

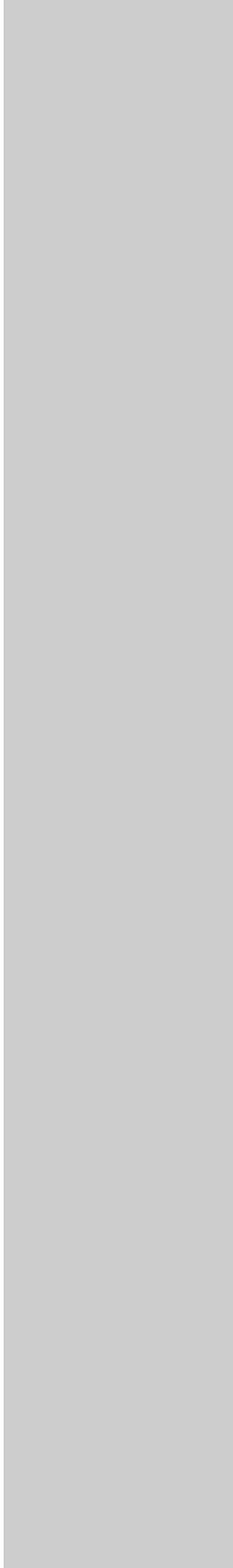
III. STRENGTHENING ECONOMIES OF RURAL COMMUNITIES

Communities within the Northern Forest are typically small and reliant on the forests around them for jobs and other local uses such as recreation. Their residents depend on them for maintaining the quality and character of their lives. Their economies generally rise and fall in response to changes in forest products markets, tourism, and other forces often beyond their control.

For rural communities in the Northern Forest to be healthy and sound, they must have healthy and sustainably managed forests. Indeed, the two are interconnected. The Council has seen also that many new opportunities could strengthen the rural communities and their economies through positive actions to enhance and diversify natural resource-based enterprises.

The recommendations in this section focus on ways that forest-related businesses can improve their markets and futures, while protecting the “assets” upon which they are founded. They also explore how communities can broaden their economic base in ways that conserve the natural resources that are the source of their traditions and ways of life.

An explicit goal of the Council is that residents of the region have the tools to secure and enhance their own communities in the years to come.



Community Development

Opportunities are expanding in the region for employment in value-added sectors of wood product manufacturing. However, businesses cannot take advantage of these opportunities because the region lacks supportive public policies. Many people question why raw logs and wood chips are exported to other countries, when they could be processed here, keeping related jobs at home. Many also question if the region's wood is being put to its highest and best use. All recommend that the region improve its capacity to turn its own forest resources into higher value products. In addition, changing demographics and public tastes have created new opportunities to market the forest as a destination for high quality, nature-based tourism. Additional support of the private sector is needed to provide new jobs in forest-based industries, including recreation and tourism, and to improve the security and well-being of local residents and their communities.

Rural Community Assistance

Northern Forest communities are highly dependent upon and subject to changes in the forest products industry. Recently, this dependence has brought instability as many of the region's forest products firms have struggled to compete with modern mills, new technologies, and low wage labor competition elsewhere in the country and world. Although recent data show that forest products output is increasing, the changes have closed mills and eliminated local jobs in Northern Forest communities, resulting in loss of community stability and increased dependence on public assistance.

To stem this downturn, the region needs greater investment in economic activities that promote efficient use of forest resources and that diversify its economy. Identification and prioritization of such activities should be directed by sound business decisions and, as much as possible, by local communities and in-state regional planning organizations, with state planning assistance.

The Rural Development Through Forestry initiative, part of the USDA Forest Service Rural Community Assistance programs, has shown significant early successes, and has considerable promise for future application in the Northern Forest. In the Northeast, grants are awarded to states to take on specific, natural resource-based state and local economic

development projects identified in five-year plans. States are now in the fourth year of their first plans. Many projects are underway which promise success if there is ample and continued federal funding.

