

Possible Forest Summit Econ
Programs

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PRESERVATION

THE WHITE HOUSE
WASHINGTON

DRAFT

March 22, 1993

MEMORANDUM FOR INTERAGENCY WORKING GROUP ON
FOREST SUMMIT ECONOMIC ISSUES

FROM: Peter Yu
National Economic Council

Mike Schmidt
Domestic Policy Council

SUBJECT: Status Report and Open Questions

This memorandum attempts to summarize information presented in our first two meetings, as well as information presented in the distributions prepared by the various participants. It also flags open questions, which I hope we will discuss Tuesday.

I. SHORT-TERM RELIEF FOR INDIVIDUALS, FIRMS, AND COMMUNITIES

A. The Problem

A revised forest management plan will have three distinct but related immediate impacts.

- A revised plan will create job losses of between 9,000 (CRS 1990) and 50,000 positions (USFS 1992), although some of this "loss" reflects an unavoidable contraction in the industry from the unsustainably high employment levels of the mid-1980s. Wages in these positions range from \$10 to \$20 per hour.

A revised plan will likely force a number of firms to close. This may include small logging companies, transportation companies, and wood products producers.

Many of these businesses have been under stress for some time. (Q: Magnitude?)

- A revised plan would reduce receipt-sharing payments to States and counties. The precise amount is unclear: one estimate suggests \$18.5 million (CRS 1990), another more than \$100 million (USFS 1992). (Q: Best estimate?)

In addition, a revised plan would also reduce federal revenues and increase lumber prices. (Q: Sufficiently important to warrant separate discussion?)

B. Current Programs and Policies

Existing efforts to redress these problems include:

- Unemployment insurance (Q: *With the current extension, when will these lapse?*); and means-tested programs. (Q: *Are there any short-term job creation programs in operation now?*) - 26 weeks
- RDA has several programs to aid in the development of rural regions; these programs create construction and other jobs.
- (Q: *Are there any emergency business loan or grant programs extant in these regions? SBA?*) Call -- any money?
- (Q: *Are there any emergency relief programs available for these communities?*)

C. Possible Policy Responses

Current efforts could be augmented by:

- **Job losses:** Stimulus-package spending to increase the number of "jobs in the woods." This would include new USFS and BLM forestry-related spending, as well as RDA spending. (Q: *How much in each category directed to affected regions?*)

Job losses: Temporary (2 year?) restrictions on log exports could increase the number of industry jobs in the short term. The TAA certifications suggest there is capacity in the system for immediate additional wood products work. (Q: *Compatibility of this approach with Administration's trade policy? With GATT? With the countervailing duty currently imposed on Canadian lumber?*)

Job losses: The once-embargoed report (pp. 22-23) suggests creation of federal acquisition set-asides. Temporary (2 year?) set-asides would increase the number of industry jobs in the short term, as a transition strategy.

Income support: Under the Administration's new, comprehensive displaced-workers program, extended UI-level benefits will be available to eligible persons enrolled in retraining programs.

Social services: The social and cultural impact of a revised plan should not be underestimated. The Administration should consider funding, as part of a broader effort, counseling and other social services for individuals and families.

what's tax credit for raw lumber exports

- **Failing firms:** Temporary export restrictions and set-asides might aid these firms, pending retooling or other reorganization.
- **Distressed communities:** Increased revenue sharing (suggested in S. 2895) could offset the immediate impact of reduced harvests. (*Q: How much of a change? for how long? how does this show up in budget accounts?*)

II. INTERMEDIATE TERM CAPACITY BUILDING: RETRAINING, RETOOLING, RELOCATION

In addition to minimizing the immediate effects of a revised plan, the Administration should take steps to facilitate the transition of dislocated workers to other industries and occupations.

A. The Problem

- Currently, we have only anecdotal evidence concerning the educational and skill levels of the anticipated dislocated workers. The discussion emphasized the variety of occupations likely to be affected, and that the skills of many were both more technologically advanced and more "transportable" (between industries) than is commonly thought. Nonetheless, the consensus was that substantial retraining would be needed.
- Some firms may also need retooling. There is some potential for shifts to different production techniques and to different product lines. (*Q: What are our best success stories here?*)

B. Current Programs and Policies

- **Retraining:** Current federally-funded retraining efforts include EDWAA (Title III of JTPA) and TAA. The formula-allotted EDWAA funds administered by substate areas likely total about \$2-4 million). In addition, about \$18.7 million in discretionary EDWAA monies managed by the Secretary of Labor are directed toward timber industry displacements. TAA provides relief for approximately 3,500 timber industry workers at an approximate cost of \$10.5 million.
- **Retraining:** Pell grants are currently available for displaced workers. (*Q: What is current participation and cost?*)
- **Retraining:** (*Q: What are current state efforts in this area?*)
- **Retraining:** Labor currently provides technical assistance to state agencies interested in retraining programs.

C. Possible Policy Responses

- **Retraining:** An interagency group is currently developing a comprehensive retraining program for dislocated workers that will include: broad eligibility; rapid-response job search assistance; a voucher system for retraining; and limited income support. (*Q: A central open question is whether any special retraining program should be developed as a complement to this new program.*)
- **Retraining:** (*Q: What federal efforts can be used to identify and supplement successful state retraining efforts?*)
- **Relocation:** It was suggested that workers in the timber industries were less mobile than most populations. However, it was also suggested that the total harvest will not decline greatly, indicating that new timber jobs will be created in other regions--including Canada and the South. (*Q: Thus an open question is whether and how to encourage relocation: e.g., the TAA program included some reimbursements for relocation expenses.*)

III. LONGER TERM RESPONSES: ECONOMIC DEVELOPMENT AND DIVERSIFICATION

Retraining, of course, is useless unless there are also new jobs in the region. Thus, the Administration must assist timber-dependent communities develop and diversify their economies.

A. The Problem

- Many of these rural communities lack the capacity to compete in federally funded competition for monies (such as CDBG and the planned Enterprise Partnership Program).
- The economic options for these communities include: wood products such as paper and recycled products (the most familiar possibilities), followed by tourism and recreation. The latter may be limited by development limits imposed under the revised forest management plan. (*Q: To what extent could federal technical assistance facilitate the identification of other options? Is this best left to state and local officials and councils?*)

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- EDA has (MIKE could you find details--I lost my handout).
- (*Q: What is SBA lending like in these areas?*)
- (*Q: What is CDBG activity like in these areas?*)

- Many states have private industry councils (PICs) and rural development councils (RDCs) that perform similar planning and development activity and may offer strong vehicles for such assistance.

C. Possible Responses

- To redress the capacity issue, planning grants may be needed. (Q: *What form and vehicle should these take?*) - C D B ←
- An interagency working group is developing the Administration's larger proposal on Enterprise Partnerships (nee Enterprise Zones). This likely will involve: a small group of (about ten) well-funded zones, and many zones with small tax benefits. It is unlikely that this program will offer much assistance to the affected regions.
- An interagency working group is developing the Administration's proposal to enhance community lending. This will likely call for the development of 50 or more community lending subsidiaries, but it is unlikely that these will be created in rural areas. Perhaps special provisions for lending institutions in rural communities should be developed. (Q: *What is the general profile of financial institutions in these regions?*) - What other C.D. lending pools
- An important principle that emerged from our conversations was that federal policy should be integrated with state, local, and nongovernmental efforts to the greatest extent possible. (Q: *How is this to be accomplished? Challenge grants?*)
- Another option includes expanded spending through EDA.

IV. LARGER ISSUES REQUIRING RESOLUTION

A. Financing

Some of the monies for these responses are provided in the Administration's proposed budget. Other might be drawn from the discretionary funds created by the new comprehensive dislocated worker program.

Should additional funds be drawn from federal log-sale revenues? Arguably, these costs are part of the cost of harvesting and should be internalized into the price of timber.

B. Coordination of Federal Activity

There was general agreement that federal activity among the many agencies should be

better coordinated. What is the best way of accomplishing this: a permanent interagency task force? block grants pooling funds?

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

FEDERAL ASSISTANCE TO COUNTIES

\$79 million

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

\$94 million

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

FOREST RESTORATION

\$100 million+

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

\$30 million

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

SHORT TERM TIMBER SUPPLY

Amount to be determined

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

MANAGEMENT ACROSS OWNERSHIPS

Amount to be determined

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

\$4 million

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

\$5 million

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

RESEARCH

Amount to be determined

Research essential to ensure adaptive management approach achieves desired results.

ECONOMIC
DEVELOPMENT
DEPARTMENT

March 18, 1993

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

From: Jon Jaqua, Interim Director
 Oregon Economic Development Department

Subject: Forest Summit Funding Proposals

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

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

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

A. COMMUNITY/RURAL DEVELOPMENT

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

Barbara Roberts
 Governor



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 Salem, OR 97310
 (503) 373-1200
 FAX (503) 581-5115

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

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

B. BUSINESS/INDUSTRY DEVELOPMENT

1. Manufacturing Technology Center (MTC) - A Pacific Northwest MTC to support improvements in industry competitiveness. A top priority for the MTC would be collaborative efforts within the secondary wood products industry. The MTC would be established with a market, product development, and manufacturing network focus driving efforts to transfer manufacturing technology. Oregon plans to initiate a Key Industry Industrial Modernization consulting service using state funds. Request: \$5 million federal NIST funds over a five-year period.
2. Market Development Fund (MDF) - A Secondary Wood Products MDF would provide a flexible investment vehicle to support collaborative ventures targeted at market development and expansion activities. Repayment would be tied to product sales. Priority would be given to multi-firm projects creating jobs, positively impacting rural communities, and matched at least 2:1 by equity investments. Request: \$1 million federal funds.

3. Business Finance Programs - Included would be:

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

b. Targeted Oregon Business Development Fund (OBDF) - OBDF, a revolving loan fund to help smaller businesses expand, would target loans to businesses in timber dependent communities. \$1.6 million federal funding.

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

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

C. WORKER ASSISTANCE/TRAINING

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

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

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

D. FEDERAL PROGRAMS

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

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

Article I sect 9
Clause 5

- no provision of duty
can be laid ^{by congress} on export
of goods from state lands
 - states can't do
it either without
congressional consent
-

To provide for calling forth the Militia to execute the Laws of the Union, suppress Insurrections and repel Invasions;

To provide for organizing, arming, and disciplining, the Militia, and for governing such Part of them as may be employed in the Service of the United States, reserving to the States respectively, the Appointment of the Officers, and the Authority of training the Militia according to the discipline prescribed by Congress;

To exercise exclusive Legislation in all Cases whatsoever, over such District (not exceeding ten Miles square), as may, by Cession of particular States, and the Acceptance of Congress, become the Seat of the Government of the United States, and to exercise like Authority over all Places purchased by the Consent of the Legislature of the State in which the Same shall be for the Erection of Forts, Magazines, Arsenals, dock-Yards, and other needful Buildings;—And

To make all Laws which shall be necessary and proper for carrying into Execution the foregoing Powers, and all other Powers vested by this Constitution in the Government of the United States, or in any Department or Officer thereof.

Section 9. The Migration or Importation of such Persons as any of the States now existing shall think proper to admit, shall not be prohibited by the Congress prior to the Year one thousand eight hundred and eight, but a Tax or duty may be imposed on such Importation, not exceeding ten dollars for each Person.

The Privilege of the Writ of Habeas Corpus shall not be suspended, unless when in Cases of Rebellion or Invasion the public Safety may require it.

No Bill of Attainder or ex post facto Law shall be passed.

No Capitation, or other direct, Tax shall be laid, unless in Proportion to the Census or Enumeration herein before directed to be taken.

No Tax or Duty shall be laid on Articles exported from any State.

No Preference shall be given by any Regulation of Commerce or Revenue to the Ports of one State over those of another: nor shall Vessels bound to, or from, one State, be obliged to enter, clear, or pay Duties in another.

No money shall be drawn from the Treasury, but in Consequence of Appropriations made by Law; and a regular Statement and Account of the Receipts and Expenditures of all public Money shall be published from time to time.

No Title of Nobility shall be granted by the United States: And no Person holding any Office of Profit or Trust under them, shall, without the Consent of the Congress, accept of any present, Emolument, Office, or Title, of any kind whatever, from any King, Prince, or foreign State.

Section 10. No State shall enter into any Treaty, Alliance, or Confederation; grant Letters of Marque and Reprisal; coin Money; emit Bills of Credit; make any Thing but gold and silver Coin a Tender in Payment of Debts; pass any Bill of Attainder, ex post facto Law, or Law impairing the Obligation of Contracts, or grant any Title of Nobility.

No State shall, without the Consent of the Congress, lay any Imposts or Duties on Imports or Exports, except what may be absolutely necessary for executing it's inspection Laws: and the net Produce of all Duties and Imposts, laid by any State on Imports or Exports, shall be for the Use of the Treasury of the United States; and all such Laws shall be subject to the Revision and Controul of the Congress.

No State shall, without the Consent of Congress, lay any Duty of Tonnage, keep Troops, or Ships of War in time of Peace, enter into any Agreement or Compact with another State, or with a foreign Power, or engage in War, unless actually invaded, or in such imminent Danger as will not admit of delay.

Article II

Section 1. The executive Power shall be vested in the President of the United States of America. He shall hold the Office for four Years, and shall be eligible for one Term, but no Person shall be elected President who shall not have attained to the Age of thirty five Years, before he enters the Office, and who shall not, when elected, have been seven Years a Citizen of the United States, nor have been born in America. He shall have the Honor of the Vice President.

Each State shall have Electors in Number equal to the whole Number of Electors in the Senate and in the House of Representatives, which the State may determine. No Person holding an Office of Profit or Trust shall be an Elector.

The Electors shall meet in Person, or by their lawful Substitute, in some City within the United States, on the first Monday after the second Week in December, to vote for President and Vice President, of whom they shall choose one, who shall hold the Office for four Years, and shall be eligible for one Term, but no Person shall be elected President who shall not have attained to the Age of thirty five Years, before he enters the Office, and who shall not, when elected, have been seven Years a Citizen of the United States, nor have been born in America. He shall have the Honor of the Vice President. The Electors shall meet in Person, or by their lawful Substitute, in some City within the United States, on the first Monday after the second Week in December, to vote for President and Vice President, of whom they shall choose one, who shall hold the Office for four Years, and shall be eligible for one Term, but no Person shall be elected President who shall not have attained to the Age of thirty five Years, before he enters the Office, and who shall not, when elected, have been seven Years a Citizen of the United States, nor have been born in America. He shall have the Honor of the Vice President. The Electors shall meet in Person, or by their lawful Substitute, in some City within the United States, on the first Monday after the second Week in December, to vote for President and Vice President, of whom they shall choose one, who shall hold the Office for four Years, and shall be eligible for one Term, but no Person shall be elected President who shall not have attained to the Age of thirty five Years, before he enters the Office, and who shall not, when elected, have been seven Years a Citizen of the United States, nor have been born in America. He shall have the Honor of the Vice President.

The Congress may determine the Time of meeting the Electors, which they shall assemble on the first Monday after the second Week in December.

No Person except a natural born Citizen, or who, when elected, shall have attained to the Age of thirty five Years, shall be eligible for the Office of President.

In Case of the Removal of the President from Office, or Inability to discharge the Duties of the Office, the Vice President shall become President. If a President shall die, or be removed from Office, or be incapable of discharging the Duties of the Office, the Vice President shall become President. If a President shall die, or be removed from Office, or be incapable of discharging the Duties of the Office, the Vice President shall become President.

The President shall have the Honor of the Vice President. The President shall have the Honor of the Vice President. The President shall have the Honor of the Vice President.

Before he enters the Office, he shall take the following Oath or Affirmation:—“I do solemnly swear (or affirm) that I will faithfully execute the Office of President of the United States, and will to the best of my Ability, preserve, protect, and defend the United States against all Enemies, foreign or domestic, and will maintain the Laws of the United States.”

Section 2. The President shall have the Honor of the Vice President. The President shall have the Honor of the Vice President. The President shall have the Honor of the Vice President.

Service of the

ECONOMIC RECOVERY OF THE PACIFIC NORTHWEST: A STRATEGIC PLAN

April 12, 1993

SUMMARY¹

Objective: To establish a structure and process for helping people and communities impacted by the complex issues of adaptation to change, and to overcome the fragmented nature of public and private assistance so as to effectively help these communities build viable economic futures.

Need for Investment in Communities' Futures: Both short-run and long-term community-level investments are needed to ensure a comprehensive response, including some system-wide investments that provide only indirect community benefits. These investments include:

- Building communities' capacity to organize for development
- Investing in people
- Linking communities to information
- Fostering economic alternatives
- Enhancing community assets

Public and Private Resources Available: in addition to Federal funding and technical assistance, resources are available from state governments, from the private sector, and from non-profit organizations.

Contributing Federal Organizations: There are 17 departments and independent agencies with resources committed to rural development.

A Network to Focus Resources:

- **At the national level:** the Monday Management Group (MMG) is a means for identifying barriers and tackling complex issues on a collaborative basis.
- **At the state level:** the State Rural Development Councils (SRDC) are institutions with the capacity to bring about collaborative problem-solving among public and private agencies for stable and community-level action.

¹"The Secretary of Agriculture shall provide leadership within the executive branch for and shall assume responsibility for coordinating, a nation wide rural development program using the services of executive branch departments and agencies. . . in coordination with rural development programs of State and local governments." The Rural Development Policy Act of 1980 (PL 96-355), and the Rural Development Act of 1972 (PL 92-419).

Recommendations:

The recommendations below were crafted to satisfy two broad goals:

- o Develop a greater understanding of the strategic development efforts already underway in forest-dependent communities and deploy Federal resources to reinforce these local initiatives.
- o Foster holistic and collaborative efforts among Federal agencies and between Federal state, local, and tribal governments, and the private and non-profit sectors which build new industry alternatives that employ displaced workers and are compatible with the environment [See Attachments 1(a,b,c)].

Specific Recommendations:

- o Select Oregon and Washington State Rural Development Councils as entities responsible for coordinating Federal, state, local and private activities in this effort to respond to the Pacific Northwest's (PNW) economic recovery needs.
- o Encourage the development of a structure in Northern California similar to the State Rural Development Councils in Oregon and Washington. Consider asking these two established Councils to act as consultants to California.
- o Recommend that the President issue a directive to Federal agency heads to coordinate their program and activities in the PNW through the MMG and the SRDCs.
- o Meet with the Monday Management Group to discuss its potential role in this collaborative effort, including developing a report that addresses:
 - o the most appropriate roles to be played by Federal agencies as well as by state, local, and tribal governments, and private and non-profit sectors;
 - o barriers to effective application of existing programs;
 - o gaps in service delivery based on the strategies outlined in this Plan and programs/mechanisms for filling them;
 - o methods to measure and enhance the impact Federal efforts have on addressing community needs in the PNW.
- o Sponsor research in rural economic development that focuses on outcomes, including:
 - o Invest in research on rural economic change and community adaptation.
 - o Develop and test ways to apply Federal resources with greater flexibility.
 - o Request that research agencies and economic development agencies sponsor joint initiatives. Such collaboration would expedite the application of new technologies with the potential for underpinning economic activities in which rural America might have a comparative advantage.

THE PLAN

Objective

This plan outlines a strategy to facilitate change in impacted communities and to help them build economically viable futures.

The plan specifically addresses the concerns of forest-impacted communities affected by Federal land management decisions and changing resource uses. However, the support system it identifies can be applied to similar issues that have arisen, or will arise, in other rural communities. It can assist communities struggling with the effects of actions to protect endangered species such as the salmon. It can also assist the large number of rural communities facing chronic stagnation or the more slowly-developing but fundamental economic transformation that is sweeping across rural America.

Effective responses to these concerns will involve many organizations beyond the Federal government. While the Federal government has many valuable and unique resources to contribute, other organizations--including states, local governments, private businesses, nonprofit organizations, and tribes--must also be involved.

This plan proposes a support system that can integrate USDA's resources with those of other organizations and thus carry out the **Secretary of Agriculture's rural development leadership responsibilities mandated under the Rural Development Act of 1972 and the Rural Policy Act of 1980.**

Investments in Communities' Futures

Successful development is accomplished through a sequence of actions that result, over time, in incremental improvements in both conditions and future capacity for development. These action steps are:

- Helping communities understand the inevitability of change and to organize for economic transition;
- Facilitating strategic community planning efforts;
- Making resources available to communities for implementation of their action plans for strengthening their local economies.

While development can sometimes result from haphazard actions or blind luck, neither can be relied upon. To make development happen, orderly actions that comprise an overall strategy, not isolated projects, are required. Equally important is collaborative effort among organizations, rather than competitive behavior.

Key strategies for assisting communities can be implemented with the assistance of Federal resources. The complexity of rural issues, and the comprehensiveness of the development process, require that resources be used in combination to achieve maximum benefits for rural communities

Building Communities' Capacity to Organize for Development. Organizing is essential for each stage of development. This process requires properly recognizing a problem and agreeing on appropriate and achievable goals. Where local capacity to undertake development is lacking, nurturing is essential. In rural communities, capacity-building often requires the development of leaders skilled in brokering diverse community interests, resolving conflicts, and achieving sufficient consensus to enable collaborative action; as well as leaders skilled in managing resources, designing development strategies and crafting action plans to implement them. ES, FS, and SCS' RC&D program each contribute to this strategy, as do EDA-funded Economic Development Districts and university centers.

