

## CHAPTER 6

**EASING THE TRANSITION FOR WORKERS,  
BUSINESSES, AND COMMUNITIES:  
PROVIDING ECONOMIC ASSISTANCE**

The economic assistance components of the Northwest Forest Plan are aimed at helping the region<sup>6</sup> adjust to changes in federal forest management by increasing the capacity of those affected by reduced federal timber supply to improve their economic and social well-being. The components are intended to ease a complex set of economic and social stresses that have been affecting parts of the region for several years. The most apparent dislocations are job losses, business closures, and distressed timber-dependent communities. But the effects are even further reaching because the capacity of communities to maintain and upgrade their infrastructure is adversely affected, the endurance and spirit of workers to acquire new skills is sorely tested, and the sense of optimism that underlies investment in both human and business capital is overcome by the stresses that arise as traditions and economic security are threatened.

The major components of economic assistance—the means to improve economic and social well-being—are

- The Northwest Economic Adjustment Initiative (the Initiative) to bring assistance to workers and their families, businesses, and communities;
- Payments to counties to compensate for reductions in payments that traditionally have been tied to federal timber receipts;
- Removal of tax incentives for the export of raw logs; and
- Assistance to encourage growth and investment of small businesses and secondary manufacturers in the wood-products industry.

The Initiative is the most visible part of the economic assistance effort. It brings together federal, state, local, tribal, and private representatives to match available technical and financial assistance with locally determined needs and opportunities. The Initiative provides assistance in the short-run so that workers, families, businesses, and communities can adjust to a prosperous, longer-run, diversified future—a future compatible with ecosystem management on federal forests.

The region's people, communities, customs, and expectations are varied, and these variations affect forestry and how forest management problems will be resolved. The Forest Ecosystem Management Assessment Team makes clear that the problems associated with forest management

<sup>6</sup>In this chapter, the region is defined in two similar ways. For analyzing economic trends, the region is the set of counties in the range of the northern spotted owl, the definition used in chapters VI and VII (the economic and social analysis chapters) in the FEMAT report (1993). For evaluating the economic assistance delivered as part of the Plan, the region follows boundary lines established by the states for implementing the Northwest Economic Adjustment Initiative (see text); the state boundaries exclude several major urban counties and include several counties with significant wood-products sectors that are associated with the range of the northern spotted owl.

are only partly technical and scientific; more important, those problems are influenced by a multitude of values and beliefs about how the many benefits of forests are to be provided. The transitions of the region's communities and residents are complex because the communities, institutions, groups, and individuals that make up the region are themselves complex. The effects of the Plan, particularly its economic assistance component, will have implications broader than the measures of demographic and economic performance summarized here. For a complementary discussion of the historical and social factors relevant to federal forestry in the region, see FEMAT (1993) and the references cited there.

## UNDERSTANDING THE REGION AND ITS RELATION TO FOREST-BASED INDUSTRIES

Parts of the region's economy, many communities, and a way of life for many of the region's people are linked to public and private forests, their uses, and the industries they support. The economic assistance provided by the Plan is only one of the economic forces affecting the region and its forest-based communities and industries. Global and domestic competition and trade, technology development and use, and aggressive global and domestic marketing all combine with a well-recognized quality of life, a tradition of business innovation, and a rich endowment of natural resources to give the region its vitality.

Several industries, based on both commodity and noncommodity products, uses, or services, are derived from or associated with the region's forests. Wood-products manufacturing and logging, dispersed and developed recreation, tourism, commercial and sport fishing, hunting, and special forest products are all important to the region's economic health, its culture, and the unique character of each state. They are all affected by changes in federal forest management. The region also depends on its important water resources for domestic and industrial use, recreation, and transportation. Forests contribute to the amenity and scenic quality of the region, its air and water quality, and the quality and character of both urban and rural life. Cultural, spiritual, subsistence, and wildlife uses are locally important throughout the region for indigenous and other peoples. Finally, locally important industries, such as grazing and mining, are linked to forests.

### Regional Growth and Urbanization

The people, and thus the economic activity of the region, are unevenly distributed across the landscape, with most of the region's population in metropolitan counties.<sup>7</sup> For the analysis that follows, the following counties have been included in the metropolitan category:

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<sup>7</sup>The distinction between metropolitan and nonmetropolitan is based on size. Metropolitan counties are included in a Metropolitan Statistical Area, which is defined by the Bureau of the Census as a county or a group of contiguous counties that contains at least one city with a population of 50,000 or more or includes an urbanized area of at least 50,000 with a total metro population of at least 100,000, and may include other counties with strong ties to the central city. None of the northern California counties are considered metropolitan for purposes of this analysis.

**Washington**

- Clark
- Island
- King
- Kitsap
- Pierce
- Snohomish
- Thurston
- Whatcom
- Yakima

**Oregon**

- Clackamas
- Columbia
- Jackson
- Lane
- Marion
- Multnomah
- Polk
- Washington
- Yamhill

Benton County in Oregon and Shasta County in California, which are formally classified as metropolitan counties based on the 1990 census, are not treated as such in this analysis because of their important rural characteristics. The distinction between metropolitan and nonmetropolitan is useful, but does not perfectly distinguish between urban and rural. For example, Lane County, Oregon, is classified as metropolitan, with 72% of its population residing in urban areas (places with populations exceeding 2,500), but it also has a decidedly rural pattern of land use, with 87% of its land area in forest and another 10% in agriculture. Because of their size, many of the region's metropolitan counties include public and private forest land, provide homes and work for many rural residents, and support various forest-based enterprises.

The region's population has grown briskly for more than two decades, though the rate has varied through time with some important slowdowns, such as the first few years of the 1980s. Since 1970, population has grown at a rate of 1.8% annually, twice the national rate of 0.9%. Population in the region's metropolitan areas has been growing much faster than the nonmetropolitan population (figure 9).

Since 1970, regional employment has grown at a 2.8% annual rate, which exceeds the national rate of 1.8%. Today, regional employment stands at almost 4.4 million workers, almost twice what it was in 1970. The region as a whole is experiencing a historically low unemployment rate. Industries in and around major urban centers have led the region's

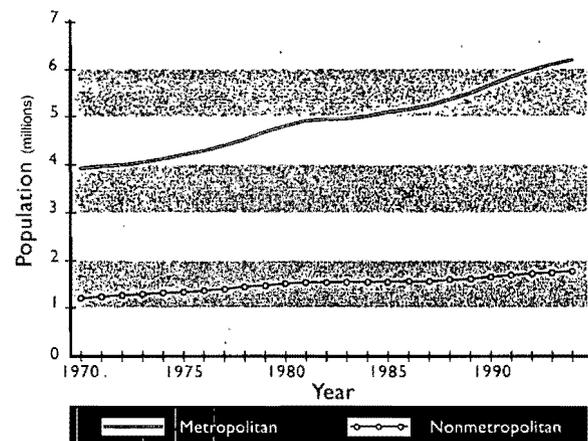


Figure 9—Metropolitan and nonmetropolitan population in the region, 1970-94.  
Source: U.S. Census Bureau and State Census Data Centers.

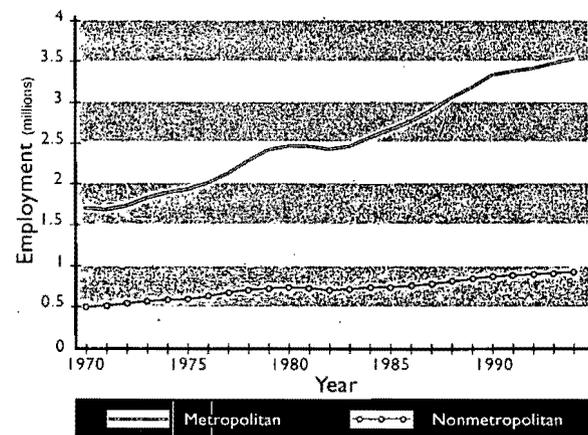


Figure 10—Metropolitan and nonmetropolitan employment in the region, 1970-94.  
Source: Regional Economic Information System, U.S. Bureau of Economic Analysis

expansion with an employment growth rate of 2.9% per year, but employment in nonmetropolitan counties, which has been increasing at 2.3% per year, has also exceeded the nation's rate (figure 10). Some timber-dependent counties are exceptions, such as Coos County in Oregon and Humboldt County in California, where employment growth has been well below national and regional trends. Personal income (adjusted for inflation) also grew at rates that exceeded the nation's over the same period, with metropolitan income more than doubling and nonmetropolitan income doubling, while the nation's total personal income grew 83%.

The region's industrial, service-oriented, and trade-related sectors have substantially diversified, and above-average, continued growth in some sectors is expected in coming decades. Employment projections for Oregon illustrate the expected changes: the high technology industries, which currently employ slightly more workers than the lumber and wood-products industries, will grow by more than 20,000 jobs by the year 2005; lumber and wood-products employment is expected to trend slightly lower during that time because an additional 2,000 jobs are expected to be lost (Oregon Employment Department 1996). The region's economic performance, however, will likely continue to be affected by the health of the broader national economy, though the region's response may not follow the patterns of the recessions of 1975 and 1982.

Other measures of economic prosperity and social development describe the region, particularly its nonmetropolitan counties, less favorably. Though per capita personal income (adjusted for the effects of inflation) for the region was equivalent to per capita income in the nation in both 1970 and 1993, per capita income for nonmetropolitan areas, which were at 90% of national per capita income in 1970, had fallen to 83% by 1993. Much of the divergence happened in the early 1980s recession, and the affected areas never caught up with metropolitan areas and the nation as the domestic economy improved. As is true across much of the nation, educational attainment in nonmetropolitan counties in the region is substantially below that of metropolitan counties: nonmetropolitan counties had 54% of their adult population with a high school or less education, and the corresponding figure for metropolitan counties was 42%. Metropolitan counties had a correspondingly higher proportion of their adult populations with college or graduate education.

Unemployment is higher in some rural communities, particularly those with wood-products mills heavily depending on federal forests for timber, and economic circumstances are more desperate than countywide, statewide, and regional figures show. In 1991, 28 Washington communities were at "high risk" in the state because of their dependence on the timber industry, and Oregon identified 90 communities severely affected by federal timber supply reductions. The FEMAT (1993) report states that community capacity—the community's physical and financial infrastructure, its human capital, and its human responsiveness—is inversely related to the risk of adverse consequences from changing federal harvests, and concluded that communities most at risk have small populations, are in counties with low populations, and are judged to be relatively isolated; further, both positive and negative effects of changes in federal forest policies will be unevenly felt, even within affected communities.

Table 9—Major land uses for metropolitan and nonmetropolitan counties in the region<sup>1</sup>

Land use	Metropolitan counties		Nonmetropolitan counties	
	Acres	Percentage of total metro acreage	Acres	Percentage of total metro acreage
Farmland	3,652,281	20.4	12,424,600	21.1
Nonfederal forest				
Industrial	2,525,000	14.1	9,460,000	16.0
Nonindustrial	2,227,000	12.5	3,079,000	5.2
Other public	865,000	4.8	2,464,000	4.2
Federal land				
National forest	4,789,009	26.8	18,943,954	32.1
BLM	935,948	5.2	5,535,695	9.4
Urban				
Residential and other	2,882,812	16.1	7,060,892	12.0
<b>Total</b>	<b>17,877,050</b>	<b>100.0</b>	<b>58,968,141</b>	<b>100.0</b>

<sup>1</sup> Includes all acres within metropolitan and nonmetropolitan counties, not just those acres that are within the range of the northern spotted owl.

Sources: Census Bureau (STFIA and USA Counties, CD-ROMs), Pacific Northwest Research Station, Bureau of Indian Affairs, Bureau of Land Management, USDA Forest Service.

### Land Use and Location of Forest Industries

For many industries, including the forest-based ones, the decision on where to locate is influenced by conventional economic factors. Those factors include proximity to markets, availability of financial capital, access to raw material and intermediate product suppliers, transportation, taxes, land and labor costs, and a pool of skilled labor.

Most of the region's people (78% of the population) and economic activity (80% of employment) are found in metropolitan counties—counties that account for less than one-fourth of the region's land area. Land-use patterns in metropolitan and nonmetropolitan counties are similar (table 9). A slightly greater proportion of the nonmetropolitan land base is in farms, and much more of the metropolitan land base is in urban, residential, and other (nonforest or nonfarmland) uses. A larger share of the nonmetropolitan land base is in federal land or industrial forest ownership, but nonindustrially owned forest land is a much larger share of the metropolitan than nonmetropolitan land base.

About two-thirds of the land base in the counties covered by the Plan are in privately owned forest or federal land. Forests near large urban centers get heavy recreational use from local residents during all seasons. National Parks, National Recreation Areas, and Wilderness Areas, with their exceptional natural resource characteristics, can draw visitors from across the nation and world.

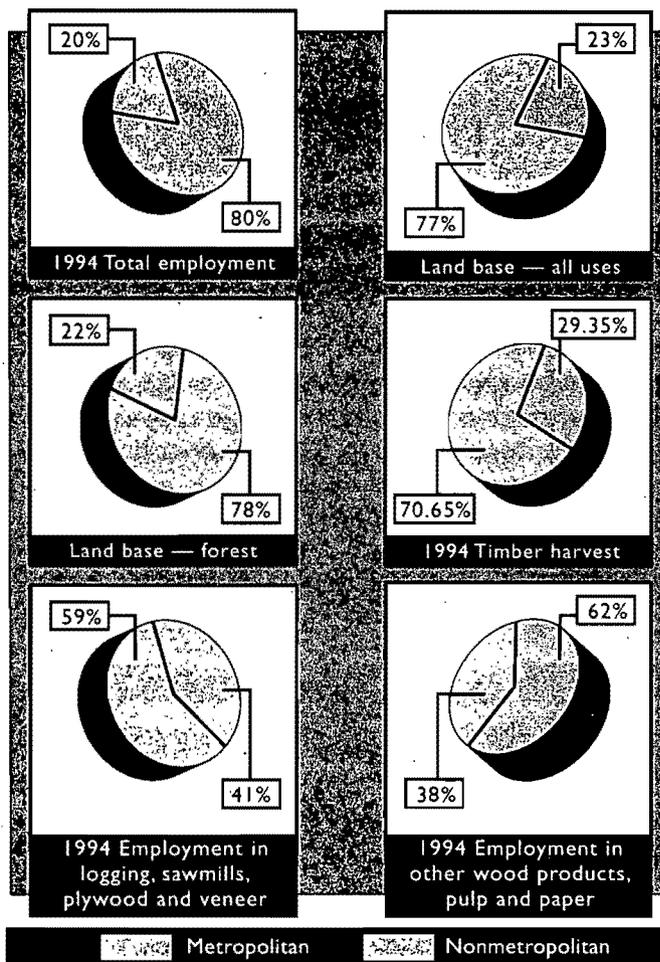


Figure 11—Differences between metropolitan and nonmetropolitan counties in total employment, timber harvest, land base, forest land, and employment in major parts of the timber industry.

The primary wood-products manufacturing industries typically locate close to their sources for raw materials to minimize the expense of transporting unprocessed logs. Businesses close to their source of raw materials are heavily influenced by the use of nearby forest land and availability of timber for harvest. In contrast, parts of the secondary wood-products manufacturing industry are market oriented and locate near urban areas to minimize the costs of transporting manufactured products in their finished or nearly finished forms. Recent research shows that the proportion of the secondary industry outside major metropolitan areas is much higher for Oregon than for Washington (McGinnis and Raettig 1996). Market-oriented firms may draw from a variety of raw material sources and would therefore be much less affected by forest land use and the availability of timber than is true for their counterparts in the primary wood-products manufacturing industries that locate mills close to timber resources. The differences between metropolitan and nonmetropolitan counties are summarized in figure 11.

Slightly more than one-fourth of all federal land included in the Plan region is in metropolitan counties, and the proportional distribution of federal land allocations is similar for both metropolitan and nonmetropolitan counties (table 10). The types of industries, uses, and services that can be supported by federal forestry depend roughly, though not perfectly, on the proximity of users to the different allocations of federal forest land and the different land uses in private ownership. The importance of federal land allocations for local as well as nonlocal support of industries and people is illustrated by contrasting the intended uses of reserved and matrix lands. Reserved land favors protecting natural conditions and permits recreational visits and an associated recreational industry; the matrix lands are subject to a wider set of management possibilities and can therefore support uses based on gathering or harvesting by the region's forest-based manufacturing industries.

Table 10—Distribution of federal land allocations for metropolitan and nonmetropolitan counties in the region<sup>1</sup>

Land use	Metropolitan counties		Nonmetropolitan counties	
	Acres	Percentage of total metro acreage	Acres	Percentage of total metro acreage
Adaptive management areas	328,372	5.1	1,193,465	6.6
Administratively withdrawn	296,914	4.6	1,180,265	6.6
Congressionally reserved	2,113,056	32.8	5,207,552	28.9
Late-successional reserve	1,856,848	28.8	5,573,982	30.9
Managed late-successional reserve	57,383	0.9	44,816	0.2
Matrix	1,079,132	16.7	2,896,077	16.1
Riparian reserve	713,259	11.1	1,914,181	10.6
<b>Total</b>	<b>6,444,964</b>	<b>100.0</b>	<b>18,010,338</b>	<b>100.0</b>

<sup>1</sup> Includes only those federal acres within the range of the northern spotted owl in metropolitan and nonmetropolitan counties; some counties include substantial federal acres outside the range of the northern spotted owl (see table 1).

Source: Information Resources staff, Pacific Northwest Region, USDA Forest Service.

### Diversity of Forest-Based Industries

Forest-based industries provide substantial employment in the region, with many of those jobs in rural areas. Data measuring economic importance, including employment, are obtainable from published sources for the wood-products industry but are more difficult to obtain and interpret for the many other forest-based industries:

The region's wood-products industry has a worldwide reputation, and its historical importance to the region's development is well recognized. In 1991, the wood-products manufacturing industries employed some 120,000 workers, including 17,000 in logging, 27,000 in pulp and paper, and the rest in solid wood products or secondary manufacturing. On average, slightly more than nine direct jobs exist per million board feet of timber processed in the region (FEMAT 1993); those jobs are generally considered to be high-paying, family-wage positions. In March of 1996, workers in lumber and wood products in Oregon were earning an average of \$12.65 an hour; the average hourly wage in the wholesale and retail industries was \$9.83 an hour.

Forest-based recreation and tourism in the region's federal forests are represented by an estimated 132,810,000 visits in 1990 (Swanson and Loomis 1993). These visits include activities such as off-road vehicle use, sightseeing, hiking, camping, hunting, fishing, boating, rafting, bicycling, and winter sports. The number of people employed in these activities is not easily measured, though Radtke and Davis (1993) estimate 17,000 to 23,000 full-time jobs in the coastal tourism industry and between 50,000 and 80,000 full-time equivalents associated with recreation on federal forest lands in the region (of which 4,000 to 5,000 are estimated to be

associated with fishing). Because of the land-allocation strategies in the Plan, employment gains are expected in some of these industries, though not enough is known to reliably estimate the effects.

Several other forest-based industries have regional employment significance. The commercial fishing industry is estimated to employ about 5,000 workers in the region; more than 18,000 workers were employed in mining and minerals processing statewide in Oregon and Washington; and floral greens, Christmas ornamentals, and mushroom harvesting activities provide at least seasonal employment for some 28,000 to 30,000 workers (FEMAT 1993). Wages, benefits, and employment conditions vary greatly between and within industries. Finally, the forestry services sector, which carries out forest management activities such as tree planting, supports about 6,000 jobs in the region. According to the FEMAT report (1993), substantial job opportunities could be created in pruning and other timber stand-improvement activities, reforestation, wildlife inventory and monitoring, watershed restoration, and technical surveys and assessments on the region's federal forest lands.

### The Timber Industry's Contribution to the Regional Economy

The timber industry, composed of logging, lumber, veneer and plywood, pulp and paper, and an array of secondary (value-added) wood-manufacturing industries, is an important component of the region's economic base, especially in rural areas. The contribution of the timber industry to regional employment, however, has been gradually declining. More than 10% of the region's workforce, representing 150,000 to 160,000 workers, was employed in the industry at the beginning of the 1970s; by the beginning of the 1990s, about 3% of the region's workforce, representing between 120,000 and 130,000 workers, were employed in the industry (figure 12). The change is due to reductions in the number of workers in the timber industry and increases in the nontimber economy in both metropolitan and nonmetropolitan counties.

The size of the timber industry varies by state, with slightly fewer than 60,000 workers in western Oregon, about 42,000 in western Washington, and some 15,000 in northern California. The reasons for changes in timber employment numbers have been similar in all three states: sharp reductions associated with changes in aggregate demand during domestic recessions; sharp increases during robust domestic economic expansion; a general downward trend related to investments in labor-saving,

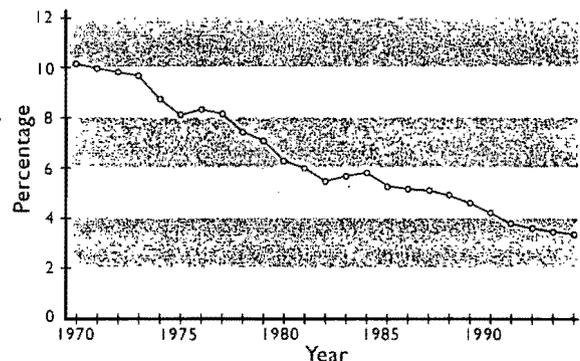


Figure 12—The percentage of total employment in the region associated with the timber industry, 1970-94.

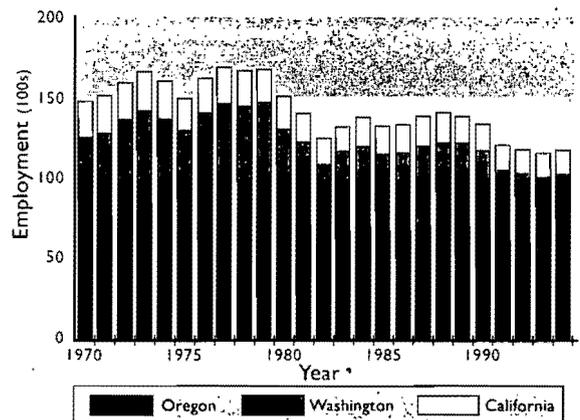


Figure 13—Timber industry employment in the region, 1970-94.

Source: State Employment Security or Employment Development Departments.

technological improvements; reductions from changes in a mix of products that require less labor; reductions from changes in timber quality as the percentage of old growth available has declined; and, most recently, changes in timber supply (figure 13).

The downward trend was further intensified by the recession in the national economy that reached full force during the early 1990s. Timber-industry employment has been largely unchanged from 1992 to the present, and it increased modestly between the announcement of the Plan in July 1993 and the end of 1994. Modest losses occurred in the region in 1995, though final figures were not available when this analysis was prepared.

Employment data for the region as a whole do not capture the local importance of the timber industry to rural, resource-based economies. Regional totals and trends reveal relatively small changes, but adverse effects are much more significant in localized areas where mills have closed and workers have lost their jobs. The extent to which the local timber industry depends on raw material from federal forests and is therefore vulnerable to employment losses associated with federal harvest reductions varies widely (figure 14). Oregon, particularly the counties in the southwestern part of the state and along the crest of the Cascades, has historically been highly dependent on federal timber. The interior northern California counties, the counties east of the Cascades in Washington, and Skamania County in Washington in the Columbia Gorge have also been highly dependent on federal timber.

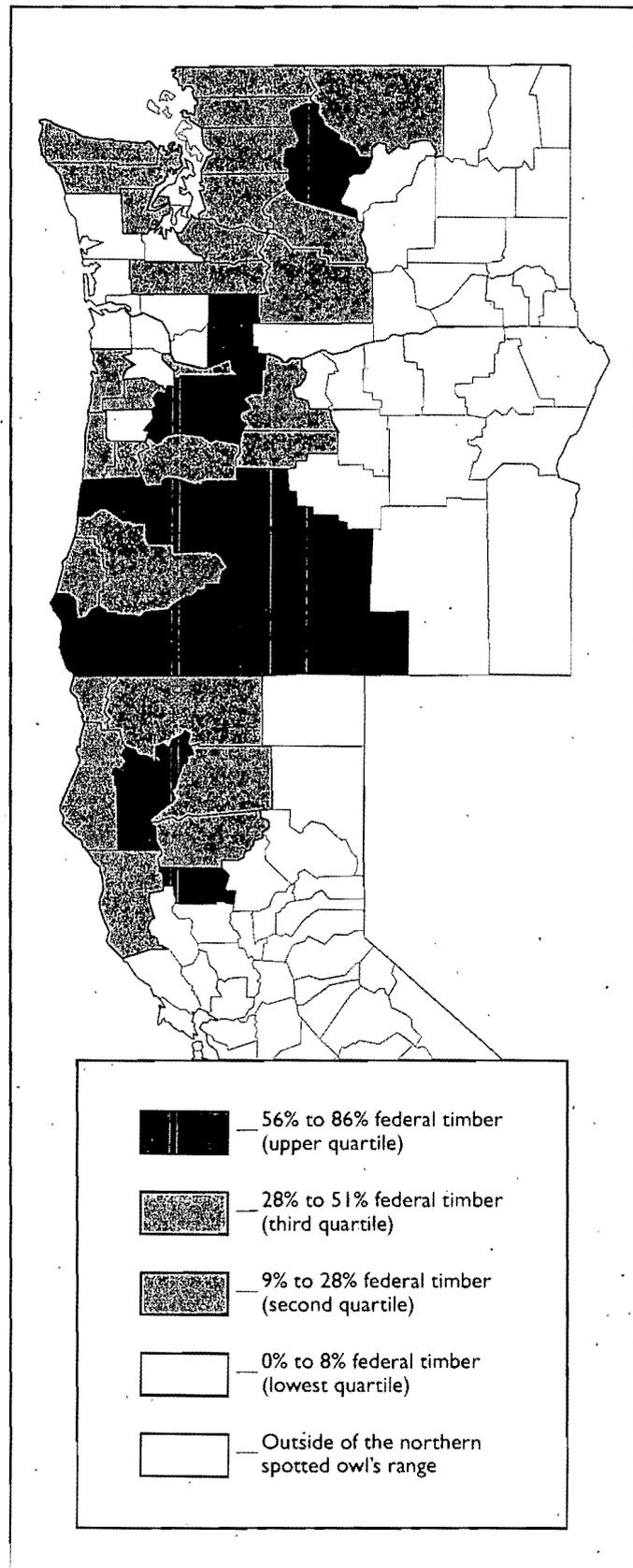


Figure 14—Distribution of counties by proportion of timber harvested on federal forests, 1982-91.

The adverse effects of mill closures can be significant in rural areas, which typically do not have the size, diversified economic base, or locational advantages of industries in urban areas. Instead, the comparative advantage of rural economies is their proximity to abundant natural resources, and a resident labor force with the knowledge to work with installed industrial capacity to efficiently manufacture products for domestic and international markets. For these reasons, the wood-products industry is the largest manufacturing industry in the region's rural areas and, for many rural areas, the most important part of the local economic base.

Improved transportation and communications, proximity to urban centers, and an enviable quality of life have helped some rural areas grow and further diversify. As a result of this growth and diversification, the proportional share of the timber industry as a source of employment in nonmetropolitan counties in the region was declining even before federal harvest reductions began (figure 15).

