



LEGISLATIVE COMMITTEE ON ECONOMIC DEVELOPMENT & INTERNATIONAL RELATIONS
LT. GOVERNOR BRAD OWEN, CHAIR
2014 IN REVIEW

EXECUTIVE SUMMARY

The Legislative Committee on Economic Development and International Relations (LCEDIR) met twice in 2014, first covering the historic (and still vital) farming and floriculture industry in western



Puyallup Valley farming operation

Washington, then reviewing anticipated impacts of the closure of a major gold mining operation in the northeast.

The July 29 session in Puyallup was entitled: *Washington's Natural Resources Economy: Farming and Floriculture in Western Washington*. Committee members heard from local farmers and other experts about the status of the agricultural economy and were updated on current policy issues from the Washington Farm Bureau. The committee also received a historical perspective on western Washington agriculture and gained some insights on what is being done to preserve

farmland and open space. Two local farm tours followed the morning work session.

The Oct. 9 session was entitled: *The Economic Impact on Company Closures on Rural Communities*. Lt. Governor Brad Owen, chair of the LCEDIR, convened the committee in Republic so members could learn about the expected closure of the Buckhorn Gold mine under Buckhorn Mountain near Chesaw in Okanogan County, operated since 2008 by the Kinross Corporation. The mine is reaching the end of its life cycle and is expected to close when its reserves are depleted sometime in late 2015. A separate Kinross operation, the Kettle River Mill, processes ore from the mine. LCEDIR members toured the mill, which is near Republic, following the morning work session.



Lt. Governor Owen, seen second from left, visited the Buckhorn Gold Mine in April (Courtesy Kinross)

Washington's Natural Resources Economy: Farming & Floriculture in Western Washington

JULY 29

PUYALLUP CITY HALL

Committee members and local legislators in attendance: Lt. Governor Owen, Rep. Louis Moscoso, Rep. Cyndy Ryu, Rep. Norma Smith, Rep. J.T. Wilcox, Sen. Randi Becker, Sen. Tracey Eide, Sen. Mike Hewitt, Rep. Ed Orcutt from the 20th Legislative District and Rep. Dawn Morrell from the 25th District.

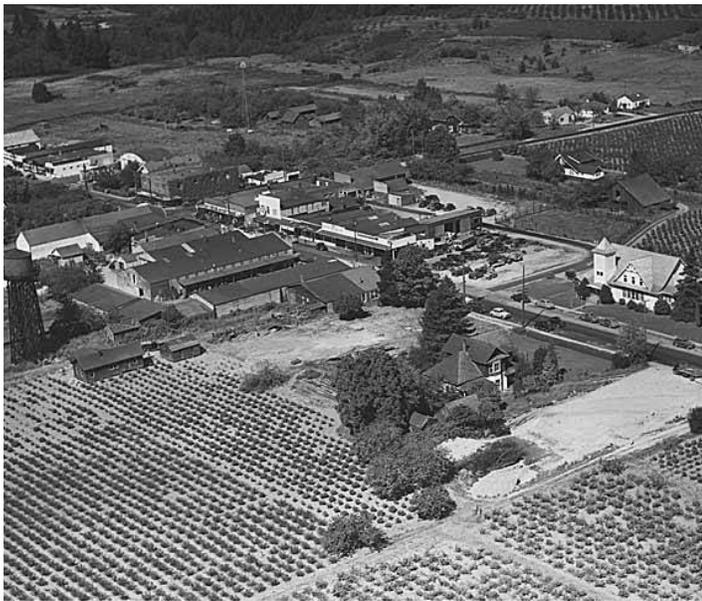
The committee received a warm welcome from Puyallup Mayor John Knutsen.

