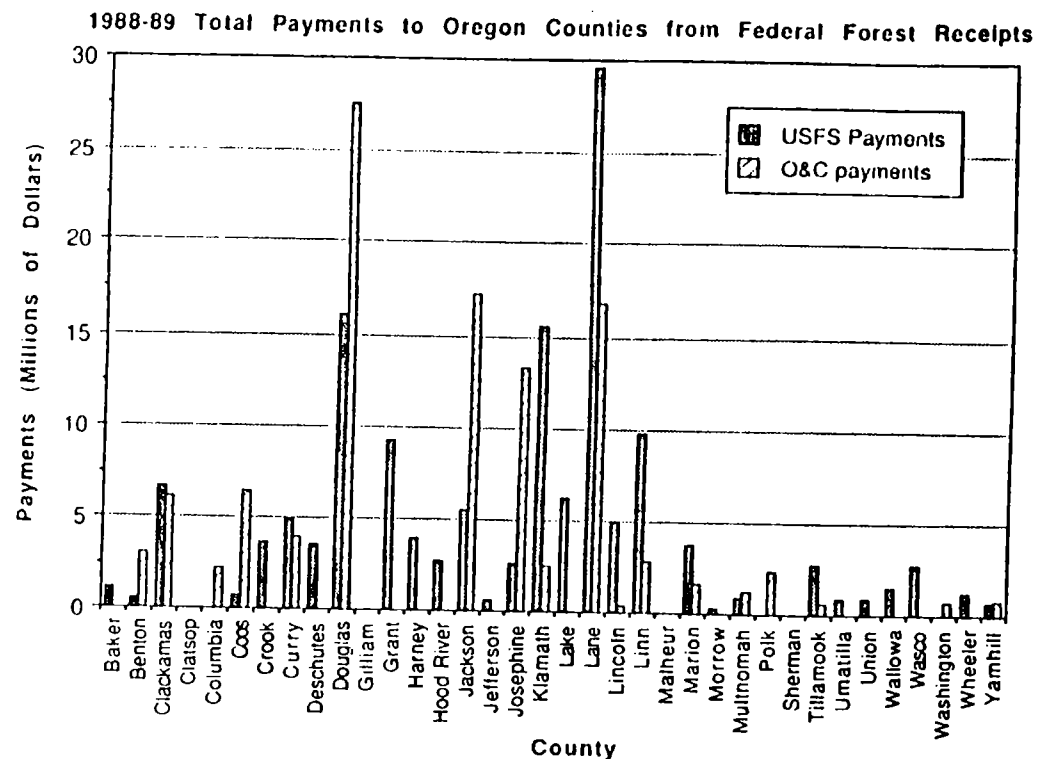


Fig. 6. Total 1988-1989 payments to Oregon State counties from federal forest receipts. Separate bar indicates Oregon and California Lands (O&C) payments. Seventy-five percent of USFS receipts are distributed to roads and 25 percent to schools. O&C receipts are distributed to the counties' general fund and can be spent on any governmental purposes (Association of O&C Counties 1990).

Source: Bray, Martha and Robert G. Lee, "Federal Forest Revenue Sharing with Local Governments in Washington, Oregon and California." Northwest Environmental Journal, 1991,

1988-89 Total Payments to No. California Counties from Federal Forest Receipts

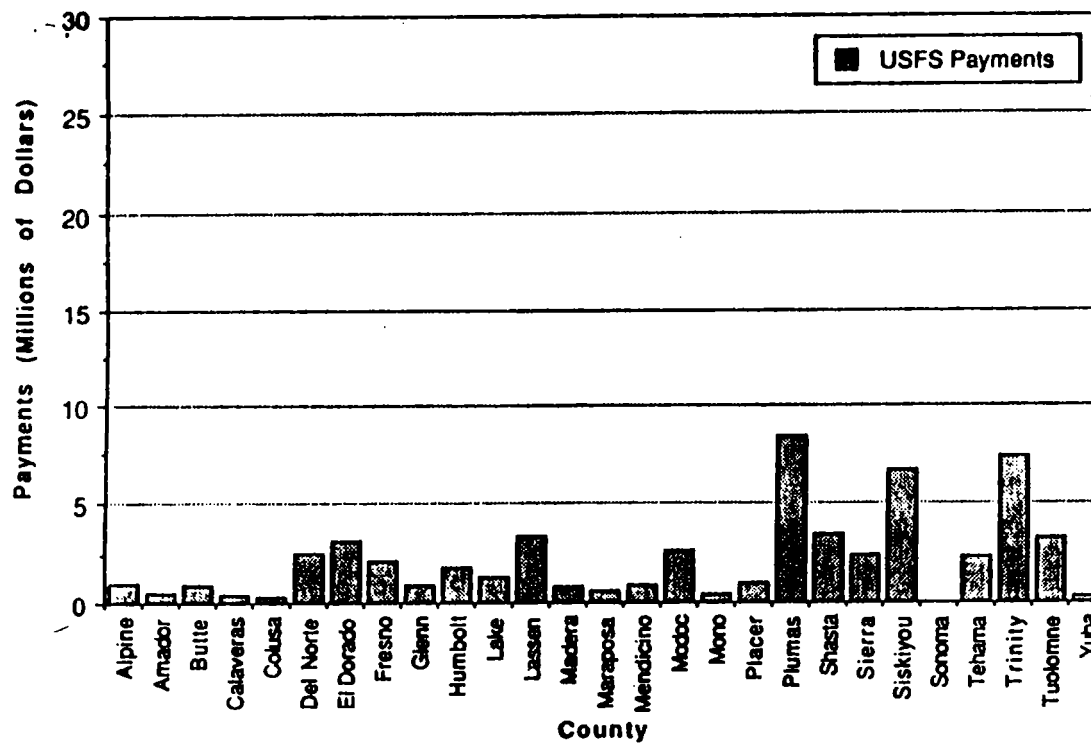


Fig. 7. Total 1988-1989 payments to Northern California counties from federal forest receipts. Fifty percent is distributed to roads and 50 percent to schools.

Source: Bray, Martha and Robert G. Lee, "Federal Forest Revenue Sharing with Local Governments in Washington, Oregon and California." Northwest Environmental Journal, 1991.

March 29, 1933

USDA - FOREST SERVICE

**DEALING WITH THE SOCIAL AND ECONOMIC CONSEQUENCES OF REDUCED TIMBER HARVESTS
IN THE PACIFIC NORTHWEST**

There are several major USDA, Forest Service programs which the Administration may wish to adopt to implement actions to offset the impacts on jobs in the Pacific Northwest. These programs are those included in the 1993 Economic Stimulus Package, additional opportunities for jobs, rural development, and a policy change in log exports. Enclosed are descriptions, in chart format, of these programs. Also enclosed are four briefing papers: a draft paper on the impact of the Forest Management Plan, two papers on the current softwood log export situation, and a paper describing the Stream Restoration Work (PACFISH).

