

SENATE BILL REPORT

SB 5555

AS REPORTED BY COMMITTEE ON WAYS & MEANS, MARCH 11, 1991

Brief Description: Providing assistance for timber harvesting areas.

SPONSORS: Senators Owen, Conner, Snyder, Metcalf, Jesernig, Amondson, Sutherland, Patterson, Hansen, Bailey, Rasmussen, von Reichbauer, Johnson, Pelz, West, Talmadge, A. Smith, Williams, L. Kreidler, Rinehart, Newhouse, Stratton, Gaspard, McMullen, Moore, Madsen, Bauer, Wojahn, Matson, Roach and L. Smith.

SENATE COMMITTEE ON WAYS & MEANS

Majority Report: That Substitute Senate Bill No. 5555 be substituted therefor, and the substitute bill do pass.

Signed by Senators McDonald, Chairman; Craswell, Vice Chairman; Bailey, Bauer, Bluechel, Cantu, Gaspard, Johnson, L. Kreidler, Matson, Metcalf, Murray, Niemi, Owen, Rinehart, Saling, L. Smith, Talmadge, West, Williams, and Wojahn.

Staff: Mary Poole (786-7715)

Hearing Dates: February 25, 1991; March 11, 1991

BACKGROUND:

Washington's timber supply has recently been impacted by federal action regulating the timber harvest on Forest Service lands. On June 23, 1990, the U.S. Fish and Wildlife Service designated the northern spotted owl a threatened species. A management plan was adopted to ensure the owl's future liability. That plan will lead to a reduction of timber harvest on national forests in Washington State of up to 50 percent, which is 10 to 15 percent of the total harvest from all public and private lands.

The impact of the reduction in harvest will be felt most by Washington communities whose economic base is primarily reliant on the timber industry. These communities are located on the Olympic Peninsula, the area of the northern Cascades, and the Puget Sound and southwest regions of the state. The decline in allowable timber sales is projected to have an adverse affect on small and medium sized mills and logging operations in these areas; currently there are more than 3,000 forest products companies employing five or more people in the state. The reduction may result in a loss of 6,000 logging and milling jobs, or 14 percent of total annual state employment in the industry. The loss of timber income could lead to the loss of an additional 12,000 indirect jobs.

Other factors could lead to further timber industry job loss through decreases in both timber supply and demand. Contemporary values which stress environmental protection are bringing pressure to reduce harvest on state and private lands. National demand for wood products is expected to decline over the next few years in the face of slumping housing and paper products markets, weakened by a slower growing national economy.

SUMMARY:

Assistance is provided to timber impacted communities in the following areas:

ECONOMIC DEVELOPMENT

\$12 million is appropriated to the Department of Trade and Economic Development for the following activities and programs:

- 1) The department shall designate a project manager for activities related to timber-impacted regions. The manager will work with and evaluate existing state economic development programs in the timber impacted regions, help to locate additional funding, work with impacted communities to increase accessibility to venture capital, new technologies and options to expand and modernize existing development.
- 2) The Economic Recovery Coordination Board is created to address economic development diversification in timber impacted communities. Specifically, the board will coordinate proposals for diversification presented to it by the department. The board will consist of 15 members, appointed by the Governor, and will include representatives of local businesses, labor organizations, local governments, visitor and convention bureaus, educational institutions, local associate development organizations, the agribusiness community, and local ports.
- 3) The department and the board will jointly coordinate a Timber-Impacted Communities Business and Job Retention Team to gather information about, and provide assistance to, small businesses in danger of closure or facing layoffs. The team, through a subcontractor, will conduct a survey of the local business climate including local business needs, land available for development, potential layoffs, financing needs and availability and other information, and conduct feasibility studies of various business retention options.
- 4) The department and the board will also contract with local agencies to develop a regional export program, waterfront resources to facilitate tourism, develop a training program in marketing for small firms, facilitate small business incubators, operate an Investment Plans Opportunities Office, and provide for targeted small

business recruiting and development. In addition, the department will undertake efforts to promote value-added manufacturing in impacted areas.

- 5) The department and the board will conduct long-range policy planning surveys to determine the best options for economic development in impacted areas. The surveys will include options such as locating an airport in Grays Harbor county, telecommunications, alternative forest products, and tourism. Future employment needs and job skills will be studied, and existing programs such as the Business Assistance Center and the Marketplace program will be expanded.