Overview of farming and floriculture in western Washington

First to present was Lt. Governor Owen, stepping aside briefly from his role as the LCEDIR chair to give the committee a historical perspective of the industry. Owen recounted the early days of agriculture in western Washington dating back to the mid-1820s when it was encouraged by the British-owned Hudson's Bay Company from its settlement at Fort Vancouver. Puyallup Valley pioneer Ezra Meeker planted hop vines in 1865 and the hop business went on to grow substantially through the latter 1800s. The completion of the transcontinental



Puyallup hop kiln circa 1910. University of Washington Libraries. Special Collections Division, Barns 2051-A



Vashon Island farm in 1946 (Courtesy of MOHAI, Seattle P-I Collection, P127880

railroad 1883 created new links for agricultural markets east of the Cascades. The cabbage seed business flourished in Skagit County, followed by the bulb industry which grew dramatically throughout the 20th Century. Cranberry producers created their niche in the coastal regions of southwest Washington, and a large daffodil industry sprung up in Pierce County. Thousands of kids, including the lieutenant governor as a youth, found their way to strawberry, blueberry, black berry and raspberry fields each summer, earning some extra pocket money for themselves or for their families. Revisions in child labor regulations enacted in the 1990s essentially restricted young people from doing this type of field work. Farmland preservation programs first passed by voter initiative in King County in 1979 helped to preserve rapidly diminishing farmlands by

purchasing the right to develop it.

The committee also viewed a video produced by Pierce County Television: *Pierce County Ag: The Faces of Farming*. The video documents the rise and fall of the regional hops industry and the introduction of rhubarb as a mainstay crop. The video highlights the daffodil industry and features interviews with several local farmers. Many Pierce County farmers still tend land owned through

several generations, but now face challenges that their forefathers never did. The video also covered initiatives by county government aimed at keeping the farm industry thriving in Pierce County despite the pressures of new commercial and residential development.

Lessons from an agricultural business incubator

Viva Farms is a business incubator in Skagit County that helps new farmers learn how to farm and experienced farm workers establish their own business while minimizing prohibitive start-up costs. In his presentation Ethan Schaffer, the executive director of Viva Farms, told the committee that with the average age of farmers now at 57 and 70 percent of all farmland owned by farmers who will retire in the next 20 years, new farmers are needed. Viva provides training, land, and equipment and loans as small as \$5,000 and up to \$300,000, as well as marketing assistance.



Viva Farms is helping to launch a new generation of farmers in Skagit County. (Viva Farms photo from LCEDIR presentation)

Collaborating for farm preservation and conservation

Tahoma Farms is a 40-acre certified organic vegetable farm, part of a 100-acre former dairy preserved by the PCC Farmland Trust in collaboration with the Washington State Wildlife & Recreation Program. Dan Hulse, co-owner of Tahoma Farms, said Tahoma currently serves about 1,000 households that sign up for their products via a web interface. This “subscription-based, community supported agriculture” (commonly called CSA) helps fill the increasing demand for market-based organics.

Brothers Ivan and Dave Matlock grew strawberries and raspberries on their 154-acre Matlock Farms property from the mid-1950s until 1987, and in more recent years ran a wholesale seedling nursery business on the property until their retirement in 1996, then leased their land to another farmer. Over the years the brothers tried to find a suitable buyer without much success. They are now working with Forterra, an organization dedicated to the conservation and preservation of open space and farmland, to complete the sale of their property to Pierce County. Under their purchase agreement the county will preserve development rights to ensure the



Ivan Matlock speaks to the committee about his experience running Matlock Farms with his brother Dave.

property stays as a working farm or open space. The county is also buying 30 acres of adjacent flood plain property to protect fish habitat in the adjacent Puyallup River and Ball Creek. The county used a mixture of state grant money and county conservation funds to purchase the property and will be able to sell it at a discount with the protections in place.

Seattle-based Forterra is advancing an innovative new approach to conservation that encourages collaboration across all sectors and balances environmental, social and economic needs. Forterra Conservation Director Jordan Rash explained how the organization does the work of a traditional



Forterra Conservation Director Jordan Rash discussed how the transfer of development rights works. (Graphic courtesy of Forterra as used in LCEDIR presentation)

land trust, preserving natural landscapes as well as conserving working forests and farms. With field offices in Tacoma and Ellensburg, Forterra currently operates across the region from the Yakima River Canyon in Kittitas County to Neah Bay on the Olympic Peninsula. The organization has protected over 230,000 acres of farms, forests, parks, shorelines, and other critical areas.

