State of Washington
Joint Legislative Audit
and Review Committee

Rural Natural Resource Impact Areas Programs Sunset Review

Report 99-8

September 15, 1999

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Members of
The Joint Legislative Audit and Review Committee

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Facts About The Joint Legislative Audit and Review Committee

Established by Chapter 44.28 RCW, the Joint Legislative Audit and Review Committee (formerly the Legislative Budget Committee) provides oversight of state funded programs and activities. As a joint, bipartisan legislative committee, membership consists of eight senators and eight representatives equally divided between the two major political parties.

Under the direction of the Legislative Auditor, committee staff conduct performance audits, program evaluations, sunset reviews, and other types of policy and fiscal studies. Study reports typically focus on the efficiency and effectiveness of agency operations, impact of state programs, and compliance with legislative intent. As appropriate, recommendations to correct identified problem areas are included. The Legislative Auditor also has responsibility for facilitating implementation of effective performance measurement throughout state government.

The JLARC generally meets on a monthly basis during the interim between legislative sessions. It adopts study reports, recommends action to the legislature and the executive branch, sponsors legislation, and reviews the status of implementing recommendations.

TABLE OF CONTENTS

Appendices

RURAL NATURAL RESOURCE IMPACT AREAS PROGRAMS SUNSET REVIEW

Summary

PROGRAM BACKGROUND

The Rural Natural Resource Impact Areas (RNRIA) programs were originally created as part of the "Timber Recovery Act" of 1991. The purpose of the programs was to assist individual displaced workers and their communities affected by downturns in the timber industry. In 1995, the programs were expanded to include displaced workers and communities affected by the declining salmon fishing industry. Also in 1995, the major state-funded programs which operated under the RNRIA umbrella were put under sunset.

Programs assist displaced workers and their communities

RNRIA is an umbrella grouping of almost 20 different education and training, economic development, and human services programs offered by various state agencies. Timber Retraining Benefits (TRB), which provide extended unemployment benefits to eligible dislocated workers who enroll in approved education and training, is the largest of the RNRIA programs ($35 million in the 1997-99 Biennium). Other components of RNRIA include higher education slots and tuition waivers at community and technical colleges and state universities, specific education and training programs, economic development loans for private and public enterprises, and human service programs for eligible dislocated workers and their families, such as low-interest mortgage loans and emergency cash assistance.

MANDATE

The RNRIA programs listed under the Sunset Act are scheduled to terminate on June 30, 2000, as provided in RCW 43.131.385.

ECONOMIC AND EMPLOYMENT TRENDS

This sunset review evaluates whether the economic conditions under which the RNRIA programs were created still exist. Our overview of the economic and employment trends focuses on timber-related jobs.[1]

Decline in timber jobs is part of a long-term trend

The decline in jobs in lumber and wood products is part of a long-term trend that began at the end of World War II. In the 1950s, the initial downturn in the industry was due in large part to the slowing of the post-war construction boom. Increases in foreign trade in the 1970s resulted in a brief reversal of the trend, but by the mid-1980s the industry entered into its current period of decline.

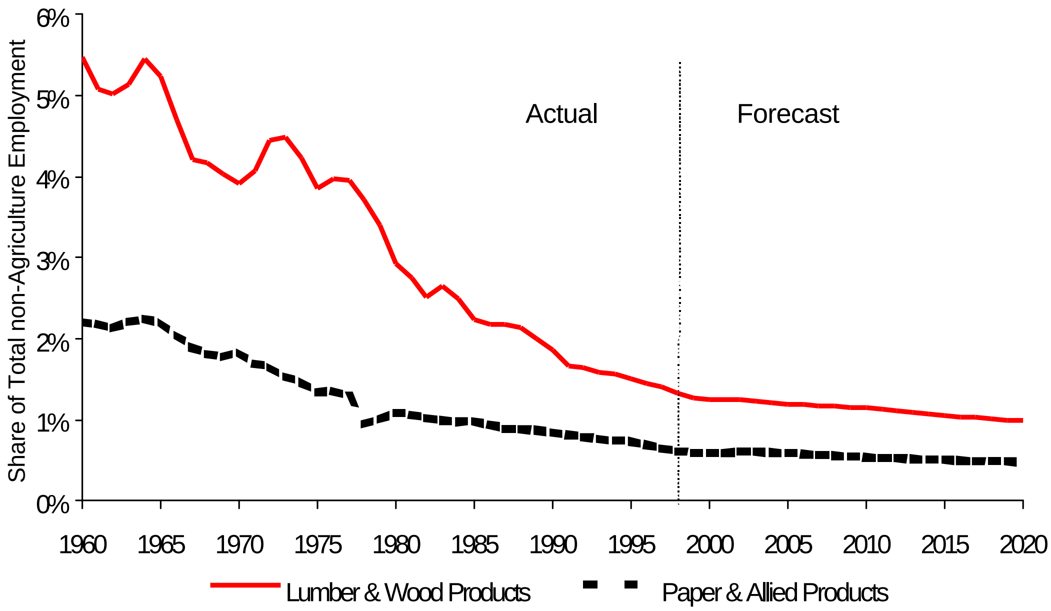
Forecasts by the Office of Financial Management (OFM) and Employment Security Department (ESD) project a leveling off in the number of jobs in the industry and a decline in the number of jobs as a percentage of non-agriculture employment. A similar decline is projected for jobs in the paper and allied products industry, which has been affected by many of the same market forces as the lumber and wood products industry.[2] These trends are shown graphically in Figure 1.

[1] Due to lack of data and problems of measurement, similar information and forecasts could not be provided for the fin-fishing jobs and impacted areas that were added to the program in 1995. Information on the levels of fishing industry workers participating in the Timber Retraining Benefits program is provided in Chapter 3.

[2] Only the Lumber and Wood Products industries, and Finfish, are specifically included in the RNRIA Programs.

Figure 1

Shares of Washington Employment in Lumber and Paper Industries



Sources: Office of Financial Management, Forecasting Division, Employment Security Department, Labor Market and Economic Analysis Branch.

In broad terms, the economic situation that exists today is different from, and an improvement upon, the situation that existed in 1991 when the RNRIA programs were created. The long-term decline in timber-related jobs is projected to level off, and the major declines have already occurred. Since timber-related jobs are not expected to increase, the number of these jobs as a percentage of all non-agriculture jobs will likely decline. Although the *average* unemployment rate within timber-dependent areas has declined from earlier peaks, it still remains high in some areas, and is higher than the overall state average. However, the state average has improved since the early 1990s, reaching historical lows in the last two years.

TIMBER RETRAINING BENEFITS PROGRAM

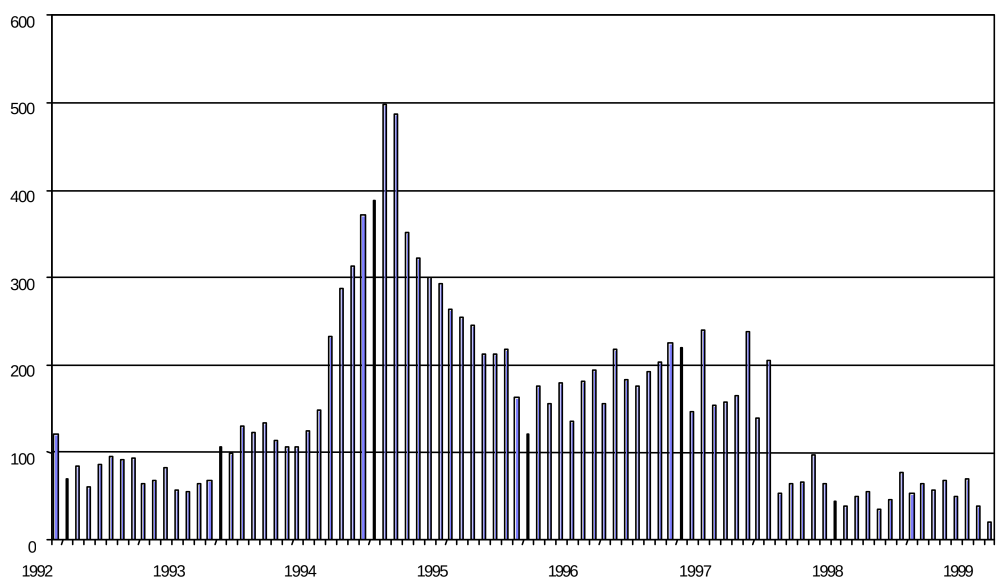
Workers receive extended UI benefits while in training

The Timber Retraining Benefits (TRB) program was created in 1991 to provide extended unemployment insurance benefits to dislocated timber workers and employees in other impacted industries, who enroll in educational retraining programs at state community and technical colleges, universities, or private career schools. The program was extended to the salmon fishing industry in 1995. In addition, funding was appropriated to the State Board for Community and Technical Colleges (SBCTC) and to the Higher Education Coordinating Board (HECB) to provide additional student "slots" and tuition waivers to dislocated timber and salmon industry workers and their spouses.

As shown in Figure 2, enrollment in TRB rose in the early years of the program, but has been declining since 1995.

Figure 2

TRB Participants Receiving First Payments, by Month July 1991 – February 1999



Source: ESD: Monthly Trends TRB.

The number of workers participating in the program has risen and fallen along with changes in program eligibility requirements.

The pattern is similar for the tuition-waived "slots," which show declining enrollment as well as participation by individual colleges and universities.

The conditions under which the TRB program exists now are an improvement from the conditions that existed in the early 1990s when it began. According to the sunset criteria set forth in statute, one of the factors for consideration in making a sunset decision is the extent to which the termination or modification of the program would adversely affect the public health, safety, or welfare. If the program were having no positive effect, the decision would not be difficult. The reality is that the program has had some success, but the success has been mixed. And in one case, information that would be useful for measuring program effectiveness does not exist. The following is a summary of major findings from our analysis:

Major findings concerning TRB

- The program has fulfilled its mandate to serve those individuals who have met the eligibility criteria set by the legislature.

- TRB participants who enrolled in community colleges received substantial financial gains, but these gains were mainly due to the provision of extended unemployment benefits rather than from retraining itself.

- The financial returns from retraining increased as workers took higher concentrations of more technically-oriented courses.

- For dislocated workers from the timber industry in particular, although their post-displacement wage recovery is *lower* than that for other groups of participants, they still benefit financially more from retraining than the average participant when compared to non-participants. This is because they take a higher-than-average proportion of technically-oriented courses.

Additional strategies to improve training outcomes may be called for

- TRB participants in most cases agreed or strongly agreed that their training was very good, that it helped them get a good job, and that the training was useful for the jobs they eventually obtained.
- A database does not exist that would allow for a measurement of the effect of the TRB program on community stability.

Given the state's improved employment picture, and fewer workers who are now eligible for TRB, termination of the program would not have the same potential for an adverse effect as in the past. If the legislature continues the TRB program, the findings of this report suggest that participants would benefit financially by greater emphasis on technically-oriented retraining courses.

The SBCTC informed us that it has taken measures that have resulted in a gradual shift to emphasizing higher wage program areas. Additionally, the SBCTC reports that it has made efforts to improve access to relevant labor market information by expanding the number of Employment Security offices on college campuses. ESD must approve training plans as a requirement for program participation.

As part of the preliminary stage of this review, we asked SBCTC and ESD to consider additional strategies for improving training outcomes. Discussions between the two agencies about potential plans are currently in progress.

ECONOMIC DEVELOPMENT PROGRAMS

The RNRIA economic development programs under sunset are all operated out of the Department of Community, Trade and Economic Development (CTED). They provide loans, grants, and technical development assistance to promote employment and economic diversification within RNRIA counties.

In reviewing the ***Development Loan Fund*** and ***Forest Product Loan*** program, as well as other CTED economic development programs, we found that the agency could improve its method of measuring program costs and performance. CTED would be able to more accurately evaluate and report the costs and job creation and retention results of its economic development projects by:

- Accounting for loan repayments and the cost of subsidizing low-interest loans, and
- Calculating costs and job creation on a per-project (rather than per-funding source) basis.

Economic development programs should continue…

Our review of CTED's administration of the federal ***Old Growth Diversification Fund*** grants shows that these funds were used in RNRIA programs as originally intended.

Our review also included three RNRIA economic development activities that are part of larger CTED programs: the provision of **financial and technical assistance** to economic development projects; **permit facilitation** for economic development projects; and **export assistance** for secondary wood products companies. Our review shows that all three of these activities are providing assistance as intended, as part of the agency's broader economic development mandate.

…but change how costs and performance are reported

The report recommends continuance of the economic development programs under review. It further recommends that CTED improve its method of measuring and evaluating the costs and performance of its development projects.

SOCIAL SERVICE AND OTHER EDUCATION PROGRAMS

There are two social services programs and four education and training programs (other than the supplemental slots offered by SBCTC) included in this sunset review. The Mortgage and Rental Assistance Program (MRAP) provides temporary rent grants or mortgage loans to eligible dislocated workers and their families, and the Flexible Mitigation Fund (FMF) provides them with various emergency-based social services. This report recommends that, if the legislature decides to continue the MRAP program, it make statutory changes; and that, if the legislature decides to continue FMF, DSHS revise the funding process.

If the legislature decides to continue these programs...

...we recommend slight statutory and funding changes

Of the four educational programs, two are being offered to eligible dislocated workers or their spouses, one is still in the design phase, and one is no longer operational. The two that are currently serving eligible dislocated workers are the Upper-Division Timber Workers Education Program, funded through the Higher Education Coordinating Board (HECB), and the Entrepreneurial Training Program, which is coordinated by the Employment Security Department. We found that both programs are being implemented according to legislative intent. If the legislature decides to continue these programs, this report recommends revisions to the funding process and program statutes, respectively. For the program that is not yet operational, the Wood Technology Degree Program, this report recommends the sunset mandate be replaced with a termination date of June 30, 2001, at which point the program should become part of the standard course offerings at community and technical colleges. This report includes a final recommendation that the Employment and Career Orientation Program be removed from statute to reflect that ESD and the Department of Natural Resources no longer offer it.

AGENCY RESPONSES

We received responses to the sunset report from the Office of Financial Management, the Department of Natural Resources, the Department of Social and Health Services, the Department of Community, Trade and Economic Development, the Employment Security Department, the State Board for Community and Technical Colleges, the Higher Education Coordinating Board, and the Public Works Trust Fund.

The agencies were asked to respond and comment on report recommendations that were applicable to them. The Department of Community, Trade and Economic development concurred with five of six recommendations, and partially concurred with one recommendation (Recommendation 7). The remaining agencies concurred with all applicable recommendations.

Full texts of agency responses and auditor's comments are included in Appendix 2.

ACKNOWLEDGEMENTS

We appreciate the extensive cooperation of the management and staff of the State Board for Community and Technical Colleges, the Employment Security Department, the Department of Community, Trade, and Economic Development, the Higher Education Coordinating Board, the Department of Social and Health Services, the Workforce Training and Education Coordinating Board, and the Office of Financial Management. We are grateful for the consultation on economic matters provided by Dr. Paul Sommers, Research Faculty, Evans School of Public Affairs, University of Washington, and by Dr. Greg Weeks, Economist, The Evergreen State College.

Elizabeth DuBois, Heather Moss, Matt Stoutenburg, and Bob Thomas of the Joint Legislative Audit and Review Committee (JLARC) staff conducted this sunset review. Louis Jacobson and Daniel Sullivan of Westat, Inc., under contract to JLARC, conducted the net-impact analysis of the Timber Retraining and Benefits program. Bob Thomas was the project supervisor.

Thomas M. Sykes
Legislative Auditor

On September 15, 1999, this report was approved for distribution by the Joint Legislative Audit and Review Committee.

Senator Georgia Gardner
Chair

RECOMMENDATIONS

Summary

Recommendation 1

The legislature should remove the sunset provisions from RCW 43.31.601 and RCW 43.63A.021.

Legislation Required:	Yes
Fiscal Impact:	None
Completion Date:	2000 Legislative Session

Recommendation 2

If the legislature decides to continue allocating funding to the State Board for Community and Technical Colleges (SBCTC) to serve Timber Retraining Benefits (TRB) participants (RCW 28B.50.258), it should, in conjunction with the SBCTC, consider more effective options for expanding capacity and offering tuition waivers (e.g., direct scholarships to TRB participants).

Legislation Required:	Depending on actions taken
Fiscal Impact:	None
Completion Date:	2000 Legislative Session

Recommendation 3

The Department of Community, Trade and Economic Development should improve its methods of tracking, reporting, and evaluating the performance of its economic development programs by:

- Factoring the income from loan principal repayments into its loan costs;
- Including the costs of providing reduced interest loans; and
- Calculating and reporting the cost per job on a per-project basis by including all funding sources.

Legislation Required: No
Fiscal Impact: None
Completion Date: June 30, 2000

Recommendation 4

The Department of Community, Trade and Economic Development should continue to carry out the delivery of technical and financial assistance within its existing statewide responsibilities.

Legislation Required: No
Fiscal Impact: None
Completion Date: N/A

Recommendation 5

Within its existing responsibilities, the Department of Community, Trade and Economic Development should continue to administer federal grants to support the economic diversification of timber-dependent communities and the value-added wood products industry; and to provide export development assistance to the value-added wood products industry.

Legislation Required: No
Fiscal Impact: None
Completion Date: N/A

Recommendation 6

As part of its broader, statewide project management responsibilities, the Department of Community, Trade and Economic Development should continue to facilitate permit processing for economic development projects in Rural Natural Resource Impact Areas communities.

Legislation Required: No
Fiscal Impact: None
Completion Date: N/A

Recommendation 7

If the legislature decides to continue the Mortgage and Rental Assistance Program, it should remove RCW 43.63A.600 from the Sunset Act (RCW 43.131.386). If the legislature's intent is to allow the program to sunset, then it should add a termination date to the additional RCWs that authorize this program (RCW 43.63A.610/620/630/ 640).

Legislation Required:	Depending on actions taken
Fiscal Impact:	None
Completion Date:	2000 Legislative Session

Recommendation 8

If the legislature decides to continue the Flexible Mitigation Fund, the Department of Social and Health Services should revise the funding allocation process in order to better target areas with the most prevalent and consistent needs.

Legislation Required:	Depending on actions taken
Fiscal Impact:	None.
Completion Date:	2000 Legislative Session for legislative action, and September 30, 2000, for the Department of Social and Health Services (if applicable).

Recommendation 9

If the legislature decides to extend the Upper Division Timber Workers Education Program (RCW 28B.80.570/575/580/585), the Higher Education Coordinating Board should:

- Explore the reason for the under-utilization of the waiver program and report to the legislature on whether those program funds could be used more efficiently.[3]

- Consider updating the information that was reported to the legislature in 1995, such as employment status, average wages, and whether employment is related to degree earned, for the program participants.

Legislation Required:	Depending on actions taken
Fiscal Impact:	None
Completion Date:	2000 Legislative Session for legislative action, and September 30, 2000, for the Higher Education Coordinating Board (if applicable).

[3] Or, the funding should be characterized more clearly as funding to support the entire program rather than just to fund tuition waivers for eligible dislocated workers or their spouses.

Recommendation 10

If the legislature decides to continue the Entrepreneurial Training Program, it should remove RCW 50.12.270 from the Sunset Act (RCW 43.131.385/386).

Legislation Required:	Depending on actions taken
Fiscal Impact:	None
Completion Date:	2000 Legislative Session

Recommendation 11

The legislature should re-authorize the Wood Technology Degree Program (RCW 28B.50.262), but remove the sunset language and replace it with a termination date of June 2001 (by which point the program should be operational).

Legislation Required:	Yes
Fiscal Impact:	None
Completion Date:	2000 Legislative Session

Recommendation 12

The legislature should allow the statutes related to the Employment and Career Orientation Program to terminate. In addition, the legislature should remove from the RCW *the remaining statutes pertaining to this program as well (RCW 50.70.030/040/050/900/901/ 902).*

Legislation Required:	Yes
Fiscal Impact:	None
Completion Date:	2000 Legislative Session

INTRODUCTION AND PROGRAM OVERVIEW

Chapter One

PROGRAM BACKGROUND

The Rural Natural Resource Impact Areas (RNRIA) programs were originally created as part of the "Timber Recovery Act" in 1991. Their purpose was to assist eligible displaced workers and their communities affected by downturns in the timber industry. In 1995, the programs were expanded by E2SSB 5342 to include displaced workers and communities affected by the declining salmon fishing industry. Also in 1995, most of the major state-funded programs which operated under the RNRIA umbrella were put under sunset. These programs are set to expire June 30, 2000.

RNRIA is an umbrella grouping of education and retraining, economic development, and human services programs offered by various state agencies. The most significant fiscal component of the programs is Timber Retraining Benefits (TRB), which provides extended unemployment benefits to eligible dislocated workers who enroll in an approved training program. Other components of RNRIA include higher education slots and tuition waivers at community and technical colleges and state universities, specific education and retraining programs, economic development loans and grants for private and public enterprises, and human service programs for individual families, such as low-interest mortgage loans and emergency mitigation funds.

A complete listing of the programs that are included in this sunset review is included in Exhibit 1. This exhibit provides information on the specific laws under review, the agencies responsible for implementing them, program costs in the 1997-99

Biennium, and a reference to the page in the report where each program is discussed in more detail.

RNRIA Components Not Under Sunset

Not every component of the RNRIA programs is included in this sunset review. Because the sunset provision was added to legislation that modified sections of the programs (those that needed to be amended to include "fin-fishers"), and not the entire programs, some components are only partially under sunset, and others are not included at all. This report includes some level of review for each program included under the sunset provision, but does not include formal recommendations on continuance for those that are only partially under sunset.[4] In addition, some programs were included in the original sunset review, but were removed during the 1999 Legislative Session.[5] These programs are included in this report for discussion purposes only. Finally, programs that are connected to the RNRIA umbrella in some way, but that are not included in the sunset provision, are not addressed in this report.[6]

Additionally, the oversight body in the executive branch that was created to coordinate all of these programs, which includes a task force and the RNRIA coordinator, is not under sunset, but rather is set for termination (without review) on June 30, 2000.[7,8]

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[4] For example, the Emergency Mortgage and Rental Assistance Program (MRAP) is authorized and operates under Chapter 50.70 of the RCW. However, only the first two sections of that Chapter, RCW 50.70.010 and 50.70.020, which are the "Definitions" and "Purpose" sections of the chapter, include sunset provisions. This report reviews the program as a whole, but ultimately does not make a determination on the future of the program.

[5] These include the timber targeted funds in the Community Economic Revitalization Board (CERB) and the Public Works Trust Fund formerly operated by the Public Works Board.

[6] This includes the state's involvement in the Federal Community Economic Revitalization Team (CERT) initiative, the Pacific Northwest Export Assistance Program (PNEAP), and the Emergency Food Assistance Program (EFAP) managed by the Department of Community, Trade and Economic Development.

[7] RCW 43.31.611 and RCW 43.31.621.

[8] The RNRIA Task Force has not formally met since March 1999, and the GRCAT coordinator position was eliminated in January 1998. The subcommittees for economic development and human services continue to meet regularly, and other policy direction and oversight is provided within the Economic Development Division of CTED.

Exhibit 1
RNRIA Programs Under Sunset Review (43.131.386)

RCW Under Sunset	Department/Program(s)	Budget for 1997-99 Biennium	Page in Report
	State Board for Community and Technical Colleges (SBCTC)		
28B.50.258	• Supplemental slots for eligible dislocated workers	$2,882,000	23-25
28B.50.262	• Technical degree program in wood technology	$123,000	82-84
	Higher Education Coordinating Board (HECB)		
28B.80.570	• Program definitions	$557,000 (all)	75-80
28B.80.575	• Distance learning program for eligible dislocated workers		
28B.80.580	• Tuition waivers for eligible dislocated workers or their spouses		
28B.80.585	• Enrollment priority to eligible dislocated workers, their spouses, and other individuals in RNRIA areas		
	Department of Social and Health Services (DSHS)		
43.20A.750	• Flexible Mitigation Fund	$1,000,000	69-74
	Department of Community, Trade and Economic Development (CTED)		
43.17.65	• Permit facilitation for development projects in RNRIA areas	$546,839	61-62
43.31.601	• Program definitions	N/A	16
43.31.641	• Administration of federal grants for economic diversification and export assistance	$4,500,000	59-61
43.63A.021	• Program definitions	N/A	16
43.63A.440	• Provide financial and technical assistance for economic development plans (Community Assistance Center)	$530,000	57-59
43.63A.600	• Emergency Rent and Mortgage Assistance Program (EMRAP)	$1,070,500	64-69
43.168.140	• Development Loan Fund loans for RNRIA communities	N/A	49-56
	Employment Security Department (ESD)		
50.12.270	• Entrepreneurial Training Program	$354,000	80-82
50.22.090	• Timber/Salmon Retraining Benefits (TRB)	$35,000,000	13-45
50.70.010	• Program definitions	N/A	
50.70.020	• Employment and Career Orientation Program	N/A	84-86

Source: JLARC.

