

## Executive Summary

Wild Olympics Campaign (WOC) is a coalition of local and national conservation and recreation groups organized in 2008 with a vision of wilderness additions to Olympic National Forest; inclusion of segments of Olympic Peninsula rivers into the Wild and Scenic River System; and willing seller additions to Olympic National Park. In anticipation of federal legislation acting (in part or fully) on the proposal forwarded by the Campaign, the Port has solicited this analysis of the proposal's impact on the economies of Clallam and Jefferson counties to determine its consistency with the Port's mission of economic development. This effort presents an analysis of the proposed actions<sup>1</sup> – reserving timberlands from harvest – and quantifies the effects on employment, wages, tax revenues, and replacement costs. Investment decisions reflect perceptions of political and economic risk and uncertainty; a survey of the local forest products industry was used to gauge its perception of these factors with respect to the Campaign.

### Economies of Clallam and Jefferson Counties

For Clallam County in 2010, Forestry provided 5.0 percent of total employment and 7.4 percent of total wages; the average real monthly wage was \$4,037. Adjusted Tourism provided 3.2 percent of total employment and 1.1 percent of total wages; the average real monthly wage was \$1,288. By comparison, average Forestry wages were 3.3 times larger than average Adjusted Tourism wages at the end of the second quarter, 2010.

For Jefferson County in 2010, Forestry provided 3.2 percent of total employment and 7.9 percent of total wages; the average real monthly wage was \$5,328. Adjusted Tourism provided 4.9 percent of total employment and 0.8 percent of total wages; the average monthly real wage was \$1,293. Average Forestry wages were 4.1 times larger than Adjusted Tourism wages. Employment and wages are summarized by county and sector in Table ES-1.

Table ES-1. Employment and wages by county and sector, 2010. Wage premium is the difference between the average wage in a sector and the county average wage. As a benchmark, the poverty line (as a monthly wage) in Clallam and Jefferson Counties was \$1,704; the living wage (i.e. a wage that covers costs for 2 adults and 2 children) was \$4,002 in Clallam County, and \$4,049 in Jefferson County.

ECONOMIC SECTOR	EMPLOYMENT		MONTHLY WAGES	
	COUNT	PERCENT	AVERAGE	PREMIUM
<b>CLALLAM COUNTY</b>	<b>22,114</b>		<b>\$ 2,756</b>	
FORESTRY	1,115	5.0%	\$ 4,037	\$ 1,281
TOURISM	714	3.2%	\$ 1,288	\$ (1,468)
<b>JEFFERSON COUNTY</b>	<b>8,402</b>		<b>\$ 2,618</b>	
FORESTRY	317	3.8%	\$ 5,328	\$ 2,710
TOURISM	414	4.9%	\$ 1,293	\$ (1,325)

<sup>1</sup> The authors solicited staff of Representative Norm Dicks and Senator Patty Murray for details on the most current set of acreages proposed for Wilderness, Wild & Scenic Rivers, and additions to Olympic National Park; however, information-sharing was not complete. Therefore, this analysis reflects Wilderness and Wild & Scenic Rivers proposals by the Wild Olympics Campaign available online on August 1, 2011; acreages segmented by unit and ownership for proposed Olympic National Park additions were shared by Dicks' and Murray's staff at a August 17<sup>th</sup> meeting with the Port of Port Angeles.

## **Wilderness Declarations**

Wilderness declarations will reserve 67,400 acres of Olympic National Forest (ONF) in Clallam and Jefferson counties. The volume of timber reserved is conditioned on the harvest rate – currently set by the Northwest Forest Plan (reverting to the Olympic Forest Plan in its absence). For the period 2001-2010, the rate of harvest by acres was 0.2%, with an average harvest volume of 18,544 board-feet per acre (BF/Acre). Lands proposed for Wilderness currently yield 750 MBF annually [5,400 MBF under the Olympic Forest Plan], supporting 5 person-year jobs [39] and \$274,082 in wages to the region [\$1,973,391]. The federal government remits nearly \$37,000 to local governments based on the receipts from harvest [\$270,000]. Washington's timber excise taxes return \$6,000 to Clallam and Jefferson counties [\$43,000].

## **Wild and Scenic River Designations**

Approximately 330 miles of 18 different rivers in Clallam and Jefferson counties are proposed for inclusion in the Wild and Scenic River System. Designating the 263 river-miles that flow through Olympic National Park and Wilderness areas within Olympic National Forest as Wild or Scenic would have negligible economic consequences.

Including 59 miles of 8 different Clallam or Jefferson County rivers within (non-Wilderness) Olympic National Forest would reserve 13,157 acres of land (in addition to current riparian zone setbacks), nearly 4,000 acres of which might otherwise produce timber. These acres yield 146 MBF annually, supporting 1 person-years of employment [8 person-years under the Olympic Forest Plan] and \$54,000 in wages [\$385,000]. Timber harvest generates \$1,000 in annual excise taxes [\$8,000]; federal remittances to county governments total \$7,000 [\$53,000]. The annual premium (in 2010 dollars) on replacement timber is \$7,321.