Agriculture is a big economic driver for Washington

LCEDIR members received an overview of critical policy issues currently facing the state's food producers, as well as policy recommendations from Tom Davis, director of government relations for the Washington Farm Bureau. Davis noted that 300 different crops are grown in Washington, and that agriculture comprises 13 percent of the state's economy and employs 160,000 people. Davis covered tax preferences, water quality issues that he said might make sense for urban areas but not for farms, voluntary stewardship programs, fencing to prevent damage from deer and elk populations, and open space regulations.



Large populations of elk are breaking through fencing and damaging crops in many areas. (Photo courtesy Kevin Pierce).

Skagit Valley bulb producer competes globally

Established in 1985 by the Roozen family and Washington Bulb Company, Inc., RoozenGaarde grows tulips, daffodils and irises on more than 1000 acres of field blooms and 16 acres of greenhouses, and



markets bulbs and fresh-cut flowers globally through its Tulips.com web site. Brent Roozen, who manages

Tulips.com, provided a company history and operational overview. Tulips.com helps RoozenGaarde compete globally with competitive producers in South America and the Netherlands.

FARM TOUR

Following lunch, members of the committee and staff took two local farm tours. Their first stop was at Terry's Berries, a 25-acre organic farm located in the Puyallup valley that Terry and Dick Carkner have been farming for more than 30 years. The farm features a produce stand to sell freshly harvested produce and also relies on Community Supported Agriculture to sell shares to its members.



Dick Carkner of Terry's Berries explains his operation to Lt. Governor Owen.

Kroger. Farmer Tim Richter offered samples of bok choy and green beans cut freshly from the field.

POLICY CONSIDERATIONS AND SUGGESTIONS FROM PRESENTERS

1. Need a secure labor market. Farmers are facing numerous labor shortages due to federal restrictions on immigrant labor. Need to update and improve existing labor laws and enact Immigration reform to address this shortage.
2. Find ways to encourage greater participation in farming and to help the next generation of farmers. There is a need to link the next generation of farmers to available lands, and keep these lands affordable for farm use.
3. Encourage more agri-tourism (pumpkin patches, corn mazes, etc.)
4. Provide programs and incentives to conserve farmlands.
5. Review often restrictive waterway buffer requirements for farmlands that take farmland out of production. Buffer requirements not always supported by best available science.
6. Reduce elk herds as elk cause damage to crops and fences, especially in Whatcom, Skagit, King, Pierce and Lewis counties. Fund additional WDFW staff to help with this issue.
7. Retain existing ag-related tax preferences. Open space tax allows property owners to have their agricultural and timber lands valued at current use rather than at their highest and best use. However, some county assessors are implementing standards that exceed what the law requires.
8. Fully fund voluntary stewardship programs (\$7.1 million in Capital Budget)
9. Develop infrastructure to ensure that agribusiness can be successful. Ensure good transportation networks to get produce to market.

The group then moved over to nearby EG Richter Family Farm, which grows lettuce, cabbage, peppers, cilantro, rhubarb and other crops on 150 acres and supplies its produce to big chain stores such as Safeway, Walmart and

Note: Presentations and links to specific segments on TVW can be viewed from the Lt. Governor's website at <http://tinyurl.com/kn5h73f>

THE ECONOMIC IMPACT OF COMPANY CLOSURES ON RURAL COMMUNITIES

OCTOBER 9

FERRY COUNTY FAIRGROUNDS



Committee members and local legislators in attendance: Lt. Governor Brad Owen, Sen. Randi Becker, Rep. Norma Smith, Rep. J.T. Wilcox, Sen. Bob Hasegawa, Sen. Brian Hatfield, Sen. Curtis King and 7th Legislative District members Sen. Brian Dansel, Rep. Shelly Short and Rep. Joel Kretz.

Chamber's efforts to help

The Republic Chamber of Commerce has initiated several projects aimed at increasing tourism and economic development.



