

**Statement of**

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**Before the**

**House Natural Resources Committee  
Subcommittee on National Parks, Forests and Public Lands  
United States House of Representatives**

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**Concerning**

**National Forest County Revenue, Schools, and Jobs Act of 2011**

Good morning Chairman Hastings, Chairman Bishop, Congressman DeFazio and members of the Subcommittee. I am Steve Swanson, President & CEO of Swanson Group, Inc., a family owned forest products company that dates back to 1951 when my father and uncle established Superior Lumber Company in Glendale, Oregon. I appreciate the opportunity to appear before you today to discuss the long overdue need for legislation to fix the senseless federal forest policies devastating our rural communities, funding for local governments and schools, as well as the health of our forests.

The Swanson Group currently operates two sawmills and two plywood mills and employs about 650 people in some of the most economically distressed communities in rural Oregon. Like most of the domestic industry we have invested heavily to upgrade all of our mills with state-of-the-art technology and retooled them to utilize the smaller diameter timber we were told would be coming from federal forests. It has not materialized. Our industry can compete with anyone in the world, if – and it is a big if - we can secure the raw materials required to run our operations.

Mr. Chairman, my hometown of Glendale, Oregon (population 800) has experienced the same travails as many other rural, forested communities as the “timber wars” have raged over the past two decades. Our company experienced it

first hand when on the morning of January 2, 2001 our main office was destroyed by an arson attack by members of the Earth Liberation Front. As shocking as that attack was it is far less serious than economic and social ills primarily caused by the paralysis affecting the management of our federal forests.

We have largely ignored this paralysis over the past twenty years and opted to dole out billions in Secure Rural School (SRS) payments in an effort to cover up the severity of the problem facing our rural forested communities. The SRS payments have helped maintain essential government services, but they do not make up for the lack of jobs and opportunity available to local residents of most rural, forested communities.

Over the past twenty years of Secure Rural Schools and Spotted Owl Guarantee payments just about every indicator of rural economic health has declined in many forested states, including Oregon. The disparity in pay between Oregon's metropolitan and rural counties, which was once modest, has quadrupled. Rural Oregon's per-capita income is now only 74% of the national average; while Portland's per-capita income is at or above the national average. 46% of rural Oregon students qualify for free or reduced lunch. Unfortunately, this is the norm in many rural communities across the country, particularly those where federal land ownership is highest.

Here in southwest Oregon nearly 60% of the forestland is under federal control, whether it be the Bureau of Land Management Oregon & California (O&C) Grant Lands or the US Forest Service. In my home county of Josephine the federal government controls nearly 74% of the forest. Most rural communities that are dominated by federal forest ownership can't simply create alternative industries they defy the realities of their geography. With some of the most productive forestland in the entire world we would be foolish to even suggest it. Instead we should be promoting the responsible, sustainable management of our federal forests.

Mr. Chairman, I know this hearing is being held today because the Committee is well aware of the dire conditions our rural communities and forests face. There is little doubt that the health of our forests continues to decline due to overstocking, beetle and disease infestations and catastrophic wildfire. Unless action is taken to sustainably manage these forests I believe we will continue to see massive fire seasons like those experienced across the southwest this year. These catastrophic events threaten the old growth forests, water quality and wildlife habitat many advocates have spent their careers trying to save.

The fundamental question before this Congress as it considers this legislation and the pending sunset of the SRS program is what responsibility do we have to the rural communities and residents that surround our federal forests? I for one believe they deserve far more than the systemic poverty, joblessness and uncertainty that have come with federal SRS timber payments. They deserve an opportunity to make an honest living and provide for their families while being stewards of the forests in their backyards. They deserve to see their children have the same opportunity to succeed as their urban and suburban counterparts.

There will undoubtedly be opposition to taking action from those who wish to see no management of our federal lands. I hope the Congress will see beyond the typical rhetoric and work to pass comprehensive legislation. A candid look at the facts on the ground is necessary to understand the relatively modest levels of timber harvest needed to generate significant revenue for counties. I have prepared a document that outlines the estimated harvest levels required to generate the legislation's annual revenue requirement for counties in Oregon and Washington. The required harvest levels are below the amount of timber that dies on the forest each year. It is small portion of the annual growth of the forest and but a fraction of the current standing volume on these forests. Many would argue that it isn't enough to maintain forest health and provide robust employment opportunities in rural communities.

Some will also argue that there isn't sufficient demand for increased timber harvests from federal lands to fund rural counties. I disagree. One of the greatest threats to the future of our four mills is the lack of an adequate and predictable log supply from federal forests. I can say with the utmost certainty that without a change in forest policy more mills will close. Only 4-years ago my company employed 1200. With a reliable timber supply we could begin to rehire and add jobs. Without it, more will be lost.

Mills across the country are struggling with log shortages. While the current state of the U.S. housing market continues to affect domestic demand, international demand for lumber has seen significant growth as countries like China and India continue to develop. We are feeling the effect of this demand in the Pacific Northwest as exports of lumber and raw logs to Asia have spiked. In fact, US lumber exports to China tripled between 2009 and 2010. Conservative forecasts indicate that total Chinese wood demand is likely to grow by 10-15% a year through 2015, which will create an opportunity for U.S. mills if they can secure an adequate log supply. We should also remember that domestic demand will increase again as housing starts returns to a more typical level of 1.5 million per

year. Without action I fear that we will lose many more mills in areas with heavy federal forest ownership, similar to what has occurred in the Southwest.