Investing in People. People are the most critical building-blocks of community development. Where industries are in change, workers must be retrained to qualify for new jobs. Leadership must be developed. Attitudes, sometimes a barrier to adaptation, may need to change. Federal resources to address these human issues include counseling, education, entrepreneurship, job training, vocational education, and youth programs. The Department of Labor operates training programs in conjunction with local public and private providers. SBA's Small Business Development Centers and ES provide entrepreneurial training and technical assistance. ES works with youth, and in some cases assists with entrepreneurship and apprenticeship training. In addition, much activity occurs at the state level or is provided by for-profit and non-profit organizations.

Linking Communities to Information. Because rural areas are being impacted by both powerful global market trends and unique regional and local forces, planning for viable futures is complex. Bringing information about these forces together so that local advantages can be identified and maximized is critical to successful community change. ERS can assist directly with information resources and can broker other research organizations to assure local strategies are reasonably well-informed. Application of this information to the design of local strategies can best be facilitated through the efforts of public and private technical assistance providers.

Fostering Economic Alternatives. Faced with the loss of their traditional economic base, rural communities are challenged to develop new goods and services to supplement, and in some cases replace, economic activity they are losing. This can be accomplished using several strategies:

- Retaining and expanding existing businesses through productivity enhancements and other means
- Strengthening marketing and shifting toward high-value marketing strategies
- Developing new high value-added products and new businesses to expand and diversify the economy
- Improving management skills and entrepreneurial capability of existing firms and encourage new entrepreneurial efforts.

For the most part, **Federal programs are investment tools that can be used to achieve any of these objectives, but which may—in the absence of clear strategic direction and linkage with community planning—achieve none of them.** Agencies with programs to invest in local economies include DOI, FS, HUD, RDA, and REA.

Enhancing Community Assets. Several Federal agencies, operate programs to assist rural communities with basic community infrastructure necessary to sustain both life and economic activity. While these programs are often essential to continued community viability, their contribution to economic development is often less direct than other forms of investments. However, some--such as those in communications technology--have considerable potential for more direct and lasting economic impacts. Among the agencies with programs to enhance community infrastructure are EDA, FmHA, HUD, and REA, and SCS.

Public and Private Resources

Many Federal funding and technical assistance programs can serve communities in transition. **In addition to Federal assistance, funding and technical assistance is available from state governments, the major providers of rural development assistance; from the private sector; and from non-profit organizations.** Over the years, numerous directories to programs have been prepared, each taking a different approach. Some focus on a single issue, such as health care, while others extensively catalogue multiple state and Federal programs. In addition to published sources, a computerized directory to Federal programs (FAPRS) can be searched on-line and is available through the Rural Information Center (RIC).

Beyond the more obvious development-oriented programs, many others may be effective components of overall strategies to address transition objectives in forest-dependent communities. These include community outreach, education, family support, public works, and trade policy.

A key but often-overlooked resource for communities in transition is knowledge. Even when rural communities are able to identify supporting resources, they may fail to combine them in ways that lead to specific, long-term objectives. Research agencies, including ERS, can contribute critical thinking about effective strategies. In addition, Federal employees at all levels possess knowledge and skills that can be vitally important to rural communities, including the ability to broker knowledge in creating effective local responses to problems of transition. In addition, the Rural Information Center (RIC) at the National Agriculture Library provides access to many information sources on a nationwide basis.

Contributing Organizations

Rural development issues are exceedingly complex. Because of their many dimensions, participation from all sectors and multiple partners is essential. **Federal resources addressing rural problems are scattered across more than 17 departments and independent agencies.** Communication and cooperation among these agencies is essential to establishing effective collaboration with communities facing acute transformations.

Among the Federal agencies with roles to play in rural development, are included many from USDA (ERS, ES, FmHA, FS, RDA, REA, SCS) as well as others (ARC, BLM, EDA, HHS, HUD, SBA, USTTA, TVA). Some of these agencies have on-site staff or organizations that can play significant leadership roles in bringing about collaboration among Federal programs at state and local levels.

- RDA has State Rural Development Coordinators in Oregon and Washington and program staff at state/district levels in all three states. A Coordinator is planned for California.
- ES has state Community Resource Development (CRD) programs in all three states, operating in concert with the Western Rural Development Center.

- SCS has RC&D coordinators serving multi-county RC&D areas in parts of all three states.
- FS has Regional and Forest-level Coordinators in all three states.
- SBA has Small Business Development Centers and Certified Development Companies in all three states.
- HHS funds Offices of Rural Health Policy in the states.
- EDA-funded Economic Development Districts and other local development organizations operate in each state.

In addition, other agencies have more recently-defined roles that can contribute in integral ways to rural development (NEA, DVA). And still others have contributing roles that are often quite significant, even though more indirect (DOT, DED, DoD, HHS).

Although there is a significant role for Federal agencies to play in revitalization of rural communities in the PNW, there are many other participants with experience and resources to bring to bear. State; local; and tribal governments, as well as private and non-profit entities must be looked to as essential and often leading partners in any rural development effort.

A Network to Focus Resources:

A network currently exists to bring together the resources of the numerous organizations needed to respond to these challenges. The framework for this network is the National Initiative on Rural America. It can help meet these challenges in two ways.

First, the **Monday Management Group (MMG) is a means for tackling complex issues on a collaborative basis at the national level.** Composed of senior program managers from Federal agencies with rural responsibilities, representatives of state and local governments, and the private sector, the MMG is able to bring about joint action on issues that cross departmental and intergovernmental jurisdictions. The MMG can bring its focus on "reinventing government" to the creation of an effective inter-departmental mechanism for addressing difficult development issues in the Northwest.

Second, **State Rural Development Councils (SRDCs) are institutions with the capacity to bring about collaborative problem-solving at the state level.** With membership from state-based Federal officials, state agencies, local governments, profit and nonprofit organizations, and tribal governments, the SRDCs bring together organizations capable of creating action. Oregon and Washington were among the pilot SRDCs and have two years' experience in operation. No SRDC has yet been formed in California, and another institutional mechanism would need to be found there. SRDCs can build intergovernmental public-private partnerships to address environmental and economic interests in forest-dependent communities.

The MMG and the SRDC network can facilitate development in the Pacific Northwest in a variety of ways.

- The Councils can help bring state and federal resources together to support locally-conceived and driven strategies.

- Where a coordinated response is difficult because of procedural or organizational barriers, the Councils can clearly identify the barriers and begin steps to make a coordinated response possible.
- When Federal issues cannot be resolved at a Council level, the Council can work with the national MMG to develop solutions. Task forces of senior career agency staff in D.C. can take advantage of SRDC insights to develop strategies for better program coordination and implementation at national, state and local levels.
- Finally, the SRDCs can be the place in the Northwest where national priorities are implemented through a collaborative partnership at state and local levels, yet committed to creating solutions that work for communities.

Although SRDCs do not currently have authority to administer program funds, they do represent an existing mechanism through which agencies can coordinate the expenditure of funds with other agencies (state and Federal). Such a mechanism is an effective administrative tool for dealing with a complex economic development problem in a comprehensive manner. The SRDCs and MMG are already staffed umbrella organizations which provide a collaborative, rather than a competitive (agency turf battle), environment.

Attachment 1(a)

**DESCRIPTION OF USDA PROGRAMS WHICH CAN HELP
REVITALIZE THE PACIFIC NORTHWEST**

Alternative Agriculture Research and Commercialization --

Relevant Programs --

Which Help Foster Economic Alternatives --

- o The Alternative Agriculture Research and Commercialization Center (AARC) is an independent entity within the Department of Agriculture with a predominantly private sector Board of Directors. AARC's purpose is to facilitate and accelerate development and commercialization of industrial (nonfood, nonfeed) products manufactured from farm and forestry materials.

Economic Research Service (Agriculture and Rural Economy Division) --

Relevant Programs --

Which Use Information for Community Strategies --

- o The Agriculture and Rural Economy Division (ARED) of the Economic Research Service (ERS) can play a role directly, and as a broker with other research organizations, to make sure strategy development is reasonably well informed.
- o ARED provides an analytical framework for understanding the forces at work in forest-dependent communities, the impact of those forces on communities' ability to foster development, and the array of strategies available to communities as they attempt to adjust to those forces.
 - o Forces: Global, National, and Regional - ARED's data and analytical work on the rural economy, population, and industrial structure helps identify trends and provides important contextual information for formulating and implementing rural development strategies at all levels of government.
 - o Impacts: Local Level Analysis - ARED analyzes measures of industry and economic base dependency (including timber and Federal lands), factors affecting economic growth and stability, and effects of changes in an industry on local economies.
 - o Strategies: Adjusting to Change - ARED is currently assessing the effectiveness of various strategies for promoting rural development under a variety of conditions. Specific studies have focused on enterprise zones, the use of enhanced telecommunications and other infrastructure improvements, retiree attractions, self-development efforts, multi-community collaboration and community lending initiatives.

Extension Service --

Relevant Programs --

Which Help Organize and Build Community Capacity --

- o Communities in Economic Transition
 - o Leadership Training and Community Action Planning - Educational and technical support from ES and other collaborating organizations guide local decision-makers in understanding issues, making sound decisions, developing interjurisdictional cooperation, developing strategies for implementation, managing implementation actions, and evaluating/measuring/documenting outcomes and impacts.
 - o ES works with local economic and community development entities to provide economic and demographic analysis to assist in community revitalization planning.

Which Invest in People --

- o Quality Youth Partnership Initiative
 - o A work force preparatory, entrepreneurial program linking small businesses and America's youth in a solid, well-founded effort to help them learn and practice leadership, personal excellence, and quality management.
- o ES offers educational programs to improve the efficiency of growing, harvesting, and marketing of forest products through sustainable operations. Specifically, ES programs offer instruction in:
 - o Productivity enhancement,
 - o Environmentally sensitive harvesting practices,
 - o Primary and secondary process efficiency,
 - o Marketing efficiency,
 - o Strategic planning, enterprise development, and business assistance for communities.
- o Logger Education to Advance Professionalism (LEAP) Program
 - o In conjunction with FS and many private and public partners, a pilot training program was designed in 1992 to teach forest ecology and silviculture to the Nation's loggers. The goals include protection of the forest environment, production of forest products, and enhancement of logger professionalism.
- o Construction Skills Training Program
 - o Created to offer displaced timber workers of western Oregon construction skills, ES participates in a collaborative effort with the city, county, state, community college, local Jobs Training Partnership Act provider, and Oregon State University.

- o Communities in Economic Transition
 - o Enterprise Development and Business Assistance
 - o ES provides training opportunities for small business owners focusing on marketing, management, strategic development, and work force productivity;
 - o Provides marketing assistance to firms in small and rural communities to promote National and/or global opportunities in new markets;
- o Provide educational leadership in teaching adaptation skills and by providing new knowledge for effective community transitions to renewed and alternative forms of productivity.

Which Help Foster Economic Alternatives --

- o Tourism Development Efforts
 - o ES assesses the interest and potential of tourism in rural/community areas;
 - o Develops regional approaches to tourism;
 - o Assists in developing successful marketing efforts for local attractions;
 - o Assists in strategic planning for local tourism;
 - o Helps in establishing tourism programs in culturally diverse areas;
 - o Offers training in resource management and hospitality training.
 - o Is currently developing a new computerized marketing network (tagged Our TOWN) to help small and rural tourism enterprises market their tourism/recreation opportunities nationally and internationally.
- o International Marketing Initiative
 - o Going Global Marketing Assistance - ES provides educational and technical assistance to local firms to assist their entry into new markets. This program offers a computerized data base of trade leads to guide local firms in seeking national and or international markets.
 - o Global Entrepreneurship Management Support (GEMS) - An ES cooperative project with fourteen states to develop educational materials for global marketing support. Included in the effort will be workbooks, guides, audio-visual materials including video tapes and complementary decision support software.
 - o In-Service Training in International Trade - An in-service education program on export and international trade for Extension personnel.
- o ES provides educational and technical assistance to facilitate the development of micro-enterprises that can utilize the skills and talents of displaced workers, including home-based business development.
 - o Provides technical support to businesses in small and rural communities to increase profitability and competitiveness;
 - o Assists in enterprise development to foster new job opportunities and economic diversification;
 - o Provides trade area assessments for communities and develops individual feasibility assessments for business firms.

- o Assist in the development of new products and/or value-added products from existing natural resource based enterprises. This effort includes a "Forest Products Development Workshop."
- o Provides for innovation and creativity in economic diversification among small and rural communities by supporting demonstration projects to develop and implement new approaches to enterprise and job development.

Farmers Home Administration --

Relevant Programs --

Which Invest in People --

- o Self-Help Technical Assistance Grants - Grant provide financial assistance to organizations who will offer technical assistance to low income, rural families in home construction through self-help methods.
- o Packaging Grant Program - Grants provide financial assistance to qualified organizations which offer technical assistance to lower income families to package their loan/grant requests.

Which Enhance Community Assets --

- o Rural Single Family Housing Direct and Guaranteed Programs (Section 502) - Loans provide adequate but modest housing for lower income households. They may be made to eligible applicants to buy, build repair, renovate, or relocate homes and provide related facilities as well as to refinance home debt and to retain ownership under certain circumstances.
- o Single Family Housing Servicing Assistance - FmHA will agree to:
 - o contact all borrowers affected by the economic changes occurring in the PNW to explain what servicing options are available;
 - o counsel these families to assure that they are receiving the maximum amount of interest credit assistance for which they are eligible;
 - o consider payment moratoriums when conditions permit; and
 - o assist families that have been forced to leave the area with the sales of their homes.
- o Rural Single Family Housing Loan Program (Section 504) - Loans are available to very low income owner occupants to make repairs to homes that remove health and safety hazards and to improve or modernize a home.
- o Rural Single Family Housing Grant Program (Section 504) - Grants may be made to make repairs that remove health and safety hazards. Eligible applicants must be 62 years of age or older, very low income owner occupants of rural housing who lack repayment ability.
- o Site Loan Program - Loans are available to non-profit organizations to be used for housing for low and moderate income families. Loans are used to buy and develop building sites, including the construction of access roads, streets, and utilities.

- o Housing Preservation Grant - Grants provide states, indian tribes, non-profit organizations, or public agencies with monies to support repair and rehabilitation programs for very low and low income rural homeowners.
- o Multi-Family Housing Loans - Insured loans are provided to finance rental and cooperatively owned housing of modest design for very low, low, and moderate income families, the elderly, and handicapped. Funds can be used to construct new housing or to purchase and/or rehabilitate existing structures for rental purposes.
- o Rental Assistance - Assistance is provided to very-low and low-income rural families, including the elderly, to help reduce monthly rental payments for apartments that they occupy. Families must be residents of rental projects financed by FmHA to be eligible to participate in the program.
- o FmHA would consider extending certain special authorities to the State of Washington, Oregon, and parts of California. Such special authorities could include:
 - o leasing programs as well as nonprogram single family housing properties for transitional housing for the homeless;
 - o leasing single family housing properties, which have been in inventory an extended period of time, to inadequately housed families; and
 - o single family housing properties for mutual self-help projects in some cases.

Forest Service --

Relevant Programs --

Which Help Organize and Build Community Capacity --

- o Rural Community Assistance - Targeted specifically to rural areas, this component focuses on helping the whole community capitalize on available local human and natural resources. Assistance is provided in helping communities organize, plan, and implement actions.
- o Effort includes three funded programs: Economic Recovery, Rural Development, and Economic Diversification Studies. Economic Recovery focuses on helping National Forest-dependent rural communities as authorized in the 1990 Farm Bill (Title XXIII, Subtitle G, chapter 2). Rural Development helps communities experiencing long-term economic problems capitalize on available forest resources; and the Economic Diversification Studies program helps communities by cost-sharing feasibility studies to identify alternative economic opportunities.

Which Help Foster Economic Alternatives --

- o Forest Products Conservation and Recycling - This component encourages and facilitates the wise, more efficient use of forest resources to enhance economic development and promote better stewardship of the forest resource. Emphasis is on stimulating public and private sector innovation. Specific opportunities include new uses for wood and other forest-based resources through recycling and value-added secondary manufacturing, and alternative goods and services. Assistance is currently delivered through a refocused Wood Utilization program.
- o Market Development and Expansion - This element provides a significant opportunity to strengthen local and regional economies through the creation of domestic and international markets for forest resources. This is done by providing technical and financial assistance and targeting wood use in transportation. Assistance is currently provided through a Timber Bridges Program.
- o Trail Reconstruction - This program entails maintenance and reconstruction of Forest trails. It corrects maintenance that has been deferred in the past.
- o Recreation Facilities - This effort entails rehabilitation, repair and reconstruction of recreation facilities and sites to restore them to the established standard.
- o Recreation Maintenance - Maintenance includes the day-to-day care and operation of developed recreation sites. A mix of skilled and unskilled labor can be effectively utilized.
- o Facility and Other Construction - Pertains to office buildings, warehouses, and living quarters which are primarily needed to administer the National Forests. Includes repair and maintenance in the short term and new construction for long-term projects.

National Agricultural Library --

Relevant Programs --

Which Use Information for Community Strategies --

- o The Rural Information Center (RIC), a joint project of ES and the National Agricultural Library, connects people to information. Through research librarians and a referral service, RIC makes current knowledge available to local government officials, community organizations, health professionals, businesses, and rural citizens. Although it has been in existence since 1987, in the last three years, inquiries through its 1-800- number, electronic bulletin board, and mail have expanded 200%.

Rural Development Administration --

Relevant Programs --

Which Help Foster Economic Alternatives --

- o Business and Industry Programs
 - o Business and Industrial (B&I) Guaranteed Loans - Guarantees are given to commercial lending institutions for loans made to improve, develop, or finance business, industry, and employment, and improve the economic and environmental climate in rural communities, including pollution abatement and control. It is not intended that the guarantee authority be used for marginal or substandard loans or to "bail out" lenders having such loans. This type of assistance is available only to businesses located in areas outside the boundary of a city of 50,000 or more and its immediately adjacent urbanized area.
 - o Intermediary Relending Program Loans - Loans are available to finance business facilities and community development projects not within the boundary of any city having a population of 25,000 or more. This is achieved by loaning monies to intermediaries who then in turn process loans to ultimate recipients.
- o Community Facilities Programs
 - o Rural Business Enterprise Grants - Grants are available to assist public entities and nonprofit corporations to finance and facilitate development of small and emerging private business enterprises located in areas outside the boundary of a city of 50,000 or more and its immediately adjacent urbanized area.

Which Enhance Community Assets --

- o Water and Waste Disposal Programs
 - o Water and Waste Disposal (WWD) Loans - Funds are available to public and non-profit entities as well as Indian tribes to develop water and waste disposal systems (including solid waste disposal and storm drainage) in rural areas and towns with populations not in excess of 10,000. RDA also guarantees water and waste disposal loans made by banks and other eligible lenders.
 - o Water and Waste Disposal Grants - Grants are available to reduce water and waste disposal costs to a "reasonable" level for rural users - not to exceed 75 percent of eligible project costs.
 - o Technical Assistance and Training Grants - Grants are available to nonprofit organizations to provide technical assistance and training to associations on a wide range of issues relating to the delivery of water and waste disposal service.
 - o Solid Waste Management Grants - Grants are available to public and private nonprofit organizations for providing technical assistance and training to associations to reduce or eliminate pollution of water resources and improve planning and management of solid waste facilities.

- o Emergency Community Water Assistance Grants - Grants are available to assist rural communities that have had a significant decline in quantity or quality of drinking water. Grants can be made in rural areas and cities or towns with a population not in excess of 5,000 and a median household income not in excess of 100 percent of a State's nonmetropolitan median household income. Grants may be made for 100 percent of project costs.
- o Rural Water Circuit Rider Technical Assistance - Technical assistance is available for the operation of rural water systems. The RDA, through contracting, assists rural water systems with day-to-day operational, financial, and management problems. responsibilities.
- o Community Facilities Programs
 - o Community Facilities Loans - Loans are available to construct, enlarge, extend, or otherwise improve community facilities, providing essential services in rural areas and towns with a population of 20,000 or less. These funds are available to public entities and non-profit corporations. RDA also guarantees community facility loans made by banks or other eligible lenders.
 - o Watershed Protection and Flood Prevention Loans - Loans are available to provide assistance to sponsoring local organizations in authorized watershed areas for improvements in a watershed project. There is no population requirement for this program.
 - o Resource Conservation and Development Loans - Loans are available to provide assistance to RC&D Councils where acceleration of a program of resource conservation, development, and utilization would increase economic opportunities for local people. There is no population requirement for this program.

Rural Electrification Administration --

Relevant Programs --

Which Invest in People, Help Foster Economic Alternatives, and Enhance Community Assets--

- o Rural Economic Development Loan Program
 - o Zero-interest loans are made available to existing REA telephone and electric borrowers for the purposes of job creation, long-term improvement to and diversification of the local economy, and to improve marketable skills of local workers.
- o Rural Economic Development Grant Program
 - o Grants are made available to REA borrowers for the establishment of locally-controlled revolving loan funds and the financing of project feasibility studies, community development projects, business incubators, or projects which will provide quality education and medical services to rural residents. These grants are awarded to efforts which will benefit the widest area possible.

- o **Deferment on Loan Payments for Rural Development**
 - o Financial instruments were created to encourage investments by REA borrowers in local economic development projects. By providing financing to local businesses or economic development entities, borrowers are allowed to repay their deferment over a 5-year period. Providers of technical assistance are allowed to repay over a 10-year period.
- o **Distance Learning and Medical Link Grant Program**
 - o Funding is offered to encourage, improve, and make affordable the use of telecommunications, computer networks, and related advanced technologies which will enhance educational and health care services in rural areas.

