Policy Analysis Group — College of Natural Resources

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Forest Resource-Based Economic Development in Idaho:

Analysis of Concepts, Resource Management Policies, and Community Effects

by

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Role and Mission. The Idaho Legislature created the Policy Analysis Group (or "PAG") in 1989 as a way for the University of Idaho to provide timely, scientific and objective data and analysis, and analytical and information services, on resource and land use questions of general interest to the people of Idaho. The PAG is a unit of the College of Natural Resources Experiment Station, administered by Steven B. Daley Laursen, Director, and Dean, College of Natural Resources.

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Executive Summary

Communities, economies, and forests are interrelated and dynamic systems that change in response to internal and external forces and events. The economies of rural communities in forested areas of Idaho changed during the 1990s. In some communities populations and economies grew and prospered, while in others industries that traditionally supported their economies declined as did population. Market forces drove some of the economic changes affecting communities, but others are results of public policies affecting the forest lands around these communities, especially the National Forest System lands. These lands, administered by the U.S. Forest Service, represent 39% of Idaho's land base on which 3/4 of Idaho's forests are located.

The future of Idaho's rural communities can be viewed two ways, based on two models of how communities use forest resources for economic development. One view is that commodity production drives economic development—harvesting timber and manufacturing lumber, plywood, paper, and other wood products from it. People move to where these production jobs are. The other viewpoint relies on amenity values associated with the forests—scenery, wildlife, recreation, etc.—to attract people to visit or move to Idaho, bringing money or skills that in turn drive economic development.

These two models of resource-based economic development are controversial among regional scientists and economists. Some analysts argue that environmental amenities and related economic development, along with an in-migration of new residents, comprise the region's future economic base. Other analysts argue that commodity-producing, basic industries are crucial, and even essential elements, for rural economies and the communities dependent on them.

In this report, we analyze Idaho's rural communities for evidence to support the commodity-based and amenity-based models of economic development. The two models may imply two different ways of managing forest lands and the resources that come from them, and they may portend different futures for rural communities in Idaho.

Each chapter of the report is a reply to a focus question. Replies to the five focus questions are summarized below, without the citations to references contained in the body of the report.

Why do people move to Idaho? The research literature regarding people's motives for moving to the northwestern U.S. and Idaho provides mixed support for the commodity-based and amenity-based models of economic development. Economic factors and quality-of-life factors both explain why people move to the region.

Which Idaho communities depend on commodity production, and which on amenities? Scientists collected data on Idaho communities in 1995 that show which resource-based employment sectors prevailed that time. In Idaho, 111 of 198 (56%) communities were dependent on one or more traditional commodity-based sectors (agriculture, wood products manufacturing, or mining) for more than 10% of the employment in the community. Considering only dependence on resource-based sectors, 42 (21%) communities were dependent only on the amenities-based travel & tourism sector. Forty-five (23%) communities were dependent on both commodity-based sectors and the travel & tourism sector. These results, and other analyses using the same database, show that while some communities depend on only one commodity-based sector, other communities are dependent on two or more economic sectors where natural resources are used for amenity purposes *and* commodity production.

What trends in forest resource-based economic sectors are affecting communities' futures? We focused on trends in wood products manufacturing —a commodity-based sector—and travel & tourism —an amenity-based sector. The trends reveal the complexities and paradoxes of economic change and affirm that economies tend to be dynamic, volatile, and turbulent.

Timber harvest volume in Idaho peaked in 1976 at 1.9 billion board feet. The 2001 harvest level was about 1.1 billion board feet. In 2001, the primary wood and paper products manufacturing industries in Idaho had total sales value of $1.3 billion. The number of primary wood products manufacturing plants in Idaho declined from 242 in 1979 to 149 in 1995, and more mills have closed since then. Closures of wood processing facilities since 2000 have been caused by numerous factors including: the national and global economic recessions, the expiration of the Canadian softwood lumber agreement, a high-valued U.S. dollar, continued low federal timber harvests, and high energy costs in early 2001.

Travel & tourism spending in Idaho was $1.7 billion in 1997. Some portion of this was for amenity-based recreation and tourism.

The economic importance to Idaho's communities of other economic sectors that have indirect relationships to forests and their amenities

has increased. These include high-tech industries, service providers, and government agencies.

Dependencies on various economic sectors and changes in those sectors create challenges for rural communities in Idaho, including:

- business cycles that create economic volatility for communities;
- political processes for determining government transfer payment and employment levels that create uncertainty for communities;
- disagreement within communities about appropriate management of national forests in their vicinity;
- lack of responsiveness of national forest management decisions to community concerns;
- upheaval for communities in transition from commodity- to amenity-based economic sectors due to income differences between sectors, different values of in-migrants, and infrastructure needs; and
- difficulty in finding effective community leadership.

What development strategies help communities build promising futures? We reviewed the research literature about the current state-of-practice for economic development in rural areas. Rural communities can pursue any number of strategies; however, each community's approach to economic development will be different, and strategies need to be tailored to fit the needs of the community. Among the strategies for consideration can be:

- attracting new basic employers that bring outside income into the community;
- attracting entrepreneurs and expanding existing businesses;
- providing high-quality education;
- providing high-quality physical infrastructure; and
- building social infrastructure and capacity to help communities plan for and deal with change.

What national forest management strategies can aid communities' futures? Policies for managing national forests continue to evolve, and ecosystem management or sustainable forest management (EM/SFM) provides a framework in which to examine national forest management strategies that can aid communities. EM/SFM emphasizes adaptive management in protected reserves not subject to timber harvesting as well as in areas where active management occurs. Among the alternatives for national forest management that could be considered are:

- targeting ecosystem restoration work to local communities;
- implementing the National Fire Plan;
- changing federal revenue sharing programs;
- encouraging land exchanges;
- creating dominant-use ranger districts or watersheds;
- establishing timber harvest targets;
- establishing cooperative sustained-yield units;
- expanding land stewardship contracting authorities; and
- authorizing local-level pilot projects that implement adaptive management.

Land managers must consider highly variable local conditions, and on public lands, the public must be included in the decision-making process.

Conclusions. So what does the future hold for rural communities that depend on the forest resources around them? Some analysts have suggested that communities must choose either a future based on wood products manufacturing or one based on amenities protection. We found little evidence in our review that the path is "either/or." Communities can do both.

In some places in Idaho, wood products manufacturing has dominated, and likely will continue to do so. There are other communities where the forest resource base may be more useful for its amenity values. In some places, both can occur and contribute positively to the community. Indeed, we found that some communities currently rely on a variety of forest resource-based economic sectors—both timber- and amenity-based—and see no reasons that preclude other communities from doing so.

Communities in Idaho will continue to change, and the ability to adapt to change is particularly important. The future will always be different than the past, and the uncertainty about the changes that will occur can be as unsettling for communities as it is for individuals. Strong leadership and planning can help reduce that uncertainty.

The key to implementing either the commodity-based or amenity-based model of forest resource development, or some combination of the two, is maintaining or restoring desired forest ecosystem conditions. How to define those conditions has long been and continues to be a topic of debate and disagreement among forest scientists, resource managers, and policy analysts, as well as many citizens and interest groups. Much work needs to be done to reconcile these differences, and the work will not commence until there are discussion forums that promise to take ideas forged through consensus and implement them on the ground.

Chapter 1. Introduction

Communities, economies, and forests are all dynamic and interrelated systems that change in response to internal and external forces and events. Rural communities in forested areas of Idaho have seen dramatic changes to their economies over the last decade. Some have seen their populations and economies grow and prosper, while others have seen declines in their populations or in industries that have traditionally supported their economies. Some of the economic changes affecting communities have been driven by market forces, but others are results of public policies that affect the forest lands around these communities.

Two visions of the future of Idaho's rural communities are based on two models of how communities use forest resources for economic development. One future is based on a model that commodity production—harvesting and processing timber into lumber, plywood, paper, and other wood products—drives economic development. People move to where these production jobs are. The other future is based on a model that relies on amenity values associated with the forests—scenery, wildlife, recreation, etc.—to attract people to visit or move to Idaho and drive economic development.