Employment totals for the region, however, do not show the variation in the industry's importance from community to community and their resultant vulnerability to changes in federal forest policy. For example, the Oregon Economic Development Department ranks the south Lane County community group of Cottage Grove, Saginaw, Creswell, Culp Creek, and Lorane as relatively more timber dependent than the Lane County metropolitan community group of Eugene, Springfield, and surrounding towns; both groups of communities are timber dependent and both are included in one of the region's most highly federal-timber-dependent counties. For policy and economic assistance purposes, therefore, the ranking by the Oregon Economic Development Department of 59 groups of timber-dependent communities in Oregon is more revealing than broad county, state, or regional averages.

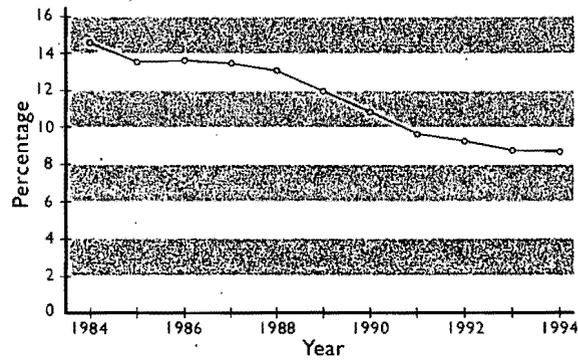


Figure 15—The percentage of employment associated with the timber industry in nonmetropolitan counties in the region, 1983-94.

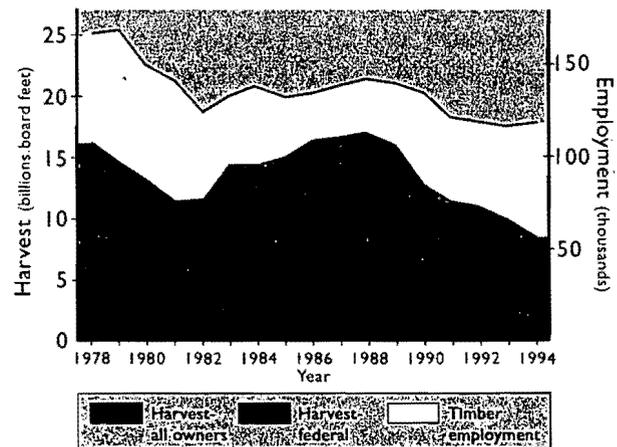


Figure 16—The relation between harvest from all owners, federal harvest, and timber employment in the region, 1978-94.

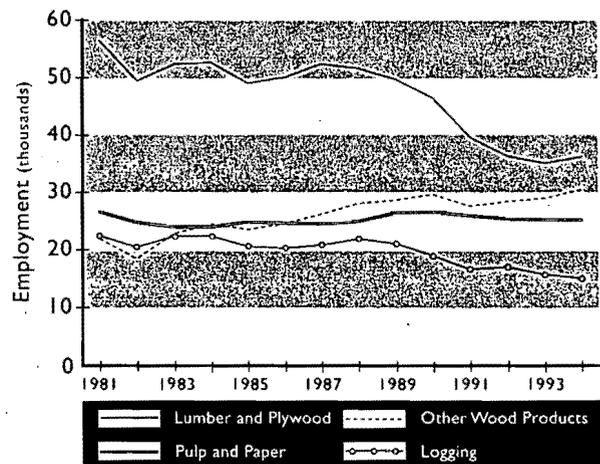


Figure 17—Trends in timber industry employment in the spotted owl region in Oregon and Washington, 1981-94. Sources: Oregon Employment Development Department, Washington Employment Security Department.

Table 11—Distribution of employment in the region's timber industry, 1990

Sector	Percentage
Secondary manufacturing	19.9
Logging	15.5
Sawmills	27.3
Plywood and veneer mills	12.7
Other solid wood	3.6
Pulp and paper	21.0

Source: Richard Phillips, USDA Forest Service, 1990 IMPLAN data for the spotted owl region.

## Timber Harvest and Timber Employment

The last decade has seen a close relation between timber harvest and employment in the timber industry (figure 16). Much of the region's harvest, averaging between 60 and 70% of the region's total over the last decade, comes from nonfederal ownerships; this volume has been and continues to be the main source of supply for the region's timber industries. Changes in federal timber harvest, therefore, are not proportionately translated into changes in either total harvest or employment. For example, in western Oregon and western Wash-

ington, harvest from federal forests fell 61% between 1988 and 1992, total harvest fell 31%, and timber industry employment fell 13%.

An important reason that employment changes have not proportionately reflected changes in timber harvest is that not all components of the timber industry depend entirely on the region's forests for their raw material. The distribution of employment by major sectors in the timber industry is shown in table 11. The logging, sawmill, and plywood and veneer sectors depend very heavily on the region's forests for their raw material. The secondary manufacturing industry, however, depends on a wide array of raw materials, including the output from the region's sawmills and plywood mills, but also on nonwood raw materials and wood products from outside the region. The hardwood industry has been relatively unaffected by reductions in federal harvest rates because much of the region's hardwood volume is on private forest land (Raettig et al. 1995). The pulp and paper industries also do not depend heavily on the region's forests for pulpwood, relying instead on mill residues (which have been affected by changes in sawmill and plywood plant production), the world chip market, and recycled wood fiber materials. Finally, the industry has shifted somewhat from log export to processing by domestic mills.

The historical record of employment differs from one sector of the timber industry to another. In western Oregon and western Washington (figure 17), employment losses have been most apparent in the primary manufacturing sectors—sawmills producing softwood lumber and softwood plywood and veneer mills. Employment in logging has changed during recent years in response to changes in the total volume harvested from all ownerships. The pulp and paper sector has been relatively unchanged, and the other wood-products sector, which is comprised mainly of secondary or value-added manufacturers, has grown.

Because of the growth of the secondary wood-products manufacturing sector relative to other components of the timber industry, a common economic development theme is to encourage even further growth in the sector. Comprehensive approaches have been designed to take advantage of the opportunities that secondary manufacturing offers (Mater Engineering, Ltd. 1989, Fridley 1990, Sommers and Birss 1990, Dubal Beck and Associates 1991, Jensen International 1991). Sommers and Birss (1990) noted that focus-group participants in Oregon estimated that 50 to 90% of the state's primary output, which could have been used by the state's secondary manufacturing industries, was sold in primary form to purchasers outside the state. The possi-

bilities for investing in secondary manufacturing are especially attractive to rural communities with local lumber and plywood mills—the output of existing mills could become the raw material for a secondary manufacturing plant that chooses to locate close to raw material sources rather than potential markets.

### Retraining and Assistance to Dislocated Timber Workers

Both state and federal governments have taken action to provide retraining and other services as a result of job losses in the timber industry. Since the end of 1990, the Department of Labor has awarded supplemental grants to the states to address the needs of dislocated timber workers; the grants are from the Secretary of Labor's National Reserve Account under Title III of the Job Training Partnership Act as amended by the Economic Dislocation and Worker Adjustment Assistance Act. Grants are intended to supplement the formula funds for Title III that are already administered by the states for timber and other dislocations, and they are made in recognition of mass layoffs, plant closures, disasters, and federal government actions. Workers who have lost and are unlikely to return to their previous jobs are eligible, as are the long-term unemployed with limited job prospects. A variety of retraining services are available to fit local circumstances, as are readjustment services such as outreach, testing, and counseling; payments to provide living expenses to those who have exhausted their unemployment insurance may also be included in the grants. The following tabulation summarizes the awards from the Secretary's Reserve Account for dislocated timber workers and the number of planned participants between late 1990 and the announcement of the Plan in 1993:

<u>State</u>	<u>Amount awarded</u>	<u>Planned number of participants</u>
California	\$ 2,500,000	722
Oregon	\$ 8,572,310	1,953
Washington	\$10,035,549	3,094

Further awards, discussed elsewhere, have been made in the region since the Plan was announced.

### Future Prospects for the Timber Industry<sup>8</sup>

The nation's timber industry is well positioned to respond to the growing domestic and international needs for solid wood products, structural panel products, engineered wood products, secondary or value-added products, and pulp and paper products. Nationwide, harvests are expected to increase substantially on forest industry and other types of private lands in response to investments in intensive forest management and stewardship strongly influenced by favorable economic opportunities in the wood-using industries. The region's timber industries will participate in this bright future and therefore remain as a key part of the region's economic base, but they will be affected by worldwide competitive pressures that will change product mixes and availability of raw materials. Raw-material needs are especially visible because harvest is constrained by the young ages of private forests and substantially reduced federal timber harvests.

<sup>8</sup> Much of the discussion in this section and its subsections was provided by Richard Haynes, Program Manager, Social and Economic Values Research, Pacific Northwest Research Station, Portland, Oregon.

The region's timber industries have historically had higher costs for wood delivered to the mill than their principal competitors in the south-central part of the United States, interior British Columbia, and Alberta. The disparity in costs in the different regions is expected to continue into the future. Delivered wood costs include the costs of stumpage, logging, and log haul from woods to mill. During the 1970s, the disparity between the region's delivered wood costs and the costs of competing regions grew; during the 1980s, the difference diminished but never achieved parity. Beginning in 1988, delivered wood costs in the region again began to increase over costs in competing regions. Currently, average regional costs for wood delivered at the mill are about one-third greater than they are in the south-central states and almost 60% greater than they are in interior British Columbia and Alberta. Stumpage costs make up 70% of the delivered wood costs in the region compared with 67% of the delivered wood costs in the south-central states. Logging costs in the south-central states are about half what they are in this region.

As with other views of the future, this one depends on key assumptions about supply and demand. For example, these projections assume continuation of the trends in domestic and international economic growth of the last several decades. A key assumption for the region's timber industry concerns National Forest harvest rates in the rest of the nation. National Forest harvests are assumed to fall by 76% across the nation during the period of the late 1980s through the year 2000 because of several policy changes, including the Northwest Forest Plan. The background and details of the projections that follow are described in Haynes et al. (1995).

In 1990, total U.S. consumption of softwood timber products, expressed as roundwood volume from growing stock, was 12.9 billion cubic feet. This amount was roughly 60% above the average consumption in the early 1950s but down from the highs experienced in the late 1980s. According to Haynes et al. (1995), softwood consumption is expected to increase to 14.3 billion cubic feet by 2040, with the largest increase in solid wood products. Increases in recycling keep pulpwood consumption constant for the next two decades in spite of expected increases in paper and board consumption over the same period.

The United States is expected to continue to be a net importer of softwood forest products, especially imports of softwood lumber from Canada. Exports of lumber and plywood from the United States will grow very little over the projection period. Log exports have already fallen from the 1984-to-1988 average rate of 3.1 billion board feet per year (1988 peak rate of 3.6 billion board feet) to 1.6 billion board feet in 1994 (Warren 1995). Log export volumes are expected to remain at these rates because of increased competition from Canadian, Southern Hemisphere, and Russian sources, particularly at the low end of the quality spectrum, and the continued decline in the average size and quality of exportable logs, especially in the Douglas-fir region.

The change in federal timber availability in western Oregon, western Washington, and northern California affects private and other public timber producers through price increases for stumpage and intensified competition for available supply. Despite increases related to price, nonfederal suppliers are expected to provide more timber in western Oregon, and less in western Washington and northern California, than in the recent past. In total, regional (Pacific Northwest) nonfederal supply is expected over the next several years to approximate the 8.2 billion board feet that were annually harvested during 1990 to 1993.

The total amount of timber processed in the region is also expected to decline. Analysis reported in the Final Supplemental Environmental Impact Statement shows that 10.443 billion board feet will be processed annually during the next decade. This projected processing volume compares with the 14.84-billion-board-foot annual average from 1980 to 1989, and the 12.18-billion-board-foot annual average for 1990 to 1992.

Prospects for the Pacific Northwest (but not for California) start to improve after 2000, as a consequence of private timber-land management activities undertaken in the region starting in the 1960s. Harvests are expected to regain their early 1960 volumes by 2030. In California, this recovery is both slower and not expected to return to the early 1960 harvest rates.

#### *Prospects for western Oregon and western Washington*

Lumber and plywood production are expected to fall (from 1991 rates) by 41% in Oregon and 36% in Washington by 2010. The drop in plywood production continues a trend that started in the mid 1980s; it is the consequence more of competition from oriented strand board and other composites than of timber supply problems. The drop in projections of lumber and, to a lesser extent, plywood production is influenced by changes in costs and in product recovery. As timber harvest from public lands decreased, stumpage price grew from roughly 1.6% per year in the 1980s to 10.4% per year between 1990 and 1994. Stumpage prices remained roughly constant in 1993, 1994, and for the first 6 months of 1995. With rising wood costs (and relatively stable product prices), the competitive position of the wood-products industry in the region deteriorated, profits fell, and solid wood-products output and capacity dropped, in spite of some increases in harvest on private timberlands. During the decades between 2000 and 2020, lumber is projected to consistently remain about 4.5 billion board feet below projections made in the late 1980s and based on assumptions of higher rates of federal-timber harvest. Plywood projection may be more variable, averaging about 0.5 billion square feet lower. Stumpage prices are expected to stabilize after 2020 at about the same rates projected in the late 1980s.

Total timber harvest in this region is expected to fall 37% by 2010 as a consequence of declines of harvest rates on private timberlands and public forest. After 2010, harvests start to increase as the effects of current and predicted private forest management practices lead to expanded private timber inventories.

#### *Prospects for California*

Lumber and plywood production in California have fallen since the 1970s. Changes in timber harvests from public lands compound adverse effects from several other changes. For example, the plywood production dropped after the rapid liquidation of privately owned Douglas-fir stands along California's coast in the late 1950s and early 1960s.

Harvests from industrial timberlands are expected to decline in the late 1990s, reflecting the legacy of poorly stocked and mixed-species stands, increasing forest regulations, and liquidation of mature stands. As with western Washington and western Oregon, downward adjustments of harvests from public lands during the early 1990s accelerated stumpage price growth from roughly 1.1% in the 1980s to 14% per year between 1990 and 1994. With rising wood costs, the competitive position of the wood-products industry in the region deteriorates and solid wood

products output and capacity drop. Unlike western Oregon and Washington, California has almost no opportunity to offset some of these declines with increased harvests from private timberlands. Total harvests in this region are expected to fall 41% by the year 2000 and remain at that rate for the next several decades (Haynes 1990, Haynes et al. 1995).

## THE NORTHWEST ECONOMIC ADJUSTMENT INITIATIVE

The Northwest Economic Adjustment Initiative was designed to recognize the plight of and directly help those workers, businesses, tribes, and communities in Washington, Oregon, and northern California affected by reductions in federal timber harvests. The Initiative is a new way of doing business: the federal government works in partnership with state, tribal, and local officials, and representatives of the nonprofit and private sectors to identify priority needs and then streamline assistance to help retrain dislocated workers, encourage and support investment and business retention and expansion, and develop infrastructure and much-needed professional capacity for economic development in hard-pressed communities.

The Initiative provides a means to assist the most affected parts of the region to work toward a sustainable, prosperous future. It complements the program of federal forest ecosystem management, the other three components of economic assistance (assurances for payments to counties, removal of log-export tax incentives, and aid to small businesses and secondary manufacturers) under the Plan, base federal funding already committed to the region, and state and local programs for economic assistance and development. The Initiative is more than a program to employ people; and—through its investments in the region's workers, businesses, and communities—its effects will be felt well into the future. The federal financial commitment, announced as part of the Plan, is to make \$1.2 billion available to the region over 5 years, beginning in fiscal year 1994. Seven federal departments with 16 different programs are participating financially; three other agencies participate in the Initiative by providing technical assistance and leadership.

### Principles and Objectives of the Initiative

The Initiative, which was designed after the Forest Conference by a team of federal officials in consultation with state and local officials knowledgeable about economic development possibilities and needs, reflects the following principles. The assistance delivered in the Initiative:

- Should have long-term favorable effects and be implemented in a far-sighted, strategic manner.

The Initiative is intended to ease the transitions necessary to allow dislocated workers to compete for permanent jobs; business and industry to survive and adapt to the new federal forest policy; and affected communities to develop the capacity to decide on and pursue a future appropriate to their opportunities and resources.

- Be implemented quickly and in a manner consistent with national policy.

The need is immediate, so efforts to design new approaches to meet the region's needs would require painful delay. Broader domestic policy would also have to be reflected in the mix and degree of programs to be included in the Initiative.

- Be region-specific and tailor assistance to the many different kinds of effects associated with forest policy changes.

The federal government serves both as a partner and leader as programmatic and policy issues are pursued; assistance is intended to reflect the relative needs associated with the geographic distribution of forest land, the timber industry, and dependence on federal timber.

- Deliver assistance based on geographic rather than conventional programmatic criteria. Assistance will favor those beneficiaries in the most affected communities in the region rather than be broadly directed to all potential beneficiaries.
- Incorporate a high degree of state and local participation and leadership in providing assistance.

Local people know best what their needs and opportunities are—assistance cannot be decided upon and delivered exclusively by the federal government using a one-size-fits-all approach to the region's problems;

The objectives of the Initiative follow from its principles and the region's needs. The Initiative is intended to:

- Provide immediate relief for distressed timber communities and emphasize the need for immediate response.
- Create an environment for long-term economic development consistent with and respectful of the character of the communities and their natural resources.
- Develop new mechanisms for delivering assistance.
- Emphasize the equal partnership of the states and the critical role of local governments.
- Emphasize the use of performance-based funding (outcomes based on creating new opportunities and sustainable jobs) over traditional funding based on programmatic eligibility.

### **The Federal Commitment**

The Initiative was designed to provide assistance needed to cope with 11,000 to 16,000 displaced workers—6,000 projected to be displaced as a result of Plan adoption and implementation, and between 5,000 and 10,000 remaining from the economic slowdown and timber-sale injunctions of 1990 to 1992—and associated effects on communities and businesses. The job-loss effects were expected to be unevenly distributed among the states, 55 to 65% of the total in Oregon, 30 to 35% in Washington, and 10 to 15% in California. The effects were also expected to be unevenly distributed within the states, mostly falling on small rural communities with a narrow economic base, a high degree of dependence on timber, and a heavy reliance on federal forests to meet the raw material needs of local mills.

The coordinating structure and responsibilities of the federal and nonfederal partners in the Initiative are discussed in detail in chapter 4. Briefly, the Multi-Agency Command has policy oversight responsibilities in Washington, DC, and works to resolve barriers and remove red tape that cannot be overcome in the region. The regional Community Economic Revitalization Team (regional CERT) is composed of federal representatives from the participating agencies and nonfederal representatives of the three state CERTs. The regional CERT is responsible for ensuring an equitable distribution of funds within the region, for identifying and addressing barriers

and red tape, and for sharing information and innovative approaches across the region. The three state CERTs are responsible for overseeing the day-to-day operations of the Initiative.

The counties eligible for assistance under the Plan have been selected by the three state CERTs (figure 18). The group of eligible counties includes several that are physically outside the range of the northern spotted owl: Ferry, Pend Oreille, and Stevens (Washington); Crook (Oregon); and Lake (California). Several counties have been excluded from assistance because they are largely urban and suburban and thus minimally within the range of the northern spotted owl: King, Kitsap, Thurston, and Yakima (Washington); and Lake, Multnomah, and Washington (Oregon).

Additional agreements on federal participation and assistance affect the Initiative, but do not appear in the *Interagency Memorandum of Understanding for Economic Adjustment and Community Assistance* (1993). The original announcement of the Plan identified a new program, the Northwest Economic Adjustment Fund, as one of the elements of the Initiative, with the intent of providing state and local governments a flexible source of money to fund emergency social and municipal services.

Finally, the additional \$268 million originally targeted for the Initiative in fiscal year 1994 was intended to augment about \$900 million already coming to the region in the base program funding of the participating agencies and federal revenue-sharing payments to counties.

#### *Programmatic commitments*

The Initiative brings four broad types of assistance to the region:

- Assistance to workers and families aimed at the intermediate-term effects of retraining dislocated workers and supporting their families, and bringing similar opportunities to bear on the secondary and tertiary displacements resulting from timber-related dislocations. A related short- to intermediate-term effort in the Plan is the resumption of federal timber sales.
- Assistance to business and industry aimed at retaining existing businesses and, in the intermediate term, diversifying the business base throughout the region by improving access to capital, expanding technical assistance and support, and improving access to domestic and international markets. Related short-term efforts in the Plan are the increased supply associated with federal timber sales, and an improved business climate as the federal-state-local partnership works to ease the transitions in the economy.

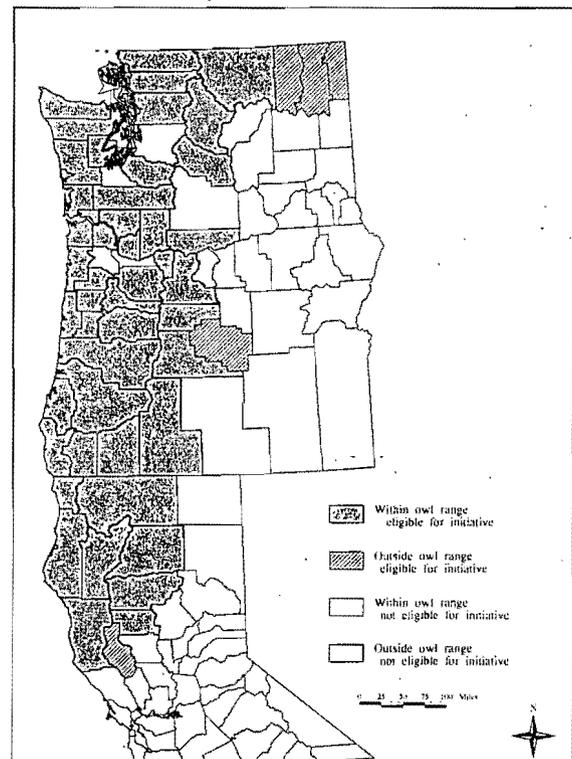


Figure 18.—Counties in the region eligible for assistance under the Plan.

- Assistance in developing the community infrastructure and technical capacity needed for communities to effect the transition to an economically sustainable future, including a strengthened ability for communities to retain and encourage the growth of existing businesses, recruit new businesses, and stabilize the necessary public services that workers, their families, and local businesses depend on. Related short-term efforts in the Plan are the assured payments to local governments, and the diversification in business activity expected as the Initiative is implemented.
- Ecosystem investment aimed at providing short-term jobs, through a Jobs in the Woods program to workers in communities affected by federal forest policy changes, by undertaking much-needed work to restore the region's watersheds to environmentally sustainable conditions. Also aimed at watershed restoration and research through the Environmental Protection Agency, and investing in small, nonindustrial, private forest land stewardship.

A fifth category of assistance, the Northwest Economic Adjustment Fund of \$13 million, was mentioned in the original announcement of the Plan and was included in the Administration's proposed nationwide economic stimulus legislation. The Fund was never implemented because the legislation was never passed by Congress.

Each of the four categories of assistance, the agencies and programs participating, and the financial commitments for fiscal year 1994 specified in the *Interagency Memorandum* (1993) are listed in table 12.

### Funding the Initiative

The Initiative has been funded largely without additional appropriations for the participating agencies, though Congress has played a significant role in ensuring the availability and use of monies for certain programs within the region. Significant increases in USDA Rural Development (formerly Rural Development Administration, Farmers Home Administration) appropriations and accompanying base allocations to state operations were made between fiscal years 1993 and 1994. More than \$248 million were available in the Initiative's programs in fiscal year 1994; the amount available increased to more than \$268 million in 1995, and \$209 million in 1996.

### *Participating agencies*

The participating agencies and Departments used the following approaches to make funds available to the Initiative:

*Department of Labor*—All of the funds available to the Initiative are from the national Secretary of Labor's Reserve. Though \$12 million was designated as available for each year of the Initiative, the amount awarded depends on the merits of the grant proposals and may be either more or less than the \$12 million designated.

*Economic Development Administration*—all of the funds for the Initiative, \$11 million in fiscal year 1994, \$3.5 million in 1995, and \$9 million in fiscal year 1996, originally represented commitments over and above base allocations to the region. In practice, however, commitments from base funding declined to reach the funding rate in the Initiative.

Table 12—Categories of assistance and participating federal agencies and programs, 1994

Category of assistance	Federal agency	Program	Type of involvement/ 1994 funding specified in Interagency Memorandum
Workers and families	Department of Labor	Secretary's Reserve, Title III, Job Training Partnership Act	Grant/\$12 million
Business and industry	Rural Development	Rural business enterprise business and industry	Grant/\$4.1 million, loan guarantee/\$35.3 million
	Forest Service	Old-growth diversification	Grant to states/\$3 million additional
	Forest Service	Rural community assistance	Grant to communities/ \$13 million
	Economic Development Administration	Technical assistance	Grant/\$15 million additional
	Small Business Administration	Loan guarantees	Coordination and technical assistance; special target for loan guarantees not in Interagency Memorandum
Community and infrastructure	Rural Development	Community Facilities Water and Waste Water	Loan and loan guarantee/ \$416 million grants and loans/\$87 million
	Dept. of Housing and Urban Development	Community Development block grants	Grant to states; special target not in Interagency Memorandum
	Economic Development Administration	Planning assistance	Grant/Included in \$15 million above
	Cooperative Extension Service	Technical assistance	Technical assistance available
	Forest Service	Jobs in the Woods	Contract, agreement/ \$16 million additional
Ecosystems investment	Forest Service	Stewardship and stewardship incentives	Grants to states/ \$4 million additional
	Bureau of Land Management	Jobs in the Woods	Contract, agreement/part of \$30 million for Interior agencies
	Bureau of Indian Affairs	Jobs in the Woods	Contract/part of \$30 million for Interior agencies
	Fish and Wildlife Service	Jobs in the Woods	Contract, agreement/part of \$30 million for Interior agencies
	Environmental Protection Agency	Section 319, Clean Water Act	Grant to state/\$5 million
	Corps of Engineers	Technical assistance	No financial part in the Initiative, technical assistance available

*Rural Development, Rural Business Enterprise Grant*—Funds for the Initiative come from both base allocations to the region and national reserves. In fiscal year 1994, \$4.1 million was initially available (\$2.0445 million from base allocations, and \$2.06 million from national reserves); in 1995, more than \$4.4 million was available (\$1.114 million from base allocations and \$3.33 million from national reserves); in 1996, more than \$4.1 million was made available. The total available for 1994 was increased by an additional \$3 million by reprogramming funds from the Community Facilities Direct and Guaranteed Loan program and the Intermediary Relending program.

*Rural Development, Water and Waste Water Loan*—Funds for the Initiative come from both base allocations to the region and national reserves. In fiscal year 1994, more than \$56.5 million was available (\$45.744 million from base allocations and \$10.8 million from national reserves); in 1995, more than \$74.7 million was available (\$43.15 million from base allocations and \$31.607 million from national reserves); and, in 1996, more than \$34.08 million was available.

*Rural Development, Water and Waste Water Grant*—Funds for the Initiative come from both base allocations to the region and national reserves. In fiscal year 1994, more than \$30.4 million was available (\$24.703 million from base allocations and \$5.753 million from national reserves); in fiscal year 1995, more than \$41.1 million was available (\$23.753 million from base allocations and \$17.396 from national reserves); in fiscal year 1996, more than \$13.4 million was available.