Soil Conservation Service

Relevant Programs --

Which Help Organize and Build Community Capacity --

- o **Resource Conservation and Development Councils**
 - o Technical assistance is provided to RC&D sponsors to plan, develop and carry out programs that accelerate the conservation, development, and utilization of natural resources. Projects range from alleviating barriers to orderly development of communities, including reduction of flooding and drainage problems to the development of scenic attractions. Ten RC&Ds are located in California, Oregon, and Washington, and two more applications are pending approval.

Which Enhance Community Assets --

- o **Watershed Protection and Flood Protection**
 - o Technical Assistance is provided in planning, designing, and installing watershed works of improvement. Financial assistance is provided for sharing costs of measures for watershed protection, flood prevention, irrigation, rural water supply, sedimentation control and public water based recreation fish and wildlife habitat.

Rural Development Partners

o	Agricultural Marketing Service, USDA	AMS
o	Appalachian Regional Commission	ARC
o	Bureau of Land Management, DOI	BLM
o	Cooperative State Research Service, USDA	CSRS
o	Department of Agriculture	USDA
o	Department of Commerce	DOC
o	Department of Defense	DOD
o	Department of Education	DEd
o	Department of Health and Human Services	HHS
o	Department of Housing and Urban Development	HUD
o	Department of Interior	DOI
o	Department of Labor	DOL
o	Department of Transportation	DOT
o	Department of Veterans Affairs	VA
o	Economic Development Administration, DOC	EDA
o	Economic Research Service, USDA	ERS
o	Environmental Protection Agency	EPA
o	Extension Service	ES
o	Farmers Home Administration, USDA	FmHA
o	Federal Highway Administration, DOT	FHWA
o	Forest Service, USDA	FS
o	Minority Business Development Administration, DOC	MBDA
o	National Agricultural Library	NAL
o	National Association of Counties	NACo
o	National Association of Development Organizations	NADO
o	National Association of Regional Councils	NARC
o	National Association of Towns and Townships	NATaT
o	National Endowment for the Arts	NEA
o	National League of Cities	NLC
o	Office of Management and Budget	OMB
o	Resource Conservation and Development Council, SCS	RC&D
o	Rural Information Center, NAL	RIC
o	Rural Development Administration, USDA	RDA
o	Rural Electrification Administration, USDA	REA
o	Small Business Administration	SBA
o	Soil Conservation Service, USDA	SCS
o	Tennessee Valley Authority	TVA
o	Treasury Department	Treasury
o	United States Army Corps of Engineers, DOD	Corps
o	United States Travel and Tourism Administration, DOC	USTTA

Attachment 1(b)

PROGRAM FUNDS CURRENTLY AVAILABLE

Alternative Agriculture Research and Commercialization --

- o Currently FY93 funds are already entirely in the pipeline. Funding is done through a revolving loan process, and requests for proposal are sent out between May and June. There is potential for the establishment of a Pacific Northwest Regional AARC Center in the next year.

Economic Research Service (Agriculture and Rural Economy Division) --

- o Has no direct funds available.

Extension Service --

- o The Federal share of FY93 funds have already been allotted to the States. Further details would need to be obtained from the field.

Farmers Home Administration --

- o Self-Help Technical Assistance Grants - \$15 million available Nationally (not available on a state by state basis).
- o Rural Single Family Housing Direct and Guaranteed Programs (Section 502) -

Direct --

- o California - 0
- o Oregon - \$9,190,000
- o Washington - \$5,246,000

Guaranteed --

- o California - \$6,858,000
- o Oregon - \$3,377,000
- o Washington - \$3,261,000

- o Rural Single Family Housing Loan Program (Section 504) -

- o California - \$253,000
- o Oregon - \$58,000
- o Washington - \$60,000

- o Rural Single Family Housing Grant Program (Section 504) -

- o California - \$230,000
- o Oregon - \$90,000
- o Washington - \$53,000

- o Site Loan Program - \$500,000 available Nationally (not available on a state by state basis).

- o Housing Preservation Grant - (availability of funds closes May 17, 1993)
 - o California - \$653,000
 - o Oregon - \$298,000
 - o Washington - \$328,000
- o Multi-Family Housing Loans
 - o California - \$15,083,000
 - o Oregon - \$6,107,000
 - o Washington - \$2,215,800
- o Rental Assistance
 - o It is unlikely that rental assistance, beyond what is currently available, could be identified for eligible projects in California, Oregon, and Washington.

Forest Service --

The following are funds obligated to each Region in FY93. Because of the FS structure, determination of current fund availability, Regions would have to be contacted directly. This has not been done.

- o Rural Community Assistance
 - o Economic Recovery -
 - o Northern California - \$400,000
 - o Oregon/Washington - \$1,063,000
 - o Rural Development
 - o Northern California - \$90,000
 - o Oregon/Washington - \$109,000
 - o Economic Diversification Studies
 - o Distribution not yet decided (total - \$542,000)
- o Forest Products Conservation and Recycling
 - o Northern California - \$100,000
 - o Oregon/Washington - \$42,000
- o Market Development and Expansion
 - o Northern California - 0
 - o Oregon/Washington - \$10,000 each
- o Trail Reconstruction - No funds are available
- o Recreation Facilities - No funds are available
- o Recreation Maintenance - No funds are available
- o Facility and Other Construction - No funds are available

National Agricultural Library --

- o No direct funding available

Rural Development Administration --

- o Business and Industry Programs
 - o Business and Industrial (B&I) Guaranteed Loans -
 - o California - \$854,000
 - o Oregon - \$318,500
 - o Washington - \$524,500
- o Water and Waste Programs
 - o Water and Waste Disposal Guaranteed Loans
 - o \$35,000,000 - allocated on a National basis
 - o Water and Waste Disposal Loans -
 - o California - \$6,277,100
 - o Oregon - \$2,279,700
 - o Washington - \$3,986,000
 - o Water and Waste Disposal Grants -
 - o California - \$4,690,500
 - o Oregon - \$544,700
 - o Washington - \$1,706,600
- o Community Facilities Programs
 - o Loan Funds
 - o California - \$1,285,500
 - o Oregon - \$506,700
 - o Washington - \$653,000
 - o Guaranteed Loan Funds
 - o California - \$1,215,500
 - o Oregon - \$499,000
 - o Washington - \$617,000
 - o Rural Business Enterprise Grants
 - o California - \$340,000
 - o Oregon - \$140,000
 - o Washington - \$0 (a \$2 million project has been earmarked in FY93 for the Port of Gray's Harbor, WA)

Rural Electrification Administration --

- o Rural Economic Development Loan and Grant Programs - \$9 million Nationally, but applications are already in the pipeline.
- o Distance Learning and Medical Link Grant Program - \$10 million Nationally, but applications are already in the pipeline.

Soil Conservation Service

- o Resource Conservation and Development Program - No FY93 funds are available since they have already been allocated to states.
- o Watershed Protection and Flood Protection Program - No FY93 funds are available.

Attachment 1(c)

Clinton Administration's Economic Stimulus Package

Farmers Home Administration

- o Request for \$2.8 million for Single Family Repair Loans.
- o Request for an additional \$5.6 million for Repair Grants.
- o Request for an additional \$234.8 million of Guaranteed Loans.

Forest Service

- o Request for \$13 million for Ecosystem Restoration.
- o Request for \$13.8 million for Facilities.
- o Request for \$6.2 million for Trail Maintenance.
- o Request for \$2.7 million for Trail Construction.
- o Request for \$21.2 million for Recreation Use.
- o Request for \$2.2 million for Facilities and Other Construction.
- o Request for \$955,000 for Research Construction.
- o Request for \$1.9 million for Recreation Construction.

Rural Development Administration

- o Request for \$470 million in Water and Waste Loans.
- o Request for \$281.7 million in Water and Waste Grants.

Soil Conservation Service

- o Request for \$47 million to be put towards Small Watersheds and Flood Prevention Programs.

Attachment 2

BARRIERS TO EFFECTIVE RESPONSES

Forest Service:

- o Existing authority excludes many unincorporated rural communities in the western U.S., including ones impacted by Federal actions which limit timber harvesting. This situation could be resolved through a revision of the language affecting natural resource-dependent communities in the 1990 Farm Bill. A draft revision is available.
- o There is a need for permanent authorizing legislation to allow all Forest Service appropriations to be used for interacting with and providing technical assistance to rural communities. The language should be based on General Provision 316 of the FY 1993 Appropriations Act.
- o There is additional authority under the Rural Development Title of the Farm Bill for addressing long-term persistent problems in rural communities with the potential for developing or expanding natural resource-related economic opportunities or enterprises. Authority should emphasize intergovernmental delivery designed to meet the unique needs of communities throughout the country.

Rural Development Administration:

- o Community Facilities direct/guaranteed programs contain restrictions against financing recreational facilities.
- o Business and Industry Loan Guarantee Program, as worded, restricts the financing of tourism, recreation, and amusement facilities.
- o Current regulation publishing requirements are cumbersome and, therefore, inhibit the implementation of programs.
- o Loan guarantee commitments are limited by appropriations language and the loan guarantee subsidy cost. Commitments are required to include the full principal amount of loans guaranteed against the authorized level of the program. To effectively respond to communities' needs, only the guarantee portion of loans should be counted against allocations.
- o The 1990 Farm Bill authorized the Rural Telecommunication Partnership Loan Program at the \$10 million level. To date, the program has not been funded.
- o RDA was authorized by the Secretary of Agriculture, under Section 2378 of the 1990 Farm Bill, to participate with the FS in Loans to Economically Disadvantaged Rural Communities. Funding, however, has not been appropriated.
- o The interest rate for the Watershed Loan Program and the Resource Conservation and Development Loan Program are so high that they are being under-utilized. The rate should be lowered to the market rate level for Community Facilities and Water and Waste Disposal Loan Programs.
- o An OMB/Treasury policy change is needed to remove the prohibition against guaranteeing tax-exempt loans.
- o Rural Technology Grants have been authorized by the 1990 Farm Bill, but have not yet received funding.

Rural Electrification Administration:

- o The "Deferments of REA Loan Payments for Rural Development Projects" program is still awaiting final clearance by the Office of Management and Budget. Expedient publication of the final rule would provide an important conduit for REA borrowers to invest in job creation projects.

Soil Conservation Service:

- o RC&D PNW project areas cover, in total, less than half of California, Oregon, and Washington states.
- o The Watershed protection and flood prevention program requires that projects be justified relative to net National Economic Development benefits.
- o An OMB regulation requires cost sharing in regards to rural water supplies.

EXPORT-IMPORT BANK OF THE UNITED STATES
811 Vermont Avenue, N.W., Washington, D.C. 20571
Fax No.: (202) 566-7524

FAX COVER SHEET

DATE/TIME SENT 4/7/93 2:30 pm PAGES TO FOLLOW 5

TO (NAME, ORGANIZATION(S), ADDRESS/CITY) FAX NUMBER(S)

Mr. Mike Schmidt
Domestic Policy Council
The White House

202 - 456-7739

MESSAGE OR ROUTING INSTRUCTIONS:

Mike:

Attached are (A) a description of our City/State program in the State of Washington, and (B) a printout of our Working Capital Guarantee Program activity in Oregon and Washington.

Call me (566-8260) if you have any questions.

Regards,

Dick Feeney

SENDER Richard J. Feeney, Senior Vice President - Small Business

SENDER'S TELEPHONE NUMBER (202) - 566-8260

If message is not received in full call Eximbank telex/fax center at (202) 566-8747.

PRIVILEGE AND CONFIDENTIALITY NOTICE: This information in this facsimile is intended for the named recipient only. It may contain privileged and confidential information exempt from disclosure and applicable law. If you have received this facsimile in error, please notify us immediately by telephone and return the original to the sender by mail. We will reimburse you for the postage. Please do not copy, distribute or disclose the contents to anyone. Thank you.

Export Assistance Center of Washington

The Export Assistance Center of Washington (EACW) was created as a non-profit corporation by the Washington State Legislature in April 1983. It was the first state sponsored organization in the United States with a mandate to support export sales by assisting state businesses with the financial and technical structuring of their deals. As a non-profit corporation, EACW is funded by the state legislature, has a Board of Directors (17), and is managed by its President.

Washington joined Eximbank's City/State Program (C/S) in January 1991. They are one of our top performers and a model state. Their approach is the "Boutique" method; ie. Eximbank is one of the "tools" that they have to offer. In other words, EACW works with the exporter to determine what his/her export financing needs are, and uses the programs that best meet those needs. In a few cases no government federal programs are utilized.

The Pacific Northwest Export Assistance Program (PNEAP) was created by the state legislature in October of 1991 to work as a branch of EACW. PNEAP purpose is to provide a wide range of export counseling and services over a period of three years to approximately 30 small to medium size Washington businesses. Services include: training, research, analysis, marketing, product promotion, risk management, arranging financing and government loan guarantees, distribution, client leads and sales negotiation.

EACW and Eximbank hope that the newly created Pacific Northwest Economic Region will result in a new C/S region. We would like to see states (Alaska, Idaho, Montana, Oregon) in the Region work in conjunction with one another, funneling small business transactions through the EACW office. This would be an effective use of economies, because the individual states in the region do not have the financial capability to support their own export programs. Of course, two things would have to occur first: a change in EACW's legislature restricting its support to Washington companies and some form of remuneration by the participating states to Washington for services rendered.

The C/S Relationship with the EACW is mutually beneficial. The EACW has provided us with 3 qualified, former commercial banks whom we have trained in our programs. In turn, they act as our marketing outreach at the grass roots level, counsel small business exporters, screen applicants, and prepare loan memoranda for Eximbank approval. To support their efforts on our behalf, we have: assigned them a marketing officer to do joint calls or speaking engagements, answer questions and act as their liaison throughout the bank; provided a specific loan officer to work with; given their applications a higher priority for processing; provided materials; held conferences; etc.

In fiscal year 1992, the EACW was Eximbank's third largest (out of 24) C/S packager; \$14.5 million Eximbank assisted export sales that went forward due to EACW's assistance. To the State of Washington, this meant the creation/retention of jobs and the generation of tax revenues. In 1992, the EACW and PNEAP generated slightly more than \$2 million in tax revenues for the State of Washington.

4/7/93

04/07/93

STANDARD REPORT FORM

Status codes: A=Approved Final Commitment; C=Cancelled Final Commitment or Offer;
P=Pending; Z=Outstanding Offer.

GUARANTEE NUMBER	BORROWER	FY	FINANCIAL INSTITUTION	GTEE AMOUNT	A T A T APPROVAL DATE	PRODUCT
STATE: OR AP061338XX	DATLINE EXPORTS INC WILSONVILLE OR	89	KEY BANK OF OREGON* PORTLAND, OR	\$ 100,000	C	09/18/89 LUMBER & BUILDING MATERIALS
AP065686XX	DENTAL COMPENENTS INTERNATI NEWBURG OR	93	FIRST INTRSTATE BNK OF ORE NA* PORTLAND, OR	\$ 150,000	P	/ / DENTAL EQUIPMENT, INCLUDING PARTS.
AP060248XX	GORDON INTL, INC PORTLAND OR	88	SEATTLE FIRST NATIONAL BANK* PORTLAND, OR	\$ 2,600,000	C	10/23/87 DRIED EDIBLE PULSES
AP064304XX	MORROW SNOWBOARDS, INC. SALEM, OR	93	FIRST INTRSTATE BNK OF ORE NA* PORTLAND, OR	\$ 500,000	C	02/19/93 SNOWBOARDS, APPAREL, ACCESSORIES
TOTALS FOR STATE: OR			4	\$ 3,079,935		
STATE: WA AP061415XX	AMERICAN INTL TRADING CORP SEATTLE WA	89	U.S. BANK OF WASHINGTON N.A. SEATTLE, WA	\$ 100,000	A	07/17/89 ELECTRICAL CONDUIT AND TUBING
AP063245XA	AMERICAN WINE TRADE INC ISSAQUAH WA	92	U.S. BANK OF WASHINGTON N.A. SEATTLE, WA	\$ 300,000	A	05/04/92 WASHINGTON STATE & CALIFORNIA WINE
AP063245XB	AMERICAN WINE TRADE INC ISSAQUAH WA	93	U.S. BANK OF WASHINGTON N.A. SEATTLE, WA	\$ 300,000	A	02/26/93 WASHINGTON STATE & CALIFORNIA WINE
AP063245XX	AMERICAN WINE TRADE INC ISSAQUAH WA	91	U.S. BANK OF WASHINGTON N.A. SEATTLE, WA	\$ 200,000	A	04/29/91 WASHINGTON AND CALIFORNIA WINE
AP062334XA	APPLIED MICROSYSTEMS CORP REDMOND WA	92	SILICON VALLEY BANK BEAVERTON, OR	\$ 2,500,000	A	05/27/92 IN CIRCUIT EMULATORS & SOFTWARE TOOLS
AP062334XX	APPLIED MICROSYSTEMS CORP REDMOND WA	91	U.S. BANK OF WASHINGTON N.A. SEATTLE, WA	\$ 2,000,000	A	11/09/90 IN CIRCUIT EMULATORS & SOFTWARE TOOLS

C = Cancelled
A = approved
P or Z = Pending approval

04/07/93

STANDARD REPORT FORM

Status codes: A=Approved Final Commitment; C=Cancelled Final Commitment or Offer;
P=Pending; Z=Outstanding Offer.

GUARANTEE NUMBER	BORROWER	FY	FINANCIAL INSTITUTION	GTEE AMOUNT	S T A APPROVAL		PRODUCT
					T	DATE	
AP063874XX	AQUASEED CORPORATION SEATTLE WA	93	PACIFIC NORTHWEST BANK SEATTLE, WA	\$ 250,000	A	11/27/92	AQUATIC SEED STOCK - SALMON/TROUT/ETC.
AP065027XX	ASC MACHINE TOOLS INC SPOKANE WA	92	WASHINGTON TRUST BANK SPOKANE, WA	\$ 2,050,000	A	09/11/92	METAL ROLL FORMING EQUIP (STEEL MILL)
AP060672XX	BIO-MED RESEARCH LAB BELLEVUE WA	88	U.S. BANK OF WASHINGTON N.A. SEATTLE, WA	\$ 200,000	C	08/30/88	
AP061987XX	COLLINS GREG CO NORTH BEND WA	90	FIRST INTERSTATE BANK OF WASHI SEATTLE, WA	\$ 150,000	C	03/02/90	BUILDING MATERIALS
AP060245XX	EDERER INCORPORATED SEATTLE WA	88	U.S. BANK OF WASHINGTON N.A. SEATTLE, WA	\$ 300,000	A	10/23/87	4 BRIDGE CRANES
AP060396XX	HOVAIR SYSTEMS INC SEATTLE WA	88	U.S. BANK OF WASHINGTON N.A. SEATTLE, WA	\$ 100,000	A	02/22/88	DRIVE UNITS FOR TRANSFORMER MOVE. SYS.
AP065299XX	JESSE ENGINEERING COMPANY TACOMA WA	93	PUGET SOUND NATIONAL BANK TACOMA, WA	\$ 2,300,000	A	12/11/92	METAL FORMING EQUIPMENT
AP060613XX	KANECO INTERNATIONAL INC AUBURN WA	89	FIRST INTERSTATE BANK OF WASHI SEATTLE, WA	\$ 80,000	C	10/17/88	CONCRETE COOLING EQUIPMENT
AP060744XX	KANECO INTERNATIONAL INC AUBURN WA	89	FIRST INTERSTATE AUBURN, WA	\$ 80,000	C	10/21/88	CONCRETE COOLING SYSTEM
PC062681XX	LAMB-GRAYS HARBOR CO* HOQUIAM WA	91	,	\$ 7,000,000	C	10/04/90	PAPER MILL MACHINERY
AP064285XX	MARINE CNSTR & DESIGN CO* SEATTLE WA	93	ABN AMRO BANK N.V. ,	\$ 23,000,000	A	10/29/92	SHIPBUILDING AND REPAIRING

04/07/93

STANDARD REPORT FORM

Status codes: A=Approved Final Commitment; C=Cancelled Final Commitment or Offer;
P=Pending; Z=Outstanding Offer.

GUARANTEE NUMBER	BORROWER	FY	FINANCIAL INSTITUTION	GTEE AMOUNT	S T A APPROVAL		PRODUCT
					T	DATE	
PC065204XX	MARINE CNSTR & DESIGN CO* SEATTLE WA	93		\$ 2,750,000	Z	12/02/92	SHIPBUILDING AND REPAIRING
AP060492XX	ROBBINS COMPANY THE* KENT WA	88	SEATTLE FIRST NATIONAL BANK* SEATTLE, WA	\$ 2,500,000	A	06/30/88	ONE TUNNEL BORING MACHINE & EQUIP.
AP060451XA	SPRADLIN T J INC HOQUIAM WA	89	BANK OF GRAYS HARBOR THE* ABERDEEN, WA	\$ 3,500,000	A	02/23/89	LOGS
AP060451XX	SPRADLIN T J INC HOQUIAM WA	88	BANK OF GRAYS HARBOR THE* ABERDEEN, WA	\$ 2,250,000	A	04/07/88	TIMBER
AP061339XX	TECHNICAL ARTS CORPORATION REDMOND WA	89	U.S. BANK OF WASHINGTON N.A. SEATTLE, WA	\$ 100,000	A	06/09/89	LASER MEASURING SCANNER
AP060631XX	TECHNICAL ARTS CORPORATION REDMOND WA	88	U.S. BANK OF WASHINGTON N.A. SEATTLE, WA	\$ 100,000	C	08/04/88	LASER MEASURING SCANNER
TOTALS FOR STATE: WA		23	\$ 47,638,260				
*** Total *** TOTALS FOR OREGON AND WASHINGTON:		27	\$ 50,718,195				
				\$ 55,460,000.00			



WASHINGTON, DC 20540

TELEFAX TRANSMISSION

Date 3/25

For Mike Schmidt
Location DPL
Telephone No 436-2330
Telefax No 436-7739

From Felicity Gillette
Location EDA
Telephone No 482-2659
Telefax No (800) 482-8888

Additional Message _____

Number of pages attached 1

EDA proposed revisions to your matrix (very minor)

Planning grants (EDA)

To maintain and/or strengthen capacity of multicounty economic development districts (EDDs), and State and local governments to do economic analysis, strategy development and to coordinate implementation. Grant size \$60-\$200,000. \$30m. available nationwide in stimulus package for adjustment projects.

