

Committee on Resources

Subcommittee on Forests & Forest Health

Witness Testimony

Testimony
Of
Ms. Donna Sevalstad
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Dillon,, Montana
5-20-99

I. Introduction

Good morning Chairman Chenoweth I am honored to present my testimony today on behalf of my company and its employees, as well as the members of the Independent Forest Products Association. My name is Donna Sevalstad and I am the owner of Lumber Products Incorporated of Dillon, Montana. We presently employ 7 people in the mill and an additional 5 people are able to work for the loggers and truckers who supply logs and haul products from our operations. I also am the current Chairman of the Beaverhead County Board of Commissioners. So I have a unique understanding of how important the economic activity which flows to our county as a result of commodity management on the Beaverhead National Forest. It is an understanding that I have become convinced that our current Forest Supervisor, her boss the Regional Forester, and his boss the Chief of the Forest Service, clearly do not have.

I am here today to help you understand what is happening in the small rural counties of our country and to urge Congress to pass legislation to ensure rural communities and school children get an even break. I strongly support the principles of the National Forest County Schools Coalition and urge you to develop, and pass legislation which reflects ALL of the principles. I cannot emphasize how important the economic activity which is generated through the Forest Service Timber Sale program is to our county. As far as I am concerned Congress shouldn't bother to develop a safety-net program for the counties, unless it is also willing to tackle the issue of how to increase the economic activity currently being generated from the management of our federal forests. If you are not going to include provisions to encourage additional timber management then a new welfare-like entitlement program will not help Beaverhead County. The majority of our schools and County services are funded out of property taxes. The relatively small amount of safety-net payments our County would receive will not cover those expenses. Without the high paying jobs generated from our basic industries to pay our property taxes our system will fail. Congress doesn't have enough money in the budget to fairly compensate Counties nationwide for the loss of the \$2 billion of employment income generated by the Forest Service timber sale program.

II The Situation in Beaverhead County

We have 3,547,520 acres in our county. Of that 3.5 million acres - 2,047,671 acres of our potential tax base is managed by the federal government. The Bureau of Land Management controls 659,891 acres; the Forest Service controls 1,368,890 acres; the Bureau of Reclamation controls 9,016 acres; the National Park Service has 656 acres and last but not least the US Fish & Wildlife Service controls 9,218 acres. Thus nearly 58% of our county is off limits to property taxes. I would like to know how the counties in the mid-west, east and southeast have been treated. Has their national government come in and taken control of nearly 60% of their counties? And what of the commitments Congress and past Administrations made to our County?

III What is the National Government's Compact With Beaverhead County?

The fundamental underpinning of Congress's compact and commitment to Beaverhead County was articulated in the Organic Administration Act of June 4, 1887 and re-articulated in the 1905 Transfer Act of February 1, 1905 when the forest reserves were transferred to the Department of Agriculture. Two laws which by the way, are still on the books and which this Administration has sworn to enforce!

I think you and your fellow Congressmen and Senators need to review some of the commitments made to counties.

The Organic Administration Act of 1887 could not be simpler. In part it says:

"the purpose of National Forests is to improve and protect the forest within the boundaries, or for the purpose of securing favorable conditions of waterflow, and to furnish a continuous supply of timber for the use and necessities of the citizens of the United States." (emphasis added) As a county commissioner, nothing could be more simple to understand. The problem appears to be that the Chief of the Forest Service has an ability to parse out the words in such a way that he ignores two of the three fundamental reasons for having forest reserves. In case he hasn't noticed, we Americans are using over 50 billion board feet of lumber per year, of which some 35% of our demand is being supplied by Canada. At the same time the National Forests he is entrusted to manage have unprecedented forest health problems. Our federal forests contain over 50% of the standing softwood inventory in the United States and are supplying less than 5% of our domestic needs, while we are losing nearly double the amount of volume of trees due to neglect than we're harvesting off those lands.