One of the purposes of this report is finding evidence to support each of these models and the futures they portend for communities. That support may depend on which community and which forest resources are under consideration. We assume that these two models are not mutually exclusive. Economic development based on both models can co-exist within Idaho and even within the same community, and we look for evidence that it does.

We also look for ways that communities can take advantage of the possibilities each model has to offer. To some degree communities can choose whatever future they desire. Appropriate economic development policies would allow commodity-based and amenity-based development to occur, and we explore various strategies that may help communities develop futures of their own choosing. And because many communities depend on the national forests around them for a variety of resources, we look at national forest policies that may aid or inhibit communities in developing their desired futures.

1.1. Two Models of Resource-based Development

Models of economic development are based on theories, and many theories of economic development exist (see Blakely 1994, Galston and Baehler 1995, Leichenko 2000, Shaffer 1989). No single theory provides an adequate or complete explanation of economic development at the community level (Blakely 1994), but each theory can be used to explain a piece of the puzzle. Six examples follow. Neoclassical economic theory suggests that investments will flow from high-wage or -cost areas to low-wage or -cost areas until an equilibrium is reached. Economic base theory suggests that the determinants of economic growth are directly related to the demand for goods, services, and products from areas outside the economic boundaries of the community. Location theory suggests that firms tend to minimize their costs by selecting locations that maximize their opportunities to reach the marketplace. Central place theory relies heavily on a hierarchy of places and suggests the rural community's primary role is to support urban centers. Cumulative causation theories suggest that the interplay of market forces increases rather than decreases inequality between regions and communities. Attraction theory suggests that communities can alter their position to potential industries or residents relative to other communities by offering incentives and subsidies. (See Blakely 1994 for a more detailed review of each of these theories.)

Pieces of each of these theories are seen in the two models of community economic development that dominate the literature about resource-based development in rural western America (see, e.g., Miller 1998, Nelson and Beyers 1998, Power 1996, Power et al. 1995, Rudzitis 1996). We have labeled the two models "commodity-based" and "amenity-based."

Commodity-based development is grounded in economic base theory, whereby exports from a community drive economic development. Exports bring new income into a community which creates a positive economic effect as it is spent several more times within the community (the "multiplier effect"). In this model, commodity-producing industries—such as processors and manufacturers of agricultural, mineral, or wood products—create physical products for export outside the region or community, and thus are the drivers of economic development. These industries are referred to as "basic" industries. Other types of firms locate in the community to provide services for the basic industries and their employees. These additional jobs fuel economic growth and development (North 1955, Richardson 1979).

Amenity-based development also can be explained in terms of economic base theory.

However, unlike commodity-based development that uses the natural resources surrounding a community to process and/or manufacture products for export, with amenity-based development the natural resources remain in place to attract tourists, new residents who rely less on local jobs for incomes, and industries and firms that don't rely on local natural resources for processing or manufacturing activities. The amenity qualities of the natural resources, as well as other quality-of-life factors, thus drive development by attracting people there (Nelson and Beyers 1998). As in the commodity-based development, additional jobs and income are created by firms that provide services to the community's visitors, residents, and industries.

The views of regional scientists and economists about these two models of resource-based economic development are controversial. Debate concerning the two perspectives is heightened by discussions of the "new economy" of the "New West" and its implications for community development in the Inland Northwest (Krikelas 1992; Miller 1998; Niemi and Whitelaw 1997; O'Laughlin et al. 1998; Power 1988, 1996; Rasker 1993, 1995; Whitelaw 1995). Proponents of the amenities-based view argue that much of the economic activity in the Inland Northwest in recent decades has been stimulated by environmental amenities and related sectors of the region's economy, including increasing recreation and tourism spending and in-migration of people who place a high value on environmental amenities. Consequently, amenity-related sectors of the economy producing goods and services in excess of local demand have grown in importance for the region's economic base and, ultimately, its economic growth.

Some analysts argue that environmental amenities and related economic development, along with an in-migration of new residents, comprise the region's future economic base (e.g., Niemi and Whitelaw 1997; Power 1988, 1996; Rasker 1993, 1995; Rudzitis 1996; Whitelaw 1995). Some supporters of the amenity-based theory point out that the relative economic importance of commodity-producing industries has declined in the region's economy (e.g., Corkran 1996; Drabenstott 2001; Krikelas 1992; Power 1988, 1994; Rasker 1993, 1995).

Other analysts argue that commodity-producing, basic industries are crucial, and even essential elements, for rural economies and the communities dependent on them (McKetta 1999, McKetta and Robison 1998, Schallau and Goetzl 1992). Some analysts are skeptical of the amenities-based model because of the lack of accurate data at the community level to empirically support the amenities-based model (e.g., Fawson 1997, Miller 1998, Polzin 1997). For example, Miller (1998) perceives the amenities-based model to be a matter of faith. Polzin (1997) posits that data on amenities-based factors have not proven to be useful in distinguishing among regions or analyzing short- and long-run trends within a region, resulting in misrepresentations. Fawson (1997) argues that traditional commodity-producing industries have an important role and calls for an "analysis of the complete cross-section of rural communities that includes the hundreds of rural communities in the West that have not experienced economic prosperity, and yet have natural environments which equal or exceed those…[Power] cites" (Fawson 1997).

In this report, we analyze a broad cross-section of rural communities in Idaho for evidence of support for both the commodity-based and amenity-based models of economic development. Not surprisingly, there is support for both, but the attributes of individual communities make prediction of change and its impacts a difficult endeavor.

1.2. Economic Development and National Forest Management Policy

The two models of economic development may imply two different ways of managing lands and the resources that come from them. For example, under the commodity-based model the primary purpose of a particular forest may be seen as providing timber to a local lumber mill. Under the amenity-based model that same forest may be valued for the scenic beauty, recreational opportunities, or wildlife habitat it provides. Such an example raises a key question. Can the same forest simultaneously provide commodity and amenity benefits?

Some proponents of the amenities-based model have tended to characterize the situation as an either/or situation—commodities or amenities—and warn that future commodity-based economic growth will inhibit economic growth based on amenity or quality-of-life factors (see, e.g., Rasker 1993, 1994, 1995; Power 1996; Power et al. 1995; Niemi and Whitelaw 1997; Whitelaw 1995). Other analysts suggest that commodities and amenities are not necessarily at odds with each other. For example, Polzin (1997) notes that population growth and economic conditions in Montana have varied significantly in recent decades, although there have been no accompanying changes in that state's supply of amenities, as the amenity-based model of

economic development would predict. In this report, we look for evidence that commodity and amenity production either conflict or complement one another for communities in forested areas of Idaho.

Much of the land in the western United States is administered by the federal government, and substantial portions of it remain undeveloped. Idaho, for example, is 63.4% federal land (O'Laughlin et al. 1998). The U.S. Forest Service administers almost 39% of the state, and the BLM another 22% of the state. Idaho has more undeveloped "roadless" land in the National Forest System than any other state except Alaska. Questions about which resources and benefits federal lands should provide raise management issues in light of the two models of economic development. The amenities-based model focuses on the quality of federal lands and agency management of them as a key element in economic development, both in attracting people to move to nearby communities and expanding the role of tourism and information services in communities' economic bases (Rasker 1993, 1994, 1995; Rudzitis 1996). The commodity-based model, with its reliance on processing and manufacturing industries for the economic base, looks to federal lands to provide an adequate and reliable supply of resources—such as timber, forage, or mineral deposits—to attract and maintain industries, jobs, and income to sustain economic growth in the region and its communities.

In this report, we focus on national forest lands as providers of both commodity and amenity forest resources to communities. This is not to say that agriculture, ranching, or mining are less important in Idaho. The scope and focus of this report is by design on policies affecting communities that depend on forests for their economic development.

1.3. Focus Questions

The implications of commodity-based and amenity-based development for national forest management and rural communities in forest areas underscores the need to examine existing research on communities in Idaho and the Inland Northwest region. Common sense suggests that, to some degree, both the commodity-based and amenity-based models are at work in many rural communities, but most research has tended to look either at the regional or state level and not focus on the community level.

