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*"Growing Jobs and Economic Opportunity: Perspectives on the 2018 Farm Bill from Michigan"*

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Mr. Chairman and Committee Members:

Thank you Chairman Roberts and Ranking Member Stabenow for this opportunity to speak on behalf of forestry in Michigan and the Michigan Department of Natural Resources (DNR), Forest Resource Division. My name is Kristen Matson and I am the East Upper Peninsula (EUP) Inventory and Planning Specialist for the Forest Resources Division. In that capacity, I am responsible for training other DNR staff in forest inventory procedures, ensuring the accuracy of the state's forest inventory, and for writing forest planning documents in the EUP. Additionally, I serve as the Good Neighbor Authority (GNA) liaison to the Hiawatha National Forest.

In my testimony today, I hope to give the committee a brief summary of the economic growth and jobs derived from Michigan's forests and the state's forest products industry. I will also outline some successes, as well as some challenges, that the Forest Resources Division has recently seen in its relationship with the U.S. Forest Service (USFS). Finally, I'd like to conclude by discussing a unique win-win opportunity that Michigan DNR and others have identified related to innovation and market creation in the forest products industry.

I am very excited to discuss Michigan forestry. We are a highly forested state, with 20 million acres of forest, approximately 56% of our land, making Michigan one of the top 10 forested states in the nation. In fact, in the Upper Peninsula (UP) where I live, it is about 88% forested. Michigan has a \$20 billion forest economy, with some 96,000 people employed in the sector. Our forests also help drive a \$22 billion tourism industry and are an integral part of our \$4.5 billion hunting and fishing economy.

To give just one recent example of the local impact of the industry, the Arauco Corporation is in the process of building the largest pressed board forest products mill in North America in Grayling, Michigan, a very rural community about 115 miles NW of here. This plant is a \$400 million investment, will create 200 full-time jobs and over 700 construction jobs in the region, and is scheduled to process about 700,000 cords of pulpwood per year. The groundbreaking for the facility happened just last month, and is just one illustration of the economic significance of the forest products industry in our state.

The Arauco project is also a great case study to highlight one of the recent successes we've seen in our relationship with the USFS because the company's investment was driven, in part, by smart public policy created by Congress and carried out by the agency.

The Good Neighbor Authority, created by your committee in the Forestry Title of the 2014 Farm Bill, has been working well in Michigan. As you know, the new program authorizes state forestry professionals to carry out restoration and logging projects on federal lands – work that would otherwise go undone because of budget constraints. Michigan was the second state in the nation, right behind our neighbors in Wisconsin, to sign a so-called “Good Neighbor Master Agreement” with the USFS to get the program up and running. This new authority has already helped the USFS be more successful and efficient in providing timber to the forest products industry in Michigan and accomplishing restoration goals on federal lands. The wood harvested on the GNA timber sales that are in progress in Michigan is of a volume that the USFS would not

have been able to do themselves, and is in addition to the amount that the DNR provides annually to industry. The DNR would like to thank this Committee for providing this authority in the last Farm Bill and would like to thank the Forest Supervisors of the three National Forests in Michigan for partnering with us to make this program a success.

The creation of the new GNA authority in the Farm Bill was part of Michigan's discussions with Arauco about investing in our state. Thanks to the new program, the DNR was able to confidently tell the company that there would be a steady supply of fiber from the federal, state, and private lands in the area to feed their mill. Simply put – the Arauco story is just one example of how the new GNA program in the Forestry Title of the 2014 Farm Bill is having a real impact on jobs and economic development right here in Michigan.

In 2016, our first year of the GNA agreement, the DNR was able to put 1,362 acres of USFS timber land on the market statewide. This accounts for over 20,000 cords of wood, which is valued at over \$1 million. Just over half of this, 775 acres at \$559,000, was in the Upper Peninsula (UP), where the timber industry is an important part of our economy. In fact, one third of all manufacturing jobs in the UP are forest products related. The 11 GNA timber sale contracts for 2016 were awarded to 6 different private timber companies.

For 2017, we plan to set up 1,811 acres of GNA timber statewide (845 in the UP). More is being planned for 2018. I am happy to report that work began this week on a GNA sale on the Hiawatha National Forest. The work is being done by a small family-owned UP logging company based in Rapid River. This is a perfect example of how GNA sales are helping support jobs in local businesses. By putting this extra fiber on the market, we are relieving market pressure in Michigan.

