

Engrossed Substitute House Bill No. 2137 establishes new programs in the Department of Trade and Economic Development focused on significant industries in the state facing the prospect of major growth or change. The legislation provides a framework for state action to encourage the competitiveness of these industries. It ensures that the state assist these industries only after taking a careful look at the industry and after consideration of issues such as international markets, training needs, and the availability of financing. It provides a thoughtful and appropriate structure for state activities of this type.

Section 4 of the bill, however, establishes an advisory committee for the program as a whole and subcommittees for each of three targeted industries. While I agree with the need to involve affected industries in the development and operation of programs to address their competitive needs, and while legislative involvement in this process may be valuable, the structure to achieve these ends is administratively cumbersome and overly complex.

I have therefore vetoed Section 4 of the bill. I will, however, ensure that affected industries will be involved in the development and operation of the programs and that such action is consistent with the spirit of Engrossed Substitute House Bill 2137.

Section 5 of the bill provides for a targeted sector program for manufactured wood products in the Department of Trade and Economic Development. I agree that there is a need for state involvement to increase the capacity of our state's wood products firms to manufacture new value-added wood products for domestic and international markets. However, the Legislature has appropriated funds in section 309(8) of this year's operating budget for new activities by the department, in cooperation with the state's wood products industry, to increase the competitiveness of state firms in these markets. The provisions contained in section 5 are duplicative of the budget provisions and would be unnecessarily burdensome.

While vetoing section 5, I will, however, ensure that state activities to increase the competitiveness of the state's manufactured wood products industry are undertaken in a fashion consistent with the thoughtful approach to other industrial sectors as provided for in this legislation.

With the exception of Sections 4 and 5, Engrossed Substitute House Bill No. 2137 is approved."

CHAPTER 424

[Substitute Senate Bill No. 5911]

FOREST MANAGEMENT—RESEARCH AND POLICY DEVELOPMENT

AN ACT Relating to public lands; adding a new section to chapter 76.12 RCW; creating new sections; making appropriations; providing an effective date; and declaring an emergency.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Sec. 1. The forest resources of Washington are among the most valuable of the state's resources. They provide significant opportunities for employment, education, and enjoyment, and they support a variety of uses. These forest resources are increasingly affected by pressure from a variety of sources, which will result in changes in current management practices for the resources and in changes in the economics that are dependent on these resources.

The legislature desires to develop forest management policies that anticipate emerging issues and assure a response which will protect and enhance those economic and ecological systems that are dependent on the

resources. The legislature also desires to obtain information which enables better decision-making and to identify courses of action which will assist counties in receiving a reliable flow of income from county forest lands. The legislature finds that it is in the best interests of the state and the counties to establish a process which encourages the counties, through their boards of county commissioners or county councils, to share in the decision-making relating to the sale of timber from forest board lands as they seek to assure the economic stability of their communities.

Further, the legislature finds that recent management decisions concerning federally-owned forested lands have significantly reduced the amount of timber available to small businesses with facilities in Washington. This reduction has caused and will increasingly cause economic hardship in counties where a significant portion of the population is employed in the timber industry. In these counties, the rate of unemployment among residents previously employed in the timber industry has risen drastically and will continue to rise. This will put an increasing burden on the counties to provide necessary financial and social support to these residents.

This section shall expire June 30, 1994.

NEW SECTION. Sec. 2. A new section is added to chapter 76.12 RCW to read as follows:

(1) Whenever the board of county commissioners or the county council of any county determines that it is in the best interests of the county as a trust beneficiary and that it would help to ensure the economic viability of that county, the county may petition the board of natural resources to reserve, for the purposes described in this section, a portion of the timber to be sold in any given year from forest lands which have been acquired from that county by the state under to RCW 76.12.030. The county shall specify what portion of such timber is to be reserved, and the portion reserved may be up to one hundred percent of such timber.

(2) (a) Timber reserved under this section shall be made available for sale to enterprises which meet all of the following criteria: (i) At least fifty percent by volume of the timber purchased by the enterprise in the previous three years was state-owned or federally-owned; (ii) at least eighty-five percent by volume of the timber purchased by the enterprise in the previous year was processed in Washington state; and (iii) the enterprise operates facilities in Washington which manufacture lumber, plywood, veneer, posts, poles, pilings, shakes, or shingles. For purposes of these criteria, "processed" means manufactured into lumber, plywood, veneer, posts, poles, pilings, shakes, or shingles.

