

**Testimony of
David A. Bischel, President
California Forestry Association**

**Presented to the Little Hoover Commission
January 26, 2005**

Background

The California Forestry Association (CFA) is the statewide trade association that represents California's forest industry, including 90% of the primary manufacturers of forest products produced in this state, over 4 million acres of private industrial forest land, and producers of nearly 2% of the states electricity needs through renewable biomass energy. California's forest products industry generates more than \$15 billion in annual sales from production and processing, with total employment exceeding 220,000 workers.

Our members are committed to the sustainable management of California's forests and the conservation of our forest resources. Recent university studies clearly demonstrate that California is among the world's leaders in the protection of the environment and conservation of our privately owned forest resources. California's forest landowners are growing 170% more wood than we are harvesting, we're planting on average seven trees for each one harvested, and 97% of our state's old-growth stands are already preserved in public ownership. Moreover, monitoring studies by state and federal agencies show that current rules are enhancing water quality and wildlife habitat.

But as we highlight the environmental leadership demonstrated in California, the economic viability of our industry and the forest-dependent communities in which we operate are being threatened by the cumulative impact of process gridlock, regulatory costs that are nearly seven times higher than our immediate neighbors to the north, and less-regulated imports that are lower cost.

Ironically, the effect of what appears to be an endless layering of regulatory process, and its related economic impacts, have put California's forest industry at a huge competitive disadvantage in the global marketplace. Over the past five years alone we have lost 26% of our state's wood products mills and factories, while imported wood from places with far less protective environmental standards have increased to nearly 80% of our state's wood demand.

The average cost to landowners of preparing a Timber Harvesting Plan (THP) has increased a staggering 300% just since 1995. Concurrently, the cost of the State's forest regulatory program increased 97% between 1997 and 2001, while the regulatory workload, as reflected in THP approvals, dropped by 30% over the same period. Our projections indicate, and if conditions continue unmodified, it is not inconceivable that California's primary forest products industry could cease to exist within the decade (see attachments).

The forest health crisis at Lake Arrowhead, and subsequent catastrophic wildfire in 2003, is just one example of what can happen when the infrastructure that could have pro-actively solved that problem no longer exists. The environmental paradox from a global perspective was well documented by Pulitzer-prize winning environmental reporter Tom Knudson in his recent Sacramento Bee expose "*California: State of Denial.*"

Overarching Policy Goals

It is in this regard that we testified last year before the California Performance Review Commission, and sought their help and leadership in setting a new vision for forest policy in this State. We continue to offer our support as a strategic partner, to pursue forest policies that:

- Focus on outcomes instead of process.
- Are based upon sound forest science leading to adaptive best management practices.
- Further the underlying objective of enhancing productivity and protection through incentives.
- Are environmentally sound, but also achieve economic feasibility in the context of a global environment and marketplace.
- Cut through bureaucratic gridlock and cost caused by duplicative regulatory jurisdictions and one-size-fits-all approaches.

We know that many of these goals are similar to the mission and goals of the Little Hoover Commission, especially to eliminate duplication, and improve the efficiency of public services.

CFA Supports CPR Recommendations

In the limited time I have to testify before you I would like to briefly draw your attention to three key points that are critical to the survival of our industry, which were highlighted in the California Performance Review and we hope will be the subject of future proceedings before your Commission. Second, I will specifically address a matter directly before you today, the elimination of the State Board of Forestry, as proposed in Governor's Reorganization Plan #1.

Regarding the Timber Harvest Plan (THP) Development and Review Process, we endorse the findings and recommendations of the CPR report:

1. **Re-establish a single environmental permit that is a viable functional equivalent process under the California Environmental Quality Act (CEQA) and meets all of California's environmental protection and permitting requirements.**
2. **Adopt environmental performance standards for forestry regulations (California Forest Practice Rules) as an alternative to the current one-size-fits-all prescriptive approach.**
3. **Identify and promote incentives to encourage and reward forest landowners for their stewardship efforts to protect public trust resources.**

We strongly believe that to maintain a viable California wood products industry as part of the State's economic foundation in the 21st Century, we urgently need bold changes to current bureaucratic procedures that are nothing short of regulatory paralysis. CFA believes that we can truly have **both** a viable industry and the environmental quality the people of California have come to expect – But not if we continue with the status quo.

Regarding the Governor's proposal to eliminate the Board of Forestry and consolidate its functions within the Department of Forestry – this is a close call for our industry, but we believe on balance it is a good idea.

