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JUNE XX, 1993

MEMORANDUM FOR THE PRESIDENT

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

I. 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 a political strategy 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 in the Pacific Northwest. 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 of Economic Advisers; OMB; ?? Departments include: Agriculture; Interior; Commerce, Labor; EPA; Treasury

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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 Working Group to explore economic development and assistance proposals; and
- the Agency Coordination Working Group 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 memorandum summarize the three reports.

The bottom line: Excessive 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 based on a land management program that complies with the law. If we are now to comply 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), timber harvests can not be continued at anywhere near levels of the 1980s. Our primary opportunities to be creative and to "put people first" come under a new forest management option that we recommend that emphasizes community involvement as well as the community/labor assistance and institutional reform programs discussed below.

The key question is whether you authorize us to begin immediately the process of consultation with key Members of

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Congress and constituents. The objective of the consultation is to build support for enactment of legislation to speed the implementation of the Administration's timber program for the region.

B. Presidential Action Requested

This synthesis of the working group reports constitutes a proposal for the Administration's comprehensive program to address the Northwest forest issues. The Executive Committee seeks your approval of the recommendations described in this memorandum.

Specifically, we are asking your approval of 1) a proposed forest management plan (based on an option favored by the Executive Committee), 2) proposals for labor and community assistance, 3) a plan for agency coordination to implement the new management strategy, and 4) a legislative strategy, so that we can begin developing the legislative proposals and discussing the package with Members of Congress. Once support has been built, and any desirable modifications identified, we intend to bring the entire package back to you for final approval.

We must move quickly. Anxieties on the Hill and among key interest groups are intense. Delay will raise tension, increase the risks of leaks, further contract our decision space, and cause a perception of disagreement and disarray. We cannot afford to have the package unravel before your public announcement. We anticipate a public announcement and introduction of legislation prior to July 13. Many Members of Congress have indicated that they would like to see the legislation passed prior to the August recess (which begins

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August 7). If the Speaker, key committee chairs, and key Members of the Northwest delegation are on board, we may have a chance at quick passage. It is important to remember, however, that the crush of legislative business scheduled for this summer may make this August deadline for passage unrealistic.

II. FOREST ECOSYSTEM MANAGEMENT

A. Working Group Report

Our instructions to the Ecosystem Management Assessment Team were to prepare a series of options that (1) are ecosystem-based; (2) meet the requirements of existing environmental laws; and (3) maximize 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, employment effects, and other economic and social effects. The team continues to work to complete its report, but the draft conclusions have been supplied to us and form the basis of our recommendations. [Note: We will distribute descriptions of all options at the Executive Committee meeting.]

The timber harvest numbers calculated for the various options are significantly lower than labor, industry and Hill constituencies have called for. One reason is that when the team

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.

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looked closely 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 for each forest. This means that during the 1980s, the agencies were cutting a higher proportion of standing timber 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 severe (under any available option) for potential timber harvests in coastal and southwestern Oregon and the Olympic peninsula (Rep. DeFazio's and Dicks' districts, respectively).

The options developed by the Ecosystem Management Assessment team range from an option characterized by very large reserves and limited harvest potential to the existing plans, crafted in the Bush Administration, of the Forest Service and the Bureau of Land Management, incorporating conservation of northern spotted owls. The latter option would produce the greatest harvest. However, it does not protect marbled murrelets or fish sufficiently to meet legal requirements. 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 each individual 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 xx billion board feet (bbf) -- much lower than the 1980 to 1989 average of

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4.6 bbf, or even the 1990 to 1992 average of 2.4 bbf, but more than is possible under the existing injunctions. The decline between 1980-89 and 1990-92 averages primarily reflects general economic conditions and is only in very small part attributable to the injunctions. 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 bbf annually over the long term.

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. When compared to any year prior to 1992, the job loss figure would be higher, since the past two years have been affected by the recession and by court injunctions.

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 40,000 direct jobs and a total of 75,000 to 150,000 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 the planning 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

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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 is brand new, and is based on the kind of creative, cooperative, community-based principles you laid out at the Forest Conference.

This approach begins with watershed protection, specifically key watersheds with at-risk fish stocks and high quality habitat, and develops reserves that accomplish multiple purposes. Reserves based on key watersheds can incorporate 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 integrates reserve requirements.