Including 9 miles of 3 different Clallam or Jefferson County rivers that flow on Department of Natural Resources (DNR) lands would reserve 2,500 acres of land (in addition to current riparian zone setbacks). These acres yield 1,574 MBF annually, supporting 11 person-years of employment and \$689,340 in wages. Timber harvest generates \$13,000 in annual excise taxes. The annual premium (in 2010 dollars) on replacement timber is \$78,715.

## **Olympic National Park Additions**

The proposed Lake Crescent addition reserves 1,609 acres of timberland (federal:90, DNR:690, private:829) yielding for 737 MBF annually [757 MBF following the Olympic Forest Plan] that supports 5 person-years of employment [5] and \$275,000 in wages [\$282,000]. Timber harvest generates \$6,000 in excise tax revenue for Clallam County [\$6,000]. The annual remittance generated by timber harvested from the federal component is negligible. The annual premium on replacement timber is \$37,000.

The proposed Lake Ozette addition reserves 12,719 acres of timberland (DNR:2405, private:9905, other:409) yielding 5,197 MBF annually that supports 37 person-years of employment and \$1,899,000 in wages. Timber harvest generates \$42,000 in annual excise tax revenue for Clallam County. The annual premium on replacement timber is \$260,000.

The proposed Queets addition reserves 5,528 acres of timberland (federal:2008, DNR:710, private:2810) yielding 1,562 MBF annually [2,233 MBF following the Olympic Forest

Plan] that supports 11 person-years of employment [16] and \$569,000 in wages [\$834,000]. Timber harvest generates \$12,000 in excise tax revenue for Jefferson County [\$18,000]. An annual remittance of \$4,000 is generated by timber harvested from the federal component [\$27,000]. The annual premium on replacement timber is \$78,000.

### Summary of Impacts

When fully implemented, the proposals will reserve over 100,000 total acres of land yielding an annual harvest of nearly 10 million board-feet. The annual harvest provides 72 full time, year-round jobs and \$3.72 million in annual wages Clallam and Jefferson counties. Each year, timber excise taxes on the harvest return \$80,000 to the counties; remittances from the portion of federal timber harvested provide an additional \$48,000. The premium (i.e. additional operating expense) to replace reserved timber with timber from outside the region is \$500,000. Results from the analysis – acres and annual timber harvest volume reserved, jobs and wages associated with the harvest volume, and the cost to replace reserved timber – are summarized by proposal component in Table ES-2.

**Table ES-2. Summary of acres, annual harvest volume, jobs, wages, and taxes reserved with annual timber replacement premium by proposal component. Acres represents total acres; timber-producing acres may be less. Annual timber harvest volume (MBF/Y) is thousand board-feet per year. Jobs is person-years of employment (5.40 direct and 1.79 indirect per MMBF). Wages are annualized and represent the weighted average forest sector job between Clallam and Jefferson counties and are presented in 2010 dollars. Taxes include Washington’s timber excise tax and federal remittances to local governments for timber harvested from national forests; based on a stumpage value of \$200 / MBF. Replacement premium reflects annual cost to acquire equivalent timber volumes from outside the region. Wages are stated in 2010 dollars; taxes in 2009 dollars; replacement premium is stated in 2011 dollars.**

<b>PROPOSAL COMPONENT</b>	<b>ACRES</b>	<b>MBF/Y RESERVED</b>	<b>JOB</b>	<b>ANNUAL WAGES</b>	<b>TAXES</b>	<b>REPLACEMENT PREMIUM</b>
Wilderness	67400	750	5	\$ 280,229	\$ 43,495	\$ 37,496
USFS Rivers	13159	146	1	\$ 54,711	\$ 8,492	\$ 7,321
DNR Rivers	2579	1574	11	\$ 588,282	\$ 12,594	\$ 78,715
ONP Crescent	1609	737	5	\$ 275,261	\$ 6,060	\$ 36,831
ONP Ozette	12719	5198	37	\$ 1,942,489	\$ 41,586	\$ 259,914
ONP Queets	5528	1562	11	\$ 583,656	\$ 16,221	\$ 78,096
<b>TOTAL</b>	<b>102994</b>	<b>9967</b>	<b>72</b>	<b>\$ 3,724,627</b>	<b>\$ 128,449</b>	<b>\$ 498,373</b>

### Forest Sector Perceptions

The viewpoint of the Forest sector on the Olympic Peninsula on the proposed actions is reflected in the following response:

The allowable annual cut from State and Federal lands in this area is low and highly variable. As the entire forest industry in this area is inextricably linked, any impact to logging, sawmills or pulp and paper mills affects the ability of all 3 being able to survive. The present high log prices are not sustainable and it is only a matter of time before closure begins thus affecting the entire Olympic Peninsula forest industry. We are all linked in this same industry and affected by the availability of reasonable cost fiber.