Washington State University photo

Jim Milner, chamber president, described how Ferry County has always had a resource-based economy supported by timber, cattle and minerals. He attributed recent declines in the timber and cattle industries to difficult and cumbersome regulations at the federal level. He said the local economy will suffer further setbacks when the Kinross gold mine closes in late 2015. Milner related how when he became chamber president two years ago, there were just four members and not much activity. The chamber has conducted a series of community forums, recruited volunteers and formed a committee to work on economic development and tourism. The chamber is now closely cooperating with

public agencies and private sector groups and has several projects in the works. They asked the legislators to help revitalize the timber, cattle and mineral industries by cutting regulations and streamlining processes.

Operational overview of Kinross and the impending closure of the Buckhorn Gold Mine

Mark Ioli, vice president and general manager of the Kettle River-Buckhorn operation at Kinross Gold Corporation, gave an overview of Kinross's mining processes at the Buckhorn gold mine and Kettle River facility.



Committee members learn about gold ore processing from company officials at the Kinross Kettle River facility near Republic.

He also covered the environmental, health and safety record of Kinross, noting that the operation was now at 1,088 days without a time-loss incident. Ioli outlined steps that will happen over the next year as mining operations close. He said Kinross has tried to obtain permits for exploration for new sites, only to be hindered by the federal permitting process. After several years of spending three to five million dollars a year trying to resolve permitting issues, Kinross decided to cease operations. For workers losing their jobs, Kinross provides retention and engagement programs, training opportunities, and help with transferring to other sites. The company is working with local chambers of commerce and leaders to help with the transition.

Supporting business through the regulatory process

Jesus Sanchez with the Governor's Office of Regulatory Innovation and Assistance talked about steps he took to reorganize the agency. His goal is to be able to get permits to businesses in three or four months. He said Governor Inslee is committed to economic development and wants to make sure there is cooperation between all 26 state agencies. The Inslee administration is working to change or remove a lot of the regulation processes in order to improve predictability, especially in the area of permitting. During meetings with decision-makers at each state agency Sanchez challenged them to make improvements in the system. He said his goal is to remove the pinch points in order to reduce time, cost and frustration. He started working with Kinross towards the end of the company's struggles with the federal government. He has encouraged the state Department of Ecology and the Department of Natural Resources (DNR) to collaborate on the project. He said he will continue to help businesses with the mining exploration permitting process in the area.



Illustration by Askpedia

Learning from the timber industry

Lt. Governor Owen compared the current situation in Republic to an economic downturn that impacted timber communities in the late 1980s and early 1990s in Mason and Grays Harbor counties.



Lt. Governor Owen presents to the committee.

In 1991 then-Senator Owen and then-Representative Tim Sheldon introduced bills to provide relief to timber communities. The purpose of these programs was to assist displaced workers and their communities affected by downturns in the timber industry. In 1995 the programs were expanded to include those impacted by the declining salmon fishing industry. Under provisions of the legislation passed in 1991, the Employment Security Department was directed to provide enhanced job retraining, support services and job search assistance for dislocated workers. Several agencies including the Department of Natural Resources, the State Board for Community College Education, the Higher Education Coordinating Board, the Department of Commerce and others worked

together to help dislocated workers in severely impacted timber areas. Lieutenant Governor Owen asked state agency representatives in the room to let the committee know of any barriers that stand in the way of service delivery.

Finding strategies to bolster rural communities in times of economic downturn

Two speakers from the Department of Commerce discussed the agency's abilities to help local communities get through rough economic times. Terry Lawhead, business development manager for the Department of Commerce, covered several disasters that his agency has helped with recently, including the I-5 bridge collapse in Skagit County and the SR 530 slide in Snohomish County. He reminded committee members of the many tools and services that the Department of Commerce has available.

Maury Forman, also with Commerce, talked about the "stool theory" that has been in place for the past 50 years. The three legs that have supported economic development in the past are community development, business retention/expansion and business attraction. Forman said a new economic development strategy is comprised of asset development, innovation and entrepreneurship, and technical assistance. He said economic development takes time. Most communities have three types of people: ones who do nothing, ones who watch things happen and ones who make things happen. He told committee members that workforce, infrastructure, and arts and culture are the driving reasons people relocate.