The 1905 Transfer Act which transferred the forest reserves to the Department of Agriculture was even more explicit. It not only re-enforced what these lands would be used for, it detailed what the Forest Service's relationship with counties and local industries would be when it said:

"You will see to it that the water, wood, and forage of the reserves are conserved and wisely used for the benefit of the home-builder first of all; upon whom depends the best permanent use of the lands and resources alike. The continued prosperity of the agricultural, lumbering mining and livestock interests is directly dependent upon a permanent and accessible supply of water, wood, and forage, as well as upon the present and future use of these resources under businesslike regulations, enforced with promptness, effectiveness, and common sense. In the management of each reserve local questions will be decided upon local ground s, the dominant industry will be considered first, but with as little restriction to minor industries as may be Possible..." (emphasis added) And there is no doubt that the Secretary of Agriculture and Chief of the Forest Service clearly understood and were committed to the compact with counties laid

out in this law. In 1907 Secretary of Agriculture James Steward and Chief of the Forest Service Gifford Pinchot published a little book on how the National Forests would be managed and how commodities would be produced to help counties, local governments and rural citizens. This book is the fundamental underpinning of the Federal government's relationship with Beaverhead County. Secretary Steward and Chief Pinchot made the following commitments:

*"Mining - What will happen to prospecting and mining? They go on just as if there were no National Forest there. " **"Timber Harvesting** - What happens to the timber and wood? The Timber is there to be used, now and in the future ... Thus, the timber is there, first of all, to be used The more it is used, the better. Far from being locked up, it is, on the contrary opened up and opened up on fair terms to all alike. " **"Range Resources** - What happens to the range? ... It is grazed by cattle, sheep and horses just as it always has been. It is one of the resources and it is there to be used. " **"Counties and Local Governments** - What happens to county taxes? ... The National Government of course pays no taxes. But it does something better. It pays those counties in which the forests are located 10 per cent of all receipts from the sale of timber, use of the range, and various other uses, and it does it every year. It is a sure and steady income, because the resources of the National Forests are used in such a way that they keep coming without a break ... Thus a county which is covered by a National Forest is better off than one which is not. " (emphasis added)*

Some, Madam Chairman, will say that these are all old laws and that Congress and the American Public have changed their desires to reflect a new age. Some, like Representatives Cynthia McKinney and James Leach are suggesting no federal timber harvesting be allowed. Well Madam Chairman, I believe that Congress as recently as 1980 re-articulated the basic compact it has with Beaverhead County and they did this after the Endangered Species Act, the National Forest Management Act, the Federal Land Policy and Management Act and all the other laws the current Administration points to as the reasons for why they can't allow grazing, mining and timber harvesting. Like so many other aspects of this Administration they obey the laws that support their political aim and ignore the rest. In 1980, on December 12th to be exact, Congress passed the following Resource Planning Act Policy statement:

"It is the policy of the United States - (1) forest and rangeland, in all ownerships, should be managed to maximize their net social and economic contributions to the Nation's well being in an environmentally sound manner.

(2) the Nation's forested land should be managed at levels that realize its capabilities to satisfy the Nation's needs for-food, fiber, energy, water, soil stability, wildlife and fish, recreation, and aesthetic values.

(3) the productivity of suitable forest land, in all ownerships, should be maintained and enhanced to minimize the inflationary impacts of wood product prices on the domestic economy and permit a net Mort o~forest products by the year 2030.

(4) in order to achieve this goal,it is recognized that in the major timber growing region most of the commercial timber land will have to be brought to and maintained, where possible, at 90 Percent of their potential levels of growth... (emphasis added)

This, Madam Chairman, is the compact our National Government has with Beaverhead County. The Administration controls 58% of our taxable land base and in exchange they, by law, are supposed to manage those lands to protect the resource and produce economic activity within our County. The 25% Act of 1907 and the PILT Act of 1976 were also passed and made commitments to share revenues with my

County. But, as I hope you will see, those programs are a very, very weak cousin to the commodity production promised to our County and to the economic activity that commodity production generates.

I know you understand that these commitments are being broken on a daily basis, but you need to understand what the impacts of the federal land manager's inaction has been on Beaverhead County.

