

SENATE BILL REPORT

ESSB 5555

AS PASSED SENATE, MARCH 20, 1991

Brief Description: Providing assistance for timber harvesting areas.

SPONSORS: 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).

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

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.

The Economic Recovery Coordination Board is created to address economic development diversification in timber impacted communities to advise the department. The board will consist of 15 members, appointed by the Governor. The department and the board will jointly implement economic diversification programs.

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

The department and the board will gather data about the wood products industry, encourage cooperation among wood products firms, conduct feasibility studies for businesses, and establish links with other state agencies and other states and provinces.

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.

The Department of Trade and Economic Development will oversee the development of a plan for 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.

The Department of Community Development will 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 for timber dependent counties.

The counter cyclical program is created to train unemployed timber workers in forest industries and then provide employment through the Department of Natural Resources.

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

INFRASTRUCTURE

The Department of Community Development will provide low-interest loans and grants targeted to timber communities and ports for infrastructure to support economic development through the Community Economic Revitalization Board program.

Infrastructure loans will be made available to timber dependent communities through the public works assistance program.

WORKER RETRAINING AND ASSISTANCE

The Department of Employment Security will 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.

The department will establish and maintain a job service message center for displaced workers, and train dislocated workers through the self-employment and enterprise development program (SEED).

Two reemployment centers in timber dependent communities will be enhanced.

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 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 and who are academically qualified.

Waivers are available through June, 1996.

The State Board for Community College Education shall provide training in timber dependent communities. The training will include an emphasis on literacy, agricultural development and value added manufacturing. The Skagit Valley Community College will establish a program to train and hire displaced workers in stream enhancement activities.

Grays Harbor Community College in Aberdeen shall establish a program to train displaced timber workers in safety training and vessel inspection. Supplemental enrollment slots will be provided.

HEALTH CARE COVERAGE

The Department of Labor and Industries will provide health care for dislocated timber workers. Enrollment under the Washington Basic Health Plan is extended to include dislocated workers. Displaced workers are defined as workers in timber-impacted areas who have been laid off from employment and are eligible for any unemployment insurance; laid off due to plant

closure; or long term unemployed former timber workers. Enrollees may continue until gross family income has remained above four times the poverty level for six consecutive months.

HOUSING

The Department of Community Development will 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. Assistance is available through June, 1996.

NATURAL RESOURCES

The University of Washington will create a research center for natural resources on the Olympic Peninsula. The center shall coordinate research in marine resources with Grays Harbor and Peninsula Community Colleges.

If specific funding is not provided in the Omnibus Appropriations Act for sections 3-17, 20-32 and 36-48, these sections shall be null and void.

The remaining sections take effect immediately.

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