

HOUSE BILL REPORT

HB 1103

As Reported by House Committee On:
Natural Resources, Ecology & Parks

Title: An act relating to encouraging investments in Washington's natural resource-based economy by permitting new timber mills that process only wood grown in Washington to be built with materials and labor that are not subject to state taxes, to allow these mills to have guaranteed permit timelines, to allow these mills to be sited outside of the growth management act, and exempt trucks serving the mill from transportation taxes and fees.

Brief Description: Authorizing forest products operations of statewide significance.

Sponsors: Representatives DeBolt, B. Sullivan, Blake, Holmquist, Linville, Hinkle, Ericksen, Sump, Alexander, Crouse, Chase, Orcutt, Buck, Kessler, Haler, Kristiansen and Haigh.

Brief History:

Committee Activity:

Natural Resources, Ecology & Parks: 2/18/05, 2/24/05 [DPS].

Brief Summary of Substitute Bill

- Allows the certification of forest products operations of statewide significance, and provides these operations with expedited permitting, certain tax exemptions, and an exemption from the Growth Management Act.

HOUSE COMMITTEE ON NATURAL RESOURCES, ECOLOGY & PARKS

Majority Report: The substitute bill be substituted therefor and the substitute bill do pass. Signed by 9 members: Representatives B. Sullivan, Chair; Buck, Ranking Minority Member; Kretz, Assistant Ranking Minority Member; Blake, DeBolt, Eickmeyer, Hunt, Orcutt and Williams.

Minority Report: Without recommendation. Signed by 2 members: Representatives Upthegrove, Vice Chair; and Dickerson.

Staff: Jason Callahan (786-7117).

Background:

The Department of Community, Trade and Economic Development (DCTED) may certify certain business ventures as industrial operations of statewide significance. To qualify as an industrial operation of statewide significance, the business must be a joint project with

adjacent states or provinces involving both public and private investments, or a private industrial manufacturing or research operation with private capital investments.

Only operations begun after 1996 can qualify as an industrial operation of statewide significance. Even then, the operation must have a capital investment level reaching a certain level. The size of capital investment required depends on the population size of the county where the operation is located. Operations in smaller counties need a smaller capital investment to qualify.

Counties that contain an industrial operation of statewide significance must enter into an agreement with the Office of Permit Assistance and the operation's project manager. The agreement must outline a track for expedited completion of the project, including expedited permit processing, expedited environmental review, and expedited easement vacations.

Summary of Substitute Bill:

Certification of forest products operations of statewide significance

The DCTED may certify certain timber businesses as forest products operations of statewide significance. To qualify as a forest products operations of statewide significance, the business must be an industrial operation that processes or mills only timber that has been harvested from forest land in Washington. The mill is also required to be wholly new, be a refurbished existing facility, or be an existing facility that has increased its milling capacity.

Expedited permitting

Counties, cities, and state agencies with permitting authority over a forest products operations of statewide significance must enter into an expedited permit agreement with the Office of Permit Assistance and the project manager of the forest products operation. The agreement must guarantee the issuance of any permit with 90 days of application. If the 90-day mark is not met, then a permit will automatically be issued with no conditions or modifications.

Taxes

Forest products operations of statewide significance, once certified by the DCTED, are not required to pay sales taxes or use taxes for materials or labor used in the construction and operation of the timber mill.

In addition, trucks used primarily for hauling logs to a forest products operation of statewide significance are not required to pay the weight fees assessed by the Department of Licensing.

Growth Management Act

The provisions of the Growth Management Act do not apply to the siting or operation of a forest products operation of statewide significance.

Substitute Bill Compared to Original Bill:

The substitute bill expands the criteria for mills that can qualify as a forest products operation of statewide significance from wholly new mills only to mills that are wholly new, a refurbished existing facility, and existing facilities that have increased their milling capacity.

Appropriation: None.

Fiscal Note: Available.

Effective Date of Substitute Bill: The bill takes effect 90 days after adjournment of session in which bill is passed.

Testimony For: (In support of original bill) Washington has a natural resources-based economy, but many mills are closing in rural areas. Helping mills not only puts forest product workers back on the job, but it creates opportunities across the spectrum and helps address some of the social ills that results from high unemployment.

High unemployment in the timber sector is in part due to the fact that many logs are exported from the state and not processed domestically. This bill will redress the competitive imbalance that makes it more profitable to export a log than to process it in Washington. It will also create high paying jobs.

Adequate prices for tree growers is dependent on there being local mills to bid on their harvested logs. Washington is losing that infrastructure and needs to encourage new mills to be built near the timber source. This will increase sales opportunities and decrease shipping costs.

(With concerns to original bill) Some of the permits just could not be issued within 90 days. These include permits that are delegated by the federal government. Some mill owners may want more than 90 days to negotiate and discuss conditions with the permitting agency.

Allowing only Washington wood to be considered may be found discriminatory under the Commerce Clause in the United State Constitution. It may also be hard for mills to meet the high Washington wood only standard.

Testimony Against: None.

Persons Testifying: (In support of original bill) Representative DeBolt, prime sponsor; Matt Matayosh, Columbia Pacific Economic Development District; William Lotto, Lewis County Economic Development Council; Bob Guenther, International Brotherhood of Electrical Workers #77; Steve Stinson, Cowlitz Ridge Tree Farm; and Tim Boyd, Vaagen Brothers.

(With concern to original bill) Julie Sexton, Department of Revenue; and Greg Sorlie, Department of Ecology.

Persons Signed In To Testify But Not Testifying: None.