

**COMMUNITY-BASED FOREST AND PUBLIC LANDS
RESTORATION ACT**

HEARING
BEFORE THE
SUBCOMMITTEE ON PUBLIC LANDS AND FORESTS
OF THE
COMMITTEE ON
ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE
ONE HUNDRED SEVENTH CONGRESS

SECOND SESSION

ON

S. 2672

TO PROVIDE OPPORTUNITIES FOR COLLABORATIVE RESTORATION
PROJECTS ON NATIONAL FOREST SYSTEM AND OTHER PUBLIC DO-
MAIN LANDS, AND FOR OTHER PURPOSES

JULY 25, 2002



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CONTENTS

STATEMENTS

	Page
Bingaman, Hon. Jeff, U.S. Senator from New Mexico	2
Craig, Hon. Larry E., U.S. Senator from Idaho	13
Dearstyne, Joyce, Framing Our Community, Elk City, ID	18
Enzer, Maia, Program Director, Healthy Forests, Healthy Communities Partnership, Sustainable Northwest, Portland, OR	22
Holmer, Steve, Campaign Coordinator, American Lands Alliance	28
Hughes, Jim, Deputy Director, Bureau of Land Management, Department of the Interior	3
Mills, Thomas J., Deputy Chief, Business Operations, Forest Service, Department of Agriculture	9
Schulke, Todd, Forest Policy Director, Center for Biological Diversity, Pinos Altos, NM	34
Small Business Administration	39
Wyden, Hon. Ron, U.S. Senator from Oregon	1

COMMUNITY-BASED FOREST AND PUBLIC LANDS RESTORATION ACT

THURSDAY, JULY 25, 2002

U.S. SENATE,
SUBCOMMITTEE ON PUBLIC LANDS AND FORESTS,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The subcommittee met, pursuant to notice, at 2:30 p.m., in room SD-366, Dirksen Senate Office Building, Hon. Ron Wyden presiding.

OPENING STATEMENT OF HON. RON WYDEN, U.S. SENATOR FROM OREGON

Senator WYDEN. The subcommittee will come to order.

Let me first apologize to all our guests. This is a particularly hectic week in the Senate where we are being pulled in a variety of different directions as we try to get a number of important issues resolved before the summer recess. So, I am going to begin this hearing and then Chairman Bingaman will take over for a bit, and I will return. But I want to apologize to all our witnesses and our guests at the outset.

Today we are going to get testimony on a very important bill, S. 2672, the Community Based Forest and Public Lands Restoration Act. I am pleased to be a cosponsor of this important legislation. Chairman Bingaman, Senator Craig, and others have been doing, I think, very good work on an important issue, and I am pleased that the subcommittee is looking at this legislative initiative today.

And I am also pleased to welcome Ms. Enzer from Sustainable Northwest which is based, of course, in Portland. In recent months the Subcommittee on Forest and Public Lands has repeatedly looked at the impact of land management on forest-based communities in addition to a field hearing on rural resource-dependent economies that was held in Redmond, Oregon.

The subcommittee has looked at a number of issues involving fire prevention, logging, thinning, and old growth protection. Right now in Oregon the catastrophic fires have taken an enormous toll and are certainly an indication of the need to restore our forests and public lands. To date, more than 190,000 acres of Oregon have burned, and it is my view that the best way to proceed to successful and meaningful forest restoration is to ensure that rural communities play an active role. S. 2672 is going to make that possible by bridging the gap that now exists between Federal land management agencies and rural communities adjacent to national forests and public lands.

Certainly, there have been bitter debates in the past on natural resources issues that have battered rural communities, forests, and Federal land managements agencies alike, and it seems to me that with legislation like this, it is possible to move beyond some of the polarization, towards a more collaborative and community based approach.

Many prominent Oregon individuals and organizations support this bill, including Governor Kitshaber, Wallowa County Board of Commissioners, Sustainable Northwest and other resources organizations.

Let me turn to our chairman, who has done, as I say, very good and bipartisan work on this issue, and I thank him for his courtesy in terms of the scheduling this afternoon and look forward to seeing this bill move quickly.

**STATEMENT OF HON. JEFF BINGAMAN, U.S. SENATOR FROM
NEW MEXICO**

The CHAIRMAN. Well, thank you very much, Chairman Wyden, for scheduling the hearing on this bill.

This is an important bill, in my view. It is one that we developed on a bipartisan basis with Senator Craig. And Kira Finkler deserves particular credit for her good work in bringing this together, and other staff for Senator Craig, as well.

Today rural communities that have traditionally relied on neighboring forests for their economic well-being are faced with enormous challenges. They are faced with environmental issues some of which are new. They are faced with unemployment, with changes in forest management policies, and of course, the economic uncertainty that comes with being in a global economy. So without a committed effort to help these communities from the national level, I am concerned that many of them will not survive.

As you know, Mr. Chairman, we have had several hearings on this general subject. And based on those hearings two important facts became clear: First, forest and adjacent communities depend on one another for their long-term sustainability. And second, the national forests and public lands are in desperate need of restoration to establish healthy fire-adaptive ecosystems and to improve water quality and quantity.

As a result of those findings, Senator Craig and I began working on this legislation to integrate communities and the restoration efforts so that both the forests and the communities can survive and thrive. S. 2672 represents the culmination of those efforts.

And I want to particularly thank Senator Craig for his willingness to work with us in drafting this bipartisan bill. He has been a true champion, as you have, for rural natural resource-dependent communities for many years on this committee.

This bill is modeled in part on legislation that I introduced 3 years ago to establish a collaborative forest restoration program in New Mexico. Ultimately that was enacted, and it has been implemented, and the success to date has been impressive. Unfortunately, our restoration program in New Mexico is now on hold because the funding for it was recently frozen in order to pay for emergency fire fighting, and we are trying to get that sorted out here in Congress.

But communities cannot restore our national forests and public lands by themselves. The Federal Government is an important partner in the effort, and this legislation, S. 2672, provides much needed new authority and programs to improve that partnership between the Federal agencies and the communities in this effort to restore the forests.

So, I look forward to the witnesses, to hearing from the witnesses, and again, I thank you for convening the hearing.

Senator WYDEN. Very good.

Let us hear now from Jim Hughes, Deputy Director of the Bureau of Land Management and Mr. Tom Mills, Deputy Chief for Business Operations with the Forest Service.

Gentlemen, welcome. We will make your prepared statements a part of the record, and if you could take 5 minutes or so and summarize your major concerns, that would be great.

Mr. MILLS. Okay. Do you want to go?

Mr. HUGHES. Okay.

STATEMENT OF JIM HUGHES, DEPUTY DIRECTOR, BUREAU OF LAND MANAGEMENT, DEPARTMENT OF THE INTERIOR

Mr. HUGHES. Mr. Chairman and members of the committee, I am Jim Hughes, Deputy Director of the Bureau of Land Management at the U.S. Department of the Interior.

I thank you for the opportunity to provide the Department's views on S. 2672, The Community-Based Forest and Public Lands Restoration Act. Let me begin by stating that the Department supports efforts to provide additional tools to help restore forests and rangelands, and we appreciate your efforts in this regard.

However, while we support a collaborative approach to forest and rangeland restoration efforts, we have serious concerns with the possible unintended impacts of this legislation should it become law. We would like to work with the committee to address these concerns.

And at this point I would like to say: This bill has been looked at the highest levels of the Department, including the Secretary, Secretary Norton, Assistant Secretary Rebecca Watson, and the Director of the Bureau of Land Management, Kathleen Clark. And we have looked long and hard at this and we do really mean we want to work with the committee, because we recognize Congress's efforts and our efforts to try and come together and get into those forests and make them healthy and get them restored.

Clearly, the resource management decisions we make can greatly impact local communities and the people who live in them. Often these impacts are especially felt by the communities adjacent to our Federal lands. As a result, it is critical that we work in partnership with the people who live on the private lands that border our national parks, wildlife refuges, and our other Federal lands.

Secretary Norton has advanced the concept of a new era of conservation, a new environmentalism, that will help build a healthy environment, a healthier environment, create dynamic economies and sustainable communities. At the center of the Department's plan to implement this new environmentalism are Secretary Norton's Four C's: Communication, consultation, cooperation, all in the service of conservation. And I would like to say it fits into, I think,

what you or what Chairman Bingaman and yourself want to see in this collaboration with the people out there on the ground.

In May 2002, Secretary Norton joined with Secretary Veneman of the U.S. Department of Agriculture and the Western Governors Association to endorse a historic 10-year comprehensive strategy to reduce the risk of wildfire. That strategy and its implementation plan seek to promote community assistance, reduce hazardous fuels, and maintain and restore fire-adapted ecosystems by establishing a collaborative performance-based framework that calls on local agency managers to work with States, tribes, local governments, and citizens to carry out those plans.

Thus, as we make our way through one of the worst fire seasons in memory, we are pleased that the bipartisan call for active management in forest and rangelands supports the direction that the department is trying to take on these issues.

As I noted above, although we support the concepts and intentions behind this legislation, we have some concerns with the practical implementation of the legislation as it affects other forestry programs.

I would like to say, we are looking for a toolbox that we can go out and address these issues out there as an agency. What we are looking for are additional tools, and we want to keep the tools we have. And I think that is where we are trying to mesh your ideas with ours, with some of our concerns and see if we can work with you to get this done.

Our first concern with the bill is the requirement in section 6(a), that by the fifth year of the program, "50 percent of all contract dollars shall be awarded to the specific categories of entities listed in subparagraphs A through E." First, given the nature of the problem, we believe this requirement may be too prescriptive in that it mandates generally to whom the department shall be awarding contracts.

Secondly, we believe the scope may be too broad by including, among other things, all timber salvage and sales contracts. The provisions would affect existing forest program, and that is where, you know, we want to make sure we are not going to end some of our programs by what we have in your proposed legislation.

Section 3 of the bill also changes the Small Business Administration definition for small business that the Department has traditionally employed. This may have the additional unintended consequences of excluding legitimate small businesses from participation in the work described in the legislation while further curtailing that flexibility that we are seeking out there.

We do have some concerns with the monitoring section. The administration supports monitoring as a tool to increase accountability, but the language provided in the bill, we think, may be too vague to be effective. To be specific, the bill requires "multiparty monitoring, evaluation, and accountability process that shall include any interested individual or organization."

We have previous experience in forest management programs that have an interested observer component. An interested individual and organization can be virtually anyone whether they live in the immediate area in the State or back in New York City.

Finally, much of the work proposed by the value-added centers created under section 5 of the legislation is currently carried out through, in some cases, through other means. For example, cooperative education study units at various universities provide education and research. The Jobs in the Woods Program specifically provides workforce training, and the Small Business Administration provides marketing and business support.

We feel if the existing programs are not achieving the desired objectives, then we should work to modify those programs, do that rather than establish competing and perhaps duplicative new programs.

And finally, one thing that we strongly support, and I think it can be tied into your bill, is the concept of stewardship contracting with local communities and businesses. As noted before, we are looking for tools to go out there and address issues, and stewardship contracting authority is that kind of tool that would allow agencies to engage non-Federal partners in ecosystem restoration by awarding multiyear performance-based contracts and to offer forest products in exchange for the restoration services.

The exchange of goods and services which may be authorized in stewardship contracts is an innovative way to provide additional resources for habitat restoration on additional acres of land, thus making it possible to conduct habitat restoration work that may otherwise never be completed.

This is, or I think this is one area where we could really work closely, you know. I think both the people in Congress and the administration are heading down the same road.

The Forest Service has had stewardship contracting authority on a pilot basis since 1999 and has many success stories to tell. We have not had that authority in the Bureau of Land Management, and we strongly would support gaining that authority.

Even with the enactment of stewardship contracting and community-based restoration programs as proposed in S. 2672, underlying statutory, regulatory, and administrative issues need to be addressed for forest management programs to be successful. For example, in fiscal years 2001 and 2002 nearly half of Forest Service mechanical thinning projects designed to improve forests conditions were appealed.

At the Department, 30 percent of our timber sales are appealed. On average it takes nine months to process those appeals and it can take as much as three to four years. The Department is looking at this process issue.

Senator WYDEN. Mr. Hughes, I think you are considerably over 5 minutes.

Mr. HUGHES. Okay.

Senator WYDEN. Can we, perhaps, have you highlight the rest of your concerns?

Mr. HUGHES. Sure.

Senator WYDEN. Great.

Mr. HUGHES. Finally, we think Congress, itself, has recognized some of the problems we are facing by some recent action in the supplemental appropriation bill. Although we do not believe that such, you know, broad exemptions from environmental laws are appropriate solutions, we do believe that this dramatic action by the

Congress in the supplemental is indicative of the problems we face in completing important stewardship projects in a timely manner.

We want to work with you. The Secretary wants to work with you, and we look forward to doing that in the coming weeks, sir. Senator WYDEN. Very good.

[The prepared statement of Mr. Hughes follows:]

PREPARED STATEMENT OF JIM HUGHES, DEPUTY DIRECTOR, BUREAU OF LAND
MANAGEMENT, DEPARTMENT OF THE INTERIOR

Mr. Chairman and Members of the Committee, I am Jim Hughes, Deputy Director of the Bureau of Land Management (BLM) at the U.S. Department of the Interior (Department). I thank you for the opportunity to provide the Department's views on S. 2672, "Community-Based Forest and Public Lands Restoration Act."

Let me begin by stating that the Department supports efforts to provide additional tools to help restore forests and rangelands, and we appreciate your efforts in this regard. However, while we support a collaborative approach to forest and rangeland restoration efforts, we have serious concerns with the possibly unintended impacts of this legislation, should it become law. We would like to work with the Committee to address these concerns.

COLLABORATIVE APPROACH TO MANAGEMENT

Clearly, the resource management decisions we make can greatly impact local communities and the people who live in them. Often these impacts are especially felt by the communities adjacent to our federal lands. As a result, it is critical that we work in partnership with the people who live on the private lands that border our National Parks, National Wildlife Refuges, and other federal lands, and work on or have access to resources on those lands. In this context, the Department is very supportive of a collaborative approach to forest and range rehabilitation, and we appreciate your interest in promoting these projects through S. 2672.