USDA, Forest Service

POSSIBLE ACTIONS TO OFFSET JOB IMPACTS IN THE PACIFIC NORTHWEST
(Oregon, Washington, Northern California)

PROGRAM	TYPES OF WORK	M \$ REQUEST	NUMBER OF JOBS
1993 Stimulus Package	1. Ecosystem Restoration (Includes fisheries/ wildlife improvements, range & watershed improvements, inventory of inactive/abandoned mines)	\$13,000	
	2. Facilities	13,830	
	3. Trail Maintenance	6,237	
	4. Recreation Use	21,208	
	5. FA&O Construction	2,186	
	6. Research Construction	955	
	7. Recreation Construction	1,942	
	8. Trail Construction	2,652	
	SUBTOTAL	62,010	2,700-2,900

Oregon, Washington, Northern California

PROGRAM	TYPE OF WORK	M \$ REQUEST	NUMBER OF JOBS
<i>Additional Opportunities for Jobs</i>	1. Stream Restoration (PACFISH)	\$ 56,000	7,000-11,000
	2. Recreation Construction	86,000	2,200-2,300
	3. Trail Construction	32,000	800-900
	4. Recreation Maintenance	90,000	2,300-2,400
	5. Trail Maintenance	20,000	400-500
	6. Facility and Other Construction	30,000	700-800
	7. Ecosystem Restoration		
	Reforestation	111,000	2,900-3,000
	Timber Stand Improvement	68,000	1,750-1,850
	Wildlife and Fish Habitat	24,000	550-650
	Blue Mountain Restoration	170,000	4,500-4,600
	Mount Baker-Snoqualmie/ Olympic Restoration	125,000	3,200-3,300
	SUBTOTAL	812,000	26,300-31,300

*Community
Assistance*

1. Rural Community Assistance		
Rural Development	2,000	235
Economic Recovery	7,500	600
Diversification Studies	350	15
2. Forest Products Conservation		
Recycling	500	35
Special Forest		
Products	1,000	85
Products Conservation	700	65
3. Market Development		
Wood in Transportation	2,300	300
Economic		
Competitiveness	6,550	370
International Markets	250	10
4. Private Land Stewardship		
Stewardship Assistance	2,400	310
Stewardship Incentives	3,300	430
Wildland Fire		
Protection	2,500	100
SUBTOTAL	29,350	2,555

Trade Policy

1. Ban Log Exports		11,000-12,000
TOTAL	841,350	37,300-45,855

IMPACT OF THE FOREST MANAGEMENT PLAN

Background

Issue

A forest ecological system is complex and varied. Managing to preserve and enhance spotted owl habitat has major implications for the overall structure and function of the entire forest, for other wildlife species, the water quality in streams and rivers, the appearance of the forest, and the age, quality, and composition of its plant and animal communities.

The set of factors affecting long-term viability of the northern spotted owl and other old-growth dependent species are complex and not precisely known. While most people want to see the spotted owl and other old-growth dependent species survive, there is disagreement over what populations should be provided that will ensure long-term survival.

Species which need young forests and species which need old forests are affected by changes in the age, composition, and distribution of forest areas. Management to provide the diversity of the forest's structure and function is itself an issue. The spotted owl was selected as an indicator for other species, and many people see it as a surrogate for old-growth stands and other old-growth related species. It has become a stand-in in the debate over how the Federal Forests should be managed. The management of habitat for the northern spotted owl will affect many other wildlife species and the old-growth forest ecological system themselves.

Making the problem more difficult is that the timber management program of the U.S. Forest Service and Bureau of Land Management within the range of the spotted owl has focused on harvesting older forest areas for timber and replacing them with faster growing young stands. Since older forest areas are central to the spotted owl's habitat, this part of the timber management program impacts spotted owl habitat and the viability of this subspecies.

Endangered Species Act

The northern spotted owl is listed under the Endangered Species Act of 1973 as threatened with extinction as a subspecies by the U.S Fish and Wildlife Service. The long-term viability of the spotted owl depends on adequate, well distributed habitat for all of its life functions.

Likely Plan

The Final Recovery Plan for the Northern Spotted Owl (in publication) outlines steps necessary to bring about recovery of the northern spotted Owl. Implementation will be done through incorporation of appropriate portions of the recovery plan in agency decision documents, such as forest plans, park management plans, and state game management plans. Such documents are then subject to the NEPA process of public review and selection of alternatives.

As the primary means for achieving recovery, the draft plan recommends establishing 192 designated conservation areas (DCAs) to provide approximately 7.5 million acres of federal forest land as the primary habitat for the northern spotted owl population. These DCAs include approximately 46 percent of the total remaining spotted owl nesting, roosting, and foraging habitat on federal lands. The largest DCAs are designed to support a population of 20 or more pairs of owls in habitat conditions that allow successful breeding and rearing their young. They are located to allow owls to disperse from one DCA to another. Each

DCA contains areas of currently existing owl habitat combined with areas of younger forests. These younger stands will be protected so they can mature into owl habitat. The DCAs contain approximately 1,180 known owl pairs on federal lands. This represents about 48 percent of the total pairs currently known on all federal lands. When the DCAs become fully developed owl habitat, they will support a population of approximately 2,320 pairs of owls.

DCAs are located to take advantage of other forest land containing owl habitat that will not be harvested or will be harvested in a manner that does not reduce habitat value. Such areas include parks, wilderness areas, and certain administratively reserved areas. DCAs also are located in a pattern to reduce the risk to the owl population from natural threats such as fire, disease, and insects.

The final recovery plan recommends that activities on federal lands within the DCAs be focused on improving conditions for spotted owls.

The following specific management rules for federal lands in DCAs are recommended.

1. In general, no timber harvest is allowed in habitat suitable for northern spotted owls.
2. Silvicultural practices, such as thinning, will be used to promote rapid development of owl habitat in those areas that currently do not provide habitat suitable for owls.
3. Salvage of trees in stands significantly affected by fire, wind, insects, or diseases may occur but will be limited to those needed to assure the continued existence of owl habitat within the DCA.
4. Management activities designed to reduce the risk of large-scale fire or insect infestation are limited to those needed to assure the continued existence of owl habitat within the DCA.
5. The recovery plan recommends that federal land inside DCAs, with the exception of wilderness areas and national parks, be designated as critical habitat.
6. The recovery plan also recommends that a management plan be prepared for each DCA before management activities are implemented.

Human Costs

Timber harvest on public lands in Washington, Oregon and Northern California are an important source of employment and income. The estimated annual timber harvests for the final plans, the current owl management regime (Forest Service and BLM implementation of the Interagency Scientific Committee (ISC strategy)), and the effect of the Endangered Species Act including the designation of critical habitat, and the recovery plan are in Table 1. The three state total for the Forest Service and Bureau of Land Management is 2.16 billion bd. ft. compared with 4.39 billion bd. ft. as directed in the current Regional Guides and Forest Plans.

Federal revenue lost due to the timber harvest foregone is \$740 million per year. This estimate is based on the reduction in timber harvest caused by the recovery plan and on estimates of 1995 timber prices with and without the plan using the Timber Assessment Market Model (TAMM) developed by the Forest Service. Offsetting cost savings could reach a maximum of 150 million per year.

State and county revenue sharing is projected to fall from \$500 million to \$220 million under continuation of forest plans in effect before the owl was listed.

Knutson-Vanderberg funding on site restoration after harvest is projected to fall \$150 million with implementation of the Recovery Plan for the Northern Spotted Owl.

Employment loss, direct and indirect, is estimated to fall to about 36,000 jobs with the recovery plan versus 66,395 projected before continuation of forest plans in effect before the owl was listed. The job coefficients generally fall in the middle of the range of other multipliers that have been used for estimating employment effects of changes in timber harvest. They are generally consistent with the results of the review of a number of such studies by Stevens (1991).

Shifts to private lands in the Pacific Northwest are limited. In the last three years, an additional 4 billion board feet was harvested from private lands to compensate for lack of timber from Federal lands. However, current forest inventory statistics for private lands indicate that there are very limited near-term possibilities for continuation of this level of harvest and it is likely that near-term production from private lands is likely to fall.

Regional shifts are likely to favor Canada which has the physical capacity to increase production. However, a major study in British Columbia, where two-thirds of our lumber imports originates, just announced an expected 18 percent drop in allowable annual cut. In the southern United States, lumber production is at an historic high. However, in the South, softwood removals exceeded growth by 14 percent in 1992. This is the first time since 1952 that softwood removals exceeded growth.

