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THE WHITE HOUSE

WASHINGTON

June 18, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: FOREST CONFERENCE EXECUTIVE COMMITTEE¹
VIA: KATIE MCGINTY *David C. Tuttle*
SUBJECT: FOREST CONFERENCE

I. OVERVIEW

At the Forest Conference, you directed the Cabinet Secretaries to develop within 60 days a balanced plan to break the stalemate in the Pacific Northwest. Three interagency working groups were established:

- the Ecosystem Management Assessment Team to examine forest management issues and their ecological and economic impacts;
- the Labor and Community Assistance Working Group to explore economic development and assistance proposals; and
- the Agency Coordination Working Group to examine ways to improve interagency efforts.

This memorandum synthesizes the reports of the three working groups and presents options for your decision.

The bottom line: Excessive timber cutting in the previous decade has left us very little decision space. **The Administration is under a court order to submit by July 16 a draft environmental impact statement on a proposed land management program that complies with the law.** Compliance with conservation and land management provisions of the numerous statutes that guide the Forest Service (in the Department of Agriculture) and Bureau of Land Management (in the Department of the Interior) will necessarily result in timber harvests that are far below the levels of the 1980s. Our primary opportunities to be creative and to "put people first" come under the community/labor assistance and institutional reform programs

¹ The Committee includes representatives from EPA and the Departments of Agriculture, Interior, Commerce, Labor and Treasury, Justice, US Trade Representative as well as relevant White House offices.

discussed below and through a new forest management option we recommend that emphasizes community involvement.

We seek your approval of (1) a proposed forest management plan, (2) proposals for labor and community assistance, and (3) a plan for agency coordination to implement the new management strategy. Parts of the package will require new legislation. Once you have indicated your agreement with the plan, we will (over a period of two or three days) consult with the Hill and other key constituencies on the general framework of a solution. We then suggest that you announce a plan to deal with all issues before the end of next week.

As a result of today's article in the Post, the anxiety over this issue on the Hill and among key interest groups has increased tremendously. It is imperative that we move quickly.

II. FOREST MANAGEMENT PLAN

Our instructions to the Ecosystem Management Assessment Team were to prepare a series of options that would, in essence, keep the timber harvest level from federal lands as high as possible consistent with environmental laws.²

The Ecosystem Management Assessment Team analyzed ten options, making assessments of the effects on animal and plant species, potential timber harvests, employment, and other economic and social consequences.

The options range from the agency plans (largely inherited from the Bush Administration), which would allow an annual timber harvest of about 1.8 billion board feet (bbf) from federal forests within the range of the northern spotted owl,³ to a maximum conservation option that would allow only 195 million board feet to be cut. Most of the other options (differentiated, for the most part, by issues such as whether to focus more on protecting individual species or the best old growth forests) are all clustered in the range of .7 to 1.2 bbf.

² The applicable environmental laws are primarily the Endangered Species Act (ESA) and the National Forest Management Act (NFMA). Under the ESA, several species have already been listed as threatened (northern spotted owl, marbled murrelet, and some salmon species), and many more -- especially fish species -- could be listed in the near future. NFMA requires the maintenance of "viability" of vertebrate species on Forest Service land without regard to whether a species is listed.

³ The range of the northern spotted owl is generally the forests on the west side of the Cascade mountains in Washington, Oregon, and northern California.

In addition to these harvest amounts for west side forests, the regional total (all of Oregon and Washington, plus northwestern California) from federal forests could be about 1.5 to 1.6 bbf, including sustainable "east side" harvests of about .4 bbf. Moreover, there would be short-term salvage of an additional 150 to 200 million board feet for two years.

These numbers will not be good news for the timber industry, rural communities, or labor. In the 1980s, when excessive and unsustainable harvests were the rule, timber from the west side forests was cut at an average annual rate of 4.6 bbf. From 1990 to 1992, timber was harvested at an average rate of 2.4 bbf per year. And while industry and labor have been bracing for lower levels, they argue that future harvests of at least 2 bbf are required.

The problem is that, in the judgment of our scientific team, no option exists that can comply with the law and still produce 2 bbf annually over the long term from federal forests on the west side.

The disappointing numbers are only in part a function of compliance with environmental statutes. When the team looked at the Forest Service timber base, it found that previously-generated forest plans overestimate by 20 to 30 percent the average sustainable annual timber sale level -- i.e., under any plan, we cannot produce as much timber as had been thought.

The harvest numbers are further driven down by the impact of earlier overcutting on the viability of various species. Until now, attention has been focused primarily on the spotted owl and its habitat needs. But it is now apparent that the protection of marbled murrelets and fish species (several of which are likely to be listed under the Endangered Species Act within the next year) will have at least as much effect on timber harvests as the owl.

Industry, labor, and their allies on the Hill, to the extent that they accept our scientific/legal analysis, say that the law should be changed to accommodate the higher harvest levels that they believe are needed to protect jobs. But trying to change those laws would provoke a storm of protest on the Hill and around the country and would be inconsistent with the positions that you took in your campaign and since.

Environmentalists will also be displeased with several aspects of the option that we recommend. The main objective of most environmental groups is the protection of the remaining old growth. The recommended option protects only some (not all) old growth; indeed, about 50 percent of the timber harvested will be at least 150 years old. In addition, environmentalists will be unhappy that the option permits some timber cutting in the reserves. Moreover, although we believe that the option provides

sufficient protection to species to comply with the law, many environmentalists will argue that it does not.

From the standpoint of industry and labor, we have three principal sweeteners on which to rely, though none will mollify those hurt most.⁴ First, we will have to rely on labor and community assistance, discussed at pp. 11-16, below. These measures will help, though they will not be enough in the eyes of industry and labor. Nonetheless, we will have to keep emphasizing that no one will win in the end by cutting at unsustainable levels; that the only economically viable choice over the long term is **sustainable** cutting; and that we are ready to make an unprecedented commitment to help the region -- even as we recognize that our efforts will not ease everyone's pain.

Second, we may be able to soften the blow of lower harvest levels by phasing in those levels over time, thereby easing the region's transition (see p. 8 below).

Third, we can take other actions that will either increase timber production from non-federal lands or increase the domestic processing of that timber (see p. 10 below).

From the standpoint of environmentalists, the main advantages of the proposal will be the Administration's commitments to ecosystem management, to compliance with the environmental laws, and to the protection of much of the most important old growth.

Job Losses. Job losses associated with any management plan will be a disputed issue. Economists on the scientific team estimate that direct forest industry job losses resulting from implementing most of its options would range from 6000 to 9000, when compared to the number of jobs for the most recent year, 1992. This is a reasonable estimate of the direct jobs currently held that will be lost as a result of reduced harvest levels.

However, 20,000 jobs in the Pacific Northwest forest industry were lost between 1990 and 1992, and some of the people who lost their jobs in this period (possibly 5000 to 10,000) still need assistance in making an adjustment to the permanent reduction in employment opportunities in the industry. Thus, we estimate that 11,000 to 19,000 people (a) have lost or will lose their jobs as a result of changes in federal forest policy, and (b) still need assistance in making an adjustment. The community and labor assistance program that the Administration is proposing will provide \$1.47 billion in new federal funds to the region over the next five years. This package will create more than 7

⁴ The impact will be most severe in coastal and southwestern Oregon and the Olympic peninsula (Rep. DeFazio's and Dicks' districts, respectively).

13,000 employment and training opportunities and thousands of new jobs in the private sector and in state and local government.

Industry and labor will say that job losses are much higher. They will contend that the appropriate baseline is the mid-1980s, when employment was very high, and will apply a multiplier to take into account indirect losses. They can be expected to use job-loss figures of approximately 25,000 to 40,000 direct jobs and a total of 75,000 to 150,000 jobs lost in the region.

Possible Budgetary Effect of Reserves. All of the options involve the establishment of old-growth reserves. This raises potential budgetary issues, since contracts have already been entered into for some of the timber located in those reserves. Under the recommended option, approximately 1 bbf of timber under contract is located in reserves. We are assessing how much can be harvested without causing significant ecological impacts and how much should not be harvested. A worst case analysis indicates that the government could lose up to \$300 million in expected revenues from those sales, as well as up to \$270 million to buy back valid contracts. In previous exercises recommending creation of reserves, scientists determined that over 90 percent of sales under contract could be harvested without jeopardizing species or ecosystems. Therefore, it is likely that the actual cost of designating reserves will be substantially less than the worst case scenario. At this point, we are unable to determine the anticipated magnitude of the cost.

The Options. Framing the decision space are two options: the existing agency plans and a maximum conservation option. The agency plans would produce by far the largest timber harvest of all options considered; however, they do not protect species (particularly marbled murrelets and fish) sufficiently to meet legal requirements. The conservation option would be embraced by environmentalists but would outrage industry and timber-dependent communities. It also would not be viewed as the "balanced policy" that you promised during the forest conference.

Between these two extremes are a number of options that start from different places (either in protecting certain species and building on that or in protecting the best old growth areas and adding species protection) but end up producing timber harvest and job loss numbers that are tightly grouped. (This again demonstrates that we are dealing with a narrowly constrained decision space as a result of the practices of previous Administrations.)

Most options that achieve compliance with the legal requirements⁵ produce less than 1 bbf of timber on a sustainable

⁵ Though the issue is not free from doubt, we believe that any plan that achieves "high" or "medium high" viability ratings for key species will likely be deemed to be in compliance with

basis. (Table 1 summarizes viability ratings, timber harvest consequences, and effect on jobs, for all options.) Three options produce slightly more than 1 bbf. Of these, the one that produces the largest amount of timber (1.2 bbf) is an option newly developed by the scientific team, referred to as the "unified reserve" option (Option 9).

This option takes a different approach from previous proposals by focusing, not on a species-by-species approach, but on watershed protection, specifically key watersheds with at-risk fish stocks and high quality habitat. It develops reserves that accomplish multiple purposes.

This option also identifies ten large adaptive management areas (100,000 to 500,000 acres each) for intensive ecological experimentation and social innovation, with the objective of developing and demonstrating integration of ecological and economic/social objectives. It thus incorporates some of the cooperative, community-based principles that you laid out at the Forest Conference. The adaptive management areas will be very popular with local communities and labor, as they will provide opportunities for agencies, non-governmental organizations, local groups, and communities to work together to develop innovative management approaches.⁶ Environmentalists, however, will stridently oppose adaptive management areas because they view them as leading to increased "community control" and over-harvesting.

45 mill?
25 mill?
The principal drawback to the unified reserve option is that the adaptive management areas will involve somewhat greater expense for monitoring and research than the other options. A rigorous monitoring program is required to build and maintain public trust and provide the scientific data needed to assess the status of the forest ecosystem under this option particularly but also under all other options. On average, the additional expense for research and monitoring under this option is estimated to be approximately \$15 million per year. Moreover, there will be additional expenses in connection with establishing the areas and coordinating public involvement. The relevant land management agencies believe that this expense can be accommodated within existing agency budgets and that the political and social advantages of the adaptive management option outweigh the additional cost.

the ESA and NFMA as they relate to federal land.

⁶ The approach of identifying adaptive management areas could probably be applied to other options as well. However, it would require modification and specific assessment based on the strength and location of the reserves included in each option and the types of cutting allowed outside of the reserves. It would also require reassessment of viability ratings for the option.

TABLE 1

	<u>OPTION</u>									
	1	2	3	4	5	6	7	8	9	10
<u>VIABILITY *RATINGS</u>										
owls	H	H	H	H	H	H	MH	MH	H	MH
marbled murrelets	H	H	H	H	H	H	ML	ML	MH	H
fish	H	MH	MH	H	MH	MH	L	ML/M	MH	MH
 <u>TIMBER HARVESTS</u>										
(billion board feet)	0.20	0.68	0.74	0.74	1.01	0.85	1.84	1.41	1.21	1.08
 <u>EMPLOYMENT IMPACTS</u>										
(projected direct job losses in thousands, using 1992 baseline)	12.5	8.8	8.5	8.4	6.8	7.9	1.7	4.5	5.7	6.7

*In some cases, these are measures of the habitat to support viability, not the viability of the species.

Three other options (Options 6, 8, and 10) warrant mention. All start from the standpoint of protecting the best old-growth areas and have similar definition of the acreage that is set aside from future timber cutting. The biggest differences between them are the width of buffers along certain classes of streams and the level of forest cover in non-reserved areas. Because of these differences in guidelines and buffer widths, the three options vary in both projected timber outputs and viability ratings. The following description of options demonstrates the sensitivity of timber harvest numbers to slight changes in conservation requirements:

- **Option 6** has higher viability ratings than the unified reserve option but produces substantially less timber (.9 bbf).
- **Option 8** would achieve higher timber outputs (1.4 bbf) than the unified reserve option or Option 6 because stream buffers are substantially narrower and because it relaxes forest cover requirements outside of forest reserves. However, it has viability ratings for marbled murrelets and at-risk fish (medium low) that prevent it from meeting legal standards.
- **Option 10** provides 1.1 bbf of timber by relaxing forest cover requirements outside of forest reserves but maintaining the same buffers as Option 6. It achieves viability ratings comparable to, but slightly lower than, the similar numbers for the unified reserve option.

In summary, Option 6 is inferior to the unified reserve option in terms of timber output, Option 8 fails to meet legal requirements, and Option 10 offers no advantage in terms of either viability or timber.⁷ Consequently, on balance we believe that the unified reserve option (Option 9) is preferable.

Recommended decision: The Executive Committee recommends that we base the Administration's proposed new forest management plan on the "unified reserve" option (subject to the additions and modifications discussed below).

Agree _____ Disagree _____ Discuss _____

⁷ Moreover, the adaptive management aspect of the unified reserve option is considered an advantage of that option. If the same concept were applied to Option 10, it would require reassessment of the viability ratings and harvest levels, and it could lower those estimates.

Implementation Issues.

1. Phase-in. To mitigate the social and economic consequences that would result from a dramatic reduction from the historic timber harvest level, the majority of the Executive Committee favors phasing in the new plan, starting at a higher level than the average annual amount and reducing annual sales thereafter.

The precise numbers for a phase-in are to be determined. If the average annual target for the option selected is 1.2 bbf, we would try to structure the phase-in so that the first year harvest is at 2 bbf⁸ and the amount declines each year thereafter. Depending on the rate of descent, by the fourth or fifth year, the sales would have to drop to about 1 bbf so that the amount cut in 10 years averages 1.2 bbf.

The leaders of the scientific team have stated that a careful phase-in would not alter their viability assessments as long as the ten-year harvest total is not exceeded and all guidelines for the chosen option are followed and accompanied by rigorous monitoring.

The NEC dissents from the recommended phase-in because it may be viewed as perpetuating the Bush Administration approach of short-term fixes.

Recommended decision: The majority of the Executive Committee (NEC dissenting) recommends that the Administration plan include a "phase-in" feature.

Agree _____ Disagree _____ Discuss _____

2. Administrative actions. The Departments of Agriculture and Interior have started to prepare a draft environmental impact statement on the new forest management plan, describing all the options that have been developed by the Ecosystem Management Assessment Team and the consequences of those options. A preferred alternative will have to be identified prior to July 16, when the Administration is obligated to comply with a court order to present the draft to Judge Dwyer.

We intend to take all steps to implement the new plan administratively as soon as possible. However, proceeding in accordance with existing procedural requirements would probably

⁸ In practice, it may be difficult to achieve this amount during the first year because of the time required to plan and prepare new sales. Once the decision on a strategy is made, we should move quickly to begin the planning process.

delay the preparation and sale of new timber until late next year. Many small mills and communities cannot wait that long.

3. Legislative action to accelerate implementation. Only Congress has the power to speed up the implementation of your program so that the injunctions can be lifted and timber sales commenced this year. (possible)

One possibility is for Congress legislatively to declare the preferred option to be the new "regional guide" for Forest Service and BLM lands that are considered to be habitat of the northern spotted owl and other old-growth associated species.⁹ Legislation could further direct that timber sales that have been awarded, offered, or prepared, can proceed -- provided they are consistent with the new regional guide and the underlying statutes. The bill could also direct that new Forest Service and BLM sales in the region be prepared in accordance with the new regional guide. (The Secretaries of Agriculture and Interior would then direct the Forest Service and BLM to revise their existing forest plans to be consistent with the policies and program direction included in the regional guide.)

We anticipate that the Fish and Wildlife Service (FWS) and National Marine Fisheries Service (NMFS) will have completed formal consultation under the ESA prior to issuance of the draft environmental impact statement. (any plans to expect a final opinion?)

The timber industry and labor strongly favor legislation providing a higher degree of "certainty" than we are recommending. They would prefer to have Congress override the ESA and other statutes and mandate a specific harvest level for several years. They also want that harvest level to be insulated from legal challenge, by having Congress find that the program meets procedural and/or substantive requirements of all statutes. Environmental groups would bitterly contest all of these aspects.

EPA expressed the concern, shared by other members of the Executive Committee, that, while justified in these unique circumstances, this expedited process should not be viewed as a precedent for other complex environmental problems.

Recommended decision: The Executive Committee recommends that we ask Members of Congress to speed up administrative implementation of the forest management plan by a legislative declaration that the preferred option will be the new regional guide.

⁹ The Forest Service develops a plan for each national forest. In addition, it has a "regional guide" applicable to management of all forests in a region. The BLM does not currently have a "regional guide." It will implement the Administration plan by finalizing its district Resource Management Plans.

Agree _____

Disagree _____

Discuss _____

Other Components Related to Timber Production. A number of additional issues that have a bearing on harvests and/or jobs should be part of the broader package of actions to address the Northwest forest situation.

Some of these would be intended to offset the effects of the reduced timber harvests on federal lands by increasing harvests on non-federal land. They include:

- promulgation by the Fish and Wildlife Service of a rule loosening restrictions on timber harvests from certain private lands (i.e., "owl circles");
- federal assistance in bringing to the market backlogged timber sales from Indian reservations in the region;¹⁰ and
- the use of a portion of the supply from an aggressive salvage program for forests on the east side of the Cascades to supply west side mills.

Other possible actions could increase the amount of timber that is processed domestically and thereby mitigate job losses. These include:

- redefinition of unprocessed timber to make it more difficult for companies to avoid export limitations by making minor changes to a log;
- encouraging private companies to commit that timber released by removal of owl circles will be processed in domestic mills; and
- increasing the amount of timber that goes into domestic value-added manufacturing, such as by affording a bidding preference to timber purchasers who agree to commit a percentage of their output to domestic value-added manufacturing.¹¹

¹⁰ It is estimated that the total may be as high as 450 million board feet. However, we cannot be certain how much of this total can be brought to market in the near term.

¹¹ See also the recommendation below to eliminate the FSC preferred treatment of income derived from the export of unprocessed logs.

In addition, certain actions that are desired by environmental groups may be necessary if we are to achieve an acceptable package to address the broader Northwest forest issues. Chief among these is the provision of permanent protection (either administratively or legislatively) for some high priority old-growth areas in which no logging will be allowed. We also anticipate the negotiation of habitat conservation areas for riparian protection on private lands.

Recommended decision: We are asking your approval to proceed administratively with the implementation of these actions and, to the extent necessary, to pursue legislation.

Agree _____ Disagree _____ Discuss _____

III. COMMUNITY AND LABOR ASSISTANCE

The Labor and Community Assistance Working Group has developed an integrated program to improve economic conditions in timber-dependent communities -- conditions that will be exacerbated by implementing any ecosystem management plan. The program addresses both immediate and intermediate-term needs, and it has four elements:

- **Assistance to workers and families** -- increased availability of monies from the discretionary national reserve account under Title III of the Job Training Partnership Act (JTPA) for job search assistance, retraining, and relocation. The program also calls for a coordinated effort to expand conservation corps activities for young people in the rural Northwest.
- **Assistance to firms and industries** -- increased funding for successful business grant-making and lending programs (currently administered by the Department of Agriculture), expanded technical assistance (through the Department of Commerce), and adjustments in federal procurement practices. The program also calls for increasing the supply of timber to the secondary processing sector of the Northwest timber industry and for eliminating tax incentives for log exports.
- **Assistance to communities** -- stabilization of fiscal assistance to Northwest counties, strengthening of community capacity to plan for economic development and diversification, and improving the infrastructure necessary for such development.
- **New investments in ecosystems** -- investments in watershed maintenance, ecosystem restoration and research, environmental monitoring, and forest stewardship that will improve the condition of the region's ecosystem, create jobs

in timber-dependent areas, improve water quality, and increase salmon stocks to avoid salmon listings and improve commercial fishing.

The estimated dollar amounts associated with this program are described in the attached Table 2. The bulk of the funding is identified from your FY1994 budget request (base program plus investment package) and has not yet been appropriated. Availability of funds is subject to final appropriations by Congress.

Two issues need to be addressed separately from the rest of the package. Both involve legislation.

1. Revision of fiscal assistance to counties

This is a controversial issue. Currently, both the BLM and Forest Service participate in revenue sharing with county governments (with payments near \$100 million and \$200 million per year, respectively, during the late 1980s). This method of revenue sharing has proved problematic because significant fluctuations in harvests have produced significant fluctuations in revenues and because revenue sharing generates pressure for increased harvesting. In each of the past two years, Congress has established a "safety net," guaranteeing minimum revenue sharing equivalent to 85 percent of the five-year average past payments in fiscal years 1986 through 1990.

The Group recommends the establishment of a ten-year schedule of federal payments, beginning at safety-net levels and declining three percent per year. The current stipulation limiting revenue sharing to total timber receipts should continue. This approach would offer communities stability and predictability and thus provide a more attractive investment climate, while at the same time encouraging communities to become less dependent upon federal fiscal assistance, as the payments would be limited in duration and gradually declining. The payments would reach 55 percent of the 1986-1990 average in FY2004; at that time, the payment regime would be reexamined.

Recommended decision: The Executive Committee recommends the establishment of a ten-year schedule of federal payments, beginning at safety-net levels and declining three percent per year.

Agree_____

Disagree_____

Discuss_____

2. Elimination of current tax incentives for raw log exports

Currently, the Foreign Sales Corporation (FSC) provisions in the Internal Revenue Code exempt from US tax a portion of the

TABLE 2 Funding Level Options

Options	FY1994	FY1993-1998 Funds beyond base
FY1994 Base --	\$855.7	--
FY1994 Budget --	\$1,022.4	\$561.4
FY1994 Reprogrammed & Redirected	\$1,169.0	\$1,393.4
Option 1 + NW Economic Fund --	\$1,189.0	\$1,471.1

PARTIAL LIST OF FEDERAL ASSISTANCE PROPOSED FOR PACIFIC NORTHWEST "OWL REGION"
(in \$ millions)

Initiative	FY1994 Base	FY1994 Investment	FY1994 Reprogram & Redirect	Northwest (FSC) Fund	FY1994 Totals	FY93-FY98 Funds beyond Base (Option 2)	Period
JTPA-Title III: Sec'y Reserve	6.2	5.8	0.0	5.0	17.0	32.4	(3 years)
National Service	1.2	0.0	0.0	1.3	2.5	3.8	(3 years)
JTPA-Title III: Formula	14.0	16.0	0.0	0.0	30.0	48.0	(3 years)
-Total: Workers & Families	21.4	21.8	0.0	6.3	49.5	84.2	(3 years)
RDA Bus. Enterprise Grants*	--	1.1	3.0	0.0	4.1	12.3	(3 years)
RDA Bus. & Industry Program	5.5	9.8	20.0	0.0	35.3	69.4	(3 years)
RDA Intermediary Relending**	--	--	16.0	0.0	16.0	48.0	(3 years)
Old Growth Diversification	1.5	0.0	0.0	3.0	4.5	9.0	(3 years)
Manufacturing Extension***	--	--	--	--	--	--	(3 years)
EDA Technical Assistance	0.5	0.0	0.0	1.8	2.3	5.3	(3 years)
SBA Guaranteed Loans	90.0	65.0	0.0	0.0	155.0	195.0	(3 years)
-Total: Businesses	97.8	75.8	39.0	4.8	217.2	359.0	(3 years)
Revenue-Sharing for Counties	200.0	0.0	0.0	0.0	200.0	250.0	(5 years)
EDA Planning Assistance	2.0	0.0	1.5	3.0	6.5	13.5	(3 years)
RDA Community Facilities	5.0	16.6	20.0	0.0	41.6	109.8	(3 years)
RDA Water/Wastewater Program	55.0	17.0	15.0	0.0	87.0	96.0	(3 years)
CDBG Block Grant & Sec. 108	36.6	1.9	0.0	0.0	38.5	5.7	(3 years)
-Total: Communities	262.0	33.6	36.5	3.0	335.1	469.3	(3 years)
Ecosystem Restoration	176.0	19.3	71.1	0.0	266.4	452.0	(5 years)
Enhanced Private Land Managemt.	2.2	2.2	0.0	4.0	8.4	31.0	(5 years)
Understanding Federal Forests	0.0	****	****	2.0	****	10.0	(2 years)
Other Forest Restoration	256.0	12.0	0.0	0.0	270.0	60.0	(5 years)
-Total: Ecosystems	436.2	33.5	71.1	6.0	546.8	553.0	(5 years)
Totals:	\$855.7	\$166.7	\$146.6	\$20.0	\$1,187.0	\$1,471.1	

AMOUNTS REFLECT FUNDS AVAILABLE (I.E., INCLUDE LOAN AMOUNTS)

Assumptions: 3 and 5 year agency commitments on reprogramming and redirection
straight-lined investment levels

Notes: *FY1994 Base not available.
**In the past, appropriations for the RDA IRP have not been allocated by State.
Instead, projects compete for funding. The FY1994 base program level for
the entire program is \$34 million. \$140 million in additional loans are proposed in the investment package.
***FY1994 amount awarded competitively.
****Marketing non-timber environmental resources from the forest (e.g., carbon storage)
is expected to become a new source of revenue.

income derived from the export of most goods, including unprocessed logs, when FSC participates in an export transaction. The majority of the Group recommends that the FSC be amended to deny FSC benefits to income from the export of raw logs. This would likely decrease exports and increase domestic processing. The Treasury Department estimates that this would increase revenues by \$15 million per year.¹²

The CEA and Treasury oppose this proposal. They believe that any reform of FSC rules should be undertaken in the context of a comprehensive study of tax incentives for exports, rather than on a piecemeal basis. In addition, CEA points out that the overall impact of reduced log exports could actually be to reduce rather than increase jobs if the change results in a reduction of timber harvests off private land.