\$10 million is appropriated to the Department of Trade and Economic Development from the general fund to oversee the establishment of a Forest Products Development Center in Forks. The center will work with industry to improve both the available technology and infrastructure, enable small businesses to become more competitive, train workers in new production, provide consumer and industry trends information, and demonstrate environmental compliance techniques.

\$200,000 is appropriated from the general fund to the Department of Trade and Economic Development for a grant to the port of Willapa Harbor to construct facilities to increase trade and commercial activities.

\$600,000 is appropriated from the general fund to the Department of Trade and Economic Development for a grant to the city of Westport to enhance tourism and the city's airport.

\$2.9 million is appropriated from the general fund to the Department of Community Development to develop a community assistance program to enable communities to build local capacity for sustainable economic development efforts.

The deadline for applications for "distressed area" status to qualify for development loan fund assistance is extended from April 30, 1989 to July 1, 1993.

EXPORT ASSISTANCE

The Pacific Northwest Export Assistance Project is created and placed under the authority of the Small Business Export Finance Assistance Center. The project will assist small to medium-sized manufacturers develop export strategies, secure financing, and organize cooperative export networks. The center will solicit funding for the project, and offer export assistance and counseling to manufacturers in the areas of financing, marketing, distribution systems, and product promotion. It will sign three-year agreements with clients and offer educational grants for employees. The center will work with the Departments of Revenue and Employment Security to assess the performance of the project's clients. The project may not use any state funds to make loans, and the state shall not be liable for debts. It may generate revenue

through fees for services provided to other states. The Pacific Northwest export assistance project fund is created as a nonappropriated, revolving fund. The project shall be terminated June 30, 1996.

BUSINESS TAX DEFERRALS

The deadlines for applications for "distressed area" status to qualify for tax deferrals for investment projects in distressed areas and tax credits for business projects in distressed areas are extended from April 1989 to July 1, 1993.

INFRASTRUCTURE

\$9 million is appropriated from the general fund to the Department of Community Development to provide low-interest loans and grants targeted to timber communities and ports for infrastructure to support economic development.

\$10 million is transferred from the general fund to the public works assistance account for the purpose of making grants to local governments for public works projects. The account may be used to make grants to local governments; current law restricts use of the fund to loans and financial guarantees. Port districts and cargo storage and warehouse facilities are added to the list of eligible recipients of funding from the public works assistance account.

WORKER RETRAINING AND ASSISTANCE

\$1 million is appropriated from the administrative contingency fund to the Department of Employment Security to provide enhanced retraining, support services and job search assistance for dislocated workers in impacted areas. The department may contract to provide training in such areas as: entrepreneurial development, incubation of new businesses, agriculture, tourism. The services provided by the department will include counseling for drug and alcohol abuse, credit difficulties, and other problems.

\$23,175 is also appropriated from the general fund to the department to establish and maintain a job service message center for displaced workers.

\$500,000 is appropriated from the general fund to the department to train dislocated workers through the self-employment and enterprise development program (SEED).

\$70,000 is appropriated from the general fund to the department to enhance the two reemployment centers in timber dependent communities.

UNEMPLOYMENT COMPENSATION

A program extending unemployment compensation for unemployed forest products workers is established. Eligibility for the program is based on number of hours worked in the timber industry and proof of unemployment. Persons who meet the

eligibility requirements are eligible for an additional 26 weeks of benefits.

HIGHER EDUCATION

Community colleges and institutions of higher education and vocational-technical institutes are required to waive tuition for up to six academic quarters for unemployed forest workers who meet the requirements for the unemployment compensation extended benefits.

\$500,000 is appropriated from the general fund for distribution to six community colleges located in Aberdeen, Port Angeles, Mount Vernon, Longview and Olympia. The funds will provide faculty to research and teach in the fields of business and new enterprise development, technology transfer, agribusiness and agricultural service development, and cranberry industry research. Grays Harbor Community College in Aberdeen shall establish a program to train displaced timber workers in safety training and vessel inspection.

