

Statement of  
Nancy Fishering  
Vice President - Colorado Timber Industry Association  
Before Senate Committee on Appropriations  
Subcommittee on Interior, Environment and Related Agencies  
Concerning  
Colorado Field Hearing  
Policy and Budget Issues Arising from the Mountain Pine Beetle Epidemic

May 5, 2008

Dear Madam Chairman, Ranking Senator Allard and Members of the Committee,

Thank you for prioritizing your time to hold this hearing in Colorado to learn about our forestry issues. Thank you for inviting me to be a part of this hearing.

The prior panels have outlined the scale and severity of the issues facing us on our forested land in Colorado, and I will just highlight the implications from the perspective of local business – specifically the timber industry.

**Forest health events have been growing in severity during this decade.** The 2002 season brought our biggest year for fires when we had more than 2000 fires burning 502,000 acres (2002 Report on the Health of Colorado's Forests). Sawmills and loggers shifted operations to address fire salvage sales across the state in 2002-03.

Following this event and recognition that the heavily populated front range of Colorado was dominated by overly dense, fire prone ponderosa pine forests, the State moved into escalating mountain pine beetle (MPB) populations. From 2004 to 2008 the mountain pine beetle infestation grew to a 1.5 million acre issue while simultaneously outbreaks of smaller insect and disease events affected 98,000 acres of spruce, 350,000 acres of subalpine fir, 334,000 acres of aspen decline, and a near complete decimation of the pinyon in SW Colorado.

This litany of issues pushed forest health to the forefront in Colorado at the local, state and national forest levels. In visits last year to the Forest Service Washington Office we heard that Colorado issues were among the top three forest health issues facing the agency.

**While Colorado forest health issues were exploding exponentially, the timber management budgets to Region 2 and specifically Colorado were dropping.**

Clearly a problem for Colorado is 1) the lack of congressional appropriation process that targets forest health, and 2) a similar lack of criteria within the Forest Service allocation process that prioritizes or targets forest health events similar to these Colorado issue. We were horrified to see a 2008 preliminary Region 2 timber management budget that was a **31.6%** reduction from '07! There was considerable reworking and the March timber budget resulted in a smaller 8% reduction. Budget cuts during extraordinary events are very hard to swallow.

**The 2009 Presidents Forest Service budget shows the same inattention to major forest health events. During the recent, April 1st testimony from the Chief of the Forest Service before the appropriation committee regarding the 2009 budget, an outline was given of the funding and priorities for healthy forests. Specifically “implementation of the Healthy Forest Initiative and the Northwest Forest Plan are key initiatives which receive increased or similar levels of funding compared to FY 2008.”** Other priority areas mentioned was “establishing or improving over 2 million acres of forest and rangeland vegetation, 1.5 million acres of hazardous fuel reductions... and capital improvement and maintenance of roads.” All these priorities are important, but sadly, we didn’t hear any evidence that would improve the vegetative management budgets toward addressing the immediate and drastic challenges posed in Colorado forests. Likewise correspondence between the Chief and the Region 2 Congressional delegation mentions that ‘report language include both House and Senate direction supporting the Administration’s priority for funding the full timber capability of the Northwest Forest Plan, leaving little flexibility to address needs elsewhere.’

Line Item	2006	2007*	Initial 2008	Final 2008	2009
NFTM + SSSS	\$22,640	\$26,807	\$18,329	\$24,569	TBD
		Add CWK2		Add PEVG	
				Reprogram some WFHF	

Our observation is that not only does the budget ‘flexibility’ disappear, but businesses, landscapes, and communities are being placed at greater risk. It’s clear that a variety of factors effect timber management funding, and we acknowledge the constrained budget process that currently exists. We are aware that this committee

has heard testimony regarding the increases in the wildland fire management program that now commands 48% of the agency's discretionary budget request. The combination of these issues is proving to be a major issue for proactive forest management.

On behalf of my industry I'd like to publicly thank and point out that Senator Allard and the Region 2 delegation were able to identify and channel additional funds to Region 2 and Colorado. Some dollars were added to the vegetation management budget and some became available for grants through the Colorado State Forest Service. Every dollar is greatly appreciated, and ultimately additional treatments will be available. Every investment in forest management will help reduce the probability and severity of future forest fires and insect epidemics, thus reducing future costs of responding to catastrophic events.

We would reiterate that the problem remains that no mechanism exists within the forest service budget process to address extraordinary events like our mountain pine beetle epidemic. Well designed, fair and stable budgets that allow the region to address the myriad priority issues is key to both the effectiveness of forest management AND the industry's ability to play an effective role in meeting forest health objectives.

Juxtaposed to the budget woes, the bright spot is the amazing response of our Colorado community. Many partners including many local governments, the Colorado State Forest Service, BLM, environmental groups and user groups have joined together to develop consensus on the scope of the problem, the acres to be treated, the commitment to Community Wildfire Protection Plans, and the need for alternative financing.

Local governments surrounding Eagle County where we are holding this hearing played a critical leadership role in developing consensus. Fourteen jurisdictions committed \$2.3 million in local dollars in 07 with a similar investment allocated in 2008. Countless hours have been spent in meetings, and official resolutions of support have been passed and shared with Washington officials.