Current Economic Situation in Beaverhead County

According to the State of Montana's Office of Research & Analysis, Department of Labor & Industry, the service industry, government jobs, and retail trade are the largest employers in Beaverhead County, closely followed by Agriculture, Forestry and Fisheries businesses. What the data doesn't show is that without basic industries the service and retail businesses will fail. Table one shows the top ten industries. Table I

Employment by Industry for Beaverhead County, Montana (1996)

Industry	Average Annual Employment	Annual Wages Paid	Average Wage\Employee
Service Industry	712	\$10,396,193.00	\$14,601.39
Local Government & Schools	401	\$7,545,582.00	\$18,816.91
Federal Government	226	\$7,357,056.00	\$32,553.35
Retail Trade	657	\$6,990,481.00	\$10,640.00
State Government & University	264	\$6,657,895.00	\$25,219.30
Finance, Insur, Real Est	184	\$5,518,904.00	\$29,994.04
Agri, Forestry, Fish	311	\$5,020,187.00	\$16,142.08
Wholesale Trade	140	\$2,696,475.00	\$19,260.54
Trans., Comm, Utilities	96	\$2,660,811.00	\$27,716.78
Construction	134	\$2,445,925.00	\$18,253.17

Data Source: Montana Department of Labor & Industry

Compiled by IFPA - May 1999

What I hope you'll note is the economic situation is upside down in Beaverhead County. Three of the top five employers in our county are net drains on the economy of our State and Nation. That is, they spend more of the citizens tax dollars than they generate in taxes to help pay for government services. I hope you'll also note that the average salary of our number one producer of jobs, the Service Industry, is only about half that paid to the federal employees in our County.

In terms of unemployment in Montana, Beaverhead County is more fortunate than many other counties in our state. The current unemployment rate in Montana is 5.4 % which gives us the 8" highest unemployment rate in the 50 States. Beaverhead County is fortunate enough to have had a March 1999 unemployment rate of only 4.5% which is only slightly higher than the National average of 4.3%, but what concerns me as a County Commissioner and property tax payer in Beaverhead County is, what happens if the federal

government gets out of the timber business? What will happen to the employment activity generated in my County as a result of the timber program? What will happen to those highly paid federal employees who live in my community when Congress cuts the agencies budget by 20% since it is no longer selling timber? Will they keep the supervisors office in Dillon? What will happen?

Data from The Montana Super Pantry Project Report by The Montana Hunger Coalition published in May of 1997 will help you better understand my fixation on increased unemployment and why I am fearful for my County when I hear some suggest we should accept zero harvest to protect our forests.

According to the Montana Hunger Coalition:

*"The State has seen a steady decline of employment opportunities that pay a livable wage, and of employment opportunities in general. Large industries such as timber, mining, and agriculture have been replaced by primarily service sector jobs that pay **minimum** wage and usually carry no benefits. Aid to Families with Dependent Children benefits under Montana's welfare reform brings family income up to 40.5% of the poverty level, which ranks in the bottom fifth in the country. In 1996 the average AFDC payment was \$347 per month. Most of that income goes toward paying rent which can range from \$350 to \$425 for a family of four. The 1990 census data showed a 16.1 % rate of poverty in the state, it also revealed the following:*

6.7% of all Montanans live in "deep poverty" with incomes less than 50% of poverty of all Montana children under the age of 18 live in poverty.

24.3% of all Montana children under the age of five live in poverty.

49.3% of all female-headed families with children under 8 live in poverty.

a 67.1 % of all female-headed families with children under five live in poverty.

Am I worried when I hear someone suggest we end timber harvesting on the Beaverhead and Deerlodge National Forests? Given those data points, as a county commissioner you can bet I am. Especially, when I hear the Chief of the Forest Service talking about giving our county only 73% of our average 25% Payments over the last decade.

V. What Zero Harvest Means to Beaverhead County?

Let's start with the timber employment income impacts of zero harvest on my County. The FY 1997 Forest Service TSPIRS report shows that there was \$6,030,980 worth of employment income activity in direct, indirect and induced employment generated to Beaverhead County as a result of the timber harvested on the Beaverhead, and Deerlodge National Forests. Thus, if we go to zero harvest on federal lands we will lose that economic activity.

Additionally, you need to examine the history of 25% Payments and PILT Payments in my county to understand that PILT is a very empty promise for our County and we will forgo hundreds of thousands of dollars in 25% Payments if timber revenues are withheld from my County. What you'll see in Table 2 and Graph I is that not only are our 25% Payments falling off, so are our PILT Payments. The 25% Payment loss is directly attributable to reduced timber harvests on the Beaverhead and Deerlodge National Forests. The PILT Payment reduction is more complicated but is also related to reduced federal timber harvests and

reduced gross receipts. Despite the annual increases in PILT funding at the National level, Beaverhead County continues to see reductions in actual PILT payments.