*Rural Development, Direct and Guaranteed Community Facilities Loan*—Funds for the Initiative come from both base allocations to the region and national reserves. In fiscal year 1994, \$11.598 million was available from base allocations and \$30 million from national reserves was available for both the Direct and Guaranteed Community Facilities loans; in fiscal year 1995, more than \$31 million was available (\$7.792 million from base allocations, and \$23.401 million from national reserves); in fiscal year 1996, more than \$24.7 million was available. In fiscal year 1994, the total was reduced through reprogramming to slightly more than \$32 million to fund an increase in the Rural Business Enterprise Grant program.

*Rural Development, Business and Industry Guaranteed Loan*—Funds for the Initiative come from both base allocations to the region and national reserves. In fiscal year 1994, \$35.3 million was available (\$11.775 million from base allocations and \$23.525 million from national reserves); in fiscal year 1995, almost \$46 million was available (\$24.389 million from base allocations and \$21.6 million from national reserves); in fiscal year 1996, more than \$50 million was available.

*Rural Development, Intermediary Relending*—All funds available to the Initiative are from national sources. In fiscal year 1994, \$13.4 million was available; in 1995, \$16 million; and in fiscal year 1996, \$8 million was available. In fiscal year 1994, the total was reduced through reprogramming to \$13.4 million to fund an increase in the Rural Business Enterprise Grant program.

*Forest Service, Old-Growth Diversification*—All of the funds in the program are dedicated to the Initiative and passed through to state agencies to administer. In fiscal year 1994, \$6.5 million was available—representing an increase of \$4 million over the fiscal year 1993 program of \$1.5 million and an increase of \$3.5 million over the approximate program average of \$2 million for fiscal years 1991 and 1992. In fiscal year 1995, \$4.9 million was available, and in fiscal year 1996 \$3 million was made available.

*Forest Service, Rural Community Assistance*—All of the funds available to the Initiative, \$10 million in fiscal year 1994, \$11 million in 1995, and \$12.76 million in 1996, are increases authorized by Congressional appropriation over and above base allocations to the region. The funds for the Initiative were substituted for the smaller base programs in the area covered by the Plan.

*Forest Service, Watershed Restoration and Jobs in the Woods*—The funds allocated to the Initiative were \$20 million in fiscal year 1994, \$14.6 million in 1995, and \$13.5 million in 1996. Some Forest Service officials view the funds as dedicated for specific purposes and, therefore, earmarks within budgets that have not increased to accommodate watershed restoration. For field officials, therefore, the program represents no increase in forest management on the National Forests but is shift in program implementation.

*Forest Service, Forest Stewardship and Stewardship Incentive programs*—No funds have been appropriated for the Initiative, though the commitment to the Initiative is \$4 million annually. Competing national needs and priorities for the program precluded reprogramming.

*Department of the Interior agencies (Bureau of Land Management, Fish and Wildlife Service, and Bureau of Indian Affairs), Watershed Restoration and Jobs in the Woods*—All of the funds available to the Initiative, \$7 million in fiscal year 1994, \$18.09 million in 1995, and \$13.14 million in 1996 are increases over and above base program funds.

*Environmental Protection Agency, Ecosystem Investment*—The funds available to the Initiative, \$5 million in fiscal years 1994, \$5.5 million in 1995, and \$5 million in 1996 represent no increase over base funding in the region but are earmarks within existing program areas.

*Department of Housing and Urban Development, Community Development Block Grants*—All funds are passed through to state agencies to administer. The funds available to the Initiative, \$1.9 million in fiscal years 1994, 1995, and 1996 represent no increase over base funding. In fiscal years 1994, 1995, and 1996, base funding available to the region was increased over the prior fiscal year through regular appropriations increases. The Department measures its contribution to the Initiative by the actual awards within the area covered by the Plan and substantially exceeded the \$1.9 million target by awarding more than \$20 million within the region in 1995 and \$17.75 million in 1996.

### *The region's programmatic advantages*

The region enjoys several programmatic advantages as a result of the Initiative. The clearest advantage is that federal agencies reprioritize the use of funds to favor projects in communities and areas that are affected by changes in federal forest policy; without the Initiative, available funds, base or appropriated, would not likely have been targeted to provide assistance in timber-affected communities. A second advantage comes from the programs that are funded partly or wholly from national sources because, without the Initiative, such funds would likely not have reached the region. Finally, funds that are passed through to state agencies, such as the Community Development Block Grant and Old-Growth Diversification programs, allow the states the flexibility to develop their unique priority systems and uses, and to adjust those priorities and uses through experience.

Table 13—Comparisons between 1993 and 1995 in allocations and obligations for selected Rural Development programs in Oregon

Program	1993				1995			
	Base allocation (dollars)	Total obligations	Obligations in Plan area	Obligations outside Plan area	Base allocation	Total obligations	Obligations in Plan area	Obligations outside Plan area
Water and waste disposal loan	6,445,000	6,940,600	6,640,600	300,000	9,986,000	25,596,650	24,932,650	664,000
Water and waste disposal grant	3,851,000	4,532,400	3,732,400	800,000	5,497,000	14,295,080	12,295,080	2,000,000
Community facilities guaranteed loans	25,000	25,000	25,000	0	870,000	1,000,000	0	1,000,000
Direct community facilities loans	1,056,000	570,000	410,000	160,000	1,803,000	14,810,140	6,060,540	8,749,600
Intermediary lending	1,000,000	1,000,000	1,000,000	0	0	8,000,000	6,000,000	2,000,000
Rural business enterprise grant	140,000	210,000	210,000	0	500,000	2,210,290	1,710,290	500,000
Business and industry loan guarantee			0	0	5,644,000	4,800,000	4,800,000	0
<b>Total</b>	<b>12,517,000</b>	<b>13,278,000</b>	<b>12,018,000</b>	<b>1,260,000</b>	<b>24,300,000</b>	<b>70,712,160</b>	<b>55,798,560</b>	<b>19,413,600</b>
Total from national reserves	--	1,247,000	--	--	--	46,411,870	--	--

The programmatic advantages of the Initiative can be difficult to interpret for programs that are funded partly from base allocations and partly from national sources. Rural Development programs in Oregon are illustrative. The source and use of funds for the seven Rural Development programs, including the Initiative in Oregon for fiscal years 1993 and 1995, are shown in table 13. In fiscal year 1993, the year before the Plan was adopted, more than \$12 million was available in the base allocation to the state and more than \$13 million was spent—some \$12 million was spent inside the area covered by the Plan, and \$1.2 million in funds from national reserves augmented the state's base allocations in three of the programs. For reasons not directly related to forestry in the Northwest, Congress increased funding for rural programs in the nation in fiscal year 1994. In fiscal year 1995, the latest year for which complete data are available, base allocations were more than \$24 million—almost twice the total available in 1993. Total obligations in Oregon increased more than five-fold between 1993 and 1995—rising to \$70.7 million—and obligations within the area affected by the Plan rose to almost \$56 million. The increase in base funding allowed large increases in funding both inside and outside the area covered by the Plan. Very clearly, however, the spending of national reserves, which was more than \$47 million, was a direct result of the national priority identified by the Plan.

### State Community Economic Revitalization Teams

The state Community Economic Revitalization Teams (state CERTs) are the heart of the combined federal, state, tribal, and local effort to identify economic adjustment problems and opportunities, and then to devise appropriate methods for solving those problems. The responsibility of the Governors and state CERTs to coordinate and communicate with local governments and communities is one of the key provisions of the *Federal-State Memorandum of Understanding for Economic Adjustment and Community Assistance* (1993), which complements the *Interagency Memorandum*. By approving the *Federal-State Memorandum*, the Governors agreed to join with the federal government to commit the resources necessary to carry out the Implementation Plan.

### Actions to Date

Fiscal year 1994 was the first full year of the Initiative. State Community Economic Revitalization Teams were organized in each state. Formation and operation of the Oregon CERT capitalized on the already existing Oregon Rural Development Council, a strong Portland Federal Executive Board, and the local and multicounty strategic planning and scoping previously conducted or underway with the Oregon Economic Development Department's Regional Strategies program. The Washington CERT was built on the previously successful experience of the Governor's Timber Team and allied state programs in dealing with the economic and social dislocations accompanying layoffs in the state's timber industry. For both states, therefore, programs had been underway to assist timber-affected areas for several years before the Plan was announced. The California CERT was created from scratch and undertook the economic assistance tasks of the Initiative without the benefit of state institutions exclusively charged with the responsibility of dealing with issues of rural development and rural industrial dislocation.

The state CERTs are similar in that they and their supporting network of economic and community-development specialists act as a clearinghouse for local proposals in the business and industry, and community and infrastructure categories of assistance. Although the exact steps differ by state, proposals in these categories may be developed by governmental or nonprofit groups at the local or state scale. Priorities among locally developed projects for infrastructure, capacity building, capital access through nonprofit organizations, and community development are typically set at the county scale before they are forwarded to the state CERT. Financial assistance to businesses through loans and loan guarantees is delivered either through nonprofit economic development intermediaries or commercial banks working in conjunction with funding agencies.

A major innovation made possible by the state CERT structure is the "lead agency" approach to working with project funding. Projects meeting or potentially meeting the eligibility criteria of the programs administered by one or more of the Initiative's participating federal or state agencies are passed to a lead federal or state agency. Technical specialists from the lead agency then work with both the applicant and other potential funding agencies to prepare the proposal for final approval; the decision to approve a project is made by the funding agency or agencies, and approval is subject to the availability of funds. Assistance can be flexibly tailored to the circumstances of the proposal—funding may come from more than one federal program, may be combined with state funds or funds from other sources, and may be in the form of grants, loans, loan guarantees, or a combination thereof.

Projects in the worker and family category, which are funded by the Secretary of Labor's Reserve under Title III of the Job Training Partnership Act, are forwarded to the Department of Labor by state agencies responsible for worker retraining programs. The responsible state agency may work with local governments, private, nonprofit parties, or a combination of groups to prepare the proposals. Some of the funds in this category are being used to provide in-classroom training in business, ecosystem science, and personal skills for displaced timber workers. These workers also receive on-the-job experience in ecosystem restoration by working on projects from the watershed restoration/Jobs in the Woods program.

The watershed restoration/Jobs in the Woods category has both economic development and environmental restoration objectives; it is intended to provide employment opportunities that produce ecological benefits. Projects for the program are developed either by the federal land management agencies (Forest Service, Fish and Wildlife Service, Bureau of Land Management, and Bureau of Indian Affairs); in collaboration with state and tribal representatives, or by the state agencies responsible for watersheds for some funds going to the state of Washington.

#### *Funding in fiscal year 1994*

In fiscal year 1994, more than \$126 million in federal assistance of \$248.2 million of federal funding formally available in the Initiative was delivered to more than 100 communities in grants (46% of assistance), government contracts (21% of assistance), and loans and loan guarantees (33% of assistance) (table 14). The state-by-state distribution of the assistance was 46% spent in Oregon, 29% in Washington, and 21% in California. Additionally, \$164 million in loans were guaranteed by the Small Business Administration in the region. By category of assistance, the distribution was assistance to workers and families, 7%; assistance to business and industry, 31%; assistance for communities and infrastructure, 37%; and watershed restoration, 25%. The distribution of funds by category of assistance, program, and state is shown in table 15.

Some federal and nonfederal participants in the Initiative were concerned and frustrated by the difficulties inherent in establishing new working relations, reaching out to potential beneficiaries of the many different programs, and working to complete applications for the many different kinds of assistance in a timely manner. For example, the Department of Labor's Reserve funds were incompletely used in the region because filing deadlines were not met (deadlines were announced in October 1993), an already existing set of training programs funded through Job Training Partnership Act Title III formula funds, and a lack of capacity in some areas to take advantage of the program or to increase a commitment to the program.

The complete set of commitments specified in the *Interagency Memorandum* (1993) was proposed to Congress for funding. Congress appropriated most, but not all of the amount requested so that funding available in each program was less than proposed. Agency actions further modified the amounts appropriated. The main reasons for the differences between proposed and obligated amounts were

- To provide more grants, the amount available to the Rural Business Enterprise Grant program was increased to \$7.1 million from \$4.1 million by reprogramming (reducing) the amount available in the Community Facilities Grant and Loan program to \$32 million from \$41.6 million and by reprogramming the Intermediary Relending Program to \$13.4 million from \$16 million. The reprogramming request was initiated jointly by the states and regional representatives of Rural Development.

Table 14—Distribution of funds spent for the Initiative in fiscal year 1994, by department, agency and program

Departmental program	Funds available	Funds spent in the region	Percentage of available dollars spent in the region
<b>Department of Agriculture</b>			
Forest Service--Community Assistance	10,000,000	9,598,000	96
Forest Service--Old-Growth Diversification	6,500,000	6,348,000	98
Forest Service--Watershed Restoration/ Jobs in the Woods	20,000,000	20,000,000	100
<b>Rural Development Administration (Rural Development)</b>			
Rural Business Enterprise grants	7,095,500	6,580,900	93
Business and Industry loan guarantees	35,300,000	0	0
Intermediary relending	13,401,000	5,500,000	41
Water and Waste Water loans	56,544,000	28,496,200	50
Water and Waste Water grants	30,456,000	11,400,500	37
Community Facilities loans	32,028,000	5,606,600	18
<b>Department of Housing and Urban Development</b>			
Community Development block grants	1,900,000	1,900,000	100
<b>Department of Labor</b>			
Job Training Partnership Act--Secretary's Reserve	12,000,000	8,400,000	70
<b>Department of Commerce</b>			
Economic Development Administration	11,000,000	10,775,000	98
<b>Department of the Interior</b>			
Bureau of Land Management Watershed Restoration/Jobs in the Woods	5,000,000	5,000,000	100
Fish and Wildlife Service Watershed Restoration/Jobs in the Woods	1,000,000	1,000,000	100
Bureau of Indian Affairs Watershed Restoration/Jobs in the Woods	1,000,000	1,000,000	100
<b>Environmental Protection Agency</b>			
Clean Water Act Section 319, research grants	5,000,000	4,999,000	100
<b>Total for the Initiative</b>	<b>248,224,500</b>	<b>126,604,900</b>	<b>51</b>
<b>Other federal</b>			
Small Business Administration loan guarantees	154,000,000	164,308,960	107

Table 15—Expenditures for the Initiative fiscal year 1994, by category of assistance, program, and state

Program by category of assistance	Initiative funds available (dollars)	State						Percentage of available funds	
		Oregon		Washington		California			
		Dollars spent	%	Dollars spent	%	Dollars spent	%	Total dollars	
<b>Assistance through the Initiative for workers and families</b>									
Department of Labor--Secretary's Reserve	12,000,000	6,600,000	55	1,800,000	15	0	0	8,400,000	70
<b>Category total</b>	<b>12,000,000</b>	<b>6,600,000</b>	<b>55</b>	<b>1,800,000</b>	<b>15</b>	<b>0</b>	<b>0</b>	<b>8,400,000</b>	<b>70</b>
<b>Assistance through the Initiative for business and industry</b>									
Rural Development									
Rural Business Enterprise grants	7,095,500	2,961,750	42	2,169,950	31	1,449,200	20	6,580,900	93
Business and Industry loan guarantees	35,300,000	0	0	0	0	0	0	0	0
Intermediary relending	13,401,000	5,500,000	41	0	0	0	0	5,500,000	41
USFS									
Old-Growth Diversification grants	6,500,000	2,541,000	39	2,525,000	39	1,282,000	20	6,348,000	98
Rural Community Assistance grants	10,000,000	4,465,000	45	2,781,000	28	2,352,000	24	9,598,000	96
Economic Development Administration									
Technical assistance	11,000,000	6,350,000	58	2,796,000	25	1,629,000	15	10,775,000	98
<b>Category total</b>	<b>83,296,500</b>	<b>21,817,750</b>	<b>56</b>	<b>10,271,950</b>	<b>26</b>	<b>6,712,200</b>	<b>17</b>	<b>38,801,900</b>	<b>47</b>
<b>Assistance through the Initiative for communities and infrastructure</b>									
Rural Development									
Water and Waste Water grants	30,456,000	4,933,500	16	3,640,000	12	2,827,000	9	11,400,500	37
Community Facilities direct and guaranteed loans	32,028,000	3,177,200	10	2,429,400	8	0	0	5,606,600	18
Water and Waste Water loans	56,544,000	8,737,200	15	8,653,900	15	11,105,100	20	28,496,200	50
Housing & Urban Development									
Community Development block grants	1,900,000	450,000	24	450,000	24	1,000,000	53	1,900,000	100
<b>Category total</b>	<b>120,928,000</b>	<b>17,297,900</b>	<b>36</b>	<b>15,173,300</b>	<b>32</b>	<b>14,932,100</b>	<b>32</b>	<b>47,404,000</b>	<b>39.2</b>
<b>Assistance through the Initiative for ecosystem investment</b>									
USFS									
Jobs in the Woods	20,000,000	7,700,000	39	7,600,000	38	4,000,000	20	20,000,000	100
Stewardship and Stewardship Incentives	0	0	0	0	0	0	0	0	0
BLM--Jobs in the Woods	5,000,000	4,800,000	96	0	0	200,000	4	5,000,000	100
BIA--Jobs in the Woods	1,000,000	0	0	600,000	60	300,000	30	1,000,000	100
Fish and Wildlife Service									
Jobs in the Woods	1,000,000	0	0	806,902	81	0	0	1,000,000	100
EPA--Ecosystem research	5,000,000	480,000	10	394,000	8	300,000	6	4,999,000	100
<b>Category total</b>	<b>32,000,000</b>	<b>12,980,000</b>	<b>41</b>	<b>9,400,902</b>	<b>29</b>	<b>4,800,000</b>	<b>15</b>	<b>31,999,000</b>	<b>100</b>
<b>Total for all programs in the Plan</b>	<b>248,224,500</b>	<b>58,695,650</b>	<b>46</b>	<b>36,646,152</b>	<b>29</b>	<b>26,444,300</b>	<b>21</b>	<b>126,604,500</b>	<b>51</b>

Ecosystem Investment regional and administrative percentages for implementing Jobs in the Woods for FS, BLM, BIA, and F&Ws are 3.5%, 0%, 10%, and 19% respectively; EPA regional use of research funds is 77%, with the remainder passed through to the states.

- The amount available in Economic Development Administration Title IX technical assistance grants was reduced to \$11 million from \$15 million because of disaster relief needs elsewhere in the nation, and economic adjustment needs associated with the fishing and coal mining industries.
- Only \$7 million of the originally proposed \$30 million was appropriated to fund the Interior Department's watershed restoration program.
- Commitments to the Initiative for the Forest Service's Forest Stewardship and Stewardship Incentive programs were proposed but unfunded.
- The Forest Service had \$20 million appropriated for watershed restoration rather than the proposed \$16 million.
- The Forest Service's Old-Growth Diversification program had \$6.5 million available, in contrast to the \$1.5 million that was available in 1993, and California was included in the program for the first time.
- The partial use of funds in the Farmers' Home Administration and Rural Development Administration's (Rural Development) programs reflects programmatic difficulties in making use of the Business and Industry Loan Guarantee program, expenditures made for priority needs within the three-state area but outside the region covered by the Plan, a lack of demand for the services provided by some programs, and lag times necessary to prepare and complete complex construction-related program proposals for infrastructure and facilities. Funds from the Community Facilities and Intermediary Relending programs, which were only partly used, were reprogrammed to increase the dollars available in the Rural Business Enterprise Grant program.

#### *Funding in fiscal year 1995*

In fiscal year 1995, federal spending increased dramatically over 1994, and more than \$217 million of an available \$268 million was delivered to the region; 42% of the total was awarded as grants, 43% was awarded as loans or loan guarantees, and 14% was awarded in contracts or agreements (table 16). Additionally, the Small Business Administration, by targeting loan-guarantee activity to the affected counties in the Region, guaranteed almost \$163 million in loans. The state-by-state distribution of the assistance was 44% spent in Oregon, 32% in Washington, and 25% in California. By category of assistance, the distribution was assistance to workers and families, 9%; assistance to business and industry, 23%; assistance for communities and infrastructure, 53%; and watershed restoration, 15% (table 17).

As in fiscal year 1994, the amounts available differed from what was originally proposed because of changes in both the amounts appropriated by Congress and the agencies' decisions to adjust their funding. The principal reasons for the differences between the amounts proposed and spent were

- The Department of Labor's Job Training Partnership Act funds exceeded the target originally intended; more opportunities were available for retraining than anticipated, so the amount awarded in the region was increased above the \$12 million target.
- Significant progress was made in implementing the Rural Development Business and Industry Loan Guarantee program, though some of the funds in the program remained unused by the agency.

Table 16—Distribution of funds spent for the Initiative in fiscal year 1995, by department, agency and, program

Departmental program	Funds available	Funds spent in the region	Percentage of available dollars spent in the region
<b>Department of Agriculture</b>			
Forest Service--Community Assistance	11,012,000	9,306,977	85
Forest Service--Old-Growth Diversification	4,900,000	4,800,000	98
Forest Service--Watershed Restoration/Jobs in the Woods	14,600,000	12,145,100	83
Rural Development Administration (Rural Development)			
Rural Business Enterprise grants	4,149,250	3,563,350	86
Business and Industry loan guarantees	36,994,250	14,425,000	39
Intermediary relending	16,000,000	14,200,000	89
Water and Waste Water loans	58,843,274	48,819,550	84
Water and Waste Water grants	32,388,975	29,672,280	92
Community Facilities loans	28,319,000	16,479,840	58
Community Facilities guaranteed loans	13,949,624	6,000	0
<b>Department of Housing and Urban Development</b>			
Community Development block grants	1,900,000	20,305,983	1,053
<b>Department of Labor</b>			
Job Training Partnership Act--Secretary's Reserve	12,000,000	19,200,000	160
<b>Department of Commerce</b>			
Economic Development Administration	10,000,000	3,528,500	35
<b>Department of the Interior</b>			
Bureau of Land Management	11,977,000	10,869,305	91
Watershed Restoration/Jobs in the Woods			
Fish and Wildlife Service	3,518,000	3,264,978	93
Watershed Restoration/Jobs in the Woods			
Bureau of Indian Affairs	2,595,000	2,988,281	115
Watershed Restoration/Jobs in the Woods			
<b>Environmental Protection Agency</b>			
Clean Water Act Section 319, research grants	5,000,000	4,269,000	101
<b>Total for the Initiative</b>	<b>268,146,373</b>	<b>217,844,144</b>	<b>82</b>
<b>Other federal</b>			
Small Business Administration loan guarantees	152,000,000	162,955,926	107

Table 17—Expenditures for the Initiative in fiscal year 1995, by category of assistance, program, and state

Program by category of assistance	Initiative funds available (dollars)	State						Percentage of available funds	
		Oregon		Washington		California			
		Dollars spent	%	Dollars spent	%	Dollars spent	%	Total dollars	
<b>Assistance through the Initiative for workers and families</b>									
Department of Labor--Secretary's Reserve	12,000,000	7,000,000	36	8,200,000	43	4,000,000	21	19,200,000	160
<b>Category total</b>	<b>12,000,000</b>	<b>7,000,000</b>	<b>36</b>	<b>8,200,000</b>	<b>43</b>	<b>4,000,000</b>	<b>21</b>	<b>19,200,000</b>	<b>160</b>
<b>Assistance through the Initiative for business and industry</b>									
Rural Development									
Rural Business Enterprise grants	4,149,250	1,710,290	48	1,137,860	32	715,200	20	3,563,350	86
Business and Industry loan guarantees	36,994,250	4,800,000	33	5,300,000	37	4,325,000	30	14,425,000	39
Intermediary lending	16,000,000	6,000,000	42	5,000,000	35	3,200,000	23	14,200,000	89
USFS									
Old-Growth Diversification grants	4,900,000	1,910,000	40	1,910,000	40	980,000	20	4,800,000	98
Rural Community Assistance grants	11,012,000	4,485,395	48	2,790,582	30	2,031,000	22	9,306,977	85
Economic Development Administration									
Technical assistance	10,000,000	2,374,000	67	516,500	15	638,000	18	3,528,500	35
<b>Category total</b>	<b>83,055,500</b>	<b>21,279,685</b>	<b>43</b>	<b>16,654,942</b>	<b>33</b>	<b>11,889,200</b>	<b>24</b>	<b>49,823,827</b>	<b>60</b>
<b>Assistance through the Initiative for communities and infrastructure</b>									
Rural Development									
Water and Waste Water grants	32,388,975	12,295,080	41	10,278,700	35	7,098,500	24	29,672,280	92
Community Facilities direct and guaranteed loans	28,319,000	6,060,540	37	1,335,800	8	9,083,500	55	16,479,840	58
Community Facilities guaranteed loans	13,949,624	0	0	6,000	100	0	0	6,000	0
Water and Waste Water loans	58,843,274	24,932,650	51	15,559,900	32	8,327,000	17	48,819,550	83
Housing and Urban Development									
Community Development block grants	1,900,000	5,082,612	25	6,715,752	33	8,507,619	42	20,305,983	1,069
<b>Category total</b>	<b>135,400,873</b>	<b>48,370,882</b>	<b>42</b>	<b>33,896,152</b>	<b>29</b>	<b>33,016,619</b>	<b>21</b>	<b>115,283,653</b>	<b>85</b>
<b>Assistance through the Initiative for ecosystem investment</b>									
USFS--Jobs in the Woods	14,600,000	4,968,400	41	3,994,700	33	3,182,000	26	12,145,100	83
BLM--Jobs in the Woods	11,977,000	9,975,305	92	0	0	894,000	8	10,869,305	91
BIA--Jobs in the Woods	2,595,000	65,154	2	2,332,453	78	590,674	20	2,988,281	115
Fish and Wildlife Service									
Jobs in the Woods	3,518,000	1,028,978	32	1,350,000	41	886,000	27	3,264,978	93
EPA									
Ecosystem research, nonpoint sources	5,000,000	1,811,000	42	2,458,000	58	0	0	4,269,000	85
<b>Category total</b>	<b>37,690,000</b>	<b>17,848,837</b>	<b>53</b>	<b>10,135,153</b>	<b>30</b>	<b>5,552,674</b>	<b>17</b>	<b>33,536,664</b>	<b>94</b>
<b>Total for all programs in the Initiative</b>	<b>268,146,373</b>	<b>94,499,404</b>	<b>43</b>	<b>68,886,247</b>	<b>32</b>	<b>54,458,493</b>	<b>25</b>	<b>217,844,144</b>	<b>81</b>

- The Economic Development Administration chose not to go ahead with many of the projects that would have been funded with its original \$10 million target.
- The Rural Development Community Facility Guaranteed Loan program wasn't fully used and remained an economically unattractive program relative to alternative sources of community financing.
- The Department of Housing and Urban Development classified the awards made in affected counties in the region as part of the total to be compared against their target, so many more dollars than originally anticipated appeared in the Department's total.
- The Department of the Interior agencies had an aggregate total of \$18.1 million appropriated for the watershed restoration/Jobs in the Woods program rather than the proposed \$30 million.
- The Forest Service's Forest Stewardship and Stewardship Incentive programs remained unfunded as a part of the Initiative.
- Forest Service, Bureau of Land Management, and Fish and Wildlife Service totals for the watershed restoration/Jobs in the Woods program for funds spent differ from funds available because the total for funds spent represents only the amount awarded for work to be done by private and nonprofit workers and does not include the funds retained within each agency to prepare projects for award; the Bureau of Indian Affairs total spent for watershed restoration/Jobs in the Woods exceeds the total available because of an earmark special award.

