

**SENATE BILL REPORT**

**ESHB 1341**

**AS REPORTED BY COMMITTEE ON COMMERCE & LABOR, APRIL 5, 1991**

**Brief Description:** Promoting economic development.

**SPONSORS:** House Committee on Trade & Economic Development (originally sponsored by Representatives Sheldon, Hargrove, Jones, Inslee, Riley, Rayburn, P. Johnson, Bowman, Haugen, Paris, Brumsickle, Wynne, Beck, Fuhrman, Ferguson, Basich, Morton, Padden, Roland, Heavey, H. Myers, Peery, Ebersole, May, Lisk, Zellinsky, Nealey, Edmondson, Cooper, Betrozoff, Miller, Mitchell, Jacobsen, R. King, Wineberry, Franklin and R. Johnson).

**HOUSE COMMITTEE ON TRADE & ECONOMIC DEVELOPMENT**

**HOUSE COMMITTEE ON APPROPRIATIONS**

**SENATE COMMITTEE ON COMMERCE & LABOR**

**Majority Report:** Do pass as amended.

Signed by Senators Matson, Chairman; Anderson, Vice Chairman; Bluechel, McCaslin, McDonald, McMullen, Moore, Murray, and Skratek.

**Staff:** Jonathan Seib (786-7427)

**Hearing Dates:** March 27, 1991; April 5, 1991

**BACKGROUND:**

Timber harvest levels, particularly on federal lands, are expected to decrease significantly. This will adversely impact the state generally and timber communities specifically. There are two primary reasons for the reduced harvest level. The first is that the forest management plans, particularly the U.S. Forest Service Management Plans, recommend a significant decrease in the harvest levels. Secondly, implementation of the Interagency Scientific Commission (ISC) report or other proposals to protect the habitat of the Spotted Owl, which has been declared a threatened species under the federal Endangered Species Act, will further reduce the harvest level in Washington State.

A log export ban on state lands was passed by Congress in an attempt to reduce the jobs lost from timber supply reductions by mandating that state timber be processed domestically.

Impacts from the reduced timber supply will vary in different geographic areas in Washington. Proximity to an urban center, local economic development capacity, productivity of mills in the area, source of logs, proximity to a port, and public and social infrastructure are all factors effecting impact.

The estimated job losses resulting from the reduced harvest level vary significantly. The Governor's office estimates the direct and indirect job losses at 20,000; the House Timber Task Force estimates the job losses at 26,000. In addition to employment, the reductions in the timber harvest level will also impact timber-dependent communities, the timber industry, urban areas, and ports.

Timber-dependent communities benefit generally from statewide economic development programs. In the 1989-91 biennium, the state will spend approximately \$93 million for economic development programs, excluding vocational education and job training. Approximately \$5.6 million of this is targeted specifically to assist timber-dependent communities.

The Community Economic Revitalization Board (CERB), created in 1982, provides loans or grants to counties, cities, towns, and ports for economic development-related infrastructure. The loan or grant must be necessary to bring an identified business or development into the community.

**SUMMARY:**

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

A separate account is created in the Community Economic Revitalization Board (CERB) to finance economic development-related infrastructure in timber-dependent communities without requiring that the loan or grant be tied to a specific business.

The Washington Wood Products Competitive Commission is created. The commission has five public members and four industry members. The commission is to award grants for value-added projects and feasibility studies. The commission is to coordinate with the Department of Trade and Economic Development's value-added Forest Products Program.

The commission is intended to become industry-supported and industry-operated after two years.

The Department of Trade and Economic Development, the Small Business Export Finance Assistance Center, and the Washington Economic Development Finance Authority are to provide marketing, technical, and financing assistance to increase exports from timber-dependent communities.

The Governor is to coordinate the delivery of economic development-related social services in timber communities, and local Associate Development Organizations are to coordinate the delivery of economic development services.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** available

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

**SUMMARY OF PROPOSED SENATE AMENDMENT:**

A striking amendment is adopted, with the following changes to the bill:

State agencies are directed to adopt an expedited process for the processing of permits or other actions necessary for economic development in timber-dependent communities and distressed counties.

The sections creating the Washington Wood Products Competitiveness Commission are deleted.

Provisions allowing CERB funds to finance a "small scale tourism project" are changed to allow financing of a "tourism project." A definition of "tourism project" is provided.

The nonvoter approved debt authority for port districts having less than \$800 million taxable property is increased from one-fourth of 1 percent to three-eighths of 1 percent of assessed valuation. Such port districts must have a comprehensive scheme of harbor improvements and industrial developments and a long-term finance plan filed with the Department of Community Development.

**TESTIMONY FOR:**

Persons living in timber areas will continue to face substantial hardships. It is essential that the state provide assistance to individuals and help the economies of these towns recover. Infrastructure financing is particularly important.

**TESTIMONY AGAINST:**

The Products Competitiveness Commission is directed to do things that are already being done. The CERB fund is a special account which should not be tampered with. It should not be used to finance tourism projects.

**TESTIFIED:** Representative Tim Sheldon, prime sponsor (pro); Shari Brewer, Washington Women in Timber (pro); Rich Nafziger, Governor's Office (pro); Representative Bob Basich (pro); Judy Turpin, Washington Environmental Council (pro); Bob Dilger, Washington State Building and Construction Trades Council (with concerns); Dick Ducharme (with concerns); Judith St. Clair (pro), Clifford Miller, Grays Harbor (pro); Tim Boyd, Washington Forest/Timber Association (with concerns)