SUNSET REVIEW CRITERIA

The Washington Sunset Act of 1977 (RCW 43.131) outlines the "factors for consideration" that JLARC is to use in reviewing a program under sunset. They include, but are not limited to:

- The extent to which the [program] has complied with legislative intent;
- The extent to which the [program] is operating in an efficient and economical manner which results in optimum performance;
- The extent to which the [program] is operating in the public interest by effectively providing a needed service that should be continued rather than modified, consolidated, or eliminated;
- The extent to which the [program] duplicates the activities of other state agencies or of the private sector, where appropriate; and
- The extent to which the termination or modification of the [program] would adversely affect the public health, safety, or welfare.

This report contains analyses that consider these and other factors for each program under review. Where appropriate, this report includes recommendations to continue, modify, or sunset specific statutes. For further discussion, refer to the sections specific to each program. The Scope and Objectives for this sunset review contains specific study questions that were aimed at providing the kind of information that would assist JLARC and the legislature in applying the sunset criteria. The Scope and Objectives are included in this report as Appendix 1.

REPORT OUTLINE

The RNRIA programs that are included in this sunset review can be grouped into three major categories:

- **Timber Retraining Benefits and the Major Education Program** (ESD and SBCTC);
- **Economic Development Programs** (CTED); and
- **Social Programs** (CTED and DSHS) **and Other Education Programs** (ESD, SBCTC, HECB, and DNR).

These three categories provide the framework for Chapters 3, 4, and 5 of this report.

Chapter 2 highlights general economic and employment trends that specifically relate to the encompassing purpose behind the RNRIA programs to assist individuals and communities affected by the downturns in the timber industry within Washington's economy.[9]

[9] Although this program was initially created to assist workers in the timber and fishing industries, they actually represent a small proportion of workers assisted by this program. The secondary workers, or those living and working in a timber-impacted community (and who are not timber workers or fishermen), are the larger group served. Secondary workers might include, for example, employees from retail establishments negatively affected by a downturn in the local economy.

ECONOMIC AND EMPLOYMENT TRENDS

Chapter Two

This sunset review evaluates whether the economic conditions under which the Rural Natural Resource Impact Areas (RNRIA) programs were created still exist. This chapter provides an overview of the economic and employment trends that have occurred and that are forecasted for timber-related jobs.[10]

LONG-TERM TRENDS[11]

The decline in jobs in lumber and wood products is part of a long-term trend that began at the end of World War II. In the 1950s, the initial downturn in the industry was due in large part to the slowing of the post-war construction boom. Increases in foreign trade in the 1970s resulted in a brief reversal of the trend, but by the mid-1980s the industry entered into its current period of decline.

Since the late 1980s, a dominating factor has been the removal of a large portion of the available supply of raw materials from production. Growing demands for environmental and wildlife protection brought on this situation. Forecasts by the Office of Financial Management (OFM) and the Employment Security

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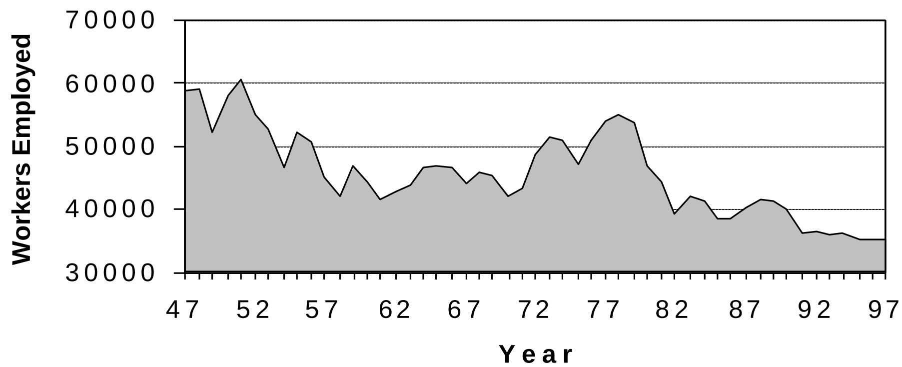
[10] Due to lack of data and problems of measurement, similar information and forecasts could not be provided for the fin-fishing jobs and impacted areas that were added to the program in 1995. Information on the levels of fishing industry workers participating in the Timber Retraining Benefits program is provided in Chapter 3.

[11] The sources of information for this section are: Employment Security Department (ESD), A 50-Year Perspective of Employment Trends in Washington State, 1947-1997, pp. 10-11; Employment Security Department and Office of Financial Management (OFM), 1998 Long-Term Economic and Labor Force Forecast for Washington, pp. 37-39.

Department (ESD) assume that lumber and wood products employment will continue to be negatively affected by environmental constraints, and that the industry will also be under pressure to adopt more labor-saving technology. Exhibit 2 shows how the number of jobs has changed since the late 1940s.

Exhibit 2
Lumber and Wood Products Employment
Washington State, 1947 - 1997

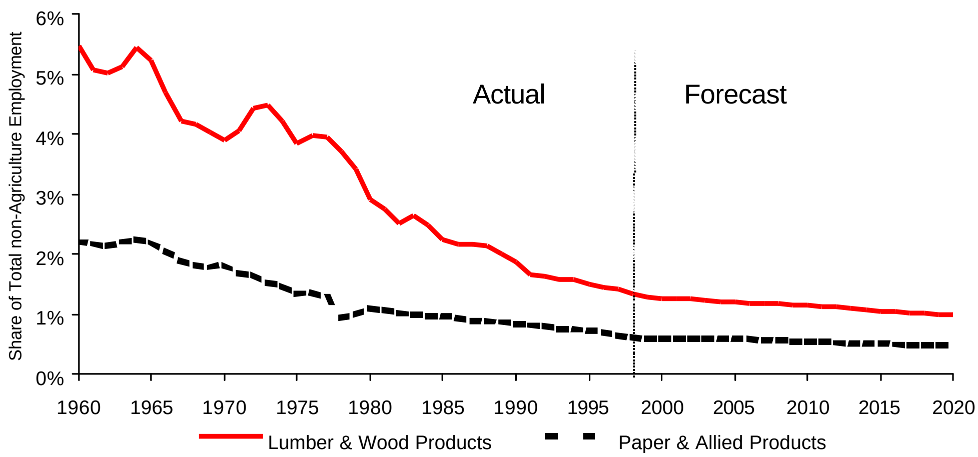


Source: Employment Security Department.

At its peak in 1951, state employment in the lumber and wood products industries reached 61,000 and accounted for about 10 percent of all non-farm jobs. By 1995, employment had fallen to 35,400 and jobs within the industry accounted for only 1.5 percent of all non-farm jobs. OFM and ESD forecasts project a leveling off in the number of jobs in the industry and a decline in the number of jobs as a percentage of non-agriculture employment. A similar decline is projected for jobs in the paper and allied products industry, which has been affected by many of the same market forces as the lumber and wood products industry.[12] These trends are shown graphically in Exhibit 3.

[12] Only the Lumber and Wood Products industries, and Finfish, are specifically included in the RNRIA programs.

Exhibit 3
Shares of Washington Employment
Lumber and Paper Industries



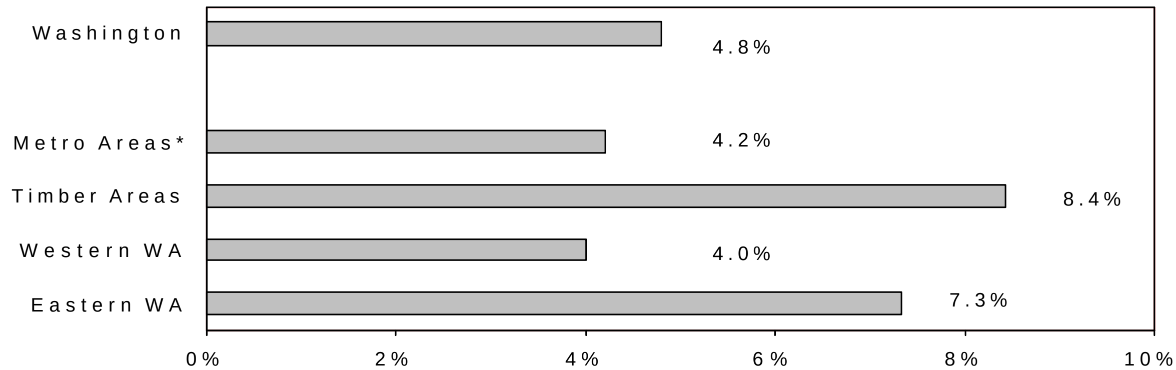
Sources: Office of Financial Management, Forecasting Division, Employment Security Department, Labor Market and Economic Analysis Branch.

UNEMPLOYMENT RATES

At the inception of the RNRIA program, the statewide average unemployment rate had been growing. From a relatively low rate of 4.9 percent in 1990, it grew to 6.4 percent in 1991, and climbed to 7.6 percent in 1992-1993. Meanwhile, the average jobless rate in timber-dependent counties was in the 11 percent range. In the last two years, the statewide unemployment rate has dropped to below 5 percent, and has been part of a nationwide trend towards historic lows. Unemployment rates in urban areas and in Western Washington have averaged even lower. Although the average jobless rate in timber-dependent counties has declined from peaks in the early 1990s, it has eased lately into the 8 percent range as the post-restructuring period has reduced some of the volatility in the industry.[13] Exhibit 4 shows regional unemployment rates for 1998.

[13] Employment Security Department, 1998 Washington State Labor Market and Economic Report, p. 2, updated to reflect full-year employment data for 1998. The 1998 report used preliminary data for September 1998.

Exhibit 4
Regional Unemployment Rates (Percent of Civilian Labor Force) Washington State, 1998



Source: Employment Security Department.
*Metro areas are comprised of King, Snohomish, and Island counties (Seattle-Bellevue-Everett PMSA), Pierce County (Tacoma PMSA), Kitsap County (Bremerton PMSA), Spokane County (Spokane MSA), Thurston County (Olympia PMSA), Yakima County (Yakima MSA), Benton and Franklin counties (Richland-Kennewick-Pasco MSA), Clark County (Vancouver MSA), and Whatcom County (Bellingham MSA).

The percentage for the Timber Areas is the average for the 17 timber-dependent counties that the Employment Security Department uses for publishing comparative unemployment rates.

Averages, however, do not tell the complete story. Some counties and areas in the state have experienced much higher unemployment rates and volatility in rates than others. Exhibit 5 provides a breakdown of changes in unemployment rates by county and area from 1990 through 1998.

The shaded areas in the exhibit indicate the 17 rural, timber-dependent counties commonly used by ESD to report timber-dependent unemployment rates.[14]

SUMMARY AND CONCLUSION

In broad terms, the economic situation that exists today is different from, and an improvement upon, the situation that

[14] These counties may vary from the RNRIA-designated counties, which change over time due to changes in the economy and changes in the program eligibility criteria. See Appendix 3 for more information on actual RNRIA counties over time.

existed in 1991 when the RNRIA program was created. The long-term decline in timber-related jobs is projected to level off, and the major declines have already occurred. Since timber-related jobs are not expected to increase, the number of these jobs as a percentage of all non-agriculture jobs will likely decline. Although the *average* unemployment rate within timber areas has declined from earlier peaks, it still remains high in some areas, and is higher than the overall state average. However, the state average has improved since the early 1990s, reaching historical lows in the last two years.

Exhibit 5
Unemployment Rate by County, 1990-1998

	1998	1997	1996	1995	1994	1993	1992	1991	1990
State Average	4.8	4.8	6.5	6.4	6.4	7.6	7.6	6.4	4.9
County									
Adams	10.7	10.1	12.0	11.2	11.5	15.4	14.4	13.0	10.3
Asotin	4.1	3.6	4.6	4.3	3.5	5.3	5.4	6.5	5.0
Benton	6.6	6.6	8.5	7.5	5.2	7.0	7.4	6.8	6.1
Chelan	8.8	8.0	10.7	10.0	8.3	10.7	11.3	10.6	8.5
Clallam	7.9	7.9	9.7	8.6	10.1	9.9	8.8	7.7	6.9
Clark	4	3.5	4.4	4.0	4.3	5.8	7.0	6.2	4.5
Columbia	11.4	11.6	15.5	12.8	11.2	15.0	14.7	14.7	12.2
Cowlitz	7.9	7.1	8.6	7.6	8.2	10.9	10.6	8.1	6.7
Douglas	6.9	6.3	8.4	7.5	6.9	8.3	8.8	8.4	7.3
Ferry	11.3	10.3	13.6	13.2	12.6	15.4	14.3	12.5	11.5
Franklin	10.0	9.3	12.0	9.8	8.6	11.8	11.6	11.7	9.9
Garfield	3.6	3.7	4.6	4.9	4.9	6.4	3.8	2.9	2.8
Grant	9.2	8.6	10.5	9.7	9.4	11.3	11.2	10.3	8.5
Grays Harbor	10.2	9.4	11.8	10.8	12.3	15.2	12.3	11.6	9.3
Island	3.5	3.4	4.9	4.5	5.0	5.4	5.9	4.1	3.1
Jefferson	6.7	6.8	8.3	7.3	8.6	8.3	8.9	6.5	4.9
King	3.1	3.3	4.9	5.2	5.5	6.4	6.4	4.9	3.5
Kitsap	5.3	5.5	6.8	6.7	6.0	6.8	6.0	4.9	3.9
Kittitas	6.0	6.0	8.6	8.7	8.4	10.7	12.7	9.7	7.6
Klickitat	10.8	10.4	12.3	11.6	11.5	15.0	13.9	13.1	11.7
Lewis	8.3	7.7	9.9	8.6	8.5	11.0	11.0	10.4	7.9
Lincoln	5.2	4.7	5.6	6.0	5.7	6.2	5.4	5.1	3.8
Mason	6.4	6.8	8.5	8.0	8.4	9.6	8.5	7.8	5.7
Okanogan	10.8	9.3	11.4	10.5	9.6	12.0	11.6	11.3	9.4
Pacific	9.9	9.0	10.5	9.7	10.8	12.0	10.8	9.9	8.0
Pend Oreille	12.1	12.8	16.3	13.4	11.8	14.1	14.4	14.1	13.9
Pierce	4.5	4.5	6.2	6.2	6.5	7.5	7.5	6.1	4.6
San Juan	4.5	5.6	7.2	6.6	6.3	7.7	6.1	3.6	2.8
Skagit	7.1	7.1	9.7	8.9	9.1	11.2	10.2	8.3	6.7
Skamania	10.0	10.0	11.4	10.3	10.5	14.8	18.2	12.4	10.0
Snohomish	3.2	3.4	5.3	5.7	6.4	7.0	7.0	5.6	3.9
Spokane	4.8	4.6	5.8	5.4	5.0	6.0	6.8	6.1	5.5
Stevens	9.0	9.1	10.8	9.5	8.7	10.3	11.3	9.7	8.3
Thurston	4.9	5.1	6.6	6.2	6.2	7.0	6.6	5.9	4.8
Wahkiakum	6.3	6.0	7.0	6.6	9.1	7.8	7.1	6.0	5.9
Walla Walla	6.8	6.3	7.5	6.1	5.5	6.9	8.0	7.8	6.7
Whatcom	2.0	1.8	2.3	2.1	2.0	2.3	2.4	1.9	1.5
Whitman	2.0	1.8	2.3	2.1	2.0	2.3	2.4	1.9	1.5
Yakima	10.5	9.9	13.4	12.6	11.6	14.5	13.5	12.6	10.7

Source: Employment Security Department Labor Market and Economic Analysis Branch.

TIMBER RETRAINING BENEFITS AND EDUCATION

Chapter Three

Timber Retraining Benefits (TRB) offer up to two years of unemployment benefits to eligible workers who are enrolled in an approved training program. The majority of TRB participants receive their training from state community and technical colleges. Two analyses in this review focus on the impact of retraining on participants' earnings. The findings are that the participants on average received substantial financial gains, but these gains were mainly due to the provision of extended unemployment benefits rather than from retraining itself. However, participants such as dislocated timber workers, who took a higher concentration of more technically-oriented course credits, had relatively higher long-term earnings. The actual wage recovery for participants was, on average, 92 percent, although this figure was higher for the secondary industry workers and lower for those workers more directly tied to the timber industry. Overall, participants are generally satisfied with the program and report that the training was related to their eventual reemployment. This report does not make a recommendation to continue or terminate this program. Discussions between SBCTC and ESD on how to improve training outcomes are currently in progress.

OVERVIEW OF TIMBER RETRAINING BENEFITS AND UPPER DIVISION FTEs

The most significant components of the Rural Natural Resource Impact Areas (RNRIA) programs are the extended unemployment benefits and the expanded education opportunities open to eligible dislocated workers and their spouses. The extended unemployment benefits, or the Timber Retraining Benefits (TRB), offer an additional 18 months of unemployment benefits, beyond the six months of basic benefits, to eligible dislocated workers, with the requirement that they are enrolled in an approved education or training program. The majority of TRB recipients receive this education and training through the state's community and technical college system.[15] In turn, the community and technical colleges (CTCs) make certain that they are offering what TRB recipients want in their regular curriculum (state-funded regular student FTEs) so that it will meet the economic needs of their community. (The CTCs also receive a small, but specific, allocation from the legislature to provide tuition-free slots to 500 FTEs in rural natural resource impact areas. These students represent 20 percent of the entire TRB population enrolled in CTCs.) These two programs are described in detail below, and are the focus of the net-impact analysis in this chapter.

Timber Retraining Benefits

The 1991 Omnibus Timber Act (ESSB 5555) extended unemployment insurance (UI) benefits to eligible dislocated workers enrolled in various training programs.[16] Combined with the standard UI benefits period of 30 weeks, TRB provides unemployment benefits for up to 104 weeks, or for two years after job loss, as long as participants are enrolled in an approved training program.[17] Since the program began in 1991, it has paid over $150 million in extended UI benefits to almost 14,000 dislocated workers.

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[15] According to the State Board for Community and Technical Colleges, approximately 80 percent of TRB recipients receive their training at a state community or technical college.

[16] Although these training benefits applied to workers impacted by the downturn in both the salmon and the timber and wood products industries, the benefits are commonly called Timber Retraining Benefits (TRB).

[17] Additionally, if participants are enrolled in remedial education, they may be eligible to receive another 13 weeks of UI, and all participants are eligible to receive an additional 5 weeks of UI once their training program is completed.

Program Criteria

Program eligibility has changed somewhat since the program was created in 1991, but the general focus on dislocated timber and salmon workers, and the communities which are dependent upon those industries, remains the same. Specifically, to qualify for TRB, UI claimants must:

- Have received notice of termination or layoff and be unlikely to return to work in their principal occupation or previous industry because of diminishing demand within their labor market area for their skills in the occupation or industry;[18] AND
- Live in an eligible county, as determined by Employment Security,[19] OR
- Have 1000 hours[20] of work in the base period in the timber industry or the "fin fishing" industry.

Under these current criteria, Jefferson County is presently the only county where all "secondary" workers are eligible for TRB. In all other counties, only "primary" workers, or those directly employed in the timber or fin-fishing industries, are eligible. Due to legislative changes in the eligibility criteria, and to changes in the state's and the counties' economic conditions, the list of eligible counties has changed four times since the program began in 1991. See Appendix 3 for maps that show RNRIA counties over time.

Once a claimant is determined eligible to receive TRB, he or she must develop a training plan and submit it to the local ESD office

[18] The determination of "unlikely to return to employment" is made by the Employment Security Department's Labor Market and Economic Analysis Division (LMEA).

[19] This is determined by LMEA, and is currently based on an unemployment rate being at least 20 percent above the state average and above the county's own unemployment rate of 1988 by at least 15 percent. Eligible counties must also have a lumber or wood products employment quotient or a commercial salmon fishing employment quotient at least three times the state average, with actual job losses since 1988 of 100 jobs or more (or 50 or more in counties with populations less than 40,000). A more thorough description of these criteria and how they have changed since they were introduced in 1991 is included on the last page of Appendix 3.

[20] Before 1998, the requirement was 680 hours.

for approval.[21] To receive TRB, the claimant must be enrolled in an approved training program and must prove satisfactory progress in the training through periodic verification of official transcripts.

Program Criteria Under Sunset

The program criteria outlined above are mentioned throughout the RCWs that pertain to specific programs operated under RNRIA. In two instances, these criteria, or definitions, are included in this sunset review: RCW 43.31.601, which defines Timber Impact Areas and Rural Natural Resource Impact Areas, and RCW 43.63A.021, which defines dislocated timber and salmon fishing workers. Because these definitions are used by programs that are not under sunset, and by programs this report recommends to continue, we recommend these statutes be allowed to continue as well.

Recommendation 1

The legislature should remove the sunset provisions from RCW 43.31.601 and RCW 43.63A.021.

Program Expenditures and Participation Rates

Since 1991, the TRB program has paid out benefits totaling over $150 million. Funds for this program come from the UI Trust Fund managed by the Employment Security Department. Prior to 1997, the cost of this program was covered by all companies participating in the state's unemployment insurance (UI) program and was considered a "socialized" cost (the benefits paid to former employees were not based on an employer's past use of the program). In response to concerns over some industries subsidizing others, the legislature changed the "socialized" nature of the fund in 1997. The costs are now directly charged to an employer based on past use, where actual payment of past unemployment benefits forms the basis for the UI contributions made by the company whose employees participate in the program. Although this has created the potential for those industries that are in financial distress to have increasingly

[21] The training must be in an "educational institution of higher education" as defined in statute. ESD maintains a list of approved institutions.

higher UI taxes, that has not been the case in general. This is because the industries most widely affected by this program (timber, fishing, and other agricultural) are generally taxed at the highest rate for UI already. Benefit payments made that exceed the maximum contribution amounts continue to be considered a "socialized" cost.

As a portion of all UI benefits paid to unemployed workers in Washington State, the TRB program has represented between 0.7-8.0 percent. Exhibit 6 shows total TRB benefits paid by fiscal year since the program began in 1991.

Exhibit 6
TRB Benefits Paid, FY 1992-1999

Fiscal Year	Benefits Paid
FY 1992	$4,473,013
FY 1993	$7,286,592
FY 1994	$28.382.557
FY 1995	$44,262,749
FY 1996	$28,629,662
FY 1997	$27,097,073
FY 1998	$16,660,480
Total	**$156,792,126**

Source: ESD.

Overall program expenditures peaked in FY 1995, and have been declining every year since. The projected expenditures for FY 1999 are $12.8 million.

At the county level, participation (as measured by expenditures) has also varied over time.[22] Exhibit 7 on the following page shows expenditures, by county, from 1991-1998.

For the period FY 1992-1998, the largest portions of TRB payments have gone to the following counties:

[22] It is important to know that, of those individuals who have been eligible to participate in the TRB program (that is, to receive UI benefits beyond the standard 30 weeks), only 28 percent have done so throughout the span of this program.

- Snohomish, $26,867,298 (17.1%)
- Grays Harbor, $18,598,584 (11.9%)
- Clallam, $15,152,933 (9.7%)
- King, $12,021,824 (7.7%)
- Lewis, $8,418,906 (5.4%)

These five counties represent just over half (52 percent) of the total program expenditures.