I believe the draft legislation you are considering includes critical components to providing our rural counties and communities the certainty they deserve. While I know the legislative process is dynamic and changes are likely to be made as the legislation progresses, I hope you will maintain these key concepts.

**Establishment of a trust obligation.** The legislation would establish a revenue trust obligation between the Forest Service and rural forested counties and schools. It appears that the trust mandate being considered would be more than achievable for the agency since it is only based on generating a portion of a broad average of annual historical receipts. In Chairman Hastings' state the Washington Department of Natural Resources (DNR) manages 2.2 million acres of state timber trust land under a beneficiary trust mandate. Between 2000-2010 the DNR generated \$128.6 million in timber receipts annually for county, state school construction, hospital and university trust beneficiaries. By comparison, the Forest Service generated approximately \$13.4 million in gross receipts annually during a comparable period on the 9.3 million acres it manages in Washington.

A trust obligation is essential to providing certainty to local communities and clear direction to the agency, which has gradually moved away from recognizing any obligation to the economic and social well-being of these rural communities. A trust obligation would also require the Forest Service to give greater consideration to the economics of the timber projects it proposes. This is not the case today as the agency frequently opts for costlier project designs and a light touch that doesn't treat the forest effectively or economically.

**Administrative efficiencies.** The Forest Service is mired in endless red tape, process and procedural requirements in need of reform if we expect the agency to deliver even modest returns to local governments. These burdensome and often senseless requirements should be streamlined for county revenue trust projects. The legislation would require public comment, appeals and the preparation of an environmental report outlining the effects of revenue projects. It would limit these streamlined authorities to only the projects required to meet the revenue requirement.

The paralysis crippling the agency can not be solved administratively. For example, in the Pacific Northwest the Forest Service and BLM must comply with "Survey and Manage", a protocol that requires agency employees to survey (at times on their hands and knees) for approximately 300 different species --

including fungi and lichens – before most timber harvest activities can take place on the small fraction of the forest we manage today. This requirement is in addition to the current requirements of NEPA and ESA and makes no sense when you consider the vast amount of the forests dedicated to non-timber uses. The agencies have attempted to replace this costly and time consuming requirement with existing special status species programs three times without success.

Informal estimates we have collected from the agencies indicate that they spend nearly 75% of their land management budgets meeting planning, regulatory and legal hurdles. The cost and time required to meet these hurdles is the primary limiting factor to increasing forest management activities since few resources remain for project layout, preparation and implementation costs. The Forest Service's current cost structure is broken and results in what some claim are "below cost timber sales." However, state management of timber trust lands in states like Washington, Montana, Idaho, and Minnesota shows that government can generate solid returns for the public by applying sustained yield forest management principles for the benefit of current and future generations.

**Revolving management fund.** The legislation allows the Forest Service to retain 20% of the receipts generated for future project planning and implementation costs. In light of the fiscal challenges facing our nation any legislative solution should also generate a large portion of the funding the agency will need to meet the trust mandate. This funding should also allow the agency to rebuild their forest management staff expertise. For comparison purposes, the Washington DNR receives no state general funding for the management of its timber trust lands and covers its management expenses by keeping 25% of the gross receipts generated. The revolving management fund may also reduce the Forest Service's reliance on Congressional appropriations.

**Transition period.** The legislation also provides a transition period for county receipt revenue as forest management activities ramp up. In many areas of the country, including much of the Midwest, South and Pacific Northwest, I believe the transition can be fairly short. In portions of the Intermountain West and Southwest the transition is likely to take a little longer due to the loss of industry infrastructure. However, private sector companies will invest in new manufacturing infrastructure if they have certainty that a reliable raw material base exists. I support the need to provide county governments and schools certainty in the short term, but I believe it is critical that we finally deliver on the promise of a return to responsible forest management that has been unfulfilled following the last two reauthorizations.

**Inclusion of Bureau of Land Management O&C lands.** The Committee has also indicated a willingness to consider a legislative trust proposal to resolve the gridlock affecting over 2 million acres of largely checkerboard O&C lands in western Oregon. These lands once provided the 18 O&C counties over \$100 million annually in shared timber receipts. The O&C Act of 1937, which revested these lands back into federal control, directed that they be managed for permanent timber production to benefit local communities and industries. Today, these lands grow 1.2 billion board feet of timber each year and the BLM is currently struggling to harvest 200 million board feet, or just one-sixth of annual growth. Additional reductions in timber harvest volumes are likely unless Congress takes action to resolve the long-running controversy in a manner that benefits various constituencies.

Congressman DeFazio, Congressman Walden and Congressman Schrader have all expressed an interest in developing a trust management proposal for the O&C lands that resolves the controversy once and for all while providing certainty and opportunity to our rural communities. I hope you will work with them to develop and pass such a proposal.

I appreciate the opportunity to testify before the subcommittee and welcome any questions you may have.