Secretary Norton has advanced the concept of a new era of conservation a "new environmentalism"—that will help build a healthier environment, dynamic economies, and sustainable communities. At the center of the Department's plan to implement this new environmentalism is Secretary Norton's "Four C's" Communication, Consultation, and Cooperation, all in the service of Conservation. The "Four C's" emphasizes that enduring conservation springs from partnerships involving the people who live on, work on, and love the land.

The Department's land managing bureaus, specifically BLM, the U.S. Fish and Wildlife Service, the National Park Service, and the Bureau of Indian Affairs, are implementing this collaborative approach in their on-the-ground resource management decisions. We believe that the basic concepts embodied in this legislation have the potential to be an additional tool to further help us reach our resource management goals while supporting local economies and strengthening partnerships with communities throughout the West. Indeed, small businesses are the backbone of many rural economies. The Department feels strongly that improved communication and coordination is the key toward cooperative restoration of the lands under our jurisdiction.

In May 2002, Secretary Norton joined with Secretary Veneman of the U.S. Department of Agriculture and the Western Governors Association to endorse an historic 10-year comprehensive strategy to reduce the risk of wildfires. That strategy, and its Implementation Plan (Plan), seek to promote community assistance, reduce hazardous fuels, and maintain and restore fire-adapted ecosystems by establishing a collaborative, performance-based framework that calls on local agency managers to work with states, tribes, local governments and citizens to carry out the plan.

One important component of that agreement, supported by all of the signatories to the Implementation Plan, is active management. In this context, active forest and rangeland management includes thinning that produces commercial or pre-commercial grade products, biomass removal and utilization, prescribed fire and other fuels reduction tools to simultaneously meet long-term ecological, economic, and community objectives.

Thus, as we make our way through what has become one of the worst fire seasons in memory, we are pleased that the bipartisan call for active management in forests and on rangelands supports the direction that the Department is taking on these issues. As I noted above, although we support the concepts in and intentions behind S. 2672, we have concerns with the practical implementation of this legislation as it affects other forestry programs. What follows is a brief review of our concerns,

followed by some suggested changes that we believe will better enhance our resource management capabilities, particularly with regard to wildland fire management.

CONCERNS WITH S. 2672

Our first concern with the bill are the requirements at Section 6(a) that, by the fifth year of the program, fifty percent of all contract dollars shall be awarded to the specific categories of entities listed in subparagraphs (A)-(E). First, given the nature of the problem, we believe this requirement is too prescriptive in that it mandates generally to whom the Department shall be awarding contracts. Second, we believe that the scope of the provision is too broad. By including, among other things, all timber salvage and sales contracts, the provision would affect existing Departmental forest management programs. The issue presented by this legislation is whether it provides an additional set of tools for forest and rangeland restoration, or whether it replaces existing programs.

In this regard, the Department's agreement with the Western Governors' Association, the National Association of Counties, the National Association of State Foresters, and the Intertribal Timber Council, which endorsed a collaborative approach to decision-making, specifically states that:

[t]he projects and activities carried out under this implementation plan are *in addition* to other federal, state, and tribal forest and rangeland management activities. (Emphasis added.)

We believe it is unintended for the authority in this legislation to supplant existing timber and salvage sale authority of the Bureau of Land Management's Public Domain and Oregon & California Land Grants Forest Management programs. We will work with the Committee to correct this oversight as this bill proceeds through the legislative process. If it is the intent for this program to replace or supplant existing authorities, we will need to carefully research the impact the legislation will have on income derived by Tribes, receipts provided to states and counties, and the abilities of already existing private sector companies in the diminished public lands logging industry to continue to participate in forestry management programs.

For example, we are concerned that meeting the numeric targets in subsection (a)(2) may actually result in a concomitant reduction in existing timber salvage and sales operations conducted by the BLM. As noted above, we do not believe that this practical consequence was intended. Given the need to thin what the Ten-year Implementation Plan calls unnaturally dense, diseased, or dying forests, we must maintain the flexibility to efficiently implement all programs.

Section 3 of the bill also changes the Small Business Administration definitions for "small business" that the Department has traditionally employed. This may have the additional unintended consequence of excluding legitimate small businesses from participation in the work described in the legislation, while further curtailing our flexibility.

An additional concern focuses on the monitoring requirement in Section 4(c)(1) of the legislation. The Administration supports monitoring as a tool to increase accountability. But the language provided in this bill is too vague to be effective. To be specific, this bill requires a multi-party monitoring, evaluation, and accountability process that "shall include any interested individual or organization." We have previous experience in forestry management programs that have an "interested observer" component. An interested individual and organization can be virtually anyone, whether they live in the immediate area or in New York City. This requirement would add an additional broad layer of review that may unnecessarily slow important restoration efforts and increase the cost, complexities, and time to complete any review. Timeliness in forest management decisions can be critical. We would like to work with the Committee to ensure an effective provision.

Finally, much of the work proposed for the Value-Added Centers created under Section 5 of the legislation is currently carried out through other means. For example, Cooperative Education Study Units at various universities provide education and research; the Jobs-in-the-Woods program specifically provides workforce training; and the Small Business Administration provides marketing and business support. If existing programs are not achieving the desired objectives, we should work to modify those programs rather than establish competing and, perhaps, duplicative new programs.

While we believe our concerns are significant, particularly those with regard to Section 6, we also see an opportunity in the general concepts advanced by S. 2672 to provide clear authority to land management agencies for stewardship contracting with local communities and businesses. We believe that such authority would be an extraordinarily good fit with the objectives of the National Fire Plan.

NECESSARY TOOLS

As I noted above, this has been a record year for severe wildfires. Our latest figures indicate that 102 million acres managed by the Department in the lower 48 states are at a high risk of catastrophic fire. Federal, state, local, and Tribal officials agree that the past century's traditional approaches to land management and treatment of wildland fire have resulted in unnaturally dense, diseased, or dying forests which have contributed to the increased severity of wildland fires. In response, a March 2002 study by the Western Forest Fire Research Center concluded that treated stands experience lower fire severity than untreated stands that burn under similar conditions.

Against this backdrop, stewardship contracting authority is an additional tool that would allow agencies to engage non-federal partners in ecosystem restoration by awarding multi-year, performance-based contracts, and to offer forest products in exchange for the restoration services. The exchange of goods and services which may be authorized in stewardship contracts is an innovative way to provide additional resources for habitat restoration on additional acres of land, thus making it possible to conduct habitat restoration work that may otherwise never be completed. Restoration of fire-adapted landscapes would occur as communities, agencies, states, tribes, and others collaborated to fashion a holistic management program to maintain healthy ecosystems. Community assistance would be promoted through increased, long-term economic opportunities resulting not only from the contracted treatments, but also from the use of biomass generated through the contractor's work.

The Forest Service has had stewardship contracting authority on a pilot basis since 1999, and has many success stories to tell. Extending this authority on a permanent basis to the Department of the Interior's land management bureaus and to the Forest Service would improve both Departments' ability to coordinate with local communities in restoration efforts, while at the same time supporting rural economies.

In a final note, we believe long-term commitment is an important part of the stewardship concept. Small, independent companies may be unwilling to enter into a contract that, at a maximum, lasts three years, because the financial risk may be too high. Therefore, we believe an important part of any stewardship contracting authority necessarily includes enough flexibility to allow agencies to enter into extended-year contracts. We believe that such working partnerships will work to increase economic stability in many rural communities.

Even with the enactment of stewardship contracting and community-based forest restoration programs, as proposed in S. 2672, underlying statutory, regulatory, and administrative issues need to be addressed for forestry management programs to be successful. For example, in Fiscal Years 2001 and 2002, nearly half of the Forest Service's mechanical thinning projects designed to improve forest conditions were appealed. All such projects for northern Idaho and Montana were appealed. At the Department, 30% of our timber sales are appealed. On average, it takes nine months to process those appeals, and it can take as much as three to four years.

The Department is looking at these process issues. The Forest Service is looking at its processes, as well, after concluding a nine-month review of its regulatory and administrative framework. Forest Service officials have estimated that "planning and assessment consume 40% of total direct work at the national forest level. That would represent an expenditure of more than \$250 million per year." The benefits of these reviews and subsequent improvements can be applied to both stewardship contracts and community-based reform bills.

We note as well that Congress itself has made the decision, in the conference document on H.R. 4775, the supplemental appropriations bill, that legislative action is needed to expedite agency action to restore healthy forests. H.R. 4775 includes language authorizing the Secretary of Agriculture to take actions, including timber activities, to address the risk of wildfire and insect infestation in portions of the Black Hills National Forest. Significantly, the provision recognizes the "extraordinary circumstances" of the situation and, in response, would exempt authorized activities from all environmental laws and judicial review. While we do not believe that such broad exemptions from environmental laws are an appropriate solution, we do believe that this dramatic action by the Congress is indicative of the problems we face in completing important stewardship projects in a timely manner. We are willing to work with Members of Congress to ensure that our bureaus have the tools to carry out management activities where they are needed.

CONCLUSION

In conclusion, while the Department has concerns with the practical impacts of implementing this legislation, should it become law, we agree with the general goal to provide additional tools that can help restore forest and range health. In that regard, we stand ready to work with the Committee toward a mutually agreeable solution.

Mr. Chairman, this concludes my testimony and I am pleased to answer any questions you or the Members of the Committee may have.

Senator WYDEN. Mr. Mills.

STATEMENT OF THOMAS J. MILLS, DEPUTY CHIEF, BUSINESS OPERATIONS, FOREST SERVICE, DEPARTMENT OF AGRICULTURE

Mr. MILLS. Mr. Chairman, and members of the subcommittee, first of all, I would like to apologize that our testimony arrived late. I really do appreciate the opportunity to be able to appear before the committee to comment on S. 2672 today.

We support the intended concepts embodied in this bill, but we do have some serious reservations about some provisions of the bill as currently drafted, and would be happy for the opportunity to work with the committee to address those concerns and very much appreciate the opportunities we have had to work with committee staff to date.

There is clearly a necessity to connect rural communities with the activities to restore and maintain healthy ecosystems in the national forests that surround them, and active land management is a component of that interaction that needs to take place.

Mr. Hughes has already commented on the activity earlier this year with Secretary Veneman, Secretary Norton, and Western Governors to endorse a 10-year comprehensive strategy to reduce fire risks. And S. 2672 would facilitate the development of some important mutually respectful collaborative relationships with communities and other players to address the needs of that strategy.

However, we do have several concerns, and I would like to highlight a few, and we will submit to the subcommittee a comprehensive list of the amendments that we would ask be considered.

First of all, the Forest Service and the Bureau of Land Management work closely together on many, many issues. And yet there are a few provisions of the bill, such as some of those for funding of the restoration and value-added centers, which I think need to be revisited so that those relationships are accurately reflected.

Secondly, we believe that the statute should, or the bill should designate the Department level as a responsible official, leaving the Secretary the responsibility to delegate authorities down or responsibilities down into the Department. And right now there are some regional foresters, State directors of Bureau of Land Management, for example, that are mentioned specifically in the bill.

Thirdly, we agree with the Bureau of Land Management that there are some provisions of the bill that are overly prescriptive. One is the direction to hire additional personnel to work on contracting and grants and agreements. Although we clearly recognize that those activities need to be improved, we have some activities underway now, and we believe the Secretary should be given the latitude to pursue those goals in the most effective manner possible rather than prescribing hiring of personnel.

Fourth, similar to the testimony that Mr. Hughes just gave, we are extremely concerned about the current provisions of section 6(a) that would limit competition for a wide range of activities to a specific list of entities. The combination of designating which activities are covered with a provision about which entities would count toward some percentage goal, and that percentage goal being a hard target written into the legislation, could in all likelihood create situations where the provisions of the bill simply could not be met and lead to unintended consequences. One or two large contracts to small businesses that are small but still larger than the entities listed in the current bill, for example, could preclude the achievement of those percentages.

Lastly, Mr. Chairman, we would like to propose an addition to S. 2672, and we concur with the testimony of BLM that the Congress should provide both agencies with permanent stewardship contracting authority along the lines currently provided only to the Forest Service and only on a pilot basis in the annual appropriations laws.

The pilot projects are testing a number of new contractual and financial authorities. We have some independent third party reviews of those pilot authorities now. We believe that they are demonstrating improved work efficiencies and have a significant potential to increase local participation, collaboration, and investments in land management activities to restore and maintain national forest lands.

That concludes my summary, Mr. Chairman. I would be happy to answer any questions the committee might have.

[The prepared statement of Mr. Mills follows:]

PREPARED STATEMENT OF THOMAS J. MILLS, DEPUTY CHIEF,
BUSINESS OPERATIONS, FOREST SERVICE

Mr. Chairman and members of the subcommittee, thank you for the opportunity to appear before you today. I am Thomas J. Mills, Deputy Chief, Business Operations, USDA Forest Service.

I am pleased to appear before you today to provide the views of the Department of Agriculture (USDA) on S. 2672, the "Community-Based Forest and Public Lands Restoration Act" introduced by the Chairman of the Energy and Natural Resources Committee, Senator Bingaman, and co-sponsored by Senator Craig, Senator Wyden and Senator Smith. While we do have serious reservations with the bill as drafted, USDA does support collaborative stewardship as envisioned under S. 2672.

Mr. Chairman, I would like to note for the record that the committee staff provided the Forest Service an opportunity to review and comment on a draft version of this legislation several weeks ago. A number of these technical comments on that draft bill are reflected in S. 2672. The Department believes we can continue that productive relationship and we are committed to work with you and the staff toward resolving our concerns with the bill.

S. 2672 addresses a legitimate issue: the necessity to connect with the small rural communities that are neighbors to national forests and other public lands and that are directly affected by the land management decisions made regarding those public lands. These communities are very important to our agencies. This is where our employees live, too. Our employees and their families are vitally interested in the economic and social well being of their communities.

We have much more than a parochial interest, however. To manage national forests and public lands effectively, three critical components are necessary. When one of these components is missing, it becomes extremely difficult to manage forests and public lands for all the range of amenities that the public demands.