Recommendation 22, to increase funding for Rural Community Assistance programs. Congress should increase funding for the USDA Forest Service's Rural Community Assistance programs in the Northeast. These programs encourage local communities to strengthen and diversify their natural resource-based economies. Recommendations 23, 24 and 33 could be funded effectively through this program.

For related recommendations, see recommendations 23 (Market Development and Expansion), 24 (Financial and Technical Assistance), and 33 (State University Cooperation).

Responsible agency. Congress should appropriate additional funds for the Rural Community Assistance program. In addition, Congress and the Forest Service should continue the present five-year program for another cycle.

Related findings in the AppendixLocal forest-based economy 19.

References. Northern Forest Lands Council, Summary of Public Comment on the Draft Recommendations, August 1994.

Northern Forest Lands Council, Summary of Proceedings: Forum on Forest-based Economic Development in the Northern Forest, April 4, 1992.

Market Development and Expansion

Many of the region's forest products manufacturers are small and unable to fill large orders individually. Many are also reluctant to share market information or cooperate with one another for fear of losing essential business, and because of legal prohibitions such as the Sherman Anti-trust Act. As a result, firms forego opportunities to increase earnings, decrease expenses, and add extra support to local economies. For example, if a group of lumber mills could work together to fill one large order for lumber for export, all would gain income from the sale. Likewise, a furniture manufacturer might be able to buy component materials more locally (and cheaply) if there were good information on nearby suppliers.

Recommendation 23, to encourage marketing cooperatives and networks. State and federal forestry and economic development agencies should encourage and support primary and secondary

"Marketing of forest-based products and services by businesses is not sophisticated. Reasons include: little long range planning; not responsive to market trend changes; regional coordination of marketing lacking; and, unresponsive to rapidly changing consumer tastes."

Local Forest-Based Economy Subcommittee
Finding #13, A-35.

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wood products firms by fostering establishment of marketing cooperatives or networks. Such actions would:

- (a) nurture formal and informal dialogue on new business ideas.
- (b) connect buyers and suppliers of wood products to promote joint purchasing and manufacturing.
- (c) develop flexible manufacturing networks to enable many small producers to work together, filling larger orders than they could individually.

For related recommendations, see recommendations 22 (Rural Community Assistance), 24 (Financial and Technical Assistance), and 25 (Community Development Financial Institutions).

Responsible agency State and federal forestry and economic development agencies are the most appropriate agencies to encourage marketing cooperatives. They should act immediately on this recommendation.

Related findings in the Appendix Local forest-based economy 12, 13.

References. Northern Forest Lands Council, Summary of Public Comment on the Draft Recommendations, August 1994.

Northern Forest Lands Council, Summary of Proceedings: Forum on Building Local Economies With Wood Products and Forest-Based Recreation and Tourism, June 14-15, 1993.

Financial and Technical Assistance

Natural resource-based businesses—both existing and prospective—are thwarted by business climate factors and restricted access to financing. Recent bank failures and subsequent consolidations have further reduced financing opportunities. Many bank officials who process loans are unfamiliar with rural, resource-based economies and their special needs. As a result, natural resource-based businesses struggle to find financing, or they do without. In addition, many natural resource-based enterprises are low collateral and considered to be too “high risk” for financing—either for start-up or expansion—by large corporate financial institutions.

State economic development agencies offer few alternatives to remedy these financing constraints. They traditionally undervalue the significance of natural resource-based industries and do not direct economic development incentives their way. Instead, they offer incentives to industries that are not necessarily resource-based or consistent with rural economies and characteristics.

Recommendation 24, to direct assistance to natural resource-based businesses. State economic development agencies should work with state natural resource agencies to direct financial, technical, and marketing assistance to natural resource-based business concerns. Such assistance should recognize the importance of forest products manufacturing, recreation, tourism, and other economic activities, and enhance states' competitive advantages in the natural resource sector. These agencies should cooperate with natural resource management agencies and employ rural development specialists to accomplish the following functions related to natural resource based businesses:

- (a) assistance in complying with state regulatory processes
- (b) identification of barriers to general rural business expansion and of ways to overcome them
- (c) marketing assistance
- (d) promotion of incentive programs for development and expansion
- (e) provision of information to financial institutions on the value of such businesses
- (f) fostering public policy to promote value-added opportunities in the region

Municipalities and regions with community and in-state regional master plans should receive priority for such assistance. States should provide financial and technical assistance for such planning.