It should be noted that under the original eligibility criteria established in 1991, Snohomish County residents were eligible to receive TRB. In 1993 and 1994, the aerospace manufacturing industry experienced substantial layoffs. As a result, significant numbers of aerospace workers who either lived or worked in Snohomish County became eligible for and received TRB until the eligibility criteria were amended in 1995. This had spillover effects in neighboring counties (such as King County) because dislocated workers who lived in those counties, but who worked in Snohomish County, also became eligible.

Exhibit 8 shows TRB enrollments by the industry from which participants were dislocated.

Exhibit 7
Total TRB Benefits Paid, by County, FY 1992-1998

COUNTY	1992	1993	1994	1995	1996	1997	1998	TOTALS	PERCENT OF TOTAL
Adams	$0	$34,778	$0	$0	$11,408	$31,923	$27,945	**$106,054**	0.1%
Asotin	$0	$0	$49,976	$46,207	$120,591	$55,110	$28,410	**$300,294**	0.2%
Benton	63,030	$60,291	$120,668	$107,098	$171,343	$70,866	$35,524	**$628,820**	0.4%
Chelan	134,332	$130,646	$264,894	$592,285	$408,631	$321,659	$216,033	**$2,068,480**	1.3%
Clallam	248,799	$415,684	$1,853,949	$3,054,955	$2,486,055	$3,640,393	$3,453,098	**$15,152,933**	9.7%
Clark	164,893	$184,966	$619,538	$827,487	$1,244,891	$2,761,211	$964,624	**$6,767,610**	4.3%
Columbia	$0	$37,512	$57,907	$37,503	$35,104	$81,603	$38,959	**$288,589**	0.2%
Cowlitz	189,839	$420,173	$1,734,594	$1,330,258	$704,269	$933,238	$649,552	**$5,961,923**	3.8%
Douglas	$0	$51,120	$206,336	$409,221	$279,438	$136,439	$113,753	**$1,196,308**	0.8%
Ferry	69,098	$34,752	$64,328	$88,249	$246,632	$96,639	$31,656	**$631,354**	0.4%
Franklin	$0	$32,019	$49,413	$38,586	$115,890	$29,342	$6,612	**$271,863**	0.2%
Grant	$0	$0	$62,955	$83,344	$142,698	$31,975	$21,071	**$342,043**	0.2%
Grays Harbor	528,012	$1,340,042	$3,391,075	$3,851,075	$3,366,749	$3,643,427	$2,478,204	**$18,598,584**	11.9%
Island	69,553	$67,421	$473,952	$885,357	$394,129	$125,476	$85,641	**$2,101,529**	1.3%
Jefferson	85,622	$45,758	$98,116	$100,161	$440,031	$631,928	$307,212	**$1,708,828**	1.1%
King	133,136	$234,658	$3,124,477	$5,904,889	$1,757,563	$604,919	$262,182	**$12,021,824**	7.7%
Kitsap	106,623	$42,750	$183,729	$429,820	$505,721	$605,286	$258,488	**$2,132,417**	1.4%
Kittitas	82,756	$96,461	$476,781	$724,161	$461,524	$332,655	$129,662	**$2,304,000**	1.5%
Klickitat	98,412	$89,066	$367,657	$845,127	$484,795	$137,375	$97,529	**$2,119,961**	1.4%
Lewis	428,945	$613,120	$1,028,257	$1,169,781	$1,680,246	$2,219,714	$1,278,843	**$8,418,906**	5.4%
Lincoln	$0	$32,558	$46,005	$37,496	$113,936	$12,199	$7,993	**$250,188**	0.2%
Mason	148,990	$370,198	$697,382	$590,771	$917,607	$840,004	$525,963	**$4,090,915**	2.6%
Okanogan	108,428	$93,283	$127,754	$142,404	$242,784	$411,563	$551,727	**$1,677,943**	1.1%
Pacific	91,935	$125,642	$235,206	$324,480	$397,589	$469,912	$473,162	**$2,117,926**	1.4%
Pend Orielle	76,491	$48,193	$76,067	$120,727	$517,198	$679,362	$156,915	**$1,674,953**	1.1%
Pierce	155,571	$155,526	$656,742	$1,341,780	$1,052,604	$834,843	$589,226	**$4,786,292**	3.1%
Skagit	155,930	$379,874	$1,112,338	$1,524,855	$1,228,332	$1,237,561	$484,421	**$6,123,311**	3.9%
Skamania	124,023	$201,141	$188,786	$165,040	$234,009	$183,414	$96,424	**$1,192,837**	0.8%
Snohomish	204,999	$561,299	$7,262,528	$13,418,881	$3,929,235	$1,099,902	$390,454	**$26,867,298**	17.1%
Spokane	111,961	$151,847	$424,855	$1,423,554	$1,147,774	$569,112	$454,056	**$4,283,159**	2.7%
Stevens	189,651	$214,297	$236,934	$216,349	$414,928	$640,837	$407,802	**$2,320,798**	1.5%
Thurston	201,972	$286,429	$560,773	$782,482	$913,066	$1,623,449	$1,028,288	**$5,396,459**	3.4%
Wahkiakum	65,510	$55,764	$63,160	$44,205	$133,212	$53,356	$54,390	**$469,597**	0.3%
Walla Walla	$0	$0	$96,477	$136,408	$487,117	$666,107	$126,485	**$1,512,594**	1.0%
Whatcom	151,786	$203,436	$533,143	$1,134,419	$825,907	$957,311	$577,649	**$4,383,651**	2.8%
Whitman	64,509	$48,713	$91,160	$107,296	$126,571	$38,857	$42,218	**$519,324**	0.3%
Yakima	218,211	$427,168	$1,744,636	$2,226,022	$890,099	$288,106	$208,309	**$6,002,551**	3.8%
All	**$4,473,013**	**$7,286,592**	**$28,382,557**	**$44,262,749**	**$28,629,662**	**$27,097,073**	**$16,660,480**	**$156,792,126**	

Source: ESD.

Exhibit 8
TRB Enrollments by Exiting Industry

Industry	1990	1991	1992	1993	1994	1995	1996	1997	1998	Total	Percent
Wood Products	13	52	52	199	391	671	700	387	243	2,707	19.6%
Other Manufacturing	18	126	171	329	293	344	603	291	28	2,204	15.9%
Aircraft Manufacturing	5	17	22	818	926	30	5	3	0	1,825	13.2%
Service	28	189	243	150	288	387	332	71	17	1,705	12.3%
Retail Trade	25	126	176	98	161	297	246	80	5	1,215	8.8%
Public Administration	7	30	70	63	126	138	145	33	3	615	4.4%
Wholesale Trade	18	71	100	71	101	91	55	30	22	560	4.0%
Trans/Comm/Utilities	8	60	96	66	96	111	78	22	5	543	3.9%
Special Construction	17	135	145	43	43	58	38	12	2	492	3.6%
Agriculture	25	110	158	42	23	33	37	2	5	434	3.1%
Fin/Ins/Real Estate	3	42	42	25	183	50	57	18	0	419	3.0 %
Food Processing	2	20	30	23	12	5	10	130	128	359	2.6%
Building Construction	10	48	58	20	35	28	17	2	3	221	1.6%
Heavy Construction	8	18	53	15	27	38	23	3	0	186	1.3%
Fishing	3	5	32	0	15	38	42	38	12	184	1.3%
Forestry	3	12	13	2	12	30	8	10	8	98	0.7%
Mining	0	2	5	5	18	28	5	0	0	63	0.5%
TOTAL ENROLLMENT	194	1,062	1,464	1,969	2,749	2,380	2,400	1,132	480	13,831	
Aircraft Manufacturing	3%	2%	1%	42%	34%	1%	0%	0%	0%	13%	

Source: ESD.

Overall, almost one-fifth of the program participants has come from the wood products industry. Notably, fishing makes up only 1.3 percent of program participants over the span of the program. ESD officials have indicated that these low participation numbers are due primarily to the fact that many fishermen that were affected by the declines in the salmon industry were self-employed and did not pay Unemployment Insurance taxes, and were therefore not eligible for UI benefits. An additional reason is that TRB benefits were not extended to fin-fishers until 1995.

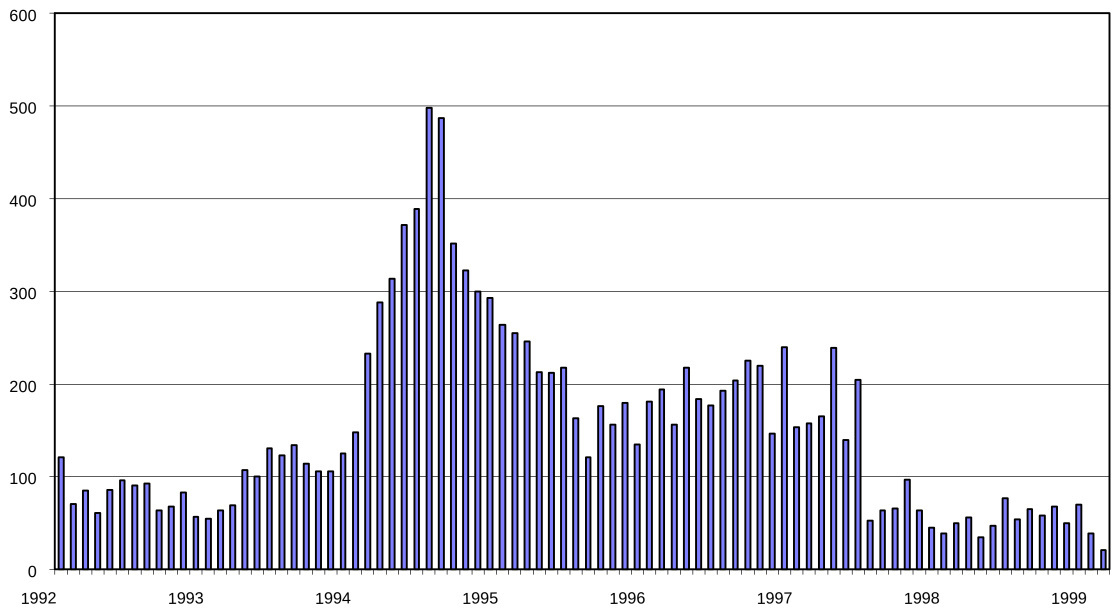
Finally, Exhibit 8 explicitly shows the impact of the aerospace industry, as discussed. Note that the aircraft manufacturing category comprises 42 and 34 percent, respectively, of total program enrollment in 1993 and 1994.[23]

[23] As mentioned on p. 17, the decline in participation by aerospace workers was largely due to deliberate changes made to the TRB eligibility criteria.

As with the program expenditures, program participation peaked in 1994 and has been declining since. Exhibit 9 shows the monthly trends in participation since program inception.

Exhibit 9

TRB Participants Receiving First Payments, by Month, July 1991 – February 1999

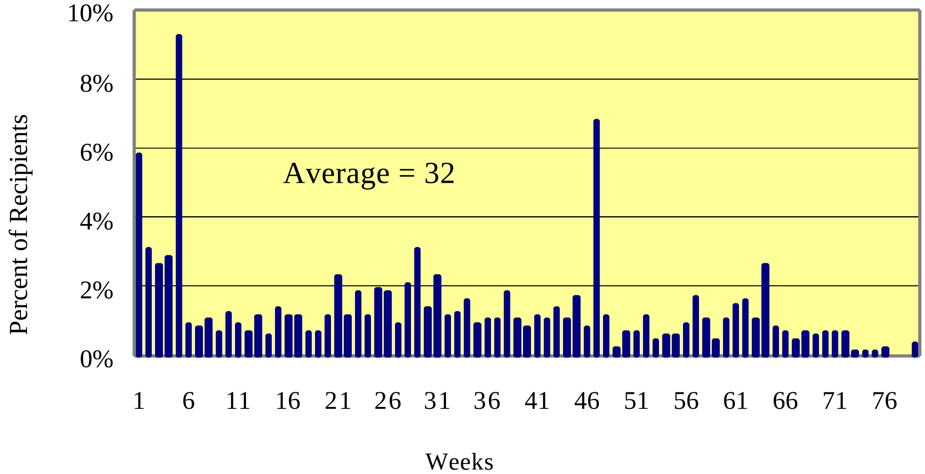


Source: ESD: Monthly Trends TRB.

The number of workers participating in the program has risen and fallen along with changes in program eligibility requirements.

See Exhibit 10 for the distribution of participants receiving TRB for various amounts of time. Note, too, that the average monthly amount of assistance a TRB participant receives is $887 (in 1995 dollars).

Exhibit 10
Weeks Paid TRB



Source: ESD Monthly Trends TRB.

Although participants were eligible to receive TRB for up to 74 weeks beyond regular UI benefits (30 weeks), the average length of time extended UI benefits (TRB) were paid during 1992-1998 was 32 weeks.

Community and Technical College FTEs

The education side of the TRB program is comprised of "commissioner-approved training" at an eligible institution of higher education. According to the SBCTC, approximately 80 percent of TRB participants receive their training through a state community or technical college.[24] Exhibit 11 shows the annual enrollment numbers for TRB students in community or technical college, since the program began serving students in 1992.

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[24] The other 20 percent receive their training at private career schools or four-year institutions.

Exhibit 11
TRB Student Enrollments in
Community or Technical College

School Year	New TRB Enrollments
1991-92	962
1992-93	840
1993-94	1415
1994-95	1221
1995-96	1499
1996-97	1323
1997-98	658
1998-99	558
TOTAL	**8133**

Source: JLARC analysis of SBCTC data.

Within the structure of a community or technical college, TRB participants attend college in the same manner as all students (their status as a TRB recipient may or may not be known to the college). However, as a condition of receiving TRB, participants must have their training plan approved by the local ESD office.[25]

Expanded Capacity at Colleges

The original RNRIA legislation in 1991 mandated that the colleges in RNRIA areas expand their capacity in order to improve their ability to serve eligible dislocated workers. To facilitate this, the legislature appropriates 500 student FTEs to the SBCTC to be portioned out specifically to RNRIA-eligible colleges each year since 1991. In turn, the colleges use these FTEs to provide expanded capacity to serve RNRIA areas. In return for this expanded capacity, colleges are mandated to provide tuition waivers to eligible TRB participants. However, the tuition waiver students represent only a small fraction of the TRB students attending community or technical college. Of the over 8,000 TRB participants that have attended classes at a state

[25] Employment Security approves training based on whether it will provide training in a “demand occupation” in which employment is likely in the participant’s community. “Demand occupations” are determined by ESD’s Labor Market and Economic Analysis Division, as projected from predicted job growth by industry.

community or technical college, approximately 20 percent of them have received full or partial tuition waivers.[26] Exhibit 12 shows the distribution pattern of the tuition waivers from the 1992-93 school year to the current (1998-99) school year.

In addition to providing detailed information on allocation and use of the tuition waivers by college, this exhibit also displays a telling trend: SBCTC has not allocated the full 500 FTEs to individual colleges for the current or the past school year. According to SBCTC officials, eligible colleges are increasingly asking that they be left out of the program. This is occurring for several reasons, as outlined below:

- These tuition waivers are funded at a level lower than the full cost of providing the classes, and the colleges miss out on collecting tuition, so the colleges reduce their potential revenue by offering these slots.[27]
- Other state-funded slots are available for TRB students, and at a rate above the RNRIA waivers.[28]
- Colleges are allowed to grow based on their use of allocated FTEs. When the RNRIA waivers are not fully utilized (due to factors above), colleges are penalized through stable or reduced FTE allocations in subsequent biennia by the SBCTC.

For these reasons, the SBCTC has allowed colleges to opt out of participating in this waiver program. It is unclear if these factors will lead to additional colleges opting out in the future, but currently, only 418, or 84 percent, of the 500 FTEs available have been allocated to community or technical colleges.

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[26] This section of the report is focusing on the 20 percent who receive tuition waivers because the funding authority for them is under sunset review. However, the remainder of this chapter will consider all of the TRB students at community colleges, and not just the one-fifth receiving tuition waivers.

[27] These slots are reimbursed at a rate of $2880 per FTE, while a fully funded slot averages about $3560 per FTE. Additionally, the fully funded slots usually draw another $1100 in tuition fees per FTE.

[28] The Workforce Retraining Program, which funds CTC slots for eligible participants (which includes TRB recipients), provides colleges with a reimbursement rate of approximately $3200 per FTE. Additionally, the program makes financial aid available to students, which allows them to pay their full tuition of approximately $1100.

Exhibit 12
Tuition Waiver Allocations and Actuals, 1993-1998[29]

District	1993-94 Alloc.	1993-94 Actual	1994-95 Alloc.	1994-95 Actual	1995-96 Alloc.	1995-96 Actual	1996-97 Alloc.	1996-97 Actual	1997-98 Alloc.	1997-98 Actual
Peninsula	60	82	52	53	72	72	85	85	66	66
Grays Harbor	86	67	86	87	104	108	104	113	104	105
Olympic	20	10	18	10	15	13	15	15	15	6
Skagit Valley	30	31	30	31	35	38	35	32	35	34
Everett	9	3	10	7	5	6	0	2	0	0
Seattle	5	1	6	3	3	2	3	6	3	2
Shoreline	0	2	0	2	0	0	0	0	0	0
Bellevue	3	3	3	3	3	3	3	2	3	6
Highline	1	0	0	0	0	0	0	0	0	0
Green River	4	1	3	2	0	0	0	0	0	0
Pierce	2	1	0	1	0	0	0	0	0	0
Centralia	57	48	52	33	40	45	42	81	47	40
Lower Col.	27	9	31	1	15	17	15	13	15	10
Clark	38	36	25	34	35	33	35	36	35	17
Wenatchee	25	28	17	19	22	16	22	14	22	23
Yakima Valley	21	42	31	22	31	9	21	19	21	11
Spokane	23	14	16	15	16	22	16	18	16	6
Big Bend	0	0	0	0	0	0	0	0	0	0
Col. Basin	0	1	0	1	0	0	0	0	0	0
Walla Walla	5	6	3	15	12	13	12	13	12	7
Whatcom	2	1	1	0	0	0	0	0	0	0
Tacoma	0	4	0	4	4	5	4	4	4	2
Edmonds	5	1	9	3	3	2	3	1	3	2
South Puget	16	15	23	22	25	23	25	27	25	23
Bellingham	8	9	16	0	5	3	5	0	0	0
Lake Wash.	4	1	6	4	3	2	3	6	3	1
Renton	5	2	5	2	0	0	0	0	0	0
Bates	28	21	29	11	22	20	22	11	22	2
Clover Park	16	20	28	27	30	32	30	44	30	32
Total	**500**	**459**	**500**	**412**	**500**	**484**	**500**	**542**	**481**	**395**

Source: State Board for Community and Technical Colleges.

[29] Complete numbers were not available for the 1992-93 school year or for the 1998-99 school year.

Supplemental Slots Under Sunset Review

RCW 28B.50.258 is the statute that allows for the disbursement of funds for supplemental slots, and RCW 28B.50.259 is the statute that mandates that the colleges provide tuition waivers. The SBCTC and the colleges manage these two components as a single program; that is, the 500 FTE slots are used for the tuition waiver students. However, this is complicated by the fact that only one of the RCWs, the one that provides for the 500 slots, is under sunset review. For purposes of this review, we are considering both the slots and the waivers as a single program, but our recommendation addresses this inconsistency between the statute and actual program operation.

Summary Findings

The SBCTC is meeting legislative intent by allocating the additional FTE slots to colleges serving RNRIA communities. However, the structure of the program leads to a low reimbursement rate for colleges, and makes them less inclined to use these slots for eligible students. The colleges are serving approximately 80 percent of the TRB participants, but only 20 percent of those are receiving tuition waivers through these expanded capacity slots.

Recommendation 2

If the legislature decides to continue allocating funding to the State Board for Community and Technical Colleges (SBCTC) to serve Timber Retraining Benefits (TRB) participants (RCW 28B.50.258), it should, in conjunction with the SBCTC, consider more effective options for expanding capacity and offering tuition waivers (e.g., direct scholarships to TRB participants).

If the legislature allows RCW 28B.50.258 to sunset, it should be aware the colleges would still be obligated, under RCW 28B.50.259, to provide tuition waivers to TRB participants.

A Typical TRB Student in Community or Technical College

Using information drawn from Employment Security data and from demographic information collected by the State Board for Community and Technical Colleges, we can describe the average TRB student who is enrolled in a state community or technical college. He would:

- Have a median age of 37;
- Have a prior education level of high school, and often some post high school courses;
- Live in a RNRIA-designated county such as Lewis County;
- Be dislocated from some industry other than timber;
- Receive TRB benefits for 32 weeks beyond regular unemployment insurance (UI), for a total of 62 weeks of UI benefits; and
- Attend a state community or technical college full-time for the period in which he receives TRB.

Program Completion

The most immediate way to assess the success of this program is to look at what the typical student accomplished during his enrollment at community or technical college. Since 1991, approximately 38 percent of participants left the program having either graduated with a degree or completed a certificate or apprenticeship training program. Another 23 percent attended training for over one year, but did not complete a program.[30] Approximately 39 percent spent less than one year in training and did not complete a degree or certificate program.

[30] Note that not all participants enrolled with the intention of, or would have benefited by, receiving a program degree or certification. Many of those who did not, may have never intended to take more than a few, targeted courses to focus on specific skill needs, or were enrolled in adult basic skills or English as a Second Language (ESL).

IMPACTS OF TIMBER RETRAINING BENEFITS AND COMMUNITY OR TECHNICAL COLLEGE FTEs

Looking beyond graduation rates, which may tell an incomplete story, a more meaningful measure of the program's impact on participants is the long-term effects the program has on earnings. A sunset review assesses the extent to which a program is effectively providing a needed service.[31] Accordingly, this review employs two methods that focus on the impact of retraining on participants' earnings:

- A longitudinal, net-impact analysis of the effect community college credits have on participants' earnings;[32] and
- A snapshot comparison between wages prior to job loss and wages after the end of training.

The first approach examines the effect of college credits on earnings while holding constant many other factors.[33] This analysis was conducted by Westat, Inc. on behalf of JLARC, with additional analysis by JLARC looking at the results from the perspective of return on investment.

The second analysis matches participants' wages before job loss and after training is completed. Although it does not control for differences that may affect earnings (such as prior education level and employment history), it does provide an accurate portrayal of what the actual earnings recovery for some participants was within a given timeframe.[34] A limitation of this analysis is that, unlike the net-impact analysis, it does not distinguish between

[31] This section attempts to address the effectiveness of the TRB program. Chapter 2, and other trend information located throughout this report, addresses the continued need of the program.
[32] This net-impact analysis focuses on community colleges only, and not technical colleges.
[33] A limitation of the net-impact analysis was the extent of available data. The analysis covers program participants only up to the end of 1994; however, it tracks their earning history up to the first quarter of 1999.
[34] The wage recovery analysis also compliments the net-impact analysis in that it traces program participants from 1992 through 1998. The net-impact study, on the other hand, is limited to program participants from 1991 through 1994.

wages that were recovered due to the retraining and wages that would have been recovered without the retraining.

For an additional measure of this program's effectiveness, we attempted to review information concerning the degree to which program participants were able to find employment in their home communities once they completed a retraining program. A brief discussion of this measure is located on page 40 of this chapter (see "community stability").

Net-Impact Analysis[35]

Westat's analysis of the TRB program assesses the net impact of retraining for participating dislocated workers. In 1997, Westat conducted a similar analysis on the net impact of the Workforce and Education Training Program. The current analysis builds on, and is a subset of, that previous work.[36]

Methodology and Goal of the Analysis

The net-impact analysis includes all TRB participants who where enrolled in community college through the end of 1994.[37] It estimates the extent to which earning community college credits increases workers' earnings relative to what their earnings would have been if the workers had not participated in retraining. The statistical model used in this analysis produces this estimate by examining the earning histories of similar workers who did not go to school. In order to measure the effect of schooling for the population who went to school and the population that did not, the statistical model controlled for such characteristics as workers' age, gender, minority status, former industry, level of previous job tenure, and previous education.

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[35] A full copy of the Westat, Inc. report is available by request from JLARC. This JLARC review contains only a synopsis of the findings in the full Westat, Inc. report.

[36] The earlier Westat, Inc. report was referenced in the 1997 JLARC Workforce and Employment Training Program Sunset Review, report number 97-6.