As the former Executive Officer of Foresters Licensing for the Board of Forestry, I have seen how the process can work when it is well designed and executed. But I must sadly say that the process has broken down, and the first step to fixing it would be to give more direct authority and accountability to the Governor and his line management in the Department of Forestry and the Resources Agency. Forest practice policy and management has become Balkanized into numerous state bureaucracies, and it is an unfortunate fact that the Board can no longer provide the institutional leadership that was envisioned when it was created a century ago.

Further Measures Necessary

We do not see eliminating the Board of Forestry as the solution to all the challenges of bureaucratic red tape and regulatory gridlock facing the forest industry, but more as a first step to restore common sense to a process that has run amok, and has become a waste of both public and private resources.

We are hopeful that the Administration will take further bold steps as it rolls out reorganization plans in the months to come. Our most pressing concern is with the separate authority exercised by Regional Water Quality Control Boards over forestry operations. The multiplicity and inconsistency of policies among the regional boards is staggering, and is strangling the forest products industry without providing any additional benefit to water quality or habitat. Moreover, having water quality regulation and permitting of timber operations within Cal EPA, while fish, wildlife, geology and forestry regulation of timber operations is within the Resources Agency, creates what has become an untenable duplication of permitting and regulatory functions. The most sensible and effective solution would be to assign to the Resources Agency itself the lead responsibility for approving timber harvest plans, and to receive input from its constituent departments, with one change discussed below. After all, the Resources Agency already must certify the THP process as the functional equivalent of CEQA; giving it responsibility for the program is a short and logical next step.

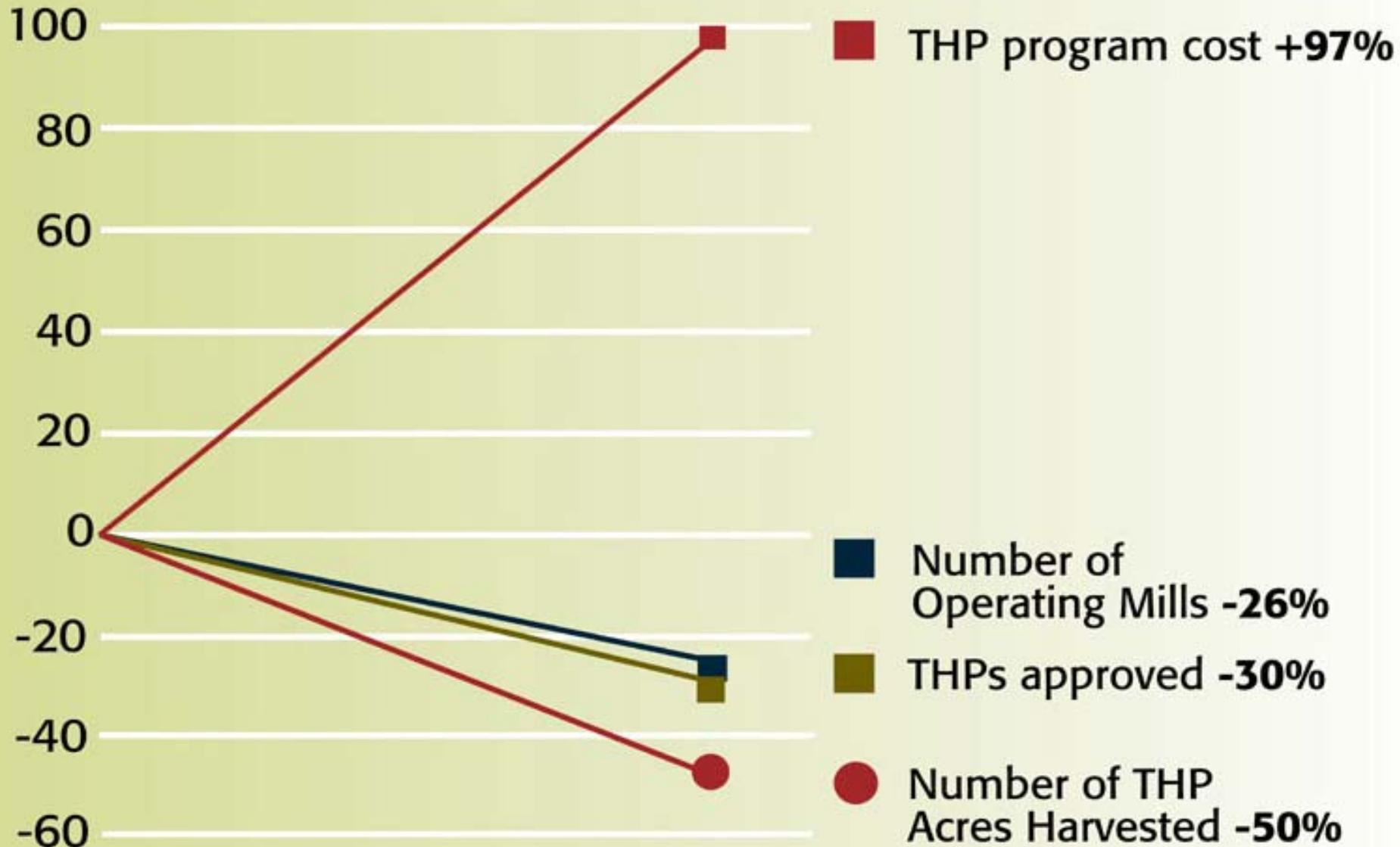
Essential to achieving an efficient and effective permitting process that eliminates duplication and provides full accountability is the transfer of Regional Water Quality Control Boards' regulatory and permitting authority for timber operations to the Department of Water Resources within the Resources Agency. This would fully unify the system where a single agency would have full authority and responsibility to develop a single discretionary environmental permit for timber operations -- including all trustee/responsible departments' input -- with accountability back to the administration through a single agency. This structure would truly be one-stop permitting.