Community Development Financial Institutions

Congress is now considering legislation to authorize Community Development Financial Institutions (CDFIs) and establish a Community Development Financial Institutions Fund to promote economic growth, community development, and affordable housing in distressed communities through financial and technical assistance. CDFIs could provide loans to smaller, innovative micro-enterprises that do not usually have access to this type of capital.

Recommendation 25, to authorize and fund Community Development Financial Institutions, or a similar program.

Congress should authorize and fund Community Development Financial Institutions, or a similar program, to steer capital to the Northern Forest region for forest-related businesses including

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wood products manufacturers, and recreation and tourism enterprises. Community Development Financial Institutions would allow financing decisions that affect natural resource-related businesses to be made by individuals closely connected to the communities and industries involved.

For related recommendations, see recommendations 22 (Rural Community Assistance) and 23 (Market Development and Expansion).

Responsible agency Public and private financing authorities, and state economic development and forestry agencies, are responsible for providing financing and other incentives to natural resource-based businesses as outlined in Recommendations 24 and 25. They should act immediately to better support them. For Recommendation 25, Congress should act this year to authorize Community Development Financial Institutions and establish a related fund to support them, or a similar program. Eligible public and private financial authorities, new and existing, would then be responsible to provide capital for community development projects.

Related findings in the Appendix Local forest-based economy 4, 8, 9, 11, 13, 17, 18.

References. Northern Forest Lands Council, Summary of Public Comment on the Draft Recommendations, August 1994.

Northern Forest Lands Council, Summary of Proceedings: Forum on Building Local Economies With Wood Products and Forest-Based Recreation and Tourism, June 14-15, 1993.

Recreation and Tourism on Private Lands

Outdoor recreation and tourism contribute much to the region's economy and quality of life for residents and visitors alike. Yet landowners incur increasing costs, inconvenience, and loss of privacy by allowing the public to use their lands for recreation. Outdoor recreation and tourism are long-standing industries in the region. For over a century the forests, including private land, have provided opportunities for people to camp, canoe, fish, trap, hike, hunt, rest, and sightsee. More recently, they have offered skiing, snowmobiling, mountain biking, and other activities.

In the region, public lands account for just over 15% of the land ownership, private lands are nearly 85%. This ratio differs substantially among the four states, affecting where and how people recreate. Regardless of the state, however, private landowners have become more concerned about keeping their lands open for unrestricted public recreation because of liability for death or injury of recreationists, costs of lawsuits, littering, property damage (particularly to roads), irresponsible user behavior, and increasing costs of land ownership. Rather than incur costs to protect themselves from these liabilities, landowners often restrict use. Further restrictions often come when new landowners do not wish to continue the tradition of shared use.

Public lands (and in posted private lands) receive the brunt of increasing restrictions on other lands, often with crowding, damage to land and resources, and diminished outdoor experiences for participants.

Ironically and unfortunately, as public lands are subjected to increasing use, money to manage them is dwindling. As a result, public agencies are unable to create opportunities for high quality recreation on existing public lands.

The public and private sectors do not regularly collaborate to measure actual levels of use and trends in use. This impedes planning for ways to deal with changes in use, allocation of resources, and mitigation of problems.

The recommendations below offer cost-effective ways to maintain or improve public access for recreation on private lands. These measures can help maintain traditional recreation opportunities at very little cost to taxpayers, especially when compared to the cost of acquiring land for such use.

"Communication and cooperation between landowners and land users is essential to meet recreation and tourism goals. There is a need for better sharing of information and discussion of issues concerning the compatibility between recreation and tourism, and the wood products industry. There is a specific need for land users to better understand the costs of owning and managing land to facilitate safe, public use of private lands."

Recreation and Tourism
Subcommittee Finding
#19, page A-50.