First, there must be a healthy and resilient forest resource.

Second, the communities near these resources must be healthy and viable, economically and socially to assist the agencies in conducting the day-to-day stewardship.

Third, there must be a forest products and stewardship industry base to serve as the mechanism by which forest management activities are achieved.

Historically the forest products industry included many small operators. However, over the past several decades, we have seen the demise of many small forest products businesses, consolidations of many larger forest products companies, and loss of industry capacity in many regions. This loss in capacity translates directly into reduced ability to conduct the active management necessary to restore and maintain healthy forest resources.

Active land management is important to the success of the National Fire Plan. Hazardous fuels reduction in and around communities is critically important work, not just for resource protection and restoration but for community fire protection as well. Public lands and rural communities also directly benefit from watershed improvements that create clean water and remove invasive weeds.

Earlier this year, Secretary Veneman and Secretary Norton joined with the Western Governors to endorse a 10-year comprehensive strategy to reduce the risk of wildfires. That strategy, and its Implementation Plan seek to promote community assistance, reduce fuels, and maintain and restore fire-adapted ecosystems by establishing a collaborative, performance-based framework that calls on local agency managers to work with states, tribes, local governments and citizens to carry out the plan.

S. 2672 could facilitate the development of mutually respectful collaborative relationships between communities, local, state and federal entities, and non-profit organizations, conservation organizations, and other groups who are interested in restoring the diversity and productivity of watersheds along the lines called for in the Plan. We have several general concerns with the bill, which I'll highlight with specific examples. We will provide the Subcommittee a comprehensive list of amendments for its consideration.

First, BLM and the Forest Service will work together to implement this bill if enacted. The two agencies work cooperatively on a range of activities. Our Service First initiative is an excellent example. The President's FY 2003 Budget included funding to complete 22 Service First collocations of Forest Service Bureau of Land Management (BLM) office by the end of 2005. I would note, however, that S. 2672 would require that both agencies have a role in designating and establishing the Restoration and Value-Added Centers, but the bill requires the Secretary of Agriculture to provide the annual funding to support the Restoration and Value-Added Centers' operating costs. Funding responsibility should be provided to both agencies.

Second, authority for the programs and related activities proposed in the legislation should be designated at the Department level, leaving the Secretary to delegate responsibility as appropriate.

The existing direction in Sec. 5 (d)(2) for Regional Foresters and State Bureau of Land Management Directors to issue requests for proposals to create Restoration and Value-Added Centers could result in a disjointed collection of Centers. What is needed is a cohesive network of centers that can better serve the intended purposes of providing integrated technical assistance to rural communities and disseminating on-the-ground "best practices" to other Centers and by extension, to other rural communities.

Third, there are several overly prescriptive requirements contained in S. 2672 that should be amended to reserve administrative discretion for the Secretary.

For example, Sec. 4(d) would require the Secretaries to hire additional outreach specialists, grants and agreements specialists and contract specialists to implement this bill. Such direction is inconsistent with the government-wide goals to improve federal management that are encompassed in the President's Management Agenda, which the Forest Service is committed to supporting.

In that regard, the Forest Service has developed a workforce-restructuring plan that includes significant management reforms to improve service to citizens and increase administrative efficiencies. The plan addresses: (1) reducing organizational layers, (2) reducing the time it takes to make decisions, (3) reducing the number of managers, (4) increasing supervisory span of control, and (5) ensuring accountability, and redirecting resources to direct service delivery and outreach positions.

The Forest Service also plans to increase the use of competitive sourcing for agency commercial activities and performance-based service contracting. Such competitive sourcing initiatives could be effectively used to implement the provisions of this bill. If workforce restructuring or competitive sourcing, in the agency's view, represents a more efficient way to meet need for contracting, grants or agreement specialists, the agencies should have the discretion to pursue the option that would result in the improved service being provided to rural communities at the least cost.

We're not waiting to improve our services to rural communities. The Chief of the Forest Service has recently charted a Partnership Re-engineering Team of field and

Washington Office staff that is working now to simplify the agency's internal partnership tools and processes. We expect to have revised processes in place early in 2003. A particular focus of that effort is going to be the administration of contracts, cooperative agreements, grants and other partnership instruments.

Finally, we are extremely concerned with the requirements in Sec. 6(a) that would limit competition for a wide range of activities to the specific categories of listed entities.

As an example, the bill's existing mandates appear to ignore the Forest Service's current Memorandum of Understanding with the Small Business Administration (SBA) for special salvage timber sales, known as SSTS. Those sales are targeted for businesses with less than 25 persons. It is also unclear how other the agency's other small business programs, which include both timber and procurement contracts, would be affected by the bill's mandates.

In addition, Sec. 6(a) could be interpreted to apply literally to all contracts and agreements entered into by the agencies, not just those associated with the restoration activities conducted pursuant to the bill, which we hope is the intent. As written, the bill language could reach agency-wide contracts for computer equipment or other information technology.

Even if the intent of the bill is to impose the limit on contracts and agreements for restoration projects, it is still highly problematic. Since the limitation is on a dollar basis, it may be difficult to offset 1 or 2 large contracts with entities that do not meet the standards with contracts with entities that do meet the bill's requirements. Many Western communities have few organizations that meet the requirements described in Sec. 6. The work of the agencies could be seriously impacted if there are not enough of these organizations in specific areas to attain the total values proscribed in the bill. Achieving the plan of work agreed to with Western Governors under the National Fire Plan would be seriously compromised.

Mr. Chairman, we would like to propose several additions to S. 2672.

We concur with BLM that Congress should provide both agencies permanent stewardship contracting authority along the lines currently provided only to the Forest Service under annual appropriations law. The pilot projects are testing a number of new contractual and financial authorities that provide the Forest Service additional tools to achieve land management goals, including fuels reduction activities, that meet local and rural community needs. We believe the contractual and financial authorities being testing will demonstrate improved work efficiencies and the significant potential stewardship contracting holds for increased local participation, collaboration and investments in our land management activities.

In closing, Mr. Chairman, the Forest Service knows we need to develop and maintain effective, consistent relationships with the local rural communities who are our neighbors just as we know there is a vital need to restore and maintain healthy forests. Communities are looking to public land management agencies to better integrate local concerns with the agencies' planning so that they can work collaboratively towards healthier ecosystems and healthier rural communities.

This concludes my remarks on S. 2672. I will be happy to answer any questions the committee may have on this bill.

Senator WYDEN. Thank you, Mr. Mills.

I hope that the list you are going to send us of additional changes you want is not too much more comprehensive because that looks like a lot of suggestions you already have. We are going to work with you on this, but it looks to me like the chairman and Senator Craig have a good bill, and I hope that we can move ahead promptly.

And my question to you, I think, would be picking up on Mr. Hughes's point about the toolbox and making sure that there are tools. And my sense is that a better job can be done of using some of the programs that are out there, and part of the problems is that bridges are not being built to the environmental community, some of the opponents of the agencies that you two hail from, to try to bring people together and to try to find common ground the way the Senators are trying to do on this bill, and the way Senator Craig and I did on the county payments legislation.

Tell me, and the one question I have—and the chairman was kind enough to say he would take over for a bit. Tell me what you

are doing to reach out to some of the traditional opponents of your two agencies in order to try to bring people together so you can use the tools you have today?

We will start with you, Mr. Hughes.

Mr. HUGHES. I think our resource advisory councils that the BLM has, which are made up of citizens from or that represent different categories of, you know, a cross-section of public land users, general public, elected officials, environmental groups, in all our States, have been instructed as one of their duties to reach out with the Secretaries for the Four-C thing in mind.

I know Rebecca Watson, the Assistant Secretary for Land and Minerals, I know Kathleen Clark, and I know the Secretary has met with a number of groups and officials. In some cases we have been unsuccessful to start a good dialogue. In other cases, I think, like the Everglades, and the Bay Delta, and in some other areas, some agreements were made last year involving some endangered species issues in the Southwest.

We have started to make some progress. I think it is obvious, and I do not think there is anybody who would disagree that when you go to litigation, it becomes costly. In a lot of ways, we are sort of spinning our wheels when we go to litigation and nothing, or it seems like nothing but the resource itself loses.

Senator WYDEN. Anything you want to add, Mr. Mills?

Mr. MILLS. Yes. I think you raise an excellent point, Mr. Chairman. One example of some work we have underway, in fact, was initiated by Senator Bingaman with this New Mexico Collaborative Forest Restoration Program, which certainly provides us an opportunity that we are taking as much advantage of as we can to bring multiple parties together, which includes some third party monitoring, as well.

We have got some work with communities on the National Fire Plan. We have got numerous partnership groups that have been drawn together associated with individual national forests. But it is also true that these are issues about which reasonable people have quite different opinions, and getting people to the table to find common ground is a challenge for all of us.

Senator WYDEN. Well, there is no question about that, but they have got to be invited to the table and there has got to be an effort to try to build those kind of coalitions. And I look forward to making sure we get a full list of your concerns on this. And I will be back in a little bit, but I would like to see us move this bill quickly.

Mr. Chairman, thank you for allowing me to take off a bit, and I will return.

The CHAIRMAN [presiding]. Very good. Let me, before I ask any questions here, just see if Senator Craig wishes to make any opening statement. If he does, we are anxious to hear that at this point, and then we will go on with questions.

**STATEMENT OF HON. LARRY E. CRAIG, U.S. SENATOR
FROM IDAHO**

Senator CRAIG. Well, Mr. Chairman, I do have an opening statement and let me ask unanimous consent that that full statement become a part of the record.

The CHAIRMAN. It will be included.

Senator CRAIG. First and foremost, I want to thank you for allowing us this opportunity to hear testimony on what I think is a very important piece of legislation.

You are going to hear from someone from my State, Joyce Dearstyne, from Elk City. Joyce is out there, at the moment, and she is doing what many of our communities that were timber-dependent, and in many instances still are, in an effort to bootstrap themselves up in a “Framing Our Community” effort that she will speak about.

So, I will not steal any more of her thunder, but it is so important that we attempt, as this legislation does, and as certainly was my goals in this legislation, to see if we cannot effectively bring together many efforts, efforts that Tom has just mentioned that you have going on.

When you take a community of dependency from 10 million board—or 10 billion board feet to 1.5 billion board feet, you change the whole dynamics of an economy. And that is what Federal policy did in the timber-dependent communities of primarily the Great Basin West over the last decade. In a relatively short period of time, we turned the lights out in those communities for one reason or another. And now what we must do is attempt to help them.

Collaborative programs, encouraging communities to cooperate, agencies to come together to pool resources to do the kinds of things necessary, is tremendously important, Mr. Chairman. And if we do not get there, the dislocation that will continue, all in the name of one “ism” or another belief, does not serve the resource and does not serve a variety of our interests.

We ought not be about pitting one group against the other. So, that has gone on for too long, too long and too many decades, and it brings us to where we are today.

At the same time, I think we have to recognize, as we do in the West today, that our public lands need care. They need involvement. They need active management in so many ways that turning our back on them simply has resulted in the wildfires that now sweep across the West and in ways that are unacceptable to all of us, from the destruction of wildlife habitat to the phenomenal loss of a resource that, properly cared for, could retain its value for a variety of interests.

So, I must tell you, Senator Bingaman, I believe a collaborative community-based consensus designed to improve the management of our public forests while helping our small rural resource-dependent communities has to be a high priority.

I think it is that transitional tool that is so critical for all of us in many of our communities across New Mexico and Idaho and other States, that will always have a large stake in the public lands and the resources and the values those public lands can spread across the private landscape and the private resource.

Thank you.

[The prepared statement of Senator Craig follows:]

PREPARED STATEMENT OF HON. LARRY E. CRAIG, U.S. SENATOR FROM IDAHO

Mr. Chairman, thank you for scheduling this hearing. I am looking forward to the testimony of our witnesses this afternoon because I am committed to developing legislation that helps our rural communities and the workers that struggle to survive in those rural communities. I also want to welcome Joyce Dearstyne from Elk City,

Idaho. Joyce and a group of people up there on the Nez Perce have been working on the vary kind of project that we hope S. 2672 will facilitate. I don't want to steal her thunder so I won't tell you too much about Framing Our Community and its efforts. Mr. Chairman many of our State's have these home grown efforts that show great promise, such as Framing Our Community, and we need to encourage these efforts.

I think it is important to restate my goals concerning this legislation. First, I am concerned that many of the small resource dependent communities need extra assistance. I want to find ways to help the people in these communities to effectively compete for all contracts and work that are carried out by our federal land management agencies. Over the last decade the federal timber sale program has slipped from more than 10 billion board feet per year to only 1.5 billion board feet. We cannot ignore our responsibility to help the communities that have been impacted by the failure of the federal timber sale program.

In my estimation most of our past efforts to help the mill and woods workers have not been as successful as any of the architects of those programs had hoped. Thus, we need to continue to make efforts to find ways to help these workers and communities.

Second, I believe that collaborative programs that encourage communication and cooperation between the agencies and the communities is preferable. When a small minority is willing to utilize procedural delay to negatively impact our ability to manage these lands, thus injuring the rural resource dependent communities, I think we must reward those who cooperate in finding ways to manage the land and to help these communities.

Finally, I believe that anything this Congress does in relation to these communities should be additive. We cannot afford to pit one segment of the forest product industry against another segments of that industry. We should not pit small operators against large operators. We should not pit primary manufacturers against value-added manufacturers. We should not pit the alternative forest product companies against the traditional forest product companies. And finally, we should not pit companies that want to focus on providing forest management services, such as watershed assessments, stream restoration work or monitoring activities, against those companies that are needed to remove fiber from these forests to reduce the risk and intensity of catastrophic fires.

Having read the testimony of the agencies and some of the witnesses, including the testimony of the Small Business Timber Council, I am convinced that this legislation must be modified to address the concerns that we have heard. First, it is impossible to undertake value-added manufacturing of wood products without a viable primary forest product manufacturing base. Given the current situation in Arizona and New Mexico and in most States with federal forests, I believe that we must find ways to preserve the remaining industrial infrastructure in these rural communities. Second, we are going to have to find a way to ensure that the existing Small Business Timber Sale Set-Aside program is maintained and that our legislation does not conflict with this important program.