Beaverhead County PILT and 25% Payment History

Year	25% Payment	PILT Payment	Total Payment
1989	\$67,936.00	\$227,802.00	\$295,738.00
1990	\$151,306.00	\$216,612.00	\$368,518.00
1991	\$131,269.00	\$261,169.00	\$392,438.00
1992	\$124,068.00	\$204,896.00	\$328,964.00
1993	\$86,876.00	\$215,856.00	\$392,732.00
1994	\$202,286.00	\$233,397.00	\$435,683.00
1995	\$136,648.00	\$262,962.00	\$399,610.00
1996	\$239,545.00	\$251,974.00	\$491,519.00
1997	\$107,130.00	\$273,102.00	\$380,232.00
1998	\$117,586.00	\$250,159.00	\$367,715.00
10 Year Average	\$132,745.80	\$244,292.90	\$385,314.90

As you can see in Table 2, despite a nearly 25% increase in PILT funding from Congress over the last five or six years (about \$101 million of funding to nearly \$125 million of funding) Beaverhead County's share is falling. It has fallen by more than \$85,000.00 from its zenith in 1995 and will continue to fall as more counties shift from the B to the A formula for PILT. If a zero harvest on federal land bin passes that fall will be precipitous.

An additional problem to the school children of our County is that none of the PILT money is ear-marked for education. Like it or not, there is no safety-net program which can replace the property tax revenue which will be lost if \$6 million worth of employment activity disappears from our County.

What is even more troubling is that the 25% Payment Data is only a smidgen of the revenue which should be flowing into our community. Fully 46% of the Beaverhead Deerlodge National Forests is located in Beaverhead County, thus we should expect that 46% of the 25% Payment generated on these two forests would be paid to our County for schools and roads. According to the US Forest Service there is more than 3.4 billion board feet of standing timber on the Beaverhead and Deerlodge National Forests. The net annual growth on the forests is estimated by the Forest Service to be 16.7 million board feet per year. And the forest plans call for over 40 million board feet to be harvested annually while less than 25 million board feet was sold in FY 1997.

Madam Chairman, I don't know if you've ever dreamed about what could be and then asked why not, but I have. I wondered what our community could be like if the Forest Service fulfilled its forest plans. And what would our community be like if our share of the revenues from the sale of 40.3 million board feet of timber flowed to our county. And what kind of employment activity could be generated in my County if that occurred. Then I came across an outfit called Independent Forest Products Association. Their membership reflects the survival attitude of many small businesses in this country. Management of federal forest lands is paramount to the survival of their members.

They've generated more important data on this issue in the last year than I can keep up with. I've been so impressed with these folks and their relationships with rural communities that I've joined that organization and I would recommend others join also.

I can remember back when the Beaverhead National Forest sold about 80 million board feet annually. Since that time we've seen three major sawmills close and hundreds of people displaced. The bottom line is that the school children of Beaverhead County and the citizens of the County now view our federal managers as very poor neighbors. Neighbors who do not keep their promises and who do not seem to care much about the well being of our community.

VI. What is the Biological and Revenue Potential of the National Forests in Beaverhead County?

Here is what the Forest Service data from the Beaverhead\Deerlodge National Forest shows and what it would mean to my County in 25% Payments, as well as employment income. Then I want to examine forest health in Montana and then I will turn to the National Forest Counties & Schools Coalitions Principles and why I believe Congress must ensure management is occurring on our National Forests and that production of commodities is given proper priority.

As I said, the Forest Service data indicates the Allowable Sale Quantity on our forests is 40.3 million board feet. Of that my County should expect to receive 46% of the revenue generated, or the revenue from the sale of approximately 18.58 NUVIBF. If the ASQ were sold, at FY 1997 prices, it would generate \$730,054.65 in 25% Payments to our county. There would be a total of \$19,640,220 worth of direct, indirect, and induced employment income generated in Beaverhead County from the sale of that 18.5 NIMBF.