#### *Funding in fiscal year 1996*

Federal spending in fiscal year 1996 came in at 103 percent, \$215.8 million, of the \$209.45 million that was originally available to the region; 43% of the total was awarded as grants, 44% was awarded as loans or loan guarantees, and 13% was awarded in contracts or agreements (table 18). In addition, the Small Business Administration, by targeting loan-guarantee activity to the affected counties in the region, guaranteed more than \$169 million in loans.

The state-by-state distribution of the assistance was 48% spent in Oregon, 28% in Washington, and 24% in California. By category of assistance, the distribution was assistance to workers and families, 6%; assistance to business and industry, 29%; assistance for communities and infrastructure, 50%; and watershed restoration, 14% (table 19).

The amount awarded or obligated in the region was higher than the amount that was originally proposed because of changes in Congressional appropriations and individual agency decisions to adjust funding during the fiscal year, and to obligate or award additional new program dollars in the affected timber area. The principal reasons for the differences between the amounts are

- The Department of Labor's Job Training Partnership Act funds (\$12.97 million) exceeded the target. The Department of Labor's position has always been that the \$12 million target is a minimum and not a maximum, and that more is available subject to the submission of proposals. In fiscal year 1996, no proposals for timber-affected counties in California were received.
- The Rural Development Business and Industry Loan Guarantee program made significant progress and obligated more than \$25 million or about 50% of what was available.

Table 18—Distribution of funds spent in fiscal year 1996, for the Initiative by department, agency, and program

Departmental program	Funds available	Funds spent in the region	Percentage of available dollars spent in the region
<b>Department of Agriculture</b>			
Forest Service--Community Assistance	12,760,000	10,900,000	85
Forest Service--Old-Growth Diversification	3,000,000	2,890,000	96
Forest Service--Watershed Restoration/Jobs in the Woods	13,510,000	13,510,000	100
<b>Rural Development Administration (Rural Development)</b>			
Rural Business Enterprise grants	4,100,000	4,420,000	108
Business and Industry loan guarantees	50,000,000	26,680,000	53
Intermediary relending	8,000,000	8,320,000	104
Water and Waste Water loans	34,080,000	39,840,000	117
Water and Waste Water grants	13,400,000	29,030,000	217
Community Facilities loans	24,700,000	21,570,000	87
Community Facilities guaranteed loans	8,860,000	0	0
<b>Department of Housing and Urban Development</b>			
Community Development block grants	1,900,000	17,750,000	934
<b>Department of Labor</b>			
Job Training Partnership Act--Secretary's Reserve	12,000,000	12,970,000	108
<b>Department of Commerce</b>			
Economic Development Administration	5,000,000	9,930,000	199
<b>Department of the Interior</b>			
Bureau of Land Management	7,770,000	7,580,000	98
Watershed Restoration/Jobs in the Woods			
Fish and Wildlife Service	2,370,000	2,100,000	89
Watershed Restoration/Jobs in the Woods			
Bureau of Indian Affairs	3,000,000	3,000,000	100
Watershed Restoration/Jobs in the Woods			
<b>Environmental Protection Agency</b>			
Clean Water Act Section 319, research grants, nonpoint sources	5,000,000	5,320,000	106
<b>Total for the Initiative</b>	<b>209,450,000</b>	<b>215,810,000</b>	<b>103</b>
<b>Other federal</b>			
Small Business Administration loan guarantees	Target N/A	169,260,000	N/A

Table 19—Expenditures for the Initiative in fiscal year 1996, by category of assistance, program, and state

Program by category of assistance	Initiative funds available (dollars)	State						Percentage of available funds	
		Oregon		Washington		California			
		Dollars spent	%	Dollars spent	%	Dollars spent	%	Total dollars	
<b>Assistance through the Initiative for workers and families</b>									
Department of Labor--Secretary's Reserve	12,000,000	6,720,000	52	6,250,000	48	0	0	12,970,000	108
<b>Category total</b>	<b>12,000,000</b>	<b>6,720,000</b>	<b>52</b>	<b>6,250,000</b>	<b>48</b>	<b>0</b>	<b>0</b>	<b>12,970,000</b>	<b>108</b>
<b>Assistance through the Initiative for business and industry</b>									
Rural Development									
Rural Business Enterprise grants	4,100,000	2,370,000	54	1,270,000	29	780,000	18	4,420,000	108
Business and Industry loan guarantees	50,000,000	16,110,000	60	1,660,000	6	8,920,000	33	26,690,000	53
Intermediary lending	8,000,000	4,320,000	52	2,400,000	29	1,600,000	19	8,320,000	104
USFS									
Old-Growth Diversification grants	3,000,000	1,150,000	40	1,150,000	40	590,000	20	2,890,000	96
Rural Community Assistance grants	12,760,000	5,230,000	48	3,610,000	33	2,060,000	19	10,900,000	85
Economic Development Administration									
Technical assistance	5,000,000	4,810,000	48	1,070,000	11	4,050,000	41	9,930,000	199
<b>Category total</b>	<b>82,860,000</b>	<b>33,990,000</b>	<b>54</b>	<b>11,160,000</b>	<b>18</b>	<b>18,000,000</b>	<b>28</b>	<b>63,150,000</b>	<b>76</b>
<b>Assistance through the Initiative for communities and infrastructure</b>									
Rural Development									
Water and Waste Water grants	13,400,000	14,300,000	49	10,150,000	35	4,580,000	16	29,030,000	217
Water and Waste Water loans	34,080,000	17,770,000	45	13,970,000	35	8,100,000	20	39,840,000	117
Community Facilities Direct loans	24,700,000	11,820,000	55	260,000	1	9,500,000	44	21,580,000	87
Community Facilities guaranteed loans	8,860,000	0	0	0	0	0	0	0	0
Housing & Urban Development									
Community Development block grants	1,900,000	4,630,000	26	8,410,000	47	4,710,000	27	17,750,000	934
<b>Category total</b>	<b>82,940,000</b>	<b>48,520,000</b>	<b>45</b>	<b>32,790,000</b>	<b>30</b>	<b>26,890,000</b>	<b>25</b>	<b>108,200,000</b>	<b>130</b>
<b>Assistance through the Initiative for ecosystem investment</b>									
USFS--Jobs in the Woods	13,510,000	5,150,000	38	5,040,000	37	3,320,000	25	13,510,000	100
BLM--Jobs in the Woods	7,770,000	6,320,000	83	0	0	1,260,000	17	7,580,000	98
BIA--Jobs in the Woods	3,000,000	0	0	2,720,000	91	280,000	9	3,000,000	100
Fish and Wildlife Service									
Jobs in the Woods	2,370,000	770,000	37	700,000	33	630,000	30	2,100,000	89
EPA									
Clean Water Act Section 319									
Research grants, nonpoint sources	5,000,000	2,280,000	43	2,290,000	43	750,000	14	5,320,000	
<b>Category total</b>	<b>31,650,000</b>	<b>14,520,000</b>	<b>46</b>	<b>10,750,000</b>	<b>34</b>	<b>6,240,000</b>	<b>20</b>	<b>31,510,000</b>	<b>0</b>
<b>Total for All Programs in the Initiative</b>	<b>209,450,000</b>	<b>103,750,000</b>	<b>48</b>	<b>60,950,000</b>	<b>28</b>	<b>51,150,000</b>	<b>24</b>	<b>215,830,000</b>	<b>103</b>

- The Rural Development Water and Waste Water grant program received additional funds for the timber-affected areas, as a result of the agency's Water 2000 Clean Drinking Water Initiative, as well as the Enterprise Community-Empowerment Zone Initiative. As a result, \$29.03 million (rather than \$13.40 million or +217% of what was expected) was obligated in the timber-affected region.
- The Economic Development Administration had originally cut back its availability of funds to \$5 million, but chose to go ahead with many of its projects, consequently awarding \$9.93 million or +199%.
- The Rural Development Community Facility Guaranteed Loan program continues to remain an economically unattractive program relative to alternative sources of community financing.

### *Removing barriers and impediments*

By the end of fiscal year 1994, 49 barriers and impediments to effective program delivery had been identified. At that time, 26 barriers had been resolved as requested, 16 remained under consideration, and, for 7, the requested changes had been denied. By early in 1995, all of the unresolved issues had been addressed, though not all had been resolved as requested.

In March 1995, the chairs of the three State Community Economic Revitalization Teams submitted a list of 22 impediments and barriers to the Multi-Agency Command. Seven barriers were resolved as requested within one month. Subsequently, the involved federal agencies worked with both the Multi-Agency Command and regional CERT to respond to or resolve the remaining issues, though several persisted as partially unresolved into the summer of 1996.

For both 1994 and 1995, identified impediments and barriers fall into four broad categories. The categories, along with examples of specific impediments and the associated response are

- Barriers and impediments that require rule changes:

*Impediment.* Delays between proposal submission and final approval exasperate both federal and nonfederal participants in the Initiative; for some programs, delays are due to the review and approvals that are required at successively higher organizational levels. In the Business and Industry Guaranteed Loan program administered by the Rural Business and Cooperative Development Service, final approval requires review and final decision in Washington, DC. Participants have proposed that the agency decentralize the decision authority to state offices, thereby bringing the program more into line with the turn-around time for loans guaranteed by the Small Business Administration.

*Agency response.* The Rural Business and Cooperative Development Service is issuing new regulations that will streamline the program and replace the Farmers Home Administration regulations that currently govern its use. In the interim, state officials will have increased responsibility for loan approval; a joint national-state emphasis will be placed on pursuing the program as it is currently configured.

- Barriers and impediments addressed with administrative changes:

*Impediment.* The intent of the Jobs in the Woods program is to provide employment opportunities while carrying out important watershed restoration work. When the program was announced, no statutory or regulatory mechanism was provided whereby federal agencies could adjust federal procedures to favor the region's contractors or favor those contractors who hired local workers, particularly those workers dislocated from the timber industry.

*Agency response.* Both the Forest Service and Bureau of Land Management requested and were granted waivers of the full and open competition requirements for federal contracting; the waiver was granted by the Secretaries of Agriculture and Interior as a Public Interest Exception for fiscal year 1994, and a comparable waiver was granted again in fiscal years 1995 and 1996. The waiver permits advertising only within the region of the Plan, and permits contracting officers to preferentially award contracts to those whose place of business is within the area covered by the Plan. Congress provided a legislative waiver for contracting in the fiscal year 1997 Interior Appropriations Bill.

- Barriers and impediments addressed through clarification:

*Impediment.* When the Jobs in the Woods program began, unemployed woods workers and others knew little or nothing about federal contracting procedures and regulations. Cash flow problems also plagued potential bidders for Jobs in the Woods contracts, and some complained they did not have the cash necessary to begin the restoration work called for in a contract and could not wait until after the contract was completed to be paid.

*Agency response.* Some contracting processes were simplified, and special outreach and training sessions were sponsored to educate potential bidders about government contracting procedures. Both the Forest Service and Bureau of Land Management also confirmed that they had conditional authority to advance start-up funds to cooperators in the Jobs in the Woods program.

- Barriers and impediments that require legislative changes:

*Impediment.* Some rural communities would like to provide worker training and retraining opportunities for those who have jobs or for those who are unemployed for reasons unrelated to the adjustments facing the timber industry. A solution would be to expand the eligibility requirements to participate in worker-retraining programs under the Job Training Partnership Act so that, for example, the existing workforce and unemployed workers not classified as dislocated could participate.

*Agency response.* The Department of Labor does not have the flexibility to redefine the statutory provisions on eligibility under section 301 (a)(1) of the Act. Because of Congressional interest in making large changes to the nation's worker training laws and policies, a specific change of this type will not be pursued.

### **Job-Related Effects of the Initiative**

The intent of the Initiative is not only to directly employ people, but to provide workers and their families with the skills and support to find long-lasting, family-wage jobs, and to assist businesses and communities in providing the economic basis to sustain those jobs. For some

Table 20—Job-related effects<sup>1</sup> of federal spending in fiscal year 1995, by category of assistance and state

Category of assistance	State			Total
	Oregon	Washington	California	
Assistance to workers and families: job placements of workers (terminating training)	449	368	0	817
Assistance to business and industry	5,160	1,730	1,420	8,310
Assistance to communities	1,013	585	401	1,999
Ecosystem investment through Jobs in the Woods	2,361	701	611	3,673
<b>Total for programs in the Initiative</b>	<b>8,983</b>	<b>3,384</b>	<b>2,432</b>	<b>14,799</b>
Small Business Administration loan guarantees	723	252	768	1,743
<b>Total for federal spending in the region</b>	<b>9,706</b>	<b>3,636</b>	<b>3,200</b>	<b>16,542</b>

<sup>1</sup>Includes worker placement of those terminating training, and short- and long-term jobs retained, created in 1995, and expected to be created after 1995.

programs, a goal of short-term job creation may conflict with the goal of providing assistance to the most severely affected communities. In the long term, investing in those severely affected communities that can still diversify will result in a healthier economy than will investing to speed up growth where the most jobs can be created. No estimates were made of the job-related effects of capacity-building grants awarded by the Economic Development Administration and the Forest Service Rural Community Assistance program, though such grants lay the foundation for further economic development and job creation in communities and larger economic development districts.

Federal and state officials responsible for the different programs in the Initiative estimated that 14,799 job-related effects resulted from federal monies spent during fiscal year 1995 (table 20). An additional 1,743 jobs were associated with the loan guarantees made by the Small Business Administration in the region during the year. Estimates of fiscal year 1996 job-related effects were not available at the time of publication. Such effects include workers finding employment after terminating training programs, estimates of the number of workers whose jobs were saved as a result of federal spending, estimates of the number of job opportunities created in fiscal year 1995, and estimates of the number of job opportunities expected to be created in future years.

For the programs included in the Initiative, 56% of the job-related effects were a result of spending in the programs in the business and industry category of assistance; 25% were in the ecosystem investment category; 14% were in the communities and infrastructure category; and 6% were for those individuals finding employment after terminating training in the workers and families category. More than 61% of the job-related effects of the programs in the Initiative were in Oregon, 23% in Washington, and 16% in California. More than 4,900 job-training opportunities have been created in the region since the announcement of the Plan; 2,706 were enrolled in training as of the end of September 1995; and 1,006 had terminated enrollment (817 or 81% of the terminations had found employment by year's end).

The estimates include both short- and long-term jobs and job opportunities. The jobs resulting from the Jobs in the Woods program are exclusively short-term because the projects awarded to contractors are of short duration. Officials reported that longer-term work was available

through contractors holding multiple Jobs in the Woods projects and completing them sequentially, or through one of the 10 ecosystem worker-training demonstrations that were in place in Oregon and California in fiscal years 1995 and 1996 (USDI BLM 1996).

Of the totals in table 20 for the programs in the Initiative, 1,786 (12% of the total effects) were estimated to be jobs retained or jobs found by workers after worker-training programs; 6,560 (slightly more than 44% of the total) were estimated to be job opportunities created during the fiscal year; and the remaining 6,453 (slightly less than 44% of the total) were jobs expected to be created after fiscal year 1995. Retained jobs are those that were in place at the time of a project's approval and at risk of elimination without the project. Estimates of jobs to be created in future years were often based on the expectations that awardees had of job-related effects, and were spread over time to reflect each project's development; sometimes, up to 10 years will be required before the full potential of a project to provide jobs will be felt.

The method for estimating job-related effects varied by program, with most calculated directly as the sum of estimates made, project-by-project, by the applicant or project contractor. Not all agencies collected data permitting a stratification into jobs-retained, jobs-created, and jobs-to-be-created categories; not all agencies collected data sufficient to determine whether a job was full-time or of long duration; and the wage or compensation rates associated with job-related effects in most programs could not be determined from the available data.

Estimates for spending in fiscal year 1994 were based on a cruder methodology than the estimates for 1995. More than 1,600 retraining opportunities were in place; 1,940 jobs were associated with spending in the business and industry category of assistance (estimate based on one job per \$20,000 spent); 1,600 jobs were associated with spending in the community facility and infrastructure category of assistance (about one job per \$40,000 of spending); and 2,200 jobs were provided by the Jobs in the Woods program.

### Examples of Projects Funded in Each Assistance Category

#### *Assistance to workers and families*

Since the Initiative began in 1994, more than 4,900 worker-training opportunities have been created in the region. Of the 1,006 enrollees completing or leaving the program, 817 had found jobs by the end of September 1995.

#### *Assistance to business and industry*

Numerous examples illustrate federal and nonfederal partners combining their resources to provide financial assistance for business investment. In 1994, the Economic Development Administration contributed \$365,847, the State of Oregon \$50,000, Pacificorp (a regional electrical utility) \$122,000, and Rural Development Initiatives (nonprofit) \$11,463 to develop a plan to reclaim and reuse seven different mill sites formerly used by the wood-products industry. In many small, timber-dependent communities, old mill sites are commonly the only available industrial land, but reclamation difficulties and environmental cleanup complicate their conversion and reuse. The project includes environmental assessments and wetlands delineations. Preliminary findings have suggested that some sites have minor toxic waste problems, and the

## Assistance for Retraining Dislocated Workers

**Max Reams** spent about 10 years working as a logger in the Oregon woods. It was a lifestyle that fit him well, but when work became scarce, he fell on hard times. By the time he entered the Dislocated Worker Program, he was near homelessness, his marriage was failing, and he had no other resources than his personal strength and will.

Through the Dislocated Worker Program, he enrolled at Lane Community College in Oregon. He decided that he wanted to pursue a career that would place him in a professional office environment—one that would require development of computer and office administration skills. Max was an excellent student with a grade point average that never fell below 3.5. He developed a strong interest in law, and focused on classes that would prepare him to become a legal secretary.

By the fall of 1995, Max had moved on to a rewarding job in an attorney's office. His long-term goal is to become a paralegal assistant with law school itself a possibility. Max faced significant personal problems—he is now divorced and struggling for custody of his children. He has endured severe financial hardships, been traumatized by a death in the family, and survived personal depression. Max attests that the Dislocated Worker Program provided him with the support and encouragement to succeed, and without that assistance, he feels that his success might never have happened.

**Jeff Murrey** is a 43-year-old former millworker with nearly 25 years of experience in the wood products industry. When he lost his job, he was faced with the additional challenges of impending divorce, financial stress, and homelessness. His chances for employment were diminished because he was a school drop-out.

With encouragement and support from his family, he committed to obtaining a commercial driver's license through the Dislocated Worker Program; he entered a training program at a local truck-driving school. He gained his license, completed the training program, and as of the end of 1995, had a hiring commitment from Gordon Trucking, one of the most respected employers in the trucking industry.

TEXT BOX 1

sites provide opportunities for both wetlands enhancement and eventual industrial or commercial use. In 1995, the project was continued, and an additional \$300,000 in federal and \$100,000 in nonfederal monies were contributed to add five more mill sites.

Communities also received financial assistance for diversification and key, strategic investments to support local businesses.

### *Assistance for improving community infrastructure and facilities*

Large capital investments are typically required to develop water and waste water treatment plants, and other types of community facilities essential to meeting the needs of residents as well as providing a suitable business environment for local firms. In 1995, Riddle, Oregon, with a population of 1,143 and an economic base closely tied to the wood-products industry, received a \$2.17 million loan and a \$2.33 million grant from the Rural Development Water and Waste Water Disposal programs. The monies provide for renovating and replacing the raw water intake, expanding the existing water treatment plant, constructing two new treated-water storage reservoirs, and improving the pipeline distribution system. The new water system strengthens the community's ability to support both existing and potential business and residences.

Facilities to serve the needs of residents in rural communities have also received sizable awards under the Initiative.

## Assistance To Support Business Investment and Expansion

**Medford, Oregon.** The Wood Manufacturers Cooperative and Technical Training Center will use \$240,000 of Forest Service Rural Community Assistance grant and state Regional Strategies monies to create a flexible manufacturing and training network among southern Oregon's approximately 200 small, secondary wood-products producers. As hub of the network, the Wood Center's purpose is to plan, organize, and market industry training, design services, production services, and business support capabilities. Over the long term, the Wood Center expects to become self-sufficient and to play a major role in assisting small manufacturers to gain access to new wood-products markets, to compete more effectively in domestic and international markets, to create more family-wage jobs, and to strengthen the entrepreneurial skills of the participating business owners. Organizers of this non-profit corporation include owners of small wood-products firms, Rogue Community College, and the Medford Small Business Development Center.

**Willamette Valley, Oregon.** The availability of financial capital is a common problem confronting businesses in rural areas. Such businesses are at a disadvantage relative to urban businesses because they are typically small and in remote areas. An award of \$2 million through the Intermediary Relending program of Rural Development to Valley Development Initiatives will help overcome problems with capital availability in rural Marion, Polk, and Yamhill counties, Oregon. Valley Development Initiatives estimates that by targeting a maximum of \$25,000 per full-time equivalent job created or saved, the \$2 million loan will create or save between 40 and 100 jobs in the fund's first round of loans for the rural communities in the three-county area. Valley Development Initiatives has initially identified 15 potential small businesses that could benefit from the funds; the credit needs for the businesses total about \$1.5 million. In addition to the Intermediary Relending Program loan, Valley Development Initiatives will receive \$50,000 from the state Mid-Willamette Regional Strategies Board to provide additional capital for the revolving loan fund.

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## Assistance for Infrastructure and Facilities

**Marion County, Oregon.** More than \$2.3 million from five different sources, including an \$800,000 loan from the Rural Development Direct Community Facilities Loan program, is funding the construction of a new, two-story, 14,670-square-foot, primary health-care center at a centrally located site to house a comprehensive family medical practice, including facilities for dental care and the Women, Infants and Children program. The center primarily serves low-income and seasonal and migrant agricultural workers. The center is currently operating in temporary quarters in structures not adjacent to one another and not physically or financially suitable for long-term use. The new facility will consolidate services into one location and replace the previous permanent facility, which was destroyed in a 1993 earthquake. Sixty jobs will be saved, and the center will serve a county-wide population of 19,922. The county is one of the most highly dependent on federal timber.

**Josephine County, Oregon.** Construction of a county courthouse and juvenile detention center complex consisting of three one-story buildings with an area of 17,625 square feet is being made possible by a loan of almost \$2 million from the Rural Development Direct Community Facilities Loan program. The buildings will house family court judges, advocates, juvenile department staff, and related services, which are currently housed in a variety of leased buildings at separate locations in Grants Pass. In addition, the complex will include a facility for housing juvenile offenders. Four new jobs will be created, and the facility will serve the town of Grants Pass (population 17,488) and Josephine County (population 62,649).

TEXT BOX 17

### *Ecosystem investment*

The watershed work carried out through the Jobs in the Woods program has brought both employment opportunities and much-needed restoration work to the region's prized waterways. The program has also made small, innovative, workforce development projects possible. In 1994, a pilot effort to train dislocated timber workers to become part of the woods' workforce of the future was initiated in Sweet Home, Oregon.

The crew was composed of 11 workers whose backgrounds included timber falling, mill work, operating forest equipment, and seasonal employment with public land management agencies. Candidates were selected based on their certification as dislocated timber workers, interest in future forest employment, willingness to share their existing skills, willingness to learn new skills, ability to work outside in a demanding environment, and commitment to the program.

Partners sponsoring and implementing the program included the Forest Service, Bureau of Land Management, Oregon Department of Forestry, Community Services Consortium, University of Oregon, and the Extension Service through Oregon State University. Enrollees received training in both classroom and field settings, with the curriculum designed to develop well-rounded, knowledgeable, and compatible workers competent in the many skills required for forest ecosystem restoration and management.

## **Training the Forest Ecosystem Management Workforce Through the Jobs in the Woods Program**

The Jobs in the Woods program is intended to provide job opportunities to the region's rural workforce as well as restore watersheds. For five months in the summer and fall of 1994, Jobs in the Woods projects served as on-the-job training opportunities for 10 dislocated timber workers in Sweet Home, Oregon, who were eager to become part of the forest management workforce of the future; a similar effort was undertaken on the Olympic Peninsula in northwestern Washington. The enrollees spent four days working in the woods to gain practical experience in all aspects of forest ecosystem management and watershed restoration, and a fifth day in the classroom to study forestry, small business development, and safety.

Many public and private groups made the Sweet Home pilot project a success. The project, proceeding under the broad auspices of the Oregon CERT, received support from the University of Oregon, Oregon State University, Northwest Area Foundation, Western Council of Industrial Workers, Southern Willamette Private Industry Council, Community Services Consortium of Lebanon, Forest Service, Bureau of Land Management, Oregon Department of Forestry, and the Oregon Department of Fish and Wildlife.

The program was substantially expanded in 1995, with efforts undertaken in all three states. The lessons learned—primarily the value in integrating workforce development, community development, and forest ecosystem management—serve as the conceptual basis and provide an optimistic incentive for the Natural Resources Partnership proposal currently before the Interagency Advisory Committee and regional CERT.

TEXT BOX 18

## The Northwest Economic Adjustment Initiative: Observations and Opportunities

The Initiative was conceived as a combination of programs delivered through a partnership of federal, tribal, state, county, and local officials, with additional help from the private sector. Working teams were organized at the state, regional, and national scales to oversee and implement the assistance programs included in the Plan. The federal obligation brought with it local, regional, and national commitments of participation by federal officials.

### The Initiative as a Partnership

#### Observations

Participants have identified advantages, benefits, and problems that result from working together as partners to deliver economic assistance to the region. The Initiative provides opportunities to create new ways of doing business, which were uniformly and enthusiastically endorsed by active participants in the region.

#### People working together

- The framework for the Initiative brought with it the formal means for federal, state, tribal, and local officials, and the Congressional delegations to work on common problems.
- The Initiative provided a mechanism for attacking and overcoming barriers and red tape, and highlighted the shortcomings of business as usual.

#### Problems too big for any one agency

The partnership arrangement permitted participants to deal with problems, issues, and opportunities that were beyond the ability of any individual agency to address or solve.

- Organizing the Initiative as a partnership rather than placing the federal government in charge of all assistance was viewed by participants as a practical, efficient arrangement that permitted flexibility and innovation in reaching intended beneficiaries.

- Partnerships present an opportunity for making joint decisions and problem solving. Most but not all federal officials with responsibilities for decisions have been committed to the “ground up” approach of identifying and pursuing local economic-development priorities.
- The Initiative brought with it, and drew from its leadership, a sense of optimism and hope.
- Leadership is important in sustaining the vision of the Initiative’s purpose and in confirming a belief in success. A partnership is not an organization with a chain of command, leadership must proceed collaboratively to reinforce the partnership’s underlying vision and collective confidence.
- Because of the significant federal role in the Initiative, strong federal leadership must be continually asserted to both confirm its broad public-interest purpose and to ensure the contribution of individual agencies to that broad purpose.

**Delivering assistance  
consumes energy and time**

Great energy was expended to deliver assistance as rapidly as possible, but the time required was sometimes too long. Some people viewed the delays as inconsistent with the spirit and intent of the Initiative, but the frequency of meetings among partners was viewed as acceptable, given the significance of the Initiative.

- The Initiative increased program and partnership commitments for some agencies, and such adjustments have strained their capabilities.
- As both the forest management and economic assistance parts of the Plan have been implemented, some participants have been frustrated by a lack of contact and coordination between those involved in forest management and those involved in economic assistance. When the Plan was announced, state and regional CERT members requested that the two groups be kept separate, but several issues have subsequently arisen that are relevant to both groups and that cannot be easily solved by either group acting independently.