I look forward to working with you, as well as all those who have testified, to refine this legislation. Like Senator Bingaman, I believe a collaborative, community-based consensus designed to improve the management of our public forests, while helping the small rural resource dependent communities, must be our highest priority.

The CHAIRMAN. Well, thank you very much.

Let me just ask a few questions here.

Mr. Mills, this bill, S. 2672, in section 5 of the bill, it requires agencies to provide cost share grants to create restoration and value added centers, to provide technical assistance to entrepreneurs and small business in marketing and workforce training and technology development for conversation-based businesses.

Now, we put this together based on our conversations with the Forest Service. And currently, it requires that the centers be "easily accessible to rural communities adjacent to national forests or public lands." One of our witnesses on the next panel in her testimony states that, "The centers should be located in rural communities not just accessible to those communities."

Do you agree with that, or do you think we should leave it the way it is?

Mr. MILLS. Well, I think I would say, Senator, that given the number of rural communities, it is hard or it would be hard to have the centers in each and every one of those, and so there are going to be some rural communities that do not have a center in them. And so I would expect that as long as they were fully accessible to all of the communities that needed their services, we would be more likely to be able to deliver their services efficiently than trying to identify all the rural communities associated with national forests and placing a center in them.

The CHAIRMAN. Let me ask also about section 6 of the bill, which provides a local preference for contracting. I think you have indicated opposition to that. The purpose of this, obviously, is to try to ensure that these entrepreneurs, businesses in these local communities have reasonable access to these contracts.

Do you think that provision, that local preference provision is objectionable? How do we meet this objective if we do not have something like that in the bill?

Mr. MILLS. No, sir, I do not think the intent is objectionable at all, and we are certainly supportive of the need for that capacity to exist and the mutually dependent relationship between those communities and healthy national forests.

Our concerns deal with the current drafting of those provisions. And, as I tried to summarize earlier, we are concerned that the list of activities that would be counted towards these percentage goals in combination with restriction of entities that would count toward the goals—for example, the micro-enterprises, we end up with definitions quite, quite a bit smaller than small business definitions, for example. Those two provisions in combination with percentages that are listed as mandates rather than goals to achieve could lead to unachievable goals.

And so although we concur very much with the intent, we are a little concerned about that the combination of those provisions could lead to consequences that were not intended by the drafters, nor achievable by us.

The CHAIRMAN. Well, I do think we need to visit with you on your specific problems with the language. We tried to draft it in a way that gives an option as to how the goals are met, and one of the options is that the entity will hire and train local people to compete—or to complete the service or timber sale contract. That seemed to us to be pretty broad.

Mr. MILLS. Well, again, it also lists the kinds of projects that would count towards these percentages. We assume that what is meant are any projects that are associated with the achievement of the restoration of degraded lands which are listed as the purposes of the bill, so that making sure that the list in section A is consistent with that interpretation, and again, the size of the enterprises is one of the issues that we have some concern about. It is not that that is not a desirable goal, but whether it is achieved—

The CHAIRMAN. Why do not we regroup with you on that and see if we cannot work out your concerns?

Mr. MILLS. Yes, sir.

The CHAIRMAN. Let me ask Jim Hughes one question here.

You expressed concern about the provisions in S. 2672 that require multiparty monitoring, indicating that was difficult. My un-

derstanding is that the stewardship contracting authority that you have requested also requires multiparty monitoring.

I am confused about that. How do you accept it in that context but not in the one we are proposing here?

Mr. HUGHES. No, I think the issue is, again, is, "Do you have to have someone from what was"—the issue that has been raised to us is: Do you have to have someone or allow someone from back East to monitor an activity in Catryn County or in Reba County? Or can you, or is it sufficient to have those people from your own State, from northern New Mexico or from southwestern New Mexico? I think that is the issue that has been raised to us. It again is how prescriptive this is.

The CHAIRMAN. So you do not mind the idea of multiparty monitoring—

Mr. HUGHES. No.

The CHAIRMAN [continuing]. But you just think that—

Mr. HUGHES. Right.

The CHAIRMAN. And the way that it is currently required and implemented with regard to this stewardship contracting authority, you think that is acceptable?

Mr. HUGHES. We do not have that authority in the BLM, and this is a concern that has been raised.

The CHAIRMAN. I thought you were getting it each year in the appropriations bill.

Mr. HUGHES. No. No, that is limited to the Forest Service, sir.

The CHAIRMAN. Oh, just the Forest Service. Okay.

All right. Let me ask if Mr. Mills has any comment about this multiparty monitoring issue and how it works in the case of stewardship contracting.

Mr. MILLS. Well, if I could speak to—and thank you for that opportunity. If I could speak to the provisions of the bill as it is currently drafted, we certainly agree with multiparty monitoring, and we know we need to move more aggressively in that direction and provide some real good opportunities for a number of views to be brought together.

The two particular provisions as currently stated here says, "The Secretary shall include any interested individual or organization." And any interested individual could be a whole, whole bunch, and it could easily get to the point where it is unmanageable.

The second one, it talks about monitoring at the project scale rather than bundles of projects or what has happened on a broader watershed, ecosystem basis. And monitoring project by project, for as many projects as I am sure we both want to achieve, could lead to an extremely expensive monitoring program.

The CHAIRMAN. We took the language that we included in this bill out of the language that currently exists in law where it talks also about any interested groups or individuals with regard to this multiparty monitoring on stewardship contracting.

If you could, look at it. I mean, you may still have a valid concern, but I guess we were trying to have some consistency, and we would be anxious if you would look at that and tell us how to achieve that.

Mr. MILLS. We would be happy to.

The CHAIRMAN. Well, I thank you both. I think this has been useful testimony, and we appreciate it very much.

We will go ahead to the second panel, second panel of witnesses.

Mr. MILLS. Thank you, sir.

Mr. HUGHES. Thank you.

The CHAIRMAN. I think the second panel was introduced earlier by Chairman Wyden, but let me introduce them again: Joyce Dearstyne who is with Framing Our Community in Elk City, Idaho; Steve Holmer who is the campaign coordinator with The American Lands Alliance here in Washington; and Maia Enzer who is the program director with Healthy Forest, Healthy Communities Partnership in the Sustainable Northwest in Portland. Thank you all for being here. Appreciate it very much.

Ms. Dearstyne, is that the right pronunciation?

Ms. DEARSTYNE. Yes, it is.

The CHAIRMAN. Why don't you go ahead and start? Again, we will include all of your entire statements in the record. If you could take 5 or 6 minutes each and summarize the main points you think we need to be aware of, that would be greatly appreciated.

**STATEMENT OF JOYCE DEARSTYNE, FRAMING OUR
COMMUNITY, ELK CITY, ID**

Ms. DEARSTYNE. Okay. Good afternoon, Mr. Chairman and members of the subcommittee.

My name is Joyce Dearstyne, and I am the program director of a small nonprofit organization located in the middle of the Nez Perce National Forest in North-Central Idaho. I live in a county that is larger than the State of Connecticut, 83 percent of which is Federal or State land and is directly affected by your decisions in Washington, D.C.

Idaho County, my county, has been identified by the Bureau of Economics as a low income and high unemployment area. Fifty percent of our children live in poverty, and 91 percent of our local children were enrolled in the free and reduced lunch program by the end of this past year.

Our high school children must board out with friends, family, and even strangers to complete their secondary education. This does not work for every child or every family, and some just get left by the wayside with few options for their future.

In 1999, a small group of dedicated people decided to become proactive and formed Framing Our Community. Since that time we have conducted an open, inclusive community development process. And in the summer of 2001, we conducted a feasibility study that laid out a plan for an incubation company that would create jobs which provided year-round employment, paid a living wage, offered benefits and health insurance, would educate small business owners on running a successful business, would offer a safe working environment where accidents were not likely to occur, would support existing local businesses, and would improve the health and quality of the forest by utilizing small diameter, standing dead, and diseased timber from the local forest.

The incubator's slogan is, "Developing products that last longer than it took the tree to grow while improving the health of the rural community."

During this process, Framing Our Community has found that there is a huge void in the funding arena for projects like ours. Even though our products are natural resource-based, we are not covered under the Farm Bill, nor do we fit the intent of the Forest Service Rural Communities Assistance Program. Funding for our work, thus far, has come from private foundations and companies with roots in the Northwest or who have concerns for the Northwest and the State of Idaho.

Among these are the Weyerhaeuser Family Foundation, Sustainable Northwest, Avista Corporation, Wells Fargo Bank, and the Rural Community Block Grant program initiated by Governor Kempthorne. The only Federal funding we fit the intent of is the National Fire Plan Economic Action Program.

Needless to say, we are very excited by the prospect of the Community Based Forest and Public Lands Restoration Act. It is the first Federal action that truly addresses the depressed economy of the rural timber-based communities who derive their income from the national forests and public lands that surround them.

We do have a few concerns in relation to the definitions, time line, and wording of this bill. For example, in section 3-10 the definition of "rural" or "rural area" is defined as not greater than 50,000 and does not even come close to our definition of rural. We would like an opportunity to work with you on this definition because our town now has a population of 400 and our county has a population of 15,000.

Section 4-c(1), Monitoring, should include economic benefit so that it would read, "Assessing the cumulative accomplishments, economic benefits, or adverse impacts of projects." We are results based.

Section 5(a), Establishments, we would like you to include value-added product development because secondary products have a high rate of return and will have a greater impact on rural communities.

Section 5(d), Locations, every restoration and value-added center needs to be surrounded by national forest or other public lands; and where that is not possible, easily accessible to the rural communities. The communities that have been impacted the most by what has occurred over the last decade are those that are in the national forests.

Section 4(d), subsection 2, delineates that the Regional Forester and State Bureau of Land Management Director will issue requests for proposals, but no time line has been set for when this program should be up and running. We would hate to see the potential good here get bogged down by an uncertain time line.

It is also essential that these centers be given the authority to utilize funds provided for infrastructure, capacity building, product development, technical and financial assistance directly to the small or micro enterprises.

I could not help but listen to Mr. Hughes state that money has been given for research to universities. That does need to be done, but none of that research reaches the ground. They have no mechanism to deliver it. Business incubators like ours could take their ideas that are developed and actually put them on the ground.

The residents of Elk City trust that you will see this bill through the appropriations process, and would like to thank you for giving Elk City and other small rural communities an opportunity to provide comments.

S. 2672 provides the means for a collaborative restoration process that includes those rural communities that live, work, and play within the boundaries of our public lands.

Given the tools and opportunity, organizations like Framing Our Community can help build viable conservation-based economies across the West.

Thank you.

[The prepared statement of Ms. Dearstyne follows:]

PREPARED STATEMENT OF JOYCE DEARSTYNE, PROGRAM DIRECTOR,
FRAMING OUR COMMUNITY, ELK CITY, ID

Good afternoon. My name is Joyce Dearstyne and I'm the Program Director of Framing our Community, a small nonprofit organization located in the middle of the Nez Perce National Forest. I live in a county that is larger than the state of Connecticut. Eighty three percent of the county is federal or state land and is directly affected by your decisions here in Washington D.C.

Idaho County has been identified as the Bureau of Economics (REIS) as a low income and high unemployment area. Fifty percent of our children live in poverty and ninety-one percent of our Elk City children were enrolled in the free and reduced lunch program by the end of the past school year.

Prior to experiencing double-digit unemployment rates, we boasted a population of 1,500 people, most of whom have left to find jobs. Our population has been reduced to a mere 400 residents. Our high school children must board with friends, family and even strangers to complete their secondary education. This doesn't work for every child or family and some get left by the wayside with few options for their future.

In 1999 a small group of dedicated people decided to become proactive and pull themselves up by the bootstraps. Since that time we have conducted an open, inclusive community development process that asked our community members what type of economic development they wanted, assessed the raw materials that were accessible and what infrastructure was in place.

The method of change selected was a Small Timber Business Incubator. In the summer of last year, FOC hired Harry Watt of Wood Management Systems, Inc. to conduct a Small Diameter, Timber Frame, and Secondary Products Business Incubator Feasibility Study. (a copy of this study is available).

This study identified:

- Available timber resources
- Markets
- Transportation strategy and cost
- Product Development
- Employee skills and development
- Facility layout and costs

This study laid out a plan for an incubation company that would:

- Create jobs which provide year round employment that pay a living wage and offer benefits and health insurance
- Educate small business owners on running a successful business
- Offer a safe working environment where accidents are not likely to occur
- Support existing local businesses, and
- Improve the health and quality of the forest by utilizing small diameter, standing dead and diseased timber from the local forest

The Incubator's slogan is "Developing Products that Last Longer than it Took the Tree to Grow While Improving the Health of the Rural Community."

The next steps were to define our goal and then produce a five-year business plan. Our goal is to create a business incubator that fosters the development of value-added wood products and other inter-related businesses and can create a significant economic benefit for the region.

To meet this goal we needed to:

1. Build a modern production facility

2. Offer tenants a low initial rental fee
3. Provide equipment for shared tenant use

We also needed to offer:

1. Business management and development training
2. Marketing training
3. Connections to brokers and markets
4. In-house bookkeeping and marketing services for those who did not wish to do their own
5. Advertising on an incubator web site
6. In-house e-commerce for immediate payment of orders

Next we worked on an in-depth five-year business plan that outlined:

1. Business fundamentals and development
2. Startup financing
3. Markets
4. Customer profiles
5. Competitor and industry reviews
6. Sales and distribution
7. Pro-forma balance sheets and income statements
8. A contingency plan
9. Building and equipment expenses, and
10. Needed business services and training

During this process, FOC has found that there is a huge void in the funding arena for projects like ours. Even though our products are natural resource based, we are not covered under the Farm Bill nor do we fit the intent of the Forest Service Rural Community Assistance Program. The funding for our work thus far has come from Private Foundations and companies with roots in the Northwest or have concern for the Northwest and the state of Idaho. Among these are the Weyerhaeuser Family Foundation, Sustainable Northwest, the Titcombe and Summit Foundations, Avista Corporation, Wells Fargo Bank, Bennet Lumber Products and the Rural community Block Grant program initiated by Governor Kempthorne. The only federal funding we fit the intent of is the National Fire Plan Economic Action Program.