And while GNA has been a great success, we feel we can do even more. The Farm Bill provision that allows GNA work by the state on USFS land does not currently

allow for the reconstruction of existing roads already included in the national forest road inventory. This limits the timber harvest and restoration project opportunities that the USFS can partner with DNR on. Many of Michigan's federal forest stands that are well-suited for timber harvest or restoration, all of which have already gone through the required environmental analysis under the National Environmental Policy Act (NEPA) and other applicable statutes, are currently inaccessible to DNR because of the stipulations on road repair in the current program. Repair of existing roads is needed to conduct restoration projects and timber harvests in a safe and environmentally friendly way and such repairs would make these NEPA-approved acres accessible to the DNR and our partners in the private sector.

To address this issue, Michigan DNR and the National Association of State Foresters recommend that the Senate Agriculture Committee, working through a bipartisan and consensus-based process, slightly amend the GNA program to allow for modest repair of existing roads on the national forests, thus increasing the number of projects available through GNA.

In addition to outlining the success of GNA with the Forest Service, the DNR also wants to draw this Committee's attention a challenge with the agency that we hope you can help us address. The issues of fire borrowing and the steady erosion of the USFS' non-fire resources, stemming from a broken and antiquated agency budget, is profoundly hurting not only the national forests, but also state agencies like Michigan DNR and private landowners. As this committee knows, a dramatically increasing portion of the overall USFS budget has been spent to suppress wildfires in recent years, largely in the western US. Part of my duties in the eight years I worked for the USFS involved working on wildfires, including several large project fires in various states out West and in Michigan. I know how challenging and expensive fighting wildfire can be. And I believe 100% that we ought to invest in fighting these blazes when they threaten lives, property, and critical infrastructure; but my experience has also taught me that a Forest Service budget model developed in the beginning of the last century is not well suited to face the wildfire threats of 2017.

Science tells us that these mega-blazes, sometimes called “uncharacteristic wildfire” are just going to get larger and more unpredictable. These fires are truly natural disasters, and the federal budget should treat them as such, but right now they are just treated as another day-to-day function of the Forest Service – just like marking a timber sale. That situation is unsustainable. Because the Forest Service now spends over half their annual budget fighting fires – up from 16% in 1996 – there are far fewer resources for other agency functions like the ones that are important to Michiganders.

For example, normally there is a portion of the USFS budget that is awarded to states to do forest restoration work. Recently, a grant funded by the State and Private Forestry mission area of the USFS was awarded to the Michigan DNR for rapid response detection of an invasive pest species called the Hemlock Woolly Adelgid (HWA). The grant, which was vitally important to our early response efforts to stem the bug’s spread was unfortunately pulled back by the agency so the money could be sent West to fight wildfires. When the Michigan DNR finally received the grant, we had largely missed our prime window for rapid response to the infestation. Rapid response to this species is very important, as HWA can kill trees within a few years of becoming infested, and Michigan lost valuable trees and our early foothold in the battle against HWA because of the delay in the USFS grant.

I would strongly encourage this Committee to work with your colleagues in Congress to enact a comprehensive fix for the USFS budget, either in the context of the 2018 Farm Bill or elsewhere. The National Association of State Foresters supports the bipartisan Wildfire Disaster Funding Act to address this issue, and Michigan DNR is asking for your help enacting that bill, or any other measure, that addresses the full scope of the problem, as soon as possible. New USFS programs like GNA, along with other management tools, will only go so far in an agency that is hamstrung by a broken budget; a problem that is only going to get worse as climate change and increased development in the wildland urban interface (WUI) drives larger and more expensive wildfires.

Finally, I wanted to conclude with a brief discussion of an exciting technological innovation in the forest products sector that has already garnered a lot of attention in Michigan, including your attention, Senator Stabenow, as evidenced by your introduction of the bipartisan Timber Innovation Act.

Mass timber, the type of wood product that your legislation with Senator Crapo from Idaho supports, is technology that arranges traditional lumber in a new and stronger fashion using state-of-the-art engineering, a specialized press, and advanced adhesives. The resulting mass timber panels can serve as a commercial building material that many characterize as a more sustainable alternative to the traditional steel and cement, which are very energy-intensive to produce and result in significant quantities of harmful pollution like mercury during the manufacturing process. In contrast, wood is a renewable resource that actually pulls carbon and other pollutants out of the air as trees grow. Once the panels are manufactured, that carbon stays trapped in the wood for the life of the building. This new mass timber technology is already providing new markets for wood products in certain regions of the world and has the potential to do much more. While Europe and American cities like Portland and Minneapolis have been pioneers in this space, Michigan State University - my alma mater and yours, Senator Stabenow - is considering a project to build a new STEM education building on campus using mass timber technology.

We would encourage the Committee to swiftly pass the Timber Innovation Act and look for opportunities to advance mass timber research and development so we can see more of these buildings – doing so will help the environment and create new jobs in rural communities.

Once again, thank you Chairman Roberts and Senator Stabenow for the opportunity to share my perspective with you this morning. With that I will conclude my testimony and look forward to your questions.