

Committee on Resources

Full Committee

Witness Statement

TESTIMONY
BEFORE THE HOUSE COMMITTEE ON RESOURCES
U.S. HOUSE OF REPRESENTATIVES
THE HONORABLE DON YOUNG

CHAIRMAN

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Influence of Foundation Funding on Federal Forest Policy in Alaska

Testimony before the House Committee on Resources

May 23, 2000

Mister Chairman and Members of the Committee:

My name is Jack Phelps and I am the Executive Director of the Alaska Forest Association, the statewide forest products industry trade association for Alaska. The AFA represents approximately 90 member companies, mostly small businesses, doing business in the forest products industry in Alaska. In addition, the AFA represents approximately 160 Associate member companies who provide goods and services to Alaska's statewide timber industry. The mission of the Alaska Forest Association is to advance the restoration, promotion and maintenance of a healthy, viable forest products industry, contributing to economic and ecological health in Alaska's forests and communities.

The state of Alaska contains within its borders 248,000,000 acres of federal land, including the two largest forests in the 191,000,000 acre National Forest System. These two forests are the Tongass and the Chugach National Forests encompassing nearly 17 million acres and more than 5.5 million acres, respectively.

The Tongass National Forest in Southeast Alaska has historically supported a commercial forest industry that has provided stable, year-round employment for the communities of the region, accounting for one-third of the region's economy. Over the past decade, however, declining timber harvests from the Tongass National Forest have eliminated thousands of jobs and millions of dollars from the regional economy. According to a recent study by the McDowell Group, a research firm based in Juneau,

Since 1990, the volume of timber harvested from the Tongass National Forest has dropped from 470 million

board feet to 120 million board feet annually, a 75 percent decline. In fact, the Tongass timber harvest is at its lowest point since 1954. Throughout the 1960s and 1970s Tongass timber harvests ranged from 400 to 600 million board feet per year, fluctuating in response to world markets for pulp and lumber products. Market conditions pushed the Tongass harvest to a low-point in 1985, about 230 million board feet. The Tongass harvest increased to 470 million board feet in 1990 before beginning a steady decline throughout the 1990s in response to political forces and changing resource management practices.

The McDowell report goes on to say,

Timber industry employment is at its lowest point in over 30 years, now directly accounting for only about 670 jobs. At its peak, in the 1970s, the Tongass generated 4,000 timber industry jobs in Southeast Alaska. As recently as 1990, the Tongass timber industry directly accounted for 2,400 logging, sawmill and pulp mill jobs in Southeast. Since 1990, however, the industry has lost jobs at a rate of about 200 jobs per year. This includes the closure of the Alaska Pulp Corporation (APC) mill in Sitka in 1993, the APC sawmill in Wrangell in 1994 and the Ketchikan Pulp Company mill in Ketchikan in 1997. These mills were the single largest employers in each of these communities. Most recently, Metlakatla lost its largest private sector employer with the October 1999 closure of the Annette Island sawmill.

The loss of 1,700 pulp mill, sawmill and logging jobs during the 1990 to 1998 period has rippled through local economies, resulting in additional job loss. Based on the U.S. Forest Service employment multiplier for the region's timber industry of 1.8, the total job loss is estimated at approximately 2,900 jobs. This job loss translates into a loss of over \$100 million in annual payroll in Southeast Alaska.

The loss of year-round, family wage jobs has hit small communities the hardest. For most of the 1990s, for example, Wrangell has struggled with a 40 percent unemployment rate. Small communities on Prince of Wales Island are now beginning to feel the serious economic harm resulting from the cessation of activities related to the former Ketchikan Pulp Company pulp mill in Ketchikan. While Congress has attempted to soften the blow by providing disaster relief money to the communities of Southeast Alaska, this only helps in the short term and is no substitute for long-term employment at wage levels that will sustain families and communities.

Another result of this downturn that is devastating to many families in the region is the loss of health insurance available to families working (or formerly working) at timber industry jobs. Lower employment levels in the industry has made it increasingly difficult for the Tongass Timber Trust to maintain a group health insurance plan that is available at a reasonable cost to small and medium size companies and their employees. The Trust is currently facing the probability that it will have to cease operation, leaving many families in the region with no available health care coverage.

A factor significantly contributing to the decline of the timber industry in Southeast Alaska has been the activities of several radical environmental groups in the region, assisted substantially by large national environmental organizations. These groups have mounted sustained public propaganda campaigns aimed at convincing the American public and the national administration that the timber industry has been devastating the Tongass National Forest by its logging activities. The facts, however, are otherwise. More than 90 percent of the high volume old growth which existed in the Tongass National Forest in 1954 is still standing and the vast majority of it is currently in permanently protected status. Of the approximately 5.6 million acres of commercial forest land in the Tongass, only 576,000 acres are currently available for logging at any time. The rest is protected in perpetuity for wilderness and recreation purposes.

The efforts of the anti-development groups are sustained by huge grants of money from large charitable trusts which receive tax protection from the Federal government and are therefore subsidized by the American taxpayers, including the taxpayers in Southeast Alaska who are losing their living and their way of life due to the efforts of these groups.