Technical Assistance Grants (EDA)

To EDDs, states, communities, and nonprofits to acquire expertise to address special problems, design new programs, undertake industry/business surveys, feasibility studies, productivity improvement, networking, market analysis etc. Grant size \$25-200,000. \$ as above

Revolving Loan Fund Grants (EDA)

To States, EDDs, local governments to provide financing for new and expanding businesses consistent with adjustment strategy. Initial grants \$300,000-\$2.0m. \$ as above.

Infrastructure Grants: (EDA)

To local governments to improve/provide amenities for business development, identified in strategy, including small business incubators, industrial parks, building rehab., equipment, etc. \$45m. in stimulus package for "ready-to-go" projects, nationwide.

State Technology Extension Program (NIST)

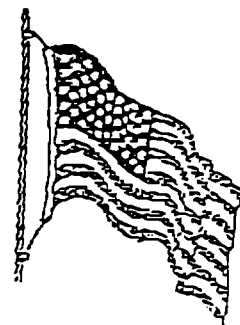
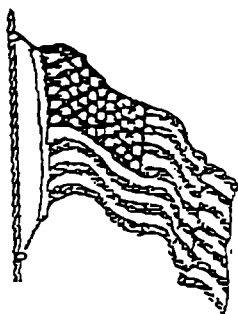
Grants to States to coordinate/upgrade existing technology transfer and industrial extension activities. Grant size \$50-300,000. \$3m. annually.

Manufacturing Technology Centers (NIST)

To establish/expand regional centers (non-profits) to support demonstration and transfer of advanced technologies to small and medium size manufacturing firms. FY 94 budget \$100m.+

Fisheries ????

to-morrow!



U.S. SMALL BUSINESS ADMINISTRATION
2615 Fourth Avenue, Suite 440
Seattle, Washington 98121-1233

SEATTLE REGIONAL OFFICE

Fax Transmission Sheet

DATE: 3/23/93 TIME: 9:15 AM THIS IS 1 PAGE OF 3

SUBJECT: SBA Loan Volume

(OFFICE)

(FAX #)

(VOICE PHONE)

TO:

Executive Office of (202)
Mike Schmidt He President 456-7739

(OFFICE)

(FAX #)

(VOICE PHONE)

FROM:

Region X

(206) 553-4155

(206) 553-8546

John Bagaason

Please call sender if you have any questions.

Thank You!!



U. S. SMALL BUSINESS ADMINISTRATION
SEATTLE REGIONAL OFFICE
2615 Fourth Ave, Suite 440
Seattle, Washington 98121-1233

(206) 553-7646

DATE: March 23, 1993

MEMORANDUM FOR: Mike Schmidt, PMI, Executive Office of the President

SUBJECT: SBA loan volume

FROM: John Bagaason, PMI

Here are the figures from the Seattle District Office. I spoke to Lyn Hamilton, Chief of the Financing Division at (206)220-6551.

FY 91 - 409 loans, \$93,000,000+ TOTAL
FY 92 - 561 loans, \$136,354,239 TOTAL
FY 93 (through February 1993) - 246 loans, \$59,298,149 TOTAL

On the following page are the numbers from the Portland District Office. I spoke to Mike Knighten, Chief of the Finance Division at (503)326-5222.

If you have any questions or need further information, please feel free to contact me.

If you ever get to Seattle, let me know. I see Michigan is here for the West Regionals this weekend. I'm sure you'll be watching those games. I, being a Big Ten fan, hope to see Michigan and Indiana in the NCAA championship game.

Good to hear from you. Take care.

FY91

MANAGEMENT REPORT SYSTEM
TOTAL SBA-GUARANTY LOANS

FOR PERIOD OF: 10/01/90 TO 09/30/91

TOTAL LOANS APPROVED	#OF CLP LOANS	#OF PLP LOANS	NEW JOBS CREATED	TOTAL AMOUNT
293	45	37	1247	\$57,730,619.00

END OF THIS REPORT

FY92

MANAGEMENT REPORT SYSTEM
TOTAL SBA-GUARANTY LOANS

FOR PERIOD OF: 10/01/91 TO 09/30/92

TOTAL LOANS APPROVED	#OF CLP LOANS	#OF PLP LOANS	NEW JOBS CREATED	TOTAL AMOUNT
300	26	42	1223	\$60,323,810.00

END OF THIS REPORT

FY93 (through 2/93)

MANAGEMENT REPORT SYSTEM
TOTAL SBA-GUARANTY LOANS

FOR PERIOD OF: 10/01/92 TO 02/28/93

TOTAL LOANS APPROVED	#OF CLP LOANS	#OF PLP LOANS	NEW JOBS CREATED	TOTAL AMOUNT
134	27	17	500	\$35,776,075.00

END OF THIS REPORT

PRESS ANY KEY WHEN READY TO RETURN TO MENU

Call about
USTR - Log export
issueTHE WHITE HOUSE
WASHINGTON

April 3, 1993

MEMORANDUM FOR INTERAGENCY WORKING GROUP
ON FOREST CONFERENCE ECONOMIC ISSUES

FROM:

Peter Yu *vy* - 2802

National Economic Council

SUBJECT:

Next Steps and Assignments: Action Required

Thanks to OEP's staff (especially Marc and Ken), the Forest Conference was a success. The President's pledge of a prompt response to the current situation now requires us to redouble our efforts.

1. Thursday morning (April 8) I will send to each of you a draft decision memorandum from the Group for the President and based on our discussions to date. The memorandum is designed to attempt to develop consensus within the Group and will be fairly specific. Of course, if there is not agreement on a recommended path, that fact will also be noted.

Please read over the memorandum carefully, note any questions or objections and secure deputy-level agreement for any significant policy decisions. **We will meet Monday, April 12 at 2:00-5:00 PM (room tba) to discuss the memorandum.**

2. In preparing the memorandum, I have found open questions in several areas. Accordingly, **some of you will find attached specific questions about your department that I would like you to answer as soon as possible, but no later than 12 noon Wednesday.** Also I would appreciate any additional information that any of you think would be useful in development of the memorandum (my fax: 456-2223).

3. I propose the following schedule for the next steps in our process:

April 8	Circulation of draft decision memorandum
April 12	Discussion of draft decision memorandum
April 15	Meeting with forest management group on issues of mutual interest
April 12-19	Preparation of final decision memorandum and tabs
April 22	Meeting to review final decision memorandum and tabs

I will provide more details on this schedule in the coming days. If you have any questions, please call me at 456-2800.

Thanks.

1. EXIM issues:

- a. How much in Northwest currently? Any backlog or excess demand?
- b. Any precedents for targetting to regions?

in west ports?
Robert Kaiser
SC66-8873

Dom Policy

Summit econ packing
questions about EXIM

Dick
Freaney

City-State Program
work with

Michael Cappella
OMB-EXIM
367

EXIM Working Capital Guarantee Program
- 10% small business

- 10 million currently going thru process

- 15.5 billion limit + flexibly

- 200 - 250 million

- Bad idea to target

- start on
reason why not doing business somewhere
excess demand in other
area

1 - All types of Exportable goods & services (including wood products)

↳ Give EXIM Bank program - - posted at SHA

→ Domestic Bank Guarantees
1980s - 50 - 70 million

↳ 1980-82 - Small Business focus

~~the focus~~ 2 Big Programs

- Export Business Insurance
1-2 billion - insurance
- large majority small

② Work Capital Guarantee

- 80% guarantee
- not successful

- March 1982 - Fixed 15 + 33 million
and 101 million

- 1983 - 200 ~~million~~ million

Guarantee to lender that their loan to Exporter will be paid

- 100% - principal & interest

- lender must monitor loan

- must be collateral (export materials)

70% - most popular - revolving line of credit
- master card

30% - or transition - specific loan

Demand P - Washington State
Ken Keck - very active

- setting up private entity -- Securitization
 - ~~Dodge dollar limitation~~
 - ↳ full faith & credit
 - ↳ No as much as it can
 - intention to improve small bus exports
 - no jobs

↳ May - Cement - Free
EXIM

- Dick Freney
566-8260

DRAFT

MATRIX OF FEDERAL PROGRAMS/FUNDS AVAILABLE FOR UPCOMING FOREST SUMMIT

PROGRAMS	DESCRIPTION AND \$ AVAILABLE	SHORT TERM	MED. TERM	LONG TERM
<u>Worker Retraining and Reemployment Programs</u>				
JTPA Title III Dislocated Worker Program (DOL)	In 1993: \$4.3 million to OR \$6.5 million to WA \$59 million to CA Also, \$105 million can be spent at discretion of Secretary of Labor. In 1992, \$19 million of these funds were allocated to WA (\$7.7), OR (\$8.4) and CA (\$2.5).			
Trade Adjustment Assistance (TAA) (DOL)	TAA currently provides relief for approx. 3500 timber industry workers at a cost of \$10.5 million.			
Wagner-Pryser Act/Labor Exchange Program (DOL)	Funds are allocated to each State to plan and administer a labor exchange program. Objectives of the program are to assist jobseekers in finding employment and to assist employees in filling job vacancies.			
Job Opportunities and Basic Skills Training (JOBS) Program (HHS)				

PROGRAMS	DESCRIPTION AND \$ AVAILABLE	SHORT TERM	MED. TERM	LONG TERM
Education Programs				
~~DOEd Grants (DOEd)~~				
Demonstration Centers for the Retraining of Dislocated Workers (DOEd) **Congressional Action Required	The DOEd provides financial assistance to establish one or more demonstration centers in order to demonstrate the application of general theories of vocational education to the specific problems of retraining dislocated workers. Awards are grants or cooperative agreements.			
Community Education Employment Centers (DOEd) **Congressional Action Required	Need to amend Vocational Reauthorization Bill to include the establishment of community education employment centers which would provide youth with the education, skills, and support services necessary to ensure future employment or continuing education.			
Direct Vocational Education "Formula" Funding to Affected Areas (DOEd) **Congressional Action Required	Need to request that Congress direct that current vocational education grant funding for affected areas be set aside specifically for programs to assist youth.			

PROGRAMS	DESCRIPTION AND \$ AVAILABLE	SHORT TERM	MED. TERM	LONG TERM
National Workplace Literacy Program (DOEd)	The DOEd provides funding to train workers in basic skills needed by an established industry in a partnership arrangement between an industry and an educational or training institution. Requires a cooperative effort among the State economic development agencies, local educational institutions, and the DOEd.			
Income Assistance and Family Support Programs				
Unemployment Insurance	Workers are eligible for up to 26 weeks of UI as well as an additional 26 weeks in states with exceptionally high unemployment (e.g. OR, WA, CA)			
Food Stamps (USDA)				
Aid to Families with Dependant Children (AFDC) Program (HHS)				
Community Services Block Grants (CSBG) Program (HHS)				

PROGRAMS	DESCRIPTION AND \$ AVAILABLE	SHORT TERM	MED. TERM	LONG TERM
Emergency Community Services Homeless Grant (EHP) Program (HHS)				
Economic/Community Development and Diversification Programs				
Community Development Block Grants (HUD)				
Water and Waste Disposal Loans (USDA-RDA)	To develop water and waste disposal systems in rural areas and towns with a population not in excess of 10,000. Loans made to public entities and not-for-profit corporations. RDA also guarantees similar loans made by banks and other lenders. \$600 million total for direct loans \$35 million total for guaranteed loans			
Water and Waste Disposal Grants (USDA-RDA)	To reduce water and waste disposal costs to a reasonable level for rural users. May not exceed 75% of eligible project costs. \$390 million total			

PROGRAMS	DESCRIPTION AND \$ AVAILABLE	SHORT TERM	MED. TERM	LONG TERM
Technical Assistance and Training Grants (USDA-RDA)	To make grants to nonprofit organizations to provide technical assistance and training to associations on a wide range of issues relating to the delivery of water and waste disposal service. \$7.3 million total			
Solid Waste Management Grants (USDA-RDA)	To make grants to public and private nonprofit organizations for providing technical assistance and training to associations to reduce or eliminate pollution of water and improve planning and management of solid waste facilities. \$3 million total			
Rural Water Circuit Rider Technical Assistance (USDA-RDA)	To provide technical assistance for the operation of rural water systems. \$4.2 million total			
Business and Industrial (B&I) Guaranteed Loans (USDA-RDA)	To improve, develop, or finance business, industry, and employment and improve the economic and environmental climate in rural communities, including pollution abatement and control. Funds used to guarantee quality private loans. \$100 million total			

PROGRAMS	DESCRIPTION AND \$ AVAILABLE	SHORT TERM	MED. TERM	LONG TERM
Intermediary Relending Program Loans (USDA-RDA)	To finance business facilities and community development projects not within the outer boundary of any city having a population of 25,000 or more. Loans made through intermediaries. \$32.5 million total			
Community Facilities Loans (USDA-RDA)	To construct, enlarge, extend, or otherwise improve community facilities providing essential services in rural areas and towns with a population of 20,000 or less. \$100 million direct loans \$100 million guaranteed loans			
Rural Business Enterprise Grants (USDA-RDA)	To assist public bodies and nonprofit corporations to finance and facilitate development of small and emerging private business enterprises located in areas outside the boundary of a city of 50,000 or more. \$20.7 million total			
Small Business Administration Guaranty Loans (SBA)	In total, SBA loans are funded at \$3 billion, with maximum loans up to \$750,000. <i>- Mike has more info</i>			
New Infrastructure Spending??				

PROGRAMS	DESCRIPTION AND \$ AVAILABLE	SHORT TERM	MED. TERM	LONG TERM
Planning Grants (EDA)	To maintain and improve capacity of existing multicounty economic development districts, and to supplement capacity of other public entities as may be needed to undertake economic analysis and strategy development. \$1 million (per loan?)			
Technical Assistance Grants (EDA)	To economic development districts and/or individual communities or special purpose organizations to provide expertise to undertake industry/business surveys, new product feasibility and development studies, productivity improvement programs, market analyses, etc. \$1 million (per loan?)			
Revolving Loan Fund Grants (EDA)	To provide financing for new and expanding local businesses. \$3-5 million for "ready-to-go" construction, and up to \$45 million for adjustment projects.			

PROGRAMS	DESCRIPTION AND \$ AVAILABLE	SHORT TERM	MED. TERM	LONG TERM
Infrastructure Grants <i>EDA</i>	To improve/provide amenities needed for business development, including small business incubators, industrial parks, etc. \$3-5 million for "ready-to-go" construction, and up to \$45 million for adjustment projects.			
Land Stewardship Programs				
Watershed Protection and Flood Prevention Loans (USDA-RDA)	<i>\$ 4 million total</i>			
Resource Conservation and Development Loans (USDA-RDA)	<i>\$ 600,000 total</i>			
Construction of Recreational Facilities and Trails on FS/BLM Lands (FS/BLM)	To construct needed recreational facilities, annual increases of \$15 million per year for 5 years would be needed, and would create approximately 600 jobs.			

PROGRAMS	DESCRIPTION AND \$ AVAILABLE	SHORT TERM	MED. TERM	LONG TERM
Enhancement of Recreational and Commercial Fisheries (FS/BLM)	Funding levels of \$15 million per year for 4 years would be needed, and would create approximately 600 jobs.			
Natural Resource Inventorying and Monitoring (FS/BLM)	Approximately \$18 million per year for 3 years would be needed, and would create 350 jobs.			
Reclamation of Existing Roads in Owl Habitat Conservation Areas (FS/BLM)	Approximately \$6 million per year for 5 years would be needed, and would create 1000 jobs per year.			
Increase in Timber Presale Work (FS/BLM)	Need \$30 million per year above the President's Budget level for three years (Based on 1991 Budget levels), and would create 1500 jobs			

THE WHITE HOUSE

WASHINGTON

March 22, 1993

DRAFT

MEMORANDUM FOR INTERAGENCY WORKING GROUP ON
FOREST SUMMIT ECONOMIC ISSUES

FROM: Peter Yu
National Economic Council

Mike Schmidt
Domestic Policy Council

SUBJECT: Status Report and Open Questions

This memorandum attempts to summarize information presented in our first two meetings, as well as information presented in the distributions prepared by the various participants. It also flags open questions, which I hope we will discuss Tuesday.

I. SHORT-TERM RELIEF FOR INDIVIDUALS, FIRMS, AND COMMUNITIES

A. The Problem

A revised forest management plan will have three distinct but related immediate impacts.

- A revised plan will create job losses of between 9,000 (CRS 1990) and 50,000 positions (USFS 1992), although some of this "loss" reflects an unavoidable contraction in the industry from the unsustainably high employment levels of the mid-1980s. Wages in these positions range from \$10 to \$20 per hour.

A revised plan will likely force a number of firms to close. This may include small logging companies, transportation companies, and wood products producers.

Many of these businesses have been under stress for some time. (Q: Magnitude?)

- A revised plan would reduce receipt-sharing payments to States and counties. The precise amount is unclear: one estimate suggests \$18.5 million (CRS 1990), another more than \$100 million (USFS 1992). (Q: Best estimate?)

In addition, a revised plan would also reduce federal revenues and increase lumber prices. (Q: Sufficiently important to warrant separate discussion?)

B. Current Programs and Policies

Existing efforts to redress these problems include:

- Unemployment insurance (Q: *With the current extension, when will these lapse?*); and means-tested programs. (Q: *Are there any short-term job creation programs in operation now?*)
- RDA has several programs to aid in the development of rural regions; these programs create construction and other jobs.
- (Q: *Are there any emergency business loan or grant programs extant in these regions? SBA?*) *call -- any money?*
- (Q: *Are there any emergency relief programs available for these communities?*)

C. Possible Policy Responses

Current efforts could be augmented by:

- **Job losses:** Stimulus-package spending to increase the number of "jobs in the woods." This would include new USFS and BLM forestry-related spending, as well as RDA spending. (Q: *How much in each category directed to affected regions?*)

Job losses: Temporary (2 year?) restrictions on log exports could increase the number of industry jobs in the short term. The TAA certifications suggest there is capacity in the system for immediate additional wood products work. (Q: *Compatibility of this approach with Administration's trade policy? With GATT? With the countervailing duty currently imposed on Canadian lumber?*)

Job losses: The once-embargoed report (pp. 22-23) suggests creation of federal acquisition set-asides. Temporary (2 year?) set-asides would increase the number of industry jobs in the short term, as a transition strategy.

Income support: Under the Administration's new, comprehensive displaced-workers program, extended UI-level benefits will be available to eligible persons enrolled in retraining programs.

Social services: The social and cultural impact of a revised plan should not be underestimated. The Administration should consider funding, as part of a broader effort, counseling and other social services for individuals and families.

what is tax credit for raw lumber exports

- **Failing firms:** Temporary export restrictions and set-asides might aid these firms, pending retooling or other reorganization.
- **Distressed communities:** Increased revenue sharing (suggested in S. 2895) could offset the immediate impact of reduced harvests. (*Q: How much of a change? for how long? how does this show up in budget accounts?*)

II. INTERMEDIATE TERM CAPACITY BUILDING: RETRAINING, RETOOLING, RELOCATION

In addition to minimizing the immediate effects of a revised plan, the Administration should take steps to facilitate the transition of dislocated workers to other industries and occupations.

A. The Problem

- Currently, we have only anecdotal evidence concerning the educational and skill levels of the anticipated dislocated workers. The discussion emphasized the variety of occupations likely to be affected, and that the skills of many were both more technologically advanced and more "transportable" (between industries) than is commonly thought. Nonetheless, the consensus was that substantial retraining would be needed.
- Some firms may also need retooling. There is some potential for shifts to different production techniques and to different product lines. (*Q: What are our best success stories here?*)

B. Current Programs and Policies

- **Retraining:** Current federally-funded retraining efforts include EDWAA (Title III of JTPA) and TAA. The formula-allotted EDWAA funds administered by substate areas likely total about \$2-4 million). In addition, about \$18.7 million in discretionary EDWAA monies managed by the Secretary of Labor are directed toward timber industry displacements. TAA provides relief for approximately 3,500 timber industry workers at an approximate cost of \$10.5 million.
- **Retraining:** Pell grants are currently available for displaced workers. (*Q: What is current participation and cost?*)
- **Retraining:** (*Q: What are current state efforts in this area?*)
- **Retraining:** Labor currently provides technical assistance to state agencies interested in retraining programs.