(b) Once the board of natural resources has accepted the petition of a county to reserve a portion of timber pursuant to this section, the department shall compile a list of enterprises which meet the criteria listed in (a) of this subsection. An enterprise must petition the department for inclusion in the list of eligible enterprises, and must include with the petition certified

records sufficient to establish that the enterprise meets the criteria listed in (a) of this subsection. If an enterprise purchases a processing facility, the enterprise may incorporate the records of that facility in its petition for inclusion in the list of eligible enterprises. The department shall establish by rule what types of records are acceptable for purposes of establishing eligibility. Timber reserved under this section shall be sold only to enterprises contained in the list of eligible firms prepared by the department.

(c) For each sale of timber under this section, the department shall require the purchaser to: (i) Submit annually, until all unprocessed timber is accounted for, a certified report on the disposition of any unprocessed timber harvested from the sale, including a description of unprocessed timber which is sold, exchanged, or otherwise disposed of to another enterprise and a description of the relationship with the other enterprise; (ii) submit annually, until all unprocessed timber from the sale is accounted for, a certified report on the sale of any unprocessed timber from private lands which is exported or sold for export; and (iii) maintain records of all such transactions involving unprocessed timber, and to make such records available for inspection and verification by the department for up to three years after the sale is terminated.

(d) For purposes of this section, "enterprise" means any business concern and its affiliates, as that term is defined in 13 C.F.R. 121.3, in effect as of January 1, 1988.

(3) If a county petitions the board of natural resources to reserve timber as provided in this section, the use of the forest board land trust assets for the purposes of this act shall be deemed to be consistent with the trust mandate imposed on the management of lands acquired pursuant to RCW 76.12.030.

(4) A petition to reserve a portion of timber may be revoked by the board of county commissioners or county council. Notice of such revocation shall be delivered to the board of natural resources. The board of natural resources shall not unreasonably deny such a request. Such revocation shall not impair any sale of timber which is approved by the board of natural resources before the board receives the notice.

(5) This section shall expire June 30, 1994.

NEW SECTION. Sec. 3. By December 1, 1990, and annually thereafter until December 1, 1994, the board of natural resources shall report to the appropriate legislative committees on the amount of reserved timber sold pursuant to section 2 of this act. The report shall identify the quantity of the reserved timber which was not exported out-of-state in the form of raw logs, and shall identify the quantity which was processed into final products within the state. The report shall also identify which counties have elected to reserve timber pursuant to this section, and shall identify any rules which have been adopted in the last year for the implementation of this section.

NEW SECTION. Sec. 4. (1) The Olympic institute for old growth forest and ocean research and education is hereby created. The institute shall be located in the western portion of the Olympic Peninsula. Its purpose shall be to demonstrate innovative management methods which successfully integrate environmental and economic interests into pragmatic management of forest and ocean resources. The institute shall combine research and educational opportunities with experimental forestry, oceans management, and traditional management knowledge into an overall program which demonstrates that management based on sound economic principles is made superior when combined with new methods of management based on ecological principles. The institute shall be jointly supported by the college of forest resources and the college of ocean and fishery science.

(2) There is hereby appropriated from the general fund to the University of Washington the sum of one hundred fifty thousand dollars, or as much thereof as may be necessary, for the biennium ending June 30, 1991, for the purpose of preparing a development plan for the institute. The development plan shall involve policy makers from state, federal, tribal, business, and environmental interests in the preparation of management plans and as it develops programs and shall be guided by the recommendation of the old growth commission appointed by the commissioner of public lands.

NEW SECTION. Sec. 5. The department of natural resources shall conduct a study of state-owned hardwood forests. The study shall include, but is not limited to: A comprehensive inventory of state-owned hardwood forests and a qualitative assessment of those stands, research into reforestation of hardwoods on state lands, and an analysis of management policies for increasing the supply of commercially harvestable hardwoods on state lands.

NEW SECTION. Sec. 6. (1) The department of trade and economic development shall contract with the northwest policy center at the University of Washington to study the economy of areas of the state impacted by substantial reductions in timber harvested from federal lands. The study shall:

- (a) Include an analysis of the present economy of the areas;
- (b) Identify the social, economic, and employment effects associated with withdrawals of land from commercial timber production;
- (c) Contain an assessment of possible changes to local economies and the state economy if forest lands continue to produce resources under existing management methods without additional land withdrawals from timber production by legislative decisions;
- (d) Contain an assessment of the impact of anticipated technological changes in the forest products industry, possible structural changes in the forest products industry, possible investments in new or existing industries, and known impacts from previous withdrawals of land from timber production; and

(e) Evaluate potential methods for increasing the economic development of the areas, including the creation or enhancement of high value-added production.