Option 9 also identifies ten 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. The scientific team selected the adaptive management areas based on distribution in physiographic provinces throughout the region. It is proposed that part of the timber sale receipts from these areas would be used to fund intensified monitoring, research, and educational programs (including training rural residents for employment in monitoring and other resource management programs).

These areas will be very popular with local communities and with labor, as they will provide opportunities for agencies, non-governmental organizations, local groups, and communities to work together to develop innovative management approaches. Two of the

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areas would be sited in Congressman DeFazio's district and 1 in Congressman Dicks' district.

We recognize that none of the options produced by the Ecosystem Management Assessment Team will satisfy the timber industry, labor, or some of the 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. On the other hand, option 9, while scientifically sound, will not make the environmental community happy. They would prefer even larger reserves and no timber harvests in old growth. We hope to "soften the blow" through other policy initiatives discussed below that can add to the timber base and phase in conservation measures.

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

B. Phase-in

Because the projected harvest levels are so low, we believe it is necessary to modify the options presented by the Ecosystem Management Assessment Team to include a phase-in approach, so that harvest operations can be scaled back more gradually. While not all scientists who were involved in the development of the options will support a phase-in, a number will say that it does not alter the viability conclusions that they reached, as long as

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the total harvest over ten years averages out to the number they calculate, and as long as care is taken to stay away from biologically-sensitive areas during the phase-in period. In other words, in the view of some scientists, a phase-in can be added without doing violence to our instruction that the forest management plan should comply with the law.

Specifically, if the option we support (the unified reserve option) produces the average total harvest of 1.2 bbf, the available harvest could be 2.0 bbf during the first year, dropping to 1.7 bbf the second year, and 1.3 bbf the third. In order to average 1.2 for a ten-year period, thereafter the level would have to drop to 1.0 bbf. However, by that time, marbled murrelet surveys and much watershed planning should have been completed, and it may be possible to adjust that number somewhat depending on the results of that work.

Politically, this phase-in could help gain much-needed support from Congress and regional timber and labor interests. Speaker Foley's staff believes that a phase-in should be an essential part of the package.

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 (see G below), it may be necessary to provide permanent protection for some high priority old growth areas either administratively or through the legislative package. We recommend that some key old-growth areas be identified and that the possibility of permanent reserves be explored during our discussions with Members of Congress.

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

D. East-side Salvage

A portion of the supply from an accelerated salvage program for east-side forests could be used to supply west-side mills as a job mitigation strategy.

Environmentalists will criticize this strategy as they have argued for more protection for East-side forests and have been critical of our focus on West-side. However, we also will propose new management protections for East-side forests as part of the overall proposal. 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.

We recommend that an interim program be developed for east-side forests and that an aggressive but regulated salvage plan be undertaken as part of that program.

E. State and Private Lands

The Ecosystem Management Assessment Team was instructed to minimize the impact that its conservation planning would have on private lands. Federal agencies can take additional 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

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(pursuant to its authority to regulate "takings" under the ESA) that delineate large "owl circles" around active nesting sites and prescribe strict harvesting restrictions within the circles. With the adoption of a preferred alternative for federal lands that will largely meet the needs of the owl, these restrictions can probably be loosened. We recommend that you direct the FWS to quickly 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.

We further recommend that you instruct the FWS and the National Marine Fisheries Service to enter into consultations with California, Oregon, and Washington to develop state-level, riparian-based, ecosystem-oriented habitat conservation plans. These plans would require conservation measures (like buffer strips along streams) to protect fish habitat so as to avoid later "train wrecks" when additional fish stocks are listed. We anticipate that this action will be well-received by the states.

The rule giving relief from "owl circles" would likely free up significant amounts of private land and would be applauded by the states, labor, and private landowners. On the other hand, riparian-based habitat conservation plans would be supported by environmentalists.

F. Timber from Indian Reservations

Current estimates are that there are approximately 450 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

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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.

G. Fast Track

One of the major reasons for you to ask Congress to legislate in this area is to speed up the implementation of your program so that the injunctions can be lifted and timber sales commenced as soon as possible. "Fast-tracking" the existing procedural mechanisms of NEPA, NFMA, and FLPMA is widely viewed as a critical step that must be taken in order to get a timber program going this year.