**Customized to local needs**

Through the work of federal and nonfederal partners, available assistance was customized to meet locally identified needs.

- Respect for locally set priorities was viewed as a sound operating principle, and one that was compatible with the philosophy that local people understand local issues better than federal and state officials do.
- Local leadership is fundamental to the success of the Initiative, yet its effectiveness differs from one local area to another. Each state CERT has approached the need for local leadership differently, but each has achieved a remarkable degree of success in developing such capacity. The Regional Strategies and Rural Development Council in Oregon, and the efforts of the Governor's Timber Team in Washington are all examples of prior and concurrent efforts to develop the capacity of local people to lead by deciding on a future appropriate to their individual and collective wishes.
- Technical capacity to carry out economic development work is unevenly appreciated as a necessary condition for local assistance to be effective, and it is unevenly funded. The related issues with which economic-development specialists must deal are numerous and include preparing economic development and job-training plans, applying for grants and loans, working with collaborating state and federal agencies, communicating with other local partners, and monitoring local assistance efforts.
- The partnership arrangement facilitated communication, collaboration, and problem solving among federal agencies, and between federal and nonfederal participants. Federal and state specialists in the participating agencies have reported they have gained invaluable knowledge about the programs and operations of their sister agencies, and that this knowledge will be beneficial to long-term cooperation and effective program delivery.
- The job of outreach to and education of potential recipients and beneficiaries of the different kinds of assistance provided by the Initiative is time consuming and labor intensive yet fundamental to its success. Newsletters,

progress reports prepared by state CERTs, and the teleconference sponsored by the Washington CERT are all examples of successful outreach and public information. Outreach is a necessary element in working with those who are potential beneficiaries of assistance.

- For many, the expectations that came with the initial announcement of the Initiative were unrealistically high. The Initiative was intended to help workers, businesses, and communities make the transition to a new set of federal forest policies, and is neither a jobs-creation nor an income-maintenance program, though it has important short- and long-term consequences for both.

### **Opportunities**

Partnership opportunities could include

- Making interagency and intergovernmental cooperation to promote rural development an established way of doing business.
- Continually reinforcing the serious purpose of the Initiative by the chairs of the state CERTs, regional CERT, and Multi-Agency Command by word and deed. The chairs could actively reinforce the collaborative structure of the partnerships as teams in which confrontational or adversarial behavior is the exception.
- Reaffirming the sense of urgency and valuable social purpose motivating the Initiative. National, state, and local officials in whom the public have confidence and look to for leadership could be publicly visible as champions of the Initiative and demonstrate strength in making the Initiative a success.
- Taking special care to design meaningful meeting agendas, identify unresolved problems that need group attention, and monitor solutions to problems that are being resolved. Officials serving as chairs of the interagency and community teams and committees would have primary responsibility.
- Continuing to develop confidence, experience, and trust in local priorities within the federal government and among nonfederal partners.

- Entrusting one or more federal officials at all scales of the Initiative with the responsibility to represent not just their agency's interests, but the interest of the whole federal government. The designated official would act as an advocate for aggressive participation and effective performance of federal officials and agencies. Such positions of leadership already exist in the co-chairs of the regional CERT and the chair of the Multi-Agency Command, but no comparable position exists at the state CERT scale.
- Increasing efforts by federal officials to overcome the adverse consequences of centralized decision authorities, redundant application and environmental review requirements, and funding and staffing restrictions.
- Collaborating among forest managers and those working in economic assistance benefit problem-solving when issues and problems are relevant to both groups. A proposal for a natural resource partnership forwarded to the President by the three state governors is one means for addressing such issues, if it can be made to realistically address the needs of federal and nonfederal participants.
- Developing local leadership as a continuing responsibility that could be regularly pursued. The partners in the Initiative bear various degrees of responsibility for ensuring the development of leadership to assist workers, businesses, and communities.
- Configuring, funding, and sustaining communications efforts to ensure that those not regularly participating know what is happening and what has been achieved. Additional people, time, and money could sometimes be devoted to making sure that intended beneficiaries receive the information and provide the support they need to take advantage of the Initiative.
- Making funding for local economic-development capacity—the technical expertise to carry out the different tasks required for economic development—predictable, and reliable. Large urban communities can afford a technical staff to help design and implement development plans; many rural communities, particularly smaller ones, cannot, based on their own resources, afford comparable

staff expenses. The Economic Development Administration's technical assistance grants, the Forest Service's Rural Community Assistance program, and various state economic and workforce development funds provide money so that communities can hire specialists or make comparable arrangements to assemble the plans and ideas that will lead to investments in plants, buildings, infrastructure, and community facilities. The indirect payoff of such grants is essential in laying the groundwork for further development work.

- Encouraging officials to remind each other that respect and trust, the foundations of successful partnership, are born of patience and persistence.
- Continuing a similar team approach with federal, state, and local agencies working together after the Initiative expires.

### **State and Regional CERTs and the National Multi-Agency Command**

#### **Observations**

The state CERTs have been successful in implementing the day-to-day assistance efforts in the region. Having state CERTs define the affected area (the counties eligible for assistance), decide on organizational ground rules for how they would operate, and conduct outreach to potential recipients worked well. The committees established by the state CERTs have helped participants understand problems and possibilities, and have provided guidance about how the assistance could best be implemented.

- The one-stop-shop approach has simplified access to all of the different kinds of federal and state assistance. Inter-agency and intergovernmental cooperation within the state CERTs generally worked to accelerate the assistance to the region.
- The "lead agency" approach of assigning responsibility for developing a project proposal on behalf of all participating federal and state agencies works well for many participants.

- The state CERTs serve a valuable role in reaching out to communities and other potential beneficiaries of assistance to educate and inform them about the assistance available within the Initiative. For example, the Washington CERT sponsored a satellite communications teleconference that proved useful and successful in reaching community and economic development leaders in 1994.
- The state CERTs have been successful in identifying and communicating barriers and ways of reducing red tape to the regional CERT and Multi-Agency Command.
- The state CERT meetings held in timber-dependent communities are valuable to both CERT participants and members of affected communities. Local leadership and technical economic development expertise are facilitated by the state CERTs.
- Technical and support staff for CERT activities and operations are important. The most effective state CERTs were adequately staffed; without staff, they could not undertake the breadth of activities and operate at the speed that was possible for a fully staffed CERT.

#### The Regional CERT

The role and performance of the regional CERT evolved and stabilized between the startup and implementation phases of the Initiative. The Teams coordinated preparation of the Initiative's implementation plan, which provided a sensible blueprint for making the Initiative work. The regional CERT was charged with, but did not play a strong role in ensuring equity across states. Equity across states followed instead from agreements made within the funding agencies and among the states. Finally, the regional CERT served a valuable role in eliminating several key barriers to streamlining the business of the Initiative.

- The regional CERT serves as a forum for exchanging information and identifying problems relevant to all three states. The regional CERT has been working to identify issues to be addressed and problems to be solved on a regional, federal, and nonfederal basis.

- Unlike the forest management component of the Plan and the Regional Ecosystem Office, which provides staff support to the executives of the federal land management agencies, no formal staff structure was developed for the regional CERT at the request of nonfederal representatives, a circumstance that limited activities and effectiveness. Tracking and reporting of program performance across states and for the Initiative as a whole has been a difficult task that has been incompletely accomplished because of the lack of staff commitment beyond those who are members of the regional CERT.
- Membership on the regional CERT by local and state officials is viewed as very valuable by federal participants, though some state and local officials no longer feel their participation is worthwhile. Some local officials have found participation to be financially burdensome.
- Not all federal representatives on the regional CERT have decision authority—federal membership on the regional CERT is drawn from both senior staff civil servants and federal executives. In contrast, federal executives have played a strong role in the coordinating bodies on the federal forest management side of the Plan.

#### Multi-Agency Command

The Multi-Agency Command has not, in many circumstances, been able to provide the amount of support to the Initiative that was hoped for.

- As the Initiative evolved, the roles of the different federal participants changed, and the responsibilities and expectations for performance for the Multi-Agency Command, regional CERT, and participating agencies and departments became blurred.
- Many notable barrier and red tape-removal successes were achieved by the Multi-Agency Command, but others have remained unresolved. For example, the Public Interest Waiver to help target the watershed restoration projects to contractors within the region was achieved through diligent work by the Multi-Agency Command, which also aggressively served as a clearinghouse for the barriers forwarded to it by the regional CERT and directly by the state CERT chairs. Conversely, reform of regulations to

streamline Rural Development programs, notably the Business and Industry Loan Guarantee program, were slow in coming.

- The Multi-Agency Command has no direct link to the issues and problems that come before the Interagency Steering Committee that oversees the forest management part of the Plan, though the Chair of the Multi-Agency Command did occasionally attend and address the Interagency Steering Committee in 1994.
- Participants think the Working Strategy of the Multi-Agency Command is sensible, but they caution that fulfilling the strategic plan requires that the Multi-Agency Command be composed of policy-making officials—as compared with senior and mid-level staff officials who currently represent some agencies—with the ability to anticipate its needs and carry out its provisions.
- The Multi-Agency Command has not consistently served as a policy-setting body when major administrative and statutory changes were called for as solutions to barriers identified in the region or to operating improvements that could have been made by agency executives.
- The Initiative has provided a framework for reform within the agencies, but from the perspective of federal participants in the field, the Multi-Agency Command has not aggressively pursued the possibilities for innovation and reform that would help program delivery, as well as interagency and intergovernmental collaboration.
- Budget decisions to fulfill the Initiative's financial commitments are in competition with other new and traditional national priorities. Oversight of budget decisions is awkward given that personnel and budget issues are conventionally considered to be within the exclusive purview of individual agencies.
- In 1995 and 1996, the chair of the Multi-Agency Command promoted the need for evaluating the outcomes of the Initiative but was only partially successful in raising the funds necessary to pursue the evaluation. Nonfederal officials have strongly opposed paying for an evaluation from the funds allocated to the region for the Initiative.

**Opportunities**

Opportunities for the regional and state CERTs and the Multi-Agency Command could include

- Designating a senior federal official to serve as a co-chair for each state CERT and designating a state official to serve as a co-chair for the regional CERT.
- Refining procedural steps and coordination arrangements that encourage “seamless” delivery, eliminate redundancies, and accelerate awards.
- Improving the lead-agency approach by having collaborating agencies share the information provided by applicants on a single application and not requiring applicants to fill out separate applications for each funding agency.
- Continuing to benefit those communities with few resources so they can take advantage of the Initiative through active outreach and technical assistance.
- Encouraging the three states in identifying a common set of federal barriers to effective program delivery and continuing their efforts systematically.
- Funding technical economic-development capacity according to local needs.
- Holding annual meetings of federal and state officials to discuss the operations of the state CERTs and the funding and personnel needs for efficient state CERT operations.
- Redoubling the regional CERT efforts to become more active in identifying and attacking barriers and working with the Multi-Agency Command on finding solutions.
- Affirming that the value of the regional CERT could be enhanced if regional problem solving and issue resolution were further emphasized, in addition to the regional CERT’s already established role as a regional information-sharing forum. A system of tracking problems and decisions so that they are worked on until resolved could complement the regional CERT’s role as a problem-solving body.
- Increasing effectiveness of the regional CERT by devoting more staff and technical resources to its operations.

- Ensuring participation in the regional CERT by local officials where appropriate, by providing travel expenses and related supplemental funding, which could be achieved by chartering the organization under the Federal Advisory Committee Act.
- Increasing effectiveness of the regional CERT through line involvement by all agencies in its activities.
- Using the Multi-Agency Command as the federal government's forum for deciding among and working with competing priorities because it stands in the unique position of advocate and champion of the Initiative.
- Confirming the policy and leadership responsibilities of the Multi-Agency Command and reinforcing them through word and action; the recent extension of the *Interagency Memorandum of Understanding* is an example of an event that confirms the administration's commitment to the Initiative. The officials serving on the Multi-Agency Command could act collectively on behalf of the federal government in its relation and obligation to the region. The oversight responsibility carries with it the opportunity to convey a clear sense of what the Initiative is about: the Command could confirm that commitment by all federal officials—not just those directly involved—is expected; demand high-quality performance by deputies and subordinates; assess competing policy demands to decide and act on priority items; and actively resolve competing sets of priorities and philosophies about how the work of the Initiative is to be pursued.
- Emphasizing the barrier-busting role of the Multi-Agency Command. Successful barrier busting requires a commitment of policy-making officials and their staffs to change the way the federal government conducts its business. Success also requires timely, knowledgeable work by staff officials that are not often directly involved with the Initiative. Involvement of officials in the region could also be sought to develop barrier-busting teams for specific issues.

- Expanding the membership of the Multi-Agency Command to formally include the National Performance Review, which is charged with facilitating reinvention in the federal government.
- Evaluating the effectiveness and outcomes of the Initiative, is the responsibility of the Multi-Agency Command, with the participation of officials in the region.

### Contribution of Federal Officials

#### Observations

Federal participants in the region appreciate the collaborative, interagency approach to fulfilling locally identified needs; it leads to innovation, problem solving on a scale exceeding a single agency's mission, and generally better service to the recipients than could be provided by conventional program approaches.

#### Federal participation

Most but not all federal agencies actively and consistently participated in the state and regional CERTs, and the Multi-Agency Command.

- The contributions of the participating officials, who are in the majority, have been appreciated, but the lack of involvement by nonparticipating members continues to be a source of concern among key federal and nonfederal officials.
- Currently, no easy-to-use mechanism that would enforce the terms of the *Interagency Memorandum* is available to require participation in the coordinating teams at the state, regional, and national scales of organization.
- The benefits of collaboration are complicated when local federal officials do not have programmatic or decision authority to make awards but must instead depend on centralized decision authority (those who hold regional or national positions) and, therefore, are not directly involved in the Initiative, but influence its effectiveness. Although conventional approaches to program decisions higher in the organization permit agencies to accommodate large-scale, competing priorities, they do not lend themselves to the give-and-take collaboration that makes a partnership work; they tend to slow award decisions; and they reinforce recipients' fears that assistance is unpredictable and bureaucratic.

**Federal commitment**

The commitment of federal officials varies by agency. In some agencies, participation and leadership are clear agency priorities. Sometimes, however, federal participants in the region are without clear, consistent, and forceful support from their superiors in regional and national positions.

- Strong commitment has been apparent among federal officials working directly with nonfederal partners as representatives of their agencies to state and regional CERTs. Several federal officials in the region have expressed disappointment that their superiors have had little apparent interest in the Initiative and have been unconcerned about the effectiveness of the contributions of their respective agencies. Members of the Multi-Agency Command were prompted by the Chair to contact their regional CERT counterpart at least twice a month, but regular communication fell short of expectations for some agencies.
- Participation must be confirmed and encouraged by those who are not directly involved but who provide support or managerial oversight. Competing priorities and respected traditions may subordinate the significance of the Initiative in the minds of those who are not directly involved, and their behavior, which in the extreme may be contrary to the spirit of the Initiative as a new way of doing business and as a Presidential commitment.
- For several agencies, the workload increased dramatically with the announcement of the Initiative, but no or few additional personnel and support resources were made available. As the implementation of the Initiative proceeds, several agencies are establishing large loan and grant portfolios that will require larger workforces than currently permitted, to responsibly monitor and service grant and loan performance.
- Agencies with officials who are physically present in the affected communities or who personally work with potential beneficiaries have earned trust, respect, and appreciation within the region. The Rural Community Assistance Coordinators within the Forest Service and the program specialists in Rural Development, for example, have contributed to the stature of their respective agencies

by establishing a personal and professional presence in communities to provide direct technical and financial assistance. For some communities, particularly small ones, the Forest Service Community Assistance Coordinator is an ambassador of the federal government, and provides a link to other federal services.

### **Opportunities**

Opportunities for improving the effectiveness of federal officials could include:

- Developing performance standards by which to rate the contributions of all participating and supporting federal officials at the state, regional, and national scales.
- Cross-training federal officials who are responsible for working directly with communities and others to increase their awareness of federal programs for which they are not directly responsible. The purpose of cross-training would be to provide a one-stop information service to improve access to federal programs. Job performance standards to rate officials with responsibility for dealing with nonfederal groups and communities could recognize the importance of acting as a one-stop information resource on behalf of all federal programs.
- Empowering any agency with a physical presence in a community with the authority, support, and funds to carry out the kind of outreach and technical assistance that would make their employees ambassadors of the entire federal government to that community.
- Establishing close ties between officials with decision-making authority and those responsible for program delivery as a necessary condition for effective problem solving and efficient program delivery. Special arrangements within the scope of the Initiative could be made to delegate decision authority to local federal officials.
- Considering participation in the Initiative a clear agency priority, and making effective, constructive leadership a performance element for both those who participate directly and the officials who oversee or support the direct participants.

- Reinforcing the importance of the Initiative at all scales of organization through a continuing, strong commitment by the Administration to the Initiative, and a sustained, unified advocacy of the Initiative by policy officials in each participating agency in Washington, DC. The importance of the Initiative could be concurrently communicated to officials who are not directly involved in the affairs of the Initiative, but whose responsibilities have important implications for how their agencies will contribute to its processes and goals.
- Anticipating likely executive decisions needed to ensure appropriate resources are provided.

### **Assistance to Workers and Families**

#### **Observations**

One program, the Department of Labor Secretary's National Reserve fund for dislocated worker retraining and adjustment, is included in the Initiative. The Secretary of Labor's Reserve fund has been applied with flexibility to the region's needs. Additional jobs are provided by the business, community, and ecosystem investment program.

- Department of Labor personnel conducted a series of town meetings in each state to solicit advice from affected communities and dislocated workers, and to meet with state and local service providers. The meetings succeeded in bringing federal, state, and local service providers together with enrollees to discuss the effectiveness of the program and ways to overcome both real and perceived barriers.
- The principal needs uncovered during the town meetings were for money to cover transportation and temporary living expenses while workers were in training; for income after unemployment insurance was exhausted so that workers could complete training; for more flexibility to accommodate locally identified opportunities for ecosystem workforce development; and coverage for workers affected by the secondary effects of layoffs in the timber industry. Several problems of lesser scope were also identified.

- The Department of Labor has worked either directly or with service providers to solve the problems identified in the town meetings. For example, the Department of Labor has been providing more funds for living expenses and transportation, and has expanded the scope of its grants to cover workers affected by secondary effects of wood-products layoffs.
- The state CERTs concluded that long delays in announcing grant awards were unnecessary and caused by centralized decision authority. The Department of Labor responded with a promise of an expedited grant-consideration process that has reduced approval time.

### **Opportunities**

Opportunities to assist workers could include

- Pursuing the possibility of making grant decisions in the region for the \$12 million committed by the Department of Labor to the Initiative as a way to expedite applications and awards.
- Encouraging regular visits by senior Department of Labor officials like the visit in December 1994 to discuss problems and solutions with workers and training providers.

### **Assistance to Business and Industry**

#### **Observations**

Seven programs are included under this category of assistance: the Rural Business Enterprise Grant program, the Intermediary Relending program, and the Business and Industry Loan Guarantee program of Rural Development; the Old-Growth Diversification and Rural Community Assistance programs of the Forest Service; the technical assistance and capacity-building, and infrastructure-investment programs of the Economic Development Administration; and the loan-guarantee programs of the Small Business Administration. The Rural Community Assistance program and the technical and capacity-building program of the Economic Development Administration overlap with the assistance for community and infrastructure development.

**Preference for grants**

Grant monies have been preferred by recipients over loan and loan-guarantee monies.

- Virtually all of the available grant monies have been spent in each of the grant programs, but less success was initially achieved with the Intermediary Relending and Business and Industry Loan Guarantee programs.
- Federal and state officials have reported that the procedures for using some programs, such as the Business and Industry Loan Guarantee and Intermediary Relending programs, are impediments to effective assistance.
- The working arrangement among federal officials participating on the Oregon CERT is indicative of the possibilities for efficiently combining loan and grant monies: federal officials from funding agencies meet informally to evaluate a community's proposal and the community's ability to repay loans; they then decide how to combine grant and loan monies from different programs to best meet the community's needs and capabilities.

**Business and industry attributes**

Financial assistance to businesses in rural areas affected by federal forestry has been viewed by some as less effective than assistance to communities, although more than half of the job-related effects in fiscal year 1995 were associated with the programs in the business and industry category of assistance. The reasons for the frustrations reflect a complex set of circumstances that are not easily remedied by adjusting the federal programs themselves.

- In a general sense, business investment is strongly driven by entrepreneurial skill and commercial capital, industry-specific technology, and available labor and other resources playing dominant roles in business investment and success.
- Business success also depends on a knowledgeable workforce and an appropriate public sector with necessary infrastructure in place.
- Circumstances are further complicated by regulatory requirements that discourage the banking industry's development of rural versus urban loan opportunities; the banking industry's real and perceived avoidance of risky or economically unattractive opportunities in hard-pressed

communities; the narrowness of the economic base in some areas and associated difficulties in finding promising business opportunities; and the difficulties in encouraging diversification within the local economic base.

**Opportunities** Opportunities for business and industry could include

- Monitoring grant and loan funds continually and reprogramming loan funds to increase grant funds, when circumstances dictate.
- Simplifying the procedures, regulations, and conditions that determine the use of loan and loan guarantee funds to increase the flexibility and usefulness of the programs; federal and nonfederal officials could more aggressively collaborate with representatives from the private sector to pursue an appropriate role for government programs based on local business conditions and opportunities in each state.
- Reviewing and requesting changes in the eligibility requirements of existing programs to make them more useful.
- Affirming the importance of the Small Business Administration's loan guarantee programs as significant in rural areas by identifying an aggressive loan target for the agency in the affected region.
- Expanding the use of the Intermediary Relending Program, where appropriate.
- Maintaining or expanding current commitments to provide local economic-development capacity through actions of the Economic Development Administration and the Forest Service.
- Simplifying the application procedures of the participating agencies so that information is only collected once from an applicant, and reviews and clearances by one agency (such as the lead agency) are accepted as sufficient by another. Legislative or regulatory authorization could be sought for those programs with stringent application requirements.

### Assistance to Communities for Infrastructure and Facilities

#### Observations

Rural Development's Community Facilities Direct and Guaranteed Loans, and Water and Waste Water Disposal Direct Loans and Grants are the programs available under this category of assistance. Communities also receive assistance through the Forest Service's Rural Community Assistance program, the Community Development Block Grant program (Department of Housing and Urban Development), and the technical and capacity-building program of the Economic Development Administration, each of which overlaps with the assistance for business and industry.

#### Community funding

The funds obligated for infrastructure and facilities have substantially increased as a result of the Initiative, and the state CERTs have been instrumental in identifying local opportunities and streamlining assistance.

- The increase in funding has dramatically increased the workload for Rural Development; the loan portfolio will continue to increase and impose additional demands on the federal workforce in future years.
- Only limited use has been made of the Guaranteed Community Facilities Loan program because interest rates associated with the program have not been competitive with other programs and sources of funds.
- Not all communities have had the technical and professional staff to apply for funds to develop infrastructure and facilities. Some small communities have contended that large communities—those communities with an experienced professional planning staff and that have knowledge of assistance programs—are in need of assistance but most likely to receive it.

#### Priority setting

The state CERTs variously required that priorities for projects be set countywide, signaling the relative importance of community needs.

- Federal officials concerned about efficient use of grant funds by the different programs found county prioritization to be helpful—where it was used and recognized as useful—in reaching their award decisions.

- Setting priorities at the county scale carries with it the advantage that competing community needs can be reconciled by people who are closest to and most likely to be knowledgeable about local circumstances.
- Some disadvantages are that county priorities are likely to be subjective and, therefore, vulnerable to claims of interference and special preference; county officials may lack knowledge about local community needs, so the priority setting could be insensitive to the needs of some communities.
- Some communities would now prefer to have the federal agencies take back the lead in funding projects.

#### Funding for economic development

Grants by the Economic Development Administration to fund local professional economic development staff and their work, and by the Forest Service Rural Community Assistance program to support studies, plans, and evaluations leading to economic diversification and development, are crucial to small communities and rural areas that, without the grants, would have limited or no ability to pursue economic development.

- Many local, nonfederal partners have viewed these grants and the technical assistance provided by federal officials as fundamental to their success, and have been highly complimentary of the programs and the federal officials who make them available.
- Although these programs directly provide very few immediate job opportunities, they allow communities to lay the groundwork for business expansion and investment; small communities and rural areas may have neither the tradition of providing such services nor the ability to pay for them.
- The measure of success of capacity-building grants is the types of activities they make possible, rather than the number of direct jobs created.

**Leveraging funds**

The partnership arrangements of the state CERTs have allowed a variety of complex projects to be undertaken by combining funding from more than one source.

- Viewed from the perspective of a single federal program, the combination of funds is equivalent to leveraging scarce dollars.
- The leveraging permits grant monies and the monies from programs with flexible eligibility requirements to be conserved and used for projects that would be difficult to fund in other ways.
- Multiple funding sources can be a burden for recipients if separate applications, reviews, and environmental clearances must be obtained from each funding agency.

**Opportunities**

Opportunities for communities include

- Anticipating increased workforce requirements within agencies with greater workloads and taking steps to quickly respond to maintain a high degree of program delivery.
- Improving the priority-setting process for local project proposals in each state based on experience.
- Examining the eligibility requirements and application conditions of all federal programs in light of their intended effects on communities and individuals. The state CERT, regional CERT, and Multi-Agency Command structure would facilitate a comprehensive review of eligibility.
- Providing funds to maintain capacity in small communities that otherwise could not afford a professional staff or to provide shared staff for multicounty areas.

**Ecosystem Investment****Observations**

Watershed restoration through the Jobs in the Woods program is carried out by the Forest Service, Bureau of Land Management, the Bureau of Indian Affairs, and the Fish and Wildlife Service, and collaborating nonfederal partners. The Forest Service and Bureau of Land Management restrict their activities to federal forests, the Bureau of Indian Affairs

undertakes restoration activities to benefit the region's tribes, and the Fish and Wildlife Service concentrates on voluntary, nonregulatory approaches to restoration needs on nonfederal forest lands. The Environmental Protection Agency also contributes to ecosystem investment through Clean Water Act grants and cooperative agreements, and research agreements. The Forest Stewardship and Stewardship Incentive programs administered by the Forest Service are included as elements of the ecosystem investment strategy, though no money has been appropriated to implement the program. Finally, the Natural Resources Conservation Service, with mission responsibilities that parallel the participating land management agencies, is not part of the Initiative, but it is undertaking complementary restoration activities.

#### Program's momentum

Much progress has been made in implementing the program, and the program's momentum is encouraging. More and more people, both federal agency and other partners, with different perspectives, interests, and skills are participating and have committed themselves to it.

- Strides have been made in creatively addressing complex problems that involve the environment and the issues and possibilities of both workforce and community. Watershed restoration through the Jobs in the Woods program is evolving, as a result of patience and experience.
- Virtually all of the money available to the federal agencies has been spent on restoration activities performed by workers within the region. A problem for the participating federal agencies has been that the professional costs of designing projects and preparing contracts have not always been covered by the funds in the program.
- The program has been the most complex component of the Initiative—it requires simultaneous and innovative consideration of forest ecosystem management, workforce development and employment, community economic needs, interagency coordination (within the federal government), and federal-nonfederal collaboration with relevant partners—and is simultaneously the source of great hope and expectation as well as frustration and disappointment.