Support comes in many forms other than financial, like the sharing of lessons learned from community to community and organization to organization, and increased capacity to make us effective in our efforts. Wallowa Resources of Enterprise, OR and The Watershed Research and Training Center of Hayfork, CA have both come to Elk City and shared their successes and failures. This sharing of lessons learned has saved us much time and many mistakes and has moved us forward at an unprecedented speed. Thank goodness, for time to save our forest and community is short.

Needless to say, we are very excited by the prospect of the "Community-Based Forest and Public Lands Restoration Act" passing. It is the first federal action that truly addresses the depressed timber based economy of rural communities who derive their income from the national forests and public lands that surround them.

We do have a few concerns relation to the definitions, timeline, and wording of this bill. For example in Section 3-10, the definition of rural or rural area is defined as less than 50,000 and does not meet our needs or come even close to our definition of rural. We would like the opportunity to work with you on this definition, because our town has a population of 400 in our county has a population of 15,500, therefore anything over 10,000 is an urban area to us. In fact, the closest urban area to us is Lewiston, Idaho, which has a population of 35,000 and is a two and one-half hour drive for us in good weather.

In Sec. 4c(1) Monitoring should include Economic Benefit, so it would read, "assessing the cumulative accomplishments, economic benefits, or adverse impacts of projects. . . ."

Sec. 5a) Establishments—We would like you to include value-added product development because secondary products have a higher rate of return and will have a greater impact on rural communities than sawn lumber.

d) Locations—every Restoration and Value-Added Center should be surrounded by National Forest System or other public lands and where that is not possible easily accessible to rural communities that are adjacent to National forest System or other public lands throughout the region. In the past, monies that have gone to institutions like the University of Idaho for research and development have never reached the rural unemployed nor have they revered the depressed timer based economy. Rural based organizations like FOC have the business experience, engineering, natural resource and community development background that is necessary to reverse this downward economic spiral and would immediately utilize these monies to

achieve on the ground results and begin the revitalization of our rural communities. We hope you will give us the chance by passing this bill.

Sec. 4(d) Locations subsection (2) delineates that the Regional Forester and State Bureau of Land Management Director will issue requests for proposals, but no timeline has been set for when this program should be up and running. I would hate to see the potential good offered get bogged down by any certain time, and time is of the essence for our forest as well as others.

It is also essential that these Centers be given the authority to utilize the funds provided for:

- Infrastructure (equipment and building construction and/or purchase)
- Capacity building (training and tools for towns and organizations to become strong and independent)
- Product development, technical and financial assistance directly to small and micro-enterprises in the form of grant, revolving loans or lines of credit or other means to provide access to grow capital

The residents of Elk City trust that you will see this bill through the appropriations process and would like to thank you for giving Elk City and other small rural communities an opportunity to provide comments on the Community-Based Forest and Public Lands Restoration Act. Bill S. 2672 provides the means for a collaborative restoration process that includes those rural communities that live, work and play within the boundaries of our Public Lands. Given the tools and opportunity organizations like Framing Our Community can help build viable, conservation-based economies across the West.

The CHAIRMAN. Thank you very much for your testimony.
Ms. Enzer, go right ahead?.

STATEMENT OF MAIA ENZER, PROGRAM DIRECTOR, HEALTHY FORESTS, HEALTHY COMMUNITIES PARTNERSHIP, SUSTAINABLE NORTHWEST, PORTLAND, OR

Ms. ENZER. Thank you. I want to thank you, Mr. Chairman, and members of the committee for your leadership on this bill. I am very excited to be here, and I appreciate the opportunity today.

I am Maia Enzer, and I am the program director at Sustainable Northwest for the Healthy Forests, Healthy Communities Partnership. Sustainable Northwest is a Portland, Oregon-based nonprofit founded in 1994, and our mission is to promote environmentally sound economic development in communities across the Pacific Northwest.

This bill incorporates the core values of community-based forestry. It is about creating a collaborative process which enables everyone to have a meaningful role in the care of our public lands. It is about restoring our national forests in a manner that does not exploit the land or the worker or deny the role of the private sector.

It is about monitoring, ensuring that we all take a role in understanding the ecologic and economic impact of our actions. And it is about using the public dollar to reinvest in the land we have taken so much from and reinvest in rebuilding the capacity of rural communities who are inextricably linked to our ability to care for our forests, rivers, rangelands, and the many species that depend on them. In essence, this bill addresses issues from the watershed to the wood shop.

I am going to focus the rest of my comments on the importance of contracting as a vehicle for collaboration and for building a consistent program of work for rural communities, as well as building forest-based economies through the proposed restoration value-added centers.

The communities with which Sustainable Northwest works have experienced many problems with the current contracting system,

which I have detailed in my written testimony. What I will say is the bill's focus on best value contracting places the emphasis on getting the highest quality work for the best price, justly spending the public's dollar.

The other provisions will help small and micro businesses build their capacity to become strong viable enterprises and to access the higher-value contracts. These provisions should be about building high-scale durable jobs in rural communities. It is not just about the number of jobs, or the number of contracts that are awarded. It is also about the value of those contracts. So, for us, the contracting provisions, simply put, will help us begin to create new tools for new times.

The bill also makes important linkages between forest restoration and value added manufacturing, and it does this by focusing resources on developing a rural-based, value-added sector that can capitalize on the unique wood, skills, and heritage of western communities.

The small and micro businesses involved in the Healthy Forests, Healthy Communities Partnership primarily use the wood that comes from restoration projects. They work with small diameter wood, such as the suppressed Doug Fir and many western hardwoods, like Madrone. And they make a full range of products, flooring, paneling, custom and round wood furniture, gifts, and accessories.

But despite their commitment to innovation, these small rural businesses face many financial and technical challenges, but by working together they are finding ways to overcome those obstacles. For example, in southern Oregon, several businesses are sharing resources, allowing them to become more competitive in the flooring and paneling markets. However, despite their efforts to create markets, the lack of investment and forest restoration has made their endeavors more difficult.

The flooring broker that we work with has done a good job of building strong markets for suppressed Doug Fir flooring. However, the business members that I work with do not have a consistent supply of suppressed Doug Fir, despite the severe forest health problem and the predominance of that species across our landscape. Therefore, they are having trouble meeting the market demands they have created. This is a very big challenge if you are trying to introduce a new product into the market.

This project, as well as the others described in my testimony, demonstrate the promise and the potential of these restoration and value added centers. As models, they outline the various forms that the centers may take based on the appropriate community context. These centers have the potential to create real change in communities like Hayfork, California, Elk City, Enterprise and Lakeview, Oregon, Twisp, Washington, and countless other small communities that I know this committee has heard from.

The bill should ensure that the centers do not become another program or field office of the agency or large educational institution. However, those entities should be important partners in this endeavor. They are critical to the process, but the centers should be about helping communities to rebuild their institutional capacity

and positioning them to build strong conservation-based economies as they envision them.

The centers should be bringing expertise into the community, rather than forcing people to leave home to find help or other resources. The centers will not be successful if they adopt a traditional approach of economic development by locating them on primary transportation corridors in emerging urban centers or existing cities. It is important that the centers be located in rural communities close to the resources and the businesses they will serve.

This will also ensure that the centers are operating under the same constraints and the same environment that we expect these types of business to thrive under.

Thank you very much for the opportunity to comment on this important piece of legislation. Your bipartisan work to create opportunities for communities and to restore public lands is providing a lot of hope for the communities and business that I work with.

We do support the concepts of this bill and hope that our feedback will help ensure that the provisions in the legislation provide opportunities for implementation rather than increased process or bureaucracy. Attached to the testimony are section- by-section suggestions for improvements in the bill, and we look forward to working with you through this process.

Thank you.

[The prepared statement of Ms. Enzer follows:]

PREPARED STATEMENT OF MAIA ENZER, PROGRAM DIRECTOR, SUSTAINABLE
NORTHWEST, PORTLAND, OR

Thank you for the opportunity to provide comments on S. 2672 the Community-based Forest and Public Lands Restoration Act. This bill provides an opportunity to help rural communities play a meaningful role in the restoration of our public lands while simultaneously providing the tools to build viable, conservation-based economies in rural communities. We support the principles and concepts presented in the bill and are pleased to offer our perspective on the issues.

I am Maia Enzer, Program Director at Sustainable Northwest for the Healthy Forests, Healthy Communities Partnership. Sustainable Northwest (SNW) is a Portland, Oregon-based nonprofit organization founded in 1994 and dedicated to forging a new economy in the Pacific Northwest one that reinvests in the people, the communities, and the landscapes of the region. The mission of the organization is:

To build partnerships that promote environmentally sound economic development in communities of the Pacific Northwest.

The Healthy Forests, Healthy Communities Partnership (HFHC) is a regional collaborative dedicated to building capacity in rural communities to perform forest restoration and ecosystem management services, and to manufacture and market the wood by-products of such activities. We have members in northern California, Oregon, Washington, and Idaho. Our partners are small and micro-businesses, community and regional non-profits, land management agencies, environmental groups, and others committed to promoting restoration in an environmentally and socially responsible manner. Towards that end, they have signed a Vision & Values statement, which guides our comments in this testimony (see attached Vision & Values statement).

As a Partnership, we face many challenges, including: an inconsistent program of work around restoration; contracting mechanisms that are difficult for smaller businesses to access; and limited investment in rural entrepreneurs interested in value-added manufacturing. Senate bill 2672 appropriately addresses these challenges, providing opportunities to overcome them.

CREATING AN INTERDEPENDENCE BETWEEN HEALTHY FORESTS
AND HEALTHY COMMUNITIES

The Community-based Forest and Public Lands Restoration Act provides an integrated approach to the restoration of our public lands by providing mechanisms to

restore and maintain healthy forests and healthy communities. It does this by creating a comprehensive program of forest restoration work. The core values of community-based forestry, echoed by many organizations and individuals across the Northwest, are incorporated into this bill. Senate bill 2672 provides direction to create collaborative processes that enable interested participants to have a meaningful role in the care of our public lands. It provides mechanisms to restore our national forests in a manner that cares for the land and the worker, and recognizes the critical contributions of the private sector in these efforts. Further, this bill recognizes the need for and provides the means to do monitoring, which the linchpin to successful restoration, from both an environmental and social perspective. And at its heart, the bill calls for using the public dollar to reinvest in the land that has provided so much, while also investing in rebuilding the capacity of rural communities to do restoration work and to create a viable economy based on this work.

As we have seen in countless rural communities throughout the West, there is an inextricable link between the way we care for our lands and rural community well-being. This bill makes a positive contribution to improving both land and community.

REMOVING BARRIERS TO IMPLEMENTATION

Restoring Ecological Integrity

Every summer destructive wildfires remind us that our public lands are not healthy enough to allow natural processes, such as fire, to play their appropriate role on the landscape. This summer is no different. Decades of fire suppression has led to problems with fuel loads, insects and disease, noxious weeds, and other threats to ecosystem health.

Overcoming institutional barriers in the Forest Service

The Forest Service faces a number of institutional challenges that forces them to cobble together a program of restoration work. First, their budget and structure do not support the design and implementation of such a program. They are forced to use old budget structures to support restoration. Second, they must apply contracting and procurement rules that simply do not fit the objectives of restoration, nor support the new type of high-skill restoration worker. Third, monitoring, a crucial step for understanding impacts and being able to manage adaptively, is often left out of the work. Fourth, the Forest Service lacks the institutional structure to support a collaborative approach to working with the public.

The barriers facing the Forest Service are not easily remedied, and we recognize that they cannot all be removed instantaneously or simultaneously. However, we strongly believe that Senate bill 2672 places the correct emphasis on the fixing problem by focusing its purpose on creating, "a coordinated, consistent, community-based program to restore and maintain the ecological integrity of degraded National Forest System and public land watersheds." The right combination of steps taken through this bill will go far in helping to facilitate implementation of sound restoration projects through collaborative processes.

WE NEED NEW TOOLS FOR NEW TIMES

Supporting restoration and collaboration through contracting and procurement

Now I would like to address some of the specific attributes of the bill, starting with contracting reforms.

The communities with which Sustainable Northwest works have experienced many problems with the current contracting system, which makes it difficult for small, local contractors to access forest restoration work. For example, on the Fremont National Forest between 1994 and 1999 local firms captured 33 percent of all service contracts; however, of these, 83 (of 88) were valued at less than \$25,000 and only one was over \$100,000.¹ In Trinity County, California local firms only capture approximately seven percent of the work. In Wallowa County, Oregon during the 2000 field season, local firms captured about 20 percent of the service work, but the total value of these contracts was only \$210,000 (and of this total, one contract was worth \$150,000, leaving \$60,000 worth of work in the remaining contracts). Clearly, it is not simply the number of contracts that matters, but also their value. These counties, and many others surrounded by public lands, are coping with high unemployment and increasing poverty. Meanwhile, the bulk of the valuable contracts go to large companies in urban areas, sometimes hundreds of miles away. Despite this seeming inequity, we recognize that this is not an 'either or' situation: we need busi-

¹Kauffman, Marcus. 2001. An Analysis of Forest Service and BLM Contracting and Contractor Capacity in Lake County, Oregon. Sustainable Northwest. Copies available on request.

nesses of all sizes to take on the important and vast scope of restoration work, but we also need to make room for small and micro-enterprises to access the full range of restoration work.

There has been considerable dialogue around contracting mechanisms used by the Forest Service, and we are encouraged by the continued experimentation with the National Stewardship Pilot Program. Many of the issues involved in contracting must continue to be tested through that venue. However, we know that the current system was created in a different social, ecological, political and economic context and has unintentionally created barriers for small and micro-businesses to be able to compete for work on public lands. The changes presented in Senate bill 2672 (Section 6) are a positive step in the right direction. While we have some suggested changes (see attached section by section comments) we applaud your efforts to create a better climate for competition by providing mechanisms that will help small and micro-businesses to build their capacity to compete for this new kind of work. By focusing on best value contracting, you have placed the emphasis on getting the highest quality of work for the best price, justly spending the public's dollar.