Softwood exports from Washington and Oregon peaked at 3.7 billion bd. ft. in 1988 and declined since that time to levels of about 2.5 billion bd. ft. per year, reflecting a downturn in the economy of Japan, the primary customer. However, the average value of exported logs has increased annually and set record highs since 1989. Logs from public lands in West cannot be exported.

Lumber prices have increased significantly in recent months. The prices of most softwood timber-based products have increased sharply in the last 5 months (Figure 1). Between early October 1992 and mid-March 1993, softwood lumber prices, as measured by the Random Lengths composite average, rose 96 percent, increasing from about \$250 to more than \$490 per 1,000 board feet. Prices for structural panel products (softwood plywood and oriented strand board) rose about 30 percent over the same period. The Random Lengths average for lumber has increased \$86 since early in February. Lumber futures prices have followed similar trends.

Although prices of softwood lumber panels typically increase during late winter as homebuilders, wholesalers, and other suppliers build inventories in anticipation of the spring and summer building season, the run up over the last few months has been somewhat more steep and prolonged than in past years. As prices have increased, there have been increasing concerns expressed by softwood products consumers, particularly those in the homebuilding industry. They estimate that the rise in softwood prices since October has probably added \$4,000 to \$5,000 to the cost of the average single-family house. Moreover, they maintain that that increases of that magnitude could help stall a recovery in housing and in the overall economy and, in the long run, cause a shift away from timber-based building materials.

According to an analysis conducted by the Congressional Research Service in March 1993, there are several factors that are contributing to a rise in the price of lumber, including the economic recovery, the countervailing duty placed on Canadian lumber imports and a reduction in supply from owl forests. All of these factors are contributing to the price of lumber.

**Summary of Estimated Job Losses
From Northern Spotted Owl Recovery Plan***

	Baseline Employment Related to Projected 1995 Federal Timber Harvest**	Loss Caused By DCAs***	Loss Caused By 50-11-40	Total Losses
Washington Subtotal	10,342	4,591	693	5,284
Oregon FS	29,754	8,769	1,768	10,537
Oregon BLM	18,546	11,021	1,403	12,424
Oregon Subtotal	48,300	19,790	3,171	22,961
California FS	7,728	2,666	1,062	3,728
California BLM	25	25	0	25
California Subtotal	7,753	2,691	1,062	3,753
Salvage and Silviculture		-1,770		-1,770
Three State Total	66,395	25,302	4,926	30,228
Forest Service	47,824	14,378	3,523	18,501
BLM	18,571	10,324	1,403	11,727

*Estimates were made by multiplying estimated 1995 timber harvest reductions from prior forest plans by job coefficients reflecting direct, indirect and induced employment. Losses due to owl habitat protection are in addition to losses due to other factors.

**Total employment in Washington, Oregon and Northern California was about 3.3 million 1988 and has generally grown faster than total U.S. employment since 1986. Timber industry employment in the northwest declined during the 1980s by over 15%, primarily because of technological advances.

***Designated Conservation Areas plus other areas reserved for owl habitat.

**Comparison of Federal Timber Available for Harvest, 1995
Northern Spotted Owl Recovery Plan**

(Billions of Board Feet per Year)

	Timber Harvest With Prior Plans *	Timber Harvest With Current Owl Management	Timber Harvest With Agency Proposals ***	Timber Harvest With Recovery Plan
Washington Subtotal	0.75	0.28	0.33	0.30
Oregon FS	1.86	0.98	1.18	1.16
Oregon BLM	1.19	0.40	0.49****	0.30
Oregon Subtotal	3.05	1.36	1.67	1.46
California FS	0.60	0.26	0.28	0.28
California BLM	0.00	0.00	0.00	0.00
California Subtotal	0.60	0.26	0.28	0.28
Salvage and Silviculture				0.13
Three States Total	4.39	1.92	2.28	2.16
Forest Service	3.20	1.52	1.79	1.85
BLM	1.19	0.40	0.49	0.32

* Timber harvest under continuation of policies in Forest Service and BLM plans in effect before the listing of the Spotted Owl in 1990.

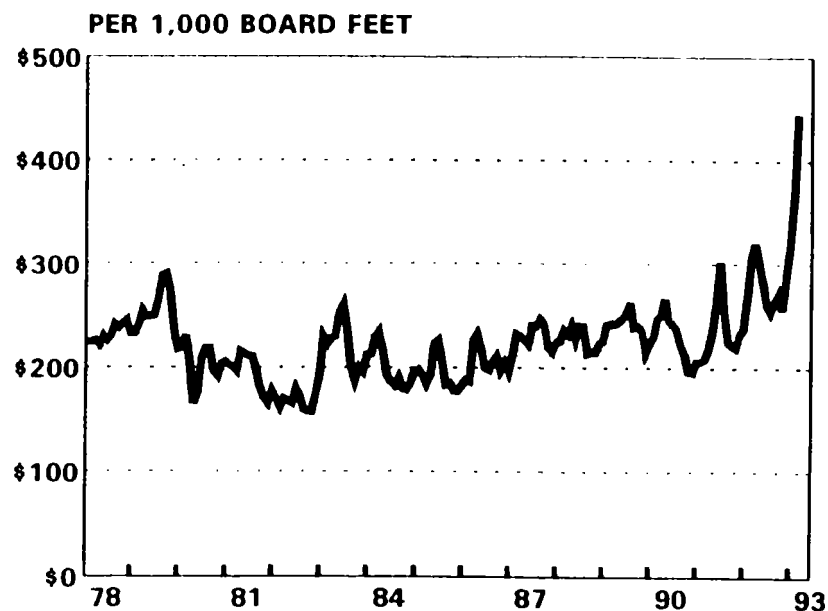
**Timber harvest projected by Forest Service and BLM under implementation of the ISC Plan and Critical Habitat designated by Fish and Wildlife Service.

*** Timber harvest under preferred alternatives in Forest Service EIS published in January 1992 and BLM Draft Resource Management Plans published in August 1992.