[37] 1994 is the most recent year for which Westat, Inc. had enrollment data from SBCTC. Given the deadline for this report, there was not enough time for Westat, Inc. to obtain updated enrollment data from the SBCTC.

Net Impact of Community College for TRB Participants

The analysis found that the program has a modest, but positive effect on the long-term earnings of program participants. The impact is more substantial for those participants who focused their training on more technically-oriented courses (Group 1). The courses that are not technically oriented (Group 2) actually lowered participants' earnings.

The Group 1 courses include: health related courses, technical/professional courses, technical trades and science/math academic courses. Group 2 courses include: sales/service courses, vocational courses (not in Group 1), social science/humanities courses, personal health/PE/consumer oriented courses, developmental education and others.

Exhibit 13 below shows the effect each college credit had on the earnings immediately after the end of training, and for all quarters following that.

Exhibit 13
Impacts of Community College Credits on Displaced Workers' Quarterly Earnings[38]
(all amounts are in 1995 dollars)

Outcomes for TRB Eligible Workers	Per Quarter while in School	First Quarter After School	Per Quarter Long-Term
Earnings Per Course Credit from Group 1	-$164.70	-$31.23	$12.77
Earnings Per Course Credit from Group 2	-$158.70	-$32.75	-$1.15
Combined Credits	-$161.44	-$32.06	$5.21

Source: Westat, Evaluation of Timber Retraining Benefits, May 1999.

[38] These estimates are somewhat lower than the estimates made for the same population in Westat's original worker retraining net-impact analysis done in 1997. Authors of the report conclude that this is due to having two additional years of earnings data, which led them to lower their estimates of the impact of community college training somewhat.

For TRB-eligible workers, each technically-oriented course credit tends to lower earnings in the quarter it is earned by nearly $165, an investment that in the long run raises earnings by $12.77 per quarter. Before this level is reached, however, there is a transition period during which earnings are lower because if the worker had not attended training he would, on average, have returned to work sooner. This delay in reentering the workforce also affects earnings just after training ends. For instance, in the quarter immediately after leaving school, the effect of a credit on earnings is predicted to be -$31.23. That is, each credit is predicted to lower earnings by $31.23. The predicted effect of credits on earnings becomes positive between the third and fourth quarter after workers leave school, eventually rising to be close to the long run estimate of $12.77. Similar comparisons can be made with the non-technical credits.

The Westat report also identified the average number of Group 1 and Group 2 credits taken by various cohorts in their analysis. Exhibit 14 below shows the typical mix of credits taken.

Exhibit 14
Typical Number and Type of Total Community College Credits taken by Students

	Group 1	Group 2	Total Credits
TRB Students	15.21	18.06	33.27
Non-TRB Students	13.02	15.79	28.82
Dislocated Timber Workers	29.27	25.29	54.56

Source: Westat, Evaluation of Timber Retraining Benefits, May 1999.

The estimates in Exhibits 13 and 14 can be combined to derive estimates of the long-term effect of community college participation on earnings. For instance, TRB-eligible workers who earned credits in the period around displacement earned on average 15.21 technical credits and 18.06 non-technical credits. The calculation of the long-term effect would thus be:

Group 1 Credits	15.21	x	$12.77	=	$194
Group 2 Credits	18.06	x	($1.15)	=	($21)

Quarter Total					$173
Year Total					$694

Using the average earnings for this population five years after displacement --$23,537-- and assuming that this figure reflects a large part of the full, predicted increase in earnings from community college training, we can estimate that if they had not obtained any credits, their earnings would have been $23,537 - $694 = $22,843. Thus, one can estimate that the credits participants earned increased their earnings by about 3 percent (694/22,843). For comparison, typical estimates of the percentage increase in annual earnings associated with a full year of standard training are 10 percent or more.[39]

One factor that explains part of the difference between the 3 percent and 10 percent typical estimate is that the average TRB participant took three-quarters of a full year of training rather than a full year. Another factor that may explain part of the difference is that the average TRB participant is 38 years old. Such a worker has much more work experience than the typical college student, and therefore, the expected earning gains for such a worker could be expected to be lower.

Significance of the Type of Credits Earned

Another aspect of workers' community college participation that explains its relatively low impact on workers' earnings is the mix between Group 1 and Group 2 credits.

For instance, the predicted long-term earnings increase associated with a year of credits exclusively in Group 1 courses is

[39] See, for example, "The Causal Effect of Education on Earning," by David Card, forthcoming in the Handbook of Labor Economics edited by Orley Ashenfelter and David Card.

$2300 per year. Comparing this to the $22,843 estimate of TRB-eligible community college participants' average earnings without training yields an estimated increase of 10.3 percent

The first estimated impact of all actual credits combined is less than half of what one would expect from three-quarters of a year of training if displaced workers achieved the earnings that are usually associated with standard training. However, when one considers the effects of Group 1 credits alone, they are similar to the increases normally associated with training. This demonstrates the significant impact the type of credit has on estimated future earnings.

Return On Investment And Break Even Analysis

As previously explained, the estimates of impacts on earnings for TRB eligibles who took community college credits are based on comparing their predicted long-term earnings to earnings they would make in the absence of retraining. As Exhibit 15 shows, there is an initial loss in earnings associated with being enrolled in classes. ***This is because if they had not enrolled in classes, they would have (on average) returned to work earlier.***

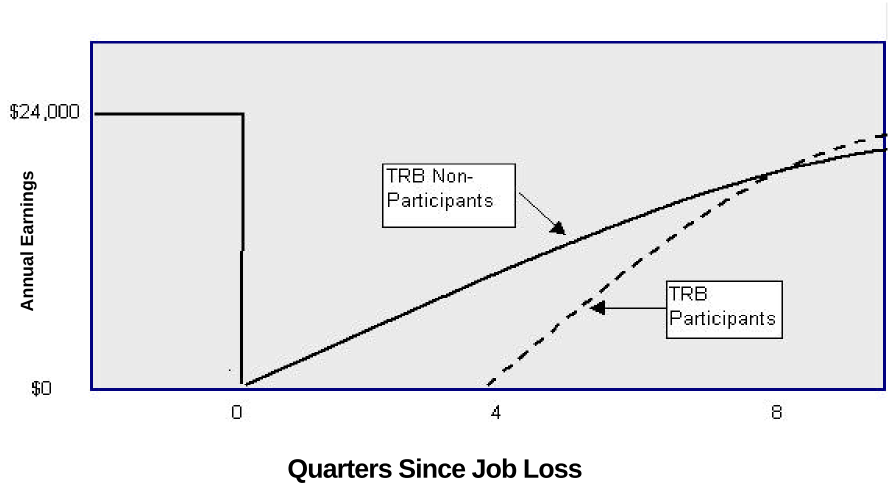
Even after the worker returns to work, earnings remain lower than they would have been without training for some period of time.[40] Thus, a participating worker may be viewed as making an initial investment (in terms of lower earnings, and perhaps through additional training expenses) in the hope of achieving greater long-term earnings.

Exhibit 15 graphs the difference in earnings between workers who are TRB eligible but do not participate in training, and those who do participate. After job loss, the difference in the earnings curves, up to the point where they cross-over, can be considered the participant's investment in retraining. The difference between the curves after the cross-over can be considered the participant's long-term earnings increase.

[40] Westat, Inc., Evaluation of Timber Retraining Benefits, May 1999, p. 35.

Exhibit 15

Earnings Patterns of TRB Participants and Non-Participants (Schematic Representation, Not Exactly to Scale)



Source: JLARC.

A relevant question can be stated as follows: Is the worker's long-term earnings increase sufficient to offset initial foregone earnings and expenses? This question can be addressed by looking at return on investment.

Effect of Training on Job Earnings

Using the Westat data on the impacts of community college credits on earnings,[41] we first calculated the participant's return on investment focusing solely on job earnings - *i.e., not including unemployment benefits received*.

Approximately 20 percent of TRB students receive RNRIA tuition waivers.[42] For a 38-year-old displaced worker who does not have to pay tuition costs, and who would continue working until age 67, the return on investment from taking the average number of

[41] Westat, Table 13, p. 38.

[42] According to the SBCTC, 20 percent receive RNRIA tuition waivers, and another 40 percent receive other waivers, aid, or scholarship funds. The remaining 40 percent pay tuition through loans or "out-of-pocket."

community college credits is estimated to be 7.37 percent.[43] The break-even point for the worker is just under 15 years. What this means is that if the worker leaves the workforce permanently in less than 15 years, the worker never makes up for loss of income for the time he was enrolled in school, and there is a negative return in terms of long-term job earnings. If the worker stays in the workforce 15 years or more, there is a positive return, which gradually increases to 7.37 percent by the end of 29 years (or upon retiring at age 67).

To put the 7.37 percent return in perspective, this is within the range that one would have expected from a very low-risk, long-term investment made during the early 1990s.[44] Thus, a worker *who had not taken credits* would have needed to receive a 7.37 percent return on an investment of his initial higher earnings to equal the same financial results of a worker who did take credits. As indicated, this could have been achieved with a very low risk investment.

For participants who pay tuition, there is an out-of-pocket expense of approximately $958 (1995 dollars) for the average 33.27 credits. When this expense is taken into account, the 38-year-old worker's return on investment is reduced to 6.44 percent, with a break-even point of 16 years (i.e., 16 years before the worker starts to see a positive return). This puts the return on investment slightly below the range of return that could have been expected on the most conservative kind of long-term investment. In other words, such a return would have been even easier to achieve.

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[43] This estimate of return on investment is based on taking the average number of credits earned by those TRB eligibles who earned credits, and assuming the average mix of credits between Group 1 and Group 2 courses. As pointed out by Westat, for those individuals who actually took courses that were higher or lower in the proportion of Group 1 courses, and who took more or less credits, the return on investment in earned income would be, respectively, higher or lower.

[44] We conducted a sensitivity test in which we changed assumptions concerning years of remaining work and the rate of inflation. The 7.37 percent return was in the upper part of our sensitivity range, and therefore can be considered a conservative estimate (i.e., the actual return is not likely to be higher). For the comparison to a very low risk, long-term investment, we used the interest rate on US Treasury 30-year securities which ranged from 6.6 percent to 8.6 percent in the period 1990 through 1994 (US Bureau of the Census, Statistical Abstract of the United States, 1998 Edition).

This second example, in which the worker pays for tuition, provides a way of quantifying the economic decisions that would have faced eligible workers ***in the absence of the program***. Given knowledge of the relatively low rate of return on investment, and what might seem like a long time to break even, a worker might decide to forego retraining if the major motivation is financial.

The Worker's Perspective

The workers who were TRB eligible, and who used extended unemployment benefits to support themselves while in re-training, would likely see the financial gain issue in quite favorable terms – much more favorable than the returns mentioned above that are based on job earnings alone. This is because the income from the extended unemployment benefits more than outweighs the initial foregone earnings. Even for the majority of participants who pay their own tuition, their return (all cash flows considered) is a positive 24.98 percent.[45] The break-even point is between seven and eight years. (It should be noted, however, that the cash flow from the unemployment benefits is not actually the worker's investment but is instead a payment from the employer. The calculation shown here is intended to illustrate the magnitude of the financial gain to the worker from unemployment benefits in comparison to the retraining itself.)

Sensitivity Analysis

In the discussion of the Westat analysis, it was pointed out that the mix between Group 1 and Group 2 credits has an impact on future earnings. The same is true in the case of return on investment. We conducted a sensitivity analysis in which we changed several variables to see how the results of the analysis would change. The variables we examined included the inflation assumption, the number of years of work remaining, the number of academic quarters and the number of credits, and the mix of Group 1 and Group 2 credits. We found that the analysis outcomes were most sensitive to the mix of credits.

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[45] This estimate again uses the average participant age of 38 and an expected remaining 29 years of work.

In essence, taking a higher concentration of Group 1 credits leads to substantially better returns on investment and a shorter break even period. This confirms the results of the previous Westat study, conducted in 1997 and reported in the JLARC Workforce Employment and Training Sunset Review.[46]

Further, when we limited the sensitivity analysis to a comparison of the impact of the *number of credits* to *the types of credits*, all of the examples we looked at showed the same results: The number of credits has a negligible impact, and it is the mix of credits that makes a difference. Again, a higher concentration of Group 1 credits leads to a higher estimated return on investment on earnings.

Timber Workers

Timber workers provide a good example of the importance of the mix of credits. This subset of all TRB-eligible workers took a slightly higher concentration of Group 1 credits – 54 percent for them compared to 46 percent for all eligible workers who attended community college. The return on investment for them (assuming no extended unemployment benefits and no tuition waivers) was 8.33 percent, with a break-even point between 13 and 14 years. Thus, timber workers, by having taken a higher proportion of technically-oriented credits, did relatively better in comparison to non-participant timber workers than did the average participant in relation to the average non-participant.

Cost of Retraining

The combined total for the education and unemployment benefits costs is about $9620 per participant. Based on data from ESD, the average monthly extended benefit for TRB participants was $887 in 1995 dollars, and the average number of paid months was 7.42, for an average payment of approximately $6589. The cost for SBCTC for a TRB participant was approximately $3031, based on an average 33.27 credits.

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[46] See footnote 36.

Discussion

This analysis shows that for the TRB-eligible workers included in the analysis, participation in the program conferred substantial, long-term financial gains. These gains were mainly due to the provision of extended unemployment benefits rather than from retraining itself. On average, program participants received very modest financial gains strictly from retraining.

These retraining results should, however, be viewed in the context of participants' course selection. The results become increasingly better in cases where workers took higher concentrations of more technically-oriented credits, as the timber workers example demonstrates.

Snapshot Comparison

The two measures of effectiveness discussed below were derived from a database operated by the SBCTC. This database rests on a complex link between enrollment records of the community and technical colleges and wage records from the Unemployment Insurance fund within ESD. The two agencies maintain a close collaboration to update and analyze the database and its information.

Wage Recovery

By matching the wages before job loss to the actual wages after the completion of training, we are able to portray the change in participants' actual earnings. Of those TRB participants who completed community and technical college training, 5,351 had wage records for the third quarter before job loss, and 4,603 had wage records for the third quarter after completing training. When matched by individual, we had 2,881 records with wage data for time periods both three quarters before job loss and three quarters after completion of training. This represents approximately 35 percent of all program participants that completed CTC training.

Exhibit 16 shows the median of actual wage recovery rates for the entire population available, and for various sub-groups within that population.

Exhibit 16
Hourly Wage Recovery Rates, Overall and by Industry, 1992-1998

	Median Wage 3 Qtrs. Before Job Loss	Median Wage 3 Qtrs. After Training End	Median Percent of Actual Wage Recovery Rates	Number of Records	Percent of Sample
All Participants in Sample	$13.70	$11.21	**93.2%**	2881	
All Participants in Sample, not Aerospace	$11.44	$9.98	**91.8%**	1975	69%
Industry From Which the Participant Was Displaced					
Business, Health, & Social Services	$10.35	$8.88	**92.5%**	132	5%
Construction	$12.09	$11.67	**98.6**	101	4%
Finance, Insurance, & Real Estate	$12.40	$9.77	**79.8%**	100	3%
Government	$9.53	$9.65	**105.6%**	105	4%
Manufacturing	$15.94	$12.47	**91.0%**	1900	66%
					1%
Retail Trade	$7.07	$8.14	**110.3%**	197	7%
Temporary, Computer, & Personal Services	$8.33	$9.37	**109.0%**	134	5%
Transportation & Public Utilities	$12.16	$11.06	**87.4%**	87	3%
Wholesale Trade	$10.15	$9.82	**96.3%**	110	4%
By Subcategory of Manufacturing Industry					
Aircraft and Parts	$17.99	$17.40	**96.9%**	906	31%
Timber (all)	$12.65	$10.50	**82.5%**	647	22%

Source: JLARC analysis of SBCTC data.

When considering the entire TRB population for which we have data, the median wage recovery rate is 93.2 percent.[47] However, when the aerospace industry is excluded from the population (because of its significant, but unintended, impact on the program in 1993 and 1994), the wage recovery for the entire population drops slightly to 91.8 percent.[48] When just workers from the timber industry are considered, the wage recovery rate drops to

[47] These wage recovery figures may be different from the wage recovery rates reported by the SBCTC. This analysis considers the median value of all actual wage rates by individual. The SBCTC reports the wage recovery rate as the difference between the median wages before and after job loss for all participants, in aggregate. In most cases, the numbers in this analysis report a higher wage recovery rate than the SBCTC has published previously.

[48] Note, too, that the median wage recovery rate for the aerospace industry alone is almost 97 percent. Aerospace also represents the single largest cohort of participants (31 percent of the sample), followed by the wood products industry (22.5 percent of the sample).

just over 82 percent. This indicates that the program, by the measure of wage recovery, is generally more successful for participants who are leaving industries other than timber, and is less successful for those in the timber and related industries. A limitation of this analysis, however, is that, unlike the net-impact analysis, it does not distinguish between wages that were recovered due to the retraining and wages that would have been recovered without the retraining.

Community Stability

An important measure of the program's effectiveness would be the extent to which the program enables dislocated workers to stay in their communities. Unfortunately, a database does not exist that would allow for a comparison of rates of community retention of workers between TRB eligible participants and non-participants. The SBCTC does have information on the location of workers' jobs before and after participation in TRB, but this information does not exist for non-participants. Without comparative data of these sorts, it is not possible in any systematic way to determine the impact of the program on community stability.

JTPA Survey

An additional measure of program success is customer satisfaction. Although this is not routinely monitored by ESD or SBCTC, we were able to obtain recent survey results for TRB participants from the Job Training Partnership Act (JTPA) survey conducted by the Employment Security Department.[49] Overall, their satisfaction with the training as a whole was favorable. And, they were generally satisfied, but not as much, with the relationship between the training and their current job.

Although we were able to obtain the responses of a relatively large number of TRB participants, because of changes in the

[49] The federal JTPA program provides financial assistance for dislocated workers to attend job retraining programs, of which TRB participants are a subset. The JTPA program regularly surveys its program "graduates" about their training experience.

survey design over the years, we were only able to analyze data over a three-year period (1996-1998).[50]

Exhibit 17 summarizes the survey results. Generally, the percentages from year to year remained steady or improved.

Exhibit 17
JTPA Survey Results, 1996-1998

	Strongly Agree	Agree	Disagree
Training program was very good	69%	24%	6%
Training helped to obtain a job	45%	21%	34%
Training was related to job obtained	55%	16%	29%

Source: ESD.

General Findings And Conclusions

Since 1991, the Washington State Legislature has made a number of policy decisions concerning eligibility for the TRB program. Currently, with the exception of one county, the program is limited to workers who were employed in the timber or fin-fishing industries. Due in part to this restriction, and fewer workers now in these industries, the number of participants in the TRB program has fallen off to its lowest level.

One policy direction that has remained constant has been to extend unemployment benefits and retraining opportunities to eligible dislocated workers from industries that have had significant downturns and in which the opportunities for reemployment have diminished.

As indicated in Chapter 2, *Economic and Employment Trends*, the unemployment picture in Washington State, as well as in the rural, timber-dependent counties, has improved from the early 1990s when TRB began. On a statewide basis, the overall

[50] 1996: 563 responses; 1997: 1179 responses; 1998: 711 responses.

unemployment rate has dropped over the last couple of years to historical lows.

The average unemployment rate for rural, timber-dependent counties has followed the same trend downward, but still remains in the range of 2 to 3 percent higher than for the state as a whole. For some of these counties, although the unemployment rate is down from some very high peaks in 1992 and 1993, it is still much higher than the average, with the rate in some counties being in the 10 to 12 percent range.

The conditions under which the TRB program exists now are an improvement from the conditions that existed in the early 1990s when it began. According to the sunset criteria set forth in statute, one of the factors for consideration in making a sunset decision is the extent to which the termination or modification of the program would adversely affect the public health, safety, or welfare. If the program were having no positive effect, the decision would not be difficult. The reality is that the program has had some success, but the success has been mixed. And in one case, information that would be useful for measuring program effectiveness does not exist. The following is a summary of major findings from our analysis:

- The program has fulfilled its mandate to serve those individuals who have met the eligibility criteria set by the legislature.

- TRB participants who enrolled in community colleges received substantial financial gains, but these gains were mainly due to the provision of extended unemployment benefits rather than from retraining itself.

- The financial returns from retraining become increasingly better in cases where workers took higher concentrations of more technically-oriented credits.

- For dislocated timber or wood products workers in particular, although their post-displacement wage recovery is *lower* than for other groups of participants, they still benefit financially more from retraining than the average participant when compared to non-participants. This is because they take a higher-than-average proportion of technically-oriented courses.

- A database does not exist that would allow for a measurement of the effect of the TRB program on community stability.

- TRB participants in most cases agreed or strongly agreed that their training was very good, that it helped them get a good job, and that the training was useful for the jobs they eventually obtained.

Given the state's improved employment picture, and fewer workers who are now eligible for TRB, termination of the program would not have the same potential for an adverse effect as in the past. Regardless of the decision that is made concerning the TRB program, it is clear that an emphasis on having workers elect to take more technically-oriented retraining courses would have more beneficial financial results for those workers.

Previous JLARC Recommendations

JLARC's 1997 Workforce Employment and Training Sunset Review, which was evaluating a program similar to, but more general than, the TRB program, included similar findings.[51] That review contained two recommendations for improving training outcomes:

> *The State Board for Community and Technical Colleges, through the Request For Proposal process, should continue to increase the proportion of programs offered that are associated with higher paying jobs.*
>
> *The community and technical colleges should provide labor market information to participants. This information should include the employment prospects and potential wages associated with different courses of study.*

The State Board concurred with these recommendations and has taken measures to implement them. The SBCTC informed

[51] Recall too that this review included findings based on the original Westat, Inc. net-impact analysis, which also found a positive, but moderate impact on earnings.

JLARC staff that these measures have resulted in a gradual shift to emphasizing higher wage program areas (those that pay the typical graduate $11 an hour or more). Specifically, in the period since 1994, colleges have shifted enrollment from 31.6 percent in higher wage majors to 39.7 percent in 1999. The SBCTC predicts that higher wage programs will represent half of all majors by 2004. Additionally, the SBCTC reports that it has made efforts to improve access to relevant labor market information by expanding the number of Employment Security offices on college campuses.

Program Continuance or Termination

The factors for consideration in sunset reviews (see Chapter 1) speak to the extent to which a program is complying with legislative intent, is operating in the public interest, is effectively providing a needed service and the extent to which termination would adversely affect the public. In the case of TRB, these are judgment calls that require a policy decision on the part of the legislature. For this reason, we are not making a staff recommendation for either termination or continuance.

The findings in this report suggest that a focus on technically-oriented courses would help improve participants' earnings potential. As indicated above, the SBCTC has taken measures to emphasize high-wage program areas (which are largely comprised of the technically-oriented courses to which we refer in this report). In addition, however, ESD also plays a role in course selection in that it must approve training plans as a requirement for program participation.

Since the time of the presentation of the preliminary report of this sunset review, JLARC staff have met with representatives from SBCTC and ESD to discuss additional strategies for improving retraining outcomes. One idea that came from the agencies was to consider taking steps to ensure: (1) that screening and aptitude testing be done for all TRB participants; (2) that it be sufficiently consistent; and (3) that such testing become a necessary part of the career planning that is currently required for participation. Through such efforts, participants who might benefit most from more technically-oriented courses could be identified and steered toward such courses.

Because discussions between SBCTC and ESD are still at a very early stage, specific plans from the agencies regarding any specific strategy would be premature.

ECONOMIC DEVELOPMENT PROGRAMS

Chapter Four

OVERVIEW

Mandate and Scope

Several economic development programs and activities, under the Rural Natural Resources Impact Areas program, were added to the Sunset Act in 1995. They are managed within the Department of Community, Trade and Economic Development (CTED) and share the common purpose of targeting their resources toward Rural Natural Resource Impact Areas (RNRIA). The following activities are included in our sunset review:

- Funds appropriated to the **Development Loan Fund** for purposes of the Timber Recovery Act, which must be used in RNRIA designated counties.[52]
- CTED's responsibility to provide **technical and financial assistance** to communities in designated counties in planning, implementing, and financing economic development programs.[53]
- The **administration of federal grants** to support the economic diversification of communities in designated counties; and the provision of export development assistance to the value-added wood products industry.[54]
- CTED's responsibility to **expedite and facilitate the processing of permits** needed for economic development projects in RNRIA designated counties.[55]

[52] RCW 43.168.140
[53] RCW 43.63A.440
[54] RCW 43.31.641
[55] RCW 43.17.065

The Community Economic Revitalization Board's Rural Natural Resource program (CERB-RNR) and the Public Works Trust Fund's RNR program were previously included in our sunset review, but were removed by E2SSB 5594 enacted in the 1999 Legislative Session. Because of their close relationship to the other economic development programs remaining under our review, we are including some of our analysis of these two programs in this report. However, we will not have a sunset recommendation for them (i.e., to continue, modify, or terminate).