H. Certainty

A separate but related issue involves seeking some type of legislative insulation from additional lawsuits by establishing that the program meets either the substantive or procedural requirements of existing law. (Such insulation is strongly desired by the timber industry in order to achieve some level of "certainty" regarding future timber sales.) This issue is very controversial, and there are many ways to approach it -- from modest insulation from certain procedural challenges to a full-scale override of the substantive requirements of the ESA and other laws.

We recommend that you express strong support for speeding up the program (the fast track) and authorize us to explore ways to minimize the likelihood that the new program will be disrupted by

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additional lawsuits. This authorization would allow us to postpone a decision as to what type of "certainty" provisions might be acceptable until we are able to explore the issue further through consultations with Congress and others.

I. Log Exports

Similarly, actions to increase the amount of timber processed in the US will be regarded as helpful to the overall economic/social picture. These actions include: (1) elimination of the Foreign Sales Corporation preferred treatment of income derived from the export of unprocessed logs (a change that you supported during the campaign); (2) redefinition of unprocessed timber to make it more difficult for companies to avoid export limitations by making minor changes to a log; and (3) requiring private companies to commit that any timber released by removal of owl circles will be processed in domestic mills. (We are not, however, proposing a ban on log exports, although that suggestion has been made by some.)

J. Secondary Manufacturing

The job outlook could also be improved by increasing the amount of timber that goes into domestic secondary manufacturing. We should explore ways to do that, such as by affording a bidding preference to first level processors who agree to commit a percentage of their output to domestic secondary manufacturing.

K. 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

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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 could 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 a management strategy for the east-side, including a 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 legislation to "fast track" existing procedural mechanisms in order to get a timber program going this year, (8) discussion of legislative procedural relief to increase the certainty of timber harvests during the interim period, (9) actions to increase the processing of logs in domestic mills, (10) a bidding preference or some other mechanism to increase the amount of timber going into secondary manufacturing, and (11) increasing the availability of Forest Stewardship programs.

Agencies agreeing with this recommendation include: _____.
Agencies opposing this recommendation include: _____.

AGREE _____ DISAGREE _____ LET'S DISCUSS _____

III. 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 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. 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

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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 bulk of the funding is identified from the President's FY1994 budget request and has not yet been appropriated. Availability of funds is subject to final appropriations by Congress.

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

Under this option, we have identified funding levels requested in the FY1994 budget that are proposed for the Northwest (including both "base" and "investment" spending). This level identifies federal expenditures and lending programs and thus should not be considered as a measure of the total amount of federal money directed toward the rural Northwest. This option requests of Congress \$493.7 million for the rural Northwest in FY1994. Your investment package includes \$67.9 million over FY1994 base spending. This option would not provide funding for enhancements of programs for workers and families, and would provide only limited funding deemed necessary for businesses and community assistance. Governors, local government leaders, and labor are expecting new funds for social programs as a result of lower timber sales.

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- **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 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 allocation to the region. Political leaders in the Northwest will approve of the reprogramming. However, targeting funds to the Northwest may create resentment in other regions.

- **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 potentially \$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 an enhanced service delivery system that will integrate ongoing federal efforts and better coordinate federal, state, and local programs, fully considering activities that have demonstrated an ability to manage resources effectively. The Group has developed

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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 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. Within twelve months, this rapid-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 being 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 "multi-agency" or "incident command" 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

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administrative decisions. However, several aspects of the program will require legislative action, including securing appropriations for base and investment package programs. 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 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.

With one exception (OMB staff), 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 staff recommends against this proposal based on cost and PAYGO concerns, and argues that because the safety net is already in the FY1994 budget, a year-by-year adjustment of revenue sharing would be more appropriate and would allow a broader

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examination of the issue from a nationwide perspective. At a minimum, OMB staff believes that if a change is proposed, the phase-out should occur more rapidly than currently proposed.

- **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.

While campaigning in Oregon, you indicated that you did not think that the government should continue to give preferential tax treatment for log exports. Most of the Northwest delegation favors eliminating the export credit. The Agricultural Export Alliance has accepted losing this credit. Congressman DeFazio would go further and ban all log exports.

D. Costs, Financing, and Presidential Decisions

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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After much negotiation, the Group believes that, assuming passage of the investment-based portions of the FY1994 budget, additional activities could be funded without increasing the deficit (assuming that the above legislative action is taken). This would be accomplished by:

- (1) administratively earmarking investment monies;
- (2) reprogramming monies to the Northwest from other programs and 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 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

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budget amendments or administrative 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: _____.