**** BLM estimates exclude Klamath Falls District and have been converted to long log measure.

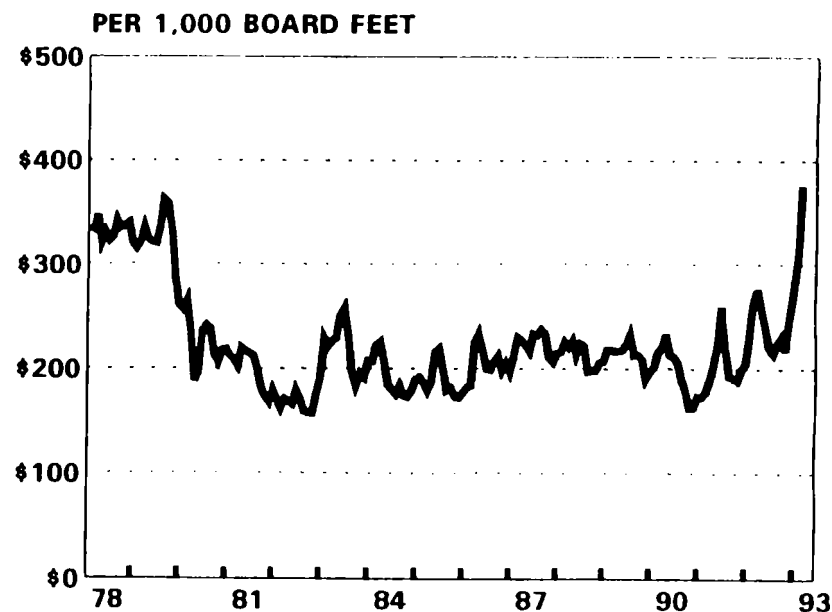
SOFTWOOD LUMBER PRICES

CURRENT DOLLARS



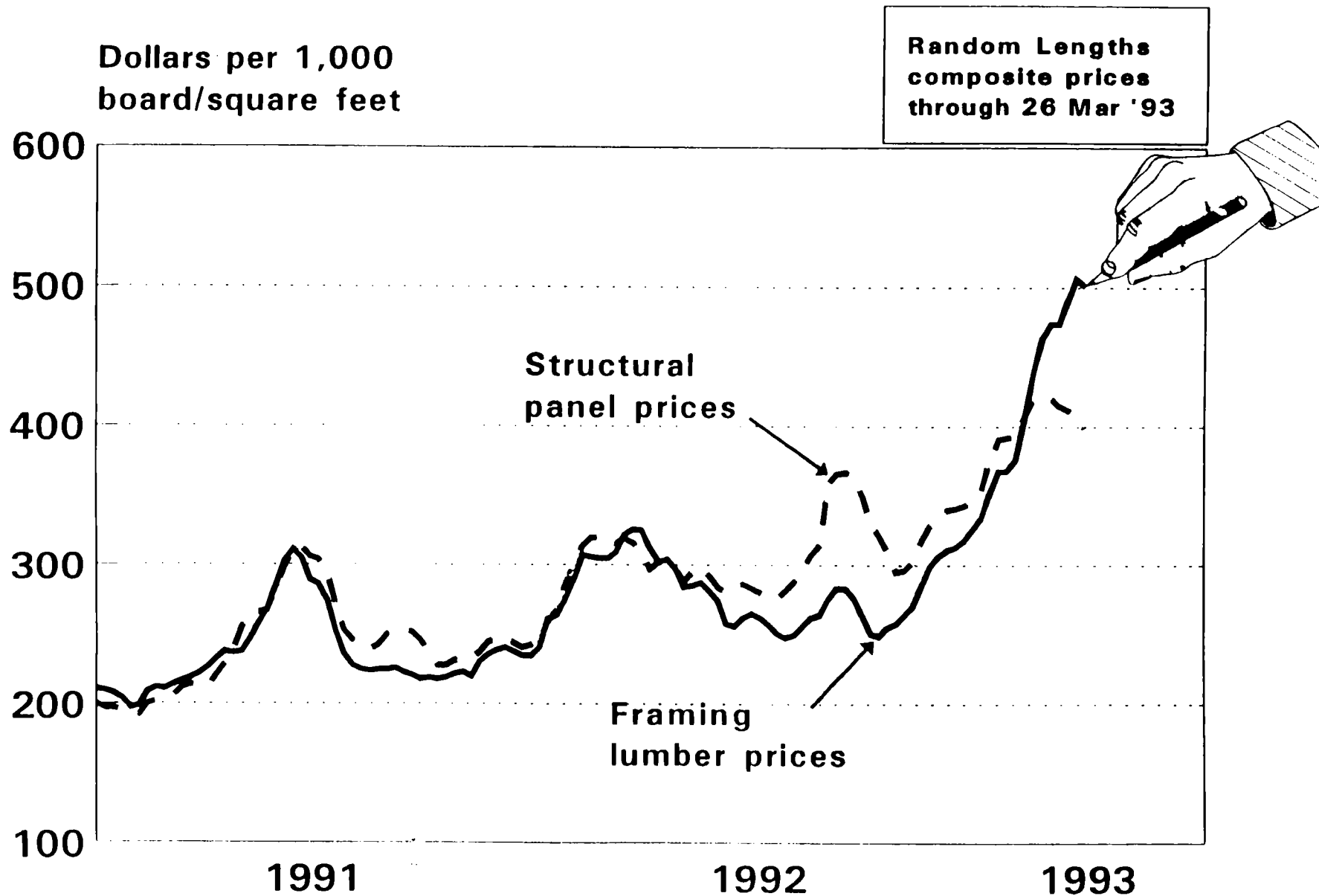
Monthly average prices
through February 1993

1982 DOLLARS



Source: Random Lengths Composite
monthly average prices. Deflated
by the all commodities producer
price index 1982 = 100.

SOFTWOOD LUMBER AND STRUCTURAL PANELS PRICES



TRADE POLICY

Title of Program or Action: Ban export of softwood logs from all land west of the 100th meridian in the contiguous States.

Description

The export of public softwood logs from land west of the 100th meridian is currently prohibited by the Forest Resource Conservation and Shortage Relief Act of 1990 (15 U.S.C. 620 et.seq.). This legislation evolved from an action taken by the Secretaries of Agriculture and Interior on April 16, 1968, to limit the volume of timber that could be exported to 350 million board feet. This limit was legislated as the "Morse Amendment" in effect from January 1, 1969, to December 31, 1973. Exceptions to the current restriction are Alaska yellow cedar and Port-Orford cedar. Other exceptions are allowed if the Secretary of Agriculture finds species to be surplus to domestic needs. In addition, the export of western red cedar is prohibited from all public lands.

Action Required

The proposed action would extend the current restriction to all ownerships.

Existing authority--Under the terms of the Export Administration Act, 50 U.S.C. App.ss 2401 et.seq. the Executive Branch may impose controls on the export of specific commodities after full consideration of the impact on the economy of the United States, to protect the domestic economy from excessive drain of scarce materials, and to reduce the serious inflationary impact of foreign demand. This authority has been used to control exports of black walnut (1964), soybeans (1973), western red cedar (1979), and grain (1980). Options ranging from partial controls to a complete ban are feasible.

New authority--Congress may legislate export controls. Over the past 20 years, there have been numerous proposals to restrict exports through legislation.

Budget requirements--The primary budget requirements for export controls would be for monitoring the controls. Monitoring would be done by the Department of Commerce with concurrence of the Department of Agriculture because logs are classed as an agricultural commodity. In the past, no compensation has been paid to those adversely affected by export controls.

Effects

Timber supply--In recent years, softwood log export volume from Washington, Oregon, and California has amounted to some 3.1 billion board feet. A ban on exports would make this volume available for domestic processing. A portion of this volume would be processed into lumber for export, a portion would be processed into lumber for domestic use and would substitute for production from the South and Canada, and a portion would not be harvested because of lower prices for stumpage.

Initially, the ban would decrease stumpage prices by one-third. As new capacity comes on line, stumpage prices would recover, but would still be somewhat lower. All stumpage sellers, including National Forests in western Washington and western Oregon, would experience revenue declines on the order of one-third if sales volume is maintained and even more if volume is not maintained.

The ban on exports would significantly affect imports of softwood lumber from Canada, reducing them 1 billion board feet in 1995 and over 3 billion board feet in 2000. The U.S. balance of trade through reduced imports

would improve by some \$900 million. Elimination of exports from Washington, Oregon, and California would cause a reduction in export value on the order of \$1.5 billion. Depending on the volume and value of lumber exports, some of this sales loss would be offset by additional lumber sales.

Jobs--The proposed ban would force a restructuring of the timber industries in Washington and Oregon. Jobs associated with log processing and lumber exporting would increase while jobs associated with log exporting would decrease. It is assumed that new processing capacity would be phased in over a 5-year period. If all the logs were to be processed domestically, an additional 12,400 jobs would be created in the lumber and wood products industries (assumes 4 additional jobs per million board feet for processing as compared with export). There would be a loss of some jobs because of lower stumpage prices and less forest management activity. About 5 percent of the exports from Washington and Oregon originate in Washington. It is unlikely that logs from Washington could be transported to southern Oregon, so new capacity in Washington is critical to the creation of additional jobs.

The Current Softwood Log Export Situation

How We Got Where We Are

General Background

The export of softwood logs became an issue in the 1960's and has continued to this day.