C. Possible Policy Responses

- **Retraining:** An interagency group is currently developing a comprehensive retraining program for dislocated workers that will include: broad eligibility; rapid-response job search assistance; a voucher system for retraining; and limited income support. (*Q: A central open question is whether any special retraining program should be developed as a complement to this new program.*)
- **Retraining:** (*Q: What federal efforts can be used to identify and supplement successful state retraining efforts?*)
- **Relocation:** It was suggested that workers in the timber industries were less mobile than most populations. However, it was also suggested that the total harvest will not decline greatly, indicating that new timber jobs will be created in other regions--including Canada and the South. (*Q: Thus an open question is whether and how to encourage relocation: e.g., the TAA program included some reimbursements for relocation expenses.*)

III. LONGER TERM RESPONSES: ECONOMIC DEVELOPMENT AND DIVERSIFICATION

Retraining, of course, is useless unless there are also new jobs in the region. Thus, the Administration must assist timber-dependent communities develop and diversify their economies.

A. The Problem

- Many of these rural communities lack the capacity to compete in federally funded competition for monies (such as CDBG and the planned Enterprise Partnership Program).
- The economic options for these communities include: wood products such as paper and recycled products (the most familiar possibilities), followed by tourism and recreation. The latter may be limited by development limits imposed under the revised forest management plan. (*Q: To what extent could federal technical assistance facilitate the identification of other options? Is this best left to state and local officials and councils?*)

B. Current Policies and Programs

- EDA has (MIKE could you find details--I lost my handout).
- (*Q: What is SBA lending like in these areas?*)
- (*Q: What is CDBG activity like in these areas?*)

- Many states have private industry councils (PICs) and rural development councils (RDCs) that perform similar planning and development activity and may offer strong vehicles for such assistance.

C. Possible Responses

- To redress the capacity issue, planning grants may be needed. (Q: *What form and vehicle should these take?*) ~ C D B ←
- An interagency working group is developing the Administration's larger proposal on Enterprise Partnerships (nee Enterprise Zones). This likely will involve: a small group of (about ten) well-funded zones, and many zones with small tax benefits. It is unlikely that this program will offer much assistance to the affected regions.
- An interagency working group is developing the Administration's proposal to enhance community lending. This will likely call for the development of 50 or more community lending subsidiaries, but it is unlikely that these will be created in rural areas. Perhaps special provisions for lending institutions in rural communities should be developed. (Q: *What is the general profile of financial institutions in these regions?*) - What other CO Lending pools
- An important principle that emerged from our conversations was that federal policy should be integrated with state, local, and nongovernmental efforts to the greatest extent possible. (Q: *How is this to be accomplished? Challenge grants?*)
- Another option includes expanded spending through EDA.

IV. LARGER ISSUES REQUIRING RESOLUTION

A. Financing

Some of the monies for these responses are provided in the Administration's proposed budget. Other might be drawn from the discretionary funds created by the new comprehensive dislocated worker program.

Should additional funds be drawn from federal log-sale revenues? Arguably, these costs are part of the cost of harvesting and should be internalized into the price of timber.

B. Coordination of Federal Activity

There was general agreement that federal activity among the many agencies should be

better coordinated. What is the best way of accomplishing this: a permanent interagency task force? block grants pooling funds?

Can we do this without legislative action?

WASHINGTON STATE ECONOMIC DEVELOPMENT/TRAINING PROGRAMS

PROGRAM	DESCRIPTION	FUNDING	ST	MT	LT
<u>Economic Development Programs</u>					
Community Development Finance Program	Helps businesses in timber dependent counties to package loans and secure financing from financial institutions. This program is entirely targeted to ~~timber~~ firms in timber counties.				
Community Economic Revitalization Board	Provides low interest loans and grants to local governments for water, sewer, and transportation infrastructure for private sector development projects. The program will also provide or fund technical assistance needed to develop business infrastructure. This program is targeted to timber dependent communities.				
Development Loan Fund	Provides favorable repayment term gap financing to eligible employment and /or job-retention business ventures. Staff also administer a number of other business loan programs, including the CDBG Float Loan, Coastal Loan, and HUD 108 Loan Guarantee programs. This program is targeted to timber communities.				
Forest Products Division	Provides technical assistance to small and medium-sized forest products firms, and provides grants and loans to firms which foster value-added manufacturing in the state. This program is targeted to timber firms.				

PROGRAM	DESCRIPTION	FUNDING	ST	MT	LT
Local Development Matching Fund Program	Provides technical assistance grants requiring public/private match to aid local and regional economic development capacity building efforts. Preference to proposals from timber communities.				
Pacific Northwest Export Assistance Project	Designed to act as a one-stop source for Washington State firms that are new or relatively new to exporting to provide export marketing and financing assistance and to help structure deals safely.				
Public Works Trust Fund Timber Community Assistance Program	Offers technical assistance and provides loans to cities, counties, and special purpose districts to meet the infrastructure needs of prospective businesses in timber dependent communities. This program is targeted to timber communities.				
Rural-Urban Linkages Program	Provides grants and technical support to local community organizations which desire to build local capacity to encourage economic development. Proposals must be submitted to the agency and are competitively selected. Focus is on proposals which find ways to improve the economic links between rural and urban communities, and improve the export of products or services from rural areas to locations outside the United States. Preference to proposals from timber communities.				

PROGRAM	DESCRIPTION	FUNDING	ST	MT	LT
Timber Communities Assistance Program	Provides technical and financial assistance to communities to help build local capacity to organize and carry out community revitalization plans, and to assist local organizations to accomplish priority projects designed to stabilize and diversify their economies. The program also provides grants for regional strategies intended to complement community-initiated efforts. This program is targeted entirely to timber dependent communities.				
Employment and Training Programs					
Dislocated Timber Worker Employment and Training Program	Provides jobs (for 6 months) plus training and career orientation services to dislocated timber workers residing in timber communities.				
Entrepreneurial Training Project	Provides community-sponsored entrepreneurial training support to dislocated workers and displaced, self-employed individuals in timber impacted counties. The purpose of the program is to create viable micro, small, or home-based businesses. This program is targeted only to timber communities.				
Job Skills Program	Provides customized training for new or expanding businesses. Partnerships are developed between a business that has identified a specific need for trained workers and an educational institution willing to provide that training.				

PROGRAM	DESCRIPTION	FUNDING	ST	MT	LT
Reemployment Support Centers	Provide assistance and referral to dislocated workers. ~~They~~ provide a wide range of social services and support so the unemployed person can concentrate on conducting an effective job search, including reemployment assistance, medical services, and a wide range of counseling services. There are currently three centers.				
Timber Workers Upper-Division Education Program	Provides upper-division educational opportunities to displaced timber workers and their spouses to complete a bachelor's level degree.				
Tuition Waivers and Supplemental Enrollment for Timber Workers and/or Spouses	Provides tuition waivers for dislocated timber workers/spouses to attend community or technical colleges on a full-time basis for up to two academic years.				
Human Services Programs					
Basic Health Plan	Provides subsidized health insurance coverage for low-income uninsured individuals and families. The plan accepted 2,000 dislocated forest product workers from several timber communities in March, 1992. Names are accepted for the plan's waiting list on a first-come first-served basis. Cost of the plan is based on ability to pay.				

PROGRAM	DESCRIPTION	FUNDING	ST	MT	LT
Emergency Food Assistance Program	Provides funds to food banks, food distribution centers, and tribal voucher programs for the purchase, transportation, and storage of food. Program funds are also used to purchase food for people with special nutritional needs. This program is targeted only to timber communities.				
Flexible Mitigation Fund	Provides a flexible source of state funding to help fill gaps in the delivery of social services at the local level. Grants are targeted to address the most critical unmet needs in the most highly impacted communities. Eligible activities include emergency food and medical assistance, crisis intervention, counseling, and childcare. Targeted to timber communities.				
Mortgage and Rental Assistance Program	Provides emergency loans and grants on behalf of dislocated forest products workers who reside in communities and counties that have been most adversely affected by reduction in timber harvest levels, and who are unable to make current mortgage or rental payments. The purpose of the program is to prevent the dislocation of individuals and families from their permanent residences and communities and to maintain economic and social stability in timber impacted areas.				
Timber Retraining Benefits	The Unemployment Insurance Program pays additional unemployment benefits to individuals who are unemployed either directly or indirectly as a result of reductions in the timber harvest.				

OREGON STATE ECONOMIC DEVELOPMENT/TRAINING PROGRAMS

PROGRAM	DESCRIPTION	FUNDING/JOB CREATED	ST	MT	LT
Economic Development Programs					
Special Public Works Fund	Makes loans and grants to communities to develop infrastructure needed to attract and keep businesses in Oregon communities. Makes a special effort to develop infrastructure in small towns with inadequate alternative sources of funding.	\$6.6 million (1991-92) 420 new jobs expected to be created			
Targeted Special Public Works Fund	Makes grants and loans in "severely affected communities" to develop infrastructure needed to attract and keep businesses in Oregon communities.	\$9 million (1991-92) 700 new jobs expected to be created			
Regional Strategies Program	Works with Oregon counties to develop targeted regional economic development plans. Regional Strategies focuses on key industry sectors in the state.	\$12 million in state monies (1991-92) \$66 million from "other sources" 2000+ jobs expected to be created			
Key Industries Development Program	Works directly with industry leaders from 13 key industries to develop statewide, industry-driven strategic plans and initiatives to increase international competitiveness.	\$1.6 million in state monies (1991-92)			
Business Development Fund	Provides loans to businesses to expand or improve.	\$3.3 million in state monies (1991-92) 516 jobs created			

PROGRAM	DESCRIPTION	FUNDING/JOBS CREATED	ST	MT	LT
Oregon Downtown Development Association	Helps participating communities generate new businesses and jobs in their downtowns.	\$300,000 in state monies (1991-92) Net Gain of 48 businesses and 298 jobs			
Small Business Program	Provides responses to businesses needing information or advocacy (Small Business Hotline); responsible for research, analysis, and advocacy and the design, development, and operation of a diverse business information system.	\$3.8 million in state monies (1991-92)			
Government Contracts Acquisition Program	Helps Oregon businesses obtain government contracts	\$250,000 in state monies (1991-92)			
Small Business Development Centers	Provide innovative services to small businesses, including developing expert databases, sponsoring the National Innovation Workshop, and ^{providing} research and technical assistance in the area of technology transfer.	See Small Business Program			
The Oregon Marketplace	Assists small state businesses to expand markets in Oregon by identifying local buyers and facilitating the match making process.	See Small Business Program			
Capital Access Program	Increases small businesses access to loans by providing a form ^{of} loan portfolio insurance to lenders which helps them make loans that carry higher than conventional risk.	\$2.7 million in loans (1991-92)			
Entrepreneurial Development Loan Fund	Provides initial loans to small businesses that employ dislocated timber workers, are located in a severely affected community, or are owned by severely disabled individuals.	\$200,000 (approx) in loans (1991-93)			

PROGRAM	DESCRIPTION	FUNDING/JOB CREATED	ST	MT	LT
Oregon Port Revolving Fund	Funds economic development projects in port areas.	\$1 million in state funds (1991-92)			
Rural Development Initiatives Program	Provides economic assessments to rural communities, establishes community strategic planning organizations, and provides intensive leadership training to communities.	\$1.8 million in state funds (1991-92)			
Safe Drinking/Wastewater Improvement Fund (Proposed 1993-95)	~~Will~~ Provide grants, loans, and revenue bond financing to drinking/wastewater infrastructure programs.	\$20 million proposed for 1993-95			
Rural Community Facilities Development Program <i>Proposed</i>	~~Fund~~ (through grants, loans, and revenue bond financing) the expansion of community facilities that are necessary or desirable to support economic growth and business expansion.	\$7 million in state monies and up to \$20 million in bond proceeds 1993-95.			
Employment and Training Programs					
Workforce Development Program	Conducts needs assessments, organizes business groups, and negotiates and provides grants to community colleges for business and industry training. Includes the Targeted Training Program , the Key Industries Training Program , and the Capacity Building Program (see below).	\$8.4 million in state monies (1991-93)			
Targeted Training Program	Works with businesses, develops the need for, and negotiates to award grants to community colleges for training programs customized to the needs of specific new or expanding businesses.	(See Workforce Development Program)			

PROGRAM	DESCRIPTION	FUNDING/JOBS CREATED	ST	MT	LT
Key Industries Training Program	Awards grants to community colleges for training programs addressing the common training needs of two or more businesses within an industry, profession, or association.	(See Workforce Development Program)			
Capacity Building Program	Awards grants to unions and trade associations to build their capacity for addressing long-term training and education needs.	(See Workforce Development Program)			
Dislocated Worker Training Program	Provides training and other services for more than 2000 dislocated timber workers.	\$5 million in state monies (1991-93)			
Dislocated Timber Worker Program	Complementary to JTPA; Provides services to dislocated timber workers when service providers exhausted all available Federal and local resources.	(See Workforce Development Program)			

From Lamar Beasley
U.S. Forest Service

Old-Growth Diversification Projects

Objective

To encourage value-added wood products manufacturing in timber dependent communities in Oregon and Washington.

Program Description

Congress provided \$1.98 million in FY 1992 for projects to diversify timber dependent communities in Oregon and Washington. Cost-share grants were given to the States of Oregon and Washington in equal amounts. The Department of Trade and Economic Development utilized the funds to establish a loan program to provide loans to small and medium-sized firms involved in manufacturing secondary and value-added forest products. The Oregon Economic Development Department utilized the grant in a rural capacity building program and a rural entrepreneurial development and assistance program.

In FY 1993, Congress appropriated \$1.5 million to continue the program begun in FY 1992.

Decrease for 1994

	1994 Base	1994 Estimate	Decrease
			(Dollars in thousands)

Old growth diversifica- tion projects	\$ 1,535	1,510	-25
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A decrease of \$25,000 is proposed from the FY 1994 base.

This includes \$1,510,000 for the base program.

A decrease of \$9,000 from the base program is included for cost savings associated with the Administration's initiative for Managing Government for Cost-Effectiveness and Results.

This program will be slightly higher than FY 1993, which will increase cost-sharing capabilities equally between the States of Washington and Oregon.

Funds are designated for Oregon and Washington to help them adjust to declining timber supply.

Object Class Information

Other services	-25
Total	-25



Photo reprinted with permission from *The Oregonian*

Log Exports from Oregon

Domestic conflict in an international context

It started, very prophetically, with a storm. And it occurred on a holiday that recognized one of the pioneers in opening world trade 500 years ago. On Columbus Day, 1962 an intense windstorm swept through the Northwest, toppling almost twice the timber normal annual harvest in Washington and Oregon. This was too much timber for the domestic mills, and foreign purchasers were invited to absorb the excess.

They did more than that, especially Japan whose buyers found the larger, high quality logs just what their customers wanted. Within five years the Japanese had established a growing log export business in the Northwest. Higher timber prices and tighter log supplies created by this new set of competitors created a storm of a different type. By the late 1960s many Oregonians were calling for restrictions on log exports; others were strongly defending the benefits of this new log market.

The log export conflict has been a running skirmish over the political landscape ever since.

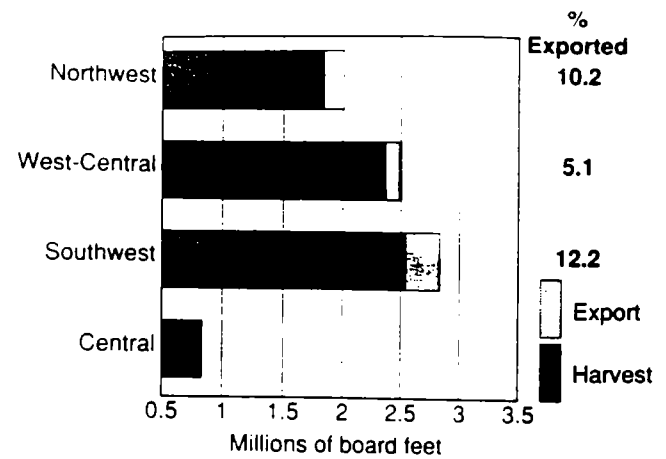
The purpose of this paper is to describe the various facets of the log export controversy and to outline some of the options that policy makers may consider in the coming months and years. Hopefully there is enough detail to give the reader some sense of proportion in wood products trade and to stimulate thinking about the possible consequences of restricting log exports. The paper makes no attempt to define the "correct" path for public policy, only to help the reader sort out the facts, myths, and levels of uncertainty in the controversy and to help sharpen awareness of the value judgments involved.

In recent years much public attention has been given to timber shortages and to the public pressure to preserve Oregon's forests in an increasingly global

David Cleaves
Forest Resources Department
Oregon State University



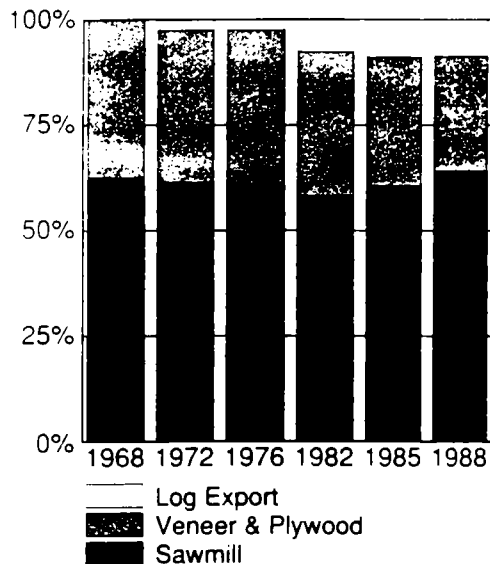
context. The forest industry is being challenged to compete and issues presented by this new economic environment will interact with the raging controversies about resource use at home. At the same time that Oregon's industry struggles with the physical and political dynamics of timber supply policy, it must widen its focus to include foreign horizons and shape a global competitive position. This requires dealing with new cultures, competitors, and marketing conditions as well as issues that entwine resource use and international trade. The debate about log exports in Oregon is one such issue.



Northwest—Clackamas, Clatsop, Columbia, Hood River, Multnomah, Marion, Polk, Tillamook, Washington & Yamhill counties.
West-Central—Benton, Lane, Lincoln & Linn counties.
Southwest—Coos, Curry, Douglas, Jackson & Josephine counties.
Central—Crook, Deschutes, Jetterson, Klamath, Lake & Wasco counties.

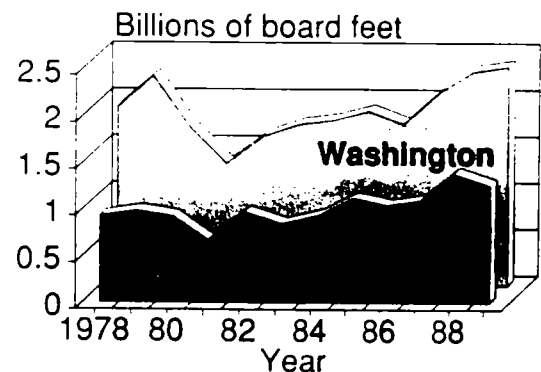
Source: Howard et al. 1990

Figure 2. Harvest and Export of Softwood Logs by resource region in Oregon, 1988



Values for Industries with less than 2 percent are not shown
 Source: Howard, et al. 1990

Figure 1. Log Consumption by Industry Oregon, 1968–1988



Source: Warren, 1990

Figure 3. Softwood Log Exports by source

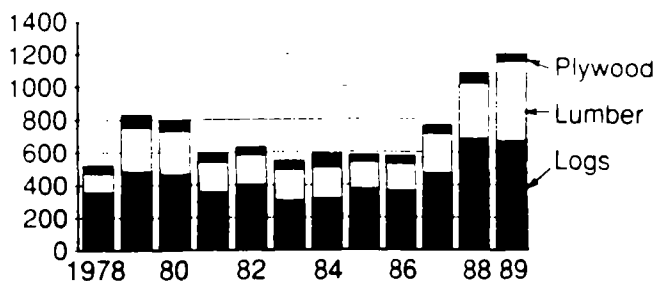
The log export debate

No wood products trade issue in the Pacific Northwest (PNW) has been more contentious than the fight over whether and how to restrict log exports.^{12,100} Residents with an economic stake see the issue as an almost life-or-death question. People outside the region have also developed strong feelings about exporting raw logs and have focused their attention on the PNW because it accounts for ninety percent of the country's softwood log exports.

The pressure to limit exports has simmered since log exports began 30 years ago, but the debate has never been so heated as during the last three years. Strong demand for logs by Japan, Korea, and China, accentuated by concerns about accelerated harvesting and the fate of rural communities, have brought the export controversy to the boiling point.

Who exports logs?

In 1988 Oregon exported about 1 billion of the 4.3 billion board feet of softwood logs exported from the U.S. Washington exported 2.7 billion and the rest came from Alaska and California. The total value of log exports from the West Coast was \$2 billion.^{101,102}

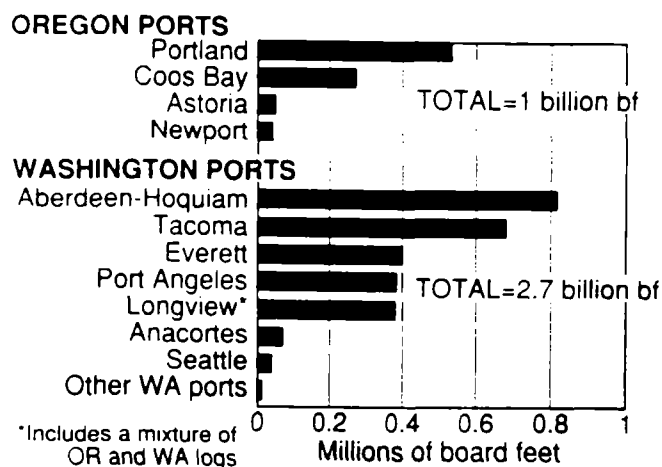


Source: Warren, 1990

Figure 4. Dollar Value of Exports
Softwood Logs compared to Lumber and Plywood from Columbia-Snake Customs District*
*Incl. Longview, WA which exports a mixture of OR and WA source wood products.