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: "MAINTAIN FY1994 BUDGET LEVELS" _____

OPTION 2: "REPROGRAM AND REDIRECT FY1994 BUDGET LEVELS" _____

OPTION 3: "CREATE A NORTHWEST ECONOMIC ASSISTANCE FUND" _____

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LET'S DISCUSS _____

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Funding Level Options

Options

FY1994 Base --

Option 1: FY1994 Budget --

Option 2: FY1994 Reprogrammed & Redirected -

Option 3: Option 2 + NW Economic Adjustment

FY1994

FY1994-1998

Funds beyond base

493.7

--

561.6

246.7

714.0

1018.1

734.0

1118.1

PARTIAL LIST OF FEDERAL ASSISTANCE AVAILABLE IN "OWL REGION"

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

(in \$ millions)

Initiative	FY1994 Base	FY1994 Investment	FY1994 Reprogram & Redirect	Northwest (FSC) Fund	FY1994 Totals	FY94-FY98 Funds 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)
-Total: Workers & Families	7.4	0.0	5.8	6.3	19.5	36.2	(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)
-Total: Businesses	7.5	10.9	39.0	4.8	62.2	184.0	(3 years)
Revenue-Sharing for Counties	200.0	0.0	0.0	0.0	200.0	200.0	(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	5.7	(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	96.0	(3 years)
-Total: Communities	298.6	35.5	36.5	3.0	373.6	425.0	(3 years)
Ecosystem Investments	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	0.0	0.0	2.0	0.0	10.0	(5 years)
-Total: Ecosystems	180.2	21.5	71.1	6.0	276.8	493.0	(5 years)
Totals:	493.7	67.9	152.4	20.0	732.0	1118.1	

Assumptions:

Straight-lined investment levels

Notes:

*FY1994 base amount 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.

***Awarded competitively; FY1994 amount uncertain.

IV. 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,

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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,⁴ 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 involved here.

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. Agencies will respond as available funds allow in FY1994 and will consider budget initiatives during the FY1995 budget formulation process.

⁴ Definition of the provinces would be left to the relevant land management agencies.

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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.⁵ 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 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

⁵ Federal Advisory Committee Act (FACA) considerations are still being addressed.

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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 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

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

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- 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;
- revision of NFMA and/or relevant regulations to allow for effective adaptive management by streamlining the process to amend land management plans;
- revision of legislation or regulations governing BLM lands to more specifically emphasize species viability and habitat protection;
- consideration of legislation to exempt the interagency teams from the provisions of Federal Advisory Committee Act (FACA).

We recommend that these subjects be included in the discussions with Members of Congress and that they be included in the legislative package. The revision of agency coordination is an important aspect of the overall program, and it is expected to be viewed by Congress as a positive development.

RECOMMENDED DECISION: We should go forward with a plan consisting of: (1) movement by the agencies to a watershed

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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) discussion and drafting of legislative or regulatory changes to support the new forest management strategy.

Agencies agreeing with this recommendation include: _____.

Agencies opposing this recommendation include: _____.

AGREE _____ DISAGREE _____ LET'S DISCUSS _____

V. 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, the economic/social proposal, and the agency coordination plan will require legislation. The Administration must determine how extensive the legislative package should be.

• The Forestry Program

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 summer. 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 submit a joint environmental impact statement (EIS) to federal court 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.

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We have identified two alternatives. One, favored by the majority of the Executive committee, is to ask for Congressional assistance with the procedural requirements, but to ask for as little additional 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 or substantive requirements have been met or restricting rights of appeal) seeking to minimize opportunities for injunctions to tie up the program.

The other approach, favored by the Department of Agriculture, is to propose comprehensive legislation implementing 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 of the program.

At a minimum, we recommend that you propose to the Congressional leadership a legislative approach that would "fast-track" the implementation of the new land management program. The purpose of the fast track would be to get the timber sale program up and running by the end of this year. Although many in the delegation will not like the substance of the new program because the timber harvests will be too low (in their view), it may be difficult for them to block a legislative proposal that seeks to speed the process and resume timber sales.

Included in this legislative package would be additional provisions to implement those elements of your forestry program

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that cannot be handled administratively. (For example, some assistance may be needed to impose a temporary "interim" program pending the revisions of the forestry plans for the region.) A more detailed legal review of this matter is currently underway.