Madam Chairman, I'm just a sawmill owner and county commissioner, but I know a bad deal when I see one. Given the choice of the Administration's insulting Decoupling proposal or legislation which will force the Forest Service to manage the land, I know what the school children and citizens of Beaverhead County would choose.

Given the data I displayed in Table 2 and my understanding of Chief Dombeck's Decoupling proposal my county could expect approximately \$96,900 in decoupling payments. That is of course if Congress fully funds the new welfare payments. Which is something of a crap shoot since, and I think you'll agree, the Administration has never requested full funding for its other county entitlement program - PILT!

What worries me more is the abysmal forest health situation I am seeing on our National Forest and the Forest Health risk maps that Chief Dombeck presented in your hearings earlier this year. I want to spend just a few minutes on those forest health maps and some statements that the Chief has made which cannot be ignored.

VII. We Have an Impending Forest Health Disaster Looming In Montana!

When I look at that forest health risk assessment map the Chief recently released I see 59 million acres of forest for which the Forest Service suggests that one quarter of the trees will die during the next 15 years. When I look at my forests, the Deerlodge and the Beaverhead I see approximately half of each forest will be affected. Thus 1/8th of the estimated 3.4 billion board feet will die in the next fifteen years. FOUR HUNDRED AND EIGHTY FOUR MILLION BOARD FEET OF DEAD TIMBER. Do you know what

that amount of fuel will mean to the fire risk on our forests?

The Chief has admitted that less than 10% of the 40 million acres which are currently at high risk of forest fire could be burned through prescribed burns without unacceptable risk of cataclysmic fires. What does he think will happen when he adds an additional 59 million acres of dead fuel to the situation? Madam Chairman, in some forests the fires would generate thermal nuclear-like heat. The land would be sterilized and wildlife and fisheries resources would suffer irreparable damage. In Mr. Dombeck's recent speech in San Francisco he tells of Jay Cravens, a ex-Forest Service employee who told him: "Nlike, just take care of the soil and water and everything else will be OK." Well I don't think causing these kind of fires is what Jay Cravens had in mind, Chief.

Madam Chairman I've done a short "back of the napkin" analysis of the 25% revenues and the timber employment income which could be generated for the benefit of my County and the children in my county if the Chief would simply harvest the volume which they themselves predict will die. If the volume sold at FY 1997 prices our county could expect to see **\$7,681,683.75** give or take a dollar to two in 25% Payments over the next 15 years! And **\$511,826,092.57** in employment income over the next 15 years. Now you tell me which I should choose, as a County Commissioner. A future where we have a timber industry which can help deal with the catastrophic forest health challenges facing us, or the poverty statistics put out by The Montana Hunger Coalition?

Does Chief Dombeck think we out in the Counties are stupid? Does he think we don't see what this administration is doing to our forests and to our communities. Does he think we buy the cute rhetorical questions he made in his speech to the North American Wildlife and Natural Resource Conference in San Francisco on March 29th. Let me just comment on two statements from that speech.

The first is directly related to the forest health map and the school children of my county. Chief Dombeck said:

" Why should the richest country in the world finance the education of rural school children on the backs of a controversial federal timber sale program? " Let me suggest to you, and to the Chief, that without that timber sale program the National Forests would be an unmitigated biological disaster. Let me also suggest to Mr. Dombeck that our 25% payments cover only a small fraction of the costs of educating our children in Beaverhead County. And let me suggest to Mr. Dombeck that the economic activity which makes Beaverhead County one of the last best places in Montana are far more important than the \$3.3 billion this Congress is wasting supporting a Forest Service which has run completely amuck under his leadership. And let me ask Mr. Dombeck if the richest Country in the world can afford a Chief of the Forest Service who would squander the economic value of 590 billion board feet of timber? I know Emperor Nero is reported to have fiddled while Rome burned, but I can assure you the County Commissioners of this Country will not stand for similar behavior from Mr. Dombeck.

While I am on the subject of Mr. Dombeck's speech let me also tell you how personally insulted I am with his statement which suggested that:

"Bring greater accountability, measuring outputs on forest health, defining salvage to eliminate the harvest of "associated green" in salvage sales, and proposing decoupling for the second year in a row would pay dividends that will:

"be obvious when: a small mill operator in Montana sends twice as much wood fiber to market from a single

tree due to Forest Service research and development, she will know that investing in our nation's natural resources future makes good economic sense.