The study shall give emphasis to recommendations for future economic development. The department of trade and economic development and the northwest policy center shall report findings to the governor and to the appropriate legislative committees on December 1, 1990.

(2) The sum of two hundred thousand dollars, or as much thereof as may be necessary, is appropriated from the general fund to the department of trade and economic development for the biennium ending June 30, 1991, for the purposes of subsection (1) of this section.

NEW SECTION. Sec. 7. (1) The department of community development shall provide technical and financial assistance to communities adversely impacted by reductions in timber harvested from federal lands. This assistance shall include the formation and implementation of community economic development plans. The department of community development shall utilize existing state technical and financial assistance programs, and shall aid communities in seeking private and federal financial assistance for the purposes of this section. The department may contract for services provided for under this section.

(2) The sum of four hundred fifty thousand dollars, or as much thereof as may be necessary, is appropriated from the general fund to the department of community development for the biennium ending June 30, 1991, for the purposes of subsection (1) of this section.

NEW SECTION. Sec. 8. If by October 1, 1989, the United States congress makes an appropriation to the United States forest service for a Washington state forest inventory and timber supply study, the department of natural resources shall conduct an inventory and prepare a report on the timber supply in Washington state. The report shall identify the quantity of timber present now and the quantity of timber that may be available from forest lands in the future using various assumptions of landowner management, including changes in the forest land base, amount of capital invested in timber management, and expected harvest age. This report shall categorize the results according to region of the state, land ownership, land productivity, and according to major timber species.

The report shall contain an estimate of the acreage and volume of old growth and other timber on lands restricted from commercial timber harvesting due to state or federal decisions, such as national parks, wilderness areas, national recreation areas, scenic river designations, natural areas, geologic areas, or other land allocations which restrict or limit timber harvesting activities. The department shall determine the definition of old growth for the purposes of this section.

State appropriations for these purposes in the 1989-91 budget may be expended if needed for project planning and design. The report shall be

submitted to the appropriate committees of the senate and the house of representatives by June 1, 1991.

NEW SECTION. Sec. 9. The board of natural resources shall offer for sale the sustainable harvest as identified in the 1984–1993 forest land management program, or as subsequently revised. In the event that decisions made by entities other than the department cause a decrease in the sustainable harvest the department shall offer additional timber sales from state-managed lands.

***NEW SECTION.** Sec. 10. *By September 1, 1989, and quarterly thereafter, the office of the governor and the commissioner of public lands shall jointly report to the appropriate committees of the senate and the house of representatives on the response of the state to any decisions by the federal government, the court system, or other developments affecting the availability of timber for harvest or processing in Washington state.*

*Sec. 10 was vetoed, see message at end of chapter.

***NEW SECTION.** Sec. 11. *By August 1, 1989, the governor and the commissioner of public lands shall jointly develop an official state response on United States forest service management plans for the national forests within the state, as required by the national environmental policy act. Such response shall be submitted to the United States forest service immediately and would supersede any previously submitted agency positions. The responses shall also be submitted to the appropriate standing committees of the senate and the house of representatives.*

*Sec. 11 was vetoed, see message at end of chapter.

NEW SECTION. Sec. 12. (1) A joint select committee on domestic timber processing is established consisting of six members appointed in the following manner:

(a) Three members shall be from the senate, two from the majority caucus and one from the minority caucus, appointed by the president of the senate; and

(b) Three members shall be from the house of representatives, two from the majority caucus and one from the minority caucus, appointed by the speaker of the house of representatives. The chair shall be selected by the committee from among its members.

Committee members shall receive no compensation, but shall, to the extent funds are available, be reimbursed for their expenses while attending any meetings in the same manner as legislators engaged in interim committee business as specified in RCW 44.04.120. The committee shall be staffed by senate committee services and the office of program research.