About a quarter of the timber harvested in the Northwest is exported as raw logs; a higher percentage of Washington's harvest (28 percent) is exported than Oregon's (11 percent) (Fig. 1).¹⁰⁰ These proportions have risen several percent over the last 15 years, although the volume harvested has fluctuated greatly.¹⁰³ The amount of harvest exported varies considerably by region of the state (Fig 2) being highest in the coastal regions and little in eastern Oregon.

Oregon is the second biggest log exporting state behind Washington (Fig 3). A growing proportion of Oregon's total wood products export value is lumber and plywood (Fig 4). Overall, logs, lumber, and other wood products equal about one-third the total value of Oregon's exports. Sixty percent of the lumber goes to Pacific Rim countries; eighty percent of the plywood to Europe. The most active Oregon ports for log exporting in the Columbia Snake Customs District are Portland and Coos Bay (Fig 5). Some Oregon logs are exported through the port of Longview, Washington.



Source: Warren, 1990

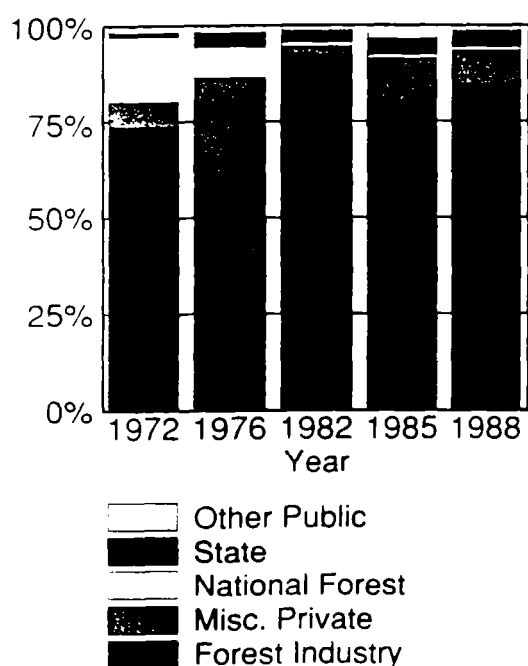
Figure 5. Softwood Log Export Volume
Pacific Northwest ports, 1989

Historically about 95 percent of log exports from Oregon have been provided by industrial and nonindustrial private owners (Fig 6). Virtually none has come from federal land and only about 5 percent from state lands. In the future no log exports will come from state lands, because of new legislation. In perspective Oregon's overall timber harvest is about 59 percent federal, 34 percent industry, 8 percent small private and 4 percent state. Private owners export about 25 percent of their harvest. Large companies such as Weyerhaeuser, Cavenham Industries, International Paper Co., Menasha, Georgia Pacific and large private tree farmers have traditionally accounted for more than half the export volume. Recent restrictions on public exports have forced some companies, such as Weyerhaeuser, to cease exports or lose the right to purchase public timber, so some decrease in exports can be expected. So far exports are not restricted from private lands in Oregon.

Export of timber from Western federal lands (except Alaska) had been prohibited since 1968 under the "Morse Amendment." This law also set rules to prevent

substitution, the practice of buying federal timber for processing while exporting logs purchased or grown on the company's own land. The Morse Amendment had been passed each year in federal appropriations legislation, but the recently enacted Forest Resources Conservation and Shortage Relief Act (PL 101-382), part of the Customs and Trade Act of 1990, has made the ban permanent and set up new substitution rules.¹²¹

State lands supply less than 5 percent of the raw log export volume, but nevertheless have been an object of scrutiny by log export opponents. Washington's state lands export a much larger portion of the total overseas flow and have influenced sentiments for federal intervention in state operations. Despite intense lobbying pressure by some exporters and Washington state politicians, the new federal law also gave Western states authority to restrict exports on non-federal public lands and directed them to exercise it. Washington is still allowed to export 25% of its state land's harvest and has developed definitions for "export-restricted" timber sales. Both states have implemented regulations for prohibiting substitution. (See appendix on Substitution.)



Source: Howard, et al. 1990

Figure 6. Log Exports by ownership, Oregon, 1972-1988

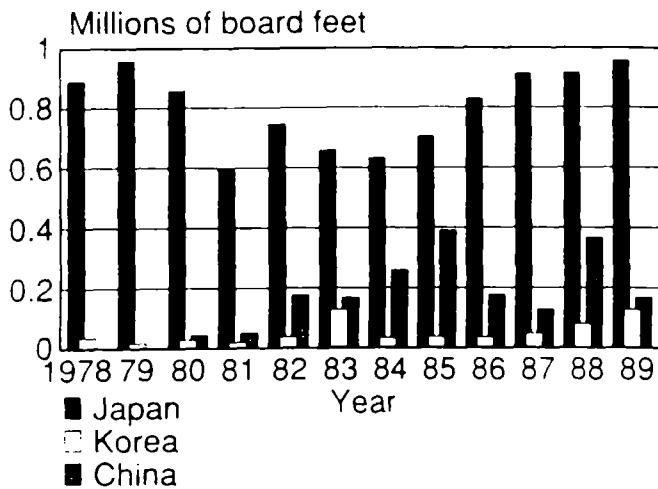
- Log exports comprise more than half the value of wood products exports from Oregon's ports.
- Oregon exports about 40 percent of the volume of logs that Washington does.
- The vast majority of logs exported are from second growth timber on private lands.
- About 11 percent of Oregon's harvest was exported in 1988. This is about 25 percent of the harvest on private lands.
- Japan is the most likely destination for Oregon logs, but Chinese and Korean markets have grown considerably.
- Exporting logs from public lands—federal and state—is now prohibited and buyers are not allowed to export and buy public timber simultaneously.
- The proportion of Oregon's export value in processed lumber and plywood is growing relative to log exports.

Who imports Oregon logs?

Most of Oregon's log exports are softwoods, primarily Douglas-fir and Western hemlock. Seventy-five percent of these go to Japan (Fig 7). Since 1980, the Peoples Republic of China and South Korea have become more active markets for Oregon logs. China's purchases have slowed somewhat since 1985 because of internal

political problems, but Korea's demand has grown steadily. Most of the export timber that goes to Japan comes from 60-80 year old second growth trees. Younger trees supply an increasing proportion of the mix, because Korea and China accept lower quality material.

From the West overall about 52 per cent of the log exports have gone to Japan, 24 per cent to China, 13 per cent to Korea, and 8 per cent to Canada. As recently as 1980, 90 per cent of the logs exported went to Japan, so this represents rapid increase in the diversity of log markets.



Source: Warren, 1990

Figure 7. Oregon Softwood Log Export Destinations*
*Port of Longview, WA, included

The arguments

Many segments of the public favor restrictions on log exports.^{22,23,24} In a 1989 statewide non-binding referendum, Oregonians voted nine to one that the state should ban export of logs from state-owned and managed lands.²⁴ (Coincidentally, the federal Public Law 101-382 passed in 1990 did restrict state exports, but was not a direct answer to the Oregon referendum.) The 1990 Oregon election was peppered with statements by candidates who claimed leadership in "the fight against" log exports.²³ Even the state's strategic development plan supports litigation or legislative measures that discourage exports of raw logs and encourage exports of value-added wood products.²⁵ To much of the public, exporting logs appears to violate the state and region's goal of maintaining a vibrant domestic industry, especially during a timber supply crisis. Some of the arguments for and against export restrictions are summarized in Table 1.

Even though recent laws have prohibited public exports, interest groups search for ways to divert private logs back into the domestic market. The most common strategy is an all out ban or quota on exportation although more conservative approaches such as export duties and tax incentives (to sell domestic) have been proposed. (Fig. 8) We will compare the possible consequences of these strategies later. First, it is important to understand the rationale supporting the general arguments for and against restriction.

Timber supply

The central issue in the log export dispute revolves around log exporting's effect on the timber supply. Most troublesome are the recent increases in volume exported and proportion of the harvest this represents. To those who oppose log exports, a billion board feet of timber annually seems to be whisked away from hungry Oregon lumber producers. Three billion feet is exported from Washington, some of which could come to Oregon

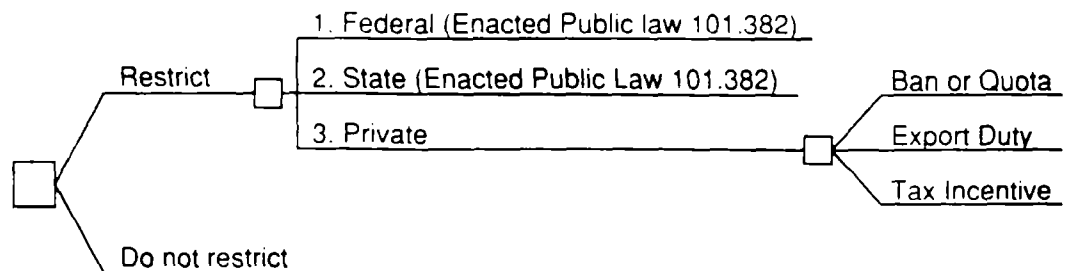


Figure 8. Policy Choices for Log Exports

Table 1. Summary of Log Export Issues

	Arguments for Banning Exports	Arguments for Continuing Exports
TIMBER ISSUES		
Timber supply	- Relieve shortages, high prices and premature cutting	- Provide incentives for timber management and long run competitiveness
Jobs	- Keep mill jobs at home	- Preserve exporting jobs
Old-growth preservation	- Reduce pressure on harvesting old-growth forest ecosystems	- The effect on old growth harvest is insignificant
TRADE ISSUES		
Competitive advantage	- Keep manufacturing cost competitive and force Japan to buy more U.S. lumber	- Slowly replace logs with lumber, plywood, as the export market allows
Trade relations	- Force equitable treatment in lumber, plywood markets and force Japan to buy more U.S. lumber, plywood	- Avoid retaliation in lumber, plywood, markets, or other commodity markets
LEGAL ISSUES		
State's rights	- Remit control of economic and ecological destiny	- Reserve federal authority in foreign commerce
Property rights (extension of ban to private lands without compensation)	- Strategic importance of issue supercedes property rights	- Avoid illegal "taking" of property rights

mills. These volumes total the reduction in harvest from federal lands that is forthcoming from national forest plans and environmental restrictions. On a Pacific Northwest basis, if even half the logs now exported were diverted to domestic mills, the federal shortfall would be compensated. Therefore, restricting log exports is seen as a mitigation of the effects of federal land allocation policies.

Environmental groups point to the seemingly contradictory industry behavior of decrying federal harvest reductions while busily exporting logs that are needed to run the mills. Compared with alternatives such as increasing forest management intensity or the efficiency of the industry in using wood material, banning exports appears to offer a more direct and immediate solution to timber supply ills. Some argue that restricting exports also alleviates some of the temptation for landowners to cut trees when they are too young, thereby better assuring an adequate supply of timber for the long term. Without the assurance of timber supply, companies in the future will be hesitant to invest in plant locations and expansions that fuel industrial development.

Exporters point out that the types of logs freed up by a ban may not be useful to the mills that are most in danger of closure, many of which are far inland. A full ban, including restrictions on private lands, would reduce the price of all logs and timber, as well as timber land values.^{4,5} Export opponents counter that, using the industry's own proportional logic, the reduction in public harvests will buoy timber prices beyond any price dampening caused by export restrictions. The real question, as yet unanswered, is what would be the net timber price effect as all policies operated together. A negative timber price impact will extend beyond traditional industrial and small private landowners to many citizens whose pension fund assets are tied up in timberland investments. The argument is that price reduction ironically discourages private investment in timber production when increased timber supply is so critical to Oregon's future. It may be necessary then to further subsidize tree growing with increased government spending. Domestic mills would have more to purchase, but timber owners and tax coffers would be poorer as immediate losses in revenue to county and state governments would occur. Impacts would be strongest in the same coastal counties that would be hard hit by reductions in export-related employment. The burden of the restriction falls most heavily on the landowner to the benefit of mills and domestic consumers.

Exporters claim that a ban on the export of state logs will restrict the export supply enough to raise the prices of higher quality logs, which are already scarce. The only available logs will be private and private land-

owners will be encouraged to cut. Eventually, buyers would be faced with lowering their quality requirements, and would have to buy more volume to compensate.

Jobs

Log exports seem to take jobs away and worsen the plight of timber-dependent communities already rocked by technological changes and environmental issues. In 1988, enough logs left Oregon ports to run perhaps 20 mills (at 50 million board feet per year average) for the year and employ 2,000. One argument is that a complete ban would provide raw material to support these mill jobs, assuming that the logs would all be processed in Oregon and be competitive enough to be sold in domestic or international markets. Mills with conventional processing technology employ about 4.5 persons per million board feet per year. Automated mills employ about 1.75 persons per million board feet.¹¹

But export restriction would cost many export workers their jobs. Exporting logs employs about 1.3 persons per million board feet but at higher wages than milling jobs. About 2,500 people are employed in Oregon's log export activity, many concentrated in small coastal communities such as Coos Bay and Astoria, that have few alternatives for employment unless new mills are installed.

There is great uncertainty about the employment effects of log export restrictions. Part of the impact hinges on whether the additional volume would be processed in old or new mills. If the exports were diverted into the new, less labor-intensive mills, net revenue and perhaps net job losses might occur. Logging jobs could be unaffected since loggers have to be employed to harvest the timber whether it is going to domestic mills or export. None of the export purchasers uses foreign logging crews. Logging jobs would decrease if some of the timber under the export ban were simply withheld from any market.

In the restriction scenario new jobs would not necessarily come to the communities whose export jobs were displaced. Economic support could shift from coastal communities to those farther inland with new mills. Recent research has shown that the ban on log exports from state lands in Washington and Oregon could cause anywhere from a net loss of 170 jobs to a net gain of 700. Estimates of the effects of private restrictions have not been studied in great depth.^(1,10)

The argument to keep mill jobs by banning exports also assumes that the exported logs will be processed into lumber and/or secondary wood products in Oregon mills. Whether this comes to pass depends on the development of a strong new market for lumber and plywood. If domestic markets sag and our strategy to

develop lumber export markets fails, communities could be no better off and subject to greater fluctuations in employment. If Japan and other countries do not buy lumber and plywood, the resulting excess could be dumped back in the domestic market to exacerbate industry problems with housing cycles. The nature and timing of an export restriction would be critical in preventing employment shifts before the market development efforts have had a chance to provide alternate opportunities. Consequently, some have proposed a gradual phase-in of log export restrictions, coupled with an intensified market development effort.

Old growth preservation

Some groups have developed a strong platform integrating opposition to exports with conservation objectives. They view log exports as mining of ancient forests by a foreign country and claim that the resulting timber shortages encourage domestic mills to put extra pressure on the remaining old growth.

Export proponents point out that almost all old growth trees are in federal ownership from which log exporting has been prohibited for 20 years. Only about one-eighth of log exports from the Pacific Northwest is true old growth and that fraction shrinks each year.¹⁰⁰ Older second growth is being exported, but this is from private lands. Exporters also argue that importers overseas will get the timber they want from other perhaps more sensitive forest ecosystems of the world. Some would argue that an export ban that cuts off second growth exports from the U.S. may have the effect of encouraging the purchase of timber from natural rainforests elsewhere in the world. This ultimately defeats the environmental purpose in a global context. Also, since Japanese mills recover more lumber from logs than do American mills, processing logs at home is more wasteful and might result in even greater pressure on the resource.

Competitive advantage

One argument against exports of raw logs is related to the timber price question. Export log demand causes high prices for all logs, makes Oregon producers less competitive and leads to higher consumer prices for lumber. High prices encourage private landowners to cut trees prematurely and shortchange the financial and biological productivity of our timber resource. All these effects contribute to weakening Oregon industry's competitive global position. According to this argument, export restrictions would lower timber prices and allow mills more time to adjust to manufacturing and marketing policies, to the second growth resource, and to the new global marketplace.

Exporters admit that log exports help elevate timber prices, but they believe that federal forest policy deserves a much higher portion of blame. They argue that Oregon has a relative advantage in producing logs, and that higher log prices are themselves a return to Oregonians which may be as great as the dollar value added by processing them in domestic mills.

Exporters also claim that a ban will only subsidize inefficient mills and delay adoption of aggressive marketing and manufacturing strategies necessary to crack Japanese and other worldwide markets. Many domestic mills might choose to direct export logs into lumber in the domestic U.S. market, reducing lumber prices but exacerbating cyclical problems. This fails to further the state's economic diversification goals.

Trade relations

Log export opponents claim that Japan and other log importers profit unfairly from our log trade policy while they maintain barriers to the importation of lumber, plywood, and more highly processed wood products. They propose that by cutting off log exports, we can force Japan to buy our lumber and other products and point to Indonesia's ban of hardwood log exports to Japan in 1981 and the resulting increases in hardwood plywood trade with Japan. They see Japan as similarly dependent on American wood products and contend that only a serious move such as a log export ban will budge their barriers to importation of lumber and plywood. This opinion holds that Japan has few short term alternative sources of logs in the USSR because the infrastructure is not available to get the trees harvested and transported.

Export proponents assert that Japan has alternate sources of both lumber (primarily Canada) and logs (USSR, New Zealand, Chile). Restricting exports will tag the U.S. as an unreliable trading partner and encourage Japan to develop these alternative sources of logs and wood substitutes and invite retaliation in the form of higher tariffs or stricter standards for other U.S. products including lumber, plywood, or pulp and paper products. Retaliation might be extended to non-wood products that have even a larger impact on the trade balance. Oregon and the U.S. could lose a lumber export market that is just beginning to grow by being protective in its raw material policy. Furthermore, they say, foreign buyers prefer getting all materials (logs, lumber, plywood, and finished products) from single sources; immediately cutting out the log component could easily frighten importers away to more diversified suppliers.

Japan imports only about 60 percent of the logs from the PNW region. A ban would also be endangering our trade relations with Korea and China, who have

provided market diversity, but who don't have as much potential as a lumber and plywood market. Exporters summarize that embargoes generally do not work and only serve to undermine confidence, encourage competing exporters and inject uncertainty in the market that artificially lowers prices paid. They cite backlashes in attempts to restrict exports of soybeans, wheat, and red cedar timber (from state lands.) Exporters also contend that log export restrictions may be in violation of the General Agreement on Tariffs and Trade (GATT) regulations.

Exporters claim that switching from logs to lumber wouldn't be an easy or rapid process for either us or Japan and that we would have to develop alternative markets in other Pacific Rim and European countries while these changes took place. Increasing U.S. lumber sales to Japan and other Asian countries would require an expensive crash marketing effort and dramatic changes in milling and marketing strategy, including sawing a much larger portion of our lumber to Japanese standards. Changes in Japanese lumber distribution systems, building codes, and consumer tastes and preferences could take place too slowly to absorb the lumber equivalent of our current log exports. If Japan purchased the same amount of lumber it processes currently from American log imports, as much as 30 percent of its own mills would have to curtail operations; an unlikely political prospect.

States rights

Export opponents contend that a state should have the right to control the destiny of its public natural resources, especially when foreign trade patterns endanger state economies. Exporters counter that states should not be allowed to interfere with interstate commerce and the implementation of a uniform trade policy. Alaska, Oregon, California, and Idaho forbade the export of logs from state lands until 1984, when the Supreme Court invalidated the Alaska restriction.¹² However, the new law has wielded federal authority through the "commerce clause" of the Constitution, and has directed the states to prohibit exports. It seems that the state and federal bans have become uniform policies and the states rights arguments are moot. However, the new law has created an issue concerning lands owned by countries in special trusts managed by the state. Countries with forest land in those arrangements could see reduced revenues as the markets for their timber are reduced.

Private property rights

A bill was introduced by Oregon Rep. Peter DeFazio into the 101st U.S. Congress (The Timber Fair Trade and Forest Conservation Act [HR 5651], a proposed amendment to the Export Administration Act of 1979) to ban log exports from private lands.¹³ Landowners with less than 321 acres were exempt. This acreage minimum was designed to soften objections from the large number of landowners, perhaps 80 percent of that population, who account for a small portion of the harvest. The bill's authors claim that the federal government can and has, (in the case of some minerals and agricultural crops) stopped export of private goods.

The provisions of this bill impose federal authority on private property and have rankled landowners, even many of those exempted, who have interpreted it as an unconstitutional "taking" of private property without compensation. The ban would remove market options and likely have the impact of lowering timber prices. Lower prices favor the domestic processor and consumer, but shift the financial burden of the policy to the landowner. Some supporters of restrictions on public timber stop short of backing this proposal.

Options for restricting private exports

Further restrictions of log exports point to private lands. Several proposals have been made. The previously mentioned HR 5651 proposes a complete ban. Senator Mark Hatfield favors a federal tax incentive in the form of a 15% capital gains reduction to entice landowners to sell their timber in the domestic market. Newly elected governor Barbara Roberts and other Oregon legislators favor a similar mechanism through state income taxes and/or timber severance taxes. The Wilderness Society and the National Wildlife Federation propose a tax penalty, or export duty to be paid by those who buy export logs with the proceeds applied to development of value-added industries. The three major types of options are outlined in Table 2.

Few of the proposers have come forth with complete analyses of the impacts of their plans. Some research is currently underway to quantify the economic impact of bans and export duties, but in the meantime, interested citizens can only rely on the generalized predictions of economic theory and the subjective judgment of experienced observers. We offer a qualitative and very preliminary view of the effects of the three options

on several social and economic variables. Most of the impacts listed under the complete ban have been discussed already so we will describe the other two options.