We also recommend that you consider including in the package provisions that will seek to minimize the continued disruption of the program by lawsuits alleging procedural violations of existing laws (mainly NEPA, FLPMA, and NFMA). We propose to consult with Congress on the extent of such "certainty" provisions, deferring a final decision on the issue until late June. (None of these provisions would, however, seek to modify the substantive requirements of existing law.)

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.

A related issue is whether permanent old-growth reserves should be established, and, if so, whether that should be done legislatively or administratively (through the Antiquities Act). The majority of the Executive Committee favors inclusion of reserves and suggests the administrative approach. The Department of Agriculture questions whether permanent reserves should be established.

• **Community Assistance**

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The legislative strategy also contemplates the submission of a community assistance package in conjunction with the other elements of the program. This package would make several modest adjustments to existing laws (as described in Section 3, supra). The key issue will be our ability to obtain whatever additional dollars will be necessary for full implementation.

• **Agency Coordination**

We propose that the legislative changes proposed by the Agency Coordination Team be discussed with members of Congress and included in the legislative package.

RECOMMENDED DECISION: On balance, 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 and the agency coordination plan.

The following agencies agree with this recommendation: _____

The following agencies oppose this recommendation: _____

AGREE _____ **DISAGREE** _____ **LET'S DISCUSS** _____

[Note to Group: The goal here is to provide the President with unanimous recommendations. We will talk through disagreements toward that end.]

VI. 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

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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.

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, 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.

We propose to continue working with Congressional representatives to explain the program as soon as you provide your approval. Their primary incentive for accepting the plan and providing a "fast track" cover 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 next summer.

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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 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

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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) easing owl conservation restrictions on private lands.

VII. 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.

B. Public Opinion Survey

Last week, Celinda Lake of Mellman-Lazarus-Lake completed a comprehensive poll on forest issues and the likely components of the Administration's Forest Management Plan. The poll was completed for the Ancient Forest Alliance, an environmental coalition working to protect the old growth forests.

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 economy and develop a sustainable economy.

• **Polarization**

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].

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- **Support for Environmental Protection and Sustainable Economy**

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.

- **Support for 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

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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

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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.")

- **Other Details**

- 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].
- The quality of life/environment and educating and training workers are the second most important issues [71 and 70].
- Small business loans/community assistance, last 10 percent of the old growth forests, and saving species

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for medicine are the third most important issues [55 each].

- 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.
- 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].
- 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].
- 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].
- 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.)

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- 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.
- 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].*

DRAFT

EXHIBIT 2: Funding Level Options

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

*****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	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)
x-SBA Guaranteed Loans	280.6	217.0	0.0	0.0	497.6	651.0	(3 years)
-Total: Businesses	288.1	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	5.7	(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	96.0	(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	591.0	(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.

Dave -

Do you plan to edit the Econ/Community assistance decision paper? I would ~~prefer~~ ask that you not, because:

- (i) we have worked - down to the commas + footnotes - to develop a consensus document among agencies - upsetting that now would be dangerous to the consensus;
- (ii) ~~we are~~ ~~reconsider~~ the current draft tracks (in structure) our decision ~~on~~ in other areas.

I need to ~~also~~ brief Bob Rubin on another matter at 3pm. But would like to speak with you about this (if this mtg runs past 3).

Thanks.

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, 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 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;
- 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.

Agencies agreeing with this recommendation include: _____.

Agencies opposing this recommendation include: _____.

AGREE _____ DISAGREE _____ LET'S DISCUSS _____

JUNE XX, 1993

MEMORANDUM FOR THE PRESIDENT

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

I. INTRODUCTION

This memo 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 offices [**do we need to list all involved in clearance in a footnote?**] have approved this synthesis and options via the joint Forest Conference Executive Committee/NEC and DPC Deputies approval process.

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

II. CONTEXT

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

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Conference selectively having heard what they wanted. "Balance" became a "silver bullet" magic solution. Not surprisingly, "balance" is being defined by perspective: to loggers it means lifting the injunctions and increasing timber harvest level; to environmentalists it means increasing protection of the remaining old-growth forest ecosystems. In recent weeks, expectations have been lowered. Most people now realize that no "silver bullet" solution exists.