The State Legislature has passed numerous bills addressing treatments on the land including a resolution of concern about the federal budget allocations including:

- Resolution: HJR08-1033 Concerning healthy forests and the budget
- SJR 25 Creating an interim committee to investigate wildfire issues in wildland urban interface
- SJR 010 Concerning stewardship contracting
- HB 1318 MPB mitigation on state lands

HB 1269 Five year tax exemption to incentivize purchase of MPB products  
HB 1110 Income tax reduction for wildfire mitigation work  
SB 071 Concerning extension of the forest restoration pilot program and making an appropriation  
SB 221 Authority of the Colorado Water resources and power development authority to issue bonds to fund watershed protection and forest health projects

Both the National Forest and Colorado approach is to address the challenges comprehensively. We try to mix hazardous fuels dollars with timber dollars, we use community wildfire protection plans to prioritize state pilot projects, we use goods for services to pay for campground treatments. We use stewardship contracts to accomplish goals in WUI, and we are using state and local dollars to identify treatments along national forest projects to attain landscape scale results. We are careful to protect the resource, but there is an urgency to do more, remove more fuel, and operate on a more efficient level. The frustration appears at many of these levels about the lack of additional funding resources from the federal government.

Each of these efforts and issues meld together as both an opportunity and challenge for the industry in Colorado. Industry in Colorado declined throughout the 1980s and 1990s with three of our largest multi-national mills closing in 2001 and 2002. Adequate timber supply was one of the major factors in the decisions to close these mills. The remaining small and medium sawmills and the clusters of loggers throughout Colorado and Southern Wyoming depend largely on federal timber since approximately 75% of the forested lands are on national forests. Region 2 is unique in the degree of reliance on the National Forests for a supply. Unlike other states, there is not an abundance of forested ground on BLM, state or private lands.

The combined timber budgets for all Colorado National Forests have been providing a 4-year rolling average of 40-45 million board feet (MMBF) of timber per year. This is a minimal level of supply when one considers that the Intermountain Resources conifer mill in Montrose requires 42 MMBF annually for just a one- shift operation. The mountain pine beetle epidemic issues and the concerted response effort by the Colorado communities and the National Forests successfully increased the sale program in 2006 and 2007. Tools such as the HFRA allowed the FS to ramp up the speed on projects, CE's were helpful until removed from the toolbox by court action, and numerous NEPA ready projects were prepped and sold on an accelerated basis. The future scale of operations remains in question again largely due to the competing imperatives within the FS budget and the uncertainties of the appropriation process.

**Genuine business opportunities hinges on FS funding.** The toxic recipe of

1) decreasing FS budget levels, 2) increasing diesel costs, and 3) falling lumber markets (resulting from the housing and subprime loan fiasco), creates a difficult environment to raise capital and invest in additional capacity, value-adding technology or biomass conversion to alternative energy. We know the lumber markets will improve. The projected 50% increase in US population over the next 50 years assures a long term demand for lumber. The Farm bill and Energy bill provide pieces of the funding equation for converting biomass to energy; however private capital remains necessary to make any new investment feasible. Banks and investors then look to the timber supply and business health of the industry prior to investing capital. The biggest 'unknown' is the forest service funding piece of the puzzle. The federal budgeting process for timber management becomes our biggest obstacle to becoming more efficient and expanding investment into alternative uses for woody biomass.

In conclusion, we hope that some of the forest service budget issues might be resolved when the wildland fire management issue is addressed. We are greatly encouraged by the recent support of HB 5541 the Flame bill. The concept of a separate fund for major fires is important, BUT the forest service dollars need to be focused on proactive vegetative management practices. Specifically in Colorado funds are needed on hazardous fuel removal projects, timber management along power lines and reservoirs, hazard tree removal along trails and in campgrounds. The timber industry can be a tool for any and all of these projects. 1.5 million acres of standing dead trees create a significant public health and safety issue in many, many places.

We believe that Region 2 needs and deserves a commitment to a stable budget. In this regard, we are not unique and many Regions are concerned about the declining timber management budgets. However, we also believe that in times of extraordinary events like the mountain pine beetle epidemic extraordinary investments are needed from the Forest Service. Senator Salazar likened Colorado to the 'Katrina of the West'... Well, extra appropriations were made to assist the Mississippi forests to address the down-timber and hazardous trees that posed risks to public health and safety. No true *increase* in management funds has made it to Colorado to deal with 'our Katrina.'

We believe that the smaller forest service programs suffer disproportionately from budget cuts. Large forest service budgets like those found in Region 6 have a buffer during budget cuts. Case in point Region 6 oversees 24.6 million acres and has 3833 employees, while Region 2 oversees 22 million acres and has 1964 employees. (2006 budget analysis) Region 2 is one of the lowest funded regions in the country while facing one of the largest forest health events in the country.

Thank you again for the opportunity to testify. We appreciate the complexity of the problem, but believe that the Colorado experience can shed some light on the challenges and perhaps unintended consequences resulting from the current budget process.

4/29/2008 3:39 PM