While campaigning in Oregon, you indicated that you did not think that the government should continue to give preferential tax treatment for raw log exports. Labor unions, environmentalists, and most of the Northwest delegation favor eliminating the export credit. The Agricultural Export Alliance has accepted the likelihood of that result. Congressman DeFazio would go further and ban all log exports.

Recommended decision: The majority of the Executive Committee (except CEA and Treasury) recommends that the FSC be amended to deny FSC benefits to income from the export of raw logs.

Agree_____

Disagree_____

Discuss_____

The Size of the Adjustment Package

• The FY1994 Budget

The starting point for analyzing the adjustment package is the current FY1994 budget. In the FY1994 budget, OMB has identified \$1.02 billion for worker, business, and community assistance as well as ecosystem investment programs in the Pacific Northwest -- \$855.7 million in FY1994 "base" programs and \$166.7 million in "investment" programs. Successful implementation of the program requires passage of the investment package items for Agriculture, Interior, Commerce, Labor, EPA, and the Small Business Administration.

¹² During the Forest Conference, there was mention of a larger revenue estimate (\$70 to \$100 million) that was developed on the Hill last year based on rough calculations not using micro data (as is used in Treasury's estimate).

• **Option 1: Reprogram and Redirect FY1994 Budget Levels**

Under this option, the agencies would augment FY1994 budget amounts targeted to the rural Northwest by reprogramming monies from FY1994 base spending and redirecting FY1994 base and investment spending to increase economic assistance. It is currently envisioned that this option would provide an additional \$146.6 million for the region in FY1994. We would implement this option through approval of appropriate Congressional committees and/or through administrative action.

Approximately half of the reprogrammed money would go into ecosystem restoration, providing additional jobs in the woods. The remaining funds would support community infrastructure improvement and Rural Development Administration and other business programs.

The investment package combined with this reprogramming and redirection would provide \$313 million in FY1994 and would likely create 8,000 to 10,000 new jobs in the Pacific Northwest and support new retraining programs for 1,500 persons. Over five years, the package would provide \$1.4 billion in new monies and create jobs for 22,000 workers and retraining for 5,000 workers.

Although targeting funds to the Northwest may create resentment in other regions, political leaders in the Northwest will approve of the reprogramming. The Group worked closely with Oregon and Washington officials in developing the package.

The Departments of Labor, Interior, Agriculture, and Commerce believe that this package is insufficient, particularly in light of the magnitude of the reduction of timber harvests, the likely political response, and your campaign pledge of "no net loss of jobs." Other agencies and departments believe that the package amount is appropriate, given the phase-in, other mitigating timber policies, and budgetary constraints. These agencies and departments emphasize that this Northwest economic adjustment package should be viewed in the context of other dislocations caused by federal policies.

Recommended decision: The majority of the Executive Committee recommends the reprogramming and redirection of \$146.6 million for the region in FY1994 (in addition to the \$167 million from the investment package). (Labor, Interior, Agriculture, and Commerce recommend that additional monies be identified to increase this amount.)

Agree _____

Disagree _____

Discuss _____

• **Option 2: Create a Northwest Economic Assistance Fund**

Under this option, \$20 million a year (in FY1994-FY1998) would be dedicated to a fund to support retraining, youth services, planning assistance, and private land management in the rural Northwest. This \$20 million would be offset by \$15 million in increased revenues from the restriction on FSC benefits (discussed above), combined with potentially \$5 million in increased log-sale revenues. Each year these monies would fund an additional 1,500 retraining opportunities, summer opportunities for 400 youth, as well as creating another 500 permanent jobs.

Together, the investment package, Option 1, and Option 2 would provide \$333 million in new federal funds for the region in FY1994 (for a five-year total of \$1.47 billion). This combination of funds would create:

- 8,500 to 10,500 new jobs in FY1994 (about 23,000 over five years);
- 3,000 job training opportunities in FY1994 (about 9,000 over five years); and
- 400 summer youth opportunities in FY1994 (about 1,200 over five years).

Recommended decision: The majority of the Executive Committee recommends that this option be implemented. Because they believe that the FSC should not be revised, CEA and Treasury dissent.

Agree _____

Disagree _____

Discuss _____

Implementation Mechanism. The Group presently contemplates the delivery of federal assistance, in the short term, through an "incident command" system, such as that used in natural disasters and other emergencies. Under this system, representatives of the relevant agencies and affected states would form a "Multi-Agency Command" that would oversee and coordinate the activities of federal and state entities, most often through a memorandum of understanding.¹³ This structure is well-recognized in the Northwest and will be well received. Within twelve months, this rapid-response structure would give way to a more developed structure that would ensure interagency cooperation.

¹³ It would not be our intent to eliminate or interfere with existing interagency activities that have demonstrated an ability to manage resources effectively.

Initial discussions with the Agency Coordination Working Group suggest that it may be possible to incorporate aspects of this function into the interagency management structure described in that Group's report. Further study of this potential is recommended.

IV. AGENCY COORDINATION

Too often in the past, various federal agencies have acted in isolation or even at cross-purposes in connection with the management of forests in the Pacific Northwest and northern California. This lack of cooperation has undeniably contributed to the current gridlock. The adoption of a new forest management strategy provides an ideal opportunity for this Administration to correct the existing problems and to fulfill your pledge at the Forest Conference to have the agencies cooperate more closely.

The new plan will be based on ecosystem management. Ecosystems are not generally contained within the geographic boundaries of a single ownership (e.g., the ecosystem for salmon species can extend from small mountain streams, through rivers that pass through federal, state, and private ownerships, and into the ocean). Managing an ecosystem can involve dealing with multiple property owners, multiple users of the property, and various federal and state agencies with regulatory responsibilities. As a result, ecosystem-based management of federal lands will require vastly increased agency coordination.

We propose a new scheme of land management planning for the region, including the following:

1. New Planning Units. Under the options developed by the scientific team, the beginning place for analysis is the individual watershed, and the most logical planning unit is a "physiographic province," consisting of a number of watersheds. Over time, we propose to switch from the existing planning units (individual national forests and BLM districts) to these provinces. In the case of the Forest Service, complete implementation of this change would require amendment of NFMA.¹⁴ While the Department of Agriculture is committed to this new approach to land management, the magnitude of statutory and programmatic changes required -- particularly as they relate to current land management planning requirements for the national forests -- should (in the view of Agriculture) be viewed as a long-range objective.

¹⁴ BLM currently has authority under FLPMA to adjust planning boundaries (districts) administratively to conform with physiographic provinces.

2. Interagency GIS Database. We propose the immediate development of an interagency Geographic Information System (GIS) database in order to allow land management and resource agencies to coordinate their efforts in the collection and development of research and data. Agencies will respond as available funds allow in FY1993 and FY1994 and will consider budget initiatives during the FY1995 budget formulation process.

3. New Planning Structure. Most of the planning work would be done by provincial-level teams -- i.e., these teams would develop analyses for physiographic provinces and particular watersheds. The membership of these teams would include the relevant federal agencies, states, and tribes.¹⁵ In addition, when individual watersheds are analyzed, the objective would be to get all affected parties to the table to discuss biological needs, timber needs, community needs, etc. An Interagency Executive Committee would coordinate and provide direction for the work of the provincial teams. It is our intent to begin to establish this structure as soon as feasible.

4. Revised Consultation Process. The existing consultation process under the Endangered Species Act would be revised to emphasize an integrated ecosystem approach. This would include involving FWS, NMFS, and EPA early in the process, so that the views of those agencies can be made known when the land management agencies begin to develop their plans for a particular area. (In contrast, under previous practices, consultation agencies have sometimes not made their views known until late in the planning process). It would also involve the use, where appropriate, of regional consultations (as contrasted with consultations on individual timber sales).

5. Additional Legislative Changes. To achieve maximum benefits from the new ecosystem-based approach, certain statutory and regulatory changes will be desirable, including:

- revision of the budgeting process (1) to decouple funding of agency budgets from timber sales levels, and (2) to allow flexibility in expending funds when and where needed to manage overall ecosystem health, including expenditures for joint projects such as the interagency GIS database;
- amendment of NFMA, FLPMA, and/or relevant regulations to streamline the process for amending land management plans; and
- revision of legislation or regulations governing BLM lands to more specifically emphasize species viability and habitat protection.

¹⁵ Federal Advisory Committee Act (FACA) considerations are still being addressed.

We recognize that some of these legislative changes may prove to be controversial. The Department of Agriculture has stated that it would be unwise to request changes to NFMA at this time. We recommend that these subjects (other than NFMA changes) be included in the discussions with Members of Congress and that the question of NFMA changes be deferred until a later date.

Effect on Budget. Preliminary review suggests that, during the interim period, when agencies are operating under the old system but also preparing to switch over to the new strategy (and when they are investing in a common database and related technology), agency costs will be increased. In the short term, it is estimated that ecosystem management for the region could add up to 30 percent to the cost of agency operations per year, or \$78 million. In the long term, however, efficiencies and cost savings seem likely. The agencies will begin implementation within existing FY1993 and FY1994 budgets and will be able to refine their estimates of budgetary impact before the FY1995 budget process.

We caution against any expectation that agency budgets can be reduced commensurately with the decrease in timber harvest levels on federal lands, since the increased emphasis on objectives other than timber production (including recreation, species protection, rehabilitation, conservation, and other commodity production) will require the maintenance of adequate staffing levels. Moreover, monitoring and research will be significant factors in any ecosystem-based plan.

Recommended decision: We recommend that you approve the new land management framework in concept and authorize us to implement it administratively (to the extent possible), perhaps through an Executive Order, and to include the necessary legislative changes (other than NFMA) in our discussions with Members of Congress.

Agree _____

Disagree _____

Discuss _____

ATTACHMENT 1

POLITICAL SITUATION

A. Expectations

Following the Forest Conference, expectations of all parties were exceptionally high that the Administration plan would produce components they favored. People came away from the Conference selectively having heard what they wanted. "Balance" became a "silver bullet" magic solution. Not surprisingly, "balance" is being defined by perspective:

- to loggers and the timber industry, it means lifting the injunctions, modifying the Endangered Species Act, and increasing the timber harvest level;
- to environmentalists, it means increasing protection of the remaining old-growth forest ecosystems and establishing permanent reserves.

In recent weeks, expectations have been lowered. Most people now realize that no "silver bullet" solution exists.

Industry, labor, and community leaders, while expecting a reduction from historical harvest levels and levels stated in resource plans, will be very unhappy to learn that the forest plan estimates were too high even before one overlays additional habitat conservation.

These groups will also be upset to learn that there is little new money to assist affected people. The Labor and Community Assistance Team report recommends developing and/or enhancing several programs. The total available funds is \$1.02 billion in FY1994. This level of funding, while substantial, does not compensate communities or workers at a level equal to the resulting declines of services resulting from lower timber harvest levels from federal lands.

B. Political Context

Now that we have draft reports from each working group, we must move quickly to maintain: (1) leadership and (2) control of the information. Congressional leaders, Governors, and interest groups following this process are becoming increasingly anxious to know what the Administration will propose and how they will be involved/consulted. Recent media coverage revealing details of the scientific plan have heightened that anxiety.

CONGRESS: Implementing this comprehensive program will require legislation. The best way to gain Congressional support is to ensure that Members of the delegation and key committee chairs are invested in the plan. Once consultations begin, however, the working group options and recommendations will leak. Lobbying efforts from all sides will intensify -- on you, senior staff, and Congress. Claims and counter-claims will be vicious.

We propose to continue working with Congressional representatives to explain the program as soon as you provide your approval. Their primary incentive for enacting the plan is that they have no better alternative. Congress has wrestled with this for years and been unable to resolve it. The administrative outcome would provide little new timber until late next year.

You, Cabinet Secretaries, and other senior officials will have to use all your persuasive powers to get this through Congress and earn the support of Governors Lowry and Roberts.

GOVERNORS: Governors Lowry and Roberts have been far more active than Governor Wilson because their states are more widely affected. We are working to gain the support of Governors Lowry and Roberts. We do not anticipate Governor Wilson will support the Administration plan.

INTEREST GROUPS:

Labor: Labor, specifically the Carpenters' Union, has formed an alliance with the industry to fight against timber harvest reductions. They indicate that they need 2.0 bbf harvest from federal lands in the region. (In addition to the 1.2 bbf from "owl forests", the region includes forests on the east side of the Cascades that will produce harvest levels of about 0.4 bbf annually.) They also want some sense of certainty that timber sales will go forward and that community and worker assistance programs will be funded.

Environmentalists: Environmentalists want protection of all remaining old growth forests and no weakening of important statutes. They also demand less intensive timber harvesting practices on non-protected forests.

Local Government: Local governments receive 25% of gross Forest Service revenues and 50% from Bureau of Land Management lands in lieu of taxes that would be collected if those lands were privately held. As much as eighty percent of some county budgets result from these payments. They rely on, and have become accustomed to, high levels of timber sales from Federal lands.

Forest Products Industry: The industry seems to be preparing to criticize sharply the Administration proposal. They will criticize the process because the range of options prepared does not include weakening existing laws such as the Endangered Species Act. Private landowners want both to have their conservation efforts recognized and to have harvest restrictions eased. They will criticize the reduced harvest levels. The proposed program accomplishes two things for industry: (1) access to timber supplies (although limited) as soon as possible; and (2) possible easing of owl conservation restrictions on private lands.

Urban Dwellers: Voters who live in cities want to protect the forests. At the same time, they show compassion for those whose livelihoods have depended on the forest. If the Administration's plan is presented effectively, it should satisfy the concerns of this group and be perceived as a fair accommodation of diverse interests.

MEMORANDUM FOR THE VICE PRESIDENT
FROM KATIE MCGINTY
SUBJECT COUNTERPOINTS TO ENVIRONMENTALISTS' ATTACK ON
 FOREST MANAGEMENT

In an article in this morning's Washington Post, environmentalists attacked the forest management option that the Forest Conference Executive Committee will recommend to the President. The thrust of the article is that the Administration favors logging over all other aspects of forest conservation.

From a strategic point of view, the article plays into our hands of presenting a balanced approach. We are proposing to reduce harvest on Federal lands by 74 percent, designate approximately 11 million acres as forest and watershed reserves (some of which will have limited logging), and provide what the scientists say is high viability for protecting spotted owls and murrelets. But that is not enough.

Specific points the environmentalists criticized the Administration on are:

1. New emphasis on watershed protection rather than focussing on owl habitat.

RESPONSE: The best way to implement "ecosystem management" is to base planning on natural features like watersheds. We are trying to avoid degradation of habitat for salmon and other species which are in trouble. The reserve system in option 9 includes most previously designated owl habitat.

2. Some logging would be permitted in old-growth stands within owl preserves; reserves should be "inviolate."

RESPONSE: The reserves are based on watersheds. Not all tree stands in the reserves are old growth. In the coast ranges, no harvesting will occur in stands older than 80 years within designated reserves. The old-growth is off limits. In the forests on the western slope of the Cascades, at least 50 percent of the area will be maintained as old growth.

3. "Adaptive management" are little more than social experiments for "local control" as favored by the Wise Use movement.

RESPONSE: We are proposing 10 adaptive management areas in different physiographic regions. We propose to have local

involvement in how those lands are managed, and the research and monitoring programs that will be conducted.

4. Insulation of the plan from legal challenge is unacceptable.

RESPONSE: We have never proposed to insulate the plan from legal challenge. We are proposing to have Congress designate the proposed program as the regional guide. Environmentalists, counties, or industry could challenge it.

We are proceeding with all appropriate administrative remedies to implement the proposed plan -- preparing public notices and an environmental impact statement. Completing this process will prevent the Forest Service or BLM from holding timber sales until next summer, at the earliest. Many mills and communities will run out of timber supplies before then.

5. This is "political science, not biological science."

RESPONSE: The scientific team in Portland produced this option as a better way to meet conflicting social and biological needs. It is biologically sound. It provides very good "viability ratings" (likelihood that a species will remain viable throughout its range) for key species: spotted owls -- high; marbled murrelets -- medium high; and at-risk fish -- medium high.

CONGRESSIONAL AND INTEREST GROUP BRIEFINGS

OPENING TALKING POINTS

o The purpose of this meeting is to inform you about where we are and where we are going on the President's plan for northern California and Pacific Northwest forests and forest based communities.

-- We want to clarify some of the things you may have heard through the rumor mill and in the press.

-- We would also like to get your reaction, including recommendations for improvements, on a plan that we expect the President to announce shortly.

-- Lastly, we would like to ask for your support.

o We need to lay down some ground rules before we begin:

-- These discussions must be off the record and absolutely confidential;

-- These discussions are not for attribution;

-- We don't have any paper to give you at this time; and,

-- I don't have any decision making authority, but, will certainly express your concerns to the White House.

o We have spent the last three months working hard to look at all the forest management, rural development, and economic assistance options.

o You need to know that our decision space is extremely limited.

-- Judge Dwyer expects us to produce a forest management plan that is procedurally and substantively adequate by July 16th.

-- The President has asked us to comply with existing environmental laws.

-- We found that the Forest Service timber sale base line is nearly a third of what the agency identified as available for harvest just 3 1/2 years ago. Therefore, we have much less forest to work with than we expected.

-- The budget deficit puts a crimp on our ability to fund alternative forest management and assistance programs to the level we would like.

o Having said this we are really excited about the plan. We have met the President's objectives and truly developed a way to implement "ecosystem management" that protects old growth and water quality, provides sustainable timber sale levels, and provides assistance to those who are impacted by this decision.

o Before I start talking specifics, I ask that you look at this plan as a comprehensive whole, and not as independent parts.

-- Like the forest ecosystem itself, this plan is interdependent. If one component falls out, the whole plan is at risk.

o Well for Bank.

o Meyer stuff.

o

2 DAY SCHEDULE

6/22, TUESDAY

- POTUS makes decision on package
- Briefings conducted for Secretaries Espy, Babbitt, Brown, Browner, Tyson ... preparations for them to brief Congress.

6/23-24

- Cabinet briefings with key Members of Congress
- Staff briefings with 3 delegations plus key committee and subcommittee chairs
- Team in PNW briefs governors
- Reassess/revise program as necessary, based on comments from Congress and constituents.

6/25, FRIDAY

- Brief constituents -- labor, enviros, industry
- full delegation briefing at White House by POTUS/VPOTUS
- PUBLIC ANNOUNCEMENT by POTUS

4 DAY SCHEDULE

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6/23-25

- Cabinet briefings with key Members of Congress
- Staff briefings with 3 delegations plus key committee and subcommittee chairs
- Team in PNW briefs governors

6/25

- Brief constituents -- labor, enviros, industry

6/26-27

- Reassess/revise package based on input from Congress and constituents

6/28 OR 29

- full delegation briefing at White House by POTUS/VPOTUS
- PUBLIC ANNOUNCEMENT BY POTUS

CONGRESSIONAL/CONSTITUENT CONSULTATIONS

The strategy for consulting with Members of Congress and key constituents depends on three key factors:

1. When the President provides his approval of the selected option.
2. The amount of time for consultations between the decision and public announcement.
 - Some people prefer a maximum of 2 days.
 - Some people prefer a minimum of 4 days.
3. The purpose of the consultations is to:
 - assess the political acceptability of the plan;
 - avoid surprising Congress with the President's plan; and
 - obtain input as to ways to smooth implementation of the plan.

TIMING

Assumptions: 1) Deputies meeting resolves most differences. 2) Redrafted memo approved goes to President over weekend. 3) President makes a decision by June 22 (Tuesday).

Proposed schedules attached.

TEAMS FOR ADMINISTRATION CONSULTATIONS

The brief time in which to consult with Congress and constituents will require forming teams to conduct the briefings. Cabinet secretaries will lead the teams. Each team should include a land management/environmental Cabinet official and a labor/economic Cabinet official. Staffs will accompany them.

The following people should be available to participate in the briefings:

WHITE HOUSE: McGinty, Tyson, Rubin, Gibbons, Cottingham, Yu, Epstein

INTERIOR: Babbitt, Collier, Frampton, Solien, Pipkin, Tuchmann, Stelle, Hamm

AGRICULTURE: Espy, Lyons, Gaede

LABOR: Reich, Portman, Richards

COMMERCE: Brown, Sallat, Hall, Gillette (EDA)

EPA: Brown, Fox, Gardiner

SCIENTIFIC TEAM: Jack Ward Thomas, Jerry Franklin, and Norm Johnson

THE MESSAGE

[WILL STELLER IS DRAFTING TALKING POINTS]

1. We've looked at all the information we could get on options to get out of this mess. This is the best we can come up with: "unified reserve approach" plus social program enhancements. This approach is balanced, based on best available scientific information, legally sound.

2. The President intends to publicly announce this [later this week/early next week]. We've got to demonstrate to the courts by July 16 that we are making progress toward developing ecologically sound forest management that meets the requirements of existing laws.

3. We are consulting with you and your colleagues now to get a "reality check" on how it will fair in Congress and your districts. This is an ongoing process. We need your help to pass certain elements of the comprehensive program.

BRIEFING KEY MEMBERS

The initial round of briefings must provide us a reality check as to the acceptability of the proposed program across widely divergent interests represented in Congress. We cannot limit consultations to only "friendly" or well known members. The following Members should be initially consulted on substantive basis of the proposed program.

WASHINGTON: Foley, Dicks, Unsoeld, McDermott, Murray

OREGON: Hatfield, DeFazio, Wyden, Packwood, Kopetski

CALIFORNIA: Boxer

COMMITTEES: Leahy (Agriculture), Johnston (Energy and Natural Resources), Baucus (Interior), Byrd (Appropriations), Miller (Interior), de la Garza (Agriculture), Studds (Merchant Marine), Yates (Appropriations), Vento (Nat'l Forest Subcommittee)

We should try to limit the number of briefings to four, two in

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each house. Solien will work with Brophy to set up. Once word of the briefings spreads, we are sure to have calls requesting attendance and expressing disappointment/frustration that particular members were not included. Be prepared and check the list above to make sure we have included all the necessary people.

Prior to public announcement, all Members of the northwest and northern California delegations plus key committee and subcommittee chairs will be briefed. A large gathering at the White House or an agency is the most efficient way to conduct such a briefing.

6/4/68

Boxes

① Murray, Hitzfeld, Gilson

Nam, Swift, Kopinski, deKreijer, unsoeld, Tolze

funer, warden, Hamberg, Kiedler, Linder, Cantwell

(Lorzen, Williams)

Committee chairs Vande, Rose

Members only

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SUBJECT COUNTERPOINTS TO ENVIRONMENTALISTS' ATTACK ON
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D:DC:SYNTH.8

JUNE XX, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: FOREST CONFERENCE EXECUTIVE COMMITTEE¹
VIA: KATIE MCGINTY
SUBJECT: FOREST CONFERENCE

I. OVERVIEW

At the Forest Conference, you directed the Cabinet Secretaries to develop within 60 days a balanced plan to break the stalemate in the Pacific Northwest. Three interagency working groups were established:

- the Ecosystem Management Assessment Team to examine forest management issues and their ecological and economic impacts;
- the Labor and Community Assistance Working Group to explore economic development and assistance proposals; and
- the Agency Coordination Working Group to examine ways to improve interagency efforts.

This memorandum synthesizes the reports of the three working groups and presents options for your decision.

The bottom line: Excessive timber cutting in the previous decade has left us very little decision space. **The Administration is under a court order to submit by July 16 a draft environmental impact statement on a proposed land management program that complies with the law.** Compliance with conservation and land management provisions of the numerous statutes that guide the Forest Service (in the Department of Agriculture) and Bureau of Land Management (in the Department of the Interior) will necessarily result in timber harvests that are far below the levels of the 1980s. Our primary opportunities to be creative and to "put people first" come under the community/labor assistance and institutional reform programs discussed below and through a new forest management option we recommend that emphasizes community involvement.

¹ The Committee includes representatives from EPA and the Departments of Agriculture, Interior, Commerce, Labor and Treasury, Justice, US Trade Representative as well as relevant White House offices.

We seek your approval of (1) a proposed forest management plan, (2) proposals for labor and community assistance, and (3) a plan for agency coordination to implement the new management strategy. Parts of the package will require new legislation. Once you have indicated your agreement with the plan, we will (over a period of two or three days) consult with the Hill and other key constituencies on the general framework of a solution. We then suggest that before the end of next week you announce a plan to deal with all issues.

You should know that considerable anxiety has been building on the Hill and among key interest groups, so it is important that we move quickly.