The word "success" means reducing the actual exportation of logs, and does not refer to employment, environmental protection, or other goals, including the diversion of these logs to domestic mills. A program could be successful in stopping exports but fail economically if the previously exported timber did not find its way into domestic processing. The public must decide whether private restriction is warranted, and if so, what is the best way to mix these different outcomes.

Export duty

An export duty is a tax paid by the person who exports the logs. Most landowners don't have the wherewithal to directly export, so this function is handled by log buyers connected to export distribution channels. Supposedly, export buyers would pass on the penalty to landowners through reduced timber prices. If log demand was strong enough, they might only pass on part of the penalty. Although it is unconstitutional for the federal government to levy an export duty, it is legal for individual states to do so.¹²⁷ The impacts of an export duty

Table 2. Alternatives and Possible Consequences for Restriction of Private Log Exports
(compared with status quo of no private export restrictions)

	Ban*	Export duty**	Tax Incentive***
• Mill jobs	maintain some	maintain some	maintain some
• Log Export jobs	eliminate	reduce	reduce
• Timber prices	large reduction	medium reduction	small reduction
• Tax revenues	lower	maintain or increase	lower
• Landowner incentive to grow timber	large reduction	some reduction	same as status quo (could be increased)
• Log export volume	eliminate	reduce	reduce a little

*Complete prohibition of exports from private lands. A quota would have similar but less severe impacts.

**A tax paid by buyers of export logs that attempts to compensate for the negative impacts or lost opportunities for the Oregon economy.

***A credit or reduction on federal and/or state income and/or timber severance tax allowed to timber sellers who choose domestic over export buyers.

will depend on the level of the tax and how it is applied. To be successful in discouraging landowners from selling to export buyers, the duty would have to be high enough to consume the difference between export and domestic price. On high quality logs, where premium is the greatest, the tax might have to be 50-100 % of the domestic price. Down to the export price at which landowners would decide to sell to domestic mills, many logs would still go overseas. Part of the extra income that would have been enjoyed by the landowner would return to government. This could be a disincentive to manage for timber growth, so some groups have proposed that part of the tax be returned to the landowners in the form of timber growing tax incentives or subsidies.

- The arguments to restrict or not restrict exports involve many dimensions, including employment, timber supply, trade relations, competitive position, old growth preservation, and state's and individual property rights.
- Great uncertainty exists about the effects of various export restriction proposals. The most important uncertainties involve the net timber price and employment effects of a ban, and the prospects for selling the equivalent volume in new markets for wood products.
- Restrictions will generally favor domestic mills in the short run through lower timber prices, but will hurt landowners in the long run by removing markets and incentives for timber management.
- Since most of the log exports are from private land, a private ban or quota is the policy that would create the greatest effect. However, unlike the public land restrictions, this evokes the private property rights controversy.

The export duty could be levied as a specific rate per unit or as a percentage of the value. Export and domestic market conditions would affect these two forms differently. A per unit tax would not be as successful when export prices were high, and would have a proportionately greater impact on lower quality logs.

The real impact on prices and the quantity of logs traded would depend greatly on the reaction of Japan and the other log importing nations. If the volume of logs they demand is sensitive to price (because, for example, they have alternative sources of logs or lumber), landowners

could experience a reduction in revenues without hope of seeing their markets reincarnated in domestic mills who will be exporting more finished products.

Tax incentive for selling domestic

The tax incentive strategy could take several forms. The objective would be to reduce the landowners' tax burden in exchange for a decision to sell logs in the domestic market. Oregon landowners pay federal and state income tax as well as state severance, harvest, and fire fund taxes on each harvest. The income tax burden varies with income tax bracket and other factors. Landowners currently pay severance tax equal to 6.5% of the net value of all but the first 25 thousand board feet (MBF) of each harvest. Landowners who pledge to sell to domestic mills might receive less for their timber, but could be compensated by paying a lower tax bill. Once again, the effectiveness in reducing exports would depend on the export buyers' reaction to the affected log supply. The tax incentive strategy would shift the financial burden of restricting exports to the state which would be forced to forgo some tax revenue that would have been forthcoming under higher valued export sales.

Depending on the difference between export and domestic price, the tax break might have to be quite large to compensate for the export price premium. If export prices are \$400 and domestic prices \$300 per MBF, even relieving the combined state income and severance taxes at about 16 percent would not make the two net returns equivalent. A large enough incentive to discourage exports could represent a substantial reduction in state tax revenues. If it did restrict export supply somewhat and the difference between export and domestic prices increased, the incentive to landowners would have to keep pace.

Such a program might be difficult to implement, because at least 75% of the private harvest is already being sold to domestic mills. Without some mechanism to target just owners who would be approached by export buyers, the tax break could go to landowners who would sell domestic anyway. The cost effectiveness of an improperly targeted program might be questioned. One economic scenario is that landowners could rush to get this tax break, reducing the supply to export buyers who would then increase prices, especially for high quality logs. This would encourage landowners with those logs to sell export, thereby defeating some of the purpose of the policy. Some have even questioned whether working the incentive through the state tax system would violate the federal government's sovereignty in regulating foreign commerce.

- If all other supply and demand factors remained constant, most forms of private restriction will result in lower overall timber prices. This could be offset by price increases caused by harvest reductions on public lands. The financial burden of the policy selected emanates from price reductions and may rest with the government, the export buyer or the landowner. A ban would remove the export option and most severely reduce prices. Export duties and tax incentives might actually lead to increased export prices for the highest quality timber.
- A private ban would create the greatest reduction in export volumes, but could stimulate property rights litigation.
- An export duty penalizes the export buyer who would conceivably pass at least part of the penalty on to the landowner in the form of reduced bid prices. Success in restricting exports would depend on the level and nature of the duty imposed.
- Tax breaks would restore some of the incentive for timber management to the landowner, but may be difficult to implement.

Appendix

Substitution in public export restrictions

The new prohibitions on federal and state exports have indirect impacts on the number of buyers available for private timber through the so-called substitution provisions. Under these regulations, buyers who export private logs from a given area are ineligible to buy public logs within that area. The rules are necessary to prevent loopholes that subvert the intent of the legislation. However, it also effectively forces some buyers to specialize in either private (export) or public sources. Buyers can purchase private logs for domestic mills and still be eligible for public sales; those who are ineligible for public sales can buy private logs for the export or domestic markets. However, a buyer can no longer combine export and public procurement operations in the same area.

Because the majority of timber for domestic processing still comes from public lands, many buyers who use multiple sources and destinations may choose to back out of the export market, thereby reducing the number of buyers (and perhaps bid prices received) for private landowners. Some companies may find that this forced specialization does not give them enough flexibility to maintain viable log purchases. These rules also apply to secondary buyers, so the longer term impact may be to discourage the trading of logs among firms and reduce the incentive to sort logs to their highest markets.

The timber species, grades, and the source (or timbershed) to which the substitution rules apply is critical. Some difference exists between the federal ban, specified in the law and implemented by the U.S. Forest Service and Bureau of Land Management, and the state ban, whose regulations are developed by the state forestry agencies.^(25,26) At this writing, the states have used the state boundaries. Federal definitions will be made in early 1991. A buyer who exports private Oregon logs might be ineligible for public logs in Oregon but could buy public logs in Washington.

Substitution rules have forced a choice for multistate companies, some of whom have already declared intentions to specialize as mentioned above. Weyerhaeuser Co. has announced that it will no longer export unprocessed logs from its Oregon land holdings, but would continue to export in Washington⁽¹⁶⁾. Weyerhaeuser's decision was guided by the need to supply an old growth mill at Springfield with logs from federal lands and by the fact that the Oregon operations accounted for only 10 per cent of their export volume. Under the old federal substitution rules the company could legally export logs in a smaller area and continue to buy federal logs in the Willamette Valley. This announcement and those by other firms has been claimed a victory by politicians who had helped implement the law. Weyerhaeuser's decision was lamented by the Port of Coos Bay which would lose about 50 MBF (about 15 ship loads) of traffic a year and some ship and dock worker jobs. Weyerhaeuser has further stated that it would probably not sell this volume to local domestic mills at current prices, so there will be a reduction in the logging employment.

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Discussion Questions

1. Should Oregon continue to export logs? Should log export restrictions from public lands be lifted? Why or why not?
2. Should private lands be included in the log export restrictions? Do you think these restrictions will lower the prices received for timber by private landowners? Which of the three policy options described (ban or quota, export duty, or tax incentive) do you think will best create the intended benefits of restriction with the least disruption of employment patterns, rights, and privileges? Why?
3. The impact on trade and timber prices of a private export ban would certainly be greater than the recently enacted ban on state logs, but the ethical and perhaps legal questions of private property rights would surely be evoked. Do you think that a log export ban is an unacceptable "taking" of landowners rights? Do you think landowners should be compensated fairly if this policy is chosen? How?
4. Is banning log exports from Oregon an effective way to save our old growth timber resource? Do you think the Japanese are deliberately trying to exploit the state's forest resources? Could the importing nations' need for logs cause increased exploitation of valuable forests elsewhere in the world? What areas of the world would be most vulnerable?
5. Do you think a private export ban will keep forest industry workers employed? What information would you seek in trying to arrive at your conclusions?
6. How are foreign buyers able to pay more for logs than domestic log buyers? What happens to the differential (or export premium)? Who benefits from it? How might this compare with the benefit derived from processing the same logs up in domestic mills? Do you think landowners should be taxed on the export premium?
7. What do you think would be the Japanese reaction to the banning of all log exports from the U.S.? Do you think they will buy the equivalent in lumber from us or will they go elsewhere for additional logs and lumber (e.g. USSR, New Zealand, or Chile) or to wood substitutes such as concrete and steel? Might we endanger our steadily growing share of the Japanese lumber consumption with log export restrictions?
8. How do you think Korea and China will react to an log export ban? Although most of the discussion of export restriction focuses on Japan, it purchases only half the export logs from the Pacific North West. Korea and China buy most of the other half, yet have even less potential for buying lumber and plywood. By prohibiting these two countries from buying logs, we may have problems in finding a big enough international market. Do you think we have focused our export opposition on Japan too much, perhaps out of our experience in World War II, or that Japan most clearly represents a foreign threat to our economic dominance?
9. British Columbia has long prohibited log exports except for some relaxation in the mid 1980s when it had too many logs for its production needs. How might BC react if the U.S. bans log exports? If U.S. prices drop and the BC industry becomes less competitive, might BC decide to send "surplus logs" to Japan to replace the U.S. imports? Might it step up its foreign lumber marketing efforts in anticipation of an American onslaught? Which of the two countries do you think Japan would rather turn to supply its lumber needs?
10. Several PNW companies are trying to import of Siberian (USSR) logs that provide the close grain needed for secondary wood products such as window and door moldings. Logs of this quality are rapidly becoming less available from the nearby national forests. This seems to indicate that if we want to preserve old growth timber and the industries that have relied on it, we may have to import logs just as the Japanese do. However, importing logs also could open up our forests to new insect and disease organisms brought in with imported logs.

Do you think log importing should be encouraged or discouraged? If we restricted our own log exports, which are mainly second growth, but began to import in earnest from Japan's primary alternative source of logs, what kind of reaction might we get from Japan? What implications does this have for the old growth ecosystems of Siberia and the rest of the world?

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THE WHITE HOUSE

WASHINGTON

March 22, 1993

DRAFT

MEMORANDUM FOR INTERAGENCY WORKING GROUP ON
FOREST SUMMIT ECONOMIC ISSUES

FROM: Peter Yu
National Economic Council

Mike Schmidt
Domestic Policy Council

SUBJECT: Status Report and Open Questions

This memorandum attempts to summarize information presented in our first two meetings, as well as information presented in the distributions prepared by the various participants. It also flags open questions, which I hope we will discuss Tuesday.

I. SHORT-TERM RELIEF FOR INDIVIDUALS, FIRMS, AND COMMUNITIES

A. The Problem

A revised forest management plan will have three distinct but related immediate impacts.

- A revised plan will create job losses of between 9,000 (CRS 1990) and 50,000 positions (USFS 1992), although some of this "loss" reflects an unavoidable contraction in the industry from the unsustainably high employment levels of the mid-1980s. Wages in these positions range from \$10 to \$20 per hour.

A revised plan will likely force a number of firms to close. This may include small logging companies, transportation companies, and wood products producers. Many of these businesses have been under stress for some time. (Q: Magnitude?)

- A revised plan would reduce receipt-sharing payments to States and counties. The precise amount is unclear: one estimate suggests \$18.5 million (CRS 1990), another more than \$100 million (USFS 1992). (Q: Best estimate?)

In addition, a revised plan would also reduce federal revenues and increase lumber prices. (Q: Sufficiently important to warrant separate discussion?)

B. Current Programs and Policies

Existing efforts to redress these problems include:

- Unemployment insurance (Q: *With the current extension, when will these lapse?*); and means-tested programs. (Q: *Are there any short-term job creation programs in operation now?*)
- RDA has several programs to aid in the development of rural regions; these programs create construction and other jobs.
- (Q: *Are there any emergency business loan or grant programs extant in these regions? SBA?*) *Call -- any money?*
- (Q: *Are there any emergency relief programs available for these communities?*)

C. Possible Policy Responses

Current efforts could be augmented by:

- **Job losses:** Stimulus-package spending to increase the number of "jobs in the woods." This would include new USFS and BLM forestry-related spending, as well as RDA spending. (Q: *How much in each category directed to affected regions?*)

Job losses: Temporary (2 year?) restrictions on log exports could increase the number of industry jobs in the short term. The TAA certifications suggest there is capacity in the system for immediate additional wood products work. (Q: *Compatibility of this approach with Administration's trade policy? With GATT? With the countervailing duty currently imposed on Canadian lumber?*)

Job losses: The once-embargoed report (pp. 22-23) suggests creation of federal acquisition set-asides. Temporary (2 year?) set-asides would increase the number of industry jobs in the short term, as a transition strategy.

Income support: Under the Administration's new, comprehensive displaced-workers program, extended UI-level benefits will be available to eligible persons enrolled in retraining programs.

Social services: The social and cultural impact of a revised plan should not be underestimated. The Administration should consider funding, as part of a broader effort, counseling and other social services for individuals and families.

what's tax credit for raw lumber exports

- **Failing firms:** Temporary export restrictions and set-asides might aid these firms, pending retooling or other reorganization.
- **Distressed communities:** Increased revenue sharing (suggested in S. 2895) could offset the immediate impact of reduced harvests. (*Q: How much of a change? for how long? how does this show up in budget accounts?*)

II. INTERMEDIATE TERM CAPACITY BUILDING: RETRAINING, RETOOLING, RELOCATION

In addition to minimizing the immediate effects of a revised plan, the Administration should take steps to facilitate the transition of dislocated workers to other industries and occupations.

A. The Problem

- Currently, we have only anecdotal evidence concerning the educational and skill levels of the anticipated dislocated workers. The discussion emphasized the variety of occupations likely to be affected, and that the skills of many were both more technologically advanced and more "transportable" (between industries) than is commonly thought. Nonetheless, the consensus was that substantial retraining would be needed.
- Some firms may also need retooling. There is some potential for shifts to different production techniques and to different product lines. (*Q: What are our best success stories here?*)

B. Current Programs and Policies

- **Retraining:** Current federally-funded retraining efforts include EDWAA (Title III of JTPA) and TAA. The formula-allotted EDWAA funds administered by substate areas likely total about \$2-4 million). In addition, about \$18.7 million in discretionary EDWAA monies managed by the Secretary of Labor are directed toward timber industry displacements. TAA provides relief for approximately 3,500 timber industry workers at an approximate cost of \$10.5 million.
- **Retraining:** Pell grants are currently available for displaced workers. (*Q: What is current participation and cost?*)
- **Retraining:** (*Q: What are current state efforts in this area?*)
- **Retraining:** Labor currently provides technical assistance to state agencies interested in retraining programs.

C. Possible Policy Responses

- **Retraining:** An interagency group is currently developing a comprehensive retraining program for dislocated workers that will include: broad eligibility; rapid-response job search assistance; a voucher system for retraining; and limited income support. (*Q: A central open question is whether any special retraining program should be developed as a complement to this new program.*)
- **Retraining:** (*Q: What federal efforts can be used to identify and supplement successful state retraining efforts?*)
- **Relocation:** It was suggested that workers in the timber industries were less mobile than most populations. However, it was also suggested that the total harvest will not decline greatly, indicating that new timber jobs will be created in other regions—including Canada and the South. (*Q: Thus an open question is whether and how to encourage relocation: e.g., the TAA program included some reimbursements for relocation expenses.*)

III. LONGER TERM RESPONSES: ECONOMIC DEVELOPMENT AND DIVERSIFICATION

Retraining, of course, is useless unless there are also new jobs in the region. Thus, the Administration must assist timber-dependent communities develop and diversify their economies.

A. The Problem

- Many of these rural communities lack the capacity to compete in federally funded competition for monies (such as CDBG and the planned Enterprise Partnership Program).
- The economic options for these communities include: wood products such as paper and recycled products (the most familiar possibilities), followed by tourism and recreation. The latter may be limited by development limits imposed under the revised forest management plan. (*Q: To what extent could federal technical assistance facilitate the identification of other options? Is this best left to state and local officials and councils?*)

B. Current Policies and Programs

- EDA has (MIKE could you find details—I lost my handout).
- (*Q: What is SBA lending like in these areas?*)
- (*Q: What is CDBG activity like in these areas?*)

- Many states have private industry councils (PICs) and rural development councils (RDCs) that perform similar planning and development activity and may offer strong vehicles for such assistance.

C. Possible Responses

- To redress the capacity issue, planning grants may be needed. (Q: *What form and vehicle should these take?*) - C D B ←
- An interagency working group is developing the Administration's larger proposal on Enterprise Partnerships (nee Enterprise Zones). This likely will involve: a small group of (about ten) well-funded zones, and many zones with small tax benefits. It is unlikely that this program will offer much assistance to the affected regions.
- An interagency working group is developing the Administration's proposal to enhance community lending. This will likely call for the development of 50 or more community lending subsidiaries, but it is unlikely that these will be created in rural areas. Perhaps special provisions for lending institutions in rural communities should be developed. (Q: *What is the general profile of financial institutions in these regions?*) - What other C.D. lending pools
- An important principle that emerged from our conversations was that federal policy should be integrated with state, local, and nongovernmental efforts to the greatest extent possible. (Q: *How is this to be accomplished? Challenge grants?*)
- Another option includes expanded spending through EDA.

IV. LARGER ISSUES REQUIRING RESOLUTION

A. Financing

Some of the monies for these responses are provided in the Administration's proposed budget. Other might be drawn from the discretionary funds created by the new comprehensive dislocated worker program.

Should additional funds be drawn from federal log-sale revenues? Arguably, these costs are part of the cost of harvesting and should be internalized into the price of timber.

B. Coordination of Federal Activity

There was general agreement that federal activity among the many agencies should be

better coordinated. What is the best way of accomplishing this: a permanent interagency task force? block grants pooling funds?

Can we do this without legislative action?

DOL

Discussion Guide
Administration's Initiative on Worker Adjustment
March 26, 1993

The Goal:

- o To establish a comprehensive program to address the needs of all dislocated workers, regardless of the cause of dislocation, and
- o To ensure timely access of dislocated workers to an enriched array of services including job search assistance, retraining, income support, and other transitional re-employment assistance.

Current Programs:

Assistance is currently available to dislocated workers through two major programs with differing approaches to the provision of services.

- o The largest program, the Economic Dislocation and Worker Adjustment Assistance Act (EDWAA), will serve some 330,000 dislocated workers in the program year from July, 1993, through June, 1994 (under appropriation of \$517 million).
 - 80 percent of the funds are distributed by formula to States, which provide services directly and through a network of substate grantees.
 - Among the services provided are: rapid response activities at the site of major layoffs and/or plant closures; basic readjustment services such as counseling, job search assistance, placement and relocation assistance; retraining services, including basic skills and remedial education and occupational skills training.
 - Needs related payments are authorized, but seldom used, and funds available are not sufficient to serve all eligible dislocated workers who need/desire training.
- o The second major program is the Trade Adjustment Assistance (TAA) Program. TAA provides job search assistance, training, income support and relocation assistance to workers who lose their jobs (or whose hours/wages are significantly reduced) due to increased imports.
 - DOL certification is required before a group of workers is deemed eligible for trade adjustment assistance, but

once a certification is made, TAA functions as an entitlement program.

- The training and services are capped at \$80 million this year; approximately 50,100 persons will receive TAA services.
- Income support is provided for up to 52 weeks following exhaustion of UI benefits. This is from a separate appropriation (initially \$135 million for this year) to ensure availability for all who are entitled.

There are also a number of smaller programs available to dislocated workers in selected industries including: the Defense Conversion Adjustment Program, the Defense Diversification Program, and the Clean Air Employment Transition Program.

The Need:

In today's dynamic global economy, developing and maintaining the skills of our workforce is essential. We also know that structural economic changes -- no matter what the cause -- will require a comprehensive strategy to assist workers who are faced with finding new jobs. A number of events will have a particularly significant impact on this:

- o Continued reductions in defense spending will increase the need to help workers and businesses make the adjustment to a civilian economy.
- o The ongoing restructuring of America's large corporations and mid- and small-sized companies will continue to impact a wide variety of worker with different backgrounds, skills and needs.
- o Technological changes will continue to affect skilled and semi-skilled workers as their skills rapidly become obsolete.
- o Environmental concerns will continue to impact on certain industries in ways which affect the workplace and may cause job dislocations in certain geographic areas.
- o Changes in trade agreements such as the GATT and/or the signing of NAFTA, while benefitting the economy as a whole, will have impacts on some segments of our workforce and increase the demand for re-employment services.