Annual harvest levels are likely to be slightly over 1.0 billion board feet (BBF) compared to the average harvest during the 1980s of 4.6 BBF. A significant factor contributing to this decline is that the Forest Service and Bureau of Land Management set unsustainable targets -- allowable sales quotas (ASQ). The Ecosystem Assessment Team based its estimates on recently collected data on standing crops of trees. These new data result in about a 25 to 30 percent harvest reduction in what had previously considered sustainable harvests.

[need paragraph on economic]

Industry, labor and community leaders are likely to consider this proposed program a "double whammy" -- sharply reduced harvests from Federal lands and little new money to assist effected people. They had anticipated a reduction from historical harvest levels and those in resource plans. Now we have to tell them that the forest plan estimates were too high before one overlays additional habitat conservation.

Complying with conservation and land management provisions of the numerous statutes which guide the Forest Service (in the Department of Agriculture) and Bureau of Land Management (in the Department of the Interior) provides no opportunity for

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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. 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.

We propose to continuing work 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.

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The proposed program is a necessary "bitter pill" to swallow 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.
- The forest plan only marginally considers conservation and timber supply aspects of state and private lands; and
- 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 which 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.

Environmentalists: Environmentalists want protection of all remaining old growth forests and no weakening of important

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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 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.

NOTE: LEE LANGSTAFF IS PREPARING A POLITICAL CONTEXT TABLE TO SHOW WHO WANTS WHAT AND WHAT THE PACKAGE CONTAINS (OR DOESN'T) FOR EACH CONSTITUENT

III. PROPOSED COMPREHENSIVE PROGRAM

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IV. MOVING FORWARD

The strategy we have developed to promote the Administration plan has three components consisting of: 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

1. get Congress to put plan in place
- * 2. Short circuiting process and do the most Admin.

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several key members to distance themselves from the program. We 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 package will focus on how to implement the proposed program as expeditiously as possible. Our consultation 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).

You will announce your decision about July 1, prior to the July 4th Congressional recess and your trip to Japan.

You, Cabinet Secretaries and other senior officials will have to use all your persuasive powers to get this through

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Congress prior to the August recess. The proposed program is a necessary "bitter pill" to swallow after years of over-harvesting Federal lands in the Pacific Northwest.

Secretary Babbitt is the Administration's best hope of selling this package to the region. [Potentially] Nominating him for the Supreme Court presents another reason for getting this package passed prior to the August recess. You and the Vice President have other issues on which to focus. Secretary Babbitt has the credibility, political and communication skills, and reputation necessary to garner acceptance of this program.

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 formal public announcement of the preferred option. Once Administration

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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 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;
- the region is prospering economically. the community assistance components of the package will enable rural communities to be part of the regional prosperity.

OPTION 1 Begin laying the groundwork for building Congressional and regional support immediately. Have the legislative, communication, and regional outreach programs operative prior to public announcement.

OPTION 2 Delay Congressional involvement and extensive outreach until the Administration has selected the components of the proposed program.

The Forest Conference Executive Committee recommends OPTION 1.

The following members of the Forest Conference Executive Committee dissent:

AGREE _____ DISAGREE _____ DISCUSS FURTHER _____

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ATTACHMENTS

1. Economic Aspects of Ecosystem Management
2. Summary of Congressional Meetings
3. Summary of Interest Group Meetings

CONGRESSIONAL AFFAIRS: WHERE THEY STAND**1. MEMBERS OF THE PACIFIC NORTHWEST DELEGATION****a. WASHINGTON**

Senator Gorton (R): On the fence. He argues that the timber community will take its lead from him. He believes that you are in a good position to come up with a moderate plan. He will be looking to see that the cut is distributed evenly between Washington and Oregon. He believes that if he supports the package, Hatfield and Packwood will too.

Senator Murray (D): Will strongly back you. She is concerned that all that will come out is "board feet" numbers, and she urged more attention to the overall message. She recommends raising recreation fees in national forests and earmarking the dollars for economic development. The Senator believes legislators are tired of this battle, suggesting as strong an administrative solution as can be.

Speaker Tom Foley (D, Fifth District): He wants to support you and asked that we meet with him again when we have more particular details on cut levels and economic effects. He said that if industry strongly opposes the plan, he does not think it can pass. The Speaker's staff fears that we have already lost 40 percent of the House who are on either extreme. The staff worries about passing a plan that does not allow changes to existing environmental laws.