II. FOREST MANAGEMENT PLAN

Our instructions to the Ecosystem Management Assessment Team were to prepare a series of options that would, in essence, keep the timber harvest level from federal lands as high as possible consistent with environmental laws.²

The Ecosystem Management Assessment Team analyzed ten options, making assessments of the effects on animal and plant species, potential timber harvests, employment, and other economic and social consequences. (Table 1 to be inserted.)

The options range from the agency plans (largely inherited from the Bush Administration), which would allow an annual timber harvest of about 1.7 billion board feet (bbf) from federal forests within the range of the northern spotted owl,³ to a maximum conservation option that would allow only 244 million board feet to be cut. Most of the other options (differentiated, for the most part, by issues such as whether to focus more on protecting individual species or the best old growth forests) are all clustered in the range of .7 to 1.2 bbf.

In addition to these harvest amounts for west side forests, the regional total (all of Oregon and Washington, plus

² The applicable environmental laws are primarily the Endangered Species Act (ESA) and the National Forest Management Act (NFMA). Under the ESA, several species have already been listed as threatened (northern spotted owl, marbled murrelet, and some salmon species), and many more -- especially fish species -- could be listed in the near future. NFMA requires the maintenance of "viability" of vertebrate species on Forest Service land without regard to whether a species is listed.

³ The range of the northern spotted owl is generally the forests on the west side of the Cascade mountains in Washington, Oregon, and northern California.

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northwestern California) from federal forests could be about 1.5 to 1.6 bbf, including sustainable "east side" harvests of about .4 bbf. Moreover, there would be short-term salvage of an additional 150 to 200 million board feet for two years.

These numbers will not be good news for the timber industry, rural communities, or labor. In the 1980s, when excessive and unsustainable harvests were the rule, timber from the west side forests was cut at an average annual rate of 4.6 bbf. From 1990 to 1992, timber was harvested at an average rate of 2.4 bbf per year. And while industry and labor have been bracing for lower levels, they argue that future harvests of at least 2 bbf are required.

The problem is that, in the judgment of our scientific team, no option exists that can comply with the law and still produce 2 bbf annually over the long term from federal forests on the west side.

The disappointing numbers are only in part a function of compliance with environmental statutes. When the team looked at the Forest Service timber base, it found that previously-generated forest plans overestimate by 20 to 30 percent the average sustainable annual timber sale level -- i.e., under any plan, we cannot produce as much timber as had been thought.

The harvest numbers are further driven down by the impact of earlier overcutting on the viability of various species. Until now, attention has been focused primarily on the spotted owl and its habitat needs. But it is now apparent that the protection of marbled murrelets and fish species (several of which are likely to be listed under the Endangered Species Act within the next year) will have at least as much effect on timber harvests as the owl.

Industry, labor, and their allies on the Hill, to the extent that they accept our scientific/legal analysis, say that the law should be changed to accommodate the higher harvest levels that they believe are needed to protect jobs. But trying to change those laws would provoke a storm of protest on the Hill and around the country and would be inconsistent with the positions that you took in your campaign and since.

Environmentalists will also be displeased with several aspects of the option that we recommend. The main objective of most environmental groups is the protection of the remaining old growth. The recommended option protects only some (not all) old growth; indeed, about 50 percent of the timber harvested will be at least 150 years old. Moreover, although we believe that the option provides sufficient protection to species to comply with the law, many environmentalists will argue that it does not.

From the standpoint of industry and labor, we have three principal sweeteners on which to rely, though none will mollify those hurt most.⁴ First, we will have to rely on labor and community assistance, discussed at pp. 10-15, below. These measures will help, though they will not be enough in the eyes of industry and labor. Nonetheless, we will have to keep emphasizing that no one will win in the end by cutting at unsustainable levels; that the only economically viable choice over the long term is **sustainable** cutting; and that we are ready to make an unprecedented commitment to help the region -- even as we recognize that our efforts will not ease everyone's pain.

Second, we may be able to soften the blow of lower harvest levels by phasing in those levels over time, thereby easing the region's transition (see p. 7 below).

Third, we can take other actions that will either increase timber production from non-federal lands or increase the domestic processing of that timber (see pp. 9-10 below).

From the standpoint of environmentalists, the main advantages of the proposal will be the Administration's commitments to ecosystem management, to compliance with the environmental laws, and to the protection of much of the most important old growth.

Job Losses. Job losses associated with any management plan will be a disputed issue. Economists on the scientific team estimate that direct forest industry job losses resulting from implementing most of its options would range from 6000 to 9000, when compared to the number of jobs for the most recent year, 1992. This is a reasonable estimate of the direct jobs currently held that will be lost as a result of reduced harvest levels.

However, 20,000 jobs in the Pacific Northwest forest industry were lost between 1990 and 1992, and some of the people who lost their jobs in this period (possibly 5000 to 10,000) still need assistance in making an adjustment to the permanent reduction in employment opportunities in the industry. Thus, we estimate that 11,000 to 19,000 people (a) have lost or will lose their jobs as a result of changes in federal forest policy, and (b) still need assistance in making an adjustment. The community and labor assistance program the Administration is proposing (base plus reinvestment) will provide up to \$1.02 billion to the region. This will assist approximately 3000 to 4000 displaced workers and provide up to 2500 jobs in the woods (see pp. 13-15).

⁴ The impact will be most severe in coastal and southwestern Oregon and the Olympic peninsula (Rep. DeFazio's and Dicks' districts, respectively).

The industry will say that job losses are much higher. They will contend that the appropriate baseline is the mid-1980s, when employment was very high, and will apply a multiplier to take into account indirect losses. Thus, industry and labor can be expected to use job-loss figures of approximately 25,000 to 40,000 direct jobs and a total of 75,000 to 150,000 jobs lost in the region.

The Options. Framing the decision space are two options: the existing agency plans and a maximum conservation option. The agency plans would produce by far the largest timber harvest of all options considered; however, they do not protect species (particularly marbled murrelets and fish) sufficiently to meet legal requirements. The conservation option would be embraced by environmentalists but would outrage industry and timber-dependent communities. It also would not be viewed as the "balanced policy" that you promised during the forest conference.

Between these two extremes are a number of options that start from different places (either in protecting certain species and building on that or in protecting the best old growth areas and adding species protections) but end up producing timber harvest and job loss numbers that are tightly grouped. (This again demonstrates that we are dealing with a narrowly constrained decision space as a result of the practices of previous Administrations.)

Most options that achieve compliance with the legal requirements⁵ produce less than 1 bbf of timber on a sustainable basis. (Table 1 summarizes viability ratings, timber harvest consequences, and effect on jobs, for all options.) Three options produce slightly more than 1 bbf. Of these, the one that produces the largest amount of timber (1.2 bbf) is an option newly developed by the scientific team, referred to as the "unified reserve" option.

This option takes a different approach from previous proposals by focusing, not on a species-by-species approach, but on watershed protection, specifically key watersheds with at-risk fish stocks and high quality habitat. It develops reserves that accomplish multiple purposes.

This option also identifies ten large adaptive management areas (100,000 to 500,000 acres each) for intensive ecological experimentation and social innovation, with the objective of developing and demonstrating integration of ecological and economic/social objectives. It thus incorporates some of the

⁵ Though the issue is not free from doubt, we believe that any plan that achieves "high" or "medium high" viability ratings for key species will likely be deemed to be in compliance with the ESA and NFMA as they relate to federal land.

OPTION

1 2 3 4 5 6 7 8 9 10

VIABILITY *RATINGS

owls	H	H	H	H	H	H	MH	MH	H	MH
marbled murrelets	H	H	H	H	H	H	ML	ML	MH	H
fish	H	MH	MH	H	MH	MH	L	ML/M	MH	MH

TIMBER HARVESTS

(billion board feet)

0.20 0.68 0.74 0.74 1.01 0.85 1.84 1.41 1.21 1.08

EMPLOYMENT IMPACTS

(projected direct job losses in thousands, using 1992 baseline)

12.5 8.8 8.5 8.4 6.8 7.9 1.7 4.5 5.7 6.7

*In some cases, these are measures of the habitat to support viability, not the viability of the species.

cooperative, community-based principles that you laid out at the Forest Conference. The adaptive management areas will be very popular with local communities and labor, as they will provide opportunities for agencies, non-governmental organizations, local groups, and communities to work together to develop innovative management approaches.⁶

The principal drawback to the unified reserve option is that the adaptive management areas will involve somewhat greater expense for monitoring and research than the other options. On average, the additional expense is estimated to be approximately _____ per year. The relevant land management agencies believe that this expense can be accommodated within existing agency budgets and that the political and social advantages of the adaptive management option outweigh the additional cost.

Three other options (Options 6, 8, and 10) warrant mention. All start from the standpoint of protecting the best old-growth areas and have similar definition of the acreage that is set aside from future timber cutting. The biggest differences between them are the width of buffers along certain classes of streams and the level of forest cover in non-reserved areas. Because of these differences in guidelines and buffer widths, the three options vary in both projected timber outputs and viability ratings. The following description of options demonstrates the sensitivity of timber harvest numbers to slight changes in conservation requirements:

- **Option 6** has higher viability ratings than the unified reserve option but produces substantially less timber (.9 bbf). It uses 150-ft buffers along permanent, non-fishbearing streams and 50-ft buffers along intermittent streams.
- **Option 8** would achieve higher timber outputs (1.4 bbf) than the unified reserve option or Option 6 because stream buffers are 75 ft and 25 ft along permanent and intermittent streams, respectively, and it relaxes forest cover requirements outside of forest reserves. However, it has viability ratings for marbled murrelets and at-risk fish (medium low) that prevent it from meeting legal standards.
- **Option 10** provides 1.1 bbf of timber by relaxing forest cover requirements outside of forest reserves but maintaining the 150-ft and 50-ft buffers. It achieves

⁶ The approach of identifying adaptive management areas could probably be applied to other options as well. However, it would require modification and specific assessment based on the strength and location of the reserves included in each option and the types of cutting allowed outside of the reserves. It would also require reassessment of viability ratings for the option.

viability ratings comparable to, but slightly lower than, the similar numbers for the unified reserve option.

In summary, Option 6 is inferior to the unified reserve option in terms of timber output, Option 8 fails to meet legal requirements, and Option 10 offers no advantage in terms of either viability or timber.⁷ Consequently, on balance we believe that the unified reserve option is preferable.

Recommended decision: The Executive Committee recommends that base the Administration's proposed new forest management plan on the "unified reserve" option (subject to the additions and modifications discussed below).

Agree _____ Disagree _____ Discuss _____

Implementation Issues.

1. Phase-in. To mitigate the social and economic consequences that would result from a dramatic reduction from the historic timber harvest level, the majority of the Executive Committee favor phasing in the new plan, starting at a higher level than the average annual amount and reducing annual harvests thereafter.

The precise numbers for a phase-in are to be determined. If the average annual target for the option selected is 1.2 bbf, we would try to structure the phase-in so that the first year harvest is at 2 bbf and the amount declines each year thereafter. Depending on the rate of descent, by the fourth or fifth year, the harvest would have to drop to about 1 bbf so that the amount cut in 10 years averages 1.2 bbf.

Members of the scientific team have stated that a careful phase-in would not alter their viability assessments as long as the ten-year harvest total is not exceeded and as long as certain guidelines are followed.

Recommended decision: The majority of the Executive Committee (NEC dissents, EPA may) recommends that the Administration plan include a "phase-in" feature.

Agree _____ Disagree _____ Discuss _____

⁷ Moreover, the adaptive management aspect of the unified reserve option is considered an advantage of that option. If the same concept were applied to Option 10, it would require reassessment of the viability ratings and harvest levels, and it could lower those estimates.

2. Administrative actions. The Departments of Agriculture and Interior have started to prepare a draft environmental impact statement on the new forest management plan, describing all the options that have been developed by the Ecosystem Management Assessment Team and the consequences of those options. A preferred alternative will have to be identified prior to July 16, when the Administration is obligated to comply with a court order to present the draft to Judge Dwyer.

It is our intention to take all steps to implement the new plan administratively as soon as possible. However, proceeding in accordance with existing procedural requirements would probably delay the preparation and sale of new timber until late next year. Many small mills and communities cannot wait that long.

3. Legislative action to accelerate implementation. Only Congress has the power to speed up the implementation of your program so that the injunctions can be lifted and timber sales commenced this year.

One possibility is for Congress to legislatively declare the preferred option to be the new "regional guide" for Forest Service and BLM lands considered to be habitat of the northern spotted owl and other old-growth associated species.⁸ Legislation could further direct that timber sales that have been awarded, offered, or prepared, can proceed -- provided they are consistent with the new regional guide and the underlying statutes. The bill could also direct that new Forest Service and BLM sales in the region be prepared in accordance with the new regional guide. (The Secretaries of Agriculture and Interior would then direct the Forest Service and BLM to revise their existing forest plans to be consistent with the policies and program direction included in the overall forest management plan.)

We anticipate that the Fish and Wildlife Service (FWS) and National Marine Fisheries Service (NMFS) will have completed formal consultation under the ESA prior to adopting the program.

The timber industry and labor strongly favor legislation providing a higher degree of "certainty" than we are recommending. They would prefer to have Congress override the ESA and other statutes and mandate a specific harvest level for several years. They also want that harvest level to be insulated

⁸ The Forest Service develops a plan for each national forest. In addition, it has a "regional guide" applicable to management of all forests in a region. The BLM does not currently have a "regional guide." It will implement the Administration plan by finalizing its district Resource Management Plans.

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from legal challenge, by having Congress find that the program meets procedural and/or substantive requirements of all statutes. Environmental groups would bitterly contest all of these aspects.

Recommended decision: The majority of the Executive Committee recommends that we ask Members of Congress to speed up administrative implementation of the forest management plan by a legislative declaration that the preferred option will be the new regional guide. (EPA disagrees with this recommendation.)

Agree _____ Disagree _____ Discuss _____

Other Components Related to Timber Production. We should be prepared to discuss a number of additional issues that could be part of the broader package of actions to address the Northwest forest situation.

Some of these would be intended to offset the effects of the reduced timber harvests on federal lands by increasing harvests on non-federal land. They include:

- promulgation by the Fish and Wildlife Service of a rule loosening restrictions on timber harvests from certain private lands (i.e., "owl circles");
- federal assistance in bringing to the market backlogged timber sales from Indian reservations in the region;⁹ and
- the use of a portion of the supply from an aggressive salvage program for forests on the east side of the Cascades to supply west side mills.

Other possible actions could increase the amount of timber that is processed domestically and thereby mitigate job losses. These include:

- redefinition of unprocessed timber to make it more difficult for companies to avoid export limitations by making minor changes to a log;
- negotiating with private companies to commit that timber released by removal of owl circles will be processed in domestic mills;

⁹ It is estimated that the total may be as high as 450 million board feet. However, we cannot be certain how much of this total can be brought to market in the near term.

- increasing the amount of timber that goes into domestic value-added manufacturing, such as by affording a bidding preference to timber purchasers who agree to commit a percentage of their output to domestic value-added manufacturing.¹⁰

In addition, certain actions that are desired by environmental groups may be necessary if we are to achieve an acceptable package to address the broader Northwest forest issues. Chief among these is the possible provision of permanent protection (either administratively or legislatively) for some high priority old-growth areas. We also anticipate the negotiation of habitat conservation areas for riparian protection on private lands.

Recommended decision: We are asking your approval to proceed administratively with the implementation of these actions.

Agree _____ Disagree _____ Discuss _____

III. COMMUNITY AND LABOR ASSISTANCE

The Labor and Community Assistance Working Group has developed an integrated program to improve economic conditions in timber-dependent communities -- conditions that will be exacerbated by implementing any ecosystem management plan. The program addresses both immediate and intermediate-term needs, and has four elements:

- **Assistance to workers and families** -- targeting of moneys from the discretionary national reserve account under Title III of the Job Training Partnership Act (JTPA) for job search assistance, retraining, and relocation. The program also calls for a coordinated effort to expand conservation corps activities for young people in the rural Northwest.
- **Assistance to firms and industries** -- increased funding for successful business grant-making and lending programs (currently administered by the Department of Agriculture), expanded technical assistance (through the Department of Commerce), and adjustments in federal procurement practices. The program also calls for increasing the supply of timber to the secondary processing sector of the Northwest timber industry and for eliminating tax incentives for log exports.

¹⁰ See also the recommendation below to eliminate the FSC preferred treatment of income derived from the export of unprocessed logs.

- **Assistance to communities** -- stabilization of fiscal assistance to Northwest counties, strengthening of community capacity to plan for economic development and diversification, and improving the infrastructure necessary for such development.
- **New investments in ecosystems** -- investments in watershed maintenance, ecosystem restoration and research, environmental monitoring, and forest stewardship that will improve the condition of the region's ecosystem, create jobs in timber-dependent areas, improve water quality, and increase salmon stocks to avoid salmon listings and improve commercial fishing.

The estimated dollar amounts associated with this program are described in the attached chart. The bulk of the funding is identified from your FY1994 budget request (base program plus investment package) and has not yet been appropriated. Availability of funds is subject to final appropriations by Congress.

Two issues need to be addressed separately from the rest of the package. Both involve legislation.

1. Revision of fiscal assistance to counties

This is a controversial issue. Currently, both the BLM and Forest Service participate in revenue sharing with county governments (with payments near \$100 million and \$200 million per year, respectively, during the late 1980s). This method of revenue sharing has proved problematic because significant fluctuations in harvests have produced significant fluctuations in revenues and because revenue sharing generates pressure for increased harvesting. In each of the past two years, Congress has established a "safety net," guaranteeing minimum revenue sharing equivalent to 85 percent of the 5-year average past payments in fiscal years 1986 through 1990, but not to exceed total timber receipts.

With one exception (OMB), the Group recommends the establishment of a ten-year schedule of federal payments, beginning at safety-net levels and declining 3 percent per year. The current stipulation limiting revenue sharing to total timber receipts should continue. This approach would offer communities stability and predictability and thus provide a more attractive investment climate, while at the same time encouraging communities to become less dependent upon federal fiscal assistance, as the payments would be limited in duration and gradually declining. The payments would reach 55 percent of the 1986-1990 average in FY2004; at that time, the payment regime would be reexamined.

Funding Level Options

FY1993-1998

Options	FY1994	Funds beyond base
FY1994 Base --	\$855.7	--
FY1994 Budget --	\$1,022.4	\$561.4
FY1994 Reprogrammed & Redirected	\$1,169.0	\$1,393.4
Option 1 + NW Economic Fund --	\$1,189.0	\$1,471.1

PARTIAL LIST OF FEDERAL ASSISTANCE PROPOSED FOR PACIFIC NORTHWEST "OWL REGION" (in \$ millions)

Initiative	FY1994 Base	FY1994 Investment	FY1994 Reprogram & Redirect	Northwest (FSC) Fund	FY1994 Totals	FY93-FY98 Funds beyond Base (Option 3)	Period
JTPA-Title III: Sec'y Reserve	6.2	5.8	0.0	5.0	17.0	32.4	(3 years)
National Service	1.2	0.0	0.0	1.3	2.5	3.8	(3 years)
JTPA-Title III: Formula	14.0	16.0	0.0	0.0	30.0	48.0	(3 years)
-Total: Workers & Families	21.4	21.8	0.0	6.3	49.5	84.2	(3 years)
RDA Bus. Enterprise Grants*	--	1.1	3.0	0.0	4.1	12.3	(3 years)
RDA Bus. & Industry Program	5.5	9.8	20.0	0.0	35.3	89.4	(3 years)
RDA Intermediary Relending**	--	--	16.0	0.0	16.0	48.0	(3 years)
Old Growth Diversification	1.5	0.0	0.0	3.0	4.5	9.0	(3 years)
Manufacturing Extension***	--	--	--	--	--	--	(3 years)
EDA Technical Assistance	0.5	0.0	0.0	1.8	2.3	5.3	(3 years)
SBA Guaranteed Loans	90.0	65.0	0.0	0.0	155.0	195.0	(3 years)
-Total: Businesses	97.5	75.9	39.0	4.8	217.2	359.0	(3 years)
Revenue-Sharing for Counties	200.0	0.0	0.0	0.0	200.0	250.0	(5 years)
EDA Planning Assistance	2.0	0.0	1.5	3.0	6.5	13.5	(3 years)
RDA Community Facilities	5.0	16.6	20.0	0.0	41.6	109.8	(3 years)
RDA Water/Wastewater Program	55.0	17.0	15.0	0.0	87.0	96.0	(3 years)
CDBG Block Grant & Sec. 108	36.6	1.9	0.0	0.0	38.5	5.7	(3 years)
-Total: Communities	262.0	33.6	36.5	3.0	335.1	469.3	(3 years)
Ecosystem Restoration	178.0	19.3	71.1	0.0	268.4	452.0	(5 years)
Enhanced Private Land Managemt.	2.2	2.2	0.0	4.0	8.4	31.0	(5 years)
Understanding Federal Forests	0.0	****	****	2.0	****	10.0	(2 years)
Other Forest Restoration	258.0	12.0	0.0	0.0	270.0	60.0	(5 years)
-Total: Ecosystems	436.2	33.5	71.1	6.0	546.8	553.0	(5 years)
Totals:	\$855.7	\$166.7	\$146.6	\$20.0	\$1,187.0	\$1,471.1	

AMOUNTS REFLECT FUNDS AVAILABLE (I.E., INCLUDE LOAN AMOUNTS)

Assumptions:

3 and 5 year agency commitments on reprogramming and redirection
straight-lined investment levels

Notes:

*FY1994 Base not available

**In the past, appropriations for the RDA IRP have not been allocated by State.

Instead, projects compete for funding. The FY1994 base program level for the entire program is \$34 million. \$140 million in additional loans are proposed in the investment package.

***FY1994 amount awarded competitively.

****Marketing non-timber environmental resources from the forest (e.g., carbon storage) is expected to become a new source of revenue.

OMB concurs that provision of the "safety net" is appropriate, but recommends that the duration be shortened (5 years) and the annual decline increase appropriately.

Recommended decision: The Executive Committee (except for OMB) recommends the establishment of a ten-year schedule of federal payments, beginning at safety-net levels and declining 3 percent per year.

Agree_____

Disagree_____

Discuss_____

2. Elimination of current tax incentives for raw log exports

Currently, the Foreign Sales Corporation (FSC) provisions in the Internal Revenue Code exempt from US tax a portion of the income derived from the export of most goods, including unprocessed logs, when FSC participates in an export transaction. The majority of the Group recommends that the FSC be amended to deny FSC benefits to income from the export of raw logs. This would likely decrease exports and increase domestic processing. The Treasury Department estimates that this would increase revenues by \$15 million per year.¹¹

The CEA and Treasury oppose this proposal. They believe that any reform of FSC rules should be undertaken in the context of a comprehensive study of tax incentives for exports, rather than on a piecemeal basis.

While campaigning in Oregon, you indicated that you did not think that the government should continue to give preferential tax treatment for raw log exports. Labor unions, environmentalists, and most of the Northwest delegation favor eliminating the export credit. The Agricultural Export Alliance has accepted the likelihood of that result. Congressman DeFazio would go further and ban all log exports.

Recommended decision: The majority of the Executive Committee (except CEA and Treasury) recommends that the FSC be amended to deny FSC benefits to income from the export of raw logs.

¹¹ During the Forest Conference, there was mention of a larger revenue estimate (\$70 to \$100 million) that was developed on the Hill last year based on rough calculations not using micro data (as is used in Treasury's estimate).

Agree_____

Disagree_____

Discuss_____

• **The FY1994 Budget**

The starting point for analyzing the adequacy of an assistance package is the current FY1994 budget. In the FY1994 budget, OMB has identified \$1,022 million for worker, business, and community assistance as well as ecosystem investment programs in the Pacific Northwest -- \$855.7 million in FY1994 "base" programs and \$166.7 million in "investment" programs. Successful implementation of the program requires passage of the investment package items for Agriculture, Interior, Commerce, Labor, EPA, and the Small Business Administration.

If Congress appropriates the requested funds for these programs, the agencies could provide:

- employee assistance to 2200 to 2900 workers;
- 400 summer jobs for youths;
- 2200 jobs in the woods to restore degraded areas;
- \$173 million for business grants and Small Business Administration loans;
- \$200 million to communities in lieu of timber sale receipts; and
- \$134 million to communities for economic planning and infrastructure improvements.

• **Option 1: Reprogram and Redirect FY1994 Budget Levels**

A decision to provide no additional funds (beyond the FY1994 budget) to address the economic hardship in timber-dependent rural areas would be strongly criticized by the governors, local governments, labor unions, timber workers, and voters in urban counties who are sympathetic to the plight of timber workers. Many in the region support (and expect) new funds, above the FY1994 budget.

Under this option, the agencies would augment the FY1994 budget amounts targeted to the rural Northwest by reprogramming moneys from FY1994 base spending and redirecting FY1994 base and investment spending to increase economic assistance. It is currently envisioned that this option would provide an additional \$146.6 million for the region in FY1994. We could implement this option through approval of appropriate Congressional committees and/or through administrative action.

Approximately half (\$71.1 million) of the reprogrammed money would go into ecosystem restoration, providing 800 additional jobs in the woods. The remaining funds would be divided to

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support community infrastructure improvement (\$36.5 million) and Rural Development Administration business programs (\$39 million).

Political leaders in the Northwest will approve of the reprogramming. However, targeting funds to the Northwest will create resentment in other regions.