We believe it is possible to protect public trust resources, manage our forests in a responsible and sustainable manner, and be competitive in a global environment. But it will require a new look at the process being used, with a renewed commitment to cooperative approaches that emphasize partnerships, and eliminates turf battles between agencies.

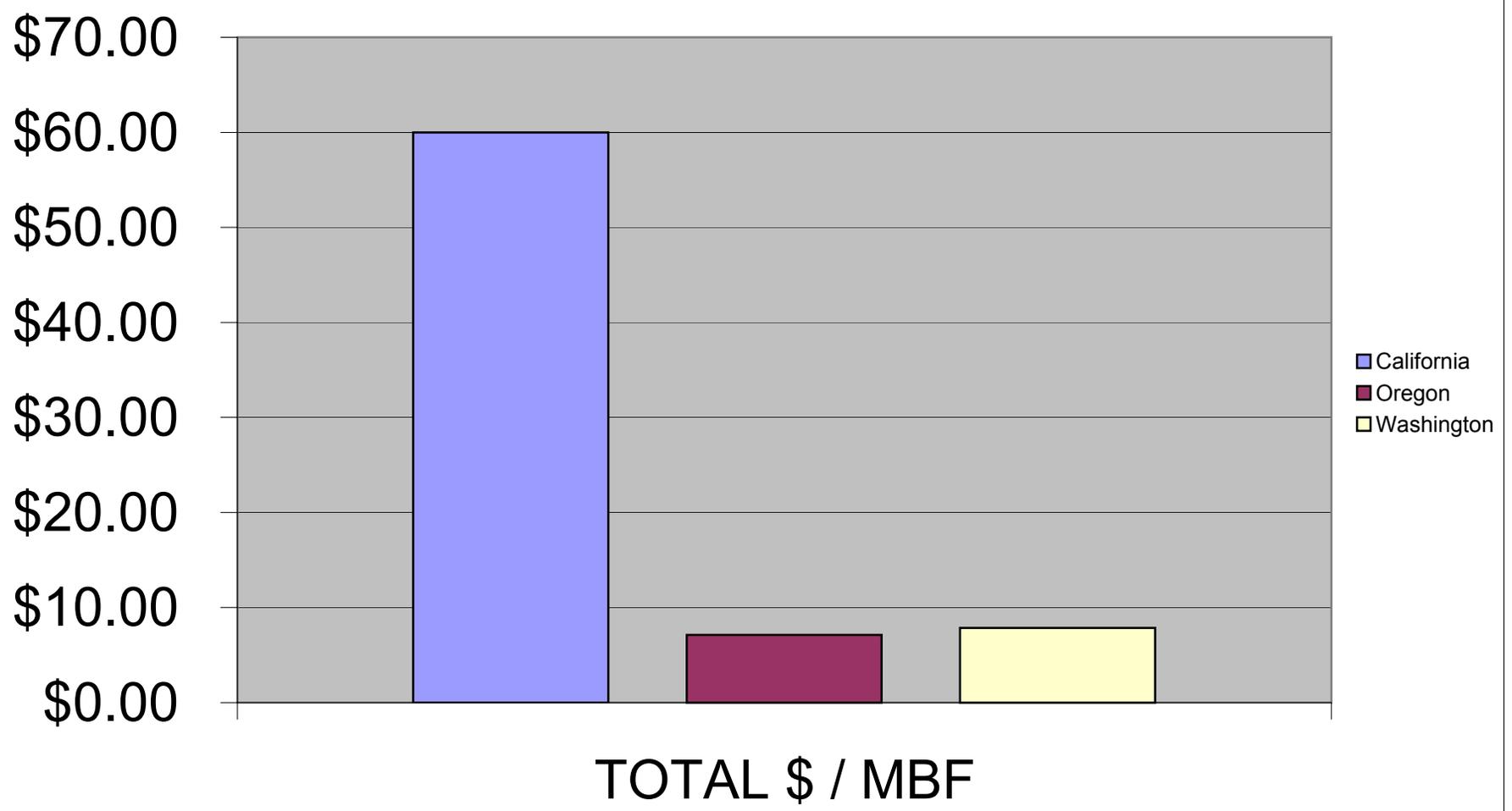
Thank you for the opportunity to discuss these important issues with you today.