Congressman Dicks (D, Sixth District): Will likely back you -- but his district will experience acute pain. He advocates a strong jobs-in-the woods plan -- paid for by reallocation of region roads funding. Plans must involve local hiring, vocational training -- and county funding assistance. He mentioned the county funding problem. Overall, he said that the package should be sold with people up front. He said that he believed salvage and thinning sales were important.

Congresswoman Unsoeld (D, Third District): Will likely back you. She wants the solution to be forward-thinking and deal with the transition necessary in the timber industry. Portions of her district will experience economic loss.

Congressman McDermott (D, Seventh District): Says he will be vocally in opposition if there is not a strong environmental focus. He said "you are headed into a buzz saw if you sell out to Weyerhaeuser and the big guys." He insisted on old-growth reserves, and said not to "wiggle" with the science, or he would point it out.

b. OREGON

Senator Hatfield (R): May well support you if there is certainty and a predictable annual sales quantity. He praised two elements of what he has seen: the Administration speaking with one voice; and your elevating the issue to a national one. He voiced some concern about assistance to timber workers setting a precedent, saying we needed to think more nationally and globally. He believes that there must be legislative language to limit court challenges. He is concerned about the coming listing of numerous species of salmon.

Senator Bob Packwood (R): He believes "sufficiency" language is required. He said he will oppose the package if there is less than two billion board feet annually.

Congressman Wyden (D, Third District): Will support you. He believes we should do as much of the solution as possible through administrative measures. He urged political caution on log export issues. His bottom lines: a strong reforestation component, eliminating the log export subsidy, offering new tax incentives, and enhancing funding for reforestation.

Congressman Kopetski (D, Fifth District): His district will be seriously affected. To have his support, his district must receive economic assistance. He said if we want timber sales to proceed this summer, we need legislation. He believes that there must be "sufficiency" language to slow court challenges.

Congressman DeFazio (D, Fourth District): His district will be severely impacted. He leans toward supporting you, but faces a political challenge in doing so. He urges that on economic matters the federal government coordinate with the states. He said we must not "push Western Democrats over the edge," and must keep Labor and moderate Republicans. He believes both Senators Hatfield and Gorton want the issue resolved and will work with us. If the cut levels are reasonable, he said, industry will help us keep the Republican votes. DeFazio also expressed concern that the options the scientists will present to you are not flexible enough, *i.e.*, they do not anticipate changes in environmental statutes, particularly the ESA. He is not opposed to old-growth set-asides, if the plan allows for previously-managed lands to continue to be managed.

Congressman Bob Smith (R, Second District): His district will suffer severe economic pain. He is not likely to support you. His bottom line is that he believes the plan can have an ecosystem approach and still produce three billion board feet. He wants strong "sufficiency" language to keep sales out of court. Smith fears the balance that was promised at the Conference is not there because science is playing too strong a role. He also questioned whether the Administration can produce an environmental impact statement by July 16.

c. NORTHERN CALIFORNIA

Senator Dianne Feinstein (D): The Senator has not had much time to examine the issue. Her major concern is that the solution not be geared only toward the situation in Oregon and Washington. She wants the four national forests in Northern California carefully examined. The Senator's staff said the Senator may sign onto a letter that Senator Boxer has drafted, calling for strong old-growth reserves.

Senator Barbara Boxer (D): The Senator is circulating a letter that urges that the Administration -- while paying serious attention to the human dimension of the crisis -- ensure a lasting and healthy ecosystem and permanent protection of all the remaining old-growth forests in the region. She wants the forests east of the Cascades to be protected as well. All environmental laws must be conformed with, the Senator wrote. She opposes any "sufficiency" language.

Congressman Hamburg (D, First District): Will likely support you. The Congressman wants an ecosystem approach to the solution, including old-growth reserves. He also wants to see private sector incentives to discourage exports.

Congressman Wally Herger (R, Second District): His district will suffer economic pain. He will have trouble supporting you. Herger believes that attention needs to be paid to his sense that the spotted owl population in Northern California is healthy, and that some one million acres of old growth forests have already been set aside. He is concerned that no California scientists are playing key roles in the Jack Ward Thomas team. The Congressman complimented the Administration for taking the issue on and has been very supportive publicly. He gave low marks to the previous Administration on the issue.

(Elizabeth Bailey, the young girl who pleaded with you on the ABC Saturday morning program, lives in Hayfork, in Herger's district.)