For example, in 1997 and 1999, the Pew Charitable Trust gave \$1.2 million to the Alaska Conservation Foundation which routed most of that money into Tongass-related activities. This included a grant of \$529,000 to the Alaska Rainforest Campaign in 1998 for staff operations and \$100,000 in three 1998 grants to the Southeast Alaska Conservation Council (SEACC) for the Tongass effort. In 1999, SEACC and its affiliate, the Tongass Conservation Society, received \$55,000 from the Wilburforce, Brainerd and Weeden foundations to support their anti-development efforts in Southeast Alaska.

In 1998 alone, the Alaska Rainforest Campaign received direct grants of \$450,000 from three tax protected foundations (Surdna, \$200,000; Charles Mott, \$200,000; and Rockefeller Brothers, \$50,000). This is in addition to a \$60,000 grant from the Turner Foundation that was funneled through the Alaska Conservation Foundation the same year. This taxpayer subsidized funding was used to slow down or halt timber sales and timber sale planning efforts that are desperately needed by the remaining timber industry in Southeast Alaska - an industry that has already been seriously crippled by the efforts of these same groups. The tactics used include filing appeals and/or litigation on nearly every timber offering put forth or contemplated by the U.S. Forest Service in pursue of the agency's Congressionally mandated responsibility to manage its timber for commodity production.

It should be noted that these expenditures leveraged a significant amount of other taxpayer's dollars, running into the millions, that were used by the agency to defend itself against these appeals and litigation. Furthermore, the committee should be aware that it is this very activity that greatly increases the cost of the timber sale program in Alaska. The same groups then turn around and publically criticize the agency for running a deficit timber sale program and call it a subsidy to the industry. A recent Forest Service report shows that nearly half of the cost of the timber sale program in Alaska is attributable to the costs of NEPA compliance, including the costs of appeals and litigation.

This taxpayer subsidized activity must be stopped, or at least controlled. It is simply wrong for the American taxpayers to be supporting efforts aimed at destroying the economies of small American communities in Alaska and elsewhere. The United States is a country where people are free to hold whatever political and religious views they want to hold, and to actively pursue their own political goals. The Alaska Forest Association does not object to that. We do object, however, to having those groups use tax shelters to pursue their political ends when those ends directly harm other people and destroy the economies of rural communities. We therefore ask this Committee to carefully investigate the activities of these huge, wealthy foundations and the use of their tax shelters to promote campaigns that are wreaking devastation on the rural communities of this country.

Attached to my written testimony are charts showing recent foundation funding for anti-development groups in Alaska and the Executive Summary of the McDowell report mentioned in my oral testimony.

Thank you very much for the opportunity to testify before you today on this very important matter. I will be happy to try to answer any questions you may have.

Attachment A

Foundation Grants to Alaska Environmental Groups 1994 - 2000

Year(s)	Foundation	Recipient	Amount
1994	Ruth Mott Foundation	Alaska Conservation Foundation (for ARC)	\$25,000
1994-95	Surdna Foundation	Alaska Rainforest Campaign	200,000
1995	Brainerd Foundation	Alaska Clean Water Alliance	15,000
1995	Brainerd Foundation	SEACC	14,500
1995	Brainerd Foundation	Tongass Conservation Society	10,000
1995	Bullitt Foundation	Alaska Conservation Foundation	120,000
1995	Pew Charitable Trust	Alaska Conservation Foundation	470,000
1995	Surdna Foundation	Alaska Conservation Foundation	50,000
1995	Rockefeller Family Fund	Alaska Conservation Foundation	40,000
1995-96	Rockefeller Brothers Fund	Alaska Conservation Foundation	200,000
1996	Surdna Foundation	SEACC	25,000
1996	Rockefeller Family Fund	SEACC	20,000
1996	Patagonia	SEACC	9,000
1996	Brainerd Foundation	Tongass Conservation Society	15,000
1996	Brainerd Foundation	SEACC	17,750
1996	Brainerd Foundation	SEACC	20,000
1996	Brainerd Foundation	Sitka Conservation Society	15,000
1996	Brainerd Foundation	Alaska Conservation Foundation	12,000
1996	Turner Foundation	Alaska Conservation Foundation (for ARC)	5,000
1996-97	Charles S. Mott Foundation	Alaska Conservation Foundation	200,000
1997	Pew Charitable Trust	Alaska Conservation Foundation	800,000
1997	Turner Foundation	Alaska Conservation Foundation (for ARC)	102,000
1997	Wilburforce Foundation	Forest Service Employees for Env. Ethics	40,000
1997-98	Goldman Fund	Alaska Rainforest Campaign	100,000
1998	Brainerd Foundation	SEACC	50,000
1998	Brainerd Foundation	Tongass Conservation Society	10,000
1998	W. Alton Jones	Alaska Conservation Foundation	100,000
1998	W. Alton Jones	SEACC	100,000
1998	Rockefeller Brothers Fund	Alaska Rainforest Campaign	50,000
1998	Weeden	SEACC	20,000
1998	Turner Foundation	Alaska Conservation Foundation (for ARC)	60,000
1998	Turner Foundation	SEACC	30,000
1998-99	Charles S. Mott Foundation	Alaska Rainforest Campaign	200,000
1998-99	Surdna Foundation	Alaska Rainforest Campaign	200,000
1998-99	Bullitt Foundation	Alaska Conservation Foundation	90,000

1999	Weeden	SEACC	20,000
1999	Wilburforce Foundation	SEACC	25,000
1999	Pew Charitable Trust	Alaska Conservation Foundation	400,000
2000	Weeden	SEACC	20,000

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