The Clinton Administration is committed to meeting these new challenges in a coordinated fashion with an enhanced package of services made available without the administratively cumbersome

certification process. This approach should increase resources to dislocated workers and increase the speed with which services are delivered.

Basic Elements:

The President will propose legislation to supersede and build on the successful components of the Economic Dislocation and Worker Adjustment Assistance and Trade Adjustment Assistance programs. The basic elements of the President's proposal will be:

- o Broad coverage regardless of the cause of dislocation and without the need for administratively cumbersome certifications.
- o Increased emphasis on rapid response and early intervention as soon as layoffs are announced and when possible, before the workers lose their jobs.
- o Linkage to Unemployment Insurance profiling to ensure early identification and referral of laid off workers who need these services.
- o A flexible array of training and support services linked to assessment.
- o Assistance to dislocated workers in meeting the costs of skills training, designed in a way which provides greater client choice in the selection of training programs.
- o Income support to ensure that workers who have exhausted UI will be able to complete training.
- o Increased industry participation to advise on broad workforce issues.
- o Demonstrations to serve workers whose jobs may be at risk so as to avoid dislocation.
- o National discretionary funds for demonstration programs and targeted responses to specific industries or large impact areas.

Discussion:

A proposal which meets principles outlined above may be shaped in many ways, and the Department is engaged in a policy development exercise to review options for the best way to organize and deliver the new worker adjustment services. Among the issues on which we are seeking input are:

- o Defining the eligible population: Are funds sufficient to serve all workers regardless of dislocation or is some narrowing necessary or desirable, especially for the more intensive services? What criteria might be used for more restrictive eligibility -- e.g. job tenure, UI eligibility mass layoff? Is program an entitlement (capped) or discretionary; how does that choice affect the ability to set priorities for services? How do we handle special populations such as displaced homemakers and near-retirees?
- o Services:
 - Notification: How can we encourage employers to provide notice and/or help workers before they are laid off? Are changes in WARN necessary?
 - Rapid Response: How do we extend basic adjustment services to the broadest possible population?
 - Assessment: How do we design a strong assessment process to assure that services are allocated based on need? What is the menu of services?
 - Training: How do we achieve greater customer choice in training, and what are the implications for the current training system? Should on-the-job training (OJT) be included, and should it be linked to individual firms or only to industry consortium?
 - Coordination: What linkages do we establish with other programs such as JTPA, Pell Grants, etc.?
 - Income support: How do we avoid participants choosing training as a route to income support? What level of income support should be made available; what length; means-tested?
- o Governance. Who delivers services? What are the respective roles of States and localities? How do we coordinate governance with **one-stop shopping** initiative? How do we integrate local labor market information (State, PIC, local labor market board)?
- o Discretionary Funds/Demonstrations. How do we assure that funds are available for targeted responses to large or unanticipated events? Should funds be reserved for cases where government policy contributed to dislocation, and how would they be allocated? What issues should demonstrations address, e.g., how to serve incumbent workers?
- o Performance Measures. What performance measures do we want to set for the system? How do we provide for evaluation?

- o Allocations. How should funds be allocated? What factors should be used to allocate funds.?
- o Other. Need for a transition period due to differing TAA/EDWAA program years. Legislative strategy issues around Reconciliation, NAFTA, coordination with other initiatives.

B. Impact of the Forest Management Plan

I. Background:

A. Issue:

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

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

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

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

B. Endangered Species Act:

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

II. Likely Plan

The Recovery Plan for the Northern Spotted Owl (in publication) outlines steps necessary to bring about recovery of the Northern Spotted Owl. Implementation will be done through incorporation of appropriate portions of the recovery plan in agency decision documents

such as forest plans, park management plans, and state game management plans. Such documents are then subject to the NEPA process of public review and selection of alternatives.

As the primary means for achieving recovery, the draft plan recommends establishing 196 designated conservation areas (DCAs) to provide approximately 7.5 million acres of federal forestland as the primary habitat for the northern spotted owl population. These DCAs include approximately 48 percent of the total remaining spotted owl nesting, roosting, and foraging habitat on federal lands. The largest DCAs are designed to support a population of 20 or more pairs of owls in habitat conditions that allow successful breeding rearing young. They are located to allow owls to disperse from one DCA to another. Each DCA contains areas of currently existing owl habitat combined with areas of younger forests. These younger stands will be protected so they can mature into owl habitat. The DCAs contain approximately 1,180 known owl pairs on federal lands. This represents about 48 percent of the total pairs currently known on all federal lands. When the DCAs become fully developed owl habitat, they will support a population of approximately 2,320 pairs of owls.

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

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

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

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

6. It also recommends that a management plan be prepared for each DCA before management activities are implemented.

III. Human Costs

- A. Timber harvest on public lands in Washington, Oregon and Northern California are an important source of employment and income. The estimated annual timber harvests for the final plans, the current owl management regime (Forest Service and BLM implementation of the Interagency Scientific Committee (ISC strategy), and the effect of the Endangered Species Act including the designation of critical habitat, and the recovery plan are in Table 1. The three state total for the Forest Service and Bureau of Land Management is 2.16 billion bd. ft. compared with 4.39 billion bd. ft. as directed in the current Regional Guides and Forest Plans.
- B. Federal Revenue lost due to the timber harvest foregone is \$740 million per year. This estimate is based on the reduction in timber harvest caused by the recovery plan and on estimates of 1995 timber prices with and without the plan using the Timber Assessment Market Model (TAMM) developed by the Forest Service. Offsetting cost savings could reach a maximum of 150 million per year.
- C. State and country revenue sharing is projected to fall from \$500 million to 220 million under continuation of forest plans in effect before the owl was listed.
- D. Knutson-Vanderberg funding on site restoration after harvest is projected to fall \$150 million with implementation of the Recovery Plan for the Northern Spotted Owl.
- E. Employment both, direct and indirect is estimated to fall to about 36,000 jobs with the recovery plan versus 66,395 projected before continuation of forest plans in effect before the owl was listed. The job coefficients generally fall in the middle of the range of other multipliers that have been used for estimating employment effects of changes in timber harvest. They are generally consistent with the results of the review of a number of such studies by Stevens (1991).
- F. Shifts to private lands in the Pacific Northwest are limited. In the last three years, an additional 4 billion board feet was harvested from private lands to compensate for lack of timber from Federal lands. However current forest inventory statistics for private lands indicate that there are very limited near term possibilities for continuation of this level of harvest and it is likely that near term production from private lands is likely to fall.
- G. Regional shifts are likely favor Canada which has the physical capacity to increase production. However a major study in British Columbia, where two-thirds of our lumber imports originates, just announced an expected 18 percent drop in allowable annual cut. In the southern United States, lumber production is at a historic high.

However in the South, softwood removals exceeded growth by 14 percent in 1992. This is the first time since 1952 that softwood removals exceeded growth.

- H. Softwood exports from Washington and Oregon peaked at 3.7 billion bd. ft. in 1988 and declined since that time to levels of about 2.5 billion bd. ft. per year, reflecting downturn in the economy of Japan, the primary customer. However, the average value of exported logs has increased set record higher since 1989. Logs from public lands in West can not be exported.
- I. Lumber prices have increased significantly in recent months. The prices of most softwood timber-based products have increased sharply in the last 5 months (Figure 1). Between early October 1992 and mid-March 1993, softwood lumber prices, as measured by the Random Lengths composite average, rose 96 percent, increasing from about \$250 to more that \$490 per 1,000 board feet. Prices for structural panel products (softwood plywood and oriented strand board) rose about 30 percent over the same period. The Random Lengths average for lumber has increased \$86 since early in February. Lumber futures prices have followed similar trends.

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

According to an analysis published in the February 1993 issue of Housing Economics, the National Association of Homebuilders identify the primary forces contributing to the price increases, in addition to the rise in demand, as the declines in timber supplies from government-owned lands in the Pacific Northwest due to restrictions in sales and harvests resulting from the Endangered Species Act's protection of the northern spotted owl and other species, and other laws affecting the forests and forest management in the area, and the environmental litigation surrounding the application of many of these laws. They also mention log and lumber exports, primarily from Pacific Coast ports, and the 6.5 duty on softwood lumber imports from Canada, the source of 25 to 30 percent of U.S. consumption in recent years. Finally, they suggest that speculative behavior such as panic buying and withholding of supplies may have been contributing factors.

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

	Baseline Employment Related to Projected 1995 Federal Timber Harvest**	Loss Caused By DCAs***	Loss Caused By 50-11-40	Total Losses
Washington Subtotal	10342	4591	693	5284
Oregon Forest Service	29754	8769	1768	10537
Oregon BLM	18546	11021	1403	12424
Oregon Subtotal	48300	19790	3171	22961
California FS	7728	2666	1062	3728
California BLM	25	25	0	25
California Subtotal	7753	2691	1062	3753
Salvage and Silviculture		-1770		-1770
Three States Total	66395	25302	4926	30228
Forest Service	47824	14378	3523	18501
BLM	18571	10324	1403	11727

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

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

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

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

(billions of board feet per year)

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

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

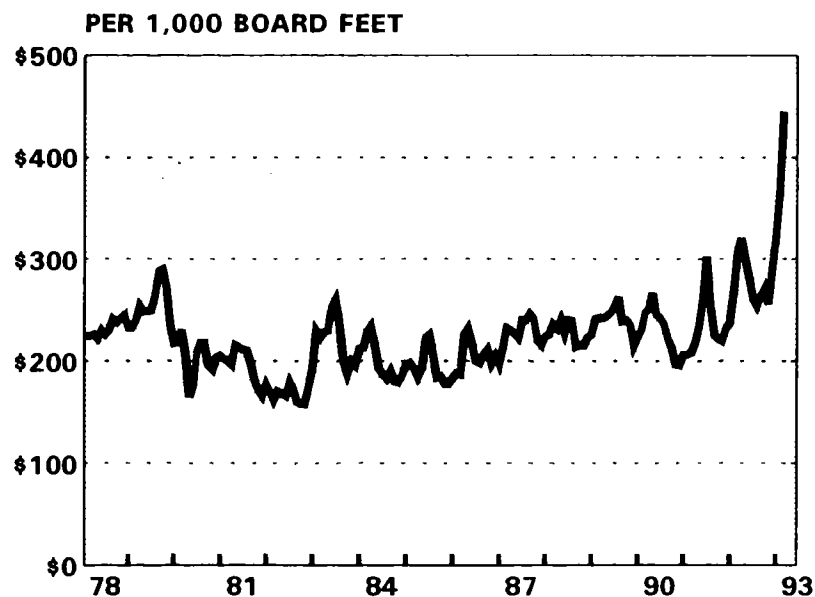
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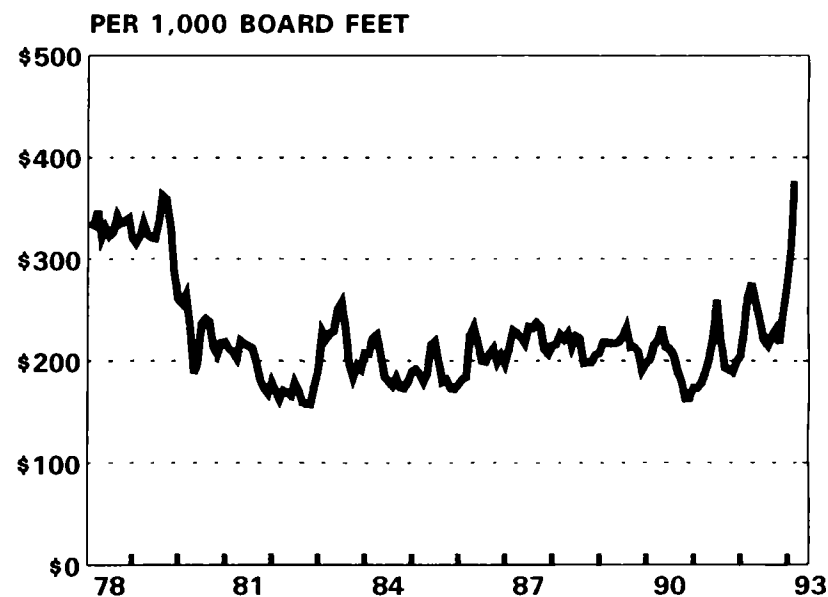
SOFTWOOD LUMBER PRICES

CURRENT DOLLARS



Monthly average prices
through February 1993

1982 DOLLARS



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

March 26, 1933

USDA - FOREST SERVICE

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

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

USDA, Forest Service

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

<u>Program 1993</u> <u>Stimulus Package</u>	<u>Types of Work</u>	<u>M \$ Request</u>	<u>Number of Jobs</u>
	1. Ecosytems (Includes fisheries/wildlife improvements, range & watersehd improvements, inventory of inactive/ abandoned mines)	13,000	
	2. Facilities	13,830	
	3. Trail Maintenance	6,237	
	4. Recreation Use	21,208	
	5. FA&O Construction	2,186	
	6. Research Construction	955	
	7. Recreation Construction	1,942	
	8. Trail Construction	2,652	
	SUB TOTAL	\$62,010	27-2900

Oregon, Washington, Northern California

<u>Program</u>	<u>Type of Work :</u>	<u>M \$ Request</u>	<u>Number of Jobs</u>
<u>Additional Opportunities for Jobs</u>	1. Stream Restoration (PACFISH)	56,000	7-11,000
	2. Trail Reconstruction/ Heavy Maintenance	32,605	7-900
	3. Recreation Facilities	90,878	22-2400
	4. Recreation Maintenance	29,871	7-800
	5. FA&O Construction	30,000	550-650
	SUB TOTAL	\$239,354	15,750
<u>Rural Development</u>	1. Rural Development	3,890	
	2. Economic Recovery	4,864	
	3. Old Growth Diversity	1,510	
	SUB TOTAL	\$10,264	6-700
<u>Trade Policy</u>	1. Ban Log Exports		11-12,000
	TOTAL	\$311,628	31,350

Impact of the Forest Management Plan

Background

Issue

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

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

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

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

Endangered Species Act

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

Likely Plan

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

As the primary means for achieving recovery, the draft plan recommends establishing 196 designated conservation areas (DCAs) to provide approximately 7.5 million acres of federal forestland as the primary habitat for the northern spotted owl population. These DCAs include approximately 48 percent of the total remaining spotted owl nesting, roosting, and foraging habitat on federal lands. The largest DCAs are designed to support a population of 20 or more pairs of owls in habitat conditions that allow successful breeding rearing young. They are located to allow owls to disperse from one DCA to another. Each DCA contains areas of currently existing owl habitat combined with areas of younger forests. These younger stands will be protected so they can mature into owl habitat. The DCAs contain approximately 1,180 known owl pairs on federal lands. This represents about 48 percent of the total pairs currently known on all federal lands. When the DCAs become fully developed owl habitat, they will support a population of approximately 2,320 pairs of owls.

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

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

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

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

Human Costs

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

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

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

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

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

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

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

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

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

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

According to an analysis published in the February 1993 issue of **Housing Economics**, the National Association of Homebuilders identify the primary forces contributing to the price increases, in addition to the rise in demand, as the declines in timber supplies from government-owned lands in the Pacific Northwest due to restrictions in sales and harvests resulting from the Endangered Species Act's protection of the northern spotted owl and other species, and other laws affecting the forests and forest management in the area, and the environmental litigation surrounding the application of many of these laws. They also mention log and lumber exports, primarily from Pacific Coast ports, and the 6.5 duty on softwood lumber imports from Canada, the source of 25 to 30 percent of U.S. consumption in recent years. Finally, they suggest that speculative behavior such as panic buying and withholding of supplies may have been contributing factors.

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

	Baseline Employment Related to Projected 1995 Federal Timber Harvest**	Loss Caused By DCAs***	Loss Caused By 50-11-40	Total Losses
Washington Subtotal	10342	4591	693	5284
Oregon Forest Service	29754	8769	1768	10537
Oregon BLM	18546	11021	1403	12424
Oregon Subtotal	48300	19790	3171	22961
California FS	7728	2666	1062	3728
California BLM	25	25	0	25
California Subtotal	7753	2691	1062	3753
Salvage and Silviculture		-1770		-1770
Three States Total	66395	25302	4926	30228
Forest Service	47824	14378	3523	18501
BLM	18571	10324	1403	11727

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

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

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

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

(billions of board feet per year)

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

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

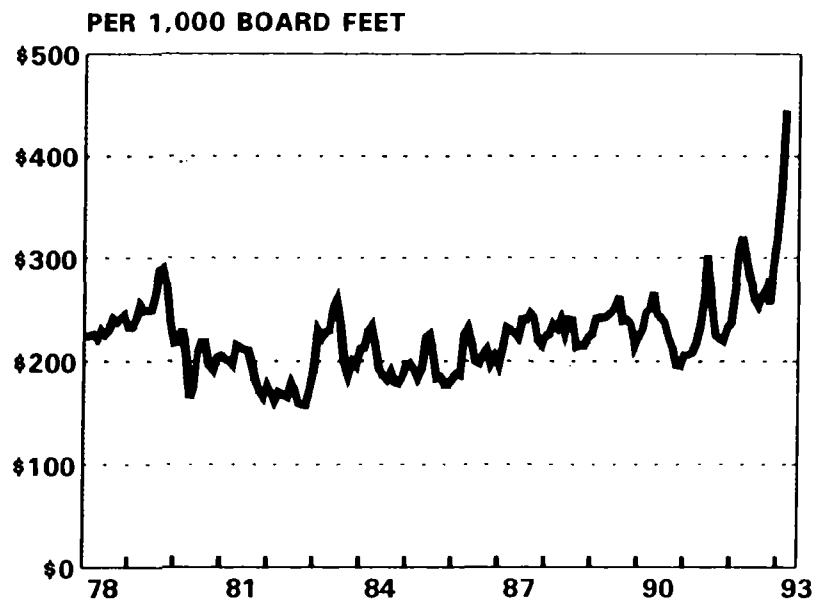
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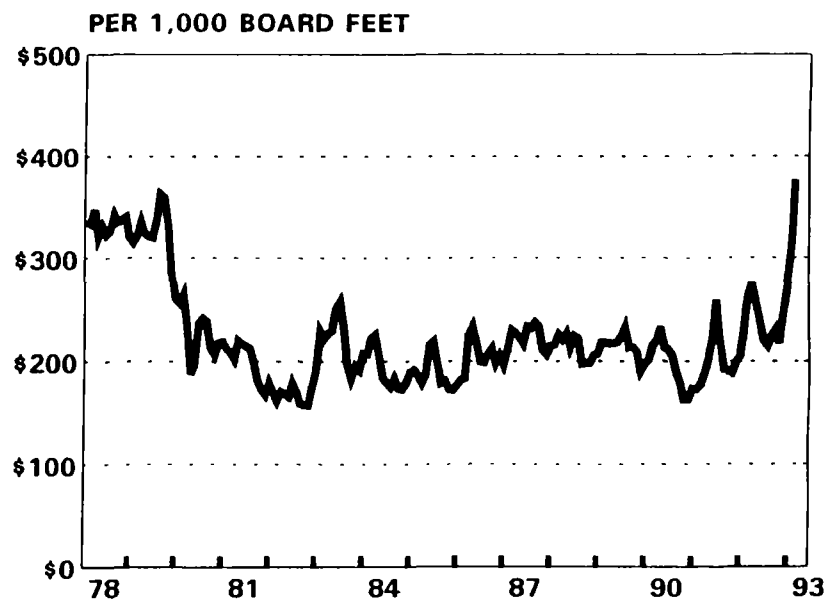
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TRADE POLICY

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

Description

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

Action Required

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

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

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

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

Effects

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

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

The ban on exports would significantly affect imports of softwood lumber from Canada, reducing them 1 billion board feet in 1995 and over 3 billion board feet in 2000. The U.S. balance of trade through reduced imports would improve by some \$900 million. Elimination of exports from Washington, Oregon, and California would cause a reduction in export value on the order of \$1.5 billion. Depending on the volume and value of lumber exports, some of this sales loss would be offset by additional lumber sales.

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

The Current Softwood Log Export Situation

How We Got Where We Are

General Background

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

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

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

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

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

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

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

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

Chronology of Restrictions

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

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

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

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

1981--Substitution regulations were further refined.

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

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

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

Market Characteristics

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

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

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

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

Trade-Offs

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

Softwood log exports:

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

Proponents and Opponents of Softwood Log Exports

Proponents:

- o Forest land owners
- o Loggers
- o Longshoring industry

Agricultural and other interests which fear that a restriction on log exports from private lands would set a precedent for taking of other rights on the use of private lands.

Opponents:

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

Threatened and Endangered Species and Softwood Log Exports

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

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

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

ACTIVITIES ASSOCIATED WITH WATERSHED RESTORATION

(PACFISH)

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

Roads maintenance and obliteration

Road drainage improvement

Culvert maintenance and replacement

Bridge maintenance and reconstruction

Slope stabilization

Instream habitat improvements, including the introduction of large woody debris

Riparian and upland revegetation

Wetland restoration

Snag creation and protection

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

Watering structure development

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

Geographic Information Systems advancement

Ecosystem inventory and monitoring

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

Restoration of fire dependent ecosystems, creation and protection of snag and cavity trees, identification of old growth, construction of watering structures, and revegetation of riparian area are examples of labor intensive activities that could be undertaken using the skills of local workers with timber and ranching experience.

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

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

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