



687 W Canfield Ave Ste 100

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March 18, 2021

RE: Montana Rescue Plan Act Funds

To Whom it May Concern:

IFG is one of the larger producers of softwood lumber in the U.S. with six manufacturing facilities in Idaho and Montana capable of producing well over 1 billion board feet of lumber annually. A large portion of our raw material supply comes from Region 1 and Region 4 of the U.S. Forest Service. Our 2,000+ employees, contractors, and other service providers live and work in the mostly small, rural communities surrounding our facilities where forestry as well as recreation and tourism are significant components of the economy and influence their quality of life.

The resources provided by the National Forests in Montana are critical to the economies of many of our rural counties and communities, with ownership in some counties as high as 80 to 90 percent National Forest System (NFS) land. These social and economic ties are not new to these rural communities. Up until the early 1990s the forests in Montana were being actively managed to maintain forest health and provide a consistent, reliable and sustainable supply of timber to our forest products industry. Funded with dollars generated through timber receipts and the 25% fund and PILT program, these counties thrived. Forest roads and trails were well maintained, providing safe access to our towering peaks and high mountain lakes. Campgrounds and picnic areas were being built and maintained and recreationists sought Montana's National Forests to take advantage of our abundant wildlife, hunting and fishing, and all kinds of motorized and non-motorized recreational opportunities. However, over the past 30 years, federal timber harvests have declined from 600mmbf in 1990 to 200mmbf in 2019 and Montana lost 31 mills and roughly 4,000 jobs. Forest funding for infrastructure repairs and maintenance is almost nonexistent, forest health has deteriorated dramatically, and wildfires have become more frequent with increasing intensity and severity.

Then, in 2020, we were all hit by the COVID-19 global pandemic. The forest products industry was fortunately considered critical to the nation's supply chain and was not forced to shut down. However, that does not mean the industry has not been negatively impacted by the pandemic. People were still exposed to the virus requiring quarantine, government agencies dealing with safety concerns placed severe restrictions on staff, and forest restoration and timber harvest contracts on all types of land ownerships became difficult to deliver creating shortages of raw material that continues today. The manufacturing sector worldwide was devastated in some areas and severely limited in others making it difficult to get critical supplies and parts needed for daily repairs on equipment, ultimately leading to a trickle-down effect of production curtailments and shutdowns. Forest products manufacturing facilities as well as logging and fuels reduction contractors, log haulers, road builders, and all other service providers as well as downstream distribution networks have all had varying degrees of impacts. These issues continue to afflict the wood products industry and likely will for some time into the future.

Today, Montana's forest products industry has started to make a slow recovery and is still one of the largest components of manufacturing in the state, employing roughly 7,700 workers earning about \$335



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million annually. Those counties and communities lucky enough to still have a local forest products industry in tack, are also seeing a slow recovery. However, this recovery is fragile, with current programs provided through the Montana DNRC's Good Neighbor Authority and the Montana Forest Action Plan being the primary driving force behind the recovery. Much more needs to be done to ensure a sustained and accelerated recovery as well as get in front of forest health and climate change issues.

The forest products industry can serve as a nexus for kickstarting economic recovery in Montana while also investing in long-term solutions to chronic forest health and infrastructure maintenance issues. Below are some recommendations that we believe would provide readily implementable, short- and long-term relief to the forest products industry. These recommendations are fully in-line with the American Rescue Plan Act and the funding associated with HB 632.

Revolving Loan Fund for Montana Resource-based Contractors – \$10 million

In addition to the forest health and rural community economic crises created by three decades of inactive forest management and most recently the pandemic, Montana's logging and related workforce has suffered more than most. Years of depressed and unstable market conditions as well as incredibly high capital investment costs and limited resources for new market entrants, has left resource-based contractors with aging equipment and labor forces. Difficult daily work conditions and uncertain growth opportunities in addition to struggling schools and communities in resource-based communities has made it difficult to attract young families or skilled workers. Many of the contractors that have struggled through and survived, did so with great personal sacrifice. Their equipment needs to be upgraded and business accounts are tapped out. A low or no interest rate, revolving loan fund specific to the forest products industry, could be used to help small and large business upgrade equipment, improve employee safety, and increase productivity. Much of the new equipment and harvest systems available today are not only safer, they reduce the amount of manual labor required to accomplish important restoration work needed to improve forest health and reduce wildland fire risk on a larger scale. These technological advances are generating new opportunities as well as optimism about the future of the industry.

This type of program was successfully implemented with the Wood Products Revolving Loan Fund that was a result of the economic crisis in 2008. As loans are paid back, other loans can be made available and the program continues. More loans could be made if more funds were available.