The analysis in this report seeks to provide replies to a series of focus questions. Except for the first question below, brief replies to the others were provided in the **Executive Summary**.

What community-based research and analyses have been done recently or are currently underway?

Recently completed community-based work has been reviewed, including publications of organizations such as the Center for the Study of Rural America (Kansas City Federal Reserve Bank), the Center for the Rocky Mountain West (University of Montana), Bolle Center for People and Forests (University of Montana), Idaho Rural Partnership (Boise, Idaho), Interior Columbia Basin Ecosystem Management Project (U.S. Forest Service), and the Columbia Basin Economic Assessment (CBC 2000). Results from the review are used throughout this report to develop replies to the remaining focus questions, explained briefly as follows.

Why do people move to Idaho?

This question is addressed in **Chapter 2** with a review of studies that look at individuals' motives for migrating to the northwestern United States, including Idaho. We look for evidence to support the amenities-based and commodity-based models of development. U.S. Census data for 2000 are analyzed to address this question, as well as the results of several surveys of in-migrants to rural areas.

Which Idaho communities depend on commodity production, and which on amenities?

This question is addressed in **Chapter 3** using community-based economic information from the Interior Columbia Basin Ecosystem Management Project (ICBEMP) as a starting point for identifying resource dependent communities. Other studies supplement that work. Idaho communities where a commodity-based sector (wood products manufacturing), an amenity-based sector (travel & tourism), or where a combination of these sectors dominated in 1995 are identified.

What trends in forest resource-based economic sectors are affecting communities' futures?

In **Chapter 4**, we provide an overview of recent trends in forest resource-based economic sectors, both commodity-producing and amenity-based. The chapter also looks at the role of high-tech industries and government payments and employment in community economies. We also discuss the challenges rural communities face when they become dependent on particular economic sectors.

What development strategies help communities build promising futures?

A broad look at development strategies that may help resource-based rural communities in their economic development efforts is provided in **Chapter 5**. We summarize the current state-of-practice for rural development policies, including attracting businesses, improving education, developing physical infrastructure, and building community capacity. We also review a proposed federal economic adjustment initiative for the Inland Northwest offered by a coalition of states and counties in the region.

What national forest management strategies can aid communities' futures?

Policy options for managing national forests that specifically assist forest-dependent communities are discussed in **Chapter 6**. All of the strategies are based on the goal of sustainable forest management—management that is ecologically sound, economically viable, and socially acceptable.

Chapter 2. Why Do People Move to Idaho?

Migration of new residents into a community is both a cause and effect of economic development. Many rural communities in Idaho have experienced significant in-migration of new residents in the past several decades. Examining the reasons people have moved to Idaho can help clarify situations where the amenities-based model of rural economic development may be more pertinent to community development than the commodity-based model, or vice versa. Out-migration also affects rural communities; however, we do not address it here because our interest is in what attracts people to move—amenities, jobs, or both.

Unfortunately, little research has focused specifically on reasons people move to Idaho; however, there is information about other areas of the Inland Northwest and the region as a whole. This chapter summarizes the research from several geographic scales that applies to in-migration into the rural Inland Northwest. We assume these findings about why people move to areas near Idaho also apply to people's motives for moving to Idaho.

2.1. Rural In-migration Motives

Understanding migration and demographic shifts is more complex than it used to be (Beyers and Nelson 2000, Cromartie and Wardwell 1999, Gibson and Worden 1981, Hansen et al. 2002, Nelson and Beyers 1998). Migration patterns between urban and rural places , for example, have been shifting. During the "nonmetropolitan turnaround" phenomenon of the 1970s, rural areas grew at faster rates than metropolitan areas, which had not happened since the 1930s (Vining and Strauss 1977). This trend reversed somewhat in the 1980s (Champion 1988, Nelson 1997), but growth rates in the 1990s returned to 1970s levels, especially in the nonmetropolitan West. Some researchers forecast a continuation of rural growth (Fuguitt and Beale 1996); however, during the period 1998-2000, net migration was out of, not into, the nonmetropolitan West (Cromartie 2000, 2001).

A variety of reasons for the "nonmetropolitan turnaround" have been proposed (Cochrane and Vining 1988, Cromartie and Wardwell 1999, Erickson 1976, Frey 1990, Fuguitt and Beale 1996, Johansen and Fuguitt 1984, Lansing and Mueller 1967, Nelson and Beyers 1998, Shumway and Davis 1996, Vining and Strauss 1977). Some of these reasons include changes in industries, such as decentralization of manufacturing and expansion of energy development. Transportation improvements, such as the interstate highway system, and advances in information and communications technologies also have played a part. Some urban residents have become disenchanted by the stresses and costs of metropolitan life and are attracted by the pace and quality of life in rural areas, including the environmental quality and outdoor amenities in rural areas. Growing numbers of people pursuing recreation and retirement lifestyles are attracted to rural areas, and national surveys have indicated that people prefer to reside in small towns (Dillman 1979, Morgan 1978, see also Brown 1993).

What role do amenity-based motives play in peoples' decisions to migrate compared to economic motives? There are two types of research studies that address this question. One type of study indirectly examines correlation between in-migration or population growth and measures of amenities. These studies hypothesize that more or better amenities are a cause of increased in-migration. These studies have produced mixed results. For example, in an analysis of the extent to which the Endangered Species Act has had negative effects on the economies of nonmetropolitan counties in the American West, one study found no statistically significant relationship between population growth and variables chosen to represent "amenity factors" (Duffy-Deno 1997). These variables included climate, as measured by average annual precipitation and percentage of sunny days in a county; amount of recreational opportunities, scenic beauty, and open space, as measured by the proportion of county land controlled by federal land management agencies; whether a county borders the Pacific Ocean; and the number of destination ski resorts in a county (Duffy-Deno 1997). In contrast, another study focused on the entire U.S. found that population change over the last 25 years was correlated to a natural amenities index that was based on climate, topography, and water area (McGranahan 1999).

The second type of study asks in-migrants directly, "What influenced your decision to move here?" Unfortunately, few of these studies have been done at the community level or in Idaho. The following paragraphs review studies from throughout the western U.S. They illustrate the mix of conclusions about amenity-based and economic motives that affect in-migration.

In the early 1980s, researchers interviewed in-migrants to five rural towns in the Pacific Northwest, including Kamiah, Idaho (Morrill and Downing 1986). Across the five communities, 33%

of respondents gave employment reasons as a reason for moving, and nearly 85% mentioned the "desire to live close to nature" as a reason for moving. These researchers found that although employment was an important variable in the decision to move, the kind of place (urban or rural) took precedence over the job itself, and that people made choices based more on non-monetary than monetary factors. Employment was an important consideration, but not the primary motivating factor for rural in-migration (Morrill and Downing 1986).

In a study of in-migrants to Montana's Gallatin Valley in the early 1980s, researchers found that for the people who identified non-job motives as their reasons for moving, this was their exclusive reason for moving to the Gallatin Valley (Willliams and Jobes 1990). In contrast, for people who moved for job-related reasons, this was their primary consideration in choosing the Gallatin Valley, but non-job motives played a secondary role. This research also found an association between socio-economic status and reasons for relocating. People with higher socio-economic status identified both economic and quality-of-life factors as major reasons for selecting the Gallatin Valley, while those with lower socio-economic status mentioned only quality-of-life factors. These researchers concluded that the findings suggest the importance of both economic and non-economic factors in explaining in-migration (Williams and Jobes 1990).

In a study conducted for the Wilderness Society, Rudzitis et al. (1995) surveyed in-migrants in selected counties in a six-state area in the Pacific Northwest and Rocky Mountains. They found that employment opportunity was the single most important reason listed by 34% of the sample, and it was among the top three reasons for a slight majority of respondents (51%). The second and third highest-rated reasons were "access to family and friends" (46%) and "pace of lifestyle" (45%). Nevertheless the researchers noted that the reasons these residents rated as important for moving to the region were related to the social and physical environment, either in the form of access to family and friends, pace of life, outdoor recreation, or landscape, scenery and the environment (Rudzitis et al. 1995).