(2) The joint select committee on domestic timber processing shall:

(a) Review other state's legislative actions on domestic processing and log exports;

- (b) Develop recommendations on possible state responses to possible federal legislation on log exports;
- (c) Review mill closures or reduction in production due to lack of timber supply;
- (d) Work in concert with the Washington state congressional delegation in developing domestic processing laws and programs;
- (e) Review the positive and negative aspects of state and private log export policy on the state's economy and on the state's citizens;
- (f) Review present federal policy of permitting substitution of state logs for private logs;
- (g) Analyze the impact of log exports on timber supply as well as on all aspects of finished timber products and the supply of wood chips;
- (h) Request the department of natural resources to provide upon request, all available information relating to state timber harvest, timber bidding procedures, export sales, and market analyses;
- (i) Study all aspects of domestic timber processing;
- (j) Analyze the effect of domestic timber processing on timber supply;
- (k) Analyze the effect of domestic timber processing on the state's economy;
- (l) Recommend methods to encourage greater domestic timber processing; and
- (m) Prepare legislation for introduction to the legislature for the 1990 legislative session.

The committee shall report its findings and any recommendations for legislation to the appropriate legislative committees of the senate and house of representatives by January 1, 1990.

(3) This section shall expire June 30, 1991.

NEW SECTION. Sec. 13. This act is necessary for the immediate preservation of the public peace, health, or safety, or support of the state government and its existing public institutions, and shall take effect July 1, 1989.

Passed the Senate April 23, 1989.

Passed the House April 23, 1989.

Approved by the Governor May 14, 1989, with the exception of certain items which were vetoed.

Filed in Office of Secretary of State May 14, 1989.

Note: Governor's explanation of partial veto is as follows:

"I am returning herewith, without my approval as to sections 10 and 11, En-drossed Substitute Senate Bill No. 5911 entitled:

"AN ACT Relating to public lands."

Sections 2 and 3 of the bill provide for a set aside of timber on State Forest Board Lands for timber firms which meet certain criteria. The proposal is intended to increase the amount of timber which is processed within the state and to create additional jobs. Criticism has been brought to my attention regarding the implementation of this set-aside program. I am inclined to sign this into law in spite of misgivings

about its ability to address the problem. The success of this program relies on the Department of Natural Resources and counties to faithfully pursue implementation.

This bill creates a Joint Select Committee on Domestic Timber Processing. I urge that Committee to work with my office over the interim to monitor implementation. I would also urge the Committee to review the possibility of providing compensation to school trusts and counties for setting aside land for jobs as well as for conservation. If I am not satisfied with the program, then I believe we will be forced to go to Congress and work toward a federal solution.

Section 10 of the bill requires the Governor and the Commissioner of Public Lands to jointly report to legislative committees on responses to federal or judicial decisions which affect timber supply. This section is redundant and needless, since we have always made any responses available to the Legislature on a timely basis in the past. When requested, we have always testified before committees to report on our activities.

Section 11 requires the Governor and the Commissioner of Public Lands to jointly develop an official state response to Forest Service plans by August 1, 1989. Such a response must supersede any previous state response. The intent of this section is unclear and redundant. The state has already officially responded to the individual forest service management plans and these responses were made within the official public comment periods for each of the forests. We have already agreed to work with the Department of Natural Resources as well as relevant federal agencies during the next few months on this issue.

While I am vetoing these sections, I want to assure you that my office will continue to work closely with all state and federal agencies to address the problems of timber supply and we will continue to be available to report on those activities at your request.

I applaud the Legislature for the other sections of this bill, as well as other items in the budget which will enhance our state's ability to respond to the problems of timber firms, communities and employees. I think we are going in the right direction and am looking forward to continuing to work with you during the next few months.

With the exception of sections 10 and 11, Engrossed Substitute Senate Bill No. 5911 is approved."

CHAPTER 425

[Substitute Senate Bill No. 5648]

FEDERATION OF WASHINGTON PORTS

AN ACT Relating to creation of a federation of Washington ports; amending RCW 53.06.020, 53.06.030, 53.29.010, 53.29.020, 53.29.030, 53.29.900, and 53.31.900; adding a new section to chapter 53.06 RCW; and creating new sections.

Be it enacted by the Legislature of the State of Washington:

NEW SECTION. Sec. 1. The legislature finds: (1) That the continuous development of Washington's ports should be a long-term goal for the state of Washington; (2) that Washington's ports are a valuable economic development resource, whose strength as a combined, coordinated entity for the purpose of trade and tourism development would far exceed their individual strength's in those areas; and (3) that, therefore, the ports should work together as a federation, coordinating their efforts further still with other public entities as well as the private sector.