Objectives

We reviewed CTED's RNRIA economic development activities to evaluate:

- The provision of services to the RNRIA designated counties and eligible recipients, per statute;
- Their program costs;
- Their interaction and possible duplication of other programs; and
- The continuing public need for their services.

In addition, we reviewed the economic development loan programs to evaluate how well CTED is analyzing and tracking their costs and performance. Our review covers these programs from FY 1991 through 1999.

PROGRAM BACKGROUND

CTED operates a wide range of economic development programs that have a variety of state, federal, and local funding sources. Some programs, such as the Development Loan Fund and CERB, provide lower interest loans or grants to help private companies and local government jurisdictions fund economic development and infrastructure projects. Other divisions within CTED, such as the Community Assistance Center, provide technical assistance with the planning and financing of development projects, and administer federal economic diversification grants.

DEVELOPMENT LOAN FUND

Overview

The Development Loan Fund (DLF) is intended to stimulate economic development in economically distressed areas by providing investment capital to private companies in these areas.[56] This loan program is funded by Community Development Block Grants (CDBG) granted to the state by the federal Department of Housing and Urban Development. The DLF loans are targeted for "distressed areas." While some loans are awarded to companies in timber-dependent communities, it is because the communities fall under the general definition of being "distressed," not because they are timber-dependent. The 1991 RNRIA legislation mandated that any funds appropriated to the DLF for the purposes of the Timber Recovery Act must be used only in RNRIA communities. However, the fund receives only federal dollars, and the Washington Legislature has not appropriated any funds to the DLF for timber recovery purposes. We cannot, therefore, evaluate this as part of our sunset review as mandated.[57] However, we will review the performance of the DLF loan projects that did occur in RNRIA communities.

In addition, CTED manages another loan program, the Forest Products Revolving Loan Fund, which is explicitly targeted towards providing funding to private companies in timber-dependent areas. This program is federally funded by US Forest Service Old Growth Diversification Funds (OGDF). Its purpose is to facilitate job creation and retention, and to help diversify communities by supporting the development of secondary, or "value-added" wood products industries.[58] Because these Forest Product Loans are specifically used by CTED for businesses in timber-dependent areas, we are including analysis of this loan program in our review.

[56] RCW 43.168.010
[57] RCW 43.168.140
[58] Such industries can include sawmills, wood construction, and building products firms, etc.

The DLF and Forest Products Loans

Both DLF and Forest Products Loans are awarded to private businesses, and are usually offered at a slightly lower interest rate than that offered by banks. This is intended to provide the borrower with an incentive to start an expansion or improvement project sooner than they otherwise would. Examples of businesses funded by forest product loans include lumber mills, sawmills, and wood siding manufacturers. DLF loans can be awarded to timber and other wood-products firms, but also to other businesses, such as retail establishments and gas stations, that could help diversify a community's economic base. Many of these private businesses also obtain bank financing and contribute their own resources to the projects.

During the period FY 1991 through FY 1999, CTED awarded 16 timber-related products loans totaling $5.2 million. All of the loans were provided to businesses in RNRIA designated counties, with an average loan amount of approximately $300,000. The number of jobs created or retained during this period totaled 560, averaging 35 jobs per project. During the same period, the DLF program awarded 11 loans to businesses in eligible communities, totaling approximately $2.6 million. The average loan amount was $237,000, and the estimated number of jobs created or retained was 419. Administrative costs for these loan programs are estimated at $18,000 for the 1997-99 Biennium.

For both loan programs, the number of jobs[59] to be created or retained by a project is estimated by the business and becomes part of the loan agreement, with a requirement that the new jobs be created within two years. If the company does not meet this requirement, CTED can either call the loan or raise the interest rate. To date, CTED has been able to obtain and verify compliance with the loan terms without using either of these methods.

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[59] A job equals one full-time equivalent (FTE).

FINDINGS

Program Costs and Performance

In reviewing the DLF and Forest Product Loan program, as well as other CTED economic development programs, we found that the agency could improve its method of measuring program costs and performance. By accounting for loan repayments and the cost of subsidizing low-interest loans, and by calculating costs and job creation on a per-project (rather than per-funding source) basis, CTED would be able to more accurately evaluate and report the costs and job creation performance of its economic development projects.

CTED reports its DLF and Forest Product Loan program costs by using the total amount of funds loaned out, and divides this figure by the number of jobs to be created or retained, to obtain an overall cost per job for the project. This method is also used for other agency loan programs. However, our analysis has identified flaws with this approach. First, because the borrower is paying back the original principal plus interest, the cost of a loan to the issuer must be less than the amount loaned out. Thus, when CTED reports the cost of a loan project by using only the loan amount, it is in effect overstating the cost.

Second, CTED does not take into account the fact that many of its loans are offered at interest rates below that of the "market rate" or "cost of capital" to the average taxpayer. This means that the government funding source (and ultimately the taxpayer) is in effect subsidizing the cost of the loan, because the funds could earn more money in interest if they were not dedicated to this program. This is a cost of the loan project that should be taken into account.

In our analysis of the DLF and Forest Product Loan programs, we calculated the costs of each project by adjusting for the loan repayments, and determining to what extent the program subsidized any of the loans.[60] For these two programs, we found that because of the relatively high interest rates and short repayment terms of these loans, there is no subsidization

[60] Data source: DLF and Forest Product Loan amortization schedules.

occurring.[61] Assuming the payment terms remain the same, over the life of the loans in its current portfolio the Forest Product Loan program will earn approximately $650,000 in addition to repayment of the original $400,000 in loans.[62] This means a net cash flow return to the program of $1,154 for each job created or retained. Similarly, the DLF loan program will earn $263,395 in addition to its loan repayments, or $629 for each job.

Comparison with Other Loan Programs

CTED's Community Economic Revitalization Board (CERB), and the Public Works Trust Fund (PWTF) both provided loans to timber and salmon dependent communities under the RNRIA program.[63] In contrast to the DLF and Forest Product loans discussed above, these Rural Natural Resource (RNR) loans are state (versus federally) funded and can only be awarded to local governments and other public jurisdictions (not to private businesses). They are typically used for infrastructure projects designed to assist local governments with retaining existing, and attracting new, businesses to their communities. Both CERB-RNR and PWTF-RNR loan programs were under our sunset review until their sunset provisions were removed during the 1999 Legislative Session.[64] We are including them here for discussion and comparison purposes.

As with the DLF and Forest Products loans, the CERB and PWTF RNR programs have reported their overall costs and cost per job using the full amount of the funds disbursed. Again, because they have not factored in loan principal repayments, they have been inflating their costs to some degree. As an example of the problem with this approach, the costs of some CERB projects

[61] Our analysis assumes a real discount rate of 5 percent over inflation during the year the loan funds were disbursed. A different discount rate could be argued for these relatively shorter-term loans to private companies. We used a real discount rate of 5 percent in the analysis of all loan programs so that they could be compared on the same basis. For internal use within the DLF and Forest Products loan programs, a discount rate linked to the prime rate charged by banks could be considered and should be included as part of sensitivity analyses.

[62] Figures are in 1999 constant dollars.

[63] CERB continues to provide loans under the RNRIA program, however, the PWTF-RNR loan authority expired by legislative statute in 1997.

[64] E2SSB 5594.

were calculated by adding the *loan* amounts to the *grant* amounts. This approach suggests that a loan incurs the same cost to the state as does providing a grant, which is not accurate. In addition, these loan programs have also not attempted to include the cost of providing these loans at significantly discounted interest rates.

In our cost analysis of the CERB-RNR and PWTF-RNR loans, we therefore accounted for the loan repayments and factored in the cost of the discounted loan rates. In comparison to the DLF and Forest Product loans, which incurred no cost to the loan program, the CERB and PWTF programs do incur a cost. Between 1991 and 1999, the CERB-RNR program loaned out $8,758,315, and over the life of these loans the net cost will be $3,125,732. Similarly, PWTF-RNR loans during this time period totaled $22,780,985, which will have a net cost of $10,662,284.[65]

This analysis shows that the interest rate "subsidies" were 36 percent for CERB-RNR, and 47 percent for PWTF-RNR. These higher costs are a result of heavily discounted interest rates (typically ranging from 0 to 4 percent) and of the relatively long loan repayment terms (most are 20 years).[66] In comparison, the DLF and Forest Products loans charge interest rates ranging from 6 to 10 percent, and require shorter loan terms of 5 to 10 years.[67] Exhibit 18 below demonstrates how the costs of these loan programs compare to each other.

[65] Loan figures are in 1999 constant dollars.
[66] As with the forest product loans, our analysis assumes a real discount rate of 5 percent over inflation during the year the loan funds were disbursed.
[67] Additionally, the DLF and Forest Product loans require monthly payments (versus annual) and allow relatively few loan deferrals. Both factors further reduce the loan subsidy by increasing the present value, and thus reduce the costs to the program.

Exhibit 18

Cost Comparison of Loan Programs

Loan Program	Total Amount Loaned	Actual Cost (amount of subsidy)	Percent of Loan Subsidized
Forest Products	$5,438,378	- $646,423	-11.9%
DLF	$2,867,141	-$909,818	-9.2%
CERB	$8,758,315	$3,125,732	36%
PWTF	$22,780,985	$10,662,284	47%

Note: All funds are expressed in 1999 dollars.
Source: CTED loan amortization schedules.

"Program" versus "Project" Costs

In our review, we found no unnecessary duplication among CTED's economic development programs. However, there is often an inadequate amount of coordination when the costs and performance of projects are reported. For example, even though many projects are jointly funded, it is not uncommon for multiple loan and grant programs to independently claim credit for the jobs created or retained by a project. At the same time, calculating a cost per job using only one of several funding sources understates the actual cost of creating or retaining that job. If all funding is included, and a cost per job for the entire project is calculated, the result would be a much more accurate and meaningful figure which could later be used to compare the relative effectiveness of different types of projects and loan programs.

The following exhibit demonstrates how a total project cost and cost per job could be calculated for a project, provided that information on cash flows is available from each individual funding source. The exhibit also shows how the cost per job can differ when additional funding sources are factored in. This example is based on an actual economic development project. The "Actual Project Cost" figures were calculated by adjusting for principal repayments and discounted interest rates.

Exhibit 19

Public Project Loan Example: Port Authority

Funding Source	Costs as Reported	Actual Costs	Total Jobs	Cost per Job
CERB-RNR Loan	$426,022	**$224,618**	437	$975
Traditional CERB Loan	$106,506	**$46,745**	437	$244
PWTF Loan	$609,030	**$328,199**	437	$1,394
Port Cash	$218,656	**$ 218,656**	437	$500
Totals	$ 1,360,214	**$ 818,218**	**437**	**$1,872**

Source: JLARC analysis of CTED data. All costs are expressed in 1999 constant dollars.

Exhibit 19 shows an actual example of a project that had three state funding sources and one contribution from a port authority. A comparison of the "Costs as Reported" and "Actual Costs" shows the difference made by accounting for loan repayments and discounted interest rates. The table also demonstrates how the overall cost per job varies when reported by funding source and, more accurately, for the project as a whole.

It is important to note that this analysis covers only the cost portion of the economic development project, and not that of the potential benefits. It is simply one measure of program performance. CTED could more effectively evaluate and compare the performance of such projects by also attempting to measure the benefits, or return on investment, the state is receiving for these projects. An example would be tracking the wage levels and the additional tax revenue raised from retained or newly created jobs. In addition to the improved method of calculating project costs and job creation discussed earlier, this information would help CTED to more effectively evaluate its economic development programs, and enable the agency to strategically allocate its resources.

Recommendation 3

The Department of Community, Trade and Economic Development should improve its methods of tracking, reporting, and evaluating the performance of its economic development programs by:

- *Factoring the income from loan principal repayments into its loan costs;*
- *Including the costs of providing reduced interest loans; and*
- *Calculating and reporting the cost per job on a per-project basis by including all funding sources.*

OTHER ECONOMIC DEVELOPMENT ACTIVITIES

Several of the activities under this sunset review are part of CTED's broader responsibilities and programs that were in existence prior to the creation of the RNRIA programs. In these cases, the statutes under sunset do not include the performance or existence of the broader programs of which they are a part. Rather, they include the "targeting" or "focussing" of pre-existing program activities towards RNRIA communities. Therefore, the intent of our review was to determine whether these program *activities*, not the entire programs or CTED units, met their intended purpose and should be continued.

The program activities under sunset include:

- Providing **technical and financial planning assistance** with economic development projects to timber- and salmon-dependent communities.[68]
- **Administrating federal grants** to support the economic diversification of timber-dependent communities; and

[68] RCW 43.63A.440.

providing export development assistance to the value-added wood products industry.[69]
- **Expediting and facilitating the processing of permits** needed for economic development projects in RNRIA counties.[70]

Technical and Financial Assistance

The RNRIA legislation directed CTED to provide technical and financial assistance, within existing resources, to RNRIA eligible areas. Such assistance consists of helping local governments and organizations with feasibility studies, planning, and financing for economic development projects. Our review found that CTED has provided these services consistent with the RNRIA mandate and that there does not appear to be any duplication with other state, federal, or local entities. This assistance to RNRIA communities is part of CTED's statewide technical and financial project development program and of the agency's broader economic development responsibilities.

Technical and financial, or "project development," assistance is carried out by CTED's Community Assistance Center (CAC) and is provided for economic development projects statewide. The CAC is also responsible for the following programs:

- Providing economic development training and education;
- Coordinating state and federal funding and decision-making;
- Assisting local development organizations; and
- Managing federal grant programs such as the *Old Growth Diversification Fund grants (Note: management of this fund is also under this sunset review. Please see the discussion in next section.)*

Both state and federal funds (32 percent and 56 percent, respectively, in 1997-99 Biennium) fund the CAC.[71] Federal funding comes primarily from two sources. The USDA-Forest Service (Old Growth Diversification Fund) requires that funds be used to assist timber-dependent communities to diversify their

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[69] RCW 43.31.641.
[70] RCW 43.17.065.
[71] Source: CTED CAC allotments.

economies, with an emphasis on meeting the needs of the value-added wood products industry. HUD funding (Community Development Block Grants) must be used to assist low- to moderate-income communities in non-metropolitan areas (which in many cases are natural resource-dependent areas). Recipients and partners of CAC project development assistance typically include economic development councils, local and tribal governments, ports, downtown development associations and community-based development organizations.

During the 1997-99 Biennium, the CAC budget for project development assistance was approximately $530,000, about 60 percent of which was state funds.[72] The CAC does not report its RNRIA projects or costs separately because they are so closely integrated into its statewide projects. However, most of these projects are targeted for economically disadvantaged areas.

Findings

Our review found that technical and financial project development assistance was already being provided statewide by CTED through its Community Assistance Center (and previously by the Department of Community Development), and is part of CTED's broader mandate to provide economic development assistance to communities with the greatest need.[73] Although the CAC's project development efforts are not specifically targeted to RNRIA communities, the nature of the organization's economic development responsibilities and federal funding criteria serves to focus many of its projects within disadvantaged areas. In effect, the statute currently under sunset did not have a direct impact on CAC operations; it was already meeting the intent of the statute and simply continued with its activities. Our review shows that CTED has thus met the intent of the statute under our sunset review.

In terms of program duplication, there does not appear to be another entity at the state, local, or federal level which performs this project development function. The Washington Community Economic Revitalization Team (WA-CERT), which coordinate's

[72] Source: CAC budget.
[73] RCW 43.330.050.

Washington State's piece of the President's Federal Economic Adjustment Initiative for timber-dependent areas of the Pacific Northwest, does provide assistance to some RNRIA communities. However, its projects are limited to timber-dependent counties, whereas the CAC provides services in all counties, including those RNRIA designated counties impacted by declines in the salmon fishing industries. When there is an overlap (such as when the CAC has a project that is timber-targeted), the WA-CERT becomes the primary coordinating body.

CTED has thus met original statutory intent to provide technical and financial project development assistance to RNRIA designated counties, without any unnecessary duplication. This responsibility is part of CTED's broader economic development mandate, was being carried out prior to the RNRIA legislation, and is required by federal funding source criteria.

Recommendation 4

The Department of Community, Trade and Economic Development should continue to carry out the delivery of technical and financial assistance within its existing statewide responsibilities.

Old Growth Diversification Funds

CTED was mandated to administer federal grants to support the economic diversification of timber-dependent communities and the value-added forest products industry. In addition, the legislation required the agency to provide export development assistance to the value-added wood products industry.[74]

The primary federal grant funds used by CTED for these purposes are the Old Growth Diversification Funds. These funds are provided by the USDA Forest Service to support the economic

[74] This statute, RCW 43.31.641, has changed significantly since the program began. In 1991, this statute outlined the duties of the Forest Products Program, that had been created by legislative budget proviso in 1989. In 1993, the legislature discontinued the line-item funding of this program; and, in 1995, CTED discontinued the program altogether. This was in spite of the statute still in effect that mandated CTED to provide the program. However, in 1997, the statute was revised to reflect the actual, reduced function CTED was performing, which is described above.

diversification of timber-dependent communities and to reduce their dependence on old-growth wood. CTED provides grants to local communities to assist them with strengthening their economic diversification. These projects are managed by CTED's Community Assistance Center, and are coordinated through the WA-CERT process described in the previous section. Examples of recent grant projects include a $56,000 grant to a local port for development of a computer training center; and a $50,000 grant to a local Native American tribe to help develop a master plan for a new boat marina. The program has also helped fund secondary wood products export projects, such as a housing technology training program designed to bring together Japanese and US housing manufacturers.

The costs of administering this grant program have been largely paid for by federal funds, however, the program does require state matching funds to help cover administrative costs. Over the last biennium, $59,454 in state funds were expended, and since 1995, the state's total costs have been roughly 10 percent of total grant program costs. Total federal funding over the last biennium was approximately $4.5 million.

Findings

Our review found that CTED has administered the OGDF grant program consistent with its purpose of funding projects intended to diversify local timber-dependent communities, to strengthen Washington's secondary wood products industry, and to provide export development assistance to value-added wood products firms. Although some of its projects are similar to (and sometimes jointly funded by) CERB's and other CTED loan programs, they appear to be effectively coordinated through both the WA-CERT process and internal agency coordination to ensure there is no unnecessary duplication. In addition, the specific criteria of the varying funding sources behind these economic development projects provides additional assurance that there is no unnecessary duplication of effort. In terms of future need for this grant administration activity, it appears that federal funding through the federal Economic Adjustment Initiative will continue at least until December 2000.[75] Therefore, the need for state coordination of the program will continue.

Recommendation 5

Within its existing responsibilities, the Department of Community, Trade and Economic Development should continue to administer federal grants to support the economic diversification of timber-dependent communities and the value-added wood products industry; and to provide export development assistance to the value-added wood products industry.

Permit Facilitation

CTED was required by the RNRIA legislation to facilitate the processing of any permits, licenses, or other official certifications needed for economic development projects in RNRIA designated communities. This responsibility includes working with other state agencies to insure that all parties are effectively coordinating efforts and expediting the application process. CTED's Business Development unit, which is responsible for attracting and siting new businesses in Washington State, coordinates the permitting process. Staff works primarily with the Departments of Ecology (Permit Assistance Center), Natural Resources, and Health, and with local governments.

Findings

Our review found that CTED is expediting the permitting process for economic development projects in RNRIA areas as it was directed. This is an activity that CTED performed prior to the RNRIA legislation, and which it continues to perform. Because of the integration of statewide and RNRIA-based projects, the Business Development unit does not track its RNRIA projects and costs separately. However, it is estimated that over the last two biennia, approximately 60 percent of the unit's program costs

[75] The Northwest Economic Adjustment Initiative, created in 1994 in conjunction with the Forest Plan, is authorized by a memorandum of understanding (MOU) between the federal government and the states of Oregon, Washington, and California. The current MOU is set to expire in December 2000. Discussions for its continuation are currently underway.

have been spent on projects within RNRIA communities. Costs for the 1997-99 Biennium are estimated at $546,839.

This program does not appear to duplicate any other state program. As part of its overall project management, CTED staff works closely with the Department of Ecology's Permit Assistance Center (PAC) to monitor the permitting process and ensure it is progressing smoothly. CTED's role thus complements that of the PAC, but does not duplicate it.

Recommendation 6

As part of its broader, statewide project management responsibilities, the Department of Community, Trade and Economic Development should continue to facilitate permit processing for economic development projects in Rural Natural Resource Impact Areas communities.

SOCIAL SERVICE PROGRAMS AND OTHER EDUCATION PROGRAMS

Chapter Five

There are two social services programs and four education and training programs (other than the supplemental slots offered by SBCTC) included in this sunset review. The Mortgage and Rental Assistance Program (MRAP) provides temporary rent grants or mortgage loans to eligible dislocated workers and their families, and the Flexible Mitigation Fund (FMF) provides them with various emergency-based social services. This report recommends that, if the legislature decides to continue the MRAP program, it make statutory changes; and that, if the legislature decides to continue FMF, DSHS revise the funding process.

Of the four educational programs, two are being offered to eligible dislocated workers, one is still in the design phase, and one is no longer operational. The two that are currently serving eligible dislocated workers are the Upper-Division Timber Workers Education Program, funded through the Higher Education Coordinating Board (HECB), and the Entrepreneurial Training Program, which is coordinated by the Employment Security Department. If the legislature decides to continue these programs, this report recommends revisions to the funding process and program statutes, respectively. For the program that is not yet operational, the Wood Technology Degree Program, this report recommends the sunset mandate be replaced with a termination date of June 30, 2001. This report further recommends that the final program, the Employment and Career Orientation Program, be removed from statute to reflect that ESD and the Department of Natural Resources no longer offer it.

SOCIAL SERVICE PROGRAMS

Two social service programs that were created under RNRIA are included in this sunset review.[76] The Emergency Mortgage and Rental Assistance Program (MRAP) is operated by CTED and provides temporary rent grants or mortgage loans to eligible dislocated workers and their families. The Flexible Mitigation Fund (FMF), which is operated by DSHS, is a funding source that provides emergency assistance to eligible dislocated workers and their families in need of miscellaneous aid.

Emergency Mortgage and Rental Assistance Program (MRAP)

The Emergency Mortgage and Rental Assistance Program (MRAP), as described in RCW 43.63A.600/610/620/630/640, was created in 1991 to provide temporary mortgage or rental assistance to eligible dislocated workers and their families. The program is administered by the Department of Community, Trade and Economic Development (CTED) and has a current biennial budget of just over $1 million.

According to statute, eligible workers are those:

- Who are dislocated from the timber or fishing industry, as determined by ESD;
- Who are actively seeking employment or enrolled in a training program;
- Who have a family income at or below 80 percent of county median income;
- Who are unable to make rent, mortgage, or property tax payments; and
- Whose primary residence is in a RNRIA designated county, as determined by ESD.

[76] A third social service program, the Emergency Food Assistance Program (EFAP), was removed from the RNRIA programs in 1995. However, CTED has continued funding the timber-specific component of the program, and will continue to do so, as long as other RNRIA programs exist within CTED. When and if the timber-specific funding goes away, the greater EFAP program will continue to exist under general CTED operations.

Contractors at the local level may further restrict eligibility criteria, such as offering services only to those participants who are actively searching for work. Once these criteria are met, the program is offered on a first-come, first-served basis.