Many will view the amounts available under this option as too small, in light of the magnitude of the reduction of timber harvests and in light of your pledge during the campaign of "no net loss of jobs." Among those sharing this concern are Interior, Agriculture, and Commerce [**confirm**]. They would support a larger package that would go further to help create "year-round, high-wage, high skill jobs." OMB, NEC, Treasury, and CEA [**confirm**], on the other hand, believe that \$146.6 million in new grants and loans in FY1994 is sufficient to address the projected job loss.

Recommended decision: The majority of the Executive Committee recommends the reprogramming and redirection of \$146.6 million for the region in FY1994. (Interior, Agriculture, and Commerce would increase this amount [**confirm**].)

Agree _____ Disagree _____ Discuss _____

• **Option 2: Create a Northwest Economic Assistance Fund**

Under this option, \$20 million a year (in FY1994-FY1998) from federal log-sale revenues would be pooled and directed toward retraining, youth services, planning assistance, and private land management in the rural Northwest. This \$20 million would be offset by \$15 million in increased revenues from the restriction on FSC benefits (discussed above), combined with potentially \$5 million in increased log-sale revenues. (Note: Together, Option 1 and Option 2 would provide an additional \$166.6 million for the three states in FY1994.)

The \$20 million would be divided among worker assistance programs (\$6.3 million -- worker assistance for about 1000 people per year and summer jobs of 400 youths each year), businesses (\$4.8 million), community planning assistance (\$3.0 million), enhanced private forest land management (\$4.0 million), and other programs.

OMB recommends that the FSC issue not be linked to the funding pool.

Recommended decision: The majority of the Executive Committee recommends that this option be implemented. (CEA and Treasury dissent.)

Agree _____

Disagree _____

Discuss _____

Implementation Mechanism. The Group presently contemplates the delivery of federal assistance, in the short term, through an "incident command" system, such as that used in natural disasters and other emergencies. Under this system, representatives of the relevant agencies and affected states would form a "Multi-Agency Command" that would oversee and coordinate the activities of federal and state entities, most often through a memorandum of understanding.¹² Within twelve months, this rapid-response structure would give way to a more developed structure that would ensure interagency cooperation. Initial discussions with the Agency Coordination Working Group suggest that it may be possible to incorporate aspects of this function into the interagency management structure described in that Group's report. Further study of this potential is recommended.

IV. AGENCY COORDINATION

Too often in the past, various federal agencies have acted in isolation or even at cross-purposes in connection with the management of forests in the Pacific Northwest and northern California. This lack of cooperation has undeniably contributed to the current gridlock. The adoption of a new forest management strategy provides an ideal opportunity for this Administration to correct the existing problems and to fulfill your pledge at the Forest Conference to have the agencies cooperate more closely.

The new plan will be based on ecosystem management. Ecosystems are not generally contained within the geographic boundaries of a single ownership (e.g., the ecosystem for salmon species can extend from small mountain streams, through rivers that pass through federal, state, and private ownerships, and into the ocean). Managing an ecosystem can involve dealing with multiple property owners, multiple users of the property, and various federal and state agencies with regulatory responsibilities. As a result, ecosystem-based management of federal lands will require vastly increased agency coordination.

We propose a new scheme of land management planning for the region, including the following:

1. New Planning Units. Under the options developed by the scientific team, the beginning place for analysis is the individual watershed, and the most logical planning unit is a

¹² It would not be our intent to eliminate or interfere with existing interagency activities that have demonstrated an ability to manage resources effectively.

"physiographic province," consisting of a number of watersheds. Over time, we propose to switch from the existing planning units (individual national forests and BLM districts) to these provinces. In the case of the Forest Service, complete implementation of this change would require amendment of NFMA.¹³

2. Interagency GIS Database. We propose the immediate development of an interagency Geographic Information System (GIS) database in order to allow land management and resource agencies to coordinate their efforts in the collection and development of research and data. Agencies will respond as available funds allow in FY 1993 and FY1994 and will consider budget initiatives during the FY1995 budget formulation process.

3. New Planning Structure. Most of the planning work would be done by provincial-level teams -- i.e., these teams would develop analyses for physiographic provinces and particular watersheds. The membership of these teams would include the relevant federal agencies, states, and tribes.¹⁴ In addition, when individual watersheds are analyzed, the objective would be to get all affected parties to the table to discuss biological needs, timber needs, community needs, etc. An Interagency Executive Committee would coordinate and provide direction for the work of the provincial teams. It is our intent to begin to establish this structure this summer.

4. Revised Consultation Process. The existing consultation process under the Endangered Species Act would be revised to emphasize an integrated ecosystem approach. This would include involving FWS, NMFS, and EPA early in the process, so that the views of those agencies can be made known when the land management agencies begin to develop their plans for a particular area. (In contrast, under previous practices, consultation agencies have sometimes not made their views known until late in the planning process). It would also involve the use, where appropriate, of regional consultations (as contrasted with consultations on individual timber sales).

5. Additional Legislative Changes. To achieve maximum benefits from the new ecosystem-based approach, certain statutory and regulatory changes will be desirable, including:

- revision of the budgeting process (1) to decouple funding of agency budgets from timber sales levels, and (2) to allow flexibility in expending funds when and

¹³ BLM currently has authority under FLPMA to adjust planning boundaries (districts) administratively to conform with physiographic provinces.

¹⁴ Federal Advisory Committee Act (FACA) considerations are still being addressed.

where needed to manage overall ecosystem health, including expenditures for joint projects such as the interagency GIS database;

- amendment of NFMA, FLPMA, and/or relevant regulations to streamline the process for amending land management plans; and
- revision of legislation or regulations governing BLM lands to more specifically emphasize species viability and habitat protection.

We recognize that some of these legislative changes may prove to be controversial. However, we recommend that these subjects be included in the discussions with Members of Congress.

Effect on Budget. Preliminary review suggests that, during the interim period, when agencies are operating under the old system but also preparing to switch over to the new strategy (and when they are investing in a common database and related technology), agency budgets will probably will need to be increased. In the short term, it is estimated that ecosystem management for the region will add between _____ and _____ to the cost of agency operations. In the long term, however, efficiencies and cost savings seem likely. We propose to develop further the budget implications of the changes outlined above and include them when we report back on a final suggested plan.

We caution against any expectation that agency budgets can be reduced commensurately with the decrease in timber harvest levels on federal lands, since the increased emphasis on objectives other than timber production (including recreation, species protection, rehabilitation, conservation, and other commodity production) will require the maintenance of adequate staffing levels. Moreover, monitoring and research will be significant factors in any ecosystem-based plan.

Recommended decision: We recommend that you approve the new land management framework in concept and authorize us to implement it administratively (to the extent possible), perhaps through an Executive Order, and to include the necessary legislative changes in our discussions with Members of Congress.

Agree _____

Disagree _____

Discuss _____

Stelle

June 16, 1993

MEMORANDUM FOR Forest Conference Deputies
FROM Katie McGinty
SUBJECT Deputies Meeting

We will hold a Forest Conference Deputies meeting on June 18th from 12:30 to 2:30pm in room 476 of the Old Executive Office Building. Documents for your review prior to the meeting are enclosed. These documents should be handled as confidential.

We will clear you into the building. Please phone and provide us with dates of birth.

DEPUTIES:

Roy Neel	456-6797	
Mark Gearan	456-2533	456-2883
Rahm Emanuel	456-1125	456-2983
Susan Brophy	456-2230	
Roger Altman	622-1070	622-0404
Webster Hubbell	514-3892	514-4371
Richard Rominger	720-3631	720-2166
Robert Sussman	260-4711	
Sylvia Mathews	456-2174	
Tom Nides	395-6850	
Alice Rivlin	456-4742	
John Gibbons	456-7117	
Thomas Glynn	219-6151	219-7971
Jonathan Silver	482-5283	482-2741
Tom Collier	208-7351	208-6956

FOREST CONFERENCE CONTACTS:

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Bruce Beard	395-3446	395-4941
Ricki Seidman	456-2520	456-6423
Doug Hall	482-3436	408-9674
Rob Portman	219-6045	219-4315
Chuck Richards	219-6045	219-4315
Tom Tuchmann	208-4863	208-7508
Stephanie Solien	208-7693	208-5533
Jim Lyons	720-5166	720-4732
Cathy Way	456-7777	
Doris Freedman	202-6533	205-6928
Myles Flint	514-2718	514-0557
Will Stelle		
T.J. Glauthier	456-4561	
Doris Freedman		
Chuck Fox	260-7960	260-3684
Todd Stern	456-2702	
Dwight Holton	456-2533	456-1121
Tom Epstein	456-6257	456-7929
Marla Romash	456-7034	456-2685
Peter Yu	456-2802	456-2223
Jeff Watson	456-2896	456-2889
Cliff Gabriel	456-1460	456-1571
Jim Pipkin		
Robert Gillingham	622-2220	

D:DC:SYNTH.8

JUNE XX, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: FOREST CONFERENCE EXECUTIVE COMMITTEE¹
VIA: KATIE MCGINTY
SUBJECT: FOREST CONFERENCE

I. OVERVIEW

At the Forest Conference, you directed the Cabinet Secretaries to develop within 60 days a balanced plan to break the stalemate in the Pacific Northwest. Three interagency working groups were established:

- the Ecosystem Management Assessment Team to examine forest management issues and their ecological and economic impacts;
- the Labor and Community Assistance Working Group to explore economic development and assistance proposals; and
- the Agency Coordination Working Group to examine ways to improve interagency efforts.

This memorandum synthesizes the reports of the three working groups and presents options for your decision.

The bottom line: Excessive timber cutting in the previous decade has left us very little decision space. **The Administration is under a court order to submit by July 16 a draft environmental impact statement on a proposed land management program that complies with the law.** Compliance with conservation and land management provisions of the numerous statutes that guide the Forest Service (in the Department of Agriculture) and Bureau of Land Management (in the Department of the Interior) will necessarily result in timber harvests that are far below the levels of the 1980s. Our primary opportunities to be creative and to "put people first" come under the community/labor assistance and institutional reform programs discussed below and through a new forest management option we recommend that emphasizes community involvement.

¹ The Committee includes representatives from EPA and the Departments of Agriculture, Interior, Commerce, Labor and Treasury, Justice, US Trade Representative as well as relevant White House offices.

We seek your approval of (1) a proposed forest management plan, (2) proposals for labor and community assistance, and (3) a plan for agency coordination to implement the new management strategy. Parts of the package will require new legislation. Once you have indicated your agreement with the plan, we will (over a period of two or three days) consult with the Hill and other key constituencies on the general framework of a solution. We then suggest that before the end of next week you announce a plan to deal with all issues.

You should know that considerable anxiety has been building on the Hill and among key interest groups, so it is important that we move quickly.

II. FOREST MANAGEMENT PLAN

Our instructions to the Ecosystem Management Assessment Team were to prepare a series of options that would, in essence, keep the timber harvest level from federal lands as high as possible consistent with environmental laws.²

The Ecosystem Management Assessment Team analyzed ten options, making assessments of the effects on animal and plant species, potential timber harvests, employment, and other economic and social consequences. (Table 1 to be inserted.)

The options range from the agency plans (largely inherited from the Bush Administration), which would allow an annual timber harvest of about 1.7 billion board feet (bbf) from federal forests within the range of the northern spotted owl,³ to a maximum conservation option that would allow only 244 million board feet to be cut. Most of the other options (differentiated, for the most part, by issues such as whether to focus more on protecting individual species or the best old growth forests) are all clustered in the range of .7 to 1.2 bbf.

In addition to these harvest amounts for west side forests, the regional total (all of Oregon and Washington, plus

² The applicable environmental laws are primarily the Endangered Species Act (ESA) and the National Forest Management Act (NFMA). Under the ESA, several species have already been listed as threatened (northern spotted owl, marbled murrelet, and some salmon species), and many more -- especially fish species -- could be listed in the near future. NFMA requires the maintenance of "viability" of vertebrate species on Forest Service land without regard to whether a species is listed.

³ The range of the northern spotted owl is generally the forests on the west side of the Cascade mountains in Washington, Oregon, and northern California.

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northwestern California) from federal forests could be about 1.5 to 1.6 bbf, including sustainable "east side" harvests of about .4 bbf. Moreover, there would be short-term salvage of an additional 150 to 200 million board feet for two years.

These numbers will not be good news for the timber industry, rural communities, or labor. In the 1980s, when excessive and unsustainable harvests were the rule, timber from the west side forests was cut at an average annual rate of 4.6 bbf. From 1990 to 1992, timber was harvested at an average rate of 2.4 bbf per year. And while industry and labor have been bracing for lower levels, they argue that future harvests of at least 2 bbf are required.

The problem is that, in the judgment of our scientific team, no option exists that can comply with the law and still produce 2 bbf annually over the long term from federal forests on the west side.

The disappointing numbers are only in part a function of compliance with environmental statutes. When the team looked at the Forest Service timber base, it found that previously-generated forest plans overestimate by 20 to 30 percent the average sustainable annual timber sale level -- i.e., under any plan, we cannot produce as much timber as had been thought.

The harvest numbers are further driven down by the impact of earlier overcutting on the viability of various species. Until now, attention has been focused primarily on the spotted owl and its habitat needs. But it is now apparent that the protection of marbled murrelets and fish species (several of which are likely to be listed under the Endangered Species Act within the next year) will have at least as much effect on timber harvests as the owl.

Industry, labor, and their allies on the Hill, to the extent that they accept our scientific/legal analysis, say that the law should be changed to accommodate the higher harvest levels that they believe are needed to protect jobs. But trying to change those laws would provoke a storm of protest on the Hill and around the country and would be inconsistent with the positions that you took in your campaign and since.

Environmentalists will also be displeased with several aspects of the option that we recommend. The main objective of most environmental groups is the protection of the remaining old growth. The recommended option protects only some (not all) old growth; indeed, about 50 percent of the timber harvested will be at least 150 years old. Moreover, although we believe that the option provides sufficient protection to species to comply with the law, many environmentalists will argue that it does not.

From the standpoint of industry and labor, we have three principal sweeteners on which to rely, though none will mollify those hurt most.⁴ First, we will have to rely on labor and community assistance, discussed at pp. 10-15, below. These measures will help, though they will not be enough in the eyes of industry and labor. Nonetheless, we will have to keep emphasizing that no one will win in the end by cutting at unsustainable levels; that the only economically viable choice over the long term is **sustainable** cutting; and that we are ready to make an unprecedented commitment to help the region -- even as we recognize that our efforts will not ease everyone's pain.

Second, we may be able to soften the blow of lower harvest levels by phasing in those levels over time, thereby easing the region's transition (see p. 7 below).

Third, we can take other actions that will either increase timber production from non-federal lands or increase the domestic processing of that timber (see pp. 9-10 below).

From the standpoint of environmentalists, the main advantages of the proposal will be the Administration's commitments to ecosystem management, to compliance with the environmental laws, and to the protection of much of the most important old growth.

Job Losses. Job losses associated with any management plan will be a disputed issue. Economists on the scientific team estimate that direct forest industry job losses resulting from implementing most of its options would range from 6000 to 9000, when compared to the number of jobs for the most recent year, 1992. This is a reasonable estimate of the direct jobs currently held that will be lost as a result of reduced harvest levels.

However, 20,000 jobs in the Pacific Northwest forest industry were lost between 1990 and 1992, and some of the people who lost their jobs in this period (possibly 5000 to 10,000) still need assistance in making an adjustment to the permanent reduction in employment opportunities in the industry. Thus, we estimate that 11,000 to 19,000 people (a) have lost or will lose their jobs as a result of changes in federal forest policy, and (b) still need assistance in making an adjustment. The community and labor assistance program the Administration is proposing (base plus reinvestment) will provide up to \$1.02 billion to the region. This will assist approximately 3000 to 4000 displaced workers and provide up to 2500 jobs in the woods (see pp. 13-15).

⁴ The impact will be most severe in coastal and southwestern Oregon and the Olympic peninsula (Rep. DeFazio's and Dicks' districts, respectively).

The industry will say that job losses are much higher. They will contend that the appropriate baseline is the mid-1980s, when employment was very high, and will apply a multiplier to take into account indirect losses. Thus, industry and labor can be expected to use job-loss figures of approximately 25,000 to 40,000 direct jobs and a total of 75,000 to 150,000 jobs lost in the region.

The Options. Framing the decision space are two options: the existing agency plans and a maximum conservation option. The agency plans would produce by far the largest timber harvest of all options considered; however, they do not protect species (particularly marbled murrelets and fish) sufficiently to meet legal requirements. The conservation option would be embraced by environmentalists but would outrage industry and timber-dependent communities. It also would not be viewed as the "balanced policy" that you promised during the forest conference.

Between these two extremes are a number of options that start from different places (either in protecting certain species and building on that or in protecting the best old growth areas and adding species protections) but end up producing timber harvest and job loss numbers that are tightly grouped. (This again demonstrates that we are dealing with a narrowly constrained decision space as a result of the practices of previous Administrations.)

Most options that achieve compliance with the legal requirements⁵ produce less than 1 bbf of timber on a sustainable basis. (Table 1 summarizes viability ratings, timber harvest consequences, and effect on jobs, for all options.) Three options produce slightly more than 1 bbf. Of these, the one that produces the largest amount of timber (1.2 bbf) is an option newly developed by the scientific team, referred to as the "unified reserve" option.

This option takes a different approach from previous proposals by focusing, not on a species-by-species approach, but on watershed protection, specifically key watersheds with at-risk fish stocks and high quality habitat. It develops reserves that accomplish multiple purposes.

This option also identifies ten large adaptive management areas (100,000 to 500,000 acres each) for intensive ecological experimentation and social innovation, with the objective of developing and demonstrating integration of ecological and economic/social objectives. It thus incorporates some of the

⁵ Though the issue is not free from doubt, we believe that any plan that achieves "high" or "medium high" viability ratings for key species will likely be deemed to be in compliance with the ESA and NFMA as they relate to federal land.

OPTION

1 2 3 4 5 6 7 8 9 10

VIABILITY *RATINGS

owls	H	H	H	H	H	H	MH	MH	H	MH
marbled murrelets	H	H	H	H	H	H	ML	ML	MH	H
fish	H	MH	MH	H	MH	MH	L	ML/M	MH	MH

TIMBER HARVESTS

(billion board feet)

0.20 0.68 0.74 0.74 1.01 0.85 1.84 1.41 1.21 1.08

EMPLOYMENT IMPACTS

(projected direct job losses in thousands, using 1992 baseline)

12.5 8.8 8.5 8.4 6.8 7.9 1.7 4.5 5.7 6.7

*In some cases, these are measures of the habitat to support viability, not the viability of the species.

cooperative, community-based principles that you laid out at the Forest Conference. The adaptive management areas will be very popular with local communities and labor, as they will provide opportunities for agencies, non-governmental organizations, local groups, and communities to work together to develop innovative management approaches.⁶

The principal drawback to the unified reserve option is that the adaptive management areas will involve somewhat greater expense for monitoring and research than the other options. On average, the additional expense is estimated to be approximately _____ per year. The relevant land management agencies believe that this expense can be accommodated within existing agency budgets and that the political and social advantages of the adaptive management option outweigh the additional cost.

Three other options (Options 6, 8, and 10) warrant mention. All start from the standpoint of protecting the best old-growth areas and have similar definition of the acreage that is set aside from future timber cutting. The biggest differences between them are the width of buffers along certain classes of streams and the level of forest cover in non-reserved areas. Because of these differences in guidelines and buffer widths, the three options vary in both projected timber outputs and viability ratings. The following description of options demonstrates the sensitivity of timber harvest numbers to slight changes in conservation requirements:

- **Option 6** has higher viability ratings than the unified reserve option but produces substantially less timber (.9 bbf). It uses 150-ft buffers along permanent, non-fishbearing streams and 50-ft buffers along intermittent streams.
- **Option 8** would achieve higher timber outputs (1.4 bbf) than the unified reserve option or Option 6 because stream buffers are 75 ft and 25 ft along permanent and intermittent streams, respectively, and it relaxes forest cover requirements outside of forest reserves. However, it has viability ratings for marbled murrelets and at-risk fish (medium low) that prevent it from meeting legal standards.
- **Option 10** provides 1.1 bbf of timber by relaxing forest cover requirements outside of forest reserves but maintaining the 150-ft and 50-ft buffers. It achieves

⁶ The approach of identifying adaptive management areas could probably be applied to other options as well. However, it would require modification and specific assessment based on the strength and location of the reserves included in each option and the types of cutting allowed outside of the reserves. It would also require reassessment of viability ratings for the option.

viability ratings comparable to, but slightly lower than, the similar numbers for the unified reserve option.

In summary, Option 6 is inferior to the unified reserve option in terms of timber output, Option 8 fails to meet legal requirements, and Option 10 offers no advantage in terms of either viability or timber.⁷ Consequently, on balance we believe that the unified reserve option is preferable.

Recommended decision: The Executive Committee recommends that base the Administration's proposed new forest management plan on the "unified reserve" option (subject to the additions and modifications discussed below).

Agree _____ Disagree _____ Discuss _____

Implementation Issues.

1. Phase-in. To mitigate the social and economic consequences that would result from a dramatic reduction from the historic timber harvest level, the majority of the Executive Committee favor phasing in the new plan, starting at a higher level than the average annual amount and reducing annual harvests thereafter.

The precise numbers for a phase-in are to be determined. If the average annual target for the option selected is 1.2 bbf, we would try to structure the phase-in so that the first year harvest is at 2 bbf and the amount declines each year thereafter. Depending on the rate of descent, by the fourth or fifth year, the harvest would have to drop to about 1 bbf so that the amount cut in 10 years averages 1.2 bbf.

Members of the scientific team have stated that a careful phase-in would not alter their viability assessments as long as the ten-year harvest total is not exceeded and as long as certain guidelines are followed.

Recommended decision: The majority of the Executive Committee (NEC dissents, EPA may) recommends that the Administration plan include a "phase-in" feature.

Agree _____ Disagree _____ Discuss _____

⁷ Moreover, the adaptive management aspect of the unified reserve option is considered an advantage of that option. If the same concept were applied to Option 10, it would require reassessment of the viability ratings and harvest levels, and it could lower those estimates.

2. Administrative actions. The Departments of Agriculture and Interior have started to prepare a draft environmental impact statement on the new forest management plan, describing all the options that have been developed by the Ecosystem Management Assessment Team and the consequences of those options. A preferred alternative will have to be identified prior to July 16, when the Administration is obligated to comply with a court order to present the draft to Judge Dwyer.

It is our intention to take all steps to implement the new plan administratively as soon as possible. However, proceeding in accordance with existing procedural requirements would probably delay the preparation and sale of new timber until late next year. Many small mills and communities cannot wait that long.

3. Legislative action to accelerate implementation. Only Congress has the power to speed up the implementation of your program so that the injunctions can be lifted and timber sales commenced this year.

One possibility is for Congress to legislatively declare the preferred option to be the new "regional guide" for Forest Service and BLM lands considered to be habitat of the northern spotted owl and other old-growth associated species.⁸ Legislation could further direct that timber sales that have been awarded, offered, or prepared, can proceed -- provided they are consistent with the new regional guide and the underlying statutes. The bill could also direct that new Forest Service and BLM sales in the region be prepared in accordance with the new regional guide. (The Secretaries of Agriculture and Interior would then direct the Forest Service and BLM to revise their existing forest plans to be consistent with the policies and program direction included in the overall forest management plan.)

We anticipate that the Fish and Wildlife Service (FWS) and National Marine Fisheries Service (NMFS) will have completed formal consultation under the ESA prior to adopting the program.

The timber industry and labor strongly favor legislation providing a higher degree of "certainty" than we are recommending. They would prefer to have Congress override the ESA and other statutes and mandate a specific harvest level for several years. They also want that harvest level to be insulated

⁸ The Forest Service develops a plan for each national forest. In addition, it has a "regional guide" applicable to management of all forests in a region. The BLM does not currently have a "regional guide." It will implement the Administration plan by finalizing its district Resource Management Plans.

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from legal challenge, by having Congress find that the program meets procedural and/or substantive requirements of all statutes. Environmental groups would bitterly contest all of these aspects.

Recommended decision: The majority of the Executive Committee recommends that we ask Members of Congress to speed up administrative implementation of the forest management plan by a legislative declaration that the preferred option will be the new regional guide. (EPA disagrees with this recommendation.)

Agree _____ Disagree _____ Discuss _____

Other Components Related to Timber Production. We should be prepared to discuss a number of additional issues that could be part of the broader package of actions to address the Northwest forest situation.

Some of these would be intended to offset the effects of the reduced timber harvests on federal lands by increasing harvests on non-federal land. They include:

- promulgation by the Fish and Wildlife Service of a rule loosening restrictions on timber harvests from certain private lands (i.e., "owl circles");
- federal assistance in bringing to the market backlogged timber sales from Indian reservations in the region;⁹ and
- the use of a portion of the supply from an aggressive salvage program for forests on the east side of the Cascades to supply west side mills.

Other possible actions could increase the amount of timber that is processed domestically and thereby mitigate job losses. These include:

- redefinition of unprocessed timber to make it more difficult for companies to avoid export limitations by making minor changes to a log;
- negotiating with private companies to commit that timber released by removal of owl circles will be processed in domestic mills;

⁹ It is estimated that the total may be as high as 450 million board feet. However, we cannot be certain how much of this total can be brought to market in the near term.