In his book *Wilderness and the Changing American West*, Rudzitis (1996) asserted that in-migrants are not driven predominantly by economic motives, such as maximizing their incomes, and argued that the dominant focus on an economic rationale for people moving to rural areas (i.e., more jobs and opportunities for higher incomes) was not supported by migration out of urban areas. He found that during the 1960s, the rate of population growth in "wilderness counties" (defined as counties containing or contiguous to designated wilderness areas) was three times greater than in other nonmetropolitan counties (Rudzitis and Johansen 1989). In the 1970s, wilderness counties grew at twice the rate. In the 1980s, the population of wilderness counties increased 24%, or six times more than the national average for nonurban counties as a whole, and nearly twice the rate of other counties in the nonmetropolitan West. In-migrants to wilderness counties reported being most influenced by the attributes of the areas themselves, as reflected by the high importance they placed on scenery, outdoor recreation opportunities, environmental quality, and pace of life. No single factor was predominant in people's decision to move. However, 27% of the migrants gave employment as a major reason for their move, whereas 72% considered the presence of wildlands a major factor in their decision to move to a rural county (Rudzitis 1996).

Chelan County, Washington is located in the North Cascades region of central Washington and bordered by the crest of the Cascade Mountain range on the west and the Columbia River on the east. Its mountain peaks create a rain-shadow and ensure at least 300 days of sunshine in a typical year, and it is rich in scenic beauty with the Columbia River, high desert plateau, wild rivers, pristine alpine lakes, wooded canyons, and valleys of fruit orchards. The county's population has grown since the 1970s, with the growth in the last 20 years exceeding that of the preceding 50-year period (Krull 1995). A representative survey of residents conducted in 1995 assessed the opinions and attitudes of the county's residents about growth and resource management. The primary reason people reported for moving to the county was "employment opportunities" (52%). Second most important was a social reason, "access to family and friends" (18%). Third and fourth were "pace of lifestyle" (12%) and "outdoor recreation" (5%). "Landscape, scenery & environment" was ranked seventh among the 10 reasons rated (Krull 1995).

In a 1997 study of in-migrants to Washington state's nonmetropolitan counties, 30% of non-metropolitan respondents gave an answer related to economic opportunity as their most important reason for moving to Washington (Salant et al. 1997). Almost as many (28%) gave "closer to family/ friends" as a response. The next most frequent responses were related to the environment (9%) and

quality of life (8%). When specifically asked about job-related considerations on the decision to move, 12% planned to retire, 10% had been laid off from a job, and the remainder either planned to look for a job, had been transferred, or were starting or taking over a business. When specifically asked about factors that influenced them to in-migrate to the area, quality of the natural environment, outdoor recreational opportunities, and desirable climate each were cited as being important or very important by at least 60% of respondents (Salant et al. 1997).

A study of retirees who moved to Idaho in 1992 and 1993 found "quality of life" (82%), "opportunities for outdoor recreation" (73%), "change in preferred lifestyle" (73%), "slower pace of life" (72%), and "scenic parks/areas" (72%) were the most important factors for moving to Idaho (Carlson et al. 1998). As one would expect in a survey of retirees, economic motives were not prevalent.

These studies indicate that a combination of amenity and economic factors motivate people to move to the Inland Northwest. The relative importance of these factors varies from study to study, as it does from individual to individual. Amenities attract people to communities, but so does economic opportunity.

2.2. In-migration to Idaho

Data from the U.S. Census conducted in 2000 provide some indications of the kinds of changes occurring in the Idaho population due to in-migration. Overall, the population of the state of Idaho grew from 1,006,734 residents in 1990 to 1,293,953 in 2000, an increase of 29%. By comparison the U.S. population increased 13% during the same period. Moreover, as Table 2-1 shows, of the more than 200 communities in Idaho, 22 grew more than 80% between 1990 and 2000, with several doubling or tripling in population. All of these fast-growing communities were smaller towns (under 10,000 in population) except for Nampa, a city that is part of the Boise Metropolitan Statistical Area. Some of these towns are ex-urbs of larger cities, such as Meridian and Eagle outside of Boise and Hayden outside of Coeur d'Alene, while others were in high-growth counties like Kootenai County in northern Idaho (e.g., Rathdrum, Post Falls). Rapid growth occurred in Teton County, where the amenity-based attractions of the Jackson Hole ex-urban development have spilled over across the border into small towns like Victor and Tetonia.

Other high-growth towns include small towns outside of population centers, such as the ex-urb of Garden City on the edge of Boise, and bedroom communities, such as Genesee outside of Moscow and Hayden Lake outside of Coeur d'Alene. Still others are recreation and tourism-oriented towns or bedroom communities for them, such as the Sun Valley-Hailey-Bellevue area, and Island Park. Some are cities in the high-growth counties of the state's population and trade centers, such as Coeur d'Alene and Boise. In sum, approximately 30% of Idaho's small towns experienced rapid population growth in the 1990s.

In contrast, much of the population decline in Idaho communities is occurring in small towns under 2,000 in population (Table 2-2). A number of the 34 towns included in this group are traditional commodity-producing communities such as New Meadows, Council, Kooskia, Pinehurst, Kellogg, Challis, Pierce, and Weippe. Some are amenity-oriented towns such as Wallace, Riggins, and Hope.

The 2000 U.S. Census also asked residents about where they lived in 1995. Statewide, 15% of residents had moved to Idaho from a different state between 1995 and 2000, and 77% of those residents had moved from another state in the western U.S. Some research suggests in-migration from elsewhere in the West has been caused in part by people moving to Idaho for employment reasons as the economy diversifies, as well as people fleeing the high costs of living and urban problems in west coast cities, and people cashing in on housing equity in California and other high-cost areas and moving to Idaho communities with ample amenities and cheaper real estate (William Frey, quoted by Kenworthy and Overberg 2002).

2.3. Conclusions

Research focusing on people's motives for moving to the northwestern U.S. and Idaho provides mixed evidence of support for the commodity-based and amenity-based models of economic development. Both economic and quality-of-life factors explain why people move to the region. Research that has looked at correlations between population growth and amenities indices also has produced mixed results.

Table 2-1. Idaho communities that experienced 30% or greater population growth, 1990 to 2000.

Community	Population 1990	Population 2000	Population change 1990 to 2000	% change in population 1990 to 2000
Placerville	14	60	46	328.6%
Meridian	9,596	34,919	25,323	263.9%
Eagle	3,327	11,085	7,758	233.2%
Victor	292	840	548	187.7%
Star	648	1,795	1,147	177.0%
Kuna	1,955	5,382	3,427	175.3%
Rathdrum	2,000	4,816	2,816	140.8%
Post Falls	7,349	17,247	9,898	134.7%
Crouch	75	154	79	105.3%
Spencer	19	38	19	100.0%
Athol	346	676	330	95.4%
Minidoka	67	129	62	92.5%
Hayden	4,888	9,159	4,271	87.4%
Tetonia	132	247	115	87.1%
Nampa	28,365	51,867	23,502	82.9%
Hauser	380	668	288	75.8%
Hazelton	394	687	293	74.4%
Melba	252	439	187	74.2%
Spirit Lake	790	1,376	586	74.2%
Hailey	3,575	6,200	2,625	73.4%
Garden City	6,369	10,624	4,255	66.8%
Hollister	144	237	93	64.6%
Middleton	1,851	2,978	1,127	60.9%
Fruitland	2,400	3,805	1,405	58.5%
Moyie Springs	415	656	241	58.1%
Reubens	46	72	26	56.5%
Castleford	179	277	98	54.7%
Dubois	420	647	227	54.0%
Sun Valley	938	1,427	489	52.1%
Swan Valley	141	213	72	51.1%
Mud Lake	179	270	91	50.8%
Bliss	185	275	90	48.6%
Bellevue	1,275	1,876	601	47.1%
Boise City	126,685	185,787	59,102	46.7%
Hayden Lake	338	494	156	46.2%
Irwin	108	157	49	45.4%
Grand View	330	470	140	42.4%
Idaho City	322	458	136	42.2%
Ponderay	449	638	189	42.1%
Stanley	71	100	29	40.8%

Table 2-1. (continued) growth, 1990 to 2000.