Congresswoman Lynn Woolsey (D, Sixth District): If there are large old-growth reserves, she will strongly support you. Otherwise, she will be silent. She would like to see a complete ban on log exports. She worries that the Administration has been unwilling to "give anything to the liberals," and urged intensive forest protection. She believes that the country is looking for you "to be brave." She wants a scientifically sound package and has concerns about any procedural shortcuts on environmental laws.

2. COMMITTEES

Senate Agriculture: Chairman Leahy will support the package if it has no language that limits court challenges. He recommends as much of an administrative solution as possible. He fears that, at the end of the session, the Congress will be facing health care and the Forest plan -- and, in that context, the forest plan will be hard to do. The Chairman will want old growth preserves. He urged that we work with Senator Hatfield as much as possible. Leahy will help broker the plan with the environmentalists: the Vice President might want to call Leahy and ask him to.

Senate Environment and Public Works: There was strong advice to keep the forest economic assistance package out of the legislative process, and that the Administration not tinker with the National Environmental Policy Act or the Endangered Species Act.

Senate Energy and Natural Resources: Chairman Johnston is noncommittal. He is concerned that the Administration will not have the votes in his committee to get the plan passed. His staff stressed that Senator Hatfield is key. The Chairman's staff strongly suggests that, if we choose a legislative approach, we speak to them first.

House Merchant Marine and Fisheries: Chairman Studds will support you, absent major problems. For the Committee's support, the plan must be compatible with the requirements of the Endangered Species Act without amendments. However, the chairman would not have a problem with relief from procedural requirements of the National Environmental Policy Act -- meaning that an administrative solution with a "fast-track" Congressional authority would be acceptable. The Chairman believes that a creative approach to solving the problem could, and should, serve as a guide for later reauthorization of the Endangered Species Act. He would also like to see all three House Committees with jurisdiction to move on the bill simultaneously.

House Natural Resources Committee: Chairman Miller wants to work closely with the Administration. He believes that a deal should be crafted through consultation with himself and Chairs Studds, de la Garza, Leahy, Johnston and Baucus, and Senator Hatfield and Speaker Foley. (Miller believes that Hatfield is key to our efforts.) The Chairman will take a strong environmental position: he will be strongly influenced to support you if Jack Ward Thomas considers it scientifically credible.

Jim

6/5 pm

- 1 -

A. Forest Ecosystem Management

1. Team 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.

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.

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 calculated potential timber harvests, job losses, and other economic and social effects. The team continues to work on finalizing the report, but the tentative conclusions have been supplied to us, and 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

during the 1980s, the agencies were overcutting at a higher rate than was previously believed to be the case and that 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 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 (BLM) (incorporating conservation of northern spotted owls). The latter option probably satisfies the law on owls, but does not adequately protect marbled murrelets or fish. 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 different 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 would be allowed under the existing injunctions. The timber industry and labor argue that future harvests of at least 2 bbf are required; however, even the agency plans, with owl protection but no specific provision for

murrelets or at-risk fish, would only produce 1.8 bbf. In short, 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.

Of the options that were studied, three produce acceptable viability ratings 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. It attempts to merge elements of key watersheds, the best stands of old growth, and owl conservation areas, to produce unified reserves that accomplish multiple purposes. It also identifies nine large adaptive management areas of intensive ecological experimentation and social innovation, with the objective of developing and demonstrating integration of ecological and economic/social objectives.

2. Phase-in

Because the projected harvest levels are so low, we believe that if we are to have a package that has a chance of gaining support on the Hill and from key players in the region, it is necessary to modify the options presented by the Ecosystem Management Assessment Team to include a phase-in approach, so that harvest operations can be scaled back more gradually. While not all scientists who were involved in the development of the options will support a phase-in, many will, as long as the total harvest over ten years averages out to the number they calculate, and as long as care is taken to stay away from critical areas during the phase-in period.

Specifically, under the option we support (the unified reserve option), the average total harvest is to be 1.2 bbf. We propose that during the first year, the available harvest would

be 2.0 bbf, dropping to 1.7 bbf the second year, and 1.3 bbf the third. In order to average 1.2 for a ten-year period, thereafter the level would have to drop to 1.0 bbf. However, by that time marbled murrelet surveys and much watershed planning should have been completed, and it may be possible to adjust that number somewhat depending on the results of that work.

3. 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.