- increasing the amount of timber that goes into domestic value-added manufacturing, such as by affording a bidding preference to timber purchasers who agree to commit a percentage of their output to domestic value-added manufacturing.¹⁰

In addition, certain actions that are desired by environmental groups may be necessary if we are to achieve an acceptable package to address the broader Northwest forest issues. Chief among these is the possible provision of permanent protection (either administratively or legislatively) for some high priority old-growth areas. We also anticipate the negotiation of habitat conservation areas for riparian protection on private lands.

Recommended decision: We are asking your approval to proceed administratively with the implementation of these actions.

Agree _____ Disagree _____ Discuss _____

III. COMMUNITY AND LABOR ASSISTANCE

The Labor and Community Assistance Working Group has developed an integrated program to improve economic conditions in timber-dependent communities -- conditions that will be exacerbated by implementing any ecosystem management plan. The program addresses both immediate and intermediate-term needs, and has four elements:

- **Assistance to workers and families** -- targeting of moneys from the discretionary national reserve account under Title III of the Job Training Partnership Act (JTPA) for job search assistance, retraining, and relocation. The program also calls for a coordinated effort to expand conservation corps activities for young people in the rural Northwest.
- **Assistance to firms and industries** -- increased funding for successful business grant-making and lending programs (currently administered by the Department of Agriculture), expanded technical assistance (through the Department of Commerce), and adjustments in federal procurement practices. The program also calls for increasing the supply of timber to the secondary processing sector of the Northwest timber industry and for eliminating tax incentives for log exports.

¹⁰ See also the recommendation below to eliminate the FSC preferred treatment of income derived from the export of unprocessed logs.

- **Assistance to communities** -- stabilization of fiscal assistance to Northwest counties, strengthening of community capacity to plan for economic development and diversification, and improving the infrastructure necessary for such development.
- **New investments in ecosystems** -- investments in watershed maintenance, ecosystem restoration and research, environmental monitoring, and forest stewardship that will improve the condition of the region's ecosystem, create jobs in timber-dependent areas, improve water quality, and increase salmon stocks to avoid salmon listings and improve commercial fishing.

The estimated dollar amounts associated with this program are described in the attached chart. The bulk of the funding is identified from your FY1994 budget request (base program plus investment package) and has not yet been appropriated. Availability of funds is subject to final appropriations by Congress.

Two issues need to be addressed separately from the rest of the package. Both involve legislation.

1. Revision of fiscal assistance to counties

This is a controversial issue. Currently, both the BLM and Forest Service participate in revenue sharing with county governments (with payments near \$100 million and \$200 million per year, respectively, during the late 1980s). This method of revenue sharing has proved problematic because significant fluctuations in harvests have produced significant fluctuations in revenues and because revenue sharing generates pressure for increased harvesting. In each of the past two years, Congress has established a "safety net," guaranteeing minimum revenue sharing equivalent to 85 percent of the 5-year average past payments in fiscal years 1986 through 1990, but not to exceed total timber receipts.

With one exception (OMB), the Group recommends the establishment of a ten-year schedule of federal payments, beginning at safety-net levels and declining 3 percent per year. The current stipulation limiting revenue sharing to total timber receipts should continue. This approach would offer communities stability and predictability and thus provide a more attractive investment climate, while at the same time encouraging communities to become less dependent upon federal fiscal assistance, as the payments would be limited in duration and gradually declining. The payments would reach 55 percent of the 1986-1990 average in FY2004; at that time, the payment regime would be reexamined.

Funding Level Options

FY1993-1998

Options	FY1994	Funds beyond base
FY1994 Base --	\$855.7	--
FY1994 Budget --	\$1,022.4	\$561.4
FY1994 Reprogrammed & Redirected	\$1,169.0	\$1,393.4
Option 1 + NW Economic Fund --	\$1,189.0	\$1,471.1

PARTIAL LIST OF FEDERAL ASSISTANCE PROPOSED FOR PACIFIC NORTHWEST "OWL REGION" (in \$ millions)

Initiative	FY1994 Base	FY1994 Investment	FY1994 Reprogram & Redirect	Northwest (FSC) Fund	FY1994 Totals	FY93-FY98 Funds beyond Base (Option 3)	Period
JTPA-Title III: Sec'y Reserve	6.2	5.8	0.0	5.0	17.0	32.4	(3 years)
National Service	1.2	0.0	0.0	1.3	2.5	3.8	(3 years)
JTPA-Title III: Formula	14.0	16.0	0.0	0.0	30.0	48.0	(3 years)
-Total: Workers & Families	21.4	21.8	0.0	6.3	49.5	84.2	(3 years)
RDA Bus. Enterprise Grants*	--	1.1	3.0	0.0	4.1	12.3	(3 years)
RDA Bus. & Industry Program	5.5	9.8	20.0	0.0	35.3	89.4	(3 years)
RDA Intermediary Relending**	--	--	16.0	0.0	16.0	48.0	(3 years)
Old Growth Diversification	1.5	0.0	0.0	3.0	4.5	9.0	(3 years)
Manufacturing Extension***	--	--	--	--	--	--	(3 years)
EDA Technical Assistance	0.5	0.0	0.0	1.8	2.3	5.3	(3 years)
SBA Guaranteed Loans	90.0	65.0	0.0	0.0	155.0	195.0	(3 years)
-Total: Businesses	97.5	75.9	39.0	4.8	217.2	359.0	(3 years)
Revenue-Sharing for Counties	200.0	0.0	0.0	0.0	200.0	250.0	(5 years)
EDA Planning Assistance	2.0	0.0	1.5	3.0	6.5	13.5	(3 years)
RDA Community Facilities	5.0	16.6	20.0	0.0	41.6	109.8	(3 years)
RDA Water/Wastewater Program	55.0	17.0	15.0	0.0	87.0	96.0	(3 years)
CDBG Block Grant & Sec. 108	36.6	1.9	0.0	0.0	38.5	5.7	(3 years)
-Total: Communities	262.0	33.6	36.5	3.0	335.1	469.3	(3 years)
Ecosystem Restoration	178.0	19.3	71.1	0.0	268.4	452.0	(5 years)
Enhanced Private Land Managemt.	2.2	2.2	0.0	4.0	8.4	31.0	(5 years)
Understanding Federal Forests	0.0	****	****	2.0	****	10.0	(2 years)
Other Forest Restoration	258.0	12.0	0.0	0.0	270.0	60.0	(5 years)
-Total: Ecosystems	438.2	33.5	71.1	6.0	546.8	553.0	(5 years)
Totals:	\$855.7	\$166.7	\$146.6	\$20.0	\$1,187.0	\$1,471.1	

AMOUNTS REFLECT FUNDS AVAILABLE (I.E., INCLUDE LOAN AMOUNTS)

Assumptions: 3 and 5 year agency commitments on reprogramming and redirection
straight-lined investment levels

Notes:

- *FY1994 Base not available.
- **In the past, appropriations for the RDA IRP have not been allocated by State. Instead, projects compete for funding. The FY1994 base program level for the entire program is \$34 million; \$140 million in additional loans are proposed in the investment package.
- ***FY1994 amount awarded competitively.
- ****Marketing non-timber environmental resources from the forest (e.g., carbon storage) is expected to become a new source of revenue.

OMB concurs that provision of the "safety net" is appropriate, but recommends that the duration be shortened (5 years) and the annual decline increase appropriately.

Recommended decision: The Executive Committee (except for OMB) recommends the establishment of a ten-year schedule of federal payments, beginning at safety-net levels and declining 3 percent per year.

Agree_____

Disagree_____

Discuss_____

2. Elimination of current tax incentives for raw log exports

Currently, the Foreign Sales Corporation (FSC) provisions in the Internal Revenue Code exempt from US tax a portion of the income derived from the export of most goods, including unprocessed logs, when FSC participates in an export transaction. The majority of the Group recommends that the FSC be amended to deny FSC benefits to income from the export of raw logs. This would likely decrease exports and increase domestic processing. The Treasury Department estimates that this would increase revenues by \$15 million per year.¹¹

The CEA and Treasury oppose this proposal. They believe that any reform of FSC rules should be undertaken in the context of a comprehensive study of tax incentives for exports, rather than on a piecemeal basis.

While campaigning in Oregon, you indicated that you did not think that the government should continue to give preferential tax treatment for raw log exports. Labor unions, environmentalists, and most of the Northwest delegation favor eliminating the export credit. The Agricultural Export Alliance has accepted the likelihood of that result. Congressman DeFazio would go further and ban all log exports.

Recommended decision: The majority of the Executive Committee (except CEA and Treasury) recommends that the FSC be amended to deny FSC benefits to income from the export of raw logs.

¹¹ During the Forest Conference, there was mention of a larger revenue estimate (\$70 to \$100 million) that was developed on the Hill last year based on rough calculations not using micro data (as is used in Treasury's estimate).

Agree_____

Disagree_____

Discuss_____

• **The FY1994 Budget**

The starting point for analyzing the adequacy of an assistance package is the current FY1994 budget. In the FY1994 budget, OMB has identified \$1,022 million for worker, business, and community assistance as well as ecosystem investment programs in the Pacific Northwest -- \$855.7 million in FY1994 "base" programs and \$166.7 million in "investment" programs. Successful implementation of the program requires passage of the investment package items for Agriculture, Interior, Commerce, Labor, EPA, and the Small Business Administration.

If Congress appropriates the requested funds for these programs, the agencies could provide:

- employee assistance to 2200 to 2900 workers;
- 400 summer jobs for youths;
- 2200 jobs in the woods to restore degraded areas;
- \$173 million for business grants and Small Business Administration loans;
- \$200 million to communities in lieu of timber sale receipts; and
- \$134 million to communities for economic planning and infrastructure improvements.

• **Option 1: Reprogram and Redirect FY1994 Budget Levels**

A decision to provide no additional funds (beyond the FY1994 budget) to address the economic hardship in timber-dependent rural areas would be strongly criticized by the governors, local governments, labor unions, timber workers, and voters in urban counties who are sympathetic to the plight of timber workers. Many in the region support (and expect) new funds, above the FY1994 budget.

Under this option, the agencies would augment the FY1994 budget amounts targeted to the rural Northwest by reprogramming moneys from FY1994 base spending and redirecting FY1994 base and investment spending to increase economic assistance. It is currently envisioned that this option would provide an additional \$146.6 million for the region in FY1994. We could implement this option through approval of appropriate Congressional committees and/or through administrative action.

Approximately half (\$71.1 million) of the reprogrammed money would go into ecosystem restoration, providing 800 additional jobs in the woods. The remaining funds would be divided to

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support community infrastructure improvement (\$36.5 million) and Rural Development Administration business programs (\$39 million).

Political leaders in the Northwest will approve of the reprogramming. However, targeting funds to the Northwest will create resentment in other regions.

Many will view the amounts available under this option as too small, in light of the magnitude of the reduction of timber harvests and in light of your pledge during the campaign of "no net loss of jobs." Among those sharing this concern are Interior, Agriculture, and Commerce [confirm]. They would support a larger package that would go further to help create "year-round, high-wage, high skill jobs." OMB, NEC, Treasury, and CEA [confirm], on the other hand, believe that \$146.6 million in new grants and loans in FY1994 is sufficient to address the projected job loss.

Recommended decision: The majority of the Executive Committee recommends the reprogramming and redirection of \$146.6 million for the region in FY1994. (Interior, Agriculture, and Commerce would increase this amount [confirm].)

Agree _____

Disagree _____

Discuss _____

• **Option 2: Create a Northwest Economic Assistance Fund**

Under this option, \$20 million a year (in FY1994-FY1998) from federal log-sale revenues would be pooled and directed toward retraining, youth services, planning assistance, and private land management in the rural Northwest. This \$20 million would be offset by \$15 million in increased revenues from the restriction on FSC benefits (discussed above), combined with potentially \$5 million in increased log-sale revenues. (Note: Together, Option 1 and Option 2 would provide an additional \$166.6 million for the three states in FY1994.)

The \$20 million would be divided among worker assistance programs (\$6.3 million -- worker assistance for about 1000 people per year and summer jobs of 400 youths each year), businesses (\$4.8 million), community planning assistance (\$3.0 million), enhanced private forest land management (\$4.0 million), and other programs.

OMB recommends that the FSC issue not be linked to the funding pool.

Recommended decision: The majority of the Executive Committee recommends that this option be implemented. (CEA and Treasury dissent.)

Agree _____

Disagree _____

Discuss _____

Implementation Mechanism. The Group presently contemplates the delivery of federal assistance, in the short term, through an "incident command" system, such as that used in natural disasters and other emergencies. Under this system, representatives of the relevant agencies and affected states would form a "Multi-Agency Command" that would oversee and coordinate the activities of federal and state entities, most often through a memorandum of understanding.¹² Within twelve months, this rapid-response structure would give way to a more developed structure that would ensure interagency cooperation. Initial discussions with the Agency Coordination Working Group suggest that it may be possible to incorporate aspects of this function into the interagency management structure described in that Group's report. Further study of this potential is recommended.

IV. AGENCY COORDINATION

Too often in the past, various federal agencies have acted in isolation or even at cross-purposes in connection with the management of forests in the Pacific Northwest and northern California. This lack of cooperation has undeniably contributed to the current gridlock. The adoption of a new forest management strategy provides an ideal opportunity for this Administration to correct the existing problems and to fulfill your pledge at the Forest Conference to have the agencies cooperate more closely.

The new plan will be based on ecosystem management. Ecosystems are not generally contained within the geographic boundaries of a single ownership (e.g., the ecosystem for salmon species can extend from small mountain streams, through rivers that pass through federal, state, and private ownerships, and into the ocean). Managing an ecosystem can involve dealing with multiple property owners, multiple users of the property, and various federal and state agencies with regulatory responsibilities. As a result, ecosystem-based management of federal lands will require vastly increased agency coordination.

We propose a new scheme of land management planning for the region, including the following:

1. New Planning Units. Under the options developed by the scientific team, the beginning place for analysis is the individual watershed, and the most logical planning unit is a

¹² It would not be our intent to eliminate or interfere with existing interagency activities that have demonstrated an ability to manage resources effectively.

"physiographic province," consisting of a number of watersheds. Over time, we propose to switch from the existing planning units (individual national forests and BLM districts) to these provinces. In the case of the Forest Service, complete implementation of this change would require amendment of NFMA.¹³

2. Interagency GIS Database. We propose the immediate development of an interagency Geographic Information System (GIS) database in order to allow land management and resource agencies to coordinate their efforts in the collection and development of research and data. Agencies will respond as available funds allow in FY 1993 and FY1994 and will consider budget initiatives during the FY1995 budget formulation process.

3. New Planning Structure. Most of the planning work would be done by provincial-level teams -- i.e., these teams would develop analyses for physiographic provinces and particular watersheds. The membership of these teams would include the relevant federal agencies, states, and tribes.¹⁴ In addition, when individual watersheds are analyzed, the objective would be to get all affected parties to the table to discuss biological needs, timber needs, community needs, etc. An Interagency Executive Committee would coordinate and provide direction for the work of the provincial teams. It is our intent to begin to establish this structure this summer.

4. Revised Consultation Process. The existing consultation process under the Endangered Species Act would be revised to emphasize an integrated ecosystem approach. This would include involving FWS, NMFS, and EPA early in the process, so that the views of those agencies can be made known when the land management agencies begin to develop their plans for a particular area. (In contrast, under previous practices, consultation agencies have sometimes not made their views known until late in the planning process). It would also involve the use, where appropriate, of regional consultations (as contrasted with consultations on individual timber sales).

5. Additional Legislative Changes. To achieve maximum benefits from the new ecosystem-based approach, certain statutory and regulatory changes will be desirable, including:

- revision of the budgeting process (1) to decouple funding of agency budgets from timber sales levels, and (2) to allow flexibility in expending funds when and

¹³ BLM currently has authority under FLPMA to adjust planning boundaries (districts) administratively to conform with physiographic provinces.

¹⁴ Federal Advisory Committee Act (FACA) considerations are still being addressed.

where needed to manage overall ecosystem health, including expenditures for joint projects such as the interagency GIS database;

- amendment of NFMA, FLPMA, and/or relevant regulations to streamline the process for amending land management plans; and
- revision of legislation or regulations governing BLM lands to more specifically emphasize species viability and habitat protection.

We recognize that some of these legislative changes may prove to be controversial. However, we recommend that these subjects be included in the discussions with Members of Congress.

Effect on Budget. Preliminary review suggests that, during the interim period, when agencies are operating under the old system but also preparing to switch over to the new strategy (and when they are investing in a common database and related technology), agency budgets will probably will need to be increased. In the short term, it is estimated that ecosystem management for the region will add between _____ and _____ to the cost of agency operations. In the long term, however, efficiencies and cost savings seem likely. We propose to develop further the budget implications of the changes outlined above and include them when we report back on a final suggested plan.

We caution against any expectation that agency budgets can be reduced commensurately with the decrease in timber harvest levels on federal lands, since the increased emphasis on objectives other than timber production (including recreation, species protection, rehabilitation, conservation, and other commodity production) will require the maintenance of adequate staffing levels. Moreover, monitoring and research will be significant factors in any ecosystem-based plan.

Recommended decision: We recommend that you approve the new land management framework in concept and authorize us to implement it administratively (to the extent possible), perhaps through an Executive Order, and to include the necessary legislative changes in our discussions with Members of Congress.

Agree _____

Disagree _____

Discuss _____

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ATTACHMENT 1

POLITICAL SITUATION

A. Expectations

Following the Forest Conference, expectations of all parties were exceptionally high that the Administration plan would produce components they favored. People came away from the Conference selectively having heard what they wanted. "Balance" became a "silver bullet" magic solution. Not surprisingly, "balance" is being defined by perspective:

- to loggers and the timber industry, it means lifting the injunctions, modifying the Endangered Species Act, and increasing the timber harvest level;
- to environmentalists, it means increasing protection of the remaining old-growth forest ecosystems and establishing permanent reserves.

In recent weeks, expectations have been lowered. Most people now realize that no "silver bullet" solution exists.

Industry, labor, and community leaders, while expecting a reduction from historical harvest levels and levels stated in resource plans, will be very unhappy to learn that the forest plan estimates were too high even before one overlays additional habitat conservation.

These groups will also be upset to learn that there is little new money to assist affected people. The Labor and Community Assistance Team report recommends developing and/or enhancing several programs. The total available funds is \$xx. This level of funding, while substantial, does not compensate communities or workers at a level equal to the resulting declines of services resulting from lower timber harvest levels from federal lands.

B. Political Context

Now that we have draft reports from each working group, we must move quickly to maintain: (1) leadership and (2) control of the information. Congressional leaders, Governors, and interest groups following this process are becoming increasingly anxious to know what the Administration will propose and how they will be involved/consulted. Recent media coverage revealing details of the scientific plan have heightened that anxiety.

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CONGRESS: Implementing this comprehensive program will require legislation. The best way to gain Congressional support is to ensure that Members of the delegation and key committee chairs are invested in the plan. Once consultations begin, however, the working group options and recommendations will leak. Lobbying efforts from all sides will intensify -- on you, senior staff, and Congress. Claims and counter-claims will be vicious.

We propose to continue working with Congressional representatives to explain the program as soon as you provide your approval. Their primary incentive for enacting the plan is that they have no better alternative. Congress has wrestled with this for years and been unable to resolve it. The administrative outcome would provide little new timber until at least next summer.

You, Cabinet Secretaries, and other senior officials will have to use all your persuasive powers to get this through Congress and earn the support of Governors Lowry and Roberts.

GOVERNORS: Governors Lowry and Roberts have been far more active than Governor Wilson because their states are more widely affected. We are working to gain the support of Governors Lowry and Roberts. We do not anticipate Governor Wilson will support the Administration plan.

INTEREST GROUPS:

Labor: Labor, specifically the Carpenters' Union, has formed an alliance with the industry to fight against timber harvest reductions. They indicate that they need 2.0 bbf harvest from federal lands in the region. (In addition to the 1.x bbf from "owl forests", the region includes forests on the east side of the Cascades that will produce harvest levels of about 0.4 bbf annually.) They also want some sense of certainty that timber sales will go forward and that community and worker assistance programs will be funded.

Environmentalists: Environmentalists want protection of all remaining old growth forests and no weakening of important statutes. They also demand less intensive timber harvesting practices on non-protected forests.

Local Government: Local governments receive 25% of gross Forest Service revenues and 50% from Bureau of Land Management lands in lieu of taxes that would be collected if those lands were privately held. As much as eighty percent of some county budgets result from these payments. They rely on, and have become accustomed to, high levels of timber sales from Federal lands.

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Forest Products Industry: The industry seems to be preparing to criticize sharply the Administration proposal. They will criticize the process because the range of options prepared does not include weakening existing laws such as the Endangered Species Act. Private landowners want both to have their conservation efforts recognized and to have harvest restrictions eased. They will criticize the reduced harvest levels. The proposed program accomplishes two things for industry: (1) access to timber supplies (although limited) as soon as possible; and (2) possible easing of owl conservation restrictions on private lands.

Urban Dwellers: Voters who live in cities want to protect the forests. At the same time, they show compassion for those whose livelihoods have depended on the forest. If the Administration's plan is presented effectively, it should satisfy the concerns of this group and be perceived as a fair accommodation of diverse interests.

• **Option 1: Reprogram and Redirect FY1994 Budget Levels**

A decision to provide no additional funds (beyond the FY1994 budget) to address the economic hardship in timber-dependent rural areas would be strongly criticized by the governors, local governments, labor unions, timber workers, and voters in urban counties who are sympathetic to the plight of timber workers. Many in the region support (and expect) new funds, above the FY1994 budget.

Under this option, the agencies would augment the FY1994 budget amounts targeted to the rural Northwest by reprogramming moneys from FY1994 base spending and redirecting FY1994 base and investment spending to increase economic assistance. It is currently envisioned that this option would provide an additional \$146.6 million for the region in FY1994. We could implement this option through approval of appropriate Congressional committees and/or through administrative action.

Approximately half (\$71.1 million) of the reprogrammed money would go into ecosystem restoration, providing 800 additional jobs in the woods. The remaining funds would be divided to support community infrastructure improvement (\$36.5 million) and Rural Development Administration business programs (\$39 million).

Political leaders in the Northwest will approve of the reprogramming. However, targeting funds to the Northwest will create resentment in other regions.

Many will view the amounts available under this option as too small, in light of the magnitude of the reduction of timber harvests and in light of your pledge during the campaign of "no net loss of jobs." Among those sharing this concern are Interior, Agriculture, Labor, EPA and Commerce [**confirm**]. They would support a larger package that would go further to help create "year-round, high-wage, high skill jobs." OMB, NEC, Treasury, and CEA [**confirm**], on the other hand, believe that \$146.6 million in new grants and loans in FY1994 is sufficient to address the projected job loss.

Recommended decision: The majority of the Executive Committee recommends the reprogramming and redirection of \$146.6 million for the region in FY1994. (Interior, Agriculture, Labor, EPA, and Commerce would increase this amount [**confirm**].)

Agree _____ Disagree _____ Discuss _____

• **Option 2: Create a Northwest Economic Assistance Fund**

Under this option, \$20 million a year (in FY1994-FY1998) from federal log-sale revenues would be pooled and directed

THE WHITE HOUSE
WASHINGTON

June 12, 1993

MEMORANDUM TO THE PRESIDENT

FROM: Marla Romash 
Office of the Vice President

SUBJECT: Public Opinion Surveys on Forest Issues

BACKGROUND:

There have been two public opinion surveys recently conducted on forest management issues related to the Pacific Northwest and Northern California. One, a national poll conducted in late May by the Western Council of Industrial Workers and the Timber Industry Labor Management Committee; the other, a regional poll conducted earlier this month by the Ancient Forest Alliance.

The poll completed for the Ancient Forest Alliance is far more comprehensive than the industry poll and mirrors both the content and design of the survey Stan Greenberg conducted in Oregon earlier this year.

INDUSTRY POLL:

The industry/labor poll was used to reinforce two points: the public wants a balanced solution, and people are unwilling to protect the spotted owl if it will cost jobs. However, the polarization on these issues also is revealed (42 agree more with environmentalists, 47 with timber industry and workers).

On the balance issue, 71 percent say they want a balanced solution "so that the spotted owl is protected and job losses are kept to a minimum."

On the job losses, the industry poll asked the same question ("Number of jobs you would be willing to see lost to protect the spotted owl") and simply changed the job number from 5,000 to 100,000 through a series of questions. Not surprisingly, throughout the series of questions, a majority said they would not be willing to see that number of jobs lost. For example, 59 percent would not want to see 5,000 jobs lost; 75 percent on 10,000 jobs, 84 percent on 50,000 jobs, 87 percent on 100,000 jobs.

The industry poll also asked whether people supported "changing the Endangered Species Act to consider the economic and social consequences of protecting a particular species of wildlife." Fifty-seven (57) percent favored, 32 percent opposed. No doubt this question was

asked to reinforce their belief that the ESA must be changed. However, in light of the Ancient Forests Alliance poll, another point could be made as well: people want these issues considered in a comprehensive way; they understand this is about more than the spotted owl.

ANCIENT FOREST ALLIANCE POLL

The conclusions of this poll are encouraging, specifically if we choose a forest management plan that uses watersheds as a starting point and the economic health of the region as a long term goal. Voters want to protect the environment and develop a sustainable economy.