Softwood log export volume to Japan grew rapidly following initial shipments that were based on salvage of blow-down from the Columbus Day Storm of 1962 in Washington and Oregon. Most of the softwood log export volume continues to originate in Washington and Oregon with smaller volumes from Alaska, California, and Idaho.

Regulation of export volume began in 1968 when the Secretaries of Agriculture and Interior through administrative order limited annual export volume from Federal lands in the West to 350 million board feet.

Since that initial regulation, limitations on public lands have changed over time, with the latest being the Federal Resources Conservation and Shortage Relief Act of 1990 which became effective January 1, 1991. By October 1992, this legislation banned softwood log exports from all public lands in the contiguous western states.

The economic stakes are high with total sales of softwood logs exceeding \$1.5 billion and shipments to Japan by itself amounting to some \$1.2 billion. For the past two decades, Japan has been pressured to buy more processed products and fewer logs with some success in the 1980's. Although highly forested, Japan imports logs from the United States and other sources because importing is lower cost than logging in the mountainous terrain where most of the timber volume is located.

Other major customers are South Korea and the People's Republic of China.

The issue exists because there are winners and losers from different export policies.

Over time, there have been various proposals to restrict exports, including exports from private lands.

Chronology of Restrictions

1968--Secretaries of Agriculture and Interior administratively limit export volume to 350 million board feet from Federal lands.

1968--An amendment to the Foreign Assistance Act of 1968 codified the Secretaries' action.

1970--The "Morse Amendment to the Housing and Urban Development Act of 1970 extended the 350 million board feet limit to December 31, 1973.

1974--Beginning in 1974 and annually through 1990, there was a rider to the Interior and Related Agencies' budget that banned softwood log exports from Federal lands in the contiguous states of the West. Substitution regulations were implemented.

1981--Substitution regulations were further refined.

1982--Export of western red cedar and wany lumber prohibited from State and Federal lands.

1984--Ban on softwood log exports from lands managed by the State of Alaska was successfully challenged in court. Existing bans in Idaho, Alaska, and Oregon were lifted. The State of Washington had no restriction and the State of California decided to keep its ban in effect until told otherwise.

1991--The Federal Resources Conservation and Shortage Relief Act of 1990 took effect.

Market Characteristics

Log export volumes have been cyclical, with volumes increasing and decreasing mainly in response to Japanese housing starts. Almost all of the U.S. softwood log export volume is processed and consumed in the importing countries. Little is shipped back to the United States in the form of finished products.

Log export volumes amount to one-third of the timber harvest in Washington, 20% in Oregon, and 7% of the total U.S. harvest.

Japan has been buying more softwood lumber. In 1980, the U.S. sold about 600 million board feet and in the late 1980's, over 1 billion board feet per year.

Higher quality softwood logs in the export market command a premium price of \$50-\$100 or more per thousand board feet. There is little premium for average and lower quality logs.

Trade-Offs

The trade-offs between domestic and export interests are the basis for the continuing interest and controversy inherent in the softwood log export issue.

Softwood log exports:

- o Cause higher prices for logs.
- o Create employment in logging, log transportation, and longshoring industries.
- o Divert employment from domestic processing industries.
- o Cause higher domestic lumber prices.
- o Increase profits from timber growing.
- o Decrease profits from domestic timber processing.
- o Increase incentives for forest management.
- o Reduce the U.S. deficit in balance of payments with Japan and other countries.

Proponents and Opponents of Softwood Log Exports

Proponents:

- o Forest land owners
 - o Loggers
 - o Longshoring industry
- Agricultural and other interests which fear that a restriction on log exports from private lands would set a precedent for taking of other rights on the use of private lands.

Opponents:

- o Labor involved in timber processing
- o Timber processors dependent on open-market purchases of logs
- o Environmental groups which question the propriety of exporting logs

Threatened and Endangered Species and Softwood Log Exports

The softwood log export issue historically has been highlighted nationally when lumber and plywood prices increased with the suggestion that a ban on exports might decrease prices.

Opponents of softwood log exports have proposed that a ban on log exports be the solution to decreases in log supplies associated with set-asides of habitat for the northern spotted owl and other species.

Trade-offs between domestic and export interests are real and continue to explain how we got where we are with the softwood log export issue.

ACTIVITIES ASSOCIATED WITH WATERSHED RESTORATION
(PACFISH)

The key to long-term economic prosperity is a healthy environment...an environment that sustains production of key natural resources such as wood fiber, forage, clean water and air, fish and wildlife. These natural resources provide the basis for important industries and contribute to the quality of our lives. To that end, there are near-term opportunities to stimulate the economy while addressing environmental issues. Key opportunities to put America back to work solving environmental problems include:

Roads maintenance and obliteration

Road drainage improvement

Culvert maintenance and replacement

Bridge maintenance and reconstruction

Slope stabilization

Instream habitat improvements, including the introduction of large woody debris

Riparian and upland revegetation

Wetland restoration

Snag creation and protection

Forest thinning and prescribed fires, for re-establishment of healthy, fire-dependent vegetative communities

Watering structure development

High-tech military mapping, using remote sensing and other analytical tools

Geographic Information Systems advancement

Ecosystem inventory and monitoring

Many of the most significant watershed restoration opportunities are located in areas of the country, such as the Pacific Northwest, where some local economies are changing because of declines in timber industry activity. Tools and skills of watershed restoration include many idled by declining timber and associated road building industries - e.g., bulldozers, graders, skidders, backhoes, and their operators. Materials used in watershed restoration would provide a boost to many suppliers including nurseries, culvert and bridge manufacturers, environmental engineering and consulting firms, fuel dealers, and others that also have been hurt by a receding timber industry.

Restoration of fire dependent ecosystems, creation and protection of snag and cavity trees, identification of old growth, construction of watering structures, and revegetation of riparian areas are examples of labor

intensive activities that could be undertaken using the skills of local workers with timber and ranching experience.

There also is an opportunity to utilize advanced technology to accelerate and coordinate landscape-level assessments for conservation of biological diversity. Key employment opportunities will take advantage of high-tech military mapping skills and abilities, and would spur growth of American computer technology.

Wetlands are important for groundwater recharge, flood reduction, water purification, and recreational opportunities. With continued declines in wetlands on private lands, there are increased needs on public lands to protect environmental values. Opportunities include restoration of disturbed wetlands and mitigation for losses, as well as acquisition of important wetland systems currently at risk. These restoration activities are labor intensive and will generate significant numbers of jobs.

There also are substantial opportunities to provide jobs and stimulate economic growth by increasing the amount and quality of hunting, fishing, and wildlife viewing opportunities on lands managed by the Federal government. These activities have significant direct and indirect economic benefits to local economies, and represent the basis for many large industries nationally (e.g. fishing tackle manufacturers and retail stores).

State and Private Forestry Role in the The Pacific Northwest Strategy

Foreword. State and Private Forestry plays a significant role in helping improve the economic stability of the Pacific Northwest region -- Oregon, Washington, and Northern California. With a Federal investment in 1994 in the cooperative programs of about \$30 million for the Pacific Northwest region, 2,555 jobs can be created thereby strengthening the economic base of the region.

The following information illustrates current Federal funds and potential funding needs for selected cooperative programs.