Mortgage Assistance

This program provides loans to eligible dislocated workers who are unable to pay their mortgage and are at risk of losing their home. According to statute, participants are eligible for up to two years or $20,000 of assistance, whichever is less. Loans are established between the participant and the sub-contracting agencies, who put a lien on the property. Participants have up to 20 years to repay the loan, although some sub-contractors establish more stringent repayment terms.[77] Loan terms are established by determining an interest rate that is 2 percent below prime; the interest rate is a one-time calculation of simple interest at the time the loan is made.[78] Contracting agencies make the mortgage payment directly to the mortgage holder, and the participant, in turn, repays the loan to the subcontracting agency. Per statute, repayments are deposited into a revolving account, which the sub-contractor must use to make additional mortgage loans to eligible workers in their areas.

Rental Assistance

For those eligible dislocated workers who rent their homes, assistance is provided in the form of a grant for up to two years of rental payments. Payments are made by the sub-contractors directly to the participant's landlord.

Contracting Process

Local agencies that manage the program have been county or local non-profit agencies. Since the program's inception in 1991

[77] One sample installment note provided to JLARC indicated a lump sum payment in the full loan amount, plus the one-time simple interest, due three years from when the loan was made.

[78] The central program coordinator at CTED determines the interest rate for the year by calling a local bank and asking for the prime rate. A simple rate set two points below the prime rate is used for the entire year and by each contractor. The interest rate has ranged from 4-6.5 percent, and is currently at 5.75 percent.

and until 1998, county inclusion in the program was determined by a formula created by RNRIA staff.[79] For the most current year, however, CTED is allocating the program funds based on a competitive RFP process.[80] Applications were evaluated based on need statements, program design, capacity/past performance, and program results. As a result of that process, five contracts were awarded to four local agencies.[81]

Historically, there have been up to 10 different agencies managing contracts under the MRAP program. The six that are no longer active still maintain a balance in their revolving fund account, and are still responsible for making loans from and managing these accounts. However, once the program expends the dollars in the first year of their contract, CTED does not track the management of or totals in the revolving accounts, regardless of whether the agency has an active contract or not.[82]

Budget Trends

The Mortgage and Rental Assistance Program is funded at just over $1 million for this biennium. Administrative costs have traditionally fallen under the 15 percent limit, and 28-35 percent of the contract dollars are used for mortgage assistance. The details by biennium are as follows:

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[79] The CTED staff person who has been the one responsible for this allocation process has been on extended leave for the span of this review. No one else has been able to provide us with details on the allocation process.

[80] The program manager stated she tried this approach due to past problems with contractors under- or over-expending their contracts, which resulted in the need for substantial contract adjustments toward the end of each year.

[81] The counties that were awarded funds were Grays Harbor, Lewis, Pacific, Clallam, and Klickitat. The Grays Harbor and Pacific County awards are both managed by the Twin Harbors Community Coalition in Aberdeen.

[82] As indicated in Exhibit 21, just over $1 million has been loaned out for mortgage payments over the span of this program. This is the portion of funds that is not actively overseen by CTED beyond the original year in which the amount was allocated. Because the RCW states that CTED will disburse funds to local agencies as **grants**, CTED does not consider this state money past the first year of expenditure. However, according to the Assistant Attorney General for CTED, if the program were to sunset, any revolving fund balances and/or loan payments would revert back to CTED. If this occurs, CTED has no record of the total dollars due back from each county agency.

Exhibit 20
MRAP Biennial Expenditures, 1991-1999

Fiscal Yr.	Mortgage	% of total	Rent	% of total	Admin.	% of total	Total Exp.	Grant Amt.
1991-93	241,144	34%	375,223	53%	95,048	13%	711,416	$712,806
1993-95	189,966	28%	346,859	52%	93,628	14%	630,454	$670,499
1995-97	280,422	26%	637,843	60%	147,687	14%	1,065,953	$1,068,104
1997-99	378,466	35%	544,108	51%	146,895	14%	1,069,470	$1,070,505
Total	**$1,089,998**	**31%**	**$1,904,033**	**54%**	**$483,258**	**14%**	**$3,477,290**	**$3,521,914**

Source: JLARC analysis of CTED data.

As mentioned previously, there are five counties with active contracts, and six additional counties that are no longer active, but that are managing revolving mortgage funds.[83] Historically, 66-85 percent of the total funding has gone to Lewis, Grays Harbor, and Pacific Counties. Currently, these three counties are receiving 85 percent of all MRAP funds.

Description of Typical Assistance

Using the database that CTED developed in 1995 to track this program, we were able to identify characteristics of the program:[84]

- Approximately 470 individuals and their families have received services.
- Of those, 91 percent are dislocated timber workers and their families.
- In 77 percent of the families served, either the dislocated worker or the spouse was enrolled in a training program at the time of assistance.
- Seventy-two percent of all families served received rental assistance.
- Property tax assistance was provided to approximately 28 families in this time period, and ranged from $135 to $4347 (avg. $279).
- Mortgage loans ranged from $386 to $19,063 (avg. $4592).

[83] Active contracts are held in Clallam, Grays Harbor, Pacific, Lewis, and Klickitat counties. Inactive contracts are still revolving mortgage loan funds in Wahkiakum, Skagit, Snohomish, Skamania, Okanogan, and Kittitas counties.
[84] This is using data from 1995-1998.

- Rental grants ranged from $108 to $13,328 (avg. $2947).

Although the average amount of time that assistance is provided cannot be determined from this database, CTED claims that the majority of participants leave before the time (two years) or quantity ($20,000) limits are reached.

Sunset Criteria

Continued Need. Because there is no central waiting list, it is difficult to determine the continuing need (or lack thereof) for the program.[85] However, in the annual RFP process contractors do provide need statements that outline the past performance and future predictions of need.[86]

Efficiency/Effectiveness. Administrative costs at the county level have remained below the statutory limit of 15 percent. Our analysis found that, for active contracts, administration of the program by CTED is thorough and efficient.[87] Similarly, the contractors that responded to our request for information presented detailed and accurate reports about services provided and funds expended.[88] On the other hand, we are concerned that CTED does not make an effort to track any outcomes or long-term success of this program, such as whether the participants assisted were ultimately able to stay in their homes, or whether they found employment in their home communities.

Effect of Termination/Duplication. Because the level of continued need for the program cannot be determined, it is difficult to predict the effect termination would have on future program participants. One local contractor that responded to our survey indicated that he is able to use funds from other sources to

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[85] Some contractors do keep waiting lists to receive services, but do not agree on whether these accurately indicate continued need for the program.
[86] The contractors provide information about possible future mill closures, average unemployment rates, average income levels, and TRB participation rates.
[87] Activities include maintaining an extensive database of individual accounts, contracting through an RFP process, requiring and monitoring regular reporting, consistently tracking expenditures, conducting systematic contract site visits and audits, and maintaining consistent contact with active contractors.
[88] None of the contractors with inactive contracts responded to our request for information.

provide these services, although it is not apparent if these funds would increase in the absence of MRAP dollars.[89] Note too, that some agencies that manage this contract also manage a Flexible Mitigation Fund (FMF) contract, which may also be used for rent and mortgage assistance *(for further discussion, see FMF section below).* Without the MRAP program, it is more likely that some dislocated workers will lose their homes through eviction or foreclosure.

Summary of Findings

- CTED is compliant with legislative intent to provide rental and mortgage assistance to dislocated timber and salmon workers.
- Since the entire program does not fall under sunset review, JLARC staff cannot recommend whether the program be extended or be allowed to expire under the Sunset Act.[90]

> ***Recommendation 7***
>
> *If the legislature decides to continue the Mortgage and Rental Assistance Program, it should remove RCW 43.63A.600 from the Sunset Act (RCW 43.131.386). If the legislature's intent is to allow the program to sunset, then it should add a termination date to the additional RCWs that authorize this program (RCW 43.63A.610/620/630/ 640).*

Flexible Mitigation Fund (FMF)

The Flexible Mitigation Fund (FMF) (RCW 43.20A.750) was established in 1991 to provide grants for a variety of emergency-based service needs for eligible dislocated workers and families in rural natural resource impact areas. The Fund's annual budget

[89] Funding sources cited to JLARC staff were the Federal Emergency Management Act, the Washington State Emergency Shelter Assistance Program, and the Emergency Shelter Grant Program (federal block grant managed by the state). These programs are primarily emergency-based and would offer temporary assistance in the form of shelter or a one-month rent or mortgage grant.

[90] Only one of the RCWs that applies to the MRAP program was included in the 1995 bill that added sunset language to the RNRIA program. Because of that, this review technically only covers the "goals" section of the program's authorizing statutes.

is $500,000; it is administered by the Department of Social and Health Services (DSHS).

Eligibility

Eligibility requirements and verification of need have been implemented and carried out through a variety of means across participating counties. Most counties qualify clients for FMF grants using the same or similar criteria that they use for other RNRIA programs. Types of eligibility requirements include proof that the client is an eligible dislocated worker, a needs assessment, financial statements, and proof of residency in a RNRIA designated county. Contractors also verify that no other source of aid is available to the client before approving an FMF grant.

Administration of Fund Grants

RNRIA designated counties are divided into two groups based on Employment Security Department (ESD) data.[91] In FY 1998, "Tier One" counties received $380,000 of the allocation and "Tier Two" counties received $80,000. Each county is then allotted a percentage of the fund based on the county's needs. Another $10,000 was allocated to the Volunteers of America in Sultan (for the Family Support Center, which is being phased out at the end of FY 99), and the final $30,000 was held in reserve.[92]

Exhibit 21, on the following page, shows the portions of the budget that went to the "Tier One" counties.

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[91] DSHS uses a formula developed by ESD, which totals overall timber job losses since 1988 and the number of people who applied for Disaster Unemployment Assistance as a result of the salmon closure in 1994. "Tier One" counties receive funds based on their percentage of total timber/fisheries job losses. Counties are reassessed every two years, and are due for re-evaluation in FY 99.

[92] DSHS uses the reserve to supplement allocations to "Tier One" counties at the end of the year based on their continued need. Any portion of a grant not used by a county or provider is put into the reserve and redistributed through a contract amendment. For example, two counties, Skagit and Skamania, returned a total of $15,000 of their allotment in FY 1998, which was dispersed to Grays Harbor/Pacific, Lewis, and Snohomish Counties.

Exhibit 21
FMF "Tier One" Spending – FY 1998*

"Tier 1" Counties	Actual Grant Amount	Actual % of "Tier 1" Amount
Clallam	$91,200	22%
Grays Harbor/Pa	$120,950	29%
Klickitat	$26,600	6%
Lewis County	$74,500	18%
Skagit	$25,400	6%
Skamania	$26,200	6%
Snohomish	$44,800	11%
Wahkiakum	$7,600	2%
Sub Total	**$417,250**	**100%**

* Includes reserve fund amendments.

Source: DSHS data.

Administrative and overhead costs at the local level are limited to 15 percent per grant. As shown in Exhibit 22, however, agencies in selected counties charged overhead costs that ranged from 4 to 47 percent in FY 1998, with an overall average of 20 percent.[93]

[93] By agreement with Lewis County, the White Pass Community Service Coalition uses their allocation to partially fund a coordinator's salary. In Skamania County, the allocation is dispersed to the Klickitat-Skamania Development Council. DSHS records show that Skamania County reported administrative costs of 36 percent. The Skagit County Community Action Agency (SCAA) charged an administrative rate of 25 percent, and the Western Washington Resource Council (WWRC) used 85 percent of its grant on administrative/overhead costs. Skamania County, the WWRC, and SCCAA all returned a portion of their funding in FY 1998.

Exhibit 22
Administrative Costs of Selected
"Tier One" Counties – FY 1998

County	Fund Amount	Admin Costs
Clallam*	$91,200	4%
Grays Harbor/Pacific	$120,950	10%
Lewis County**	$74,500	47%
Skagit***	$25,400	42%
Skamania	$26,200	36%
Snohomish	$44,800	14%
Average costs for Seven "Tier One" counties		**20%**

* Includes county but not subcontractor administrative fees.
** Includes partial salary for coordinator position.
*** Average of county and subcontractor.

Source: DSHS data & JLARC survey.

Services Provided

FMF contractors grant emergency funds and services to eligible dislocated workers and their families for needs that include, but are not limited to:

- Food;
- Medical/dental care;
- Child care;
- Prevention of mortgage foreclosure/utilities disconnection;
- Residential heating; and
- Counseling (credit, marital, psychological, substance abuse, etc.).

Based on information from contractors, interviews with DSHS, and available records, Exhibit 23 shows FMF expenditures by type of service provided for FY 1998.

Exhibit 23
FMF Grant Spending of Selected
"Tier One" Counties – FY 1998

Category	Percentage
Shelter[2]	26%
Mortgage Assistance	22%
Administration[3]	20%
Transportation[4]	8%
Medical/Health[5]	8%
Rent Assistance	6%
Other[6]	6%
Utilities[7]	4%
Total	**100%**

1. The figures in this exhibit represent expenditures for Clallam, Grays Harbor/Pacific, Lewis, Skagit, and Skamania Counties, or 81 percent of FMF grants to "Tier One" counties.
2. Grays Harbor/Pacific Counties - for rent, mortgage, victim shelter.
3. Includes reported administrative and overhead costs (including salaries).
4. Includes gasoline, insurance, licensing, maintenance, and $26,755 for Mountain Highway Transit in Lewis County.
5. Includes dental care, domestic violence, medical appointments, mental health, prescriptions, and substance abuse.
6. Includes child care, clothing, food, furniture, and household necessities.
7. Includes electric, gas, heat, telephone, water.

Source: DSHS data.

As indicated in Exhibit 23, 54 percent of spending in the selected "Tier One" counties is used to provide rental, mortgage, and shelter assistance. Several contractors in Clallam County also use a substantial portion of their allocation to provide services for health issues such as medical and dental bills, mental health, substance abuse, and domestic violence. In Grays Harbor County, the contractor emphasizes using the funds to ensure that clients can accomplish their TRB goals, while in Lewis County, the contractor uses FMF to generate matching funds.[94] Skagit

[94] Such as the Emergency Shelter Grant Program (ESGP) and Federal Emergency Management Assistance (FEMA). The contractor raised $4.00 for every FMF dollar. (This includes a Rural Transportation Grant.)

and Skamania County contractors use most of their grant for rent assistance.

Continued Need

The level of continued need appears to vary by county. While some contractors indicate concerns that the demand for FMF will continue and even increase, others are decreasing their use of, or have never used, FMF. In Grays Harbor and Lewis Counties, new rounds of timber-related lay-offs are anticipated. Similarly, Okanogan County, which previously has received minimal FMF grants, will be receiving a larger allocation due to the mill closure in Omak. Other counties report waiting lists for services.[95] On the other hand, two "Tier Two" counties have never requested an FMF grant, and as of FY 2000, funding will no longer be provided in Skagit County.[96]

Summary Finding

DSHS is complying with legislative intent in providing a flexible funding source that allows contractors to fill in various needs of program recipients. Our analysis does raise concerns, however, that the current allocation process does not match actual program use. Over the span of this program, several "Tier One" counties have had to return unused portions of their grants, and one "Tier One" county is not receiving grant money for FY 2000, due to shrinking demand. Additionally, two "Tier Two" counties have never requested grants.

Recommendation 8

If the legislature decides to continue the Flexible Mitigation Fund, the Department of Social and Health Services should revise the funding allocation process in order to better target areas with the most prevalent and consistent needs.

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[95] In Ferry, Pend Orielle, and Stevens Counties, the contractor indicates a list of 400-600 individuals needing heating assistance (for which the FMF allocation is combined with other resources).

[96] Although they were eligible under the ESD criteria, Columbia County was not considered for grants, and Cowlitz and Whatcom Counties have never requested FMF grants. It was estimated that there would not be enough qualified applicants to justify the program in these counties.

OTHER EDUCATION PROGRAMS

In addition to the supplemental slots and tuition waivers offered by the community colleges, there are four additional education programs mandated under the RNRIA umbrella. They include:

- The Upper-Division Timber Workers Education Program (managed by the Higher Education Coordinating Board),
- The Entrepreneurial Training Program (operated by ESD),
- The Wood Technology Degree Program (being developed and piloted at Bates Technical College), and
- The Employment and Career Orientation Program (coordinated between DNR and ESD).

Upper-Division Timber Workers Education Program

The 1991 Omnibus Timber legislation (ESSB 5555) established the Upper-Division Timber Workers Education Program to provide educational opportunities to eligible residents in RNRIA designated counties.[97] Approximately $500,000 of state General Funds is appropriated to the HECB each biennium to contract with institutions to create specific, targeted programming for dislocated timber workers, salmon workers, and their families.[98] Statutory conditions stipulate that the program must: be located in an area unserved by other state-funded, upper-division programs; serve placebound students; give priority to eligible dislocated timber workers or their spouses (but admit other community members as well), and use telecommunication technology to the extent feasible. The programs are open to anyone who wishes to enroll, but tuition waivers are only available to participants who are receiving extended

[97] These programs are open only to students completing the last two years of a degree. It is expected that the community college system will educate students to receive their AA degrees, at which time they can move into this upper-division program.

[98] The appropriation also requires the participating institutions to provide up to a total of 50 tuition waivers to eligible workers or their spouses who wish to participate in the program.

unemployment benefits under the Timber Retraining Benefits (TRB) program.[99]

Washington State University (WSU) and Western Washington University (WWU) are the two institutions that have contracted with the HECB to implement this program since 1992. The RFP for this program has been extended to other institutions in past years, but there have been no other proposals submitted.

WSU operates a distance learning program through video tapes, mail, email, and the web, and provides degrees in Criminal Justice, Human Development, Social Sciences, and Business. The Social Sciences program was developed in FY 1993, and all of the remaining degree programs began in FY 1999. For the FY 1992 school year, WSU also offered site-based courses in Criminal Justice in Port Angeles. WSU currently has authority to offer up to 35 FTE (Full-Time Equivalent) waivers.

WWU operates a single site-based program in Port Angeles in Environmental Studies and Policy Assessment. WWU also offered a Chemical Dependency track to the bachelor of arts degree in Human Services for one school year in FY 1993. WWU currently offers waivers for up to 15 FTEs.

Budget

The total cost of the program for the 1997-99 Biennium is $557,000. The HECB reports that this calculates out to an average cost of $9,283 per FTE, which closely compares with the overall average cost of two years of higher education, which is $9,211.[100] The overall funding for this program has increased gradually over the years (as the cost per student FTE increases), but the number of waivers authorized (50 student FTEs) has remained constant. The funding and FTEs for the program are indicated for each institution in Exhibits 24 and 25.

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99 Program eligibility for the waivers is determined and authorized by the Employment Security Department.

100 The average cost the HECB uses for this comparison is based on the average cost of two years of upper-division courses at a branch campus.

Exhibit 24
WSU Distance Learning Budget and FTEs

Fiscal Year	FY 92*	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Total EDP Budget	$250,000	$424,448	$789,519	$852,984	$1,058,099	$1,414,330	$1,715,705	$1,885,648
HECB - Timber $	$250,000	$107,000	$249,900	$248,500	$159,250	$119,250	$196,625	$196,625
Timber $ as % of total		25%	32%	29%	15%	8%	11%	10%
Total EDP Enrollment	10.7	16.8	67.1	130.1	183.8	247.6	326.0	351
Head Count	20.0	63.5	214.0	359	479	664	885.5	989.5
Waiver FTEs allocated	25	40	35	35	25	35	35	35
Waiver FTEs awarded	2.1	1.7	12.4	16.3	18.6	19.7	24.3	19.9
Graduates (waivers**)**	0	0	0	0	7	6	10	1
Graduates (impacted counties**)**	0	0	4	10	14	33	36	20
Graduates (total EDP**)**	0	0	5	19	35	74	80	91
Total Cost per AAFTE	$23,474.18	$25,264.76	$11,775.08	$6,556.37	$5,756.80	$5,712.16	$5,263.71	$5,372.22
Timber $ per AAFTE	$23,474.18	$6,369.05	$3,727.07	$1,910.07	$866.43	$481.62	$603.24	$560.19

*Consists of Criminal Justice enrollment data from winter, spring, and summer 1992 quarters. $357,000 was funded by the HECB from January 1991 through June 1993. The $250,000 Timber revenue for FY 92 was calculated by subtracting $107,000 that was specifically funded for FY 1993.
**Final clearing for graduating senior, May 1999, not yet official.
Source: WSU Extended Degree Program Office.

Exhibit 25
WWU Site-Based Program Budget and FTEs

Fiscal Year	FY 93	FY 94	FY 95	FY 96	FY 97	FY 98	FY 99
Total Program Budget	$ 70,000	$130,160	$142,359	$158,450	$176,033	$156,686	
HECB - Timber $	$69,979	$111,323	$102,877	$159,250	$119,250	$83,625	$83,625
Timber $ as % of Total	100%	86%	72%	101%	68%	53%	
Total Program Enroll.	6.27	12.42	13.07	17.35	16.75	6.79	12.64
Head Count	23.3	18.3	16.3	24.3	17.3	15.3	16.7
Waiver FTEs allocated	10	15	15	25	15	15	15
Waiver FTEs awarded	4	6.66	6.33	3.66	2	3.33	3
Graduates	0	0	8	3	11	5	2
Total Cost per AAFTE	$11,164	$10,480	$10,892	$9,133	$10,509	$23,076	$0
Timber $ per AAFTE	$11,161	$8,963	$7,871	$9,179	$7,119	$12,316	$6,616

Source: WWU.

For WSU, the HECB-Timber funds have represented between 5-30 percent of total program funds. For WWU, however, the Timber funds represent the bulk of program funding.

In general, both schools have experienced under-utilization of the tuition waivers for this program.[101] WSU has been successful in expanding its program to reach an even broader population of students in geographically remote areas. However, WWU has experienced overall low participation in its program.[102]

Graduation rates

According to the data in Exhibit 24 above, of the 3,674 students that have participated in the WSU program, 304 (8 percent) have graduated.[103] WWU reports that, of the 50 unduplicated students served in the program to date, 29 students (58 percent) have graduated.

Follow-up and Tracking

Evaluation of the programs is done through the periodic reports the two participating institutions submit to the HECB, and by supplemental reports done by the HECB. For example, in 1995, the HECB submitted a report to the legislature that commented on student satisfaction, academic success and employment success of program participants.[104] Since then, there has been no systematic, long-term follow-up on employment rates or wage earnings of program graduates. The institutions do report these program FTEs to the Office of Financial Management (OFM), but the "budgeted" and "actual" numbers reported do not provide a meaningful comparison.[105] Other than graduation rates and

[101] Both institutions state that no student who is eligible to receive tuition waivers has been turned down. Rather, the demand does not reach the FTEs available.
[102] Of course, it is important to note that the WWU program is a single, site-based program that typically offers only one course per term.
[103] These numbers do not indicate, however, how many of the 3,674 students are still in school or have transferred to another institution.
[104] The 1995 study was required by statute; the HECB has had no other reporting requirements from the legislature.
[105] The "budgeted" number OFM reports is the tuition waiver FTEs, and the "actual" number is the total number enrolled in the program. This implies that

anecdotal information from the participants, the institutions do not gather outcome information to determine the success of these programs.[106]

Summary Findings

The HECB and the two participating institutions, WSU and WWU, are compliant with legislative intent to provide upper-division education opportunities to eligible dislocated workers or their spouses. WSU has generally filled the waiver FTEs and consistently expanded its program to serve other students in geographically remote areas. WWU has had low participation in the waiver slots and in the program overall. In terms of impact, neither the institutions nor the HECB were able to provide more than anecdotal information about the long-term effects that this program may have on participants re-introduction to the workforce (e.g., in the terms of increased likelihood of employment and/or increased earnings). Other than providing more access to higher education for rural communities, it is unclear what the long-term benefits of this program are.

Recommendation 9

If the legislature decides to extend the Upper Division Timber Workers Education Program (RCW 28B.80.570/575/580/585), the Higher Education Coordinating Board should:

- *Explore the reason for the under-utilization of the waiver program and report to the legislature on whether those program funds could be used more efficiently.*[107]

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the program has exceeded enrollment expectations, when in fact, the tuition waiver FTEs have been consistently underutilized.

[106] WSU is in the process of developing a component of the Student Learning Outcomes Assessment Program that will assess the impact of its program in terms of creating life-long learners, developing more sense of community, and enhancing citizenship.