Recommendation 26, to promote public policy to provide forest-based recreation. Congress and state legislatures should enact legislation and promote public policy to provide forest-based recreation opportunities to the public. Such initiatives would encourage landowners to keep their land open and available for responsible public recreation. Initiatives should, at a minimum, include the following:

“All four states have limited liability recreation use statutes, with which landowners are generally unfamiliar. Despite immunity against judgment within the statutes, it is necessary for landowners to defend themselves in case of suit.”

Recreation and Tourism
Subcommittee Finding #18,
page A-49.

- (a) strengthened liability statutes to protect landowners who allow responsible public recreational use of their lands.**
- (b) updated liability statutes to establish hold-harmless mechanisms for landowners who open their land to public use, whereby each state underwrites a landowner’s defense against personal injury suits and assumes costs for property damage and littering.**
- (c) additional reductions in property taxes for landowners who allow responsible public recreational use of their lands.**
- (d) state purchases of land in fee, and of temporary and permanent recreation easements and leases, including rights of access.**
- (e) state and private cooperative recreation agreements.**
- (f) creation of a recreation coordinator/landowner liaison and remote ranger positions in state government to assist in the management of public use of private lands providing recreation opportunities and other similar services.**
- (g) strengthened enforcement of trespass, littering, and dumping laws.**
- (h) improved recreation user education programs.**
- (i) improved capacity in state park and recreation agencies to measure recreational use, including types, amounts, locations, and concentrations of use, and to identify and address trends in use before they create problems.**

For related recommendations, see recommendations 5 (Current Use Tax Programs), 14 (Management of Private and Public Recreational Lands), 17 (State Funding for Acquisition), and 18 (Conservation Tools Other than Acquisition).

Responsible agency. State legislatures and conservation agencies should act immediately to implement these recommendations.

Related findings in the Appendix Recreation and tourism 11, 13, 14, 17, 18, 19.

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Recreation and Tourism on Private Lands

References. Brown, Tommy, Forest Conservation, Forest Recreation and Tourism, and the Forest Products Industry: Interrelationships and Compatibility, October 7, 1993.

Brown, Tommy, Outdoor Recreation and Tourism Studies Applied to the Northern Forest Lands: Literature Review and Analysis, October 7, 1993.

Northern Forest Lands Council, Summary of Public Comment on the Draft Recommendations, August 1994.

Government Regulation and Public Policy

Government regulations have become increasingly complex and can unnecessarily hamper forest-based business, land investment, and economic development initiatives. Yet, they are necessary to protect the environment and public welfare. Several aspects of regulations are of concern across the region.

Workers' Compensation Insurance

High workers' compensation insurance costs hurt the economic viability of forest-based businesses. Workers' compensation insurance premiums for loggers, wood products manufacturers, and recreational outfitting enterprises are high compared to other industries, due in part to their higher occupational danger. In the four Northern Forest states, it is typical for such businesses to pay 40% or more of payroll costs in workers' compensation insurance. In addition, the insurance premiums have risen at an alarming annual rate, reflecting escalating costs for litigation, worker rehabilitation, health care, and more.

“Factors affecting employment levels in traditional forest products businesses include escalating cost of insurance, particularly workers' compensation and health.”

Local Forest-Based Economy Subcommittee Finding #2(b), page A-34.

The effect on local economies is severe. The high costs favor businesses outside the region not so burdened. Wages and benefits are depressed, and many businesses are forced to operate at minimal profit margins. Mechanization replaces jobs. Sub-contracted labor, not covered by workers' compensation insurance, displaces permanent employment. People in the communities send their money to distant insurance companies instead of using it locally.

Reducing workers' compensation claims and costs will improve the viability of forest-based businesses and help maintain job opportunities for local people.

Safety Training and Technical Development

Recommendation 27, to improve workplace safety. State forestry agencies, with funding from the USDA Forest Service and other appropriate sources such as the US Department of Labor, should cooperate with appropriate forest products associations and recreation business groups to establish or expand training programs to improve workplace safety and reduce workers'

compensation claims. These agencies also should encourage development of equipment and methods of harvesting that are safer, profitable, and environmentally compatible. A model program for loggers is Maine's Certified Logging Professional program, administered by the Maine Timber Research and Environmental Education (TREE) Foundation.