We are also pleased with the focus on collaboration in the bill. In the last decade, communities throughout the West have learned the central role of non-profit organizations in helping communities adapt to change, and have experienced the value of working in partnerships with local businesses to support their economic viability. This is especially true in relation to work on public lands. Many of the success stories about collaboration with the Forest Service have come through relationships initially built through State and Private Forestry branches of the Forest Service. In order to empower National Forest System employees to work with nonprofit entities, it is necessary that they have the authority to enter into cooperative agreements, an authority which they currently lack. We commend you for including this provision in the Community-based Forest and Public Lands Restoration Act (Sec. 4(b)).

BUILDING NEW FOREST-BASED ECONOMIES

One of the visionary attributes of this bill is the linkage made between forest restoration and value-added manufacturing. S. 2672 focuses resources on developing a rural-based value-added sector that can capitalize on the unique wood, skills, and heritage of this region. This is a positive step forward in the level of investment which, to date, has been limited. We need investment to catalyze our business sector.

Sustainable Northwest's Healthy Forests, Healthy Communities Partnership works with small and micro-wood products businesses throughout the Pacific Northwest who use the wood by-product from restoration projects. They work with small diameter wood (suppressed Douglas Fir) and underutilized or lesser-known species (i.e. Madrone, Tan Oak, and Juniper), to make a range of products including: flooring, paneling and molding; posts and poles; custom and roundwood furniture; and gifts and accessories. As rural businesses in the Pacific Northwest have been gearing up to utilize the by-products of restoration projects, they have become acutely aware of the challenges small businesses face in the global economy. Among these challenges are:

- Lack of capitalization to build inventory and expand production capacity
- Isolation from transportation corridors and major marketplaces
- An unreliable supply of raw materials for processing
- Unavailability of a trained workforce
- Need to build business skills necessary to take a business "to the next level"
- Few opportunities to exchange ideas, innovations, and resources with peers

While we have begun to address these challenges, a key lesson learned is the importance of public-private partnerships and business-to-business relationships. Our most effective Partnership growth has occurred where groups of businesses have come together to address a common challenge.

For example, in Southern Oregon, several businesses are sharing resources, allowing them to be more competitive in the flooring and paneling market. By having loggers, sawyers, lumber dryers, millers and brokers all working together, this group has developed a successful mini-industry that is creating jobs by adding value to the small diameter Douglas Fir which dominates the forests of the region.

In Hayfork, California, a business incubator was developed to provide the resources that allow start-up entrepreneurs to build businesses based on the restoration of forests. By supplying the roof over their head, access to tools and business resources, and networks with peers, the incubator has created an environment of opportunity.

Our community partners in Okanogan County, Washington have been piloting restoration projects on National Forest lands and assessing community capacity to

utilize the materials that will flow from these projects. By evaluating the existing business infrastructure they have been able to determine products that can be manufactured now and areas where additional investment, such as equipment and inventory, may be needed. The local non-profits have also awakened regional enterprises to the opportunities that exist for building businesses around the restoration work and the processing of its residual material.

Each of these projects demonstrates the promise and potential of Restoration and Value-added Centers. As models, they outline the various forms that Centers may take, based on the appropriate community context. Also, to meet our objectives of responsible forest restoration and community economic development, we need to foster and support many small enterprises - We need to do small scale on a large scale. Perhaps most importantly, ongoing efforts in the Pacific Northwest represent the necessity of a coordinated and well-supported approach to community-based forest restoration.

We commend your inclusion of Restoration and Value-added Centers in the bill, as we believe they are a key element to helping mitigate the challenges these businesses face. Too many communities have lost the infrastructure they need to support existing businesses, or create new enterprises. We need to foster a business environment that will encourage the establishment and growth of small, but highly effective restoration-related enterprises. We need to encourage vertical integration at the community-scale. These Centers have the potential to create real change in communities like Hayfork, California; Elk City, Idaho; Enterprise and Lakeview, Oregon; Swan Valley, Montana; Twisp, Washington; and countless other small communities. These Centers offer rural-based businesses a way to build a future tied to their heritage in natural resources, their commitment to their community, and their vision for a future based on environmentally-sound economic development.

GENERAL COMMENTS OF CONCERN

Our support for the concepts and principles of this bill notwithstanding, we do have concern about some of its aspects. I would like to highlight them:

1. Streamlining implementation and working within existing processes and selection of projects

We are concerned that there is not sufficient clarity in terms of how projects will be selected through this bill. It is important that this legislation help to facilitate implementation and not create unnecessary analysis or process. Currently other efforts are examining how to ensure that the existing planning and analysis processes can add-value to how projects are identified and implemented. We do not think it is necessary to create new process or to use this bill as a way to solve those process issues. This bill must remain focused on facilitating implementation within as many of the current laws and processes as possible. However, there is insufficient guidance on how to use those existing mechanisms. (please see suggested changes in the attached section-by-section comments).

2. Location of the Restoration and Value-added Centers

These Centers need to be located in rural communities, not just accessible to them. The Centers will not be successful if they adopt the traditional approach to economic development of locating along primary transportation corridors in emerging urban centers or existing cities. S. 2672 shows genuine commitment to supporting rural communities and building viable economies through the restoration and maintenance of our public lands. It is critical that these Centers be located in rural communities, close to the resources and the businesses they will serve. This will also ensure that the Centers are operating in the same environment as the businesses they serve.

3. Definitions

We are encouraged by the bill's focus on small, rural communities and small and micro-enterprises. However, some terms in the bill need to be more clearly defined or they may be misunderstood and misused, thus diminishing the positive contribution this bill can make in implementing its stated objectives. For example:

Definition of Local: It is important to provide land management agencies with further guidance on what is meant by 'local' to ensure that those who live closest to the project site are able to access the work laid out in the provisions of the bill. (see attached section-by-section comments).

Definition of Rural: As currently written, the definition of rural is unclear. We need to look more carefully into this definition to recommend new language that will ensure that small rural communities are truly the beneficiaries of this legislation.

The current language is not sufficient for the needs of the communities and businesses we work with.

CONCLUSION

Thank you for the opportunity to comment on this important piece of legislation. Your bi-partisan work to create opportunities for communities and to restore our public lands is commendable. We support the concepts of this bill and hope our feedback will help ensure that the provisions in this legislation provide opportunities for implementation, rather than increased process and needless bureaucracy. Attached to this testimony are section-by-section suggestions for improvements to this bill. We look forward to working with you through this process.

The CHAIRMAN. Well, thank you very much for your testimony. Mr. Holmer, go right ahead with your statement.

**STATEMENT OF STEVE HOLMER, CAMPAIGN COORDINATOR,
AMERICAN LANDS ALLIANCE**

Mr. HOLMER. All right. Thank you, Mr. Chairman. On behalf of American Lands Alliance, I just wanted to appreciate your leadership on this question, as well as you and Senator Craig.

American Lands supports the intent of the Community-Based Forest and Public Lands Restoration Act to promote restoration and to foster community-based businesses and citizen groups in rural communities to carry out needed restoration projects. We believe this bill offers a critical opportunity that should not be passed up to further the dialogue on restoration.

To this end, we have a number of suggestions that we believe will help the legislation better promote sound ecological restoration on the ground, and ensure that the Forest Service follows the intent of this program. Incorporating these suggestions will strengthen growing agreement among many sectors of the public on the need for an effective and ecologically sound approach to forest restoration.

During the past year, the conservation community, together with input from forest practitioners and community forestry groups, has drafted restoration principles to promote ecological forest restoration and implement sound restoration policies and projects on the national forests. The principles clearly distinguish hazardous fuel-reduction projects designed to effectively protect homes and communities from projects designed to restore ecological integrity in fire-dependent ecosystems and elsewhere. This is a distinction currently overlooked by the U.S. Forest Service.

These principles are currently undergoing a peer review process and will be published later this fall. To support this program, we urge the Congress to establish a new line item called "Ecological Restoration" in the Interior Bill, as outlined above, and fund this program at about \$200 million a year. I think that would be a good, solid beginning for this effort.

In our view, we would like to see a comprehensive approach taken to restoration. And so, restoration can also mean conservation. In our view, we need to look at the landscape and determine the areas that have the highest ecological integrity, and make sure that those areas are protected and not further degraded. So, for example, old growth forests, roadless areas, endangered species habitat, places like this have been identified and we believe should be protected. And I would just like to take a moment to thank you for your leadership on the Roadless Area Conservation Act, which we

think is an important step towards establishing this comprehensive approach.

I did include three case studies in our testimony about existing projects happening on the national forests, and rather than go through all the details, I would just like to summarize by saying that in all three of these projects, there are very positive elements that we would like to support. However, there have been elements included in these projects which we think will undermine ecological integrity and, therefore, in all likelihood, or already have been, they will be opposed by conservationists.

And so we would like to develop this criterion in a process where we can have noncontroversial projects that do not include the logging of old growth trees, do not include logging in heavily degraded watersheds, and that kind of thing. So, when we look at what the Forest Service is doing right now, we do feel like they need some additional direction.

With these lessons in mind, we would like to recommend some specific changes. We do feel like there needs to be environmental safeguards added to the legislation; specifically, protection for old and large trees, roadless areas, and endangered species habitat. We think a prohibition on new road construction would also be extremely beneficial, and we feel that these provisions would help ensure the resulting projects will enhance ecological integrity, and help reduce controversy and public opposition to projects involving the cutting of trees or that are proposed in ecologically sensitive areas.

We also believe that economic safeguards need to be added. We are very concerned about how financial incentives can skew management decisions, and we have seen this over time. The timber sale program is really, and the excessive road construction is, a major reason why we need to do so much restoration on the forests. So, we would like to see this bill avoid using timber sale contracts to accomplish these projects. However, we do recognize that restoration byproducts derived from an ecologically-based project may have value secondarily. And so we are willing to explore other contracting methods to do those kinds of projects.

Another key point that we would like to make is that we feel this bill does propose or places too strong of an emphasis on utilizing trees as restoration byproducts. When we look at restoration, we feel like there is a broad range of activities that should be included in this program. We currently have an \$8 billion road maintenance backlog, for example. There is a tremendous amount of work and jobs that could be created working on those issues. Invasive species is a growing threat to the national forests. We would like to see additional emphasis, and we do appreciate the additional funding that is going into that program at this point.

We are very concerned about stewardship contracting. We do feel like that includes some internal financial mechanisms that could ultimately undermine the restoration objectives of those projects. And one of the examples is a stewardship project.

We do feel like the project criteria is a little bit unclear here. We feel there needs to be an up-front assessment done before we go in and do activities to determine what the highest priority for an area might be. For some places, reducing fuel loads might be the top

issue, but for other areas, invasive species or dealing with the road system might be the highest priority. So, we think that this up-front look will help steer the projects in the direction that would most benefit those particular areas.

We would strongly support the provisions included in section 6 to direct forest management activities to a smaller scale while utilizing best value contracting. We believe this language will support a smaller-scale approach, and hopefully move us away from large-scale industrial forestry. We think it will also help foster the creation of new businesses and a restoration economy that can sustain rural communities while providing effective community protection and forest protection.

Also, about the value added centers, we think that they can also provide valuable assistance in utilizing and interpreting science, and also in training the work force to carry out these restoration projects.

We wish to thank you again, Mr. Chairman, for your leadership on this issue, and for this opportunity to testify.

And we look forward to working with you and your staff as this legislation moves forward towards passage.

[The prepared statement of Mr. Holmer follows:]

PREPARED STATEMENT OF STEVE HOLMER, CAMPAIGN COORDINATOR,
AMERICAN LANDS ALLIANCE

On behalf of American Lands Alliance, representing the interests of grassroots forest conservation activists around the nation, I wish to thank you Mr. Chairman for this opportunity to testify and for your leadership on efforts to restore National Forests and other public lands.

American Lands supports the intent of the Community-Based Forest and Public Lands Restoration Act to promote restoration and to foster community-based businesses and citizen groups in rural communities to carry out needed restoration projects. We believe that this bill offers a critical opportunity that shouldn't be passed up to further the dialogue on restoration.

To this end, we have a number of suggestions that we believe will help the legislation better promote sound ecological restoration on the ground and ensure that the Forest Service follows the intent of this program. Incorporating these suggestions will strengthen growing agreement among many sectors of the public on the need for an effective and ecologically sound approach to forest restoration.

A PROGRAM FOR ECOLOGICAL RESTORATION IS NEEDED

There is a tremendous need to carry out ecological restoration on many parts of the National Forests due to damage caused by past logging, roadbuilding, grazing, mining and more recently the introduction of off road vehicles and invasive species to the public lands. There is a huge potential to create a highly-skilled workforce and family wage jobs to carry out this work.

Unfortunately, the Forest Service is rapidly giving restoration a bad name by proposing large scale logging projects and promoting them in the name of restoration and stewardship. An increase in use by the Forest Service of the commercial timber sale program to "restore" federal lands poses risks that inappropriate logging will adversely affect fish and wildlife habitat and ecologically sensitive landscapes. There is a great need to fund projects that are based on ecologically sound principles and criteria.

This points to the need to create a new program whose goal would be to enhance ecological integrity by restoring natural processes and resiliency in priority areas on the National Forest. These priority areas and the restoration methods must be determined by comprehensive restoration assessments that address a broad range of restoration questions at multiple spacial scales which identify root causes of degradation, determine priorities for restoration, and appropriate methods for restoring degrading systems. Active restoration projects could involve road removal, culvert removal, prescribed burning, fuels reduction, invasives species control, fish and wildlife habitat rehabilitation, reintroduction of extirpated species and other nec-

essary activities based on the priorities established in the ecological restoration assessment.

