

HOUSE BILL REPORT

ESSB 5555

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

Title: An act relating to economic and employment impact of timber harvest variation in Washington state.

Brief Description: Providing assistance for timber harvesting areas.

Sponsor(s): Senate Committee on Ways & Means (originally sponsored by 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).

Brief History:

Reported by House Committee on:
Trade & Economic Development, April 5, 1991, DPA;
Appropriations, April 8, 1991, DPA(TED/APP).

**HOUSE COMMITTEE ON
TRADE & ECONOMIC DEVELOPMENT**

Majority Report: *Do pass as amended.* 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.

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.

Summary of Amended Bill: Economic assistance is provided to timber-dependent communities, primarily in the areas of: financing infrastructure, exporting products from timber communities, and coordinating state services to timber communities.

A separate account is created in the Community Economic Revitalization Board 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. 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.

The governor is to coordinate the delivery of economic development-related social services in timber communities, and local associate development organizations are to coordinate the delivery of economic development services.

Associate development organizations in timber-dependent communities, if funding is made available, are to provide additional local economic development assistance.

Amended Bill Compared to Engrossed Substitute Bill: The amendment removes provisions relating to: (1) creating an Economic Recovery Coordination Board and diversification program for timber communities; (2) creating a counter-cyclical jobs program through the Department of Natural Resources; (3) extending unemployment insurance benefits; (4) providing tuition waivers; (5) extending basic health care; (6) creating the Pacific Northwest Export Assistance Project; (7) extending tax deferrals/credits; (8) changing the Public Works Trust Fund; and (9) creating an emergency mortgage assistance program. Provisions are added regarding infrastructure financing in timber communities, expanding exports from timber communities, and coordinating state economic and social services provided to timber communities. The striking amendment is nearly identical to ESHB 1341.

Fiscal Note: Requested.

Effective Date of Amended 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 the Department of Trade and Economic Development provides to the timber industry and the Department of Community Development provides to timber communities must be continued to preserve the vitality of timber communities and the industry.

Testimony Against: None.

Witnesses: Senator Brad Owen, Senator Syd Snyder, original sponsors; Dan Leinan, Forks, Washington; Richard Haberman, Mayor, Forks, Washington; O. D. Wendt, Aberdeen; Jim Pickell, Washington Contract Loggers' Association; Jim Coates, Employment Security Outreach Program; John Warring, Grays Harbor Labor Council, AFL-CIO; Emile Comb, Port of Longview, Cowlitz-Wahkiakum Governmental Conference; Tim Stregge, Private Industry Councils and Job Training Executives of Washington; Renee Lynch, Northwest Coalition of Families First, Hoquiam, Washington; Judith St. Clair, Economic Development Council of Clallum County; Graeme Sackrison, Employment Security Department; Stan Lattin, Port of Grays Harbor; Michelle Brown, Department of Community Development; Pat Green, State Board for Community Colleges; Dr. Jewel Manspeaker, President, Grays Harbor Community College; Bert Williamson, Skagit Valley Community College; Bob Dilger, Washington State Building and Construction Trades Council; Ron Judd, International Brotherhood of Electrical Workers #6; Dan Wood, Citizens for Responsible Resource Use; Steve Lansing, Lutheran Public Policy Office; Rich Nafziger, Office of the Governor; Ken Keach, Export Assistance Center; Leroy Tipton, Grays Harbor Chamber of Commerce; Larry Hendrickson, Port Manager, Wilapa Harbor; and Randy Rust, Westport (all spoke in support).

**HOUSE COMMITTEE ON
APPROPRIATIONS**

Majority Report: *Do pass as amended by Committee on Trade & Economic Development as such amendment is amended by Committee on Appropriations.* Signed by 22 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; Hine; May; Mielke; Peery; Rust; H. Sommers; Valle; Wang; and Wineberry.

Minority Report: Do not pass. Signed by 6 members: Representatives Fuhrman; Holland; Lisk; McLean; Nealey; and Vance.

Staff: Susan Nakagawa (786-7145).

New Background Information: In Washington, unemployment benefits are available to claimants for a maximum of 30 weeks. Additional weeks of benefits, funded by a match of federal and state funds, are available only if the state economic condition reaches certain "triggers." The triggers depend on the economic status of the state as a whole. Economically distressed areas in the state cannot trigger in separately. There is currently no state-funded additional benefit program.

Summary of Recommendation of Committee on Appropriations Compared to Recommendation of Committee on Trade & Economic Development: Provisions are added which establish an unemployment insurance additional benefit program. This program is for lumber and wood products employees and for employees in counties that have lumber and wood products employment at least twice the state average and an unemployment rate that is at least 20 percent higher than the state average. The program may not accept new claims after July 3, 1993.

If an unemployment insurance claimant qualifies, he or she may receive additional benefits for a total of 52 weeks of regular and additional benefits. To qualify for additional benefits, the claimant must reside in or have worked in an eligible county at the time of last separation from employment, or must have earned wages in at least 680 hours of lumber and wood products employment. In addition, the claimant must be unlikely to return to his or her previous employment because the work opportunities have been substantially reduced, and must enter and make satisfactory progress in an approved training program.

Fiscal Note: Available.

Effective Date of Amended Bill: The bill contains an emergency clause and takes effect immediately except for Section 13 which takes effect on July 1, 1991.

Testimony For: None.

Testimony Against: None.

Witnesses: None.