[107] Or, the funding should be characterized more clearly as funding to support the entire program rather than just to fund tuition waivers for eligible dislocated workers or their spouses.

- *Consider updating the information that was reported to the legislature in 1995, such as employment status, average wages, and whether employment is related to degree earned, for the program participants.*

Entrepreneurial Training Program

The Entrepreneurial Training Program is a training program created under RNRIA and managed by the Employment Security Department. According to RCW 50.12.270, ESD was mandated to "carry out a program of training and services, including training through the entrepreneurial training program, for eligible dislocated workers in rural natural resource impact areas." The program has been operational since 1991.

To implement this program, ESD has competitively bid out contracts of up to seven community agencies to create and operate entrepreneurial training programs in their communities. Currently, the program is being offered at two colleges, Grays Harbor Community College and Peninsula College. The program offers training and support to dislocated workers creating micro, small, or home-based businesses. The program serves dislocated workers in RNRIA designated areas, whose eligibility is determined by ESD, according to statute.

Generally, training and support services include business training and counseling, business plan development, linkages to financing, ongoing support after business startup, and some basic skills instruction and computer literacy training. Decisions concerning specific class format and duration, however, are made at the contract level. Currently, Grays Harbor Community College offers entrepreneurial training in two formats, a long course and a short course. The long course is a year-long certificate program. The short course allows individuals with much of the groundwork done to complete a "fundamental small business start-up framework." Grays Harbor Community College also hosts "The Small Business Forum" for local entrepreneurs.

The Entrepreneurial Training Program is funded through the Penalty and Interest Fund (formally known as the Administrative Contingency Account) managed by ESD. When the program first began in 1991, it was initially funded at $500,000 for the biennium, which was later reduced due to revenue shortfalls. Subsequent biennial allocations have also been lower due to shortfalls in the Penalty and Interest Fund. Exhibit 26 displays participating entities, participant rates, and expenditures for 1991-1999.

Exhibit 26
Budget and Participation, 1991-1999

	1991-93 Biennium	1993-95 Biennium	1995-97 Biennium	1997-99 Biennium
Participating Agencies	Clallam EDC, Grays Harbor CC, Yakima Valley College (in Yakima and Kittitas), Bingen Job Service Center, Trico Economic Development District, Snohomish County PIC	Clallam EDC, Grays Harbor CC, Yakima Valley College (in Yakima and Kittitas), Bingen Job Service Center, Trico Economic Development District, Snohomish County PIC	Peninsula College, Grays Harbor Community College, Columbia Gorge Job Service Center	Grays Harbor Community College, Peninsula Community College
Total Participants	244	195	115	111
Business Starts	76	62	55	36
Other Entered Employment	44	25	3	4
Other Terminations	124	108	9	23
Currently Enrolled	NA	NA	NA	52
Allocation	$460,000	$304,000	$354,000	$354,000
Expenditures	$462,959	$299,980	$263,303	$188,575*
% Used for Admin.	5%	5%	7%	6%
Avg. Cost Per Part.	$1,897	$1,538	$6,422	$3,078**

Source: ESD.
Business start is defined as setting up a bank account and establishing all necessary licenses.
Other entered employment means the individual took a job outside of the entrepreneurial field.
Other terminations means that the individual left the training for a reason not know to the school.
*Expenditures to date, as of 4/23/99.
**Based on total allocation.

In the current contracts, this ESD funding serves only a portion of the students enrolled in entrepreneurial training.[108] In addition to the ESD funding, Title III of the JTPA funds the tuition and supplies for eligible dislocated workers interested in this training.

[108] For example, during the 1997-98 program at Grays Harbor Community College, ESD funding covered nine of the 15 students enrolled. The remaining students' tuition and other fees were paid for by the Grays Harbor Career Transition Center.

Summary Findings

The ESD has characterized this as a "small, but successful program" that has always been intended to eventually become self-sustaining. As indicated by the program manager, "progress has been made by both . . . contractors to mainstream these programs into their regular curriculum." She noted that, if this program were to sunset, "some form of entrepreneurial training coursework will probably continue to be available at these colleges, but without this direct fund source." In fact, most colleges in Washington do now offer some form of entrepreneurial training courses. The one piece that may be missing, however, is the individual business counseling and follow-up support. Some options do exist for continued assistance, such as local Small Business Development Centers and Economic Development Centers, which assist to "grow" businesses with workshops and technical assistance. However, due to budget shortages, many of these programs are unable to help the very small businesses.

Recommendation 10

If the legislature decides to continue the Entrepreneurial Training Program, it should remove RCW 50.12.270 from the Sunset Act (RCW 43.131.385/386).

Wood Technology Degree Program

RCW 28B.50.262 directs the SBCTC, along with the Center for International Trade in Forest Products (CINTRAFOR), the WSU Wood Materials and Engineering Laboratory, and CTED, to develop a "competency-based technical degree program in wood product manufacturing and wood technology" for college districts in rural natural resource impact areas.[109] SBCTC is in the process of developing a pilot project at Bates Technical College, although it is not scheduled to be operational until 2000.

[109] This mandate was part of a 1994 bill (SSB 6082) that revised the duties of CINTRAFOR, although CINTRAFOR is not involved in the creation of this program. It appears under the RNRIA sunset because it is targeted to RNRIA areas.

According to an SBCTC official, the Board decided to not create a technical degree program, but rather gave colleges the authority to develop associate degrees with technological emphasis. Bates Community and Technical College in Tacoma began developing a wood products manufacturing program in 1997.[110] The Board used a portion of a five-year federal grant to fund the project, which has expended $123,000 to date.[111] Once this funding to create the program expires (in 2000), the Board expects the program to be supported by regular state enrollment funds.

Currently, the program exists as a set of formal skill standards that were developed by a committee of public and private individuals involved in wood products manufacturing across the state.[112] The next phase in the program development, which is expected to last one-two years, is to develop curriculum and assessment tools. Once that is complete, the program will become operational. The Board expects this program to be offered in all high schools and community and technical colleges in communities that have dislocated workers.

Summary Findings

The Board is complying with the mandate to create a Wood Products Technology degree. Since this program is entirely funded by federal dollars, the effect the sunset requirement has on the program is minimal. However, according to the program manager, the legislative mandate has had a “great impact on the successful recruitment of companies to the advisory team,” and suggests that the mandate remain until the training program is established and successfully operating. According to the program manager, “the mandate serves as to ‘focus’ education on the

---

[110] Three occupational clusters are included in this program: Wood Machine Tool Operator, Wood Products Manufacturing Specialist, and CAD/CAM/CIM Specialist.

[111] This program is funded with a small portion of the Board’s five-year grant from the US Department of Education’s Federal School to Work Act. The wood products manufacturing program represents approximately 4 percent of this grant. Additional resources coming to this program come from the private sector in volunteer hours and other non-monetary resources.

[112] Members of the committee include the Northwest Wood Products Consortium, the Northwest Policy Center (UW), and the Evergreen Partnership, along with representatives from wood product manufacturing firms in Washington, WSU, labor unions, and other community and technical colleges.

realities and the current and future need for skilled workers for secondary wood products manufacturing."

Recommendation 11

The legislature should re-authorize the Wood Technology Degree Program (RCW 28B.50.262), but remove the sunset language and replace it with a termination date of June 2001 (by which point the program should be operational).

Employment and Career Orientation Program

The Employment and Career Orientation Program was created in the original "Timber Team" legislation in 1991 as a joint venture between Employment Security and the Department of Natural Resources.[113] In 1991, the program received $240,000 in state General Funds and a legislative directive to fund the remainder of the program with DNR trust fund dollars.[114]

As stated in RCW 50.70, ESD was to identify and recruit eligible dislocated workers to enroll in the program.[115] DNR's role was to employ no less than 200 participants in "activities that improve the value of state lands and waters," such as thinning, pruning, reforestation, slash removal, trail and recreational facility maintenance, dike repair, and stream enhancement. The program was to be six months long, during which participants worked 32 hours per week and received training (from Employment Security) for eight hours per week.[116] RCW 50.70 stated that DNR would pay wages, including medical and dental benefits, to the participants.

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[113] Limited information is available about this program since six years have passed since it ended. The limited information we received was from telephone conversations and memos DNR and ESD officials. Note that DNR and ESD were not required to retain information on this program beyond 1997, which was four years after the program ended.

[114] This is per recollection of agency officials. JLARC staff was not able to verify the total dollars or the DNR funding source.

[115] "Responsibility for ESD's portion of the program was assigned to the Washington Service Corps (WSC) because of the WSC's history of working with DNR on issues surrounding the Washington Conservation Corps."

[116] According to ESD, some participants received training in the 32-8 format as described in RCW, and others received training in one block of up to 26 days (equivalent to one day per week for six months).

Although the program is still "on the books" in the RCW, it existed for only one program cycle in 1992, after which DNR did not continue the program. According to staff at DNR and ESD, the program was discontinued for a variety of reasons. Foremost, the program did not receive continued funding from the state General Fund past the first program cycle.[117] In addition, the program was not well received by business interests and labor unions.[118]

At the time this program was coming to an end, DNR was just developing the Jobs For the Environment (JFE) program, which also provides employment to dislocated natural resource workers in projects that benefit critical and depressed fish stocks.[119] JFE has many of the same characteristics and opportunities as the discontinued RNRIA program had, such as:

- Providing temporary employment (tied to individual project duration);
- Targeting dislocated natural resource workers (80 percent of workforce had to meet this criteria);
- Including training, such as on-the-job training, technical workshops, and other formal training opportunities;
- Offering "family wages," including medical benefits; and
- Improving the value of state lands and waters.

Additionally, the JFE program allows participants to accrue unemployment benefits, which was one of the perceived shortfalls of the discontinued RNRIA program. As indicated in a 1998 JLARC report, JFE has employed approximately 800 dislocated workers, with average wages between $12.00 and $19.00 per hour.[120]

---

[117] According to an agency official, "DNR declined to use their own trust fund as a source of funding, citing numerous legal complications."

[118] Business representatives objected to portions of the Penalty and Interest Fund being used for training purposes, and labor unions objected to participants not being employed long enough to accrue unemployment benefits during their tenure in the program.

[119] Jobs for the Environment (JFE) was created by the Environmental Restoration Jobs Act in 1993.

[120] In 1998, JLARC was mandated to evaluate the JFE program (Report 98-7).

Summary Findings

- The Employment and Career Orientation Program was offered for one program cycle, and is no longer operational.
- Much of the legislative intent for the program has been carried over into the existing JFE program.

Due to the process by which this sunset review was added on to legislation that was amending only portions of the RNRIA programs, only a portion of this program's statutes actually falls under the formal sunset review process. This program spans all sections of Chapter 50.70 RCW, but the only two under sunset are RCW 50.70.010 ("Definitions") and RCW 50.70.020 ("Purpose").

Recommendation 12

The legislature should allow the statutes related to the Employment and Career Orientation Program to terminate. In addition, the legislature should remove from the RCW the remaining statutes pertaining to this program as well (RCW 50.70.030/040/050/900/901/ 902).

SCOPE AND OBJECTIVES

Appendix 1

The Rural Natural Resource Impact Areas (RNRIA) program was originally created as part of the "Timber Recovery Act" of 1991. The purpose of the program was to assist individual displaced workers and their communities affected by downturns in the timber industry. In 1995, the program was expanded to include displaced workers and communities affected by the declining salmon fishing industry. Also in 1995 the major state-funded programs which operated under the RNRIA umbrella were put under sunset.

RNRIA is an umbrella grouping of economic development, education and training, and human services programs offered by various state agencies. The most significant fiscal component of the program is Timber Retraining Benefits (TRB), which provides extended unemployment benefits to dislocated workers who enroll in approved education and training. Other components of RNRIA include higher education slots and tuition waivers at community and technical colleges and state universities, specific education and training programs, economic development loans for private and public enterprises, and human service programs for eligible dislocated workers and their families, such as low-interest mortgage loans and emergency cash assistance.

The RNRIA programs listed under sunset are scheduled to terminate on June 30, 2000, as provided in RCW 43.131.385.

SCOPE

This sunset review will analyze the Rural Natural Resource Impact Areas (RNRIA) program, created to assist individual dislocated workers and their communities who were affected by downturns in the timber and salmon fishing industries. The program is scheduled to terminate on June 30, 2000.

(**Note:** Although not all related programs covered in this review are scheduled for termination, the proposed sunset review report will provide descriptive information on the full scope of state-funded interventions in order to provide a better picture of the broader program context.)

OBJECTIVES

1. Assess whether the programs under review have been implemented and operated consistent with the legislative intent of assisting dislocated workers and their communities.

2. Determine and evaluate the extent to which these programs are operating efficiently and effectively (which will include an assessment of the programs' current performance measures and their impact), and are not unnecessarily duplicative of other public or private programs.

3. Evaluate whether the economic and social conditions under which the programs were created still exist and assess whether the responsible agencies have demonstrated sufficient need to continue the program.

4. Determine whether the Timber Retraining Benefits enable displaced workers to attain re-employment at a level that they would have otherwise been unable to achieve.

5. Assess whether the programs should be allowed to terminate, continued without change, or continued with modifications.

AGENCY RESPONSES

Appendix 2

- Office of Financial Management
- Department of Community, Trade and Economic Development, and Auditor's Comments
- Department of Social and Health Services
- Department of Natural Resources
- Employment Security Department
- Board for Community & Technical Colleges
- Higher Education Coordinating Board
- Public Works Board, and Auditor's Comments

STATE OF WASHINGTON

OFFICE OF FINANCIAL MANAGEMENT

Insurance Building, PO Box 43113 • Olympia, Washington 98504-3113 • (360) 902-0555

August 24, 1999

Mr. Thomas M. Sykes
Legislative Auditor
Post Office Box 40910
Olympia, Washington 98504-0910

Dear ~~Mr. Sykes~~: Tom

Thank you for the opportunity to respond to the preliminary report on the Rural Natural Resource Impact Areas Programs Sunset Review. Your report provides a good understanding of the original purpose and impacts of these programs. We concur with your recommendations. Please extend my compliments to your staff on a job well done.

Sincerely,

Dick

Dick Thompson
Director

DT:TY:lh

STATE OF WASHINGTON
DEPARTMENT OF COMMUNITY, TRADE AND ECONOMIC DEVELOPMENT
906 Columbia St. SW • PO Box 48300 • Olympia, Washington 98504-8300 • (360) 753-2200

August 17, 1999

Mr. Thomas M. Sykes
Legislative Auditor
Joint Legislative Audit and Review Committee
Post Office Box 40910
Olympia, Washington 98501-2323

Dear Mr. Sykes:

Thank you for providing the opportunity to review and comment on the preliminary report of the Rural Natural Resource Impact Areas programs sunset review. It has been a pleasure and honor fulfilling the intent of the Rural Natural Resource Impact Areas legislation. The following information and positions are offered in a spirit of cooperation and partnership with the intent of strengthening the final report.

The preliminary report references RNRIA as an umbrella grouping of human services, education and retraining, and economic development programs. The glue that holds the umbrella together, RNRIA coordination through the GRCAT, is not a subject of this sunset review. Yet, implementation of the programs over time is directly correlated to GRCAT coordination. For these reasons, it is important to acknowledge the links between the GRCAT coordination mechanism and several comments and recommendations made in the report. These are as follows:

- The agency concurs that GRCAT should sunset, but recommends WA-CERT as the coordinating mechanism for the future. This position is consistent with the Governor's Economic Vitality Initiative and the new rural development tools authorized during the 1999 Legislative Session.
- Page 59 of the report states that "the need for state coordination of the program will continue." Since this is the case, then a finding of the report should be that funding should continue so that the coordination function can continue. WA-CERT administration is funded through GRCAT. Without GRCAT funding the WA-CERT is jeopardized.
- The WA-CERT process, as managed by GRCAT, is a significant source of projects and state and non-state leverage for dollars for the CERB, OGDF programs and CAC project development.

Mr. Thomas M. Sykes
August 17, 1999
Page two

RECOMMENDATION	AGENCY POSITION	COMMENTS
Recommendation One	Concur	
Page vii and Recommendation Three	Concur and Clarify	CTED is willing to consider using a different approach if JLARC can share its methodology.
Recommendation Four	Concur	
Recommendation Five	Concur	
Recommendation Six	Concur	
Recommendation Seven	Partially Concur	Mortgage and Rental Assistance Program contractors expect to serve 436 individuals in 141 households during the current fiscal year. In addition, there have always been requests for funding that exceeded the amount available. This year's requests, based on documented local needs analyses, exceed the amount available by $84,492. Because of this, and based on the continued downward social and economic trends in several RNRIA counties, we urge the removal of the sunset language for MRAP.

Finally, the report raises an important policy issue regarding the impacts of programs on community stability. The question should be asked of the RNRIA programs collectively.

We look forward to working with your staff over the coming month as the report is readied for publication. We shall contact you regarding CTED representation at the September 15 JLARC meeting. If you need additional information or clarification, please call Karin Berkholtz at (360) 586-0872 or me at (360) 664-2007.

Sincerely,

Kathy Kreiter
Acting Director

Auditor's Comments On Response From The Department Of Community, Trade And Economic Development

As stated in the report, the coordination function of the Governor's Rural Community Assistance Team (GRCAT) is scheduled to terminate, without review, on June 30, 2000. The RCW authorizing GRCAT is not included in the sunset statute with the other RNRIA programs. Accordingly, this report does not include an evaluation of the coordination effort (see page 2 of the report). This report also does not include an evaluation of the WA-CERT process. Therefore, we do not make any recommendations about GRCAT or WA-CERT funding or functions.

STATE OF WASHINGTON
DEPARTMENT OF SOCIAL AND HEALTH SERVICES
Olympia WA 98504-5000

RECEIVED
AUG 03 1999
JLARC

July 28, 1999

Thomas Sykes, Legislative Auditor
Joint Legislative Audit and Review Committee
506 16th Avenue SE
Olympia, WA 98501-2323

Dear Mr. Sykes:

Thank you for your thoughtful suggestion in the preliminary staff report of the Natural Resource Impact Areas Programs sunset review to the Joint Legislative Audit and Review Committee (JLARC).

RECOMMENDATION	AGENCY POSITION	COMMENTS
Recommendation # 8 If the legislature decides to continue the Flexible Mitigation Fund, DSHS should revise the funding allocation process in order to better target areas with the most prevalent and consistent needs.	We concur with the recommendation	Employment Security and DSHS staff, as Members of the Governor's Rural Communities Assistance Team will revise this process should the legislation continue. We agree that new information is necessary for accurate targeting.

The enclosure explains some of the apparent discrepancies in administrative costs.

We look forward to the formal agenda for the JLARC'S next meeting. Mary Anne Harrington will be available to answer oral comments from you or your representatives.

Sincerely,

LYLE QUASIM
Secretary

Enclosure

cc: Cheryl Stephani

ADDITIONAL COMMENTS REGARDING THE PRELIMINARY STAFF REPORT OF THE RURAL NATURAL RESOURCE IMPACT AREAS PROGRAMS

One impression the report might leave is that certain counties have very high administrative costs. These counties are Lewis, Skagit and Skamania. In all three counties funds were provided for outreach. Outreach is an acceptable activity in order to deliver the service, and has been authorized by the Governor's Rural Communities Assistance Team since 1991, therefore these are program costs, and not administrative costs. In Lewis and Skagit counties, the social services are situated along the 1-5 corridor, while the job displacements are in the eastern, remote parts of the counties, hence the need for staff to provide outreach. Skamania County traditionally returned monies, until an outreach coordinator was hired. Then, not only did they spend their allotment, but also requested additional funds from the reserve.

If these apparent administrative costs are averaged across all eligible counties, it would then appear that the overall administrative costs are high. This is not the case. DSHS by statute is precluded from taking any administrative costs.

WASHINGTON STATE DEPARTMENT OF
Natural Resources

JENNIFER M. BELCHER
Commissioner of Public Lands

July 30, 1999

RECEIVED
AUG 03 1999
JLARC

Mr. Thomas Sykes
Legislative Auditor
Post Office Box 40910
Olympia, Washington 98504-0910

Dear Mr. Sykes:

Thank you for your letter requesting the Department of Natural Resources's (DNR) response on the preliminary report on Rural Natural Resource Impact Areas Programs Sunset Review by the Legislative Audit and Review Committee as required under RCW 43.131.385. Your request states that the agency's reply should include its position on each of the study's recommendations that would affect your agency. In our review of the report, DNR's focus is on the section on Social Service Programs and Other Education Programs. Therefore, our only comment will be on Recommendation 12 relating to the Employment and Career Orientation Program.

JLARC Recommendation:
The legislature should allow the statutes related to the Employment and Career Orientation Program to terminate. In addition, the legislature should remove from the RCW the remaining statutes pertaining to this program as well. (RCW 50.70.030 et al)

Agency Position:
DNR concurs.

Comments:
As noted in the report, the program failed to be funded, and there are now other programs that meet many of the same needs of the displaced timber worker.

Thank you for the opportunity to provide comments on your preliminary report. If you have any questions regarding this response, please contact Bob Brandow at 902-1039.

Sincerely,

Kaleen Cottingham
Deputy Commissioner of Public Lands

c: Scott Merriman, DNR

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STATE OF WASHINGTON
EMPLOYMENT SECURITY DEPARTMENT
PO Box 9046 • Olympia, WA 98507-9046

August 4, 1999

Mr. Thomas M. Sykes, Legislative Auditor
Legislative Audit and Review Committee
PO Box 40910
Olympia, WA 98501-2323

Dear Mr. Sykes:

Thank you for the opportunity to participate in the review of Rural Natural Resource Impact Area programs. Timber Retraining Benefits (TRB) as approved in 1991 were an assertive move on the part of the legislature and governor to provide income support for dislocated workers enrolled in training. Given the size of the public investment, a thorough policy review helps clarify the costs and benefits. Following are a few comments on the report.

The program measures and outcomes that were established up front collaboratively by the legislature and Employment Security set the stage for this agency to report consistently during the eight years and to produce data for better policy decisions.

What we have learned from the evolution of TRB's definition of eligibility, duration of training limits and trigger mechanisms will guide policy and program directions for dislocated workers funded under the new federal Workforce Investment Act. One such lesson is the importance of clarity when defining distressed communities, industries and occupations. Labor market information indicates that, despite a booming economy, upwards of 50,000 workers will be dislocated each year of the 1999-01 biennium. So data gleaned from the JLARC report will help practitioners and decision-makers develop more targeted definitions and remedies to address the dislocations that may lay ahead.

Finally, the report adds value to the ongoing policy discussion of the importance of integrating social, employment and training, and economic development resources with the active involvement of community leadership. TRB's success was in part the result of the package of resources available to address the various barriers to successful training.

Again, thank you for the opportunity to comment. We will contact Heather Moss with the names of agency representatives for the September 15th meeting.

Sincerely,

Carver Gayton

CARVER GAYTON
Commissioner

WASHINGTON STATE BOARD FOR
COMMUNITY & TECHNICAL
COLLEGES

RECEIVED
AUG 13 1999
JLARC

August 13, 1999

MEMORANDUM

TO: Joint Legislative Audit and Review Committee
Tom Sykes, Legislative Auditor

FROM: Dan McConnon DM
Director of Workforce Education

SUBJECT: Rural Natural Resource Impact Areas Program Sunset Review

In response to the Rural Natural Resource Impact Areas Program sunset review we have reviewed the report dated June 30, 1999, and are pleased to provide the following response to the recommendations related to Timber Retraining education.

Recommendations	Agency Position	Comments
2 Consider more effective positions for expanding capacity and offering tuition waivers	Concur	Legislative changes in tuition policy create a disincentive for colleges serving timber students. The State Board would welcome the opportunity to revise the existing funding approach.
11 Reauthorize the wood products technical degree program	Concur	Although legislative action is not required, reauthorization would assert the legislatures support of this training program.

I will be attending the meeting on September 15, 1999 concerning this report. If you have further questions please feel free to contact me at 360-753-0878.

