

HOUSE BILL REPORT

HB 1341

*As Reported By House Committee on:
Trade & Economic Development
Appropriations*

Title: An act relating to economic development.

Brief Description: Providing economic assistance to timber dependent communities.

Sponsor(s): Representatives Sheldon, Hargrove, Jones, Inslee, Riley, Rayburn, P. Johnson, Bowman, Haugen, Paris, Brumsickle, Wynne, Beck, Fuhrman, Ferguson, Basich, Morton, Padden, Roland, Heavey, H. Myers, Peery, Ebersole, May, Lisk, Zellinsky, Nealey, Edmondson, Cooper, Betrozoff, Miller, Mitchell, Jacobsen, R. King, Wineberry, Franklin and R. Johnson.

Brief History:

Reported by House Committee on:
Trade & Economic Development, March 6, 1991, DPS;
Appropriations, March 10, 1991, DPS(TED)-A.

**HOUSE COMMITTEE ON
TRADE & ECONOMIC DEVELOPMENT**

Majority Report: *That Substitute House Bill No. 1341 be substituted therefor, and the substitute bill do pass.*
Signed by 11 members: Representatives Cantwell, Chair; Sheldon, Vice Chair; Forner, Ranking Minority Member; Betrozoff, Assistant Ranking Minority Member; Ferguson; Kremen; Ludwig; Moyer; Rasmussen; Riley; and Roland.

Staff: Charlie Gavigan (786-7340).

Background: Timber harvest levels, particularly on federal lands, are expected to decrease significantly. This will adversely impact the State generally and timber communities specifically. There are two primary reasons for the reduced harvest level. The first is that the forest management plans, particularly the U.S. Forest Service Management Plans, recommend a significant decrease in the harvest levels. Secondly, implementation of the Interagency Scientific Commission (ISC) report or other proposals to protect the habitat of the Spotted Owl, which has been declared a threatened species under the federal Endangered

Species Act, will further reduce the harvest level in Washington State.

A log export ban on state lands was passed by Congress in an attempt to reduce the jobs lost from timber supply reductions by mandating that state timber be processed domestically.

Impacts from the reduced timber supply will vary in different geographic areas in Washington. Proximity to an urban center, local economic development capacity, productivity of mills in the area, source of logs, proximity to a port, and public and social infrastructure are all factors effecting impact.

The estimated job losses resulting from the reduced harvest level vary significantly. The governor's office estimates the direct and indirect job losses at 20,000; the House Timber Task Force estimates the job losses at 26,000. In addition to employment, the reductions in the timber harvest level will also impact timber-dependent communities, the timber industry, urban areas, and ports.

Timber-dependent communities benefit generally from state-wide economic development programs. In the 1989-91 biennium, the State will spend approximately \$93 million for economic development programs, excluding vocational education and job training. Approximately \$5.6 million of this is targeted specifically to assist timber-dependent communities.

Training and retraining programs, most of which are administered by the state Department of Employment Security and funded through the federal Job Training Partnership Act, can benefit timber-dependent communities. An example of this is job dislocation assistance.

Two infrastructure programs provide financing assistance to local communities and businesses. The Community Economic Revitalization Board (CERB), created in 1982, provides loans or grants to counties, cities, towns, and ports for economic development-related infrastructure. The loan or grant must be necessary to bring an identified business or development into the community. The Development Loan Fund (DLF), created in 1985, uses federal funds to make loans to businesses to locate to or expand in a community. Of these loans, 80 percent must be made in distressed areas.

Summary of Substitute Bill: Economic assistance is provided to timber-dependent communities, primarily in the areas of: (1) financing infrastructure; (2) exporting products from timber communities; (3) expediting state permits for

development in timber communities; (4) providing training and retraining; and (5) targeting several existing programs to timber-dependent communities.

A separate account is created in the Community Economic Revitalization Board (CERB) to finance economic development-related infrastructure in timber-dependent communities without requiring that the loan or grant be tied to a specific business.

The Washington Wood Products Competitive Commission is created. The commission has five public members and four industry members. The commission is to award grants for value-added projects and feasibility studies and for the formation of business networks by the industry. The commission is to coordinate with the Department of Trade and Economic Development's value-added Forest Products Program.

The commission is intended to become industry-supported and industry-operated after 2 years.

The Department of Trade and Economic Development, the Small Business Export Finance Assistance Center, and the Washington Economic Development Finance Authority are to provide marketing, technical, and financing assistance to increase exports from timber-dependent communities.

State permits necessary for development must be expedited for developments in timber-dependent communities.

Training and retraining services, including a Self-Employment and Entrepreneurial Development (SEED) program, will be provided to timber communities.

The governor is to coordinate the delivery of economic development-related social services, and local Associate Development Organizations are to coordinate the delivery of economic development services.

Other existing programs are enhanced and targeted to timber-dependent communities. These programs, all administered for the state by the Department of Trade and Economic Development, are: (1) the Marketplace Program, rural-urban links; (2) the Small Business Development Center, established at Grays Harbor Community College and Peninsula Community College; and (3) Associate Development Organizations, Team Washington.

Substitute Bill Compared to Original Bill: Existing CERB and DLF accounts are not changed; a new, separate account is created in CERB and DLF is targeted to timber-dependent communities in the appropriation. The references to the

Public Works Trust Fund are removed. The definition of "timber-dependent community" is made consistent. Provisions relating to tax deferrals and tax credits are removed. The Wood Products Competitiveness Commission is added. Some appropriations for infrastructure and operating programs are reduced or eliminated.