The POLARIZATION is real: voters split between protecting old growth forests and timber jobs [41-43] (in Oregon, which has more federal lands, voters place more emphasis on jobs [51-39]; in Washington, which has more private lands and where the largest job losses already have occurred, voters place higher priority on protecting the old growth forest [43-36]). However, voters seek a balanced solution and believe strongly that you are balanced in your approach and will present a balanced plan [48 percent believe you are balanced; 43 percent believe Vice President Gore puts more priority on old growth forests; 56 percent believe your plan will strike a balance].

But voters recognize that this is about more than owls (only 15 percent say timber jobs have been lost to too stringent environmental laws) and they expect continued timber job losses [55], but they accept that in return for a sustainable, diversified economy and environment. There is broad and strong support of a plan that protects the environment and is focused on the long-term economic health of the region.

There also is SUPPORT FOR a CLINTON PLAN. Before receiving any information about the plan, voters support it [46-24]. Even in timber communities, without any information, there is support for the plan [41-27].

The Clinton plan was described:

President Clinton has made solving the Northwest's old growth forest crisis one of his top priorities. The President has promised a sustainable economic and environmental plan that will balance the interests of loggers, fishermen, the forests, and the communities. His plan will do three things: First, he will implement a scientifically sound, legally responsible plan that will end the gridlock, allow timber sales and logging to go forward, and improve forest management. To help put the economy on stronger footing, the President will provide loans to create new jobs in growing industries, like secondary wood manufacturers, as well as funding to retrain workers and assist communities. Further, the President will fund new jobs restoring damaged watersheds and fish habitat. And, he will remove subsidies that promote exports of raw logs and jobs overseas. Second, the plan will use the best available science to manage the forests -- protecting old growth forests and threatened wildlife, and opening up some other areas for cutting. The plan is designed to keep the entire forest

healthy, and put the management of the forests back in the hands of the scientists who do it best. Finally, the plan will eliminate the conflicts among federal agencies that have contributed to gridlock in the past.

Support for the plan increases substantially with this information [79] and holds even under the expected attacks [67 after attack that it will cost jobs; 68 after attack it will destroy economic health]. Even in timber communities support for the plan increases with information [65] and after attack, holds up [51], though not as well as the overall numbers. [Overall, 37 believe your plan will have little job impact; 18 believe it will create jobs; 26 believe it will cost jobs -- but of those who think the plan will cost jobs, 44 percent believe they would have been lost anyway, and 50 percent say they would not have been lost.]

There is support for a plan that balances the interests of loggers, fishermen, the forests and communities; that puts forest management back in the hands of scientists; and includes economic transition and retraining of workers.

The strongest argument for the plan is an economic argument that talks about a sustainable harvest and long term jobs for the future. Voters find most convincing [75 convincing, 31 very convincing] an argument that says we can't go back to the timber boom of the past and must move instead to provide a sustainable harvest, long-term jobs, and economic transition assistance and programs. By a 4-1 margin, this argument also makes them feel personally more favorable to you. (The exact argument: *We can't go back to the huge timber cut boom of the past. We've been shortsighted in our overcutting and we're paying the price for past mistakes. Now what we need to do is provide a sustainable harvest and long term jobs for the future, make available incentives and loans to create new jobs, and provide retraining to displaced workers and assistance to communities.*)

CLINTON VOTERS ARE STRONG SUPPORTERS: Without any information, 2/3 of Clinton voters support the plan and Perot voters split. After the plan has been described and attacked, 81 percent of Clinton voters support it and 60 percent of Perot voters support it. (NOTE: Clinton voters are urban voters concentrated in the region's big cities.)

(FYI: The attacks center on job losses -- predicting an additional 15,000 jobs lost; and on destroying the economic health of the region in favor of saving "critters and plants.")

The poll provides other information as well:

- o The quality of the water supply is the most important issue [86] identified as part of this plan, speaking to a strong concern about drinking water supplies (salmon don't rate very high [47] and fishing jobs rate at the very bottom [30].

- o The quality of life/environment and educating and training workers are the second most important issues [71 and 70].

o The third most important issues [55 each] are small business loans/community assistance, saving last 10 percent of the old growth forests, and saving species for medicine.

o Jobs for loggers and their families fall below salmon [46] and the old growth forests fall below that [44]. The timber industry [38] falls just above fishing jobs.

o Scientists are rated most favorably [65], followed by timber workers [63]. The U.S. Forest Service is third [57], followed by timber companies [54] and WA environmental groups [52] and national enviro groups [49]. Wise use groups are at the bottom of the scale [41].

o Sustained economic growth is more important than short-term job considerations. [55 want to sustain economy for long term; 12 believe we should expand cutting to make up for lost jobs; 29 can't lose more jobs].

o Voters recognize this is about more than owls. [35 say we need sustainable economy; 27 say more than just owl but entire environment at stake; 17 say we can't lose jobs; 17 say job loss from factors other than spotted owl].

o Timber companies and federal agencies are blamed for job loss. [25 blame overcutting and poor management by timber companies; 23 blame politics and poor management by federal agencies; 18 blame raw log exports to Japan; 15 blame environmental policies; 8 blame general economic downturn.] (NOTE: In fact, it is probably the economic downturn more than anything else that's created job losses.)

o Most voter [70] believe no one should be above the law. That is, they believe the law should be followed and laws should not be overlooked even if it saves jobs.

o Convincing arguments also can be made regarding balance and breaking gridlock.
The exact arguments:

1) *Some people in this debate want to save every tree; others want to cut every tree. This plan is balanced. We're going to continue cutting timber in these forests over the long-term, though we will cut less than in the past. And we are going to protect the last old growth forests and the key rivers and streams, but we're not going to lock up every acre.* [70 convincing, 24 very convincing].

2) *The best part of this plan is that it will break the gridlock and end the uncertainty that threatens loggers, communities, the forests, and fishermen. It will allow the timber sale program to go forward, create new and sustainable economic opportunities and help communities put the management of the forests back in the hands of the scientists who do it best.* [61 convincing, 19 very convincing].

7. 11

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JUNE XX, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: KATIE MCGINTY
VIA: FOREST CONFERENCE EXECUTIVE COMMITTEE
SUBJECT: FOREST CONFERENCE

1. OVERVIEW

This memorandum 1) synthesizes the reports of the three working groups formed to develop options as follow-up to the Forest Conference, 2) presents options for your decision, and 3) describes political and communication strategies for moving forward. Representatives of agencies and White House offices¹ have approved this synthesis via the joint Forest Conference Executive Committee/NEC and DPC Deputies approval process.

A. Status of Programs and Plans

At the Forest Conference, you directed the Cabinet Secretaries to develop by June 2 a plan to break the stalemate over this issue. You requested that they craft a "balanced policy that promotes the economy, preserves jobs, and protects the environment." You directed that it be "scientifically sound, ecologically credible, and legally responsible."

¹ White House offices include: Office on Environmental Policy; Political Affairs; Legislative Affairs; Intergovernmental Affairs; Office of the Vice President; Communications, Science and Technology Policy; National Economic Council; Council on Economic Advisers; OMB; ?? Departments include: Agriculture; Interior; Commerce, Labor; EPA; ??

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Immediately after the Conference, three interagency working groups were established:

- the Ecosystem Management Assessment Team to examine forest management issues and their ecological and economic impacts;
- the Labor and Community Assistance Team to explore economic development and assistance proposals; and
- the Agency Coordination Team to examine ways to improve interagency efforts.

These teams have now completed drafts of their reports. White House and agency staff are reviewing them. The following sections of this memo summarize the three reports.

Complying with conservation and land management provisions of the numerous statutes that guide the Forest Service (in the Department of Agriculture) and Bureau of Land Management (in the Department of the Interior) provides no opportunity for continuing timber harvests at anywhere near levels of the 1980s. Our primary opportunities to be creative and "put people first" come under the community/labor assistance and institutional reform programs.

B. Timing

We must move quickly. We cannot afford to have the package unravel before your public announcement. We anticipate a public announcement and introducing legislation prior to July 1. Many Members of Congress have indicated that they would like to see the legislation passed prior to the August recess (which begins August 6?). If the Speaker, key committee chairs, and key

2

And leaks of the options are ~~expected~~ bound to occur soon.

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Senators are on board, we may have a chance at quick passage.

C. Presidential Action Requested

This synthesis of the working group reports constitutes a proposal for the Administration's comprehensive forest management, economic, social, and institutional change program. The Executive Committee seeks your approval of the recommendations described in this memorandum. We will proceed expeditiously to work with Congress, Governors, and affected constituents as we identify the most effective mechanisms to implement these programs.

insert 8/6

STATE THE FACTS
THAT H2. 2/14/06
DISCUSS UP FRONT

2. FOREST ECOSYSTEM MANAGEMENT

A. Working Group Report

Our instructions to the Ecosystem Management Assessment Team were to prepare a series of options that (1) were ecosystem-based; (2) met the requirements of existing environmental laws; and (3) maximized social and economic benefits within the first two constraints. Simply put, the instruction was to keep the timber harvest level as high as possible and still comply with the environmental laws.²

The Ecosystem Management Assessment Team made detailed analyses of nine options. For each option, it conducted viability assessments on all known species associated with old-growth forests, and it calculated potential timber harvests, job losses, and other economic and social effects. The team continues to work on finalizing its report, but the tentative conclusions have been supplied to us. We are assured that those conclusions are not likely to change significantly.

The timber harvest numbers calculated for the various options are disappointing. One reason is that when the team looked closely at the Forest Service timber base, it found that the base was overstated by 20 to 30 percent. This means that

² The applicable environmental laws are primarily the Endangered Species Act (ESA) and the National Forest Management Act (NFMA). Under the ESA, several species have already been listed as threatened (northern spotted owl, marbled murrelet, and some salmon species), and many more -- especially fish species -- ~~could be~~ listed in the near future. NFMA requires the maintenance of "viability" of vertebrate species on Forest Service land without regard to whether a species is listed. Compliance with these laws is judged by viability assessments that are made for individual species.

are very likely to

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during the 1980s, the agencies were overcutting at a higher rate than was previously believed to be the case and that, as a result, the decision space we now face is more constrained than we thought.

Second, while attention has been focused on the spotted owl and its habitat needs, it is now apparent that the protection of fish species will have at least as much effect on timber harvests as the owl. The combination that results from protecting spotted owls, marbled murrelets, and at-risk fish is particularly devastating (under any available option) for potential timber harvests in southwestern Oregon and the Olympic peninsula (Rep. Dicks' and DeFazio's districts).

The options developed by the Ecosystem Management Assessment team range from a "super-green" option (characterized by very large reserves and limited harvest potential) to the most recent plans of the Forest Service and the Bureau of Land Management (incorporating conservation of northern spotted owls). The latter option would produce the greatest harvest potential. However, it does not protect marbled murrelets or fish sufficiently to be viewed as in compliance with the law. If protection for those species is added, the option does not result in a significantly different potential harvest level than most of the other options.

The options start from two basic perspectives, based either on habitat to protect various species or on protection of the best old-growth. Except for the two extremes, all produce a potential annual timber harvest of between .7 and 1.2? billion board feet (bbf) -- much lower than the 1980 to 1989 average of 4.6 bbf, or even the 1990 to 1992 average of 2.4 bbf, but significantly more than has been allowed under the existing

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injunctions (about 0.5 bbf?). The timber industry and labor argue that future harvests of at least 2 bbf are required; however, the judgment of the scientific team is that no option exists that can comply with the law and still produce 2 (or more) bbf per year.

Jobs losses associated with any management plan will be a disputed issue. Economists on the scientific team estimate that direct forest industry job losses resulting from implementing most of its options would range from 6000 to 9000, when compared to the number of jobs for the most recent year, 1992.

The industry will dispute using a 1992 baseline, claiming that an appropriate baseline is the mid-1980s, when employment was very high. Industry will also apply a multiplier to any direct job loss estimate, to take into account losses indirectly related to timber reductions. Thus industry and labor can be expected to use job-loss figures of approximately 25,000 to 30,000 direct jobs and a total of 75,000 to 100,000 jobs lost in the region.

Of the options that were studied, three produce acceptable viability ratings (a medium-high to high probability that the species will remain viable throughout its range over the next 50 to 100 years) and also an annual harvest level of at least 1.0 bbf. The Executive Committee believes that the most attractive option is Option 9, which has been termed the "unified reserve" option. Previous proposals have generally developed forest reserves on a species-by-species approach, usually starting with owls and then considering what additional areas are necessary for other species. The unified forest reserve approach recognizes that watershed protection, such as buffer zones alongside streams, should be the starting point in development of reserves

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that accomplish multiple purposes. A reserve aimed at protecting watersheds can often include some of the best old growth and can provide habitat for spotted owls, marbled murrelets and other key species. Option 9 starts from this premise and attempts to consolidate reserve requirements, while also recognizing that riparian buffers can provide connectivity between habitat conservation areas.

Option 9 also identifies nine large adaptive management areas (50,000 to 500,000 acres) for intensive ecological experimentation and social innovation, with the objective of developing and demonstrating integration of ecological and economic/social objectives. These areas will be very popular politically, as they will provide opportunities for agencies, non-governmental organizations, local groups, and communities to work together to develop innovative management approaches.

We recognize that none of the options produced by the Ecosystem Management Assessment Team will satisfy the timber industry, labor, or many members of the northwest delegation. The reaction of some will be to propose legislative imposition of a target harvest number, without regard to whether that number can be achieved while complying with the law. However, that approach is likely to lead to additional degradation of habitat, additional listings under the ESA, and further problems in court down the road. Further, recommending special regional exceptions to substantive provisions of conservation and land management statutes will likely prevent rapid Congressional action, as well as establish a dangerous precedent.

RECOMMENDATION:

On balance, we recommend: that you continue to adopt an approach based on compliance with existing substantive law; that the unified reserve option be made part of the proposed solution;

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and that some of the features described below be added to make the package more acceptable.

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Recommendation

C. Permanent Reserves

In order to gain the support of the environmental community, particularly if we include a proposal for legislative assistance that modifies procedural requirements under current statutes, it will be necessary to provide permanent protection for high priority old growth areas either administratively or through the legislative package. We recommend that key old growth areas be identified and that the possibility of permanent reserves be explored during our discussions with members of Congress.

Forest industry and labor leaders will oppose the reserves. The option we are recommending allows some logging activity (thinning and salvage) within portions of the reserves.

Recommendation

D. East-side Salvage

A portion of the supply from an accelerated salvage program for east-side forests could be used to supply westside mills as a job mitigation strategy. We recommend that an aggressive but regulated salvage program be undertaken for east-side forests as part of the package to deal with northwest forest issues.

Environmentalists will criticize the proposed program for not dealing more with east-side forests. We decided early in the process to focus on west-side spotted owl habitat. However, we recognized that consideration of east-side conservation and economic issues would follow and that the west-side plan would probably serve as a model for east-side assessment.

Recommendation

E. State and Private Lands

The Ecosystem Management Assessment Team was instructed to

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minimize the impact that its conservation planning would have on private lands. Federal agencies can take actions that will increase potential harvests on state and private lands and thereby offset the reduction of harvests on federal lands.

In particular, private landowners are extremely dissatisfied with the guidelines issued by the Fish and Wildlife Service (pursuant to its authority to regulate "takings" under the ESA) that delineate large "owl circles" around active nesting sites and prescribe strict harvesting ~~conditions~~ within the circles. With the adoption of a preferred alternative that will largely meet the needs of the owl, these restrictions can probably be loosened. ~~You should~~ direct the FWS to ~~promulgate~~ a rule under section 4 of the ESA to define what activities will be considered to violate the taking prohibitions of the ESA as they relate to the northern spotted owl. This rule would likely free up significant amounts of private land and would be applauded by the states, labor, and private landowners.

F. Timber from Indian Reservations

Current estimates are that there are approximately 380 million board feet of backlogged timber sales from Indian reservations in the Pacific northwest. Much of the backlog results from a lack of people to process the sales (including forest hydrologists and ESA and NEPA specialists). Assistance that the Administration might provide, as part of a larger strategy to include the tribes in the resolution of the northwest forest crisis, could expedite bringing much of the timber onto the market at a time when it is most needed. We recommend that you direct the Departments of Agriculture and Interior to explore such a strategy.

recommending that you

insert C

restriction quickly
The rule should also contain a "local option" to allow landowners to come forward to meet their own alternative proposals to meet their needs with

Insert) ✓

~~And said~~ And called toward her, Hark ye, from hence
And count my pursuers.

L B H. **Log Exports**

~~And said~~ And called toward her, Hark ye, from hence
And count my pursuers.

1. ~~I.~~ Secondary Processing

The job outlook could also be improved by affording a

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bidding preference to first level processors who agree to commit a percentage of their output to domestic secondary processing.
[more to be added]

K. J. Forest Stewardship

The Forest Stewardship programs provide technical and financial forest management assistance to non-industrial landowners -- those with less than 1000 acres. The Forest Service administers the program in collaboration with state foresters. Until now, the Forest Stewardship program has not been extensive in Washington, Oregon, and northern California. You should direct the Forest Service to increase in the Pacific northwest Forest Stewardship and other programs that encourage sound forest management. In addition, the Forest Service should require that landowners receiving financial assistance not export raw logs or partially processed timber.

RECOMMENDED DECISION: We should go forward with a plan based on (1) the unified reserve option proposed by the Ecosystem Management Assessment Team, (2) a phase-in of that option starting at 2 bbf for the first year, (3) development of possibilities for a permanent old growth reserve, (4) development of an eastside salvage program, (5) promulgation of a rule under section 4 of ESA to loosen restrictions on private lands related to spotted owls, (6) federal assistance to bring additional timber onto the market from Indian reservations, (7) pursuit of legislative procedural relief to increase the certainty of timber harvests during the interim period, (8) actions to increase the processing of logs in domestic mills, (9) giving a bidding preference in connection with secondary processing, and (10) increasing the availability of Forest Stewardship programs.

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Agencies agreeing with this recommendation include: _____.

Agencies opposing this recommendation include: _____.

AGREE _____ DISAGREE _____ LET'S DISCUSS _____

3. COMMUNITY AND LABOR ASSISTANCE

A. Background

The Labor and Community Assistance Working Group has developed a comprehensive and integrated program to address the social and economic effects of an ecosystem management plan. The program addresses both immediate and intermediate-term needs, and it focuses on four distinct, but related, sets of problems.

Human Investment

- **Assistance to workers and families** -- The program calls for targeting of monies from the discretionary national reserve account under Title III of the Job Training Partnership Act (JTPA) for job search assistance, retraining, and relocation. It also calls for a coordinated effort to expand conservation corps activities for young people in the rural Northwest.
- **Assistance to firms and industries** -- Our proposal envisions increased funding for successful business lending programs (currently administered by the Department of Agriculture), expanded technical assistance (through the Department of Commerce), and adjustments in federal procurement practices. It also calls for increasing the supply of timber to the secondary processing sector of the Northwest timber industry and for eliminating tax incentives for log exports.
- **Assistance to communities** -- The Group proposes to stabilize fiscal assistance to Northwest counties, to strengthen community capacity to plan for economic development and diversification, and to improve the infrastructure necessary

for such development.

Ecologic Investment

- **New investments in ecosystems** -- The Group proposes investments in watershed maintenance, ecosystem restoration, and environmental monitoring that will improve the condition of the region's ecosystem and create jobs.

The estimated dollar amounts associated with the above proposals are described in the attached chart. The chart covers three different levels of funding for a Northwest Economic Adjustment Initiative: [NEC AND OMB TO CONFIRM/REVISE THESE BUDGET FIGURES]

- **Option 1: Maintain FY1994 Budget Levels**

Under this option, funding levels set forth in the FY1994 budget (including both "base" and "investment" spending) would be maintained. This level includes only federal expenditures and lending in those programs identified for enhancement, and thus should not be considered as a measure of the total amount of federal money directed toward the rural Northwest. This option provides \$780.1 million to the rural Northwest in FY1994 -- \$80.5 million over FY1994 base spending. This option would not provide funding for enhancements of programs for workers and families, and would provide only limited (about one-third) funding for businesses and community assistance.

- **Option 2: Reprogram and Redirect FY1994 Budget Levels**

Under this option, the agencies would reprogram monies from FY1994 base spending and redirect FY1994 base and investment

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spending to enhance economic assistance to the rural Northwest. This option would be pursued through discussions with the Appropriations Committee and through administrative action. In FY1994, this option would provide \$931.5 million to the rural Northwest -- an increase of \$230 million over the FY1994 base.

• **Option 3: Create a Northwest Economic Assistance Fund**

Under this option, \$20 million a year (in FY1994-FY1998) from federal log-sale revenues would be pooled and directed toward retraining, youth services, planning assistance, and private land management in the rural Northwest. This \$20 million would be offset by \$15 million in increased revenues from the restriction on FSC benefits (see discussion below), combined with \$5 million in increased log-sale revenues.

B. Implementation Mechanism

The Group recognizes that federal assistance to the region is currently delivered in an uncoordinated and inefficient fashion. Consistent with the Administration's efforts to "reinvent government," the Group proposes the establishment of a new service delivery system that will enhance integration of ongoing federal efforts and coordination of federal, state, and local programs. The Group has developed two options for improving delivery of federal assistance and investment activity.

One option is to use the "incident command" system that is often employed in natural disasters and other emergencies. Under this option, representatives of the relevant agencies would form a "Multi-Agency Command" that would oversee and coordinate the activities of federal and state entities, most often through a memorandum of understanding. Within twelve months, this rapid-

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response structure would give way to a more developed structure that would involve interagency cooperation. (Initial discussions with the Agency Coordination Group suggest that it may be possible to incorporate aspects of this function into the ecosystem-based management process described in that Group's report. Further study of this potential is recommended.)

A second option is to deliver federal assistance through a conditional block grant mechanism, with federal funds from certain programs begin pooled into a Regional Development Fund. A new Regional Commission would oversee the Fund. Counties and other local governments would apply for block grants by submitting detailed plans for economic diversification and development.

The majority of the working group favors the first approach.

C. Suggested Legislative Action

Much of this economic assistance program can be implemented administratively -- without legislation -- through Executive Orders, interagency Memoranda of Understanding, and administrative decisions. However, several aspects of the program will require legislative action. These include:

- **Revision of fiscal assistance to counties**

This is a controversial issue. Currently, both the BLM and Forest Service participate in revenue sharing with county governments (with payments averaging \$100 million and \$200 million per year, respectively, during the late 1980s). This has been problematic because significant fluctuations in harvests have produced significant fluctuations in revenues and because

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revenue sharing generates pressure for increased harvesting. In each of the past two years, Congress has established a "safety net," guaranteeing minimum revenue sharing equivalent to 85 percent of the average past payments, but limited to the total revenue from the relevant log sales.

With one exception (OMB), the Group recommends the establishment of a ten-year schedule of federal payments, beginning at safety-net levels and declining 3 percent per year. This approach would offer communities stability and predictability and thus provide a more attractive investment climate, while at the same time encouraging communities to become less dependant upon federal fiscal assistance, as the payments would be limited in duration and gradually declining. The payments would reach 55 percent of the 1986-1990 average in FY2004; at that time, the payment regime would be reexamined.

OMB recommends against this proposal, and argues that a year-by-year adjustment of revenue sharing would be more appropriate, efficient, and fiscally sound.

- **Elimination of current tax incentives for raw log exports**

Currently, the Foreign Sales Corporation (FSC) provisions in the Internal Revenue Code exempt from US tax a portion of the income derived from the export of most goods, including unprocessed logs, when FSC participates in an export transaction. The majority of the Group recommends that the FSC be amended to deny FSC benefits to income from the export of raw logs. This would likely decrease exports and increase domestic processing. The Treasury Department estimates that this would increase

revenues by \$15 million per year.³

The CEA and Treasury recommend that this proposal not be adopted. They believe that any reform of FSC rules should be undertaken in the context of a comprehensive study of tax incentives for exports, rather than on a piecemeal basis.

• **Revision of budget**

A budget amendment will also likely be necessary to ensure necessary levels of funding.

D. Costs, Financing, and Presidential Decisions

After much negotiation, the Group believes that, assuming passage of the investment-based portions of the package, the proposed activities can be funded without increasing the deficit (assuming that the above legislative action is taken). This would be accomplished by:

- (1) earmarking investment monies;
- (2) reprogramming monies to the Northwest from other regions; and
- (3) offsetting expenditures beyond the baseline with the increased revenues from elimination of the raw-log export incentives.

The primary decision centers on the magnitude of the proposed assistance package. Very preliminary calculations

³ During the Forest Conference, there was mention of a larger revenue estimate (\$70 to \$100 million) that was developed on the Hill last year based on rough calculations not using micro data (as is used in Treasury's estimate).

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indicate that the maximum additional amount the agencies would be able to provide the region is \$150-175 million per year. Many will view that amount as too small, in light of the magnitude of the reduction of timber harvests and in light of your pledge during the campaign of "no net loss of jobs." On the other hand, with the current focus on reducing government spending and with other priorities that have already been established, it is hard to find much room in the budget to increase the size of the package.

At this time, the central strategic decisions concern legislative and budgetary strategy. Successful implementation of the program requires passage of the investment package items for USDA, Interior, Commerce, Labor, and EPA. We need your authorization for the agency deputies to work with Intergovernmental Affairs, OEP, and OMB to ensure such passage. Beyond that, the central tactical questions concern whether the best approach to securing region-specific monies is through budget amendments or earmarking. Again, the deputies would work with Political Affairs, OEP, and OMB to resolve this issue.

RECOMMENDED DECISIONS:

1. Implementation Mechanism

The majority of the working group recommends that an interagency delivery mechanism, based on the "incident command" system, be established for the short-term implementation of the labor and community assistance package.