Program Components/Actions	1994 Request	Jobs (#)	Total Estimated Needs ...Dollars in thousands...	Jobs (#)
Rural Community Assistance:				
Rural development	383	45	2,000	235
Economic recovery	1,528	170	7,500	600
Diversification studies	75	5	350	15
Forest Products Conservation:				
Recycling	60	4	500	35
Special forest products	90	7	1,000	85
Forest products conservation	60	5	700	65
Market Development:				
Wood in transportation	57	6	2,300	300
Economic competitiveness	1,510	115	6,550	370
International markets	20	3	250	10
Privateland Stewardship:				
Stewardship assistance	1,177	120	2,400	310
Stewardship incentives	1,060	135	3,300	430
Wildland fire protection	921	45	2,500	100
Total Federal Funds	6,941	660	29,350	2,555

Major Theme of this Investment. The economic and social vitality of America's local economies is vital to the Nation's growth and prosperity. As the production of forest-based goods and services shift from the public lands to state and private lands, minimizing the economic impacts of these shifts and maximizing the contributions natural resources can make toward economic vitality and quality of life, especially in rural areas, is critical.

The Vision of the Program. The wise, more complete use of the forest resource can enhance economic development, improve economic competitiveness, protect the environment and improve the quality of life. Rural areas and communities can especially benefit. Through actions that address a series of objectives -- information assessment; identification of income producing opportunities; business plan development; marketing strategies; applied research; direct technical assistance; and capital investment -- economic vitality and revitalization through the best use of the forest resource will help serve and strengthen rural America and specifically the Pacific Northwest.

The Forest Service, along with other key partnerships and coalitions, can provide the leadership in working with rural people and communities in developing forest resource-based opportunities and enterprises that contribute to the economic and social vitality of rural America.

Employment Assumptions. The following assumptions were used in developing the employment estimates:

1. Federal funds would be cost-shared equally with state and local funds.
2. The number of jobs created varied with each program.
3. Funds would be used for special projects and create value-added opportunities
4. The following factors were used for each program action:

Rural Community Assistance:	\$ Per Job
Rural development	17,000
Economic Recovery	25,000
Diversification studies	46,500
Forest Products Conservation:	
Recycling	28,500
Special forest products	23,500
Forest products conservation	21,500
Market Development:	
Wood in transportation	15,300
Economic competitiveness	35,400
International markets	50,000
Privateland Stewardship:	
Stewardship assistance	15,500
Stewardship incentives	15,500
Wildland fire protection	50,000
Average \$ Per Job	23,000

Goals and Objectives. Emphasizing a federal investment in the cooperative programs in the Pacific Northwest region addresses four broad goals. These are:

1. Strengthening communities to develop sustainable economies
2. Diversify economies
3. Enhance the quality of life
4. Stimulate the development of competitive enterprises

Program Components. The following describes the four major Program Components where a Federal investment in the cooperative programs can help stimulate the economies of the Pacific Northwest region.

- I. **Rural Community Assistance.** This component is targeted specifically to rural areas. It focuses on strengthening rural communities by leading a coordinated Forest Service effort and administering a core group of actions. the aim is to help communities capitalize on their potential to diversify and expand their economies through the use of natural resources.

Rural Development. This program action focuses on improving the economic well-being of rural areas and communities through a better, more complete use of the forest resources. This includes economic development opportunities through wood; wildlife; foodstuffs; medicines; scenic quality; and recreation. Demonstrations and cost-shared special emphasis projects help lead actions to implement the Rural Development program component.

Economic Recovery. This program action targets technical and financial assistance to help communities that have become distressed due to their economic dependency on forest resources, including timber. The basic foundation of this component is outlined in the 1990 Farm Bill, Title 23, Subtitle G, chapter 2. Assistance is directed to rural communities located in or near forest lands that have become economically dependent or disadvantages due to public land management decisions. Specific actions focus on organizing; planning; and implementing rural recovery and development efforts.

Economic Diversification Studies. This program action provides for feasibility studies that develop alternative economic opportunities for communities or regions whose economic base is largely dependent on forest resource activities and programs. Assistance is directed to define; plan; and conduct diversification studies; develop business management plans; and implement selected marketing strategies.

- II. **Forest Products Conservation.** This component increases economic opportunities through market and community development, improves the utilization of wood and residues, extends the useful life of forest products and improves the understanding of forest resource values.

Recycling. This program action target a better use of wood fiber wastes and residues currently being landfilled or underutilized. This action supports ways to use this material for value added products or bio-energy.

Special Forest Products. This action adds value to existing forest products processes. These include drying or planing lumber, adding product lines to existing businesses and serving markets for hundreds of non-traditional forest products.

Forest Products Conservation. This action encourages stewardship through conservation -- the wise use of forest products to protect the forest resource. Wise use strengthens markets, which increase values, and create incentives for proper management to improve the quality of the resource. Technical assistance and technology transfer efforts are targeted to increasing the understanding of forest resource values, implementing technologies which improve environmental sensitivity of harvesting and processing forest products, and increasing the useful life of forest products.

- III. **Market Development and Expansion.** This program component supports the premise that strong domestic and international markets for renewable and non-renewable forest resources provide a significant opportunity to strengthen local and regional economies. Forest resources provide a wide-range of commodity and non-commodity goods and services, incomes and jobs. Focusing financial and technical assistance to strengthen the economic conditions in rural areas and local communities effectively serves the good of the nation.

Wood in Transportation. This action targets wood use in local transportation networks -- pedestrian and vehicular bridges; railings; sign and light posts; sound barriers; culverts; retaining walls; docks; fresh and salt water marine facilities; and railway bridges. Wood in Transportation is carried out through pilot demonstration projects, research, technology transfer, business plan and marketing strategy development, and capital investment.

Economic Competitiveness. This action is a new approach to support domestic market expansion for forest products through information assessment, identification of income producing opportunities, business plan development, marketing strategies, applied research, and direct technical assistance.

International Markets. This action is also new and supports international market expansion for forest products. Working with cooperatives, USDA-Foreign Agricultural Service, industry associations and other partners, the aim is to foster greater exports of U.S. forest products through development of foreign markets and other activities such as encouraging joint international trade ventures to pool risk and overcoming non-tariff trade barriers in foreign countries.

- IV. **Privateland Stewardship.** This component helps the non-industrial private landowner to manage, protect and use their natural resources in ways that better reflect their objectives. This is accomplished through the preparation of Stewardship Management Plans and financial assistance to implement management practices. The results is the sustained production of a balanced level of goods and services from these lands. This program helps create jobs through activities that include reforestation and timber stand improvement.

Stewardship Assistance. This action provides technical assistance to assist the landowner. The cornerstone of stewardship assistance is the Management Plan.

Stewardship Incentives. This action provides incentives for the landowner to implement planned management practices, including tree planting and tree improvement; and fish and wildlife habitat enhancement. This action is cost-shared with the landowner (up to 75 percent Federal funds) for practices identified in the Management Plan.

Wildland Fire Protection. This action provides assistance to help protect forests from wildland fires. A strong and efficient cooperative fire protection program helps maintain the value of forests to ensure economic vitality.

Conclusions. There are significant opportunities to enhance the economic conditions of the Pacific Northwest by focusing work in a variety of cooperative programs in State and Private Forestry or the USDA Forest Service. An investment in these programs will:

- * Provide incentives to maintain a stable, productive forest resource base
- * Create jobs and goods and services
- * Sustain and improve incomes and general well-being
- * Help maintain a rural life style
- * Stimulate private sector investment
- * Stimulate self-help by creating more opportunities
- * Improve coordination and develop partnerships
- * Reduce waste (through recycling)

A Comprehensive Federal Response to Pacific Northwest Communities

Coordinating the investment of new and existing federal, state, and local resources to assist timber dependant communities of the Pacific Northwest (PNW) can best be accomplished through the existing State Rural Development Councils in Oregon and Washington. A similar organization can be created with the State of California to work with communities in Northern California. The SRDC's offer the following advantages.