Overview of the state's response to layoffs in a community

Kerry Burkey, the administrator of WorkSource Colville, gave a brief overview of the branch of the Employment Security Department (ESD) that helps citizens with job placement, interview preparation, resume building and other career assistance services. Burkey said WorkSource is a critical link to towns like Republic. WorkSource Colville has developed a close working relationship with Spokane Community College's Republic Center. He talked about the agency's "rapid response" services for impacted workers. He spoke on the ripple effect that will happen to contractors and supporting businesses when the mine closes in 2015. WorkSource helps in several ways, including career

counseling, training opportunities, training funds and helping people coordinate with the community college and with DSHS.

Neil Gorrell, ESD's director for Unemployment Insurance and Employment System Policy, complimented the WorkSource system, saying it helps people help themselves. He gave an overview of ESD's unemployment insurance program and talked about how the agency works together with WorkSource and DSHS. He explained how benefit amounts are based on earnings. An out-of-work employee typically receives about one-half of what he or she was earning on the job. He talked about training benefits. A person can get unemployment insurance for 26 weeks. If they are getting training they can receive benefits for up to 52 weeks. He spoke briefly about the Shared-work program, the Commissioner Approved Training program and the Self Employment Assistance program.

Providing public and financial assistance and a mobile response

Susan Huck and Mark Dillon, regional Community Services Office administrators for DSHS, gave an overview of how DSHS helps low income people meet their daily needs. They described the Basic Food Assistance program, a federal program managed by the U.S. Department of Agriculture that



provides free school lunches. They talked about the Housing and Essential Needs program and the Aged, Blind or Disabled Cash Assistance program. They described how subsidized child care works, and the different ways to access benefits. They described the new Mobile Community Services Offices, two 40-foot trucks that transform into functioning offices. Each Mobile CSO unit is staffed by experienced financial workers who are able to complete Cash and Basic Food interviews, Eligibility Reviews, complete changes to active Cash and Food cases, issue EBT cards, and receive documents for Cash, Food and Childcare Programs. These mobile offices were used during the Carlton Complex fire and the SR 530 mud slide disaster.

Graphic from DSHS presentation

Protecting children during tough economic times

Two officials from DSHS Children's Administration informed the committee on ways the agency protects children from abuse and neglect. Deputy Regional Administrator Nicole LaBelle and Area Administrator Geri Phillips said they hear about these children through mandated reporters such as teachers, medical providers and individuals. DSHS Community Services Offices are located in every county in eastern Washington. Their goal is to keep families together. Their staff goes out to the homes and tries to determine what they need. Their main concern is always the safety of the children.

Potential financial impacts on school district funding

Three speakers from Northeast Washington Educational Service District 101 reported on the potential impacts on school district funding brought as the result of a large employer leaving the area. Superintendent Mike Dunn, Cory Plager, director of School Financial Services, and Jerry McDermott, assistant superintendent for Operations & Technical Services, gave perspectives from each of their

areas of expertise. Dunn stated “these kids count, they deserve opportunities.” It was explained how school funding is driven on enrollment. There was an overview of Title 1 federal assistance for local agencies, which helps schools with high percentages of children from low-income families to meet state academic standards. Different scenarios were used to show how the loss of enrollment impacts revenue. They talked about high-poverty funding, as 60 percent of the students in Ferry County qualify for free or reduced price lunches.

PERSPECTIVES FROM LOCAL LEGISLATORS

Legislators from the Seventh Legislative District were given a turn at the microphone to express their views on what it might take give a boost to the local economy as it loses a major employer.