Agencies agreeing with this recommendation include: _____.

Agencies opposing this recommendation include: _____.

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AGREE _____ DISAGREE _____ LET'S DISCUSS _____

2. Funding Options

The majority of the working group recommends Options 2 and 3 be implemented.

OMB, CEA, and Treasury endorse either Option 1 or Option 2, but not Option 3.

OPTION 1 _____ OPTION 2 _____ OPTION 3 _____ LET'S DISCUSS _____

DRAFT**EXHIBIT 2: Funding Level Options**

	FY1994	FY1993-1998 Funds beyond base
Options	1039.5	-
FY1994 Base -	1352.7	1006.6
Option 1: FY1994 Budget -	1505.1	1606.0
Option 2: FY1994 Reprogrammed & Redirected -	1525.1	1706.0
Option 3: Option 2 + NW Economic Adjustment Fund -		

*****PARTIAL LIST OF FEDERAL ASSISTANCE AVAILABLE IN 'OWL REGION'*****
 (in \$ millions)

Initiative	FY1994 Base	FY1994 Investment	FY1994 Reprogram & Redirect	Northwest (FSC) Fund	FY1994 Totals	FY93-FY98 Money beyond Base	Period
JTPA-Title III: Sec'y Reserve	6.2	0.0	5.8	5.0	17.0	32.4	(3 years)
National Service	1.2	0.0	0.0	1.3	2.5	3.8	(3 years)
x-JTPA-Title III: Formula	7.2	16.3	0.0	0.0	23.5	48.9	(3 years)
-Total: Workers & Families	14.6	16.3	5.8	6.3	43.0	85.1	(3 years)
RDA Bus. Enterprise Grants*	-	1.1	3.0	0.0	4.1	12.3	(3 years)
RDA Bus. & Industry Program	5.5	9.8	20.0	0.0	35.3	69.4	(3 years)
RDA Intermediary Relending**	-	-	16.0	0.0	16.0	48.0	(3 years)
Old Growth Diversification	1.5	0.0	0.0	3.0	4.5	9.0	(3 years)
Manufacturing Extension***	-	-	-	-	-	-	(3 years)
EDA Technical Assistance	0.5	0.0	0.0	1.8	2.3	5.3	(3 years)
x-SBA Guaranteed Loans	260.6	217.0	0.0	0.0	467.6	651.0	(3 years)
-Total: Businesses	266.1	227.9	39.0	4.8	559.8	815.0	(3 years)
Revenue-Sharing for Counties	200.0	0.0	0.0	0.0	200.0	1000.0	(5 years)
EDA Planning Assistance	2.0	0.0	1.5	3.0	6.5	13.5	(3 years)
CDBG Block Grant & Sec. 108	36.6	1.9	0.0	0.0	38.5	8.7	(3 years)
RDA Community Facilities	5.0	16.6	20.0	0.0	41.6	109.8	(3 years)
RDA Water/Wastewater Program	55.0	17.0	15.0	0.0	87.0	98.0	(3 years)
-Total: Communities	298.6	35.5	36.5	3.0	373.6	1225.0	(3 years)
Understanding Federal Forests	0.0	0.0	0.0	2.0	0.0	10.0	(5 years)
Enhanced Private Land Managemt.	2.2	2.2	0.0	4.0	8.4	31.0	(5 years)
Ecosystem Restoration	178.0	19.3	71.1	0.0	268.4	452.0	(5 years)
x-Other Forest Restoration	258.0	12.0	0.0	0.0	270.0	98.0	(5 years)
-Total: Ecosystems	438.2	33.5	71.1	6.0	546.8	581.0	(5 years)
Totals:	1039.5	313.2	152.4	20.0	1523.1	2716.0	

*****AMOUNTS REFLECT FUNDS AVAILABLE (I.E., INCLUDE LOAN AMOUNTS)*****

Assumptions: 3 and 5 year agency commitments on reprogramming and redirection
 straight-lined investment levels

Notes: *FY1994 Base not available.
 **In the past, appropriations for the RDA IRP have not been allocated by State.
 Instead, projects compete for funding. The FY1994 base program level for
 the entire program is \$34 million; \$140 million additional is proposed in the investment package.
 ***FY1994 amount not available.
 x-Denotes program not included in proposed economic adjustment initiative.

4. AGENCY COORDINATION

A. Background

Too often in the past, various federal agencies have acted in isolation or even at cross-purposes in connection with the management of forests in the Pacific Northwest and northern California. This lack of cooperation has undeniably contributed to the current gridlock. In recognition of this fact, the Agency Coordination Group was asked: (1) to identify the factors related to interagency workings and process that contributed to the gridlock; and (2) to develop a plan to correct those problems and to achieve better coordination and cooperation among these agencies.

B. Ecosystem-Based Approach to Forest Management

The adoption of a new forest management strategy provides an ideal opportunity for this Administration to correct the existing problems and "reinvent" forest management. All of the options under consideration call for significant changes to the current system. First and foremost, all of the current proposals call for the use of ecosystem-based management.

Any ecosystem-based plan will require looking at all ownerships -- federal, state, tribal, and private. With respect to the federal agencies, this will require much more coordination than in the past among the land management agencies (primarily the Forest Service and BLM) and also among the agencies responsible for enforcing the Endangered Species Act (the Fish and Wildlife Service and the National Marine Fisheries Service) and other environmental laws (EPA). It also means that there must be some vehicle for bringing states, tribes, and private

landowners (and affected communities) to the table.

C. New Planning Units

All the options under consideration also call for a departure from existing planning units (individual national forests and BLM districts). Under the current proposals, the beginning place for analysis is the individual watershed, and the most logical planning unit is a physiographic province, consisting of a number of watersheds.

D. Proposed New System

Because an ecosystem management approach will not respect administrative or ownership boundaries and because the new planning units will cross jurisdictional lines, vastly increased agency cooperation and coordination will be required. Accordingly, we are proposing a new scheme of land management planning for the geographic region here involved.

As a first step, we propose the immediate development of an interagency Geographic Information System (GIS) database in order to allow land management and resource agencies to coordinate their efforts in the collection and development of research and data.

We also propose a new planning structure, consisting primarily of four interagency teams. Most of the planning work would be done by provincial-level teams -- i.e., these teams would develop analyses for physiographic provinces and particular watersheds. The membership of these teams would include (at least) the relevant federal agencies, states, and relevant tribes. In addition, when individual watersheds are analyzed,

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the objective would be to get all affected parties to the table, to discuss biological needs, timber needs, community needs, etc. An Interagency Executive Committee would coordinate the work of the provincial teams. It would consist only of federal agencies (though it would have working groups including the states and tribes and would have regular open meetings at which states and others would be fully included). It would provide direction to provincial teams; serve as a forum for sharing information and discussing common issues; and approve research, monitoring, and adaptive management proposals. Two other groups, a Regional Ecosystem Office and a Research and Monitoring Committee, would support the executive group and would address research, data needs, consultation, and implementation issues.

**E. Revised Process for Consultation Under the
Endangered Species Act.**

The existing consultation process would be revised to emphasize an integrated ecosystem approach. This would include: (1) involving FWS and the NMFS early in the process, so that the views of those agencies can be made known when the land management agencies begin to develop their plans for a particular area; (2) the use of programmatic consultations, where appropriate, in order to reduce costs and delays; and (3) calling upon the land management agencies to be more responsive to the recommendations made by FWS and NMFS that are aimed at avoidance of further degradation of habitat.

F. Effect on Budget

Preliminary review suggests that, during the interim period, when agencies are operating under the old system but also preparing to switch over to the new strategy (and when they are

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investing in a common database and related technology), agency budgets will have to remain at least at present levels and probably will need to be increased. In the long term, however, efficiencies and cost savings seem likely. If you agree that the proposed framework appears desirable, we would proceed with a detailed assessment of budget implications.

We caution against any expectation that agency budgets can be reduced commensurately with the decrease in timber harvest levels on federal lands, since the increased emphasis on objectives other than timber production (including recreation, species protection, rehabilitation, conservation, and other commodity production) will require the maintenance of adequate staffing levels. Moreover, monitoring and research will be significant factors in any ecosystem-based plan.

G. Review of Statutory and Regulatory Impediments

In order to achieve maximum benefits from the new ecosystem-based approach, certain statutory and regulatory changes would be highly desirable, including:

- revision of NFMA to allow a change in planning units from national forests to provinces (to provide the appropriate framework for watershed-based analyses);
- revision of the budgeting process (1) to decouple funding of agency budgets from timber sales levels, and (2) to allow flexibility in expending funds when and where needed to manage overall ecosystem health, including expenditures across jurisdictional lines and expenditures for joint projects such as the interagency GIS database;

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- revision of NFMA and/or relevant regulations to allow for effective adaptive management (i.e., reduce the burdens associated with amending plans);
- revision of legislation or regulations governing BLM lands to recognize that maintenance of species viability and habitat protection are important objectives;
- consideration of legislation to exempt the interagency teams from the provisions of Federal Advisory Committee Act (FACA).

While further analysis and preparation of these proposals should begin now, there is no need to press for immediate revision -- i.e., these proposals need not be presented to the Hill this summer and can be presented at a later date after further study has been conducted.

RECOMMENDED DECISION: We should go forward with a plan consisting of: (1) movement by the agencies to a watershed approach as the basis for forest management planning in the area within the range of the northern spotted owl; (2) establishment of the interagency teams recommended by the Agency Coordination Group to implement the new approach; (3) establishment by the relevant agencies of an interagency GIS database to the extent that can be done within FY1994 budget limitations and consideration of such database in their plans for FY1995; (4) further analysis of budget implications of full implementation of the recommendations of the Agency Coordination Group; and (5) further analysis of possible legislative or regulatory changes to support the new forest management strategy.

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Agencies agreeing with this recommendation include: _____.

Agencies opposing this recommendation include: _____.

AGREE _____ DISAGREE _____ LET'S DISCUSS _____

5. LEGISLATION

One of the Administration's goals has been to break the "gridlock" and hold timber sales as quickly as possible. The federal forest land management component of the program can be implemented administratively. However, implementation without legislative assistance will take a long time because of procedural requirements of relevant statutes and regulations. Some components of the overall forest ecosystem strategy and the economic/social proposal will require legislation. The Administration must determine how extensive the legislative package should be.

The plethora of procedural requirements of the National Forest Management Act (NFMA), Federal Land Policy and Management Act (FLPMA), Endangered Species Act (ESA), and other statutes make it difficult to offer much timber volume before next spring. If we have to postpone sales until that time, many sawmills that depend on timber from federal lands may have to close because they lack an adequate supply of logs.

The Forest Service and Bureau of Land Management are doing what they can to comply with existing procedures. They plan to ~~issue~~ a joint environmental impact statement (EIS) in mid-July. It will analyze the ecological and social options considered and identify the agencies' preferred alternative. The NFMA requires a 90-day comment on draft EISs or plans. Under ideal conditions, the EIS and NFMA process would extend until at least January 1994, at which time citizens could appeal the decisions. The only way to shorten the schedule is through action by Congress.

~~We have identified two alternatives. One, favored by the majority of the Executive committee, is to ask for Congressional~~

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assistance with the procedural requirements, but to ask for as little Congressional involvement as possible -- i.e., to maximize the administrative implementation of the program. Under this approach, we would submit a brief legislative proposal to shorten comment periods and eliminate certain procedural requirements of NFMA and NEPA. A variation of this option is to include some "certainty" provisions (such as declaring that the procedural requirements have been met or restricting rights of appeal) seeking to minimize opportunities for injunctions to tie up the program.

The timber industry and labor want Congress to pass legislation providing "certainty" that a specified timber harvest level will be available for the next several years. They also want that harvest level to be insulated from legal challenge, by finding that the program meets procedural and or substantive requirements of all statutes. Environmental groups will bitterly contest all of these aspects.

The other approach, favored by the Department of Agriculture and ? , is to propose comprehensive legislation endorsing the forest management plan for a specified period (3 to 5 years). The principal advantage of this approach is that it would build a partnership with Congress in developing the program. On the other hand, it invites Congress to tinker with the basic elements and it probably presents a higher risk of failure in Congress.

A related issue is whether to ask Congress to establish permanent old-growth reserves or whether to address that issue administratively through the Antiquities Act. The majority of the Executive Committee suggests the administrative approach. However, that conclusion should be reconsidered if Congress insists on examining the forest management package and changing

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its components. In that case, legislative consideration of the reserves may be necessary to achieve an overall balanced solution.

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RECOMMENDED DECISION: On balance, a ~~majority~~ of the Executive Committee recommends that the legislative approach be through 1) a proposal to speed up administrative implementation of the forest management plan by shortening comment periods and eliminating other procedural requirements, while making no substantive changes to the underlying statutes, and 2) obtaining necessary Congressional authority for elements of the economic/social package.

The following agencies agree with this recommendation: _____

The following agencies oppose this recommendation: _____

AGREE _____

DISAGREE _____

LET'S DISCUSS _____

6. POLITICAL SITUATION

A. Expectations

Following the Forest Conference, expectations of all parties were exceptionally high that the Administration plan would produce components they favored. People came away from the Conference selectively having heard what they wanted. "Balance" became a "silver bullet" magic solution. Not surprisingly, "balance" is being defined by perspective:

- to loggers and the timber industry it means lifting the injunctions, modifying the Endangered Species Act, and increasing the timber harvest level;
- to environmentalists it means increasing protection of the remaining old-growth forest ecosystems and establishing permanent reserves.

In recent weeks, expectations have been lowered. Most people now realize that no "silver bullet" solution exists.

Industry, labor, and community leaders are likely to consider this proposed program a "triple whammy." They had anticipated that compliance with environmental laws would result in a reduction from historical harvest levels and levels stated in resource plans. Now we have to tell them that the forest plan estimates were too high even before one overlays additional habitat conservation.

In addition to sharply reduced harvests from Federal lands, there is little new money to assist affected people. The Labor and Community Assistance Team report recommends developing and/or enhancing several programs. The total available funds is \$xx.

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This level of funding, while substantial, does not compensate communities or workers at a level equal to the resulting declines of services resulting from lower timber harvest levels from federal lands.

B. Political Context

Now that we have draft reports from each working group, we must move quickly to maintain: 1) leadership and 2) control of the information. Congressional leaders, Governors, and interest groups following this process are becoming increasingly anxious to know what the Administration will propose and how they will be involved/consulted.

CONGRESS: Implementing this comprehensive program will require legislation. The best way to gain Congressional support is to assure that members of the delegation and key committee chairs have "bought into" the plan. Once consultations begin, however, we anticipate that the working group options and recommendations will leak. Lobbying efforts from all sides will intensify -- on you, senior staff, and Congress. Claims and counter-claims will be vicious.

to explain
We propose to continue working with Congressional representatives ~~on specific components of~~ the program as soon as you provide your approval. Their primary incentive for accepting the plan is that they have no better alternative. Congress has wrestled with this for years and been unable to resolve it.

You, Cabinet Secretaries, and other senior officials will have to use all your persuasive powers to get this through Congress and earn the support of Governors Lowry and Roberts. The proposed program is a necessary "bitter pill" to swallow

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after years of over-harvesting Federal lands in the Pacific Northwest.

GOVERNORS: Governors Lowry and Roberts have been far more active than Governor Wilson because their states are more widely affected. We are working to gain the support of Governors Lowry and Roberts. We do not anticipate Governor Wilson will support the Administration plan. All are likely to share the following concerns:

- They will have difficulty supporting the low timber harvest levels because of actual and overstated employment impacts.
- They will be disappointed that the forest plan only marginally considers conservation and timber supply aspects of state and private lands.
- They want to provide state economic resources in conjunction with the federal dollars to communities where economic dislocation is to be most acute.

INTEREST GROUPS:

Labor: Labor, specifically the Carpenters' Union, has formed an alliance with the industry to fight against timber harvest reductions. They indicate that they need 2.0 bbf harvest from federal lands in the region. (In addition to the 1.x bbf from "owl forests", the region includes forests on the east side of the Cascades that will produce harvest levels of about 0.5 bbf annually.) They also want some sense of certainty that timber sales will go forward and that community and worker assistance programs will be funded.

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Environmentalists: Environmentalists want protection of all remaining old growth forests and no weakening of important statutes. They also demand less intensive timber harvesting practices on non-protected forests.

Local Government: Local governments receive 25% of gross Forest Service revenues and 50% from Bureau of Land Management lands in lieu of taxes that would be collected if those lands were privately held. As much as eighty percent of some county budgets result from these payments. They rely on, and have become accustomed to, high levels of timber sales from Federal lands.

Forest Products Industry: The industry seems to be preparing to criticize sharply the Administration proposal. They will criticize the process because the range of options prepared does not include weakening existing laws such as the Endangered Species Act. Private landowners want both to have their conservation efforts recognized and to have harvest restrictions eased. They will criticize the reduced harvest levels. The proposed program accomplishes two things for industry: 1) access to timber supplies (although limited) as soon as possible; and 2) easing owl conservation restrictions on private lands.

7. MOVING FORWARD

The strategy that we have developed to promote the Administration plan has three components: 1) legislative consultations; 2) comprehensive communications; and 3) regional outreach and consultations with Governors, state officials, local officials, and interest groups. Through our post-Forest Conference follow-up activities, we have laid a solid foundation for outreach. We must now capitalize on earlier efforts to gain support for the program.

Responsibility for overseeing design and implementation of the outreach strategies will remain with the White House offices and the Forest Conference Executive Committee. We will continue extensive coordination with, and reliance on, staffs at the Departments of the Interior, Agriculture, Commerce, and Labor to handle many of the regional activities.

A. Legislative Strategy

Members of the Northwest and northern California delegations are becoming extremely anxious about the Administration's proposal. The Democrats all want to support the plan. However, to gain that support, we must keep them involved in deliberations before final decisions are made and publicly announced.

Upon receiving your approval, we will immediately meet with key delegation and committee leadership of both houses to form a core Congressional working group. The working group will prepare the legislative package necessary to implement the forest management, labor/community assistance, and agency coordination components of the program. Failure to consult soon may lead several key members to distance themselves from the program. We

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cannot afford to delay these consultations. We need to lay the groundwork for Congressional approval of the program regardless of the options and program components finally selected.

The legislative ^{consultation} ~~package~~ will focus on how to implement the proposed program as expeditiously as possible. Our ~~consultation~~ ^{The package} ~~should identify ways to improve the best of the options (your recommendation) on margin without debating options.~~ ~~It~~ must contain appropriate measures to assure that some timber sales begin as soon as possible, even if that means bypassing some of the procedural requirements of existing statutes.

We will schedule a briefing for the Northwest and northern California delegations. Team leaders will describe the options each team developed without identifying the Administration's proposed program.

We hope to formulate final recommendations for the Administration plan based on Congressional and other consultations by June 23. If we successfully conclude these discussions, we will schedule a delegation and key committee chair briefing with you and the Vice President similar to the one you held prior to the Forest Conference (except that we will not do it early in the morning so as to avoid the parking space debacle).

We recommend that you announce your decision about July 1, prior to the July 4th Congressional recess and your trip to Japan.

Selling this plan to Congress will require you, Cabinet Secretaries, and other senior officials to ~~get~~ be personally involved. Congressional leaders have told us that they do not

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expect to like the proposed program but are willing to go along with your leadership to resolve the current situation. Secretary Babbitt, with support from Secretaries Espy, Brown, and Reich, can be particularly helpful in selling this package to the region.

B. Communication Strategy

MARLA WILL INSERT

C. Regional Outreach/Campaign Strategy

Selling the Administration proposal to Congress will require that we simultaneously sell it in the region -- to Governors and constituents of Congress. The regional outreach/campaign will be closely coordinated with the communication strategy above.

We will conduct a concerted outreach program in the region. Stephanie Solien, Jeff Rogers, and Tom Tuchmann will lead the regional outreach team. Each is well known throughout the region. They will meet with Governors, local community leaders, and environmental and labor leaders to coordinate a campaign within the region. They will identify people to stage rallies, hold town meetings, and prepare op-ed pieces in region.

The regional outreach strategy cannot wait until formal public announcement of the preferred option. Once Administration officials and the working group leaders brief Congress on the options, word will be out. By that time, we should have begun the regional outreach campaign.

The team will begin shortly laying the groundwork that the proposed program is the result of years of excessive harvest and

PREDECISIONAL DRAFT 6/6
NOT FOR CIRCULATION

abuse of public lands. The message consists of the following:

- Yes, it is a bitter pill, but it is balanced and will provide a long-term healthy ecosystem for economic growth.
- Much of the region is prospering economically. The community assistance components of the package will enable rural communities to be part of the regional prosperity.

THE WHITE HOUSE

WASHINGTON

JUNE 15, 1993

MEMORANDUM FOR THE PRESIDENT

FROM: KATIE MCGINTY

SUBJECT: CALLS TO MEMBERS ON FOREST CONFERENCE FOLLOW UP

You are meeting later today regarding forest conference follow up with Hatfield, and Dicks and DeFazio. In order that other members not feel excluded from this consultation process, Howard Paster and I advise that you make calls to several key members in advance of that meeting. THESE MEMBERS ARE: FOLEY, MILLER, LEAHY, AND dela GARZA.

Talking points follow. Also attached is a copy of your briefing memo for the meeting this afternoon. This includes background, and the status of our work to produce the Forest Management Plan.

- o My staff received the reports of the three working groups¹ on June 2. The staff is synthesizing the reports and preparing an options paper for me.
- o My decision space is severely constrained as a result of the forest management policies which have been pursued over the last decade. I recently learned of the over-estimation of the timber base on the Forest Service Lands (up to 40% over-estimation on some forests). The range of timber output that is possible while complying with the law is very limited.
- o Compared to historical highs, I anticipate significant reductions in timber flow from federal lands.

¹ The three working groups are: 1) an Ecosystem Management Assessment Team to evaluate forest management options and their economic impacts; 2) a Labor and Community Assistance Team, exploring economic development and assistance proposals; 3) an Agency Coordination Team, examining ways to improve interagency collaboration, particularly for implementation of forest management policies.

- o I will be proposing a labor community assistance package that builds on existing programs in providing assistance to the families, businesses and communities affected by an economic transition.
- o If there was one thing that was made clear at the Forest Conference, it was that maintaining the status quo is unacceptable.
- o Timber flows are likely to be low, but they will be reliable.
- o I will be looking for your help to implement this package as quickly as possible. I want to have the Forest Service and BLM hold timber sales as soon as possible.
- o Katie McGinty's office will contact you very soon regarding the specifics of our proposed program.

THE WHITE HOUSE

WASHINGTON

JUNE 13, 1993

MEETING WITH SENATOR HATFIELD, AND CONGRESSMEN DICKS AND DEFAZIO
ON FOREST CONFERENCE FOLLOW-UP

DATE: June 15, 1993
LOCATION: Oval Office
TIME: 4:30-5:00 pm
FROM: Katie McGinty

I. PURPOSE

You are meeting with them pursuant to discussions you had with Congressman DeFazio prior to the House vote on reconciliation to give these Members the opportunity to share their views with you regarding follow-up to the Forest Conference. They will emphasize two things:

(1) The need to speed internal deliberations and begin discussions on the Hill and with other key interests groups;

(2) The need to produce a plan that meets the harvest levels labor and industry are expecting (approximately 2 billion board feet).

YOU SHOULD SIMPLY LISTEN TO THEIR CONCERNS AND ASSURE THEM THAT YOU ARE REVIEWING ALL OF THE OPTIONS CAREFULLY; YOU HAVE NOT MADE ANY DECISIONS YET; YOU ARE COMMITTED TO PRODUCING A BALANCED PLAN.

YOU WILL ALSO NEED TO CALL FOLEY, MILLER, LEAHY, AND dela GARZA TO ASK THEM FOR THEIR VIEWS SO THAT THEY ARE NOT ANGERED WHEN THEY LEARN OF THIS MEETING. (TALKING POINTS WILL BE PROVIDED FOR THOSE CALLS)

II. Breaking News Story

You should also be aware that a story will run in tomorrow's New York Times; Portland Oregonian and Wall Street Journal revealing that, under the Reagan and Bush administrations, the Forest Service was inflating the amount of timber that could be harvested from public lands. The importance of this to our efforts is that we are starting from a much lower (up to 40% lower in some forests) timber base. This base contracts further

II. TALKING POINTS

- o My staff received the reports of the three working groups¹ on June 2. The staff is synthesizing the reports and preparing an options paper for me.
- o My decision space is severely constrained as a result of the forest management policies which have been pursued over the last decade. I recently learned of the over-estimation of the timber base on the Forest Service Lands (up to 40% over-estimation on some forests). The range of timber output that is possible while complying with the law is very limited.
- o Compared to historical highs, I anticipate significant reductions in timber flow from federal lands.
- o I will be proposing a labor community assistance package that builds on existing programs in providing assistance to the families, businesses and communities affected by an economic transition.
- o If there was one thing that was made clear at the Forest Conference, it was that maintaining the status quo is unacceptable.
- o Timber flows are likely to be low, but they will be reliable.
- o I will be looking for your help to implement this package as quickly as possible. I want to have the Forest Service and BLM hold timber sales as soon as possible.
- o Katie McGinty's office will contact you very soon regarding the specifics of our proposed program.