- **A running start** -- In Oregon and Washington, SRDC members have two years of experience building new working relationships with each other and with rural communities. The councils have brought together the individuals and organizations necessary to implement broad local collaborative strategies.
- **The right people** -- The councils have brought together the individuals and organizations necessary to implement broad-based collaborative strategies. SRDC members in both states include state-level federal managers, state government policy level executives and administrators, local government officials, private sector business people, nonprofit organization directors, and tribal government officials.
- **A comprehensive long-term approach** -- SRDC members represent the complete range of program and policy areas that affect rural communities and citizens, including infrastructure finance, transportation, health, education, natural resource management, community and economic development, the arts, and others.
- **National-level support** -- The Washington, D.C. based Monday Management Group, made up of senior career managers, is in place to assist the SRDCs with program coordination at the national level and can help clear the way for coordinated implementation at the state and local level.
- **Coordinated, strategic investment** -- The councils provide program managers and administrators the opportunity to work with each other across agency and intergovernmental boundaries to effectively coordinate delivery of technical and financial assistance.
- **Focus on communities** -- Both councils have strong local government and private sector participation that has led state and federal council members to examine their systems for ways to improve operation of government programs, based on communities' knowledge of how the programs really work on the ground.
- **Improved access to federal, state, and, private sector resources** -- Both councils have specific task forces to improve access to development resources.
- **Trust and buy-in** -- The councils offer an open, mission-driven process that focuses members on the goal of healthy rural communities and not on organizational turf.

The combination of diverse public/private, intergovernmental membership, an open process for dialogue and collaborative action, as well as demonstrated commitment to the well being of rural communities gives the SRDCs real potential for developing innovative, flexible answers to the challenges that face the timber dependent communities of the Pacific Northwest.

CONGRESSIONAL RECORD

Congress of the United States
House of Representatives
Washington, DC 20515

April 14, 1993

President Bill Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

We applaud your personal commitment to resolving the longstanding controversy over federal forest management and environmental protection in the Pacific Northwest. The Forest Conference which you held on April 2 in Portland, Oregon was an important step toward that end.

We share your view that a sound economy depends upon sustainable environmental management. We believe that we must move beyond the rhetoric of "jobs versus the environment" and look for workable solutions to this and other controversies over resource use and environmental protection.

For that reason, we are writing to urge you to consider the impact of log exports on the Northwest's forests and economy.

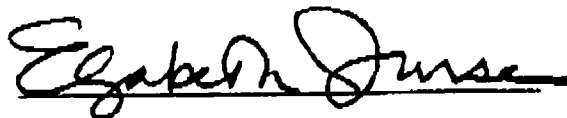
As you know, between 20 and 25 percent of the timber cut in the Northwest each year is exported in the form of unprocessed logs. Though measures to discourage raw material exports will not by themselves satisfy the region's need for a sustainable supply of timber, they must be part of any comprehensive solution to the Northwest's economic and ecological crises. We respectfully urge you to consider, develop, and implement measures to encourage domestic wood products manufacturing and discourage raw material exports.

Thank you for your thoughtful efforts on this issue.

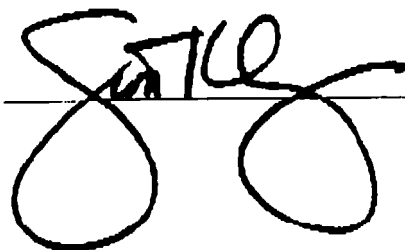
Sincerely,



Pat Schroeder



Elizabeth Dineen



Sam Rosten



Dick Durbin

April 14, 1993
Page 2

E. Ramm
Bill Dard
Jim McDermott
Mark Fink

Pete Stark
Earl F. Hillard
Thomas Luken
Bill Rostenkowski

PETER A. DEFAZIO
4TH DISTRICT, OREGON

INTERIOR AND INSULAR AFFAIRS

SUBCOMMITTEES:
NATIONAL PARKS AND PUBLIC LANDS
WATER AND POWER RESOURCES
MINING AND NATURAL RESOURCES

PUBLIC WORKS AND TRANSPORTATION

SUBCOMMITTEES:
AVIATION
WATER RESOURCES

SELECT COMMITTEE ON AGING

SUBCOMMITTEE:
HUMAN SERVICES



Congress of the United States
House of Representatives

April 15, 1993

President Bill Clinton
The White House
1600 Pennsylvania Avenue, N.W.
Washington, D.C. 20500

Dear Mr. President:

You know that I am adamantly opposed to the unfettered export of unprocessed logs from the Pacific Northwest. You know that about 25 percent of the Pacific Northwest's total timber harvest is exported in the form of raw logs each year and that more than 65 percent of those logs go to Japan. And I'm sure you're also aware that Japan stubbornly continues to maintain significant tariff and non-tariff trade barriers against U.S. finished wood and paper products.

The U.S. forest products industry is a globally competitive manufacturing industry that enjoys a clear competitive advantage over its Japanese counterparts. In a 1989 report, the U.S. Department of Commerce concluded that "manufacturing costs for Japanese lumber and plywood operations are significantly higher than those for U.S. operations," and that "U.S. mills remain much more cost competitive." Little has changed since the Commerce Department prepared that report.

Lumber mills in my state are fully able to cut to Japanese standards and sizes. Our plywood and paper manufacturers are equally willing and able to serve the Japanese market. If Japan was not one of the world's foremost practitioners of protectionist trade policy, the Pacific Northwest's more efficient forest products industry would dominate the huge Japanese market for paper, lumber and plywood.

When you meet Friday with Japanese Prime Minister Kiichi Miyazawa, I urge you to raise the issue of U.S.-Japan wood products trade. In particular, I hope you will insist that the Japanese government agree to the U.S. government's Zero-for-Zero Tariff Option in the Uruguay Round of negotiations on the General Agreement on Tariffs and Trade. However, since structural barriers also significantly contribute to the lack of market penetration for U.S. forest products, I urge you to insist on a results-oriented forest products trade agreement with the government of Japan.

PLEASE RESPOND TO:

WASHINGTON OFFICE

☐ 1233 LONGWORTH HOUSE OFF. BLDG.
WASHINGTON, DC 20515-3704
(202) 225-4416

☐ DISTRICT OFFICES:
211 EAST 7TH AVENUE
EUGENE, OR 97401
(503) 485-8737

☐ 215 SOUTH 2ND STREET
COOS BAY, OR 97420
(503) 268-2609

☐ 612 S.E. JACKSON ST.
SUITE 9
P.O. Box 2480
ROSEBURG, OR 97470
(503) 440-3523

President Bill Clinton
April 15, 1993
Page 2

The threat of export restrictions on unprocessed logs from the Pacific Northwest could provide ample leverage to your trade negotiators as they seek to open Japanese markets to U.S. finished wood and paper products.

Thank you for your consideration.

Sincerely,


PETER DeFAZIO
Member of Congress

PAD/jks

Fiscal Assistance to Local Governments

Option B-8A: Provide transitional support payments for counties (the "safety net") for an extended period, and effect permanent reform of the receipt sharing framework.

Many counties in the region, particularly timber-dependent rural counties, are highly dependant on Federal revenue sharing. Both the Forest Service and the BLM share revenues with county governments. USFS returns 25 percent of sale revenues to counties for use in road and school-related activities. BLM returns 50 percent of revenues with no use restrictions. Region-wide, total payments averaged \$300 million in the 1986-1990 period. In each of the past three years, Congress has established "safety nets" in appropriations acts, the most recent of which provides for guaranteed minimum revenue sharing equivalent to 85 percent of the 1986-1990 average payments, or an amount equal to total sales revenues, whichever is less.

Sharply reduced harvesting under a future ecosystem management plan will severely impact the fiscal status of counties. Revenues will be reduced at the same time that demands for social services increase. This fiscal strain will be exacerbated by decreased property, income and corporate income tax payments that are likely during a long-term transition. Consequently, a year-by-year safety net appears insufficient.