State Insurance Programs

Recommendation 28, to reform workers' compensation insurance programs. State legislatures should reform their workers' compensation insurance programs to reduce costs. Examples of needed reforms include the following: discounting employers' annual workers' compensation insurance premiums if they provide employee safety training; revising liability statutes to limit third party suits; controlling health care costs; better guarding against fraudulent claims; and enacting mechanisms that more quickly resolve disputed claims.

For related recommendations, see recommendation 24 (Financial and Technical Assistance) and 33 (State University Cooperation).

Responsible agency. State legislatures should act immediately to reform their workers' compensation programs. State forestry agencies, the USDA Forest Service, forest products associations, and recreation business groups should also act immediately to implement training programs.

Related finding in the Appendix Local forest-based economy 2(b).

References Northern Forest Lands Council, Summary of Public Comment on the Draft Recommendations, August 1994.

Northern Forest Lands Council, Summary of Proceedings: Forum on Building Local Economies With Wood Products and Forest-Based Recreation and Tourism, June 14-15, 1993.

"While many in the regulated community do not find regulations negative per se, they believe that the administrative process for existing regulations may at times hamper economic development."

Local Forest-Based
Economy Subcommittee
Finding #16, page A-36.

Regulatory Process

Most often it is the process and implementation of regulations—not their content or purpose—that cause problems. Most vexing are instability of laws; inconsistency, inflexibility, and duplication in administration of regulations; and processing times for permitting.

Through each state's legislative process, existing laws change periodically, sometimes annually. New state and federal laws are created, often duplicating or conflicting with those already on the books. Further,

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overlap between federal, state and local agency responsibilities, and among state agencies, sometimes results in regulations applied sequentially rather than concurrently, causing significant delays and costs for applicants. The Council believes that the regulatory process should be improved and simplified.

Administrative Rules

Recommendation 29, to review the effectiveness of administrative rules. Beginning June 1995, state agencies should review the effectiveness of administrative rules regarding business, land use, and the environment, using a process that repeats every five years and involves all interested parties. Such reviews would enable agencies to evaluate the effectiveness, consistency, practicality, efficiency, and cost of existing regulations.

“The lack of regulatory stability discourages some businesses from expanding or changing their processes because they are unsure what ‘the rules of the game’ will be in the future.”

Local Forest-Based Economy Subcommittee Finding #16(e), page A-36.

Innovative Regulatory Approaches

Recommendation 30, to simplify and stabilize the regulatory process. Beginning June 1995, state agencies should develop and implement innovative approaches to simplify and stabilize the regulatory process. Such approaches would improve the business climate in general and provide new opportunities for smaller businesses to get started in the region. These should include:

- (a) creation of a single permit to cover all requirements for a single project.
- (b) voluntary no-fault environmental audits, in which agencies review environmental compliance in a constructive and non-punitive manner. Responsible parties are not penalized for inadvertent violations discovered by the audit if the violations are corrected within a specified period of time.
- (c) negotiated regulations, in which government agencies cooperate with industry, environmental organizations, and other interests to develop and implement regulations in a manner that achieves the desired outcome without being unnecessarily burdensome.

For related recommendations, see recommendation 5 (Current Use Tax Programs), 11 (Forest Practice Regulations and Programs), and 28 (State Insurance Programs).

Responsible agency. State legislatures and agencies have responsibility to ensure that their regulatory processes are effective, stable, and user-friendly. They should review their regulations on a regular basis.

Related findings in the Appendix Land conversion 17, 26; and local forest-based economy 16.

References. Northern Forest Lands Council, Summary of Public Comment on the Draft Recommendations, August 1994.

Northern Forest Lands Council, Summary of Proceedings: Forum on Building Local Economies With Wood Products and Forest-Based Recreation and Tourism, June 14-15, 1993.