Community	Population 1990	Population 2000	Population change 1990 to 2000	% change in population 1990 to 2000
Mountain Home	7,913	11,143	3,230	40.8%
Coeur d'Alene	24,561	34,514	9,953	40.5%
Smelterville	464	651	187	40.3%
Tensed	90	126	36	40.0%
Caldwell	18,586	25,967	7,381	39.7%
Acequia	106	144	38	35.8%
Island Park	159	215	56	35.2%
Culdesac	280	378	98	35.0%
Kootenai	327	441	114	34.9%
Franklin	478	641	163	34.1%
Greenleaf	648	862	214	33.0%
Eden	314	41	97	30.9%
Aberdeen	1,406	1,840	434	30.9%
Genesee	725	946	221	30.5%
Driggs	846	1,100	254	30.0%

Source: U.S. Bureau of the Census 2002.

Whatever their reasons, people moved to Idaho in the 1990s.

- Idaho's population grew more than twice as fast as the U.S. population between 1990-2000, but growth was not uniform throughout the state.
- About 30% of Idaho's small communities experienced major population growth in the 1990s.
- About 10% of Idaho's smallest communities, those with less than 2,000 residents, experienced population declines in the 1990s. Many were commodity-producing communities.
- Much of the population growth in communities was people moving from other western states.

Table 2-2. Idaho communities that experienced population decline, 1990 to 2000.

Community	Population 1990	Population 2000	Population change 1990 to 2000	% change in population 1990 to 2000
Teton	570	569	-1	-0.2%
New Meadows	534	533	-1	-0.2%
Lewisville	471	467	-4	-0.8%
Paris	581	576	-5	-0.9%
Mackay	574	566	-8	-1.4%
Council	831	816	-15	-1.8%
White Bird	108	106	-2	-1.9%
Downey	626	613	-13	-2.1%
Osburn	1,579	1,545	-34	-2.2%
Kooskia	692	675	-17	-2.5%
Sugar City	1,275	1,242	-33	-2.6%
Bancroft	393	382	-11	-2.8%
Pinehurst	1,722	1,661	-61	-3.5%
Georgetown	558	538	-20	-3.6%
Cambridge	374	360	-14	-3.7%
Inkom	769	738	-31	-4.0%
Firth	429	408	-21	-4.9%
Wallace	1,010	960	-50	-5.0%
Newdale	377	358	-19	-5.0%
Clifton	228	213	-15	-6.6%
East Hope	215	200	-15	-7.0%
Riggins	443	410	-33	-7.4%
Kellogg	2,591	2,395	-196	-7.6%
Ririe	596	545	-51	-8.6%
Parkline	72	65	-7	-9.7%
Wardner	246	215	-31	-12.6%
Albion	305	262	-43	-14.1%
Challis	1,073	909	-164	-15.3%
Pierce	746	617	-129	-17.3%
St. Charles	189	156	-33	-17.5%
Hope	99	79	-20	-20.2%
Weippe	532	416	-116	-21.8%
Drummond	37	15	-22	-59.5%
Hamer	79	12	-67	-84.8%

Source: U.S. Bureau of the Census 2002.

Chapter 3. Which Idaho Communities Depend on Commodity Production, and Which on Amenities?

What are the relative roles of commodity-based and amenity-based sectors in the economies of Idaho's communities? This question does not have a simple answer for several reasons. First, dependence can be measured in a variety of ways, and answers will depend on the measures used. Economists commonly use jobs or income to measure dependence, but other social scientists might use different measures. We use direct employment (jobs) in an industrial sector as our measure of economic dependence because information for this measure is available at the community level.

Another complexity in measuring economic dependence is what jobs to include in the amenity-based sectors. Jobs included in commodity-based economic sectors, such as wood products manufacturing, are fairly well defined and classified in government labor surveys and statistics. In contrast, amenity-based jobs are neither well nor universally defined, nor classified as such. Some researchers include only "travel & tourism" related jobs, such as amusement, food service, and hotel workers. Others include more "service" jobs, such as medical, insurance, and other professionals. Still others argue that the amenities of a particular area may account for a portion of other jobs, such as construction, and should be included. We construct our amenity-based sector around travel & tourism, although we recognize that others may define amenity-dependence more broadly.

3.1. Community Level Assessment for the Interior Columbia Basin Ecosystem Management Project

The results we report here are based on data originally collected for a rural community assessment conducted for the Interior Columbia Basin Ecosystem Management Project, or ICBEMP (Harris 1996, Harris et al. 2000), updated with 2000 Census data (U.S. Bureau of the Census 2002). The data provide employment profiles for each of the region's 472 towns and cities in 1995. Employment profiles for each of the region's towns and cities were estimated, using proportions of each community's total employment attributable to industries comprising that community's economy (see Harris 1996). We focus on the results for communities in Idaho.

Employment and earnings for industries, businesses, and agencies were aggregated into 20 mutually exclusive categories of industrial sectors (Table 3-1). These sectors represent an aggregation of all industrial activities included under the subcategories for the Standard Industrial Classification (SIC) system developed by the U.S. Department of Commerce. For example, the major category *Wood Products Manufacturing* includes lumber mills, paper mills, and logging activities among the various subcategories of industrial activity that the main category represents.

Travel & tourism, our proxy for an amenities-based sector, is not a Standard Industrial Classification (SIC) category in U.S. government statistics. To estimate employment in travel & tourism, this analysis takes an approach related to economic base analysis. Services produced in a community over and above the level needed for local consumption are presumed to be either exports or purchases made by non-local consumers. The jobs and income from this export-based production provide positive *basic* impacts. Travel & tourism can be viewed as a basic export sector, because goods and services are demanded and consumed by travelers and tourists visiting from outside the communities providing the goods and services (English et al. 2000).

Estimates of community-level employment and their contribution to a community's economic base were derived using the "minimum requirements" (MR) technique (Tiebout 1962, Ullman and Dacey 1960; see Harris 1996). Communities characterized by the smallest percentage of travel & tourism-related employment were assumed to represent the minimum necessary to fulfill local requirements in a sector (e.g., local restaurant use and retail shopping by community residents). All lodging employment was assumed to be basic, because residents of a community rarely stay in local motels and hotels. For other travel & tourism subsectors (i.e., food and beverages, retail trade, and amusements), local requirements for their goods and services were determined in proportional terms of each town's total employment. These minimum proportions for each subsector were then subtracted from employment for that subsector in each town or city. The remainder was attributed to exported goods and services, or basic employment, to provide an estimate of jobs attributable to the travel & tourism sector for each community.

Across all towns and cities in the interior Columbia River basin for subsectors comprising the travel & tourism sector, the average (mean)

Table 3-1. Major industrial sectors as classified for the Interior Columbia Basin Ecosystem Management Project (ICBEMP).

Major Industrial Sectors[1]	
Agriculture	Retail trade
Agricultural services	Finance/ insurance/ real estate
Food processing	Eating and drinking
Mining	Lodging
Construction	Amusement and recreation
Wood products manufacturing	Medical and social services
Other manufacturing	Communication
Utilities	Business and personal services
Transportation	Federal government
Wholesale trade	State and local government

[1]Industrial sectors are mutually exclusive aggregations.

proportions of basic employment included 2% for lodging, 4% for food and beverage, 5% for retail trade, and 1% for amusement and recreation (Table 3-2). In total, basic employment for these subsectors represents an approximate mean proportion of 12% of total employment attributable to the travel & tourism sector. With this application of the MR approach, an estimate of employment attributable to travel & tourism for each town and city was calculated (Harris 1996).

An *Employment Diversity Index* was also computed. It was comprised of standardized measures of two indicators of the extent to which a community was dependent on employment in a wide variety of industries as opposed to only a few (Harris 1996). One factor in the index measured how many employment sectors were in a community's economy. The other factor measured the preponderance of any one sector in a community's economy.