Good Neighbor Authority – \$10 million

The Montana Good Neighbor Authority (GNA) program has been a great success story. To date, GNA in Montana has sold 13 timber sales, treating 5,470 acres, producing 31 million board feet of timber, and generating \$4,959,947 in revenue that will be reinvested for additional forest restoration projects and to help self-fund the program in Montana. To date, GNA has primarily been used for project implementation. Recently however, they have begun to develop projects that would include the use of contract-based NEPA, paid for with GNA program dollars. This additional work will add depth to the program, increase pace and scale, and bring another level of increased forest restoration



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accomplishments. Providing additional dollars to help pay for planning efforts (NEPA) and or hire additional planning and resource specialists, would continue to expand the program. Furthermore, local counties are now eligible to participate in the GNA program. This means funds could be provided to assist counties with hiring a forester. County foresters could work on their own or with state GNA foresters to grow the GNA program.

Like the revolving loan fund for Montana contractors, the GNA program can also be self-funding if projects include a commercial timber component.

The Montana Forest Action Plan - \$10 million

Signed in 2020, the DNRC's Montana Forest Action Plan (MFAP) was quickly funded with \$5 million dollars (\$4.5 million from state fire funds and \$.5 million from the Forest Service). A Request for Proposals was advertised for MFAP projects up to \$.5 million dollars per proposal. Forty-seven proposals were received and are currently being reviewed with 12 to 14 projects expected to be approved. This program provides a critical source of funds that can be used to complete forest restoration work on projects that would otherwise be uneconomical. It also leverages existing programs and infrastructure to manage the funds and implement projects.

The Bitterroot National Forest's 150,000-acre Bitterroot Front project is a good example of where supplemental funds could be leveraged to accomplish much more work. A high percentage of the project lies within the Wildland Urban Interface. This project borders the Bitterroot Wilderness on the west and private property along the entire eastern boundary. Access will be difficult for much of the area requiring the use of specialized logging apparatus such as helicopter, forwarders, and tethered equipment. Without a large influx of outside revenue, only a small portion of this project will be completed leaving hundreds of residences unprotected. MFAP funds are proposed to fully implement the hazard reduction, forest restoration, and access improvement elements of the project with much greater long-term effect.

Agency Infrastructure – \$15 million

Transportation and recreation infrastructure on our National Forests and other public lands is woefully underfunded. This became acutely obvious in 2020 with the wave of additional outdoor recreation use caused by Covid-19 related limitations on other types of recreation and travel opportunities.

Culverts and Bridges - Thousands of culverts and bridges across the forests of Montana are undersized or do not meet minimum engineering specifications for water flows, aquatic fish passages, or transportation of equipment and forest products. A recently proposed project on the Lolo National Forest originally had plans to upgrade 23 culverts and replace two culverts with bridges. Due to constraints associated with project economics, the two bridges and 6 culvert upgrades were dropped. The cost to upgrade the 17 remaining fish passage culverts is 3.8 million dollars.

Forest Roads - Thousands of miles of gravel roads are scattered across our National Forests, many of which parallel critical bull trout streams. While the timber industry invests hundreds of thousands of



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dollars every year in maintaining and applying dust abatement, we are losing the battle and often incur criticism from various advocacy groups to do more. Two such roads are located on the Lolo National Forest, the Little Joe Road #282 and the Trout Creek Road #250. Both roads cross into Idaho and tie in at the State line with roads that are paved on the Idaho side. The cost of improvements is \$3.5 million on the Little Joe Road and \$4.2 million on Trout Creek. Several unsuccessful attempts have been made to develop funds that could be used to pay for this work.

Recreational Facilities - Recreational use of our National Forests and other publicly accessible forestlands is rapidly increasing, particularly with Covid limiting other recreational opportunities. Campgrounds are at capacity, even in remote areas that have seen only light use in the past. Parking and turn-around areas need to be expanded, most sites need more or improved facilities, access roads need to be upgraded and maintained, signage needs to be improved, more developed sites need created, and dispersed sites need to be managed. The use of ATVs, UTVs, e-bikes, snowmobiles, has dramatically increased.

There must be an investment in road infrastructure and crossings, campground and facility maintenance, and trails and travel management in general to prevent degradation.

Collaborative Funding – \$5 million over a 5-year period

There are currently 23 collaborative groups in Montana. Some of these groups are actively engaged with agency partners to help develop forest health projects aimed at increasing the pace and scale of forest restoration, improving forests resistance and resilience to the effects of insects, disease, and wildfire, and contributing in a meaningful way to the local timber economies. The Montana DNRC's existing Local Government Forest Assistant Grant provides approximately \$30,000 annually to counties and collaboratives for project specific funding. While these funds are appreciated and well-invested, they do not provide the level of funding needed to allow collaboratives the opportunity to expand their work at a meaningful level.

Starting in 2018, the Washington State Department of Natural Resources, through their All Lands Forest Restoration Grant Program and their Building Forest Partnerships Grant Program, has awarded millions of dollars to select forest collaboratives who participate in cross-boundary efforts to improve forest health and make forests more resilient to wildfire while also supporting the rural timber economy. These programs have been very successful.

A similarly funded program in Montana could be directed toward qualifying collaboratives using similar qualification criteria as used in Washington and could be managed through the Montana DNRC along with or in addition to their current grant program.

Thank you for your consideration of these recommendations.

A handwritten signature in black ink that reads "Tom Schultz". The signature is written in a cursive, flowing style.

Tom Schultz, VP Resources