Land Use Planning

Land use planning programs and regulations have had major impacts on land conservation in the region. Planning that provides incentives for development in appropriate locations, and helps to guide development to those locations, can be powerful in protecting public values while allowing landowners continued economically viable uses of their land. Development pressures of the 1980s revealed that certain land planning and regulatory programs helped to discourage the break-up of large forest tracts, while others failed, or actually encouraged such fragmentation. Some agencies within the region have a positive working relationship with their constituencies and successfully involve the public. The Council supports state, in-state regional, and local land use planning efforts that fully involve the public as a means to further goals of protecting the traditional uses of the Northern Forest.

Recommendation 31, to review land use planning programs. Agencies and organizations involved with land use planning should review their existing programs and plans. They should assess them for adequacy in guiding development to appropriate areas, and in supporting traditional uses of the forest. Landowners, businesses, residents, and other interests should be included in the review. Agencies and organizations involved in land use planning across the region should regularly share successes and failures of their various programs. Such cooperation would facilitate the flow of information to planners, both within and among states, and it would stimulate more effective planning at all levels. Because rural areas often lack the resources to conduct such planning activities, states should provide money and technical assistance to further these efforts. Municipalities or regional agencies with comprehensive or master

“Local planning tools such as local land use regulation and creative development options (including open space zoning) have been appropriate and cost effective tools for achieving conservation goals in the Northern Forest region.”

Conservation Strategies Subcommittee Finding #21, page A-31.

“By the end of the 1980s, tightening of the enforcement of subdivision regulations and adoption of new subdivision regulations slowed conversion activities in New York and Maine.”

Land Conversion Subcommittee Finding #21, page A-21.

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plans in place should receive priority for funding for economic development.

For related recommendations, see recommendation 10 (Education about Sound Forest Management) and 11 (Forest Practice Regulations and Programs).

Responsible agency. State and local planning agencies, as well as private land use planning associations, should cooperate with the public to review existing programs and plans for effectiveness, and to share the efficacy of their land use programs in affecting land conversion.

Related finding in the Appendix. Conservation strategies 21; land conversion 21; and local forest-based economy 16.

References. James W. Sewall Company and Market Decisions, Northern Forest Lands Council: Land Conversion Study, April 9, 1993.

Northern Forest Lands Council, Summary of Public Comment on the Draft Recommendations, August 1994.

Interstate Transportation

Inconsistent road classifications and truck weight regulations unnecessarily impede efficient flow of goods across state borders. Each Northern Forest state legislature classifies state-maintained roads, setting the type and maximum weight of vehicles that may travel the roads. The classifications and their respective regulations are not consistent from one state to the next. In fact, the same road passing across state lines may have substantially different truck weight and size regulations. These inconsistencies affect many businesses that transport goods and raw materials across state lines. It is particularly severe for wood products firms because they rely heavily on interstate flow of logs, chips, lumber, and finished products.

In contrast, other strong wood-producing regions of the country often are within a single state (such as Washington), with a single set of classifications and regulations. This puts the Northern Forest at a transportation disadvantage to other regions and discourages further development and expansion of forest-related businesses here.

Recommendation 32, to establish consistent truck weight regulations. State transportation agencies should coordinate with one another to establish consistent truck weight regulations across the region. Regulatory consistency will do much to improve the flow of goods across state lines and enhance the region's ability to compete in national and world markets. To

“Variable transportation regulations across states can impede the flow of goods, and increase their prices.”

Local Forest-Based Economy Subcommittee Finding #16(a), page A-36.

achieve this, a compatible system of road classifications needs to be developed, and roads which cross state boundaries should have consistent classifications from one state to another.

For related recommendations, see recommendations 29 (Administrative Rules).

Responsible agency. State legislatures are responsible for establishing road classification systems. State transportation departments should assist with this effort.

Related findings in the Appendix Local forest-based economy 16(a).

References Northern Forest Lands Council, Summary of Public Comment on the Draft Recommendations, August 1994.

Northern Forest Lands Council, Summary of Proceedings: Forum on Building Local Economies With Wood Products and Forest-Based Recreation and Tourism, June 14-15, 1993.