- Some people's expectations for the program's significance for employing dislocated timber workers and as a way of revitalizing local economic activity have been incompatible with the program's size (in fiscal year 1994, more than 2,200 jobs of varying duration—an estimated 600 full-time jobs—were provided; in fiscal year 1995, almost 3,700 jobs were provided).

#### Environmental and economic goals

The original dual goals of the program—to achieve both favorable environmental and favorable economic and other social outcomes—has been viewed both positively and negatively.

- Despite the program's goals, clear vision or focus for the program has not been agreed to by all people, and disagreement over the program's intent persists. These disagreements have existed both within the federal government and between federal and nonfederal participants.
- Monitoring for program effectiveness, the ability to measure the effects of the program on both the environment and the economy, and the feedback of monitoring to policy and managerial judgment have not been developed well.
- The Forest Stewardship and Stewardship Incentive programs have been unfunded. Therefore, the type of management activities that could be undertaken on nonindustrially owned private forest land have not been done, except with the limited funds that have been available through a small base program not included in the Initiative. The programs have substantial environmental and economic benefit with limited commitment of public monies, and they are an attractive means to increase short- and long-term timber supply and other resource benefits from nonindustrial forests.
- The Environmental Protection Agency components of the program have been based on existing base funds in the region and emphasize watershed analyses, research, and technical assessments. Although the agency's grants and agreements have been important parts of an environmental conservation strategy, they have not been intended to

provide jobs. Further, the agency's financial commitment represents the dedication of funds already allocated to the region, and not an incremental addition to the agency's resources.

## Opportunities

Ecosystem investment opportunities could include

- Improving the link between the economic and resource components of the Plan by having federal and nonfederal officials working in each component jointly consider the possibilities for achieving both positive environmental and positive economic and employment outcomes. Joint consideration implies several complementary steps: the officials could clarify common outcomes and how they could be reached; policy makers could confirm that the combined outcomes are both desirable and expected of managers; flexibility in how outcomes are to be achieved in the woods could be built into the planning for the program's implementation; and new tools, such as "stewardship contracting," could be developed to simultaneously move ahead in achieving environmental, social, and economic objectives.
- Taking steps to ensure that the benefits of the program as a new, sensible way of doing business are retained after the Initiative ends.
- Expanding the program to encompass more than watershed restoration and to include nonfederal forest lands in a voluntary, nonregulatory approach toward providing a substantial source of family-wage job opportunities for many rural communities in the region.
- Adding the Natural Resources Conservation Service to the list of participating agencies.
- Proceeding simultaneously and systematically with monitoring protocols, measurement procedures, and interpretation of outcomes to benefit policy formulation and decisions by managers.
- Funding the Forest Stewardship and Stewardship Incentive programs and using them to demonstrate and encourage conservation on nonindustrial private forest lands. The Stewardship and Stewardship Incentive programs could

complement the watershed restoration work by demonstrating innovative approaches to conservation on upland as well as riparian areas on nonindustrial private forest land.

- Clarifying the intent and funding of Environmental Protection Agency's programs as a component of the ecosystem investment category of assistance.

### Eliminating Barriers

#### Observations

The easy barriers to remove were those requiring administrative changes within an agency. Eliminating barriers requiring legislation, reform of agency operating and implementing regulations, and policy decisions were slow in coming or have not been resolved.

#### Ease of removal

- The existing programs haven't always fit well with local needs—their particular authorizing legislation and implementing regulations have provided unanticipated barriers.
- The Multi-Agency Command has played a varied role in overcoming these kinds of barriers, with some timely successes, some slow-to-materialize successes, and some failures.
- Barriers at one scale of an agency's operations have not always been viewed as a barrier at a different scale, and some officials in the region have been frustrated by a real or perceived lack of involvement by their Washington, DC, counterparts in overcoming such barriers. Barriers to interagency cooperation and collaboration, the resolution of which would greatly increase effectiveness, have not always been vigorously pursued.

#### Other barriers

Red tape was not the only kind of barrier to affect the Initiative.

- The amount and quality of assistance in each program and the mix between loan and grant funds was initially judged adequate by some people but inadequate by others. No mechanism was adopted to systematically review needs and adjust the programs based on changing conditions and insight born of experience, which has supported the

view that grant funds have been easier to tailor to local needs and have been more favorably viewed by communities than have their loan and loan guarantee counterparts.

- The actual performance by federal agencies in making funds available to the region varied.
- Links to federal programs outside the purview of the Initiative have been poorly developed and inadequately understood. The focus of the Initiative has been the funding commitments listed in the *Interagency Memorandum of Understanding*.

### Opportunities

Opportunities for removing barriers and red tape could include

- Recommitting the state and regional CERTs and the Multi-Agency Command to working together to identify, agree upon, and aggressively attack barriers to program effectiveness. The National Performance Review could be a valuable ally. The Vice President's Hammer Award was presented to the regional CERT for its work in reinventing government in 1994. Further collaboration may be warranted, particularly where agencies refuse to change current ways of doing business or are stymied by delay.
- Reviewing and adjusting financial commitments as a regular management responsibility of policy-making federal officials, who could also adjust programs to improve the quality of the Initiative in meeting the region's varied needs.
- Viewing the *Interagency Memorandum* as an individual agency's commitment to fulfill the promises of the Initiative; allowing diversion of funds for other purposes and in response to other priorities could be resisted.
- Developing a structure to facilitate understanding and coordination with other federal programs (such as the Empowerment Zone and Enterprise Community program) and funds that could assist those affected by reductions in federal timber supply within the region. For example, federal programs to promote affordable rural housing are at work in the area covered by the Initiative, but are not being deliberately coordinated with the community infrastructure programs in the Initiative.

## PAYMENTS TO COUNTIES

Payments made by the federal-based revenues from the sale of timber and other commodities and services are an important source of funds for local governments. Historically, 25% of gross timber receipts from the sale of National Forest timber and 50% of timber receipts for the Oregon and California Railroad and Coos Bay Wagon Road lands have been returned to counties as compensation for payments foregone by not having the different lands and associated resources in private forest ownership. By law (Public Law 60-136 as amended), payments from the National Forests are for public schools and roads, with the state legislatures deciding on the actual division of funds; payments received from the Oregon and California Railroad and Coos Bay Wagon Road lands can be used for any purpose. Portions of gross receipts from other natural resources, such as mineral leasing, grazing permits, and receipts from the public domain lands, have also been returned to the counties, though those amounts are minor compared to timber receipts in the region.

Counties also receive formula-determined payments in lieu of taxes, which are based on the amount of federal land in a county. These payments are funded directly through Congressional appropriations, all counties in the nation that have eligible federal land are entitled to payment, and the formula on which it is based was amended by Congress in 1994 to provide increases to cover inflation (Schuster 1996). Congress appropriated funds to cover 77% of the total amount due nationwide in fiscal year 1995. The payments in lieu of taxes to the counties included in the Plan were

<u>State</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
	<i>Dollars</i>	<i>Dollars</i>	<i>Dollars</i>
Washington	1,006,501	3,882,899	1,674,898
Oregon	1,279,768	1,117,946	1,892,801
California	2,239,652	1,928,475	1,851,337

In recent years, local governments in the region have received more than \$200 million per year from revenue sharing and payments in lieu of taxes (figure 19). Since fiscal year 1991, legislatively determined safety nets have been in place on yearly appropriations to lessen the effects on local government resulting from changes in federal timber supply and accompanying reductions in timber receipts.

### The Safety Net

The current safety net, which was proposed as an element of the Northwest Forest Plan, was included in the Omnibus Budget Reconciliation Act (1993); it began to affect payments in fiscal year 1994. For fiscal years 1994 to 1998, the Act guarantees an annually declining percentage of the average of payments made between fiscal years 1986 to 1990; payments are

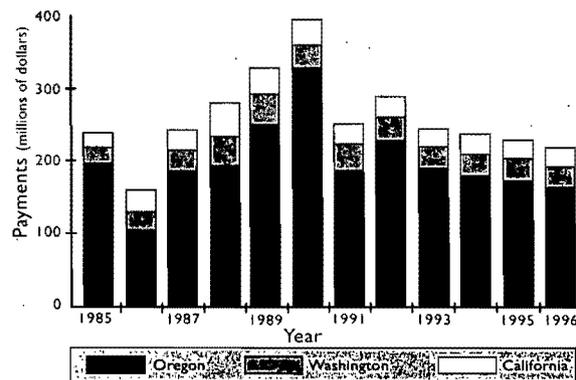


Figure 19—Payments to counties in the region, 1985-96.

independent of, and may exceed actual gross receipts. For fiscal years 1999 through 2003, the Act guarantees that county payments will be the greater of the revenue-sharing percentage applied to actual gross receipts or the year's percentage from the Budget Reconciliation Act. The percentage from the Budget Reconciliation Act declines annually and is applied to the average receipts for fiscal years 1986 through 1990, which were nearly record harvest years for the decade. The guaranteed percentage of payments, based on the average of payments made from 1986 to 1990, decreases 3% per year as follows:

<u>Fiscal year</u>	<u>Guaranteed percentage</u>
1994	85
1995	82
1996	79
1997	76
1998	73
1999	70
2000	67
2001	64
2002	61
2003	58

#### **Actions to Date**

More than \$233 million was paid to the region's counties in fiscal year 1994—an amount equal to 85% of payments made annually between 1986 and 1990—payments in fiscal year 1995 were in excess of \$205 million. Payments in 1996 were in excess of \$207 million. By comparison, slightly more than \$240 million was paid to counties in fiscal year 1993.

The safety net makes a substantial difference over what would otherwise be paid if amounts were based on federal receipts. Using the National Forests of Oregon and Washington as an example, more than \$101 million was paid to counties in 1994, but actual receipts would have returned slightly more than \$38 million. The safety net, therefore, provided an increment of \$63 million to the affected region. Similarly, forests in western Oregon managed by the Bureau of Land Management would have provided \$30 million in 1994 if the payments had been based exclusively on actual receipts; with the safety net, however, the total payments amounted to \$79 million.

For most but not all counties in the area covered by the Plan, payments in lieu of taxes are substantially less than the revenue sharing monies provided by the safety net. Because payments in lieu of taxes are constrained by prior year payments from revenue-sharing sources and the safety net, payments in lieu of taxes may increase for some counties as prior-year payments decline. The increases, however, would not usually offset the declines in safety net or revenue-sharing monies, and the increases would be subject to Congressional appropriations. In 1995, Congress appropriated monies to fund 77% of the nation's liability for payments in lieu of taxes.

## Payments to Counties: Observations and Opportunities

### Payments to Counties

#### Observations

Payments to counties rival in total amount the other types of economic assistance coming to the region as a part of the Plan. Because of restrictions placed on the use of funds in many of the programs included in the Initiative, they are not direct substitutes for the funds received as payments to counties. In future years, payments to counties are likely to decline so that they are below current or historical totals.

No agreed-upon mechanism has been identified for deciding how the federal government will contribute to economic vitality in affected counties—as it has through payments to counties—after the safety net expires.

The traditional mechanism of sharing receipts may not provide funds approaching historical totals, and no new mechanism has been developed to decide how federal funding should be determined.

The importance of federal lands and their use as they relate to local economic activity and the provision of social services and infrastructure is incompletely understood.

#### Opportunities

Payment issues opportunities could include

- Joining federal (both the executive and legislative branches) with state, county, and local governments to build an understanding of the options for future federal payments because they all have a stake in future payments to counties. They could work together to develop a process for achieving fairness and equity. A subcommittee of the regional CERT was beginning such a task as this report was being prepared, and their task could be made a top priority.
- Evaluating systematically and with cooperation among federal, state, county, and local officials how local government services and infrastructure are linked to federal forestry and other (nonfederal) sources of funds.

## ECONOMIC ASSISTANCE UNDER THE PLAN: CHANGES IN LOG EXPORT POLICIES

Log exports have been steadily declining since recent highs were reached in 1988; in 1994, they totaled slightly more than 1.5 billion board feet (figure 20). Several reasons account for the decline in log exports. Increases in domestic stumpage prices have made domestic processing a more competitive alternative to log export, and the removal of tax incentives for Foreign Sales Corporations to export logs has intensified this advantage in favor of domestic processing. The Forest Resources Conservation and Shortage Relief Act of 1990 has also affected exports, particularly from state-owned forests. The Act, implemented in 1991, permanently prohibited exports of all federal timber and further restricted the export of timber sold from state and local government lands. Finally, some of the decline is due to competition from other nations seeking to increase their log exports.

Provisions were included in the Omnibus Budget Reconciliation Act (1993) that amended the Internal Revenue Service Code by removing the tax exemption incentives for foreign sales corporations to export raw (unprocessed) logs.

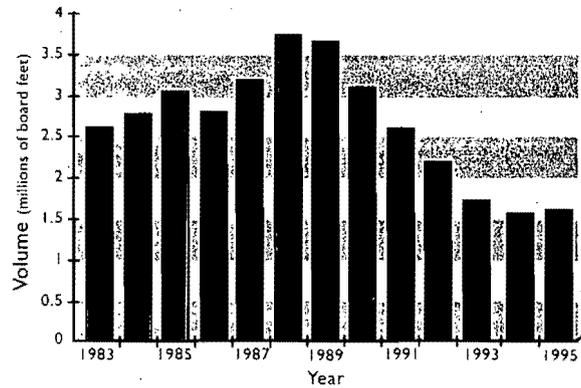


Figure 20—Volume of logs exported from Seattle, Columbia-Snake, and San Francisco Customs Districts, 1983-95.

## ECONOMIC ASSISTANCE UNDER THE PLAN: ASSISTANCE TO SMALL BUSINESSES AND SECONDARY MANUFACTURING IN THE WOOD-PRODUCTS INDUSTRY

Small businesses provide significant employment opportunities in the logging, primary manufacturing, and secondary manufacturing sectors of the timber industry. Like their counterparts in other industries, small businesses in the timber industry face significant challenges to develop technology, exchange information, and obtain financial capital. These difficulties are related to firm size and are complicated by rural location. Additionally, timber availability and changes in federal timber supply may disproportionately affect the competitiveness and even the survival of small firms within the region.

The direct comparison of employment in small businesses with large businesses is complicated by a lack of suitable data. An indirect comparison of small and large firms can be made, however, from data showing the number of establishments employing different numbers of workers in the logging, primary manufacturing, and secondary manufacturing sectors. The definition of an establishment differs from the definition of a firm or business: an establishment is a physical place where work is conducted, but a firm or business is a legal entity that may include more than

one establishment. Small firms typically own a single establishment, and the largest firms own multiple establishments to capture economic advantages of scale, transportation, raw material availability, market access, political structure, and social and cultural customs.

The number of establishments in different employment size-classes are summarized (table 21) by state for logging, sawmills and planing mills, plywood and veneer, and the secondary manufacturing sectors.

Table 21—Number of establishments<sup>1</sup> in the counties covered by the Northwest Forest Plan, by state, industrial sector, and number of employees, 1991

State Industrial sector	Number of establishments		
	1-19 Employees	20-99 Employees	100+ Employees
<b>Washington</b>			
Logging	855	19	6
Sawmills and planing mills	112	25	28
Softwood plywood and veneer	6	1	11
Secondary sector	362	45	19
<b>Oregon</b>			
Logging	1,088	18	8
Sawmills and planing mills	147	35	44
Softwood plywood and veneer	25	7	32
Secondary sector	246	40	36
<b>California</b>			
Logging	352	8	2
Sawmills and planing mills	72	10	32
Softwood plywood and veneer	0	0	2
Secondary sector	214	23	19
<b>Total</b>			
Logging	2,295	45	16
Sawmills and planing mills	331	70	104
Softwood plywood and veneer	31	8	45
Secondary sector	822	108	74
<sup>1</sup> Establishment is a physical place of work; a firm may own more than one establishment.			

Source: Compiled from Bureau of the Census, County Business Patterns, 1991, by Paul Polzin, Bureau of Business and Economic Research, University of Montana, Missoula.

### Small Businesses and Federal Timber Supply

Competition is particularly intense for those small and small-to-medium primary manufacturers that have relied heavily on federal timber to manufacture commodity products. Special provisions are available to make federal timber preferentially available to small businesses. The Small Business Timber Sale Set-Aside Program was established to provide qualified small-business timber purchasers (those with 500 or fewer employees) an opportunity to secure a "fair proportion" of the federal timber-sale volume. Every 6 months, federal land management agencies and the Small Business Administration determine whether small businesses have purchased their

prescribed share of the timber offered through the open sale program (in which firms of all sizes may bid on federal timber) during the preceding 6-month period. If small businesses have not purchased their share, the Set-Aside Program "triggers" and certain sales are set aside for preferential bidding by qualified small businesses. The set-aside process continues until small businesses purchase enough timber volume to satisfy their share deficit, at which time the full timber-sale program returns to open competition.

During federal fiscal years 1988 to 1993, 71% of the National Forest volume in Oregon and Washington, 41% of the National Forest volume in California, and 59% of the Bureau of Land Management volume in western Oregon was sold to small businesses. During these years, small businesses successfully purchased a relatively constant proportion of federal timber. The Set-Aside Program was instrumental in helping small businesses maintain their share of timber-sale purchases, and more than 607.3 million board feet of timber were sold under its provisions. This total included 326.4 mmbf on the National Forests in Oregon and Washington, 134.7 mmbf on the National Forests in California, and 146.2 mmbf on the Bureau of Land Management Districts in Oregon. Despite the supply restrictions that resulted from the federal timber-sale injunctions, small businesses generally continued to purchase their historical shares of a dramatically reduced volume. The purchase of historical shares, however, masks the very real pressures that have been put on some small firms because of the reductions in absolute quantities of available federal timber.

The local effects of the reduced federal timber supply on small businesses have been felt across the region. For example, data for the five Bureau of Land Management Districts in western Oregon show how the total volume sold differed between the 3-year period from 1988 to 1990 and the 3-year period from 1991 to 1993 (table 22). These Bureau of Land Management figures are typical of the region. They show absolute volumes declining sharply and reductions in purchases felt by both large and small businesses. The changes in small-business shares have been uneven across the region, with increases in some Districts and decreases in others. The significant reductions in the absolute quantity available for purchase suggests intensified competition for available timber, and a corresponding increase in the uncertainty surrounding the prospective survival and prosperity of existing firms.

Table 22—Total volumes sold to all purchasers and total volumes sold to small businesses in two 3-year periods, by western Oregon Bureau of Land Management Districts

BLM District	Period: 10/1/87-9/30/90			Period: 10/1/90-9/30/93		
	Total sale volume	Sold to small businesses		Total sale volume	Sold to small businesses	
	Mmbf	Mmbf	Percent	Mmbf	Mmbf	Percent
Salem	642.1	474.4	73.8	125.9	108.7	86.3
Eugene	508.0	203.1	40.0	144.0	120.2	83.5
Roseburg	601.3	264.4	44.0	119.7	99.5	83.1
Medford	552.0	329.4	59.7	79.3	32.0	40.3
Goos Bay	596.4	348.5	58.4	88.5	58.6	66.2

Source: Bureau of Land Management.

### **Secondary Manufacturing in the Timber Industry**

The secondary manufacturing industries are diverse, producing a wide variety of specialty products that are sold regionally, domestically, and internationally. The secondary sector's growth has been beneficial to rural, timber-dependent areas, though some of the sector's industries are concentrated in metropolitan areas. The region's comparative advantage in primary-wood products manufacturing spills over, though not uniformly, into a regional competitive advantage in industries that make up the secondary sector.

Secondary manufacturing industries face many of the same difficulties that small- and medium-sized manufacturers in other industries face, including those in the primary wood-products manufacturing sector: difficulties with higher costs in complying with regulatory requirements; technology transfer and new product development; a lack of worker training support; intra industry communication; expert counsel and advice; capital availability; and raw material availability. Small firm size, rural locations for some of the sector's industries, and the specialty nature of the typical firm's products complicate the outlook for the sector. On the bright side, demand for many products is healthy, the prospects for domestic and international sales growth is promising, and many public, private, and nonprofit organizations exist to serve the sector's needs.

#### **Actions to Date**

The Initiative has been the vehicle to identify small business and secondary manufacturing proposals specific to individual firms and local areas. Support to increase local capital availability has been carried out under the Intermediary Relending authority of Rural Economic and Community Development and capacity-building efforts by the Economic Development Administration and the Forest Service, and the Old-Growth Diversification programs administered by the states through the Forest Service. Several proposals for technology and business development in the wood-products industry have also been funded by these agencies. The Small Business Administration has intensified loan-guarantee processing in the region, which has resulted in loans of \$162 million in fiscal year 1994 and \$164 million in 1995. The Small Business Administration has also worked with local partners to promote the development of Small Business Development Centers as one-stop locations for small business advice, counsel, and services of all kinds.

Many of the difficulties in technical and business support and capital availability have been addressed by the proposals funded through the Initiative. For example, Rural Economic and Community Development's Intermediary Relending program has increased the amount of capital available for rural investment, direct grants by the Economic Development Administration have increased the number of economic development specialists in rural economic development districts, direct grants and loans from the Forest Service's Old-Growth Diversification program have made millions of dollars available for business expansion and community diversification, and the Small Business Administration's Small Business Development Center program has become an important resource for those businesses needing technical and consulting advice.

Several innovative technology development and training efforts to help the logging and forestry services/restoration sectors, which are largely small businesses, have been established and some have received support through the Initiative.

Finally, a federal interagency study group was convened by the Administration to develop options to strengthen small businesses and secondary manufacturing. An internal report prepared by the study group identified options to overcome problems with raw material availability, address technical and business support difficulties, resolve capital availability problems, and create new forest-based enterprises. The report was not finalized because of concerns about potential conflicts resulting from commitments associated with the General Agreement on Tariffs and Trade (GATT) and a lack of agreement within the wood-products industry about a suitable course of action for adjusting the Small Business Timber Sale Set-Aside Program to account for reduced federal timber supply and its effects on small timber purchasers.

## Training the Next Generation of Loggers at the Forestry Training Center

In mid-1995, the Forestry Training Center, headquartered in Port Angeles, Washington, conducted its first training course to prepare the next generation of loggers for work in the woods of the region. These loggers—and those to be trained in future years—will be responsible for conducting intensive forest management operations in second-growth forests in an environmentally responsible manner. In the words of the Center's organizers: "The Center bridges the gap between modern forest management technology and jobs in the forest products economy of the 21st century."

The Center is incorporated as a private, nonprofit corporation closely associated with the University of Washington College of Forest Resources and the Peninsula Community College. Its board is composed of representatives of the logging industry, private timber-owning companies, federal and state land management agencies, organized labor, and state workforce development agencies. It has received funding from private and public sources, including funds available through the Forest Service as a part of the Initiative.

The Center is the only one of its kind in the United States. It will bring the world's latest logging technology to the region and provide land owners and logging companies with a workforce that is trained in the use of those technologies. On-the-job experience is provided as an integral component of the training program, making its graduates instantly productive and profitable. The result will be a new source of family-wage jobs, profitable access to the region's abundant supply of second-growth timber, and environmentally sensitive operations to protect and conserve the region's forests.

TEXT BOX 19

## Assistance to Small Businesses and Secondary Manufacturing: Observations and Opportunities

### Assistance to Small Businesses and Secondary Manufacturing

#### Observations

Concerted efforts have been undertaken within the Initiative to provide financial capital and business assistance to rural businesses. Efforts are also underway to develop the technologies and workforce skills that will support the competitiveness of both the logging and forest management workforces, though the links to the economic assistance components of the Plan are incompletely developed.

The Initiative has addressed small-business and secondary-manufacturing opportunities as they have been developed through the state CERTs.

- Support to small businesses has been intensified by the Small Business Administration through the Small Business Development Centers and several special outreach efforts.
- The availability of capital in rural areas has increased through several programs—for example, the Intermediary Relending program of Rural Economic and Community Development.

Timber supply problems related to small business preferences and federal timber sales have not been addressed.

Comprehensive, regionwide approaches to technology development and dissemination in logging, forestry services, and ecosystem restoration have been slow to develop.

A comprehensive strategy and regionwide effort to fulfill the President's original promise to help small businesses and secondary manufacturers has not been developed.

### **Opportunities**

Assistance to small businesses and secondary manufacturers opportunities could include

- Reviewing the Small Business Set-Aside program administered by the Forest Service, Bureau of Land Management, and Small Business Administration to identify where adjustments or modifications in the program would improve its effectiveness, given current conditions in the timber industry and the federal supply situation under the Plan.
- Studying, updating, and releasing to the public the unreleased options developed by the federal interagency team on small business and secondary manufacturing as a means to further promote these industries.
- Developing systematic, integrated approaches to starting new, forest-based enterprises; some inspired efforts have provided encouragement that a coordinated regional approach could benefit the region's small businesses. Possibilities could include intensified coordination with existing efforts, such as the Northwest Center for Sustainable Resources (a consortium of junior colleges providing technical training in several environmental sciences), the Forestry Training Center (training for the next century's logging industry), the forest management workforce training through the Jobs in the Woods program, and the region's forestry schools, colleges, and research institutions.

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**CHAPTER 7**

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**WHAT WE HAVE LEARNED****A REGION IN TRANSITION**

The Pacific Northwest and northern California is a region in transition. An unprecedented number of people are moving here from outside the region; urban and suburban growth substantially exceeds that of rural areas; high technology industries are becoming as economically powerful as forest industries; and the region's citizens are placing at least as much value on the biological benefits of water quality, native fish populations, and the remaining old-growth forests as they have for decades on the economic benefits that forest harvest and use has provided.

The results of these and many other changes are often viewed in black and white, but—up close—they take on shades of gray. The changes in people's perspectives about forest management require urgent and difficult choices to be made that will immediately affect the region's fishers, loggers, tourists, communities, and forests. The Northwest Forest Plan is about making these difficult choices and making them today.

The Plan lowers the Northwest federal timber-harvest rates and protects late-successional and old-growth forests, so that in the future, more timber can be harvested and more old-growth habitat provided. The amounts of late-successional and old-growth habitat and timber harvest are expected to rise after the next decade, as habitat grows back and second-growth forests reach an age where they can be economically harvested.

After the Plan's two years of implementation, people are just beginning to learn about how it has affected the region. In this report, details have been provided on what people have observed, and we have highlighted opportunities for improving forest management and economic development in the region. Three themes stand out: agency coordination, ecosystem-based forest management, and movement toward a new equilibrium between the economy and the environment. Below are some of the lessons learned that could be useful in other ecosystem approaches that may be undertaken.

**GOVERNMENT AGENCIES CAN WORK TOGETHER**

Government can better serve the citizens, and meet their diverse demands, by changing the way they produce goods and services.

- Agencies working together allow individual agencies to be more responsive and efficient in meeting people's expectations about forest management and economic assistance.
- Without legislative reform, new organizations and processes may have to be established to manage and coordinate existing organizations and processes.
- Organizations and processes that coordinate people's efforts can dramatically improve relations within and between agencies to create unified positions that incorporate the best professional perspectives each agency has to offer.