3.2. Results from All Small Rural Communities in the Interior Columbia River Basin

In this section, we review results for all rural communities in the interior Columbia River basin; the next section reports on Idaho communities specifically. Agriculture had the largest mean proportion (26%) of employment in 1995 across the region's 412 small rural communities (defined as fewer than 10,000 residents; Table 3-3). State and local government was second largest (15%), followed by travel & tourism (11%). Manufacturing of wood products, the only other industry with more than 5% of total employment, was the fourth largest sector in the region (Table 3-3).

Despite being small, most rural communities have some employment in a variety of sectors (Table 3-4). Nearly half of the communities had some jobs in the wood products manufacturing sector. Government employment, whether federal, state or local, also were found in most towns, as

Table 3-2. Basic and non-basic travel & tourism (T&T) employment proportions across communities in the interior Columbia River basin estimated with the MR technique (N=472).

Travel & Tourism (T&T) Sub-Sectors	Total T&T Employment (percent of total)[1]	Non-Basic T&T Employment (percent of total)[1]	Basic T&T Employment (percent of total)[1]
Lodging	2%	0%	2%
Eating & drinking	6%	2%	4%
Retail trade	11%	6%	5%
Amusement	2%	1%	1%
TOTAL	21%	9%	12%

[1] All percentages are rounded.

Table 3-3. Proportion of total 1995 employment in natural resource sectors across small rural communities (fewer than 10,000 residents) in the interior Columbia River basin (N=412).

Industrial Sector	Mean Employment (percent)
Agriculture[1]	26.3%
State & local government	15.2%
Travel & tourism	11.4%
Wood products manufacturing	5.5%
Federal government	4.8%
Mining & minerals	3.3%

[1]Includes ranching, food processing, and agriculture services employment.

were jobs related to the various service sectors, which include all personal, business and medical services. More than 81% of the region's smaller communities had some proportion of their total employment in the travel & tourism sector.

Employment in a sector at some level does not necessarily mean a community is dependent on it. Table 3-5 looks at two measures of employment dependence. One identifies the sector which has the highest proportion of employment in a community. The other identifies the sectors having 10% or more employment in the community, which is the U.S. Forest Service's criterion for economic dependence. Table 3-5 affirms that many of the region's rural communities depend on economic sectors directly related to natural resources (i.e., agriculture and agriculture services, mining, wood products manufacturing, and travel & tourism). Agriculture is a dominant sector for a majority of communities, but travel & tourism and wood products manufacturing also are dominant sectors in many community economies.

If we focus just on agriculture and wood products manufacturing, as commodity-producing sectors, and travel & tourism, as an amenity-based sector, we find that 99, or nearly one quarter (24%) of all rural communities in the region, meet the 10%-employment dependence standard concurrently for both the agriculture and the travel & tourism sectors, and in 31, or 8%, this standard is met for both the wood products manufacturing and the travel & tourism sectors. These results suggest that nearly one-third of the smaller communities in the region have economies dependent on two or more economic sectors in which natural resources are used in economic activities for amenity purposes *and* commodity production.

3.3. Results for Idaho Communities

ICBEMP identified 215 communities of all sizes in Idaho (Harris et al. 2000). Employment data were collected or developed for 211 of those communities (see Appendix Table 1). (Data for Dalton Gardens,

Table 3-4. Number and percentage of rural communities in the interior Columbia River basin, with fewer than 10,000 residents (N=412) and having some employment in natural resource sectors in 1995.

Industrial sector	Communities having some employment[1]	Percent
All services[2]	398	96.6%
Agriculture[3]	389	94.4%
State & local government	362	87.9%
Travel & tourism	335	81.3%
Federal government	331	80.3%
Mining	258	62.6%
Wood products manufacturing	194	47.1%

[1]Total number of communities having some employment in related industrial sectors (not exclusive to one industry).
[2]Includes employment in all personal, business and medical services.
[3]Includes ranching and agriculture services related employment.

Table 3-5. Dominant natural resource-based sectors in small rural communities in the interior Columbia River basin (N=412).

Dominant Industry	Communities Dominated by Industry (%)[1]	Communities with 10% or More Employment in the Industry (%)[2]
Agriculture (including agricultural services & processing)[3]	233 (56.6)	297 (72.1)
Travel & tourism	109 (26.4)	173 (42.0)
Wood products manufacturing	44 (10.6)	68 (16.5)
Mining	16 (3.9)	38 (9.2)
Other	10 (2.5)	
Total	**412 (100.0)**	

[1]Total number of communities for which the proportion of each community's employment in a given natural resource based sector is highest.
[2]Total number of communities with 10% or more employment (not exclusive to one industry).
[3]Includes ranching and agriculture services related employment.

Ferdinand, Onaway, and Winchester were unavailable.) Focusing on the resource-dependent sectors (wood products, travel & tourism, agriculture, and mining), 32 communities in Idaho were dependent on the wood products sector for at least 10% of employment (Table 3-6). Eleven of those were not dependent on another resource-based sector. Seven communities were dependent on both the wood products and travel & tourism sectors, 10 were dependent on both wood products and agriculture, one was dependent on wood products and mining, and three were dependent on the wood products, travel & tourism, and agriculture sectors.

Again looking only at the resource-based sectors, 42 communities in Idaho were exclusively dependent on the travel & tourism sector, 30 were dependent on travel & tourism and agriculture, four were dependent on travel & tourism and mining, and one was dependent on travel & tourism, agriculture and mining (Table 3-6). Resource-based employment sectors appear to be complementary for some communities.

For the majority of Idaho communities, however, resource-dependency is centered on commodity production. As summarized in Table 3-7, more than half (56%) of Idah's communities are dependent on agriculture, mining, or wood products manufacturing (including logging). Approximately one-fourth (23%) of Idaho's communities are dependent on a mix of travel & tourism with commodity production, and less than one-fourth (21%) depend on the travel & tourism component of natural resources for at least 10% of employment.

3.4. More Regional Findings

The ICBEMP social assessment of communities (Harris 1996, Harris et al. 2000) contains more findings that help illuminate community dependence on resource-based economic sectors. We explore some of these findings in the following sections.

3.4.1. Regional "Functional Economies" and Trade Centers. Much amenity-based economic development research has focused on a regional level and failed to discriminate between employment levels in large cities versus small towns. These differences can be significant in light of the differing roles of large and small communities in trade hierarchies that comprise functional economies. For example, the functional economic region of eastern Washington and north central Idaho is dominated by Spokane, WA. With a population of approximately 400,000 people, Spokane is the region's major trade center. The city of Lewiston, with approximately 31,000 residents, is the largest community in north central Idaho and represents a second tier of communities dominated by Spokane in this trade hierarchy. That is, businesses and producers in Lewiston get many of their supplies from Spokane, and its residents shop there for goods they don't purchase in Lewiston. Smaller communities in the region, such as Orofino and Pierce with populations of approximately 3,000 and 200, respectively, represent the smallest rural towns in the region and the third, or lowest, tier in the hierarchy comprising this functional economy.

Table 3-6. Idaho communities with more than 10% employment in resource-based sectors (wood products, travel & tourism, agriculture, and mining).