FIVE YEAR TIMBER HARVEST TRENDS 1997-2001

% of change

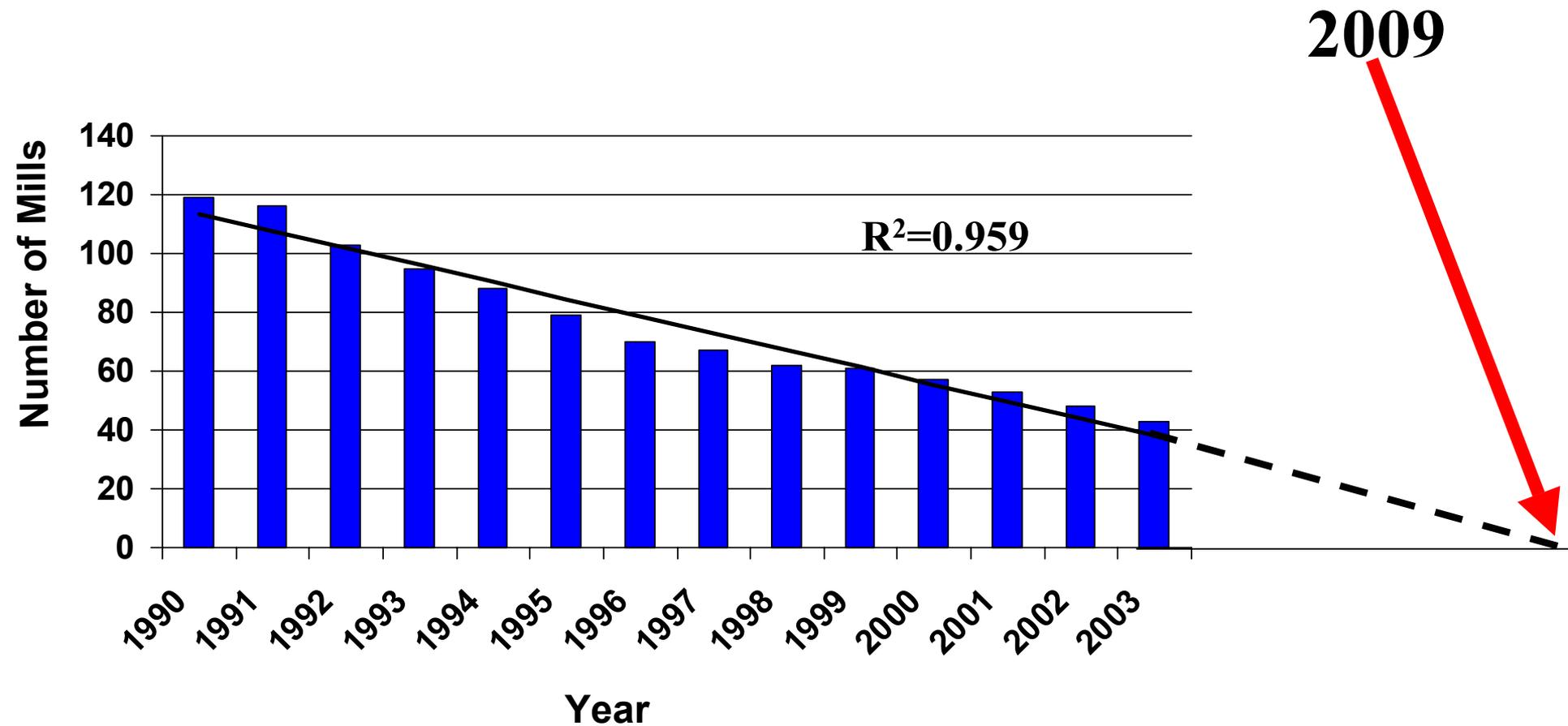


Landowner THP Cost Comparison (Preparation, Administration and Mitigation)



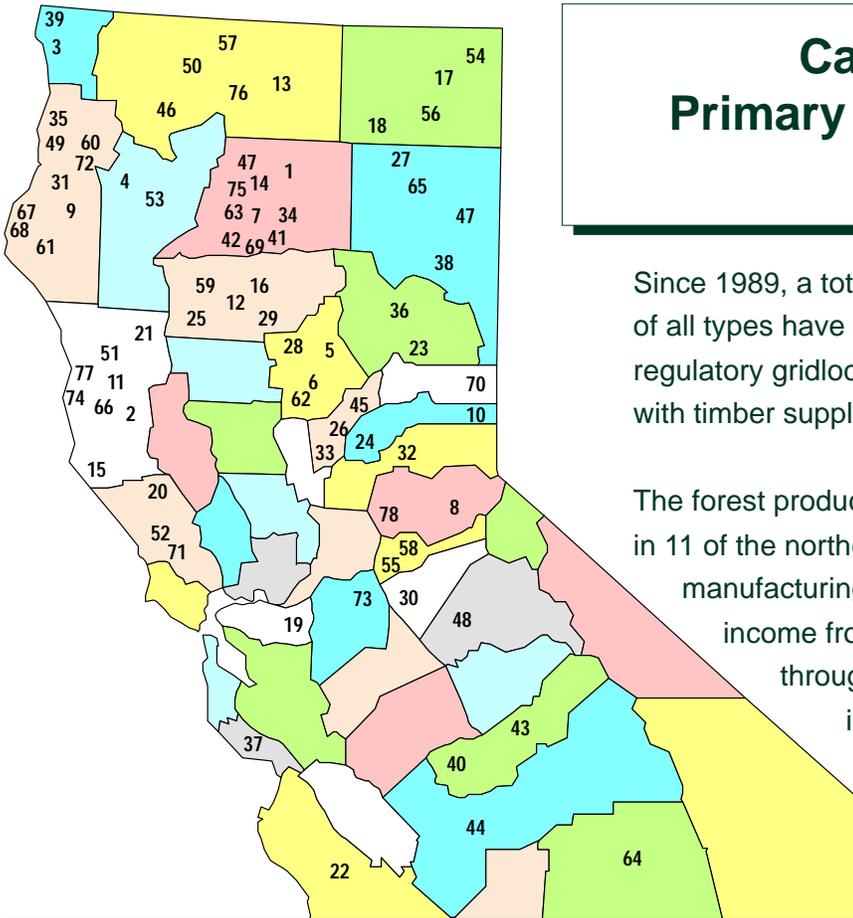
Reduction of Sawmills in California

1990- 2003 CFA Mill Census Data



California Forest Industry Primary Manufacturer Closures

1989 - 2004



Since 1989, a total of 79 wood products mills and factories of all types have closed in California, largely due to regulatory gridlock and bureaucratic redtape associated with timber supply.

The forest products industry accounts for one in 10 jobs in 11 of the northern counties and more than half the manufacturing employment in many counties. Loss of income from forestry jobs has a multiplier effect throughout local economies with severe impacts on schools, infrastructure and small retail businesses.