Fiscal Note: Requested March 5, 1991.

Appropriation: Yes.

Effective Date of Substitute Bill: The bill contains an emergency clause and takes effect immediately.

Testimony For: Timber communities are facing a crisis and need state assistance to recover from the negative impacts of reduced timber harvest levels. Timber communities are looking for a hand out of the crisis, not a hand-out. The infrastructure financing can help the communities diversify. Social services must be available to enable dislocated timber workers to receive necessary training and other assistance so that the job dislocation is temporary. Training needs cannot be met if housing, child care, health care, and other needs are not met. The technical assistance DTED provides to the timber industry and DCD provides to timber communities must be continued to preserve the vitality of timber communities and the industry.

Testimony Against: None.

Witnesses: Representatives Mary Margaret Haugen, Harriet Spanel, Tim Sheldon, Evan Jones, and Jim Hargrove; Peggy Johnson; Don White, Director, Washington Public Ports Association; Jim Pissot, National Audubon Society; David Hagiwara, Port of Port Angeles; Leroy Tipton, Grays Harbor Chamber of Commerce; K. O. Rosenberg, Washington State Association of Counties; Bob Paylor, Chair of Commissioners, Grays Harbor County; Bruce Beckett, Northwest Forestry Association; George Donovan, Managing Partner, Olympic Land Company, Aberdeen/Hoquiam/Grays Harbor; Ann Goos, Executive Director, Washington Commercial Forest Action Committee, and the North Olympic Timber Action Committee; Sandi Pedersen, represents communities in eastern Lewis County; Roger Reidel, Washington State Labor Council; Brent Knott, Association of Pulp and Paper Workers; Steve Lansing, Lutheran Public Policy Office; Mike Anderson, Wilderness Society; Ted Anderson, Forest Families Action Committee; Theresa Deschene, Marblemount; Karlene Collins, Washington Workers Resource Committee; Robin Sherman, Economic Development Association of Skagit; Bert Williamson, Skagit Valley Community College; and Don Wick, Skagit County Economic Development Council. (All in support).

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *The substitute bill by Committee on Trade & Economic Development be substituted therefor and the substitute bill as amended by Committee on Appropriations do pass. Signed by 26 members: Representatives Locke, Chair; Inslee, Vice Chair; Spanel, Vice Chair; Silver, Ranking Minority Member; Morton, Assistant Ranking Minority Member; Appelwick; Belcher; Bowman; Braddock; Brekke; Dorn; Ebersole; Ferguson; Fuhrman; Hine; Lisk; McLean; Nealey; Peery; Pruitt; Rust; H. Sommers; Sprenkle; Valle; Wang; and Wineberry.*

Staff: Susan Nakagawa (786-7145).

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Trade & Economic Development: Clarifying and technical changes are made: Language is removed stating that it is legislative intent to provide tax incentives to encourage business expansion in timber-dependent communities; and language is added specifying that criteria for determining timber-dependent communities includes unemployment rates 20 percent or more than the state average.

Additional changes are made to the Community Economic Revitalization Board (CERB) program: (1) A 20 percent or greater local match is required of local governments in order to be eligible for CERB funding; (2) Expiration dates of July 1, 1995 are incorporated for all the provisions affecting the new CERB requirements that apply to timber-dependent communities; (3) The CERB Board is directed to give priority to applications from communities experiencing either high unemployment or high timber unemployment; (4) The CERB Board is directed to report to the legislative fiscal committees for two years following expiration of the new provisions affecting timber-dependent communities. Specifically, the report is to identify, by county, economic growth and/or economic diversification attributable to loans and grants made under the provisions of the act; (5) Two changes are made regarding repayment of CERB loans. First, language is restored that directs 75 percent of repayments from 1983 loans to the General Fund. Second, the revolving fund account, which is capitalized by loan repayments, is subject to legislative appropriation; (6) Language that mandated expedited permit processing by state agencies for timber-dependent communities is deleted; (7) Provisions affecting the Washington Wood Products Competitiveness Commission's grant making authority are changed. First, language allowing grants for industry networking is

stricken. Second, the directive to the commission regarding the level of funding to be provided for feasibility studies on product research and development is deleted; (8) The creation of the Washington Wood Products Competitiveness Commission account is deleted; and (9) All appropriations and attendant provisions are removed.

Fiscal Note: Available.

Appropriation: Removed.

Effective Date of Substitute Bill as Amended: The bill contains an emergency clause and takes effect immediately.

Testimony For: The bill addresses the long term infrastructure needs of timber-dependent communities. Without infrastructure assistance, these communities are unable to support economic growth or diversification. The legislation incorporates the value-added wood processing strategy used by the Department of Trade, and provides necessary assistance to communities for development of infrastructure capacity. Other elements, including export promotion and additional community college enrollment slots, will assist timber-dependent communities.

Testimony Against: None.

Witnesses: Representatives Timothy Sheldon, prime sponsor, Bob Basich, Mike Riley, and Evan Jones; Rich Nafziger, Governor's Timber Team; Dave Rogers, Washington Ports Association; Bill Vogler, Washington State Association of Counties; Dennis Matson, Department of Trade & Economic Development; and Jule Manspeaker, Grays Harbor Community College.