State Board staff worked closely with Heather Moss and her associates on this report. Thank you to Heather and the other JLARC staff members for their professionalism and hard work.

c: Earl Hale, SBCTC, Executive Director
djm/jak

Earl Hale, Executive Director 319 7th Avenue P.O. Box 42495 Olympia, Washington 98504-2495 (360) 753-2000 FAX (360) 586-6440

BOB CRAVES
Chair

MARC GASPARD
Executive Director

STATE OF WASHINGTON
HIGHER EDUCATION COORDINATING BOARD
917 Lakeridge Way • PO Box 43430 • Olympia, Washington 98504-3430 • (360) 753-7800 • FAX (360) 753-7808 • TDD (360) 753-7809

July 29, 1999

RECEIVED
AUG 04 1999
JLARC

Dr. Thomas M. Sykes
Legislative Auditor
Joint Legislative Audit and Review Committee
506 16th Avenue SE
Olympia, WA 98504-3430

Dear Dr. Sykes: Tom

Thank you for inviting the Higher Education Coordinating Board (HECB) to present a formal response on the Rural Natural Resource Impact Areas Programs Sunset Review. As requested, our response indicates the HECB's position on each of the study's recommendations that would affect the Upper-Division Timber and Fisher Workers Education Program.

Recommendation 9: *If the legislature decides to extend the Upper-division Timber and Fisher Workers Education Program (RCW 28B.80570/575/580/585), the Higher Education Coordinating Board should:*

- *Explore the reason for the under-utilization of the waiver program and report to the legislature on whether those program funds could be used more efficiently.*
- *Consider updating the information that was reported to the legislature in 1995, such as employment status, average wages, and whether employment is related to degree earned for the program participants.*

We concur with the above recommendations. With the addition of several new degree programs being offered under the sponsorship of the Upper-Division Timber and Fisher Workers Education Program we expect that program funds will be used more efficiently in the future. With the sponsoring institutions' cooperation in collecting follow-up data on program participants, we will be in a better position to conduct systematic, long-term follow-up on employment rates and wage earnings of program graduates.

Thank you for your fine work and stewardship. It has been a pleasure working with your staff on this comprehensive sunset review.

Sincerely,

Marcus S. Gaspard
Executive Director

MSG:bv
cc: Elaine Jones

Washington State
Public Works Board
Post Office Box 48319
Olympia, Washington 98504-8319

July 14, 1999

Tom Sykes
Legislative Auditor
Joint Legislative Audit
and Review Committee
Post Office Box 40910
Olympia, Washington 98504-0910

RE: Natural Resources Impact Areas Sunset Review

Dear Mr. Sykes:

Thank you for the opportunity to review and comment on the Preliminary Report (hereinafter, Report) prepared by your staff. I am pleased with the quality and completeness of the review work performed by Heather Moss, Liz DuBois and Bob Thomas of JLARC.

My comments are limited to those portions of the Report concerning the Public Works Board, referred to in the Report by the specific program title: "Public Works Trust Fund - Rural Natural Resources (PWTF - RNR)."

I note for general information that the PWTF - RNR program was given a de facto sunset in the 1997-99 biennium when funds were transferred to the Community Economic Revitalization Board (CERB). Due to an Executive Branch oversight, the PWTF - RNR was not removed from the statute at that time. During the 1999 Legislative Session (E2SSB 5594, Sections 702 and 802) the PWTF - RNR was given an in-fact sunset of August 1, 1999.

Recommendation 3 in the Report (p. 54) has three sub-elements pertaining to the PWTF - RNR program. For clarity, I re-phrase these elements and provide a response to each:

Sub element One: (To) factor the income from loan principal repayments into loan costs.

> **Response: This element makes sense.**
>
> **Suggestion: None**

Sub-element Two: Include the costs of providing reduced interest loans.

> **Response: It is difficult for me to understand why this suggestion is being made at this stage of the process. It would have been more useful to have asked for the estimated cost (through a Fiscal Note) of reduced interest loans during the legislative development phase of the RNR process.**
>
> **Suggestion: Future legislation calling for below-market rate loan programs should have the difference in interest costs to the state included in the fiscal note(s).**

Sub-element Three: Calculate and report the cost per job on a per-project basis by including all funding sources.

> **Response: This sub-element is right on the money!**
>
> **Suggestion: None. If the Public Works Board is directed to engage in this type of program in the future this information will be collected and shared in compliance with this sub-element.**

If you wish to discuss my comments, please eMail me at peteb@cted.wa.gov or call me at 360/586-7186.

Sincerely,

Pete A. Butkus

Pete A. Butkus
Executive Director

PAB:ejr

cc: Public Works Board
Heather Moss
Liz DuBois
Bob Thomas

I:priv/pwb/pete/correspondence/letters/JLARC RNR Sunset Response.doc

Auditor's Comments On Response From The Public Works Board

The Public Works Board limited its response to Recommendation 3 in the Report (p. 56), and specifically to the recommendation's three sub-parts. Recommendation 3 reads as follows:

Recommendation 3

The Department of Community, Trade and Economic Development should improve its methods of tracking, reporting, and evaluating the performance of its economic development programs by:

- Factoring the income from loan principal repayments into its loan costs;
- Including the costs of providing reduced interest loans; and
- Calculating and reporting the cost per job on a per-project basis by including all funding sources.

With regard to the second sub-part, the Board commented that it would have been more useful to have asked for the estimated cost (through a Fiscal Note) of reduced interest loans during the legislative development phase of the RNR process.

Our comments are as follows:

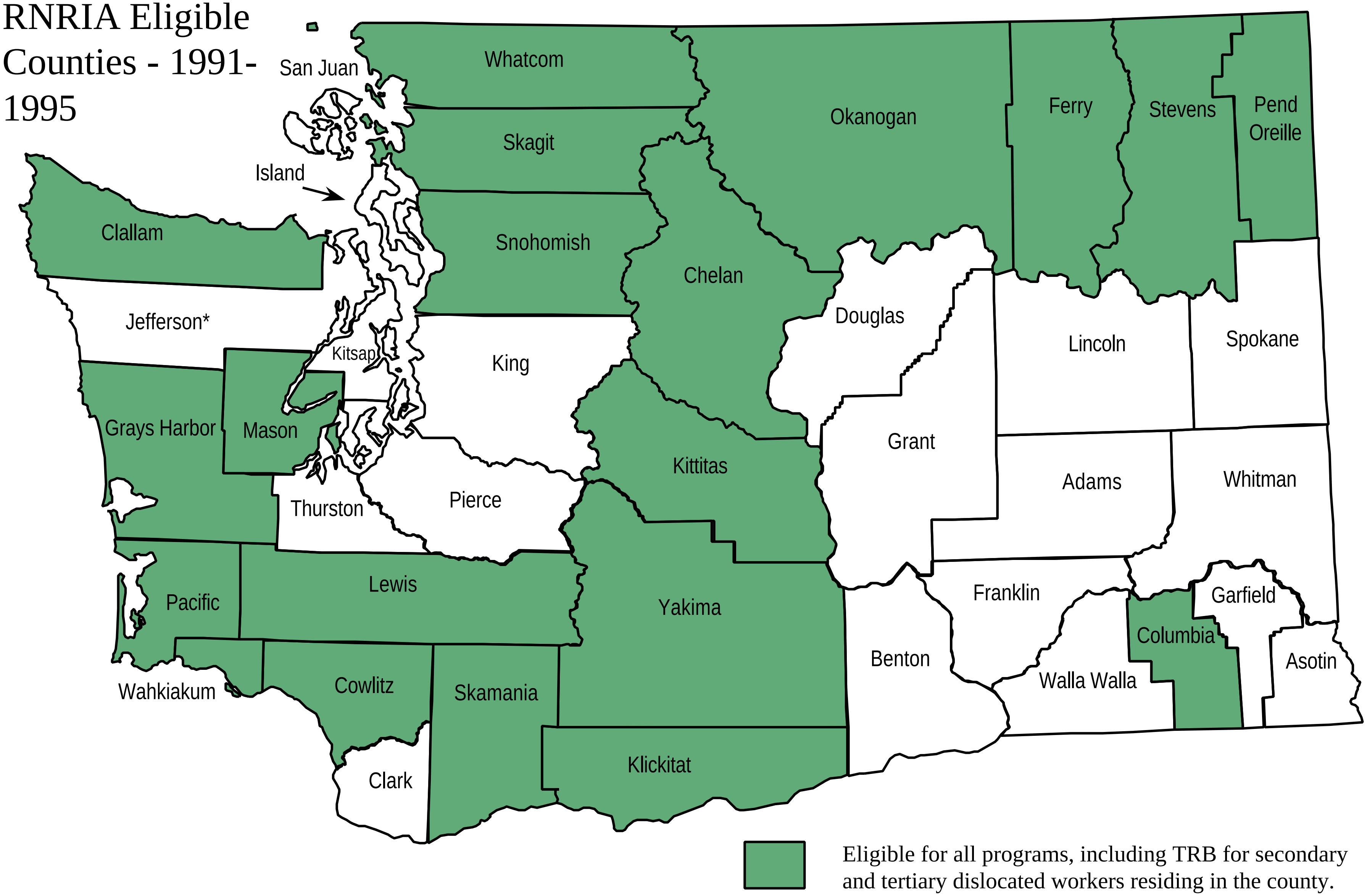
JLARC has no role in the fiscal note process. However, we would agree that information concerning the cost of subsidized loans in fiscal notes would provide useful information for the legislature.

As discussed in Chapter 4, including the costs of providing reduced interest loans would assist all programs in identifying the cost of projects to the public, and would be one of the informational items needed for comparing program performance over time, and for comparing programs amongst themselves. It would further provide information to Board members that would better enable them to compare and to prioritize projects.

MAPS OF ELIGIBLE RNRIA COUNTIES 1991-1999

Appendix 3

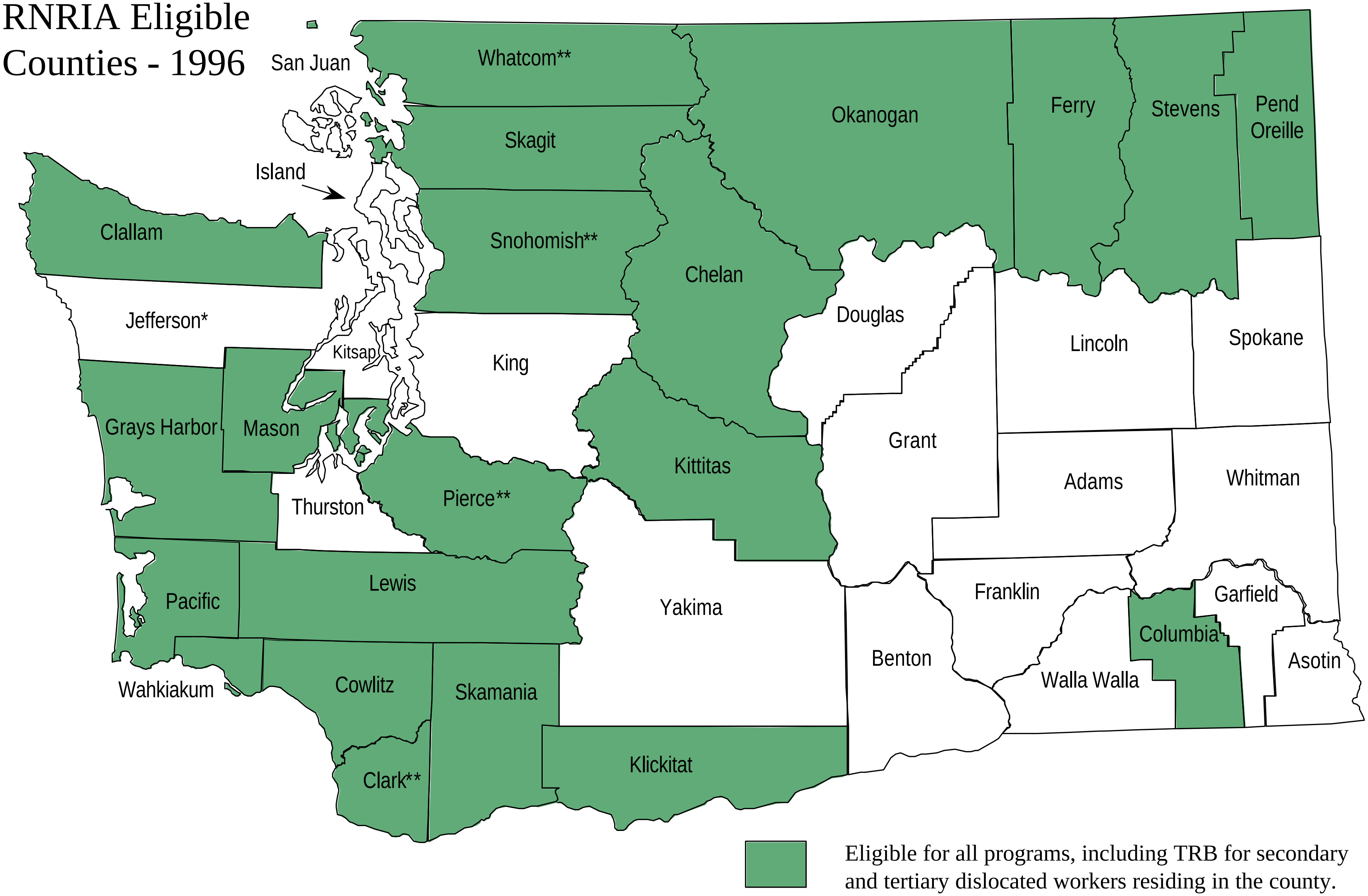
RNRIA Eligible Counties - 1991-1995



Eligible for all programs, including TRB for secondary and tertiary dislocated workers residing in the county.

* 3 communities in Jefferson County became eligible for TRB in 1992.

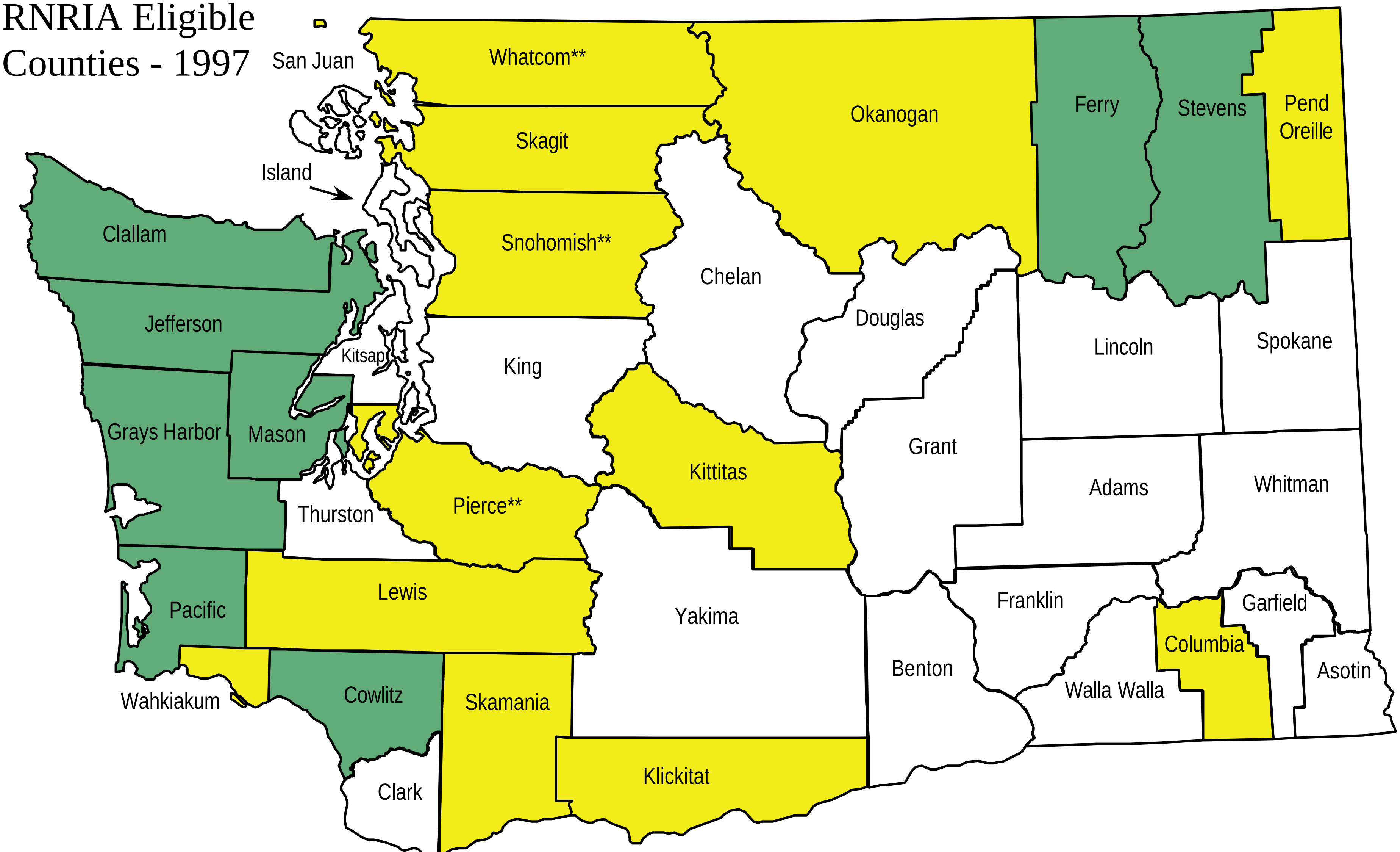
RNRIA Eligible Counties - 1996



* 3 communities in Jefferson County became eligible for TRB in 1992.

** Per zip code analysis, only participants from non-metropolitan areas within these counties are eligible to receive TRB.

RNRIA Eligible Counties - 1997

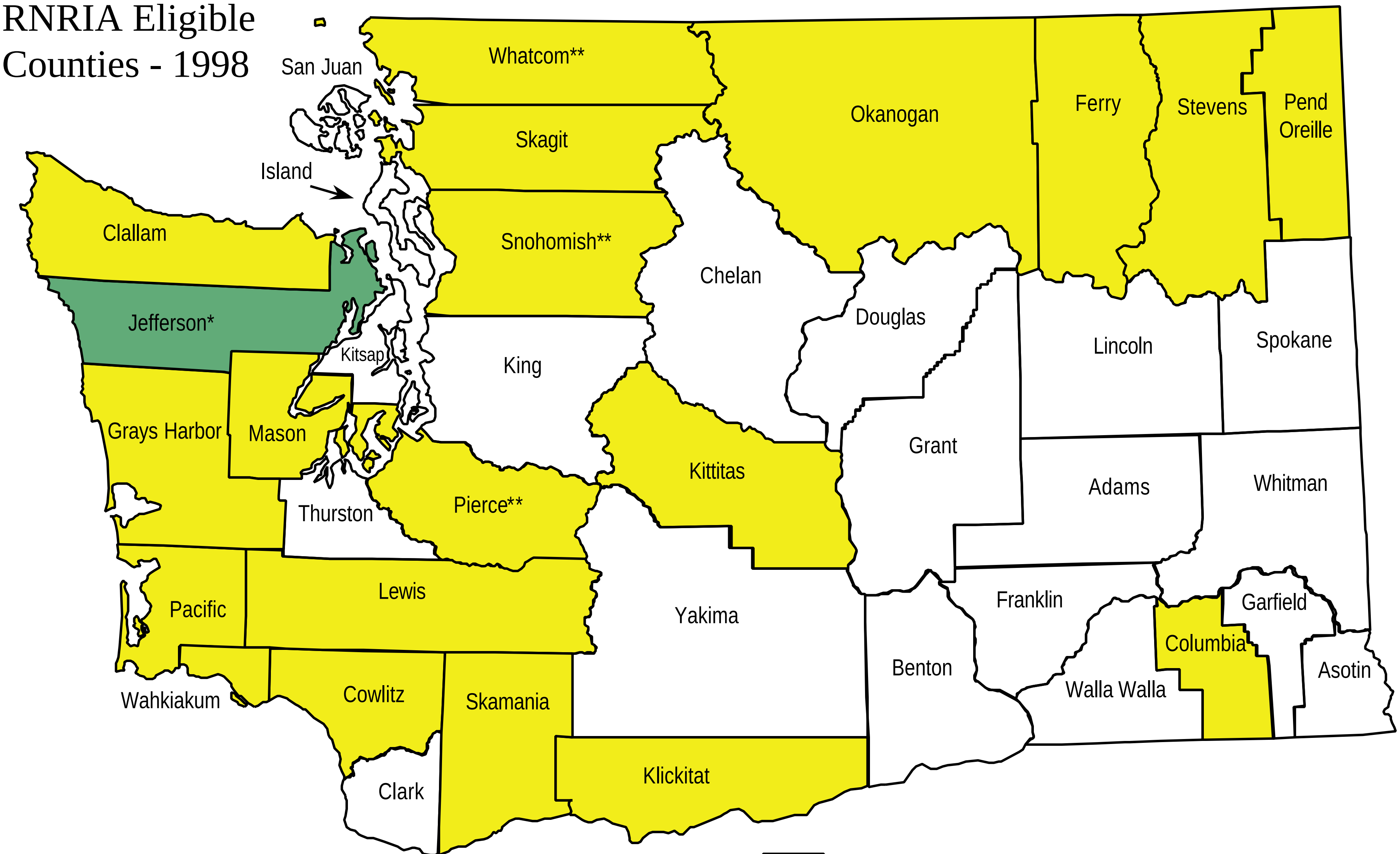


Eligible for all programs, including TRB for secondary and tertiary dislocated workers residing in the county.

Eligible for all programs, except TRB is only available to dislocated workers from the timber or salmon industries.

** Per zip code analysis, only participants from non-metropolitan areas within these counties are eligible to receive TRB.

RNRIA Eligible Counties - 1998



Eligible for all programs, including TRB for secondary and tertiary dislocated workers residing in the county.

Eligible for all programs, except TRB is only available to dislocated workers from the timber or salmon industries.

** Per zip code analysis, only participants from non-metropolitan areas within these counties are eligible to receive TRB.

Rural Natural Resource Impact Areas Definitions in Statute

Year	RCW 50.22.090 (TRB) Criteria	RCW 43.31.601 (Other RNRIA programs) Criteria	Counties
1991	Population less than 500,000 Must meet 2 of following 3 criteria: • A timber-related employment location quotient at or above the state average. • Actual loss of 100 jobs in communities under 2000,000 and 1,000 jobs in communities over 2000,000. • An unemployment rate 20 percent above state average.	Same as RCW 50.20.090.	20 counties are initially eligible; see 1991-95 map.
1992	No change.	Expands definition to allow economic recovery coordinating board power to determine additional counties that are "socially or economically integrated" with impact counties.	The economic recovery coordinating board adds parts of Jefferson County.
1995	References 43.31.601 for eligibility criteria.	Changed to rural natural resource impact areas (added salmon). Must meet 2 of 5 criteria: • A timber-related employment location quotient at or above the state average. • A salmon-related employment location quotient at or above the state average. • Actual loss of 100 timber-related jobs in communities under 200,000 and 1,000 timber-related jobs in communities over 200,000. • Actual loss of 100 salmon-related jobs in communities under 200,000 and 1,000 salmon-related jobs in communities over 200,000. • An unemployment rate 20 percent above state average.	22 counties are eligible (Clark and Pierce are added; Yakima falls out). Analysis of eligibility done by zip code for urban counties (Clark, Pierce, Snohomish, and Whatcom are affected).
1997	Removes reference to 43.31.601. Eligible counties have an unemployment rate for 1996 at least 20 percent above state average and 15 percent above their own 1988 county rate. Must meet 1 of 2 criteria: • A timber-related or salmon-related employment location quotient at least 3 times the state average. • Actual loss of 50 timber- or salmon-related jobs in communities under 40,000 and 100 timber- or salmon-related jobs in communities over 40,000.	Changed from 2 to 3 of 5 criteria (for counties above 40k only; smaller counties still eligible by meeting 2 of 5 criteria).	20 counties meet criteria under 43.31.601 (Clark and Chelan fall out). 8 counties (subset of 20 - see map) meet criteria under 50.22.090.
1998	Revise eligible counties, based on updated economic data, per 1997 law.		20 counties still meet criteria under 43.31.601. One county (Jefferson) meets criteria under 50.22.090.