- Professional and interagency conflict is inevitable. Successful partnerships should be measured by the ability of agency representatives with different professional and organizational mandates to manage their conflict constructively, so—though strong disagreements may remain—a shared outcome results.
- Agency resources—human, technical, and financial—can be integrated and shared in ways that create better management decisions, leading to more efficient use of federal funds, and the ability to accomplish more.
- Representatives from local, state, tribal, and federal governments can come together with nongovernmental representatives to help interpret and apply federal laws, policies, and regulations at regional, provincial (or river basin), and local watershed scales.
- Bringing the diversity of values and management objectives among federal, state, tribal, non-profit, and private forestry organizations together fosters creative thinking and can lead to more effective management than if individual perspectives are independently forwarded.

People expect government agencies to work as one instead of separately. They also expect to be allowed to have a say about how federally managed resources are being used. The Plan's strategies form a foundation for building trust among all participating parties, lead to better and more unified decisions, and help manage the inevitable conflicts.

The Northwest Forest Plan directs the agencies to work together and sets up some new organizations and processes that are allowing it to happen. But this new way of operating is not without tradeoffs. The time and energy put into coordination and partnering frustrates both those in and outside of government. Successful partnerships can make decisions that create long-term agreements, but much time and energy can be consumed in making those decisions. Successful coordination assures that one agency's decisions can move forward without being held up by another, but it requires individual agency professionals to look beyond their own mission and culture, to their broader, long-term goals.

Reinventing government is not an end, but a means to an end. If government works together and with the public they are entrusted to serve, the region will see more old-growth habitat, more products, and more efficient assistance to displaced timber workers.

### AN ECOSYSTEM APPROACH CAN WORK

Developing and implementing an ecosystem approach toward resource management can work.

- The nation's environmental laws can be integrated, but limitations caused by independently authorized environmental statutes can lead to inefficient use of staff and financial resources.
- Science can provide the basis for decisions, but many policy decisions cannot be made by science alone. Any science-based analysis must be accompanied by a strong management overview to assure that people's values and goals are adequately addressed and that science-based management tools can be readily applied on the ground.
- Watersheds and late-successional forests can be maintained and restored, but the rules for doing so should be further refined to allow better integration of environmental protection with both commodity and noncommodity uses.

- Recognizing the economic consequences—pro and con—of a new ecosystem approach is as important as recognizing new management tools. Economic assistance programs can provide much-needed technical and financial assistance to workers, businesses, and communities that are affected by reductions in federal timber harvest. These programs, where possible, should be instituted three to five years before federal timber harvest targets are reduced.
- Many budget, personnel, contracting, procurement and other forest management support processes are not congruent with the new ecosystem approach. Any ecosystem effort must make implementation planning an equal partner with scientific management strategies.

The Northwest Forest Plan represents one of the first ecosystem approaches to be applied at a large, regional scale. Like an ecosystem, the approach is necessarily complex, so much so that it is difficult to describe just how comprehensive it attempts to be.

Implementing the Plan has been slowed for a variety of reasons. The federal agencies have had to essentially start from scratch, with an array of new assignments, structures, and processes. They have had to work through historical differences and establish new ways of interacting. The 1994 and 1996 fire seasons diverted staff and attention away from implementing the Plan during that first crucial year, and funding and staff had been reduced across the board to help balance the budget. The Plan's new requirements force the agencies to look closely at all the effects their management actions have on the region's forests and waterways.

For these and other reasons, assuring that the Northwest Forest Plan is being implemented in ways that keep land management actions from being shut down has taken time, and so has assuring that the forests can continue to provide a stable flow of the goods and services people need and want. A decade—or more—may be needed to refine the Plan as we learn more about ecosystem management, and to measure its economic, social, and ecological effects. But the agencies—with help from the states, local governments, tribes, and interested citizens—are off to a measurable start, as this report reflects, in assuring that the Plan's commitments are met and that needed improvements to the Plan are timely and efficient.

## THE ECONOMY AND THE ENVIRONMENT CAN REACH A NEW EQUILIBRIUM

In a polarized social environment, achieving a middle ground requires decision makers to achieve a new equilibrium between the mix of environmental and economic forest benefits across various ownerships.

- Federal lands, with their mix of successional stages and public interest mandates, can provide the best opportunity to contribute environmental benefits that are not or cannot be found on nonfederal lands.
- Recognizing, respecting, and integrating the various economic and environmental objectives of adjacent nonfederal land owners provides excellent opportunities for integrating property rights with environmental responsibilities.
- Multiple economic uses of federal forests can continue, though at lower rates than in the past, where sustainability is based on protecting the habitat of many, rather than single species.

- Even though regional economic trends may be very positive and job displacements have been fewer than many predicted, changes in federal forest management—especially changes in timber supply—have hurt many individuals, businesses, and communities. These effects are especially acute in rural communities far from major transportation corridors.
- Integrating environmental and economic objectives may require short-term tradeoffs, which often create economic and environmental gains and losses.

Under the best of circumstances, making decisions that attempt to integrate economic and environmental objectives is difficult and controversial. This difficulty was exacerbated in the region because of the strong differences that had built up over many years and culminated in a public policy no-man's-land where everybody had a different proposal but was unwilling to make the compromises necessary to reach a solution.

The Plan takes a comprehensive, multiownership look at integrating forestry and economic assistance. Nonetheless, many people measure successful integration only by how many federal trees will be cut or how many will be protected. For those who depend on federal timber sales, the Plan's 75% reduction in federal timber supply is too large. For those who believe that all of the remaining late-successional and old-growth forests should be protected, the Plan's 80% protection of these forests is too small. Where people stand on integrating the economy and the environment depends on where they sit. The more people look beyond single measures of integration, the more opportunities will arise to develop new ways to meet what are, for some people, incompatible goals.

## EPILOGUE

Although many economic and environmental outputs under the Plan can be assessed at this interim state, the Plan's many benefits and the many challenges that still exist must also be assessed over time. Perhaps the largest challenge is the ongoing conflict between those who are not happy with the balance prescribed by the Plan. Some of these people are critical because they hold personal, ideological, and political convictions; others are frustrated by coping with the uncertainty of an industry and forest in transition.

Maybe no plan dealing with such complex and emotional issues can satisfy everybody's expectations or eliminate the chasm between polarized positions. But the Northwest Forest Plan offers a beginning that many people are willing to accept—people who are sitting down together and working out their differences, nonfederal land owners working with the federal government to develop management plans that protect their economic and environmental interests, and federal natural-resource professionals giving it their all under trying circumstances to meet their commitments to manage, protect, and restore Northwest forests.

The Northwest Forest Plan is a plan in progress. It is designed to be adaptable, to foster consideration of new information from science and on-the-ground experience and to be responsive to the needs and wants of the citizen-owners of these forests. If the region remains polarized, the best that resource professionals can do is make the tough decisions. For the Plan to continue to grow, the natural-resource professionals need support and constructive criticism from those people who are most interested in and knowledgeable about the region's forests. Together, we can continue to develop the Plan to meet the needs of a new century.

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APPENDIX A

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**THE FOREST PLAN: FOR A SUSTAINABLE ECONOMY AND A  
SUSTAINABLE ENVIRONMENT**

# **THE FOREST PLAN**

## **FOR A SUSTAINABLE ECONOMY AND A SUSTAINABLE ENVIRONMENT**



**PRESIDENT WILLIAM J. CLINTON  
VICE PRESIDENT ALBERT GORE, JR.**

July 1, 1993  
Washington, DC

## THE FOREST PLAN: FOR A SUSTAINABLE ECONOMY AND A SUSTAINABLE ENVIRONMENT

President Clinton's *Forest Plan for a Sustainable Economy and a Sustainable Environment* is a comprehensive and innovative blueprint for forest management, economic development, and agency coordination aimed at strengthening the long-term economic and environmental health of the region. For too long, contradictory policies from feuding agencies have blocked progress, creating uncertainty, confusion, controversy, and pain throughout the region. President Clinton's plan reflects his commitment to break the gridlock with a courageous, new approach that balances economic and environmental concerns.

The Forest plan provides:

- A sustainable harvest that will allow timber sales and logging based on a scientifically sound and legally responsible plan, improving forest management and ending the confusion and uncertainty of past policies;
- New economic assistance to help local workers, businesses and communities to strengthen the region's economy, create family-wage jobs, offer new economic opportunities and ensure the region's long-term economic health, confronting economic issues ignored by past Administrations;
- An innovative, new approach to environmental protection focusing on key water supplies and valuable old-growth forests, that will once again base forest management on science and a respect for existing law;
- A comprehensive system of old-growth reserves to protect old-growth ecosystems;
- New opportunities for people in the region to participate in decisions regarding management of the nation's forests for the economic and environmental benefits they provide and to help plan for their future;
- Improved coordination among federal agencies responsible for managing federal lands, ensuring that federal agencies will work together with state and local officials, with tribes, and with private landowners for the best interests of people and communities in the region, instead of working against each other, undermining the law and creating gridlock.

### BACKGROUND

On April 2 in Portland, Oregon, President Clinton convened the Forest Conference as the first step toward a balanced and comprehensive policy that would recognize the importance of the forests and timber to the economy and jobs in the region and recognize the importance of America's old-growth forests, and the rivers and streams and wildlife that are so much a part of America's national heritage and the region's natural treasures.

The Forest Conference fulfilled a commitment President Clinton made to the people of the Pacific Northwest and northern California to break the gridlock, which has blocked progress on these issues, by designing a comprehensive, innovative, and balanced plan for the region's long-term economic and environmental health.

“The most important thing we can do,” President Clinton said in opening the conference, “is to admit, all of us to each other, that there are no simple or easy answers. This is not about choosing between jobs and the environment, but about recognizing the importance of both and recognizing that virtually everyone here and everyone in this region cares about both.”

At the Forest Conference, the President, the Vice President, key members of the Cabinet and other top Administration officials talked with people from throughout the region representing a broad range of views and perspectives—many of them adversaries who had spent more time fighting each other than working together. The Forest Conference provided a first-hand understanding of these issues and how the people in the region have been and will be affected.

At the close of the Forest Conference, President Clinton directed his Cabinet to action with five fundamental principles to guide them. President Clinton said

- First, we must never forget the human and economic dimensions of these problems. Where sound management policies can preserve the health of forest lands, sales should go forward. Where this requirement cannot be met, we need to do our best to offer new economic opportunities for year-round, high-wage, high-skill jobs.
- Second, as we craft a plan, we need to protect the long-term health of our forests, our wildlife, and our waterways. They are... a gift from God and we hold them in our trust for future generations.
- Third, our efforts must be, insofar as we are wise enough to know it, scientifically sound, ecologically credible, and legally responsible.
- Fourth, the plan should produce a predictable and sustainable level of timber sales and non-timber resources that will not destroy our forest environment.
- Fifth, to achieve these goals, we will do our best to make the federal government work together and work for you. We may make mistakes but we will try to end the gridlock within the federal government and we will insist on collaboration, not confrontation.

Three working groups were established immediately after the Forest Conference: Ecosystem Management Assessment, to focus on forest management; Labor and Community Assistance, to focus on economic development; and Agency Coordination, to focus on how federal agencies work together. These working groups were comprised of scientists and experts from across the agencies involved (the Department of Agriculture, Interior, Commerce, and Labor, as well as the Environmental Protection Agency, the White House Office on Environmental Policy, the National Economic Council, the Office of Science and Technology Policy, the Office of the U. S. Trade Representatives, the Council of Economic Advisors, the Office of Management and Budget, and the Domestic Policy Council). They conducted exhaustive research and analysis and met with a wide range of groups and individuals from a broad range of perspectives before issuing their reports to the White House on June 2. It is their work, and the ideas and opinions of the scores of people they consulted, that provide the foundation for the President's *Forest Plan for a Sustainable Economy and a Sustainable Environment*.

## FOREST MANAGEMENT

The President's Forest Management Plan offers an innovative new approach which uses key watersheds as its basic building blocks and offers new possibilities for environmental and scientific research through the creation of Adaptive Management Areas.

Recently, forest management proposals have been driven either by an approach based on protecting areas inhabited by specific species, such as the spotted owl or marbled murrelet, or by an approach based on protecting a specific type of forest.

The President's plan offers a different approach, based on sound science and a commitment to existing law, which is built around identifying and protecting key watersheds and old-growth forests. Such an approach takes great steps to protect the region's drinking water and represents an obvious and essential step toward restoring a healthy salmon industry. It protects threatened species, such as the northern spotted owl and the marble murrelet, scores of other species (including fish now considered "at risk" under the law), as well as the most valuable old-growth forests.

Ten Adaptive Management Areas provide opportunities for federal, state, and local officials, industry, community, and environmental organizations, tribes, and others to work together to develop innovative management approaches, such as the Applegate Project and the Douglas Project in Oregon and the Hayfork Adaptive Management Area in Northern California. These areas provide for intensive experimentation and innovation to demonstrate new ways to achieve ecological, economic, and social objectives and allow for local involvement. A rigorous monitoring and research program will ensure the development and analysis of scientific data to assess the effectiveness and impact of the approaches.

Key elements of the President's plan include:

- Watersheds as the fundamental building block.
- Reserve areas based on watershed and old-growth that include the most valuable old-growth forests and designated conservation areas to protect specific species. Only very limited activities would be permitted in the reserves, including salvage and thinning where the primary objective of that salvage and thinning is to accelerate the development of old-growth conditions.
- Ten Adaptive Management Areas of 78,000-380,000 acres each for intensive ecological experimentation and social innovation to develop and demonstrate new ways to integrate ecological and economic objectives and allow for local involvement in defining the future.
- The development of the new rule from the Fish and Wildlife Service to ease restrictions on timber harvest from certain nonfederal lands (modifying what have been known as "owl circles"), which is possible because the President's plan improves management of federal lands, and encouraging private companies to commit the timber released by these changes to processing in domestic mills.
- Federal assistance to bring to market backlogged timber sales from Indian reservations.

The President will submit his forest management plan to the court and will do everything possible to resolve the legal challenges and lift the injunctions that have stopped timber sales so that both the Forest Service and the Bureau of Land Management can implement a sale planning and preparation program as quickly as possible. He is asking the Secretaries of Agriculture and Interior to take any

other available actions consistent with our legal obligations to revive the timber sale program.

And, because the President believes the workers, businesses, and communities in the region need help as quickly as possible, the President is directing his Cabinet to work with all those who share his determination to resolve these issues in a fair and balanced way to develop the most effective means to implement this plan and move timber sales forward as quickly as possible.

Harvest levels in the President's plan take into account the fact that previous Forest Service management plans have significantly overestimated the amount of timber available for harvest every year, presenting unrealistically high harvest levels that cannot be sustained even under existing forest management plans. The President's plan provides for a sustainable timber harvest of 1.2 billion board feet annually on the spotted owl forests. In addition, the expected release of sales stopped by injunction, steps to move timber from Indian lands, and other measures are expected to increase that figure as the program is implemented.

The President's Forest Plan focuses on management strategies to resolve the long-standing court challenges over management of the spotted owl and old-growth forests on the west side of the Cascade Mountains. Management of the east-side forests will need to focus on restoring the health of the forest ecosystems impacted by poor management practices of the past.

The President is directing the Forest Service to develop a scientifically sound and ecosystem-based strategy for management of the east-side forests. This strategy should be based on the forest health study recently completed by agency scientists as well as other studies. Consistent with this strategy, the President also is directing the agency to accelerate efforts to prepare timber sales to harvest dead and dying timber in the east side.

## ECONOMIC DEVELOPMENT

Unlike his predecessors, President Clinton recognizes that the Northwest forest crisis involved important economic and social as well as environmental concerns. Recognizing the importance of timber and forests to the economy and jobs in the region is central to the President's *Forest Plan for a Sustainable Economy and a Sustainable Environment*.

The President's plan will provide immediate and critical support for economic adjustment and diversity in the region, including expanding funding for business development, economic planning, infrastructure development, and worker retraining to help build a foundation for long-term economic strength and environmental health. The President's plan will help existing companies grow and attract new businesses. It will add more jobs for the timber harvested by encouraging value-added manufacturing and help those workers and those communities who rely on a future in wood.

The plan will provide \$270 million in new funding for fiscal year 1994—\$1.2 billion over five years — including a new Northwest Economic Adjustment Fund. While estimates indicate that the forest plan will directly impact 6,000 jobs in 1994, the plan would create more than 8,000 jobs and fund 5,400 additional retraining opportunities.

Key elements of the President's plan include:

- For workers and families, increased funding under the Job Training Partnership Act for job-search assistance, retraining, and relocation; overall a 110% increase in funding from \$20.2 million to \$42 million;

- A three-part strategy for business development in the Pacific Northwest and Northern California, including improved access to capital, expanded technical assistance, and enhanced access to domestic and international markets; overall, a 47% increase in funding from \$163 million to \$239.7 million;
- For communities, established levels of financial assistance to timber counties, replacing the roller coaster of payments tied to timber harvests with a reliable schedule of payments, creating a sound fiscal environment for county governments, businesses, and financial institutions; strengthening community capacity to plan for economic development and diversification, and improving the infrastructure needed for such development through Community Development Block Grant lending, Rural Development Administration community facilities, and the RDA Water/Wastewater Program; overall, a 25% increase in funding from \$298.6 million to \$373.6 million;
- To protect the environment and create jobs, investments in watershed maintenance, ecosystem restoration and research, environmental monitoring and forest stewardship, all of which will improve water quality and increase salmon stocks to avoid listing of salmon species under the Endangered Species Act and to improve commercial fishing; in addition, forest stewardship will be expanded to help small landowners manage their forests; overall, a 19% increase in funding from \$438.2 million to \$519.8 million.
- Support for the elimination of tax incentives for the export of raw logs, and the President is directing his cabinet to study effective ways to make it more difficult for companies to avoid export limitations on raw logs.
- Directing his Cabinet to identify and implement, in a priority manner, the best ways to strengthen small businesses and secondary manufacturing in the wood-products industry, including a review of increasing the supply of federal timber set aside for small businesses and possible preferences for bidders who contract for domestic secondary processing. The President also is directing his Administration to encourage improved and effective community partnerships to bring together those with different perspectives on forest management. (Secondary manufacturing generates from 4 times to 25 times more jobs per billion board feet than primary manufacturing.)

The Northwest Economic Adjustment Initiative would be implemented through an innovative partnership among state, local, and federal agencies, as well as community and business leaders, to help local families and workers caught in the middle of this crisis. The President is directing that federal agencies implement this innovative approach to economic adjustment by creating a unified management system that will bring the various agency efforts in each state together into a single team. This will coordinate the related activities of federal, state, and local agencies and provide a unified point of contact and procedures for workers, firms, and local communities.

The President's proposal, supported by Governor Barbara Roberts of Oregon and Governor Mike Lowry of Washington, represents a comprehensive experiment in "reinventing government," improving the way the government works to make it more responsive, more effective, and

more efficient. The plan calls for replacing restrictions on the use of federal funds with performance-based measures, making new use of leveraged private resources, and creating new processes and institutions responsive to local needs and priorities.

The President's plan provides a substantial infusion of new federal assistance through innovative programs to both provide economic relief to timber communities as soon as possible and to encourage long-term economic development and diversification.

### AGENCY COORDINATION

Too often in the past, different federal agencies have acted in isolation or even at cross purposes in managing federal forest lands in the Pacific Northwest and Northern California. Instead of working to confront existing problems, they have contributed to them, creating confusion and controversy. At the Forest Conference, President Clinton made clear "We will insist on collaboration, not confrontation."

Because of the President's clear direction to improve interagency coordination, an entire working group was created to focus on these issues. In addition, throughout this process, an inter-agency approach, involving the key federal agencies, has been in use. The implementation of a new forest management strategy provides the ideal opportunity to correct past practices and improve interagency cooperation and, in the process, forest management.

The President's plan will improve inter-agency coordination by:

- Creating a new focus for forest planning based on watersheds and "physiographic provinces" that base management on the unique ecology of each region;
- Immediately creating a new interagency Geographic Information System data base to allow land management and resource agencies to coordinate their efforts in the collection and development of research and data;
- Creating provincial-level teams that would develop analyses for physiographic provinces and particularly watersheds. These teams would include the relevant federal agencies, state officials and tribes and, when individual watersheds are analyzed, the objective would be to involve all affected parties in discussions on biological, timber, community, and other needs. An Inter-agency Executive Committee would coordinate and provide direction for the work of the provincial teams;
- Revising the consultation process under the Endangered Species Act to emphasize an integrated ecosystem approach that would include the Fish and Wildlife Service and the National Marine Fisheries Service early in the process. The views of these agencies can be made known when the land management agencies begin to develop their plans for a particular area, instead of later in the planning process as is now the case. It would also involve the use, where appropriate, of regional consultations.

## CONCLUSION

The President's *Forest Plan for a Sustainable Economy and a Sustainable Environment* represents a comprehensive, innovative, and balanced approach to economic and environmental challenges facing the region. It is the result of extensive research, analysis, and cooperation among federal agencies and extensive discussions with a wide range of individuals and groups including business, labor, environmentalists, tribes, community groups, and members of Congress. The President and his entire Administration intend to continue to seek the support and opinions of these groups to implement this plan and break the gridlock that has blocked progress on these issues.

As the President said at the close of the Forest Conference, "If we don't give up or give in to deadlock or divisiveness or despair, I think we can build a more prosperous and a more secure future for our communities and for our children." This Forest Plan is an important step toward that future.

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**APPENDIX B**

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**MEETING PRESIDENTIAL COMMITMENTS**

Summaries of President Clinton's actual commitments, printed in bold type, are as they appeared on July 1, 1993 (see appendix A). Below each commitment are brief summaries of what has been done to meet that commitment over the last three years.

**AGENCY COORDINATION AND PUBLIC PARTICIPATION**

**Establish an Interagency Executive Committee to coordinate and provide direction for the work of provincial teams.**

A Regional Interagency Executive Committee of 11 federal agency directors and an Intergovernmental Advisory Committee consisting of state, county, and tribal representatives from Oregon, Washington, and northern California were established. The committees, which continue to meet monthly, are staffed by the interagency, interdisciplinary, Regional Ecosystem Office. These committees work to provide unified direction to the field on implementing the Plan. The Advisory Committee is chartered under the Federal Advisory Committee Act.

An Interagency Steering Committee in Washington, DC, responds to requests for assistance from the region and provides policy guidance when needed. The Committee is chaired by the Chair of the Council on Environmental Quality and includes subcabinet officials, who oversee the land management and regulatory agencies responsible for Plan implementation.

**Create a new focus for forest planning, based on watersheds and physiographic provinces that base management on the unique ecology of each subregion.**

The Plan recognizes that watersheds should serve as the fundamental geographical unit for managing forests within the region. Each agency supports the watershed approach in the context of its own mission. Twelve physiographic provinces were established to recognize that different parts of the region have different ecological and social characteristics.

**Create a new interagency geographic information system data base to allow agencies to coordinate their efforts.**

An Interorganization Resource Information Coordinating Council is developing a standardized information system for federal, state, and local government representatives and the public. The Council has developed common standards for defining vegetation and is now seeking to standardize natural resource data bases.

**Create provincial teams that would develop analyses for physiographic provinces and particular watersheds.**

Twelve Provincial Interagency Executive Committees composed of up to 10 representatives from responsible agencies are meeting regularly, advised by Provincial Advisory Committees that include up to 19 representatives from nongovernmental organizations; industries such as fishing,

timber, and recreation; the public at large; and state, local, and tribal governments. The advisory committees, chartered under the Federal Advisory Committee Act, help guide Plan implementation based on their province's unique ecological, economic, and social characteristics.

**Revise the consultation process under the Endangered Species Act.**

Management and regulatory agencies jointly developed and adopted a streamlined consultation process for timber sales and other projects. The process is initiated locally by an interagency team. If disagreements cannot be resolved, they are progressively elevated to the forest, regional, or national level. The agencies have consulted on hundreds of projects since the Plan was released. The time necessary for consultation has been reduced by 70%, averaging 34 days compared to 114 days in the past.

**Implement the Northwest Economic Adjustment Initiative through an innovative partnership among local, state, and federal agencies, as well as community and business leaders.**

State Community Economic Revitalization Teams were established in northern California, Oregon, and Washington to define and share information on implementing the Initiative in their state. The Teams, each chaired by a representative appointed by the Governor, developed individual plans for implementing the Initiative. All Teams include federal, state, local, and tribal representatives; the Oregon and Washington teams also include members of the public.

A Regional Community Economic Revitalization Team resolves regionwide barriers to delivering more effective economic assistance; shares information; and provides a conduit between the region and Washington, DC. The regional team includes federal, state, local, and tribal representatives from each state team and is co-chaired by two regional federal agency officials.

A Multi-Agency Command in Washington, DC, responds to state and regional requests for improved economic assistance programs. The Command is chaired by the Department of Agriculture's Under Secretary of Rural Development and includes officials who oversee federal assistance programs for workers, businesses, and communities.

**Replace restrictions on the use of federal funds with performance-based measures, making use of leveraged private resources, and creating new processes and institutions responsive to local needs and priorities.**

An emphasis on outcome or performance-based measures of effectiveness drives both the economic assistance effort and the delivery mechanisms for the participating federal programs. The Northwest Economic Adjustment Initiative is aimed at providing assistance so that workers, businesses, and communities will have the capacity to determine their own futures. The Community Revitalization Teams that implement the Initiative in each state play key roles because they require that priorities for local proposals be set by each county, and they attack complex but valuable development and assistance options by simplifying the application process and coordinating multiple funding sources. Finally, the criteria for federal assistance are evolving in the direction of outcome-based measures of priority and effectiveness.

## NATURAL RESOURCE MANAGEMENT

### **Develop the Plan based on sound science and a commitment to existing law.**

The Northwest Forest Plan is supported by a strong scientific foundation that was established by the Forest Ecosystem Management Assessment Team. The Team brought more than 600 regional scientists and technical experts together to develop multispecies and multiresource management alternatives.

The Team was directed to develop management options in the context of existing environmental laws. Most scientists who worked on the Plan believed that eight of the ten options they developed complied with current law. The Administration's preferred alternative has been repeatedly upheld by the courts against challenges to its development and implementation.

### **The Plan's Approach**

#### **The Plan takes steps to:**

##### **Protect drinking water.**

Full implementation of the Plan's Aquatic Conservation strategy—outlined below—will maintain and improve water quality. Riparian reserves in particular will help protect water bodies, minimizing the potential for problems with sediment and, and nonpoint-source pollution.

##### **Restore a healthy salmon industry.**

Full implementation of the Plan's Aquatic Conservation Strategy—outlined below—will maintain and restore federal habitat west of the Cascade Range in a manner that is expected to provide an 80% or greater likelihood that salmon populations of sufficient quality and distribution will persist. Note, however, that federal forest practices are just one aspect of restoring salmon stocks throughout the region. Federal habitat conservation must be complemented with other management actions on fishing, hatcheries, and hydropower.

##### **Protect threatened species.**

The Fish and Wildlife Service stated in their biological opinion that the Plan is not likely to jeopardize the continued existence of any listed species or result in the destruction of any habitat of those species. The National Marine Fisheries Service concurred with this opinion, though they had not listed any species at that time.

##### **Protect the most valuable old-growth forests.**

Thousands of plant and animal species live in late-successional forests, a term that includes old-growth forests. The Plan protects 80% of the remaining late-successional forests, and is expected to provide an 80% or greater likelihood that habitat of sufficient quality, distribution, and abundance to allow old-growth forests to stabilize will be well distributed across federal lands over the next century.