HEALTH CARE COVERAGE

\$2,400,000 is appropriated from the general fund to the Department of Labor and Industries to provide health care for dislocated timber workers. Enrollment under the Washington Basic Health Plan is extended to include dislocated workers, defined as workers in timber-impacted areas who have been laid off from employment and are eligible for any unemployment insurance, have been laid off due to plant closure, or are long term unemployed former timber workers. The enrollment cap on the Basic Health Plan is removed. Enrollees may continue enrollment until gross family income has remained above four times the poverty level for six consecutive months. Current law requires that income remain above two times the poverty level for the required period. A total of \$400,000 is appropriated from the general fund to the Department of Labor and Industries to be deposited into the basic health plan trust account to provide coverage for dislocated timber workers.

HOUSING

\$1 million is appropriated from the general fund to the Department of Community Development to establish and administer the Emergency Mortgage Assistance Program. The program will provide up to 24 months and \$20,000 of emergency assistance loans to households that are unable to make mortgage payments on their homes due to loss of employment in the timber industry. The department will work with lending institutions in timber-dependent communities to ensure that homeowners are informed about the program, and will also utilize federal and state programs that complement the program created here.

NATURAL RESOURCES

A total of \$5,963,000 is appropriated from the general fund to the Department of Natural Resources to create a research center for natural resources on the Olympic Peninsula.

EFFECT OF PROPOSED SUBSTITUTE:

The counter cyclical program is added. Through the program, unemployed timber workers are trained in forest industries by the Department of Employment Security, and then hired by the Department of Natural Resources to work on projects which make improvements to state lands.

Tuition waivers are made available only to academically qualified unemployed timber workers. Waivers are made available through June, 1996.

Mortgage assistance is provided only to families unable to make loans on permanent residences, purchased before the effective date of this act. Assistance is made available through June, 1996.

The provision that grants may be made from the public works assistance account is deleted.

Language in the Senate bill to provide assistance to specific community colleges now includes provisions for the State Board for Community College Education to provide assistance to community colleges in timber dependent areas.

Grants to Willapa Harbor and Westport are eliminated.

The long range policy planning surveys will not include a study of the benefits and problems associated with casino gambling.

The Forest Products Development Center will not be implemented under this bill, but a plan will be developed to establish a center at a future date.

The deadline for applications for "distressed area" status to allow businesses to qualify for tax deferrals and tax credits is extended only for timber dependent counties.

The deadline for applications for "distressed area" status to allow businesses to qualify for development loan fund loans is extended only for timber dependent counties.

All appropriations are eliminated. Customary null and void clauses are added for sections requiring an appropriation. An emergency clause is added to apply to sections not requiring an appropriation.

Appropriation: none

Revenue: none

Fiscal Note: requested

TESTIMONY FOR:

Communities dependent on timber industry jobs have been hurt by the recent decrease in supply, and are in need of assistance from the state. The increasing unemployment in the timber industry has the effect of destabilizing local economies. Property and B&O tax revenues are declining in these communities. Social services, such as food banks, must meet a continually greater need for service. Short term state assistance will help these communities get back on their feet, just as similar state assistance helped the Tri-Cities area several years ago, and lessened the impact of the Boeing layoffs in the early 1970s. Business closures, following job loss, will only worsen the economic picture. Companies need export assistance, financing, infrastructure funding, and assistance with diversification. The ports require capital development, and the ability to adjust to different types of exports. Community colleges can be called upon to provide training and other assistance.

TESTIMONY AGAINST: None

TESTIFIED: FOR: Senator Brad Owen, prime sponsor; Jim Coates, community outreach worker; Candy Cowden, housewife, Neilton, WA; Brent Knott, Association of Western Washington Pulp and Paper Workers; Robert Dilger, WA State Building and Construction Trades Council; Roger Reidel, dislocated workers' liaison with WA State Labor Council; Patricia Green, State Board for Community College Education; Dr. Jon Krug, Assistant Dean, Grays Harbor Community College; Gary Morean, attorney/volunteer, President, Grays Harbor Chamber of Commerce; Bob Worrell, President, The Bank of Grays Harbor; Don Clothier, EDC, Grays Harbor; Pam Brown, EDC, Lewis County; Cliff Muller, Executive Director, Port of Grays Harbor; Larry Hendrickson, Port of Willapa; Emile Combe, Business Development Manager, Port of Longview; Phyllis Schrauger, Mayor of Hoquiam; Harriet Buckman, Clallam County Commissioners, special assistant for timber; Jim Justin, Association of Washington Cities; Ellen Pickell, tree farm services