Wood products only					
Fernan Lake	Horseshoe Bend	Moyie Springs	Ovid	Pierce	Weippe
Hayden	Huetter	Orofino	Payette	St. Maries	
Travel & tourism only					
Banks	Clayton	Garden Valley	Idaho Falls	Nampa	Sandpoint
Blackfoot	Coeur d'Alene	Gibbonville	Iona	Osburn	Spirit Lake
Boise	Donnelly	Grangeville	Irwin	Pocatello	Stanley
Bonners Ferry	Eagle	Greenleaf	Ketchum	Rathdrum	Sun Valley
Burley	Ellis	Hauser	McCall	Rexburg	Tendoy
Cascade	Fishhaven	Hayden Lake	Montpelier	Rigby	Twin Falls
Clark Fork	Franklin	Idaho City	Moscow	Salmon	Worley
Agriculture only					
Aberdeen	Dietrich	Grand View	Lemhi	New Plymouth	Sugar City
Acequia	Drummond	Hagerman	Lenore	Newdale	Sweet
Albion	Dubois	Hamer	Letha	Nez Perce	Tensed
Arbon Valley	Eden	Hazelton	Lewisville	Parker	Teton
Arimo	Elk River	Heyburn	Malad City	Parma	Tetonia
Atomic City	Fairfield	Holbrook	Marsing	Paul	Troy
Bloomington	Filer	Hollister	May	Richfield	Ucon
Buhl	Firth	Indian Valley	Melba	Ririe	Wardner
Butte City	Garden City	Jerome	Menan	Roberts	Weiser
Castleford	Genesee	Kuna	Middleton	Rockland	Wendell
Chatcolet	Geneva	Lakefork	Minidoka	Shelley	Weston
Craigmont	Georgetown	Lapwai	Mud Lake	Shoshone	Wilder
Dayton	Glenns Ferry	Leadore	Murtaugh	St. Charles	
Mining only					
Arco	Caldwell	Dover	East Hope	Inkom	Mullan
Wood products and Travel & tourism					
Athol	Hope	Kamiah	Lewiston	Pinehurst	Priest River
Deary					
Wood products and Agriculture					
Ashton	Emmett	Juliaetta	Montour	North Powder	Pilot Rock
Cambridge	Fruitland	Kooskia	New Meadows		
Wood products and Mining					
Potlatch					
Travel & tourism and Agriculture					
Ammon	Chubbuck	Downey	Kootenai	Notus	Smiths Ferry
Bancroft	Cottonwood	Driggs	Mackay	Oakley	St. Anthony
Bellevue	Council	Hansen	Malta	Ola	Swan Valley
Bliss	Culdesac	Harrison	Mansfield	Preston	Victor
Carmen	Declo	Kimberly	McCammon	Riggins	White Bird
Travel & tourism and Mining					
Dover	Kellogg	Smelterville	Wallace		
Agriculture and Mining					
American Falls	Challis	Homedale	Midvale	Ponderay	Soda Springs
Wood products, Travel & tourism, and Agriculture					
Elk City	Oldtown	Plummer			
Travel & tourism, Agriculture, and Mining					
Peck					

Source: Harris et al. 2000.

Table 3-7. Commodity production* and travel & tourism as components of Idaho's resource-dependent communities.**

Communities dependent only on commodity production	111	56%
Communities dependent only on travel & tourism	42	21%
Communities dependent on commodity production and travel & tourism	45	23%

* Commodity production is agriculture, mining, or wood products manufacturing (including logging).
** Idaho has 215 communities of all sizes; of the 211 analyzed (Harris et al. 2000), 198 (94%) are resource dependent (i.e., at least 10% of the employment is from commodity production or travel & tourism, or both).

After standardizing for like-kinds of communities—in this case, those having some employment in wood products—small and large towns were found to differ in their employment patterns (Table 3-8), especially in natural resource-related industries and overall services. Small towns have significantly more jobs in agriculture and wood products manufacturing and significantly fewer jobs in the personal/business service sectors.

These results have important implications for a regional economy when it is considered in terms of a functional economy representing a particular trade hierarchy among communities. The service base for some first- and second-tier communities (that is, the largest cities and towns) can be dependent on inputs from smaller towns, whose residents help support that service base but who also are more dependent on commodity-producing industries for jobs and income. Consequently, changes in the smallest, third-tier communities (for example, a loss in those commodity-producing industries and jobs) can have significant impacts up the trade hierarchy on the service sectors and economies of communities in the first and second tiers.

The traditional commodity-production model of economic growth is supported by these findings—especially the major role that resource-based commodity industries can play in the economic development of small towns as opposed to larger ones. This role is especially significant where communities of different sizes in population also vary in the extent of their services and infrastructure development.

The situation for communities that might be characterized in terms of the amenity-growth model is equally revealing. Employment in the total service economy (here defined to include retail trade and travel & tourism sectors as well as personal and business service sectors) represents a higher proportion of the workforce in the larger towns, accounting for 69% in towns and cities over 10,000 in population, as opposed to 54% for small towns under 1,500 in population, a significantly greater difference of 28%.

Table 3-8. Mean proportions of employment for selected industries in large versus small towns in the interior Columbia River basin having some wood products manufacturing employment (N=118).[1]

Industry	Communities of 10,000 or More Residents (Mean % Employment)	Communities of 1,500 or Fewer Residents (Mean % Employment)
Agriculture[2]	5.1%	22.1%**
Mining	6.0%	3.4%
Wood products manufacturing.	4.0%	16.3%**
Travel & tourism	15.5%	12.0%
Services	9.0%	3.2%**

[1]Rural communities of 10,000 or fewer residents in the interior Columbia River basin with some employment in the wood products industry.
[2]Includes ranching and agriculture services related employment.
**Statistically significant differences, $p<.001$.

3.4.2. Perceived vs. Actual Dependence on Resource-based Industries. Along with data on actual employment, the ICBEMP community self-assessment also gathered information on community members' *perceptions* of their town's characteristics and conditions. The perceptions of community-workshop participants of their communities' economies indicated that about 46% of all communities in the region could be labeled as primarily farming communities, although many of these were also perceived to be dependent on wood products, tourism and recreation, and mining. Residents of another 10% of the communities reported them to be highly dependent on agriculture. Only 8% of all communities were perceived to be primarily ranching communities. About 24% of the region's communities were perceived by residents as being primarily timber communities. Many of these, however, were also dependent on mining and recreation. In addition, fully two-thirds of all the communities perceived themselves as being somewhat to highly dependent on forest products. Communities perceiving themselves as primarily tourism and recreation communities totaled 17% of all towns in the region. Another 11% rated themselves to be highly to very highly dependent on tourism (Harris et al. 2000).

Citizens' ratings of the extent to which resource-based sectors dominated their towns were not always consistent with the results from actual employment data. In this analysis, any sector accounting for 10% or more of employment in a community was deemed a "dominant" industry sector for that town. Comparisons of these perceptions and the economic realities of these towns (i.e., actual employment by sector) indicated that rural communities actually were more diversified than their citizen representatives perceived them to be. A comparison of perceived and actual resource dependence indicated that of the towns considered by residents to be moderately to highly dependent on the timber and wood products industry, 61% of those towns did have a large percentage of total employment in wood products. However, in 39% of the communities perceived to have economies dominated by timber, industry structure as measured by number of employees did not bear this out. Similarly, for 58% of the towns considered by residents to be dependent on agriculture, that industry actually represented a comparatively small percentage of their total employment. However, the structural measures did not include the wage contributions of the various industries, which may have influenced residents' perceptions.

In Idaho, 27 communities were perceived by residents as being dependent on wood products manufacturing, but employment data showed they were not (Table 3-9). One community, Payette, was not perceived to be dependent on wood products manufacturing, but the employment data base showed that it was.

3.5. Conclusions

Which Idaho communities depend on commodity production, and which on amenities? Data collected for the ICBEMP provide an economic "snapshot" of communities in 1995. These data show which resource-based employment sectors were prevalent in Idaho communities at that time.

In Idaho, 111 of 198 (56%) communities were dependent on (more than 10% employment) one or more traditional commodity-based sectors (agriculture, wood products manufacturing, or mining) (Table 3-6). Considering only dependence on resource-based sectors, 42 (21%) communities were dependent only on the amenities-based travel

Table 3-9. Idaho communities that were rated "highly" dependent[1] on the wood products manufacturing sector by citizens, but had 10% or less employment in that sector.

Bonners Ferry	Driggs	Kootenai	Sandpoint
Cascade	Elk River	Lapwai	Smelterville
Clark Fork	Grangeville	Leadore	Stanley
Clayton	Harrison	Osburn	Wallace
Craigmont	Idaho City	Rathdrum	Weiser
Culdesac	Island Park	Riggins	Worley
Donnelly	Kellogg	Salmon	

[1]"highly" means a numerical rating of more than 4 on a 7-point scale (from 1, extremely independent, to 7, extremely dependent).
Source: Harris et al. 2000.

& tourism sector. Forty-five (23%) communities were dependent on both commodity-based sectors and the travel & tourism sector (Table 3-7). These results, along with other analyses of the ICBEMP data, show that while some communities depend on only one commodity-based sector, other communities are dependent on two or more economic sectors where natural resources are used for amenity purposes *and* commodity production.