To prevent abuses, there would need to be ecological safeguards and positive economic incentives to implement ecological sound forest restoration. Guidelines should include: taking a thoughtful, careful, and conservative approach; use of appropriate contracting techniques rather than commercial timber sales for restoration; no new roadbuilding; protecting roadless areas and areas of high ecological integrity; replacing low bid contracts with best value contracts that are based on desired ecological, community and workforce objectives—which ensure that contractors possess the necessary skills and capacities to carry out high quality work; and requiring that project budgets include realistic and dedicated funding for assessment, monitoring and evaluation.

RESTORATION PRINCIPLES UNDER DEVELOPMENT

During the past year, the conservation community—together with input from forest practitioners and community forestry groups—has drafted Restoration Principles to promote ecological forest restoration and to implement ecologically sound restoration policies and projects on national forests. The Restoration Principles clearly distinguish hazardous fuel-reduction projects designed to effectively protect homes and communities from projects designed to restore ecological integrity in fire-dependent ecosystems, a distinction overlooked by the Forest Service.

The Principles are currently undergoing peer-review and will be published later this fall. To support this program we urge Congress to establish a new line-item called Ecological Restoration as outlined above and fund this program at \$200 million for FY 2004.

ECOLOGICAL RESTORATION ALSO MEANS CONSERVATION

In addition to supporting active restoration projects, restoring ecological integrity to the landscape also means not allowing the areas of the highest ecological integrity, such as old growth and mature forests, and roadless areas, to be degraded. To this end, we urge that as part of a comprehensive restoration program, areas of the highest integrity be permanently protected. This would include:

1. Old growth and mature forests
2. Roadless areas 1,000 acres and larger.
3. Threatened and endangered species habitat.
4. Unimpaired riparian and aquatic systems.
5. Large and old trees
6. Other high integrity areas identified by restoration assessments.

It is important to recognize that even these important ecological areas may need restoration. However, active restoration should not be applied in these areas unless it can be shown that there is a high degree of scientific and stakeholder support, and that there are no other means for restoring or maintaining ecological integrity.

- All restoration projects should:
- Take a thoughtful, careful and conservative approach Comply with all environmental laws
- Comply with ESA recovery plans
- Require restoration assessments before projects begin
- Include monitoring plans and adequate funding for assessment, monitoring and evaluation.
- Take a comprehensive approach (i.e. include road closures, erosion control, ecologically sound grazing management, invasive species control etc.). Allow no new road building
- Recognize variation in forest type and fire regimes
- Use the least intrusive methods possible that will be effective in order to avoid negative cumulative effects to watersheds and wildlife, with the exception of road obliteration.

SHEEP BASIN RESTORATION PROJECT GOES AWRY

On the Gila National Forest the Sheep Basin “Restoration” Project illustrates a basic disagreement that often keeps us from effective action. The Sheep Basin project emerged from an early collaborative watershed planning process that was initiated by local conservationists and supported by Senator Bingaman. The idea was to move beyond this the usual forest management conflicts to watershed restoration that would benefit all stakeholders.

After years of dialogue an astonishing agreement was reached. A several thousand-acre project was identified for thinning and other restoration activities. Con-

servation groups and the Catron County Citizen's Group (interested in utilization of restoration by-products) agreed that the project should proceed with a diameter cap limiting logging of large trees.

However in an equally astonishing move the Gila National Forest disregarded the agreement by choosing an alternative that will log large trees, though over 90% of the trees in the area are below 12" and all other parties agreed there were effective methods to meet both ecological and economic objectives. The decision to log large trees (in this case healthy trees up to 35" more than 20 miles from the nearest community) resulted in an appeal.

By ignoring this unusual agreement the Forest Service chose controversy over cooperation. This story outlines the basic disconnect between the Forest Service and conservation groups as well as many rural communities that are working toward ecologically sound, effective solutions to community protection.

EAST RIM VEGETATION MANAGEMENT PROJECT—KAIBAB NATIONAL FOREST

This project is intended to improve forest size distribution, to improve wildlife habitat for late seral species; reduce infection centers of dwarf mistletoe and road management. However, the project proposes to log 8 million board feet of timber over 7,500 acres, including old growth trees.

The Kaibab Plateau country on the North Rim of the Grand Canyon contains some of the most extensive stands of old-growth forest remaining in the Southwest. These forests contain an incredible diversity of wildlife, including the densest breeding population of northern goshawks in North America, the endemic Kaibab squirrel and the famous Kaibab mule deer herd. While partially included within Grand Canyon National Park, most of the Plateau is administered by the Kaibab National Forest. Teddy Roosevelt was so inspired by the area that in 1906 he declared it to be the Grand Canyon Game Preserve, the only such area in the Southwest.

Despite the critical ecological importance of the forest on the Kaibab Plateau, the Forest Service continues to propose timber sales that log thousands of mature and old growth trees. For example, the East Rim Vegetative Management Project would log over 8 million board feet of old-growth ponderosa pine, mixed-conifer and spruce-fir forest. Much of the proposed logging within the East Rim timber sale will occur directly on the edge of steep canyon directly bordering a designated wilderness area. Erosion and sedimentation caused by the logging operations will directly impact a genetically pure population of the threatened Apache trout less than a mile from the sale's boundaries.

IRON HONEY RESTORATION PROJECT—COEUR D'ALENE NATIONAL FOREST

The Forest Service is proposing aquatic, vegetative and wildlife habitat improvement activities in the 21,600 acre Iron Honey Resource Area, located at the upper end of the Little North Fork d'Alene River drainage. The purpose and need for this project are to: 1) Improve Water quality, fish habitat and riparian habitat by reducing sediment and increasing large woody debris in the streams; 2) Trend the vegetative species composition toward historical levels, which included species more resistant to insect and disease; 3) Increase age-class diversity and reduce old-growth fragmentation; and 4. Reduce fire hazard and potential fire severity.

However, the project includes 1,919 acres of even-age management (clearcutting), 70% canopy removal average, and 27 million board feet of logging, or 5,500 log trucks of trees. The Forest Service is also currently is proposing 34.2 miles of road work scattered throughout the entire 22,000 acre project area, including permanent and temporary road construction as well as road reconstruction.

The Coeur d'Alene watershed provides 80% of the water for 400,000 people and there is great concern that logging and road building in this area will harm the water supply of the City of Spokane. The Coeur d'Alene Ranger District already has 11 miles of road per square mile, making it the district with the highest road density of any other Forest Service ranger district.

Flooding caused by logging and road building is the main mechanism for heavy metal transport from the flood plain of the Coeur d'Alene River to the Lake Coeur d'Alene and the Spokane River. During the five to nine years the Forest Service believes it would take the watershed to return to "normal" the main stem of the Coeur d'Alene River will be in the middle of intense cleanup.

The Forest Service cannot insure that during those five to nine years there will not be a rain on snow event, which would cause flooding in the basin, potentially redistributing heavy metals. The removal of vegetation in the North Fork is the pre-emptive factor leading to rain on snow events. As a result, this project could cause a significant reduction in ecological integrity as well as contribute to flooding that spreads heavy metal contamination.

RECOMMENDATIONS FOR IMPROVING S. 2672

With these lessons in mind, we would like to recommend the following changes and additions to S. 2672 to ensure that the laudable goals of the bill are realized.

Environmental Safeguards

We recommend that language be added to the bill protecting old and large trees, roadless areas and endangered species habitat. We also urge a prohibition of new road construction and reconstruction. These provisions will help ensure the resulting projects will enhance ecological integrity and will help reduce controversy and public opposition to projects involving the cutting of trees or that are proposed in ecologically sensitive areas.

Economic Safeguards

There remains a concern that commercial incentives and commodity production should not be allowed to drive restoration project design and implementation. The current timber sale program continues to give priority to economic interests and is not appropriate for restoring forests. Past timber sale practices and the excessive construction of timber roads are a significant reason why restoration is currently needed on the National Forests. Therefore, we urge that the bill avoid the use of timber sales to pay for restoration projects.

However, restoration by-products derived from ecologically based restoration projects may have value secondarily. Alternative contracting mechanisms must be developed that are driven by ecological objectives. Other contracting and funding mechanisms that are worth further consideration are cost share grants as well as cooperative and participating agreements.

Definition of Restoration

The term to restore means to enhance ecological integrity by restoring natural processes and resiliency. Effective forest restoration should reestablish fully functioning ecosystems. Ecological integrity can be thought of as the ability of an ecosystem to support and maintain a balanced, adaptive community of organisms having a species composition, diversity, and functional organization comparable to that of natural habitats with in a region (Karr and Dudley 1981).

Restoration is More than Wood Bi-Products

The bill as proposed places strong focus on utilizing trees as restoration bi-products. The bill language does not identify a framework for ecological restoration and associated employment opportunities nor identify other activities that are must be part of truly sound ecological restoration efforts. These include but are not limited to: road de-commissioning, improving aquatic habitat (e.g. culvert removal, recruitment of woody debris in streams, etc.).

Principles of restoration must include passive and active strategies for restoration. Passive restoration is ceasing activities that have been determined by a restoration assessment to impede natural recovery processes. Cessation of degrading activities is a priority when it has been determined by a restoration assessment to impede natural recovery processes. Passive restoration should take precedent where it is vital to eliminate or reduce the root causes of ecosystem degradation, including stopping destructive logging, road-building, livestock grazing, mining, building of dams and water diversions, off-road vehicle use, and alteration of fire regimes. This form of restoration, which should be based on thoughtful analysis and planning, must be distinguished from passive management, which has been criticized as mere neglect.

Project Criteria Unclear

The legislation establishes a program to create new restoration projects but does not discuss how the projects are selected and by whom. We recommend a landscape scale assessment be completed to determine restoration priorities for a specific area. For example in some areas, reducing fuel loads may be the highest priority, but for other areas, removing invasive species may be more important. This guidance is needed to ensure the projects meet the ecological needs of each area.

S. 2672 SUPPORTS THE CREATION OF A RESTORATION ECONOMY

American Lands supports provisions included in Section 6 of S. 2672 to direct forest management activities to a smaller-scale while utilizing best-value contracting. We believe this language will support a smaller scale approach moving away from larger scale industrial forestry. It will also help foster the creation of new businesses and a restoration economy that can sustain rural communities while providing effective community protection and forest protection and forest restoration approaches.

The Forest Restoration and Value-Added Centers authorized in Sec. 5 may prove valuable in providing assistance in utilizing and interpreting science and training a work force with specific skills in forest restoration.

We wish to thank you again Mr. Chairman for your leadership on this issue and for this opportunity to testify. We look forward to working with you and your staff on this legislation as it moves towards passage to accomplish the restoration of ecological integrity across America's forested landscape.

STATEMENT OF TODD SCHULKE, FOREST POLICY DIRECTOR, CENTER FOR
BIOLOGICAL DIVERSITY, PINOS ALTOS, NM

We are writing to brief you on a disturbing turn of events concerning the Negrito Watershed, the collaborative project you help initiate in the early nineties. As you know there has been 10 hard years of work building agreement in Catron County around watershed restoration, ecological protection, and local employment opportunity. A recent decision by the Gila National Forest to log large trees in the Sheep Basin "Restoration" Project (the first phase of the Negrito plan) ignored the groundbreaking agreement between the Catron County Citizens Group and conservation groups to limit thinning to small diameter trees. By choosing controversy over cooperation the Gila forced appeals by conservation groups dedicated to the protection of large and old trees.

The Center for Biological Diversity has participated in several field trips with the Gila National Forest and the Catron County Citizens Group. We have also commented several times on the proposed restoration plans. We have made it clear that if the Gila followed basic restoration principles (including a diameter cap to cutting large trees) that we would participate in an agreement to proceed with the Sheep Basin project.

The Catron County Citizen's Group has also maintained that they support a using a restoration approach to the prescriptions used on Sheep Basin. They have strongly supported use of a diameter cap on the project. Even Don Weaver, member of the citizen's group and former head timber staff on the Reserve District of the Gila National Forest, wrote letters stating that the ecological objectives of the project could be reached using a diameter cap.

All parties interested in the Sheep Basin project were then astounded when the Gila National Forest made the decision to log large trees from Sheep Basin. The Center appealed the project, though we have offered to rescind the appeal if agreement can be reached on the diameter cap. The Catron County Citizen's Group has written letters to the Gila outlining their concerns with logging large trees and illustrating on-the-ground examples of healthy old growth trees that are marked to be logged for no apparent reason. Thus far there has been no indication that the Gila plans to alter the decision in order to honor the agreement built between the Center and the Catron County Citizen's Group (CCCG).

To further add salt to our wounds the Gila National Forest admitted in comments back to us that Sheep Basin was not a restoration project but that they didn't want to change the name so that they wouldn't confuse anyone.

"Although the project was scoped with the title Sheep Basin Restoration Project, only grasslands are proposed for restoration work. Desired conditions are based upon the Gila Forest Plan as amended and not intended to restore these vegetation types. The original project title was retained to avoid possible confusion with other projects" (From Sheep Basin Comment Analysis). Both conservation groups and CCCG are far too experienced and involved to be "confused".

The Gila also admitted that though there are wildland urban interface areas within the Sheep Basin project that they had no plans to treat them at this time.

"Although the wildland urban interface biological opinion considered some areas within the Negrito watershed, there are no proposals to treat these areas at this time." (From Sheep Basin Comment Analysis.)

A final concern with the Sheep Basin project is that though the Forest Service has plans to log approximately 90 million board feet of timber from the Negrito Watershed, they have done no cumulative effects analysis on the potential damage caused by so much logging concentrated in one watershed. In fact the Gila has combined the next 2 phases of the Negrito plan, proposing to log millions of board feet of timber on up to 10,000 acres, making the cumulative effects concern very real.

This situation is a good illustration of many upcoming Forest Service projects in Arizona and New Mexico. Many of the new projects developed in Region 3 are timber sales that log large trees under the guise of forest restoration and community

protection. As you know there is plenty of evidence showing that logging large trees is ecologically harmful while often time actually increasing fire danger. As disturbing is the apparent disregard of the Forest Service of progressive agreements between rural communities and conservation groups. This is particularly disturbing in light of the legitimate efforts that need to be made to protect communities from the risk of forest fires. There is plenty of room here for agreement. The Forest Service simply has to honor these agreements when they develop or we will never see the kind of cooperation that we know you envision.