Madam Chairman I am that small mill owner, and I am a County Commissioner, and that statement by Mr. Dombeck is not only offensive to me, it shows a total disregard for the citizens of Beaverhead County. If he were an employee of mine and made such an asinine statement while representing our company, he would be out of a job. No amount of Forest Service research, at their highly regarded forest products labs, means anything to our County if they aren't going to manage the lands you've entrusted to them. Mr. Dombeck's statement reflects an insensitivity for our counties and an arrogant attitude that we see far too often from this Administration. His data suggests they will add 484 million board feet of hazardous waste to our forests and he thinks I am going to have time to marvel over the new lumber recovery system his scientists are developing? What is going through that young man's head? We are going to be frantically working to develop fire breaks between his fractured, mismanaged forests and our communities! We are going to be struggling to find ways to finance our County government and our schools! And we are going to be looking for ways to convince you to turn over management of those lands to the States and Counties! Is that the best this Agency has to offer? How can Congress allow this attitude to continue to prevail when it will result in this kind of environmental and economic devastation to the rural communities of this country?

VIII. The Chief's Ridiculous Speeches Are Only the Tip of the Ice Berg!

In 1994 our County entered into a Memorandum of Understanding with six federal agencies to coordinate an ecosystem approach to planning in our county. Our hope was that by working with the agencies they would better understand the needs of our County and we could help them develop a consensus forest plan that would maintain the economic and social viability of our community. Sadly, I have to report that our efforts have largely failed. What we've found is the Forest Service has little or no interest in incorporating our needs into the Forest Plan. It now appears to many in my County that this entire process was little more than the agency meeting with us, so that it could later jam an unacceptable forest plan down our collective throat. All the while telling the world how wonderful it was to work with the County in the development of the plan. Leaving the impression that Beaverhead County somehow supports the new monstrosity.

We in our County have demanded that the MOU be re-written and that our interest be clearly articulated and protected. You'll be interested in the response we've seen from the agency. First, they've quietly been threatening increased grazing fees on all grazing allotments if we don't fall in line. Next they've been working the public to suggest that our current Board of Commissioners is too radical for the good of the community. Madam Chairman, let me tell you, their actions over the last three or four months have not built a cooperative attitude or much trust in our community. If this is how they intend to treat the elected officials of our community, they should expect us to work to eliminate their agency. I would welcome the opportunity to more fully describe our experience on the MOU, but that is not why I am here today. I am here to support the principles of the National Forest Counties & Schools Coalition and to make sure you understand the importance of the economic activity generated by the sale of federal timber.

IX Beaverhead County Supports the Principles of the NFCSC

We support the principles of the National Forest Counties & Schools Coalition and urge you to pass legislation which encompasses all of the principles included in the NFCSC statement. We are not looking for another entitlement program funded off the backs of the American taxpayers. We want our forests to work and to be managed in an environmentally sound manner. We also expect the legislation to be: (1) short-term and (2) include incentives to encourage the Forest Service and BLM to produce both economic

activities and revenues. If you're planning on simply legislating a long-term safety-net without any requirements of making the agencies manage the land, please don't waste our time. We know from our experience with PILT that this Congress cannot fully fund these entitlement programs and we cannot accept legislation which doesn't include language which leads to the management of the lands near our communities.

Madam Chairman, you've seen the economic importance of commodity extraction on our National Forests. You understand that a fully funded PILT program, backed by a fully funded Safety-net program, will only lead to the economic and social ruin of Beaverhead County, as well as hundreds of other rural counties. We are already overly dependent on government generated jobs which are a net drain on the economic success of this Country. Side with the working man, with educators, and with the citizens of my County. Develop legislation which keeps our forests productive and reject the wrongheaded, cockarnamie, notions of Mike Dombeck and his misguided band of merry men and women!

X. Conclusion

I have been honored to testify to this Committee and I want to personally thank you for holding this hearing. I request that my full written statement, as well as my oral statement, be included in the record of this hearing. If you or any of the other members of this Committee are ever in Dillon in Beaverhead County, Montana please take the time to stop in and see what small business is doing for a small community.

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