

HOUSE BILL REPORT

ESHB 1341

As Amended by the Senate

Title: An act relating to economic development.

Brief Description: Providing economic assistance to timber dependent communities.

Sponsor(s): By House Committee on Trade & Economic Development (originally sponsored by 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;
Passed House, March 14, 1991. 97-0;
Amended by Senate.

**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).

**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; Appelpwick; 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).

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 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 (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. 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.

EFFECT OF SENATE AMENDMENT(S): The Senate striking amendment:

1. Eliminates the **Wood Products Competitiveness Commission.**
2. Establishes a **Timber Recovery Coordinator** appointed by the governor to coordinate the economic and social programs targeted to timber-dependent communities. An economic sub-coordinator is appointed in the Department of Trade and Economic Development; a social services sub-coordinator is appointed in the Department of Social and Health Services. The Timber Recovery Coordinator shall have executive authority over specified state agencies on programs created in this act.

3. Establishes an **Agency Timber Task Force**. The task force is made up of representatives of the following agencies: the Department of Trade and Economic Development; the Department of Community Development; the Department of Social and Health Services; the State Board for Community College Education; the Employment Security Department; the State Board for Vocational Education; the Department of Natural Resources; the Department of Transportation; the State Energy Office; the Department of Wildlife; and the Department of Ecology.
4. Requires the **Northwest Policy Center** to evaluate all timber programs.
5. Establishes an **Economic Recovery Coordination Board** consisting of one representative, appointed by the governor, from each timber area Economic Development Council, as well as the Timber Recovery Coordinator and the two sub-coordinators. This board shall advise the Timber Resource Coordinator and the Agency Timber Task Force. The board shall also advise the Department of Trade and Economic Development regarding economic diversification programs.
6. Requires that the Department of Trade and Economic Development implement **economic diversification programs** in timber-dependent communities.
7. Requires that the Department of Trade and Economic Development develop an implementation plan for a **Forest Products Development Center** in Forks.
8. Requires that the Employment Security Department provide enhanced **training and retraining** in timber communities.
9. Establishes a **counter-cyclical jobs program** through the Department of Natural Resources for at least 200 dislocated timber workers.
10. Provides for higher education **tuition waivers** and **additional slots** for timber workers.
11. Expands the **Basic Health Plan** to dislocated timber workers.
12. Establishes the **Pacific Northwest Export Assistance Project** in the Small Business Export Finance Assistance Center.

13. Expands B & O **tax deferrals and credits** for business projects in timber communities.
14. Establishes an **Emergency Mortgage and Rental Assistance Program**.
15. Requires local governments to allow "**mother-in-law apartments**."
16. Allows the Public Works Board to make loans to local governments for **new** infrastructure in timber communities.
17. Provides for several other programs, subject to appropriation of funds, such as **enhanced re-employment centers** and a **Natural Resources Research Center** on the Olympic Peninsula (through the University of Washington).
18. Requires state agencies to develop an **expedited permit process** for permits from timber communities.
19. Authorizes **small ports to incur higher debt** without voter approval.
20. Provides **null and void** clauses for most of the programs created in the bill; that is, if funding is not provided for in the budget, these programs are null and void.

Fiscal Note: Available.

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

Testimony For: (Trade & Economic Development) 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.

(Appropriations) 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: (Trade & Economic Development) None.

(Appropriations) None.

Witnesses: (Trade & Economic Development) 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).

(Appropriations) 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 Dr. Jewell Manspeaker, President, Grays Harbor Community College.

VOTE ON FINAL PASSAGE:

Yeas 97, Excused 1

Excused: Representative Beck