Representative Shelly Short

Northeast Washington counties are 60 to 85 percent under federal jurisdiction, Rep. Short noted. This has a huge impact on job retention, as well as school and hospital infrastructure. In addition there has been an unprecedented lack of leadership in the Okanogan forest, with just one forest supervisor who spent most of her time out of the forest during crucial times through the permitting process. Short complained that the new forest supervisor has been on duty a year-and-a-half without a visit to Republic. Even with an abundance of bi-partisan cooperation from the Governor’s office, the two U.S. Senators, the district’s congresswoman and local delegation, the forest service has declined to help. There are problems with both state and federal regulations, she said. Sometimes it’s not the regulation itself, but the level of authority that agencies have independent of their supervisors. Positions are developed that stall and stop progress. Part of the challenge of legislators is to create better balance in what level of authority agencies have to make sure we are not relinquishing their role of oversight. Sometimes key people in key positions prevent things from moving forward. Rep. Short said she is stunned by the endless amounts of data that is requested from agencies. While regulations are needed to protect the environment, it’s sometimes how those regulations are implemented that creates problems, she said. She thanked the committee for coming to Republic.



Rep. Shelly Short



Rep. Joel Kretz

Representative Joel Kretz

Rep. Kretz stated that he has spent more time addressing regulatory issues during his time in the legislature than on any other issue. He said there are good people in agencies doing a good job, but the system is not functioning at all. He called it “completely inept and incompetent” and “designed where one person in a key position with a personal agenda can stop a project”. He suggested that LCEDIR convene in a month or so with federal, state, and local leaders. He said he spoke to Governor Inslee and the governor wants a functioning regulatory system that makes sense to everybody on all sides. He said “we’re not giving up, we’re going to work hard, but we don’t have much time, let’s get after it folks.”

Senator Brian Dansel

Senator Dansel stated: "We talk about travel and tourism a lot in this county. I think it's a great addition to the economy, but I don't believe it's ever going to be the driver. We have to have those natural resource-based industries here, that's what we're rich in. That's where our heritage, customs and culture is."



Senator Brian Dansel

POLICY CONSIDERATIONS AND SUGGESTIONS FROM PRESENTERS

1. Cut regulations and streamline the permitting process.
2. Better predictability for permit approval.
3. Improve efforts for state agencies to work together.
4. Work on partnerships between federal and state government.
5. Propose legislation to help displaced mining workers similar to the legislation that was passed in the 90s to help timber workers.
6. Make sure state agencies don't have supervisors who stall and stop progress.
7. Decrease the amount of data required from agencies.
8. Try to have another meeting involving U.S. Senators, Representatives and federal agencies.

KETTLE RIVER MILL TOUR



Senator Curtis King holds an 80-pound gold bar.

After the meeting committee members travelled to the Kettle River Mill (Known as Echo Bay Minerals Company before its purchase by Kinross), where the gold ore from the Buckhorn Gold Mine is refined and processed. After watching a safety video members were given a tour of the mill by Cortney Gill, superintendent and Cindy Jones, principal metallurgist. Committee members were able to see every step of the process of separating the gold from the ore. The highlight of the tour was the gold pour. It is melted in a furnace at 2100 degrees. The bar that was poured weighed about eighty pounds and contained about 900 troy ounces of gold.

Note: The work session can be viewed on TVW at:

<http://tinyurl.com/p59besu>

ABOUT THE COMMITTEE

The Legislative Committee on Economic Development and International Relations, or LCEDIR, is a bipartisan, bicameral committee of the legislature which is authorized under state law ([Title 43.15.060 RCW](#)) to study and review economic development issues. The committee's duties include special emphasis on international trade, tourism, investment and industrial development, and assisting the legislature in developing a comprehensive and consistent economic development policy.

COMMITTEE MEMBERS IN 2014

Lt. Governor Brad Owen, Chair

Senators:

Randi Becker (R-2nd Legislative District)

Tracey Eide (D-30th)

Bob Hasegawa (D-11th)

Brian Hatfield (D-19th)

Mike Hewitt (R-16th)

Curtis King (R-14th)

Representatives:

Richard DeBolt (R-20th Legislative District)

Jeff Morris (D-40th)

Luis Moscoso (D-1st)

Cindy Ryu (D-32nd)

Norma Smith (R-10th)

J.T. Wilcox (R-2nd)