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| <p>1989</p> <ol style="list-style-type: none"> 1. Lance Lumber Products (Redding) 2. Louisiana-Pacific Corp. (Potter Valley) 3. Simpson Timber (Klamath) 4. Stone Forest Ind. (Burnt Ranch) <p>1990</p> <ol style="list-style-type: none"> 5. Bald Knob Land & Timber (Oroville) 6. Cal Oak Lumber Co. (Oroville) 7. Clear Creek Forest Products (Anderson) 8. Cornett Lumber Co. (Placerville) 9. Eel River Redwood (Alton) 10. Fibreboard [plywood] (Truckee) 11. Harwood Lumber Co. (Willits) 12. Louisiana-Pacific Corp. (Red Bluff) 13. P&M Cedar (Mt. Shasta) 14. Redding Power (Redding) 15. Redwood Empire (Philo) 16. Roseburg Forest Products (Red Bluff) 17. WTD/Alturas Lumber (Alturas) <p>1991</p> <ol style="list-style-type: none"> 18. Edgerton Lumber Co. (Adin) 19. Gaylord Container [pulp] (Antioch) 20. Louisiana-Pacific Corp. (Cloverdale) 21. Louisiana-Pacific Corp. (Covelo) 22. Redwood Empire/Soledad (Soledad) 23. SPI/Sloat Div. (Cromberg) 24. SPI/Bohemia (Grass Valley) <p>1992</p> <ol style="list-style-type: none"> 25. Crane Mills (Paskenta) 26. Feather River Forest Products (Marysville) 27. Lassen Forest Products (Neubieber) 28. Louisiana-Pacific (Oroville) 29. Roseburg Forest Prod. [plywood] (Red Bluff) | <ol style="list-style-type: none"> 30. Snider Lumber/Fibreboard Corp. [plywood] (Wallace) <p>1993</p> <ol style="list-style-type: none"> 31. Carlotta Lumber Co. (Carlotta) 32. Georgia-Pacific Ind. (Foresthill) 33. Marysville Forest Products (Marysville) 34. Roseburg Forest Products [mill #4] (Anderson) 35. Simpson Timber Co. [pulp] (Fairhaven) 36. Siskiyou Plumas (Quincy) 37. Standard Lumber Mills (Scott Valley) 38. Susanville Forest Products (Susanville) <p>1994</p> <ol style="list-style-type: none"> 39. Miller Redwood/Stimson Lumber (Crescent City) 40. Norby Lumber Co. (Madera) 41. P&M Cedar Products (Anderson) 42. Roseburg Forest Products (Anderson) 43. Sequoia Forest Ind. (North Fork) 44. Sequoia Forest Ind. (Auberry) 45. Sierra Mountain Mills (Camptonville) 46. Stone Forest Ind. (Happy Camp) <p>1995</p> <ol style="list-style-type: none"> 47. Butler Forest Products (Anderson) 48. Fibreboard Corp. [plywood] (Standard) 49. Louisiana Pacific (Samoa) <p>1996</p> <ol style="list-style-type: none"> 50. Butler Forest Products (Fort Jones) 51. Louisiana-Pacific Corp. (Willits) 52. Preston Lumber Co. (Cloverdale) 53. Sierra Pacific Industries (Hayfork) 54. Surprise Valley Lumber (Cedarville) <p>1997</p> <ol style="list-style-type: none"> 55. Georgia-Pacific (Martell) | <p>1998</p> <ol style="list-style-type: none"> 56. Pit River Wood Products [vener] (Canby) <p>1999</p> <ol style="list-style-type: none"> 57. Hi Ridge Lumber Co. (Yreka) 58. P&M Cedar Products (Pioneer) 59. Red Bluff Products [vener] (Red Bluff) 60. Simpson Timber (Big Lagoon) <p>2000</p> <ol style="list-style-type: none"> 61. Eel River Sawmills (Redcrest) 62. Louisiana Pacific [board] (Oroville) 63. Pry-Core, Inc. [vener] (Anderson) 64. Sierra Forest Products (Dinuba) <p>2001</p> <ol style="list-style-type: none"> 65. Big Valley Lumber Co. (Bieber) 66. Intl Paper/Masonite [board] (Ukiah) 67. Pacific Lumber Co. [mill A] (Scotia) 68. Pacific Lumber Co. [mill B] (Scotia) 69. Shasta Paper Co. [pulp] (Anderson) 70. Sierra Pacific Ind. (Loyalton) <p>2002</p> <ol style="list-style-type: none"> 71. Annapolis Milling (Annapolis) 72. Blue Lake Lumber (Blue Lake) 73. Cal Cedar Products [pencil slat] (Stockton) 74. Georgia-Pacific (Ft. Bragg) 75. Wisconsin-Calif. (Anderson) <p>2003</p> <ol style="list-style-type: none"> 76. Cal Cedar Products (McCloud) 77. Mendocino Redwood (Ft. Bragg) 78. Wetsel-Oviatt (ElDorado) <p>2004</p> <ol style="list-style-type: none"> 79. Sierra Pacific Ind. (Susanville) |
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