Several long term safety net options could be considered. A ten year schedule of slowly declining payments would offer some stability and enable a "glide path" for adjustment. For example, the existing safety net formula could be used as a starting point and then gradually reduced (e.g., by three percent per year) over a ten year period; note that the real rate of reduction would actually be relatively significant under such an arrangement. Counties could also be allowed maximum flexibility on funding uses to adjust to changing demands. In order to assure the safety net's effectiveness, the current limitation on disbursements (i.e., no more than total receipts) should be removed, since actual revenues could fall to very low levels over the next decade as an ecosystem management plan is implemented. If so, however, it is conceivable that General Fund revenues might have to make up the difference in "lean" receipt years.

Also, it would be desirable to consider the feasibility of conditioning "grace period" adoption on long-term reform of the receipt sharing framework. Specifically, consideration could be given to severing the existing "link" between timber production and county revenues. This could be done by stipulating that revenues to counties after the ten year grace period will no

longer be based on a percentage of total Federal receipts from harvesting, but on a formula analogous (or identical) to PILT payments for other Federal lands. For example, payments could be based on a per-acre basis or on a comparative system of land value appraisals. At the same time, a percentage of the revenues received could instead be earmarked for the forest or district of origin, to support implementation of ecosystem management.

Under this framework, counties would realize far lower payments under such a system than has been the case. However, the receipts would be steady and not subject to major "roller coaster" impacts of reduced production due to market or regulatory impacts (such as those which the safety net must now deal with). By severing the production/receipt tie, a perverse incentive to "up the cut" to raise revenues for counties would be removed. That incentive was one factor that previously led Congress to mandate Forest Service and BLM sales levels in appropriations bills, which contributed significantly to the Pacific Northwest forest problem now confronted by the Administration. Further discussion of such an option would be needed to address relevant policy concerns.

In order to integrate assistance programs, receipt of payments in FY 1996 and subsequent years could be conditioned upon county submittal of a viable economic development plan (possibly with the support of EDA monies).

Financing Assistance Programs: Log Severance Tax

Option A-2A: Impose a severance tax on Federal and Non-Federal log sales to create a regional economic fund that supports economic adjustment and assistance

A low nationwide severance tax on all logs (Federal and non-Federal) could provide the increased funding needed to support a regional development fund and other activities. A low ad valorem tax (perhaps 1.5 percent or less) would have a relatively minimal impact on producers and consumers, while internalizing the social costs of production. However, due to the breadth of coverage, significant revenues would be provided. Furthermore, since the tax would not discriminate against exports, Constitutional and GATT problems would be avoided. Data on nationwide public and private production could be used to project revenues under different rates of taxation. Also, within this overall option, alternatives such as imposing a higher tax on Federal logs could be explored. Such an option might be desirable given that private producers will object to being taxed to help ameliorate the impacts of Federal program cutbacks (albeit many of these producers have benefited from increased prices and will continue to do so).

Objections related to regional redistribution are addressed somewhat through the ad valorem approach, since higher-value timber such as that produced in the Northwest yields more tax revenues. However, such concerns could be alleviated further by allowing funds to be used to address Federally-related economic adjustment and assistance problems in other timbering areas (e.g., those which might be created by the cessation of below-cost timber sales, if the Administration pursues such a policy). In addition, a sunset date could be enacted. Congressional control of funding could be retained by requiring funds to be appropriated (as is the case with the Abandoned Mine Reclamation Fund that is supported by the Surface Mining Control and Reclamation Act (SMCRA)), or perhaps through an arrangement that allowed for both a permanent appropriation and a current appropriation (i.e., one requiring annual Congressional approval) to support different types of activities.

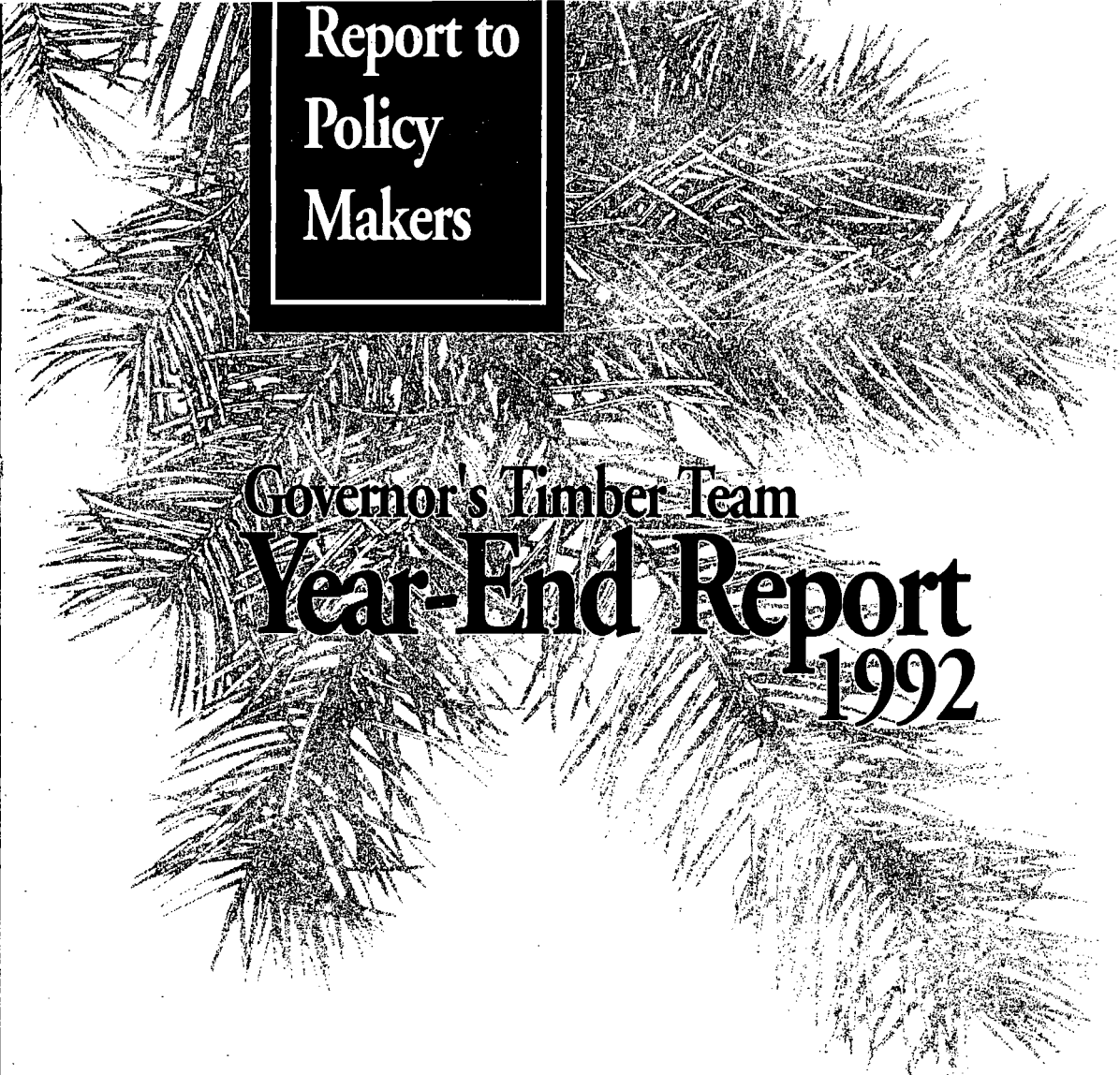
In concept, the tax is roughly analogous to SMCRA coal tax, which is imposed on a cents-per-ton basis (with differential rates for surface, underground and lignite production). In the case of logs, an ad valorem approach would be more appropriate, given the extremely wide range of timber species and associated stumpage values.

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