¹ The three working groups are: 1) an Ecosystem Management Assessment Team to evaluate forest management options and their economic impacts; 2) a Labor and Community Assistance Team, exploring economic development and assistance proposals; 3) an Agency Coordination Team, examining ways to improve interagency collaboration, particularly for implementation of forest management policies.

when you begin to put plans in place that comply with the law as we are trying to do.

III. BACKGROUND

As you know, we have had three working groups developing options for your forest management plan since the April 2nd Conference (the Forest Management Team; the Economic Development and Community Assistance Team; the Interagency Coordination Team). All three groups met your directive and issued their reports to us in exactly 60 days -- on June 2nd.

We have now synthesized those reports into one document for your review. I have scheduled a Deputies' meeting for Friday of this week to review the document and the recommendations I have proposed in it. I hope to have a decision memorandum to you this weekend. Assuming a decision by you in the first part of next week, we would expect that we could begin discussions with Members and key interest groups by Wednesday, June 23. Note that we have a court deadline on July 16. Our intention, therefore is to have a legislative package ready for introduction sometime shortly before that date.

IV. PRESS PLAN

Closed

V. PRESS COVERAGE TO DATE

You should be aware that information concerning one of the forest management options we are considering leaked to the press. Dicks, DeFazio and Hatfield are well aware of this information. This option -- "option 9" -- is very promising. While none of the options -- by themselves -- will bring us near the harvest levels that industry and labor are calling for, this option allows much more flexibility in meeting the conservation requirements of the law. Specifically, the option frees up more land by trying to meet the conservation needs of owls, marbled murrelets and fish in single, large conservation units ("unified reserves"), and provides for ten large "adaptive management areas" for intensive ecological experimentation and social innovation. These areas will permit cooperative, community based forest management initiatives to be undertaken. Significantly, the scientists recommend that one of these areas be located in Mr. Dick's district and two in Mr. DeFazio's district.

THIS INFORMATION IS FOR YOUR INFORMATION ONLY. You should not discuss specifics at this time.

The following are notes from meetings I have had with these Members on this issue since the April 2nd Conference.

VI. PARTICIPANTS

Congressman Dicks: His district will be severely impacted--particularly the Olympic Peninsula. The Congressman praises the "ecojobs" elements of discussion and wants to see dollar reallocation from roads projects and other places. Plans must involve the hiring of local people and vocational training programs. Overall, he stressed that the more we can do in a bill to show we are helping people, the better it will be received. He promised to speak to Weyerhaeuser about agreeing to selling more timber domestically in exchange for lifting owl circles (ie, restrictions on harvests from private lands to avoid adverse impact on spotted owls). He would like to see state and private included, and for the scientists to look at those lands. He said he believed salvage and thinning sales were important.

Analysis: Dicks leans toward supporting our efforts.

Senator Hatfield: He praised two elements of what he has seen: the Administration speaking with one voice, and your elevation of the issue to a national one. He reminded the Administration that he was one of the first supporters of the Endangered Species Act. On issues relating to Appropriations, he voiced some concern about assistance to timber workers setting a precedent, saying we needed to think more nationally and globally. He voiced concern over the coming listing of up to 129 species of salmon. He said that whatever we do will have to have "certainty", and that there would need to be "sufficiency" (ie, some assurance that the plan can go into effect free from legal challenge and that a predictable level of timber can be generated).

Analysis: Hatfield needs to be convinced, but has been very supportive to date.

Congressman DeFazio: His district will suffer tremendously, but if we pursue our "unified reserve" option (see above), he would receive two "alternative management areas" for new forestry in his district. He urged that the National Biological Survey Western Regional office be opened in Albany, Oregon. He believes that labor's bottom line is 2.5 billion board feet, and said if it is lower we are likely to lose labor, Hatfield and himself. He said we must not "push Western Democrats over the edge," and must keep Labor and moderate Republicans. Both Senator Hatfield and Gorton want the issue resolved; DeFazio believes they can work with us. If the timber harvest levels approach labor's request, he said, labor and industry will help us keep the Republican votes.

Analysis: DeFazio needs to be convinced.

Ms. Katie McGinty
Deputy Assistant to the President
Director, Office of Environmental Policy
Room 360, Old Executive Office Building, Washington, D.C., 20501
202/456-2710 (fax) Page 1 of 1

June 14, 1993

Dear Ms. McGinty,

I would like for our Forest Service's remaining old-growth forests to be managed as a tithe to the Creator, with protection for existing ecological systems and with zero loss of topsoil. In addition, I think it is time to move the Forest Service out of the Dept. of Agriculture and into the Dept. of Interior or into a federal Dept. of Conservation, since it is the Forest Service, and not the Tree Farm Service.

Please don't cave in to the timber industry, which for years seems to have had more influence on Forest Service policy than the millions of Americans who use our national forests for recreation and, for some, reverence.

Thank you for your consideration of my views. I wish this administration great success in transforming our government's attitudes and actions toward natural resources and natural systems, in this country and beyond.

Linda Chambers
1336 Remington Oaks Terrace
Fenton, MO 63026
Fax and Phone 314/225-1487.



OPTIONAL FORM 99 (7-90)

FAX TRANSMITTAL

of pages 2

To: R. H. GINTY	From: D. GARDINER / K. HAUSKER
Dept./Agency: OFFICE OF ENV. POLICY	Phone: (202) 260-4335
Fax: (202) 456-2710	Fax #: (202) 260-0780
NSN 7540-01-317-7300 5090 10 GENERAL SERVICES ADMINISTRATION	



**UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D**

JUN 11 1993

Colkan
OFFICE OF THE ADMINISTRATOR

MEMORANDUM

SUBJECT: EPA Response to the Proposed Presidential Decision Memo on the Forestry Conference

TO: Kathleen A. McGinty
Deputy Assistant to the President
Director, Office of Environmental Policy

FROM: David M. Gardiner
Assistant Administrator - Designate
J. Charles Fox
Special Assistant to the Administrator

We are in the process of developing an agency position on your proposed Presidential Decision Memorandum presented yesterday at the Executive Committee Meeting. Unfortunately, we are handicapped on some key option decisions by a lack of complete information. This includes access to a number of current documents as well as past technical briefings. As a consequence, we need additional and/or updated information, and the opportunity to assess it, before we can provide agency sign-off. We have a small, expert work group in the Pacific Northwest and in Washington, D.C. who must be involved in this review.

SUBSTANTIVE ISSUES AND INFORMATION NEEDS

One example of our difficulty in signing off on a preferred ecosystem option revolves around the relation between the Clean Water Act/Water Quality Standards and the Endangered Species Act/§7(a)(2) consultation. We noted this and other clean water and drinking water related concerns at the meeting. However, this is not the only decisional issue requiring clarification. Others include, for example: proposed state and private lands actions; proposed plans for rulemaking under ESA §4(d); specifics of proposed plans for adaptive management areas and programs; environmental assessments of proposed phase-ins; and the role of the Ecosystem Investment Package.

We have scheduled a meeting with Jack Thomas in Portland next Monday to review ecosystem planning options. We are also available in Washington, D.C. Monday for any other briefings as necessary.

Your staff requested that we provide you a specific list of document needs for review. These include: a description of all options; viability assessments for owls, murrelets, fisheries and the ancient forest ecosystem; an updated EMAT outline;

Handwritten notes:
- "Please relay to" (near top left)
- "Please place w/ them. We will need to take account of Clean Water Act any 4(d) rule we pursue." (vertical, left margin)
- "Also know that the 4(d) are all on compliance with the law as required protection." (diagonal, bottom left)

proposed or existing summaries of the EMAT; latest chapters of the EMAT. Please call and let us know when we can receive this information so that we can, in turn, let you know when we are able to provide an agency position.

LEGISLATIVE "FAST-TRACK" AND PROCESS TIMING

With regard to opening discussions with the Congressional leadership concerning a legislative approach that would "fast-track" the implementation of the new land management program, we are extremely concerned that a legislative "fix" may be proposed for the National Environmental Policy Act (NEPA) process. It is our understanding that the proposal is to "transform" the draft supplemental environmental impact statement (SEIS) into a final document by legislative fiat at some point during the public comment period. While this would shorten the period before the government can start freeing up timber for harvest, it would also eliminate any comment on the document as well as any opportunity to modify the proposed alternative.

Why??

The risks of such an approach are considerable and, to our mind, unacceptable. The EIS preparation team is working under a serious handicap, since the information it needs to develop an acceptable document is not being made available in a timely manner. While this is an inescapable result of the current schedule, it does mean that the document may be incomplete or unsatisfactory in one or more areas. We have pledged to identify and attempt to resolve issues during the SEIS preparation process as a cooperating agency, but we are not being given a satisfactory opportunity to meet our commitment. The public comment period becomes the only opportunity for the agencies (as well as the public) to review the document and recommend modifications to the preferred option and ensure compliance with relevant environmental laws and policies.

In addition, we believe that there is certain political risk to this proposal, especially in light of strong concerns in the environmental community that the Administration's proposal to eliminate the Council on Environmental Quality reflects a lack of commitment to the environment. A proposal to weaken the NEPA process by eliminating the public, the environmental community and government agencies from the consultation process of developing the Forest Conference "solution" adds credence to these concerns.

Finally, we believe that there is a considerable danger in proposing this to the Congress as it may well serve as a springboard for a more draconian "fix" that would eliminate all future activities tied to this document from review for compliance with the environmental statutes if they are consistent with the SEIS.

SEIS SCHEDULE

*Copy to you to talk to David
then people & get
them feeling
included
they can't
they get their
concerns
fixed at the
same schedule
as the rest
of the
team??*

On a further note with regard to the schedule for the draft SEIS, we are aware that the Department of Justice (DOJ) will be giving Judge Dwyer a status report on Tuesday, June 15, and that DOJ's preference is to either pledge to the July 16 deadline or ask for an extension now. **We strongly believe that an extension should be requested immediately, and that a "reasonable" -- though still expedited -- schedule should be presented to the Judge for his consideration.** The SEIS team has been given an all but impossible task; it is more than likely that either the document will be seriously flawed or that DOJ will have to ask for another extension in a few weeks. The sooner a reasonable schedule is developed, the more likely it will be that the document will be satisfactory.

*Don't feel it's his
concern. Will the
document be
unacceptable?*

7/12

Topic	Product Anticipated	Lead Agency and Individual	Participants	Draft Action STRATEGY	Final Action
1) Previously sold sales	Report	FS/BLM	DOJ - E. Cohen, B. Bueh OMB - Bruce Boud	7/15	Done 7/11
2) 318 sales	Report, Biological opinions - completed	FS/BLM/FWS M. Gaede Tom Truchmann	DOJ CMB NMFS (Kevin H. Little)	7/15	Done 7/11
3) Consultation - short term sales	Biological opinion	FWS/FS BLM (Dale Hall)	DOJ	7/16 - strategy, gathering what FWS will do	8/15 - completed
4) Consultation - overall plan	Biological opinion	FWS/FS BLM	NMFS - P. Montano	7/16 - strategy, gathering what FWS will do	8/15
5) Train FS and BLM	Report	FS/BLM	EPA - Chuck Finley NMFS - Eliz. Gurne FWS (region)	7/21 strategy	
6) Watershed assessment priorities	Report	FS - Jim Sedell	EPA - Chuck Finley NMFS BLM FWS	7/15 - strategy	Sept/Oct
7) Watershed analysis guide	Report	FS	EPA - Bob Carson Tom Murphy (Corvallis) FWS	7/15 - Draft	
8) Restoration and reforestation funding	Report	FS/BLM	NMFS (P. Montano) EPA FWS		
9) ESA 4(d) rule	Regulation	DOJ/FWS - Spear		8/13	12/31

Topic	Product Anticipated	Lead Agency and Individual	Participants	Draft Action- Strategy	Final Action
10) GIS database	Report	BLM - Dippon	EPA	7/21 - Strategy	
11) Adaptive management area guidelines	Report	FS BLM	NMFS DOJ EPA OMB	8/6	
12) Monitoring program	Report	FS BLM	NMFS EPA FWS DOJ OMB		
13) Long-term interagency teams	Report	OEP/DOI	USDA EPA NMFS	Draft MOU 7/14	
14) State, tribe contacts	Designate	DOI - Tom Tuchmann		7/16	Continuing
15) Status of funds	Report	OMB	FS BLM NMFS FWS EPA		
16) FSC tax credit	Report	OMB/NEC			
17) Lifting injunctions	Consent agreement FORMAL JOINT MOTION	DOI/USDA DOJ			9/1 - Decision
18) Critical habitat designations	Policy statement	FWS	NMFS DOJ BLM FS		

a) negotiation
and plaintiff
b) litigation

Consent agreement

FORMAL JOINT MOTION

→ DeWine

→ Congressional action

Topic	Product Anticipated	Lead Agency and Individual	Participants	Draft Action STRATEGY	Final Action
19) Recovery plan	Policy statement	FWS - Spear	DOJ	7/21 - opt out	12/31
20) Voluntary Habitat Riparian Conservation Plan Agreements	Regulation (4(i) rule)	FWS - Spear	EPA		
21) Regional coordination SEE # 13	Report				

THE WHITE HOUSE

WASHINGTON

July 9, 1993

MEMORANDUM FOR DISTRIBUTION
FROM DAVID COTTINGHAM *DC*
SUBJECT FOREST MANAGEMENT IMPLEMENTATION

At the Executive Committee yesterday, we agreed to establish several interagency groups to oversee implementation of the President's forest management and social/labor assistance programs. Katie directed me to chair the Interagency Team on Forest Management Issues.

We need to keep up the momentum. Accordingly, I'd like for us to hold our initial meeting on **Monday, July 12, at 11:00 in the CEQ Conference Room** (722 Jackson Place). If you cannot attend, please send a representative as we will be making assignments.

Our assignment is to report to Katie by Tuesday, July 13 outlining a plan of action and a timeline to accomplish each of the following items. As we review this list, I'm certain that we will identify additional topics. Please come prepared to suggest additional topics which might be added.

1. Determine the fate of previously sold sales and sales in the pipeline. The FEMAT report identifies 1.8 bbf of sales under contract, 1.2 bbf enjoined sales, 0.48 bbf not enjoined, and 0.085 bbf sold but not awarded. (OEP, OMB, FS, DOI/BLM)
2. Resolve the status of the Section 318 sales (FS, BLM, FWS)
3. Initiate and complete FWS consultation with short-term timber sales. Must determine appropriate level of detail regarding consultation. Timing important. (Interior)
4. Initiate and complete FWS involvement/consultation with the overall plan. Must determine appropriate level of detail regarding consultation...letter or formal biological opinion. Timing important. (Interior)
5. Training FS and BLM supervisors and staff in how to locate future sales and application of standards and guidelines for green tree retention, roads, etc. (FS, BLM, NMFS, FWS, EPA)

6. Develop priorities for watershed assessments and proceeding with prototype assessment. (FS, BLM, FWS, NMFS, EPA)
7. Resole questions on the guide for watershed analysis that is now being prepared. (FS, BLM, FWS, NMFS, EPA)
8. Develop priorities for funding of restoration and reforestation and assisting in targeting funds/efforts from economic assistance package that relate to those projects. (FS, BLM, FWS, NMFS, EPA)
9. Draft the ESA 4(d) rule for public review and comment (Interior)
10. Create framework for regional GIS database requirements including revision of data collection and storage criteria.
11. Developing further objectives and guidelines for the adaptive management areas and for community involvement, including community partnership organizations, with respect to those areas. (FS, BLM, FWS)
12. Developing a monitoring program, with emphasis on adaptive management areas. (FS, BLM, NMFS, FWS, EPA)
13. Setting up the appropriate longer-term interagency teams described in the Agency Coordination report and the local teams necessary for the prototype watershed assessments.
14. Providing a point of contact for the states, tribes, and other parties re coordinated planning. (FS, Interior)
15. Identify where we stand with efforts to obtain funds we identified for the Northwest in agency budgets. Congressional strategy to secure funds. (NEC, OMB, agencies)
16. Identify action necessary to modify the FSC tax credit and how funds will be reprogrammed. (NEC, OMB, Treasury)
17. Negotiate with relevant parties regarding lifting injunctions on sales [see also #1] (Interior, Ag, Justice)
18. Reconcile current critical habitat designations with President's plan (Interior)
19. Reconcile recovery plan with President's plan (Interior)
20. Develop guidelines for voluntary Habitat Conservation Plan along riparian zones (Interior)
21. Develop strategy for assuring coordination and implementation of the plan in the region. (all agencies)

DISTRIBUTION:

FOREST MANAGEMENT
INTER-AGENCY COORDINATION GROUP

		<u>PHONE</u>	<u>FAX</u>
David Cottingham		456-6224	456-2710
Jim Pipkin	DOI	208-4123	
		503-326-7691	503-326-7630
Will Stelle	DOI	208-4863	
Tom Tuchmann	DOI	208-4863	208-7508
Marc Gaede	USDA	720-5166	720-4732
David Gardner	EPA	260-4332	260-0275
Tom Peterson	EPA	260-2277	260-2300
Nancy Foster	NMFS	301-713-2239	301-713-2258
Myles Flynt	Justice	514-2718	514-0557
Bruce Beard	OMB	395-4806	395-4941

Topic	Product Anticipated	Lead Agency and Individual	Participants	Strategy	Final Action
1) Previously sold sales	Report	FS BLM	DOJ - Cohen OMB - Beard	7/15	7/19
2) 318 sales	Report, Biological opinions	FS BLM FWS	DOJ OMB - Beard	7/15	7/19
3) Consultation - short term sales	Biological opinion	FS BLM FWS	DOJ	7/16	8/15
4) Consultation - overall plan	Biological opinion	FS BLM FWS	NMFS	7/16	8/15
5) Train FS and BLM	Report	FS BLM	EPA NMFS FWS	7/21	
6) Watershed assessment priorities	Report	FS	EPA FWS NMFS BLM	7/21	Fall
7) Watershed analysis guide	Report	FS	EPA FWS	7/15	8/15
8) Restoration and reforestation funding	Report	FS BLM	EPA NMFS - Tuttle FWS		

Topic	Product Anticipated	Lead Agency and Individual	Participants	Strategy	Final Action
9) ESA 4(d) rule and Voluntary Riparian Conservation Agreements	Regulation	FWS - Spear	DOJ - Cohen NMFS - Montanio	8/13	12/31
10) GIS database	Report	BLM -Dippon	EPA FS FWS NMFS states	7/21	
11) Adaptive management area guidelines	Report	FS BLM	EPA NMFS DOJ OMB FWS	8/6	
12) Monitoring program	Report	FS BLM	EPA NMFS DOJ OMB FWS		
13) Long-term interagency teams	Report	OEP DOI	USDA NMFS EPA		
14) State, tribe contacts	Designate	DOI - Tuchman		7/16	continuing

Topic	Product Anticipated	Lead Agency and Individual	Participants	Strategy	Final Action
15) Status of funds	Report	OMB	EPA NMFS FS BLM FWS		
16) FSC tax credit	Report	OMB NEC			
17) Lifting injunctions A) Negotiation with plaintiff B) Litigation	joint motion	DOI USDA DOJ			9/1
18) Critical habitat designations	Policy statement	FWS	FS BLM DOJ NMFS		
19) Recovery plan	Policy statement	FWS - Spear	DOJ	7/21	12/31

AGENCY CONTACTS

FS

BLM

DOI

FWS

EPA

OMB

NMFS

Justice

Headquarters

Mark Gaede

Tom Tuchmann

Will Stelle

Mike Spear

David Gardiner

Bruce Beard

Pat Montanio

Bill Cohen

Region

Chuck Findley

Merritt Tuttle/
Elizabeth Garr

FOREST CONFERENCE FOLLOW-UP
7-8-93

The following is a proposed organizational structure to superimpose on the list of outstanding issues that you received yesterday:

I. Interagency Team on Forest Management Issues

An interagency team should be established immediately. The Team should be drawn from Interior, Agriculture, EPA. David Cottingham will chair the group and manage its activities. I would like a list of interagency team members by close of business tomorrow, July 9. In addition, I would like a report from the team by Tuesday, July 13 outlining a plan of action and a timeline to accomplish the following items:

- o Determine the [?] fate of previously sold sales and sales in the pipeline. The FEMAT report identifies 1.8 bbf of sales under contract, 1.2 bbf enjoined sales, 0.48 bbf not enjoined, and 0.085 bbf sold but not awarded. (OEP, OMB, FS, DOI/BLM)
- o Resolve the status of the Section 318 sales (FS, BLM, ~~EWS~~)
- o Initiate and complete FWS consultation with short-term timber sales. Must determine appropriate level of detail regarding consultation. Timbering important. (~~Interior~~)
- o Initiate and complete FWS involvement/ consultation with the ~~overall plan~~. Must determine appropriate level of detail regarding consultation...letter or formal biological opinion. Timing important. (~~Interior~~)
- o Training FS and BLM supervisors in how to locate future sales and application of standards and guidelines for green tree retention, roads, etc.
- o Beginning to prioritize watershed assessments and proceeding with prototype assessment. (FS, BLM, EPA)
- o Resolving questions with respect to the guide for watershed analysis that is now being prepared. (FS, BLM, EPA)
- o Developing priorities for funding of restoration and reforestation and assisting in targeting funds/efforts from economic assistance package that relate to those projects.
- o Draft the ESA 4(d) rule for public review and comment (~~Interior~~)
- o Create framework for regional GIS database requirements including revision of data collection and storage criteria.

D.C. on BLM

update on
implications

Fast Track
Salvage

Alvarez
Schmidt

Drake on BLM

CRITIC
HARVEST

WATERWAY
COAL PLANTS

FWS

FWS

FWS

- o Developing further objectives and guidelines for the adaptive management areas and for community involvement with respect to those areas.
- o Developing a monitoring program, with emphasis on adaptive management areas.
- o Setting up the appropriate longer-term interagency teams described in the Agency Coordination report and the local teams necessary for the prototype watershed assessments.
- o Providing a point of contact for the states, tribes, and other parties re coordinated planning.
- o Identify where we stand with efforts to obtain funds we identified for the Northwest in agency budgets. Congressional strategy to secure funds. (OMB, agencies)
- o Identify action necessary to modify the FSC tax credit and how funds will be reprogrammed. (OMB, Treasury)

II. Additional Department of Interior Responsibilities

I would like a report from DOI by Tuesday, July 13 outlining a strategy and timeline for accomplishing the following:

- o Assistance program to harvest backlog of timber on Indian lands

III. Additional USDA Responsibilities

I would like a report from USDA by Tuesday, July 13 outlining a strategy and a timeline for accomplishing the following:

- o Management Plan for East side forests

IV. Interagency Group to Prepare Response to Judge Dwyer and Any Further Legal Action

An interagency team needs to be organized to prepare our response to Judge Dwyer on the 16th and for all further proceedings. I would like Tom Collier and Jim Lyons to take the lead in organizing this group. The group needs to identify all issues that need to be resolved by Monday, July 12. I will call a meeting on Tuesday, July 13 to discuss those issues. In addition, the following issues must be managed by this group:

- o Complete SEIS, file it with Judge Dwyer on July 16. File it with EPA and public distribution by July 23. Determine appropriate public participation/ hearing process. (SEIS and FEMAY team, FS and BLM)

- o Prepare motion to Judge Dwyer filing SEIS on proposed plan and explaining Administration timeline. (Justice w/ assist from Ag/FS and BLM)
- ? o Conduct a comprehensive analysis of statutes affecting use of federal forest lands, including NFMA, FLPMA, O&C Lands Act, NEPA, ESA, Clean Water Act, and Clean Air Act (Interior, Ag, Justice, CEQ)
- o Review plan other potential legal weaknesses; prepare for any expected legal challenges.
- o Prepare motion to request that Judge Dwyer lift injunctions on enjoined timber sales. Need to gather information on specific sales we propose to be held. Need to consult with plaintiffs prior to request. (Justice w/ assistance from Ag/FS and BLM)

V. Social and Economic Programs

Peter Yu will coordinate this effort. We need a strategy immediately for funding the President's economic assistance program. We should be prepared to meet with Howard Paster and Leon Panetta tomorrow to plan strategy for approach to Congress next week. Other items that need to be accomplished:

-- Establish Incident Command System/Multi-Agency Command to coordinate the economic/social programs (OMB, Commerce/EDA, SBA, Labor, EPA)

-- Identify where we stand with efforts to obtain funds we identified for the Northwest in agency budgets. Congressional strategy to secure funds. (OMB, agencies)

-- Identify action necessary to modify the FSC tax credit and how funds will be reprogrammed. (OMB, Treasury)

-- Expedite RFPs for grants, loans, and demonstration projects to states. (all agencies)

-- Identify measures necessary create secondary manufacturing set-asides. (Ag and Interior)

Interagency Coordination

-- Draft MOU between USDA, Interior, Commerce, and EPA regarding interagency executive committee at both region and headquarters. (OEP, agencies)

-- Report on regional implementation strategy, including creation of interagency executive committee provincial and watershed teams. (Ag, Interior, EPA, Commerce/NOAA)

VI. Congressional/Interest Group/Communications Strategy

We will need to take Members' temperatures on this issue when they return from July 4th break. It is not yet clear that they will want to pursue legislative remedies. At the outset, our approach must be very low-key. Ball is in their court at this point. If it appears necessary that we have a full-court strategy for continued work with the Hill, Susan Brophy should coordinate.

On continued communications, Marla Romash will coordinate. In the short-term we need to provide more detailed information to interested parties. Many have indicated their desire to support us, but are reluctant without further information. (When will the FEMAT report be ready for public distribution?)