We thought you might be particularly interested in the Sheep Basin project given your past support of the Negrito Watershed Plan and your commitment to building agreement and encouraging cooperation between rural communities and conservation groups. We would appreciate any help you can offer toward resolution of this perplexing problem.

The CHAIRMAN. Thank you very much.

Senator CRAIG has not had a chance to ask his questions. Let me defer to him at this point for any questions he has.

Senator CRAIG. Well, thank you very much, Mr. Chairman. And thank all of you for being here, especially for the trek out of Elk City, I suspect to Spokane.

Ms. DEARSTYNE. No. It was Elk City to Lewiston, Lewiston to Boise, Boise to Phoenix, Phoenix to D.C.

[Laughter].

Senator CRAIG. Okay. Ouch.

[Laughter].

Senator CRAIG. Yes. For those of you who missed the opportunity to get to Elk City, it is at the end of 50 miles of beautiful drive in the back countries in the back forests of Idaho into a small forest-bound community of wonderful beauty. And, in this day and age, very frustrated people.

But I do, Joyce, thank you for being here because some of what you are trying to do there is so extremely valuable toward what we are looking at with this legislation, both the Chairman and I.

If I were to give you a clean sheet of paper and suggest to you that you put down, let us say, three things that this Congress and the administration could do to help your efforts in Elk City, what might those three things be?

Ms. DEARSTYNE. It would be to designate us as one of the value added centers; give us the ability to spend those monies in supporting efforts of restoration; and taking those products then and utilizing them to develop the secondary wood products that will give us a much higher rate of return than what dimensional-sawn lumber does, because that would directly affect those people within our communities who have hung on and not moved out, and give them an income that would be year-round, have a living wage and benefits. And it would be to a scale that we could handle.

Senator CRAIG. Yes. We know that in Elk City you still have a primary forest products manufacturing facility, and I am wondering if your operation could be replicated in a community that does not have the manufacturing base or has, let us say, lost its manufacturing base that Elk City still has.

Ms. DEARSTYNE. Yes. What we did was we did not so much develop a model as we did a process. And our process started with going to the community and asking them what type of development they wanted to see. Then, we did an assessment of what the raw materials were in our area that could actually be accessed.

Senator CRAIG. Yes.

Ms. DEARSTYNE. And from there, we did an assessment of our infrastructure. We then went out and built our project around that foundation, and we realized that we could utilize small-diameter timber in the process of timber framing buildings that would last hundreds of years, and get a much higher rate of return. We could also take what is known as drop-off from a log that is used to cut for a timber, and that could be utilized by a furniture manufacturer, a decorative furnishings manufacturer. And we then took the waste from that and we will burn it in a commercial wood-burning stove that heats the radiant heat system in our floor. There will be no waste.

Senator CRAIG. Well, Joyce, thank you.

Steve, you have been before our committees on numerous occasions to testify over a variety of aspects of forest management. And as we struggle to find a policy that meets some of the criteria that the chairman and I are striving to accomplish, and creates the new dynamics in a forest community, I hear coming from you though something that frustrates me a bit in your testimony. And some of it is a bit of the old rhetoric, the old growth, roadless rhetoric that—well, I am not so sure that it has not put some in trouble today, and I do not know how to deal with it.

We have a great frustration in the West at this moment. While Idaho is fortunately enough just drying out, so it has not experienced the Mission Ridge near Durango, or the fires in Medicine Bow, or the Stamford fire in Dixie, or the fires that are burning now in Oregon, but there is something very unique about those fires at this moment: 75 to 95 percent of them are in roadless areas at this moment, and are burning out of them into nonroaded areas.

While I am maybe willing to go out and carve out and protect old growth, there is 64 million acres of roadless area out there and, by definition, not all of it is old growth. And, clearly, the forest health problem of today that might allow us the dynamics for a new small log operation or small diameter operation that could be a product, an end product, of the stewardship and the cleaning and the defueling of our forests that an Elk City or some other community could arrive from, it is going to take a few roads to get there. And yet you are suggesting, I think, by your testimony that we do not enter those areas. How do we deal with it then?

I do not need to tell you. You have been around a long while and studied this every bit as much as I. But the fires the West is experiencing today are devastating. They are taking out the ecosystems, the watersheds, the wildlife habitat. There is not a new logging operation today, properly designed, moving lightly on the land, thin and clean, that in any way does the kind of damage that those fires are doing. Generationally, they are destroying now 3 million, almost 4 million acres to date. And I do not know how we get to new dynamics if we operate them on the old foundation.

Mr. HOLMER. Well, I—

Senator CRAIG. Talk to me about that if you would.

Mr. HOLMER. Yes, I would. To respond to your first point about the nature of today's fires, a lot of the same language and rhetoric was used about the Yellowstone fires in 1988. "The National Park has been destroyed," I think was heard many times. But if you go

to Yellowstone today, you will find a resilient ecosystem and abundant wildlife.

And, in fact, it did not wipe out endangered species. It did not destroy the National Park. And, so, I do think that there is a bit of hyperbole going on.

Historically, over the last 10 years, only 18 percent of the lands that have been burned have been National Forests lands, and when you start looking at, particularly on the roadless area issue itself, the roadless EIS was very clear that roadless areas are not the highest priority areas for treatment. There are so many acres that are closer to homes and communities which have been shown to be where the treatments have the most effect that, according to the EIS, roadless areas would not be a priority for treatment for another 20 years.

And, so, we do believe in community protection. We support efforts to create defensible space around homes, create defensible zones for firefighters to operate. And, in fact, we have been doing extensive research and literature reviews, and working with scientists, to develop what we consider a better definition of the wild land/urban interface. And I believe they have come out with 60 meters around homes and a total of a 500-meter firefighter safety zone. So for the high priority areas, we are totally willing to support activities to reduce fuels in those areas.

We have seen problems with commercial logging in the back country actually increasing this problem by logging large trees, leaving slash behind, drying out the forest. And so we do feel like there is still a lot to be learned, and a lot of questions about the idea of landscape-wide thinning.

So, I do feel like when you look at the science, it does support protection of old growth. It does support protection of roadless areas, but that does not mean that there would never be any restoration activities or fuel-reduction activities in those areas. If it was determined to be a priority, the roadless area conservation rule allows for activities to remove those fuels in roadless areas. And, so, we feel like the discretion has been retained by the agency if you do have a high-priority situation. But, again, we feel the emphasis should be much closer to home.

Senator CRAIG. Okay. Well, I must tell you that I find your rhetoric not changed from 5 years ago or 3 years ago.

Mr. HOLMER. My rhetoric is based—

Senator CRAIG. Habitat is—

Mr. HOLMER [continuing]. On Forest Service science.

Senator CRAIG. Habitat; 3 million acres, almost 4 million now, habitat. Do not tell me wildlife and water resources have not been wiped out in the last month that might have—and I am not going to suggest that in a decade we get to hardly any of it. But we might get to some of it. Urban interface is critical, but urban interface is not everything. And why should our tax dollars be paying for that which the private landowner ought to do? Our tax dollars ought to be dedicated to protecting the public resource, and yet these fires that we are putting out in our National Forests today are dedicated to protecting private land, private property.

I find it very frustrating. I guess, you know, one other conclusion that I would draw—and, Mr. Chairman, I will only be a limited amount of politically incorrect here.

But we just passed a supplemental appropriation bill where one Senator thought his forests were so special that he would exempt them.

Mr. HOLMER. My organization was not part of that settlement agreement, but I do understand that this was an attempt to resolve a dispute that had been going on for quite some time. So, I—

Senator CRAIG. So, we exempt that forest because it is okay, but for the rest of them it is not.

Mr. HOLMER. I do not think it is really a good example for adopting a nationwide policy of—

Senator CRAIG. I think it is a perfect example, and you know it as well as I do. I have been through the Black Hills, and I suspect you have, too.

Mr. HOLMER. I have, and I would describe—

Senator CRAIG. They have the same problems—

Mr. HOLMER. I would describe the Black Hills as a manicured forest. It has been one of the most intensively managed forests. It has one of the highest road densities. So, to suggest that the Black Hills have not had adequate management over the last 20 years is ridiculous.

Senator CRAIG. So we exempt it?

Mr. HOLMER. I totally disagree with that policy. I would have opposed that if I had known it was coming.

Senator CRAIG. Thank you. At least you would be consistent.

Thank you, Mr. Chairman.

Thank you, Steve.

And, Joyce, thank you.

The CHAIRMAN. Let me ask a couple of questions. The bill, as we have drafted it, requires the appropriate regional forester to select the recipients of the grants to create these centers, these restoration value added centers. The testimony from the Forest Service witness stated that they would prefer the Chief of the Forest Service to do the selecting instead of the regional forester.

Do you have any views on whether this should be done by the regional forester or by the Chief of the Forest Service here in Washington? Ms. Dearstyne, did you have any thoughts on that?

Ms. DEARSTYNE. No, I have not. Our regional forester has just taken office within the last 3 to 4 months. So, I really cannot base any comment.

The CHAIRMAN. Okay. Ms. Enzer, did you have a thought?

Ms. ENZER. Sure. I think that it is very important that these centers be able to reflect the regional context. In some places, they have lost an enormous amount of infrastructure in the industry, and people may want—the way that this is written, they can put a proposal together that reflects what they want to do. Do they want to focus on training people how to do restoration work on the land? Do they want to focus on processing the byproducts of those activities? Do they want to do both?

And I think that by having the regional office work to select these centers, they are going to be much closer to that regional context. They are going to understand the dynamics there much better

than I think Washington, D.C. may be able to. I also would hope that it would happen perhaps more quickly, and each region would be able to deal with it on its own.

I guess I would also just say that I think that the centers do not have to be very large, huge, you know, institutes. These centers are things that will be built at community scale. They are centers that will reflect the needs of places like Elk City or Hayfork.

And while earlier today they said that if it is not accessible to all communities, that that is not a good idea, I guess, from my point of view, these centers will help to rebuild some of that institutional capacity where it has been lost. The centers should not belong to the Government. The centers should be run by the local nonprofits or whoever is successful at winning the RFP for them, and they will be responsible for sustaining those centers over time.

And I think in the bill you have provided for kind of a tiering off, not to eliminate the role of the Forest Service as a good partner. They are critical. We could not do it without the Forest Products Lab and the research stations. But this is about communities creating a future for themselves, and I really like the way that you designed it in the bill.

The CHAIRMAN. Mr. Holmer, did you have a thought on any of this?

Mr. HOLMER. Well, I would agree with Maia. I think that there are very real regional differences in terms of what the priorities and needs on restoration are. What needs to happen in the Southwest is probably not what probably needs to be happening in the Southeast, for example.

The CHAIRMAN. So, you favor keeping the decision making on these grants at the regional level?

Mr. HOLMER. Yes. We would be comfortable with that.

The CHAIRMAN. Okay. Well, I think this has been useful testimony. We will continue to call on each of you for more input. And we appreciate the detailed suggestions that we have received on ways to improve the legislation.

So, thank you all very much and that will conclude our hearing. [Whereupon, at 3:35 p.m., the hearing was adjourned.]

[The following statement was received for the record:]

STATEMENT OF THE U.S. SMALL BUSINESS ADMINISTRATION

The U.S. Small Business Administration (SBA) administers the Natural Resources Sales Assistance Program. The purpose of this program is to aid and assist small businesses in obtaining their fair share of Federal property offered for sale or disposal by other means. Within this Program, SBA's efforts have been concentrated on the sales of Federal timber. SBA reviews timber sale plans and programs from the National Forest Service and the Bureau of Land Management and recommends changes which will ensure that the small business community is given an opportunity to compete for a fair share of Government timber sales offered. SBA tracks the purchase of timber by small businesses in order to calculate their share of the market and to determine the need for set-aside timber sales. If small businesses purchase less than 10 percent of their market share, then SBA designates the timber set-aside sales. Over the last five years, the number of timber sales for purchase by small business has declined from 1,494 timber sales in FY 1996 to 572 sales in FY 2000.

We have reviewed S. 2672, the Community-Based Forest and Public Lands Restoration Act, and we are currently evaluating the total impact that this legislation will have on small business timber sales.

This legislation will establish a joint community-based program for the restoration of National forests, to be administered by the Secretary of the Interior and the Secretary of Agriculture. The Secretaries will implement projects under the program to assist small rural communities to perform much needed ecological restoration.

The legislation would also empower the Secretaries to develop partnerships and contracts with non-profit organizations, conservation groups, small and micro businesses, and other entities to perform needed restoration work, and to use the by-products of such restoration in value-added processing. S. 2672 requires that these Secretaries limit competition and reserve contracts including special salvage timber sales, timber sale contracts, and service contracts for the above mentioned entities.

The SBA has questions regarding the definition of small business and the limitation on competition for timber sale purchases envisioned by S. 2672.

Definition of Small Business. It appears that this Bill as proposed will only benefit a narrowly tailored segment of the small business community. The size classifications for "micro-enterprise" (5 or fewer people) and "small enterprise" (6 to 150 people) conflicts with the current SBA Regulations for the purchase of Government owned timber (500 or fewer employees) and Government-owned Special Salvage Timber (25 or fewer employees).

Limiting Competition on Timber Sale Purchases. As you are aware, small business timber sales have declined significantly over the past 10 years. Small business sawmills and loggers have been severely impacted by the reduced amount of Federal timber available for harvesting, and many have either shut-down their mills, or have gone out of business.

To stay in business, many small sawmills and loggers have changed their focus to purchase Federal timber sales through fuel reduction contracts, service contracts, and when available, special salvage timber sales. While these contracts offer another alternative for business and timber harvesting, the amounts of timber, and the timber by-products that these contracts yield are small, and can only be considered as supplemental at best. In fiscal year 2001, six special salvage timber sales were offered to small business.

Although unintended, it appears that S. 2672 may impact timber sales, and if so, any reduction of these contracts would represent a significant loss to the small business community

Thank you for the opportunity to provide our views on this important legislation.