## Key Ecological Elements

### **Consider watersheds as the fundamental building block.**

An Aquatic Conservation Strategy focuses resource protection and management activities on watersheds. It also provides a positive basis from which regulatory and management agencies can work through differences, allows the information from which each agency makes decisions to be standardized, and provides regulatory agencies greater confidence in approving management actions. The Strategy has four parts: riparian reserves, key watersheds, watershed analysis, and watershed restoration.

#### *Riparian reserves*

Riparian reserves will be managed to maintain and restore streams and the forest-based species that depend on them. The reserves include the transition zone between a water body and up-slope areas, and range from 100 to 300 feet wide, depending on their value to fish and water quality. The reserves may be adjusted through the National Environmental Policy Act process after a watershed analysis is completed. Riparian reserves are currently being universally applied across the region.

#### *Key watersheds*

A system of 143 key watersheds is designed to ensure that high-quality habitat is widely distributed across the landscape to conserve and restore at-risk fish stocks. An additional 21 key watersheds will maintain sources of high-quality water.

#### *Watershed analysis*

Interagency teams are systematically characterizing the aquatic, riparian, terrestrial, and human features of key watersheds. This information is used to guide management activities, plan and monitor programs, refine riparian reserve boundaries, and identify potential restoration projects. In July 1995, the management and regulatory agencies prepared and released direction for preparing watershed analysis, *Ecosystem Analysis at the Watershed Scale: The Revised Federal Guide for Watershed Analysis*.

In 1994 and 1995, the agencies completed watershed analyses on more than 8 million acres, which represents more than 51% of the land in matrix, adaptive management areas, and late-successional reserves. Federal agencies completed analyses on about 32 million acres in fiscal year 1996 and plan to complete 2.5 million acres in fiscal year 1997. The Federal Guide will continue to be adjusted, as necessary, with knowledge gained as more analyses are completed.

#### *Watershed restoration*

Watershed restoration is intended to meet the dual goals of watershed health and economic health by providing meaningful, family-wage jobs for rural, forest-dependent workers and restoring the region's aquatic, riparian, and terrestrial habitats. Together, the management and regulatory agencies prepared and released the *Interagency Watershed Restoration Strategy for Fiscal Year 1994* in December 1993 to guide design and selection of watershed restoration projects.

Based on restoration and analysis experiences in fiscal year 1994, an interagency working group revised the *Interagency Watershed Restoration Strategy* in October 1994. It was distributed to the agencies for implementation in fiscal year 1995 and beyond. Key features of the Strategy

include a preliminary process for watershed restoration assessment that coordinates restoration efforts with other agencies, the state Community Economic Revitalization Teams, and other public stakeholders.

The agencies also streamlined the consultation process for meeting Endangered Species Act requirements. The improved process will allow restoration projects to provide jobs from June through December, which begins to meet the goal of providing year-round employment opportunities.

With agency contracts and personnel, the Forest Service, Bureau of Land Management, Fish and Wildlife Service, Bureau of Indian Affairs, and Environmental Protection Agency contributed \$19.8 million of restoration work in the Plan area in fiscal year 1994, more than \$32 million in fiscal year 1995, and \$31.7 million in 1996 to complete more than 1,600 contracts or projects.

**Establish reserve areas based on watersheds and old growth, with very limited management activities (such as salvage and thinning to accelerate old-growth conditions) permitted.**

The reserve areas allocated in the Plan include the following designations:

*Congressionally reserved areas:* 7.3 million acres or 30% of the federal land. These lands have been reserved by acts of Congress for specific land allocations, such as Wilderness Areas, Wild and Scenic Rivers, and National Parks.

*Late-successional reserves:* 7.4 million acres or 30% of the federal land. These reserves, combined with the other allocations and standards and guidelines, are designed to restore a functional, interactive, late-successional and old-growth forest ecosystem over time. They also serve as habitat for terrestrial and aquatic species that depend on these old-growth characteristics. Not all of the reserves are currently in old-growth condition; some silvicultural treatment is allowed to enhance their development in stands less than 80 years old and where fire played a dominant role in their development:

*Managed late-successional reserves:* 100,000 acres or 1% of the federal land. These lands are either mapped to protect areas where spotted owls are known to exist, or they are unmapped protection buffers. Protection buffers are designed to protect certain rare and local species.

*Riparian reserves:* 2.6 million acres or 11% of the federal land (acreage subject to change after watershed analysis). Riparian reserves are areas along all streams, wetlands, ponds, and lakes and unstable and potentially unstable lands vital to protecting and enhancing the resources that depend on the unique characteristics of riparian areas. Riparian reserve acreage is calculated after all other areas have been designated. As a result, the acreage shown reflects only that portion of riparian reserves that is interspersed through the matrix.

Other designated areas are as follows:

*Administratively withdrawn areas:* 1.5 million acres or 6% of the federal land. These areas are identified in current Forest and District plans and include some recreation and visual areas, back country, and other areas where management emphasis does not include scheduled timber harvest.

*Adaptive management areas:* 1.5 million acres or 6% of the federal land. Ten areas were identified for developing and testing innovative management approaches to integrate and achieve ecological, economic, and other social and community objectives. Each Area has a different emphasis, such as maximizing the amount of late-successional forests, improving riparian conditions through silvicultural treatments, or maintaining a predictable flow of harvestable timber and other forest products; all of the Areas consider learning a principal product of their adaptive management activities.

*Matrix land:* 4.0 million acres or 16% of the federal land. The matrix includes all federal lands not falling within one of the other categories. Most of the scheduled timber harvest will be from matrix lands.

**Establish 10 adaptive management areas for testing new ways to integrate biological and social benefits in the future.**

Ten Adaptive Management Areas were established throughout the region. In 1994, the Areas generally concentrated on watershed restoration projects, timber-sale planning, or increasing public participation in developing Area plans. In addition to the Hayfork and Applegate Areas, which had active public groups participating before the Plan was applied and that were adopted as a part of the Plan, seven other Areas created public and governmental participation opportunities through field trips, information exchanges, and other activities.

In 1994, litigation related to the Federal Advisory Committee Act raised issues that significantly slowed the pace at which the Adaptive Management Areas were able to move forward. More specifically, many of the Areas started preparing Plans, but the government's need to pull out of Area groups for four months, until compliance with new legal standards could be sorted out, slowed initial planning efforts. In addition, managers were not provided as much flexibility to experiment in Areas as originally intended because of changes between the draft and final Plans.

Accomplishments in 1995 are spread across a range of actions, such as timber sales, special forest products, restoration projects, ongoing research projects, and planning. Some Areas have accomplished a great deal, and others have not, depending on the amount of interest in each Area and other factors. Strategic plans and socioeconomic assessments of the communities have been initiated or completed in seven Areas. All Areas have had field trips for community members so that stakeholders could look at current management activities and discuss the types of activities that should be planned in the future. Several new partnerships were formed with school districts, counties, and local colleges.

One of the major accomplishments was the amount of coordination and communication among all parties. Excellent communication tools were developed, from community educational newsletters and electronic bulletin boards, to improved decision documents between agencies. Use of these new tools has increased the sharing of information within and between communities and agencies and allowed better targeting of citizen-suggested proposals.

In some instances, approvals for projects with experimental management approaches have been slow.

**Draft a new rule to ease restrictions on timber harvest from certain nonfederal lands because of improved management of federal lands.**

The federal forest management conservation strategy serves as the foundation for improving relations between federal managers and nonfederal land owners. More specifically, protections on federal lands let Fish and Wildlife Service and National Marine Fisheries Service make better use of the Endangered Species Act's provisions that allow more flexible management on nonfederal lands. These management actions take two forms: habitat conservation plans and the 4(d) rule.

*Habitat conservation plans*

Habitat conservation plans are the means by which private land owners may provide for the conservation of listed species and still manage their lands to meet their own objectives. Twenty-four habitat conservation plans (or take-avoidance plans) related to timber harvest have been signed as of August 1996, covering more than 1,756,000 nonfederal acres. Another 56 habitat conservation plans are being prepared, under negotiation, or being considered, covering nearly 7.5 million nonfederal acres.

*The 4(d) rule*

Section 4(d) of the Endangered Species Act authorizes the Secretary of the Interior to relieve prohibitions on threatened species by rulemaking. A notice of intent to issue a proposed 4(d) rule to replace the blanket prohibition against incidental take of spotted owls was distributed in late 1993. A Draft Environmental Alternatives Analysis containing a preferred alternative was released in December 1995 for a 45-day comment period, along with an extended concurrent comment period on the proposed 4(d) rule for the owl, published in the Federal Register on February 17, 1995. In response to public comment, the comment period was extended through the end of May 1996. The preferred alternative includes an exemption from previous restrictions for land owners with 80 acres or less; options for protecting spotted owl sites for land owners with more than 80 acres; a safe-harbor provision that states that nonfederal land owners will not be prosecuted for any incidental take as long as they comply with the rule; and a sunset feature for designated areas.

**Encourage private timber companies to commit the timber released by these changes to processing in domestic mills.**

No progress has been made on this commitment.

**Establish monitoring and research programs to assess the effects and effectiveness of management approaches.**

An interagency Research and Monitoring Committee composed of research representatives from the Forest Service, the Environmental Protection Agency, and the National Biological Service has been directed to develop a monitoring program that reviews agency implementation of the standards and guidelines and the effectiveness and validity of those guidelines.

This effort and those described below, supplement the monitoring by the land management agencies pursuant to the relevant provisions of their land management statutes.

*Implementation monitoring*

Implementation monitoring began in 1996. The major principles of the approach are to determine the degree of compliance with all standards and guidelines for all projects and activi-

ties; evaluate projects at various stages (for example, for timber sales, this evaluation could include design, layout, and harvest); integrate with existing agency tracking systems to identify projects and activities for monitoring; categorize and set priorities for projects and activities to facilitate variable amounts of sampling and review efforts; and assess and report results, based on a statistical approach that provides provincial and regional summaries.

The agencies have initiated a pilot effort to conduct reviews of a statistically valid sample of fiscal year 1994 and 1995 timber sales. They expect their first report to be completed by early 1997. Interagency review teams will be used, and opportunities for participation by provincial advisory committee members and other members of the public will be developed. These reviews will determine compliance with relevant standards and guidelines by examining project documentation and field visits. The report will also include recommendations for the further development and expansion of the fiscal year 1997 implementation monitoring efforts into the other relevant projects and activities.

#### *Effectiveness monitoring*

Effectiveness monitoring evaluates whether the management plan achieved the desired goals. In August 1995, the interagency Research and Monitoring Committee released a draft effectiveness-monitoring plan. The draft plan focuses on species, habitat, or both, for five emphasis areas: late-successional and old-growth forests, northern spotted owl, marbled murrelet, survey-and-manage species, and riparian and aquatic habitat. These areas are currently high priority for the agencies and the first step in effectiveness monitoring, with more issues to be included as the process is refined. The agencies are revising the draft plan and intend to complete it by the end of fiscal year 1996, for use in the fiscal year 1997 field season.

#### *Validation monitoring*

Validation monitoring determines if cause-and-effect relations exist between management activities and the indicators or resources being managed. It determines whether the underlying management assumptions are correct. Validation monitoring will be closely tied to the research plan, which will be completed in late 1996.

## Timber Harvest

### **Submit the Northwest Forest Plan to the Court and resolve the legal challenges.**

The Record of Decision, which codified the final federal forest management plan on April 13, 1994, was immediately submitted to Judges Dwyer, Jones, and Fry, with a request to lift their injunctions. Within two months, all three injunctions had been lifted.

Litigation on whether the Bureau of Land Management could proceed on some of their older sales was not completed until January 1995. The region's forestry programs have been free to operate under the Forest Plan since May 1994.

Although the Plan continued to be implemented, eight lawsuits were filed that challenged it on its merits and the manner in which it was developed. After the Plan was upheld by Judge Dwyer and in the Ninth Circuit Court of Appeals, environmental groups have challenged individual agency actions four times. The federal government has prevailed on eight cases and their appeals, negotiated one case, and lost one case. Two cases that were stayed were eventually dismissed in deference to previous decisions on the Plan. This summary does not reflect challenges based on salvage provisions of the 1995 Rescissions Act.

**Move timber sales forward as quickly as possible.**

Reestablishing a stable and predictable timber-sale program after it was virtually halted for three years has been extremely difficult for the agencies and has taken longer than many expected. The difficulty was compounded by the 1994 fire season, which took staff away from preparing timber sales during that crucial first year after the injunctions had been lifted; an ongoing reduction in staff to reduce the deficit; the complex requirements of the Plan; and a 17-day furlough caused by the budget impasse over the fiscal year 1996 Interior and Related Appropriations Bill.

Nonetheless, as summarized below, the agencies developed a three-year plan in 1994 for meeting their timber commitments and have undertaken several steps to move as quickly as possible. These steps include developing a streamlined process that has reduced consultation time under the Endangered Species Act by 70%; batching timber sales for consultation; establishing an interim watershed analysis compliance process; and phasing in the implementation of the survey and management requirements.

The three-year ratchet-up period has assured compliance with the Plan, thus reducing the likelihood of being enjoined again. The fiscal year 1994, 1995, and 1996 timber-sale programs moved forward without a single injunction on a management activity. Note, however, that the timber-sale program was covered by sufficiency language for the final two months of fiscal year 1995 and throughout fiscal year 1996. The language prohibited public appeals and limited the likelihood that citizens would prevail on any legal challenge based on compliance with federal environmental law.

**Provide for a sustainable timber-sale program of 1.2 billion board feet.**

The draft Northwest Forest Plan forest management plan committed to offering an average of 1.2 billion board feet (bbf) annually for 10 years. As a result of public comment and further analysis, the figure was adjusted to 1.1 bbf in the Final Environmental Impact Statement.

The injunction on regional timber sales was lifted eight months into fiscal year 1994. In the remaining four months, the agencies offered 241 mmbf of timber sales. With the timber-sale program virtually shut down for three years, the agencies said that it would take three years to ratchet back up to meet the 1.1 bbf target. They committed to offering 660 mmbf of the probable sale quantity in 1995, 880 mmbf in 1996, and 1.1 bbf in 1997. The volume actually offered is summarized by agency below.

Volume offered in fiscal years 1994, 1995, and 1996 (mmbf)

Agency	FY 1994	FY 1995	FY 1996	Total
<b>Forest Service</b>				
Oregon and Washington	156	393	516	1,065
N. California	67	100	167	334
<b>Subtotal</b>	<b>223</b>	<b>493</b>	<b>683</b>	<b>1,399</b>
<b>Bureau of Land Management</b>				
	18	127	190	335
<b>Total</b>	<b>241</b>	<b>620</b>	<b>873</b>	<b>1,734</b>

The Forest Service estimates that, of this amount, 77% was saw timber; 14% was pulp and other non-saw-timber products; 5% was posts, poles, and pilings; 7% was fuel wood; and 1.5% was cull material. The Bureau of Land Management lists only saw timber when reporting volume offered.

**Assist tribes in bringing backlogged timber to market.**

No funds were requested or appropriated to meet this commitment in fiscal year 1994.

In fiscal year 1995, the budget included \$1.5 million to initiate tribal harvest of backlogged timber. The goal was to harvest 40 to 60 mmbf of backlogged timber in fiscal year 1995. The Bureau of Indian Affairs had concerns about meeting this goal because of the late distribution of funds, the need to prepare environmental documents, and staffing problems.

Eight of the twelve Bureau of Indian Affairs field offices produced 34.5 mmbf of additional timber volume in fiscal year 1995. The remaining four areas did not produce any backlogged volume in fiscal year 1995. The offices offered 50 mmbf in 1996.

### **East-Side Ecosystem Strategy**

**Direct the Forest Service to develop a scientifically sound, ecosystem-based strategy for managing east-side forests.**

The Forest Service and Bureau of Land Management established three interagency, interdisciplinary teams to develop an ecosystem strategy for east-side forests: two EIS teams and a Science Integration Team. The Science Integration Team will have three major products: a scientific framework for ecosystem management in the interior Columbia River basin, a scientific assessment to characterize and assess ecosystem, economic, social, and other processes and functions, and the effects of implementing the alternatives developed by the environmental impact statement teams.

The two EIS teams are using the information developed by the Science Team to draft two environmental impact statements; one for federal lands in Oregon and Washington east of the Cascade Range and one for federal lands in Idaho, Montana, Utah, and Nevada that are in the Upper Columbia River basin. The two teams undertook an intensive public participation process as they developed the alternatives. The teams are collaborating to assure that the final alternatives will reflect the entire interior Columbia River basin. The selected alternatives will replace various interim management measures now in place and will be used to guide the management of the federal lands in the interior Columbia River basin.

**Accelerate efforts to prepare timber sales to harvest dead and dying timber on the east side.**

In 1994 and 1995, the Forest Service continued to emphasize forest health for timber stands on the east side by implementing interim environmental "screens" for aquatic and terrestrial species that would guide where effective actions could be taken. The screening process allowed the agency to move forward with treating overstocked fir stands, which are susceptible to attacks from insects and disease and increased fire risks, while assuring environmental protections were in place pending completion of the east-side assessment. The regulatory and management agencies signed a memorandum of understanding that streamlined consultation processes to help put sales

on the market more quickly. As a result, the Forest Service offered about 660 mmbf in fiscal years 1994 and 1995, 483 mmbf in 1996, and the screens had a greater effect on harvesting dead and dying timber than originally expected. Historically, the east-side forests provided about 1 bbf annually. The Interior Columbia Basin Ecosystem Management Project will provide the basis for management decisions and update the interim environmental screens used to prepare sales.

## ECONOMIC DEVELOPMENT

### **Provide immediate support for economic adjustment and diversification in the region.**

Within six months after the President's announcement, the Plan's economic development programs were up and running. In 1994, more than \$248 million was initially made available; working as partners, federal, tribal, state, and local officials were quickly able to find uses for more than \$126 million in loans and grants. In 1995, with a fully operational set of teams to deliver assistance, \$217 million of the \$268 million available reached workers and families, businesses, and communities through loans and grants. In 1996, more than \$215 million was distributed.

### **Provide \$270 million in new funding for fiscal year 1994.**

The Plan was announced eight months into fiscal year 1993. Instead of reprogramming existing funds, many of which were obligated or spent, the Administration proposed that the fiscal year 1994 appropriations bills be modified to reflect the Plan's economic assistance spending priorities. Almost \$280 million was proposed to Congress in fiscal year 1994, and more than \$256 million was made available. In an effort to increase the amount of grant dollars available to the region, some loan dollars were subsequently converted, and slightly more than \$248 million was ultimately available. Of that amount, about \$155 million of discretionary funds was appropriated to the region. The remaining \$93 million came from funds already in the region that could be diverted for priority use to implementing the economic assistance components of the Plan.

### **Provide \$1.2 billion over five years.**

In addition to the fiscal year 1994 funding, the Administration proposed and Congress appropriated \$268 million for fiscal year 1995. For fiscal year 1996, the Administration proposed \$267 million and Congress appropriated \$210 million. The Administration's fiscal year 1997 budget included \$260 million.

The Administration recently renewed its commitment to the Northwest Economic Adjustment Initiative by approving an amended memorandum of understanding for 1997 and 1998 and associated funding commitments, which, though subject to appropriations, puts the Administration on track to make more than \$1.2 billion available over five years.

### **Create more than 8,000 jobs and fund 5,400 additional retraining opportunities in fiscal year 1994.**

An estimated 5,700 jobs were to have been provided in the region in fiscal year 1994 as a result of the \$126 million in assistance that actually reached the region through the Northwest Economic Adjustment Initiative. These estimates include both full- and part-time jobs maintained (or not lost) as a result of the economic assistance provided in the Northwest Forest Plan, jobs that were newly created, and job opportunities that were expected to be translated into actual jobs as projects were

completed. More than 1,600 additional retraining opportunities were created in fiscal year 1994. Job figures for the more than \$220 million spent in fiscal year 1995 were more carefully estimated, with 1,786 jobs retained or jobs found by workers completing training, 6,560 jobs created in fiscal year 1995, and 6,453 jobs expected to be created in future years. An additional 1,743 jobs were estimated to be a result of loan guarantees made in timber-affected counties by the Small Business Administration. Job estimates for 1996 are not yet available.

No direct observations were made on the effects that \$233 million in county payments had on job retention and creation, but estimates that used broad averages for public investments conservatively suggest that some 6,000 jobs would have been maintained or created had the monies reached the region in conventional business and community-development programs.

**Increase funding under the Job Training Partnership Act for Job Search Assistance, Retraining, and Relocation—a 110% Increase From \$20.2 to \$42 million.**

Assistance available to workers and families increased much more than the President's original statement reflected, mainly in the formula grants to the states; Washington's went from \$6 to \$21 million, Oregon's from \$4 to \$11 million, and California's from \$59 to \$209 million. The formula funds were further distributed within states partly by substate formula and partly at the discretion of the state's Governor. More than \$12 million of the Secretary of Labor's Reserve funds were also made available annually to help dislocated timber workers by augmenting formula funds. In fiscal year 1994, \$8.4 million were used; in fiscal year 1995, awards exceeded the \$12 million target, reaching \$19 million. In fiscal year 1996, close to \$13 million were awarded.

### **Business Assistance**

**Implement a three-part strategy for business development, including access to capital, technical assistance, and access to markets; and increase funding.**

*Improved access to capital*

More than \$28 million came to the region in fiscal year 1994 to promote rural business investment. The total includes \$6.6 million in grants to public and nonprofit organizations to finance small-business investment; \$5.5 million in low-interest loans to nonprofit organizations to establish revolving loan funds for business and community development in rural areas; \$6.3 million in grants to the states to promote investment, technical assistance, and market access primarily for the wood-products industry; and \$10 million in grants to communities and other nonprofit groups for community development to support economic diversification. In fiscal year 1995, more than \$46 million reached the region in these same programs; in fiscal year 1996, \$63 million was distributed.

*Expanded technical assistance*

The Small Business Development Center program was intensified and promoted as a means for providing assistance to small businesses in rural areas. Technical assistance—including feasibility, marketing, strategic planning, and implementation planning—were supported and funded by grants from the Economic Development Administration. Refocusing agency missions intensified the outreach and direct assistance to communities not otherwise accustomed to working with

public economic development programs and agencies. For example, Forest Service professional staff, living and working in timber-dependent communities, provided valuable technical assistance that is hard to quantify but frequently mentioned as highly beneficial.

*Enhanced access to domestic and international markets*

The region's industries have substantially benefited from a concerted drive to achieve the goal of freer world trade on a reciprocal basis. Bilateral agreements, such as those between the United States and Japan or China, open the door to increased exports of wood products manufactured in this country. Regional agreements, such as the North American Free Trade Agreement, and worldwide agreements, such as the Uruguay Round of the General Agreement on Tariffs and Trade, increase access to worldwide markets.

**Increase funding 47% from \$163 million to \$239.7 million.**

Available funding increased 43%—to \$231.5 million—through appropriations and authorizations in eight different programs in 1994. Reprogramming from loan to grant programs slightly increased the total, and \$197.75 million ultimately reached the region. In addition to the programs mentioned above, the total spent included \$164 million in loan guarantees to small businesses, and \$2 million for forest research.

### Community Assistance

**Establish financial assistance to timber counties, replacing the roller coaster payments tied to timber harvests with a reliable schedule of payments.**

At the Administration's request, Congress worked to decouple the payments to counties from federal timber receipts in The Omnibus Budget Reconciliation Act of 1993, and instead substituted a fixed-payment schedule calling for 85% of the five-year average payments for fiscal years 1986-90 to be paid in fiscal year 1994; the annual payment is scheduled to decline 3% per year until 2003, reaching 58% of the five-year, 1986-90 average.

**Improve the infrastructure needed for community capacity development through Community Development Block Grant lending, Rural Development Administration's Community Facilities, and Water and Waste-Water Program.**

In fiscal year 1994, \$1.9 million were made available and spent for rural housing for low- and medium-income residents and rural economic development activities; \$32 million was made available for investments in community facilities, and \$5.6 million was used in affected communities; and \$87 million were made available for construction and improvements in drinking water and waste-water facilities, with \$39.9 million used. In fiscal year 1995, \$116 million of an available \$135 million was put to community-related uses. In fiscal year 1996, more than \$108 million were used.

**Increase funding 25% from \$298.6 million to \$373.6 million.**

In fiscal year 1994, \$374.6 million was made available to the region through appropriations. After reprogramming to increase grant funds available to encourage business investment, and after redirection to provide funds for California earthquake relief, the total had fallen slightly to

\$365.03 million. More than \$324 million actually reached the region. In addition to the amounts listed in the previous paragraph, the amount used included \$233 million in payments to counties, and \$7.5 million in planning and infrastructure grants.

### Ecosystem Investments

#### **Protect the environment and create jobs, by investing in restoration, research, and stewardship**

##### *Watershed maintenance and ecosystem restoration*

Concerted efforts were made to conduct watershed analysis, identify watershed restoration needs, and implement the Jobs in the Woods program to restore the region's watersheds. In fiscal year 1994, more than \$46 million was proposed for the Jobs in the Woods program; \$27 million was actually appropriated and spent. The Environmental Protection Agency spent \$5 million for research and grants programs under the Clean Water Act. More than 2,200 private-sector workers had full- or part-time jobs through more than 600 contracts restoring the region's watersheds through the Jobs in the Woods program. Contractors reported that between 400 and 500 of their workers were displaced timber-industry workers; wages paid ranged between \$12 and \$26 per hour. In 1995, more than \$35 million was appropriated and spent; almost 3,700 jobs were created. In 1996, more than \$31 million was spent.

##### *Research*

An additional \$5 million was proposed for watershed restoration research in programs administered by the Environmental Protection Agency.

##### *Forest stewardship*

The Forest Service's Forest Stewardship and Stewardship Incentives programs provide financial and technical forestry assistance to nonfederal land owners to improve the condition of forests while increasing the supply of timber from nonfederal lands. Four million dollars was proposed to be spent on the program, but it was not funded by Congress.

#### **Increase funding 19% from \$438.2 to \$519.8 million.**

In fiscal year 1994, \$82 million was made available through appropriations, representing a 19% increase in funding.

#### **Support elimination of tax incentives for the export of raw logs and study effective ways to make avoiding export limitations on raw logs more difficult for companies.**

At the Administration's request, provisions were included in the Omnibus Budget Reconciliation Act of 1993 that amended the Internal Revenue Service Code by removing the tax exemption incentives for foreign sales corporations to export raw (unprocessed) logs. The prospective savings to the U.S. Treasury were the basis for maintaining the payments to counties at amounts exceeding the funds expected to be derived from federal timber sales.

**Identify and implement the best ways to strengthen small businesses and secondary manufacturing in the wood-products industry, including a review of increasing the supply of federal timber set aside for small businesses and possible preferences for bidders who contract for domestic secondary processing.**

A study group was convened to prepare policy alternatives to fulfill this goal; the group drafted a report exploring those possibilities, but the report was not completed because of concerns and issues related to the North America Free Trade Agreement and General Agreement on Tariffs and Trade. Instead, State Community Revitalization Teams—federal and nonfederal officials, working as partners—were able to identify and pursue business-related proposals prepared locally in the region. The Community Economic Revitalization Teams were able to intensify the Small Business Development Centers, the Small Business Administration guaranteed more than \$164 million in loans in the region, more than \$28 million reached the region to promote business investment in rural areas, and grants were made to support the development of new technologies, training programs, and collaborative marketing for small businesses in the wood-products industry.

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