Other conclusions based on ICBEMP data include:

- Economic changes in the smallest communities can have significant impacts up the trade hierarchy on the service sectors and economies of larger communities.
- Citizens' ratings of the extent to which resource-based sectors dominated their towns are not always consistent with the results from actual employment data.

Chapter 4. What Trends in Forest Resource-based Economic Sectors are Affecting Communities' Futures?

Forests cover 42% of Idaho's land area and provide substantial benefits to many of the state's communities, whether through jobs, scenery, clean water, wildlife, or a myriad of other "outputs." To suggest future possibilities for Idaho's rural communities in forested areas, we must understand more about trends in the economic sectors affecting those communities. Because the focus of our report is forest-based sectors, we focus this chapter on trends in wood products manufacturing—a commodity-based sector—and travel & tourism—an amenity-based sector. We also look at other economic sectors that have gained importance in Idaho, such as high-tech, services, and government, and have indirect relationships to Idaho's forests. For example, some businesses may be attracted to Idaho because of its forests even though those firms do not process timber. Government agencies also manage much of Idaho's forest lands, and government employees can be important economically to communities.

For some economic sectors we also must look more broadly at trends beyond Idaho to the region and world. This chapter also examines the challenges that rural communities face because of the trends in forest resource-based sectors.

4.1. Regional Economic Changes and Trends in Resource-based Industries

Change is nothing new in rural America. In the mid-1800s, agriculture, logging, mining, ranching, and other rural commodity-based industries were the engines of the American economy, and the majority of Americans were employed in these sectors and lived in rural areas. By 1920, the proportion of the U.S. population living in rural areas had declined to less than half (Murray and Dunn 1995).

Since the 1930s, rural industries have been transformed by many factors, including consolidation, mechanization, rural electrification, modernization of transportation and communications infrastructure, and integration of the U.S. and world economies (Murray and Dunn 1995). During the recession of the 1980s many rural industries experienced major financial stresses, foreclosures, and population displacement (Mazie and Killian 1991). In the 1990s some parts of rural America faced economic distress, driven by many factors, including economic recession, downsizing of manufacturing plants, shifting patterns in the location of industry, and a climate where new job opportunities were mostly urban and for highly educated people (Murray and Dunn 1995).

As a region, the Pacific Northwest's economy outperformed much of the nation in the 1990s; however, many rural communities did not realize the extent of economic benefits that metropolitan areas did (Beuter 1998, McKetta 1999, Northwest Policy Center 1999, Barney & Worth 2001). Most rural growth occurred in counties near urban areas, along transportation corridors, and especially in areas of high scenic beauty (McDaniel 2000). For example, since 1973 Idaho's seven urban counties grew by 110 percent, whereas the state's 37 rural counties grew by 1.5 percent (Brady 2001). Communities experiencing particular difficulties were those with small populations, in remote locations, and without adequate financial and human capital (Murray and Dunn 1995). Communities dependent upon commodity-producing industries, such as wood products manufacturing, were especially vulnerable.

A related trend for rural communities is persistent poverty (Humphrey et al. 1993, Tickameyer and Duncan 1990). For example, the rate of rural poverty in the early 1990s was higher than the urban poverty rate (USDA 1993), with mounting rural unemployment and part-time employment, along with declining rural earnings, increasing the number of the working poor in rural America. In Idaho, for example, the average annual per-capita income in the state's metropolitan counties was $27,267 in 2000, while in nonmetropolitan counties it was $21,428 (Newman 2002). However, it should be noted that many nonmetropolitan areas in the Pacific Northwest region have typically been in better shape in terms of per-capita income and poverty rates than parts of the Southeast, Southwest, and Alaska (Beale 1993).

Long-term trends in commodity-based industries are a factor in the changing conditions in rural areas, including increased efficiency in resource use, increased labor efficiency, and reduced labor requirements for resource-processing manufacturing. For example, as wood products manufacturing has grown more capital intensive, capital has been substituted for labor and jobs have been lost (Young and Newton 1980). Idaho sawmills produced the same amount of lumber (two billion board feet) in 1977 and 1999 (Western Wood Products Association, annual). However there were 25% fewer mill workers in 1999 (13,410) than in 1977 (17,830). West-wide, the number of sawmills

has declined since 1970, but the output per mill has increased (Figure 4-1).

Increased workforce efficiency and capital-intensive production can lead toward oversupply in production and removal of resources and lands from production. In the case of wood products manufacturing, University of Idaho forest products marketing professor Steve Shook has noted, "... mills have become so efficient in producing lumber that they've oversupplied the market. Last year, there was 30 percent more softwood lumber produced than could actually be consumed" (quoted in Peters 2001). Much of that production in the Pacific Northwest comes from British Columbia. One result is that communities in Idaho where timber processing and wood products manufacturing once dominated now have some of the highest unemployment rates in the state.

4.2. Evolution of the Region's Timber Economy and Timber-dependent Communities

During the first several decades of the 20th century in Idaho, logging camps were established and local mills built to supply the lumber for construction in local communities and nearby growing cities. Forest products companies built towns that relied on lumber mills for employment. Communities such as Potlatch, Elk River, and Headquarters were established in north central Idaho, and they survived as timber-based town economies into the 1970s (Conley 1982, Petersen 1987).

Throughout the Northwest, ongoing technological advances from the 1920s through the 1960s continued to increase the profitability of logging and milling, and the numbers of producers increased (Brunelle 1990). The U.S. Forest Service in some cases actively promoted this increase. For example, beginning in the 1920s the Forest Service encouraged mill construction in eastern Oregon as part of federal efforts to promote community development in that region. In one case, the Forest Service offered one billion board feet in a 1923 timber sale on the Malheur National Forest, with the stipulation that the purchaser build a sawmill near Burns along with 80 miles of carrier railroad (Beuter 1998). Some analysts have suggested that this kind of activity reflected a tradition of land management agencies and their industrial constituents co-opting one another in a political "iron triangle" (consisting of industry, agency and Congress) that eventually resulted in an imbalance in the political influence of big business in resource management (Twight and Lyden 1989, Twight et al. 1990).

Following World War II, increased housing demand stimulated lumber production and the growth of economies in timber-dependent communities in the Pacific Northwest. Until the 1950s, most timber harvesting in the West came from nonfederal lands. By the mid-1950s, harvesting on nonfederal lands had declined as limits of available timber on these lands were reached. Harvests from federal lands increased steadily and peaked in the 1960s, although these levels also were again reached periodically in the 1970s and 1980s (Beuter 1998).

In Idaho, timber harvests peaked in 1976 at 1.9 billion board feet (Figure 4-2). The percentage of timber harvested in Idaho coming from national forests peaked in 1969 at 61% and declined to 11% in 1999.

Internationally, the U.S. is a net exporter of forest products. In recent years, about 12% of total U.S. production is exported, while about 24% of U.S. consumption of forest products is imported. In the last several decades, the value of the forest products trade deficit has increased, but with declines to near zero during the recessions of the mid-1970s and early 1980s and 1990s. Large quantities of softwood lumber products imported from Canada and a substantial decrease in the amount of timber sold from the northwest region's national forests in the 1990s have significantly affected the region's forest products industries.

Over the last 50 years, the number of sawmills in Idaho has declined, and production has become concentrated into fewer, but larger mills (Keegan et al. 1997). At the height of the post World War II housing boom, there were more than 300, mostly small, sawmills in Idaho. Since then, the total number has declined consistently. A 1995 census identified 62 active sawmills among Idaho's primary wood products manufacturing plants (Table 4-1; Keegan et al. 1997). Some of those have closed since then (Keegan et al. 2002).

Idaho's sawtimber processing capacity declined more than 30% between 1979-1995. During that period, the sales value of Idaho's primary forest products industry declined from $1.9 billion to $1.55 billion, in inflation-adjusted 1995 dollars (Keegan et al. 1997). Reasons for the decline included: [1] market conditions, such as the recession of early 1980s; [2] the concentration of production into larger mills that tend to utilize a higher proportion of their capacity; and [3] declines in timber availability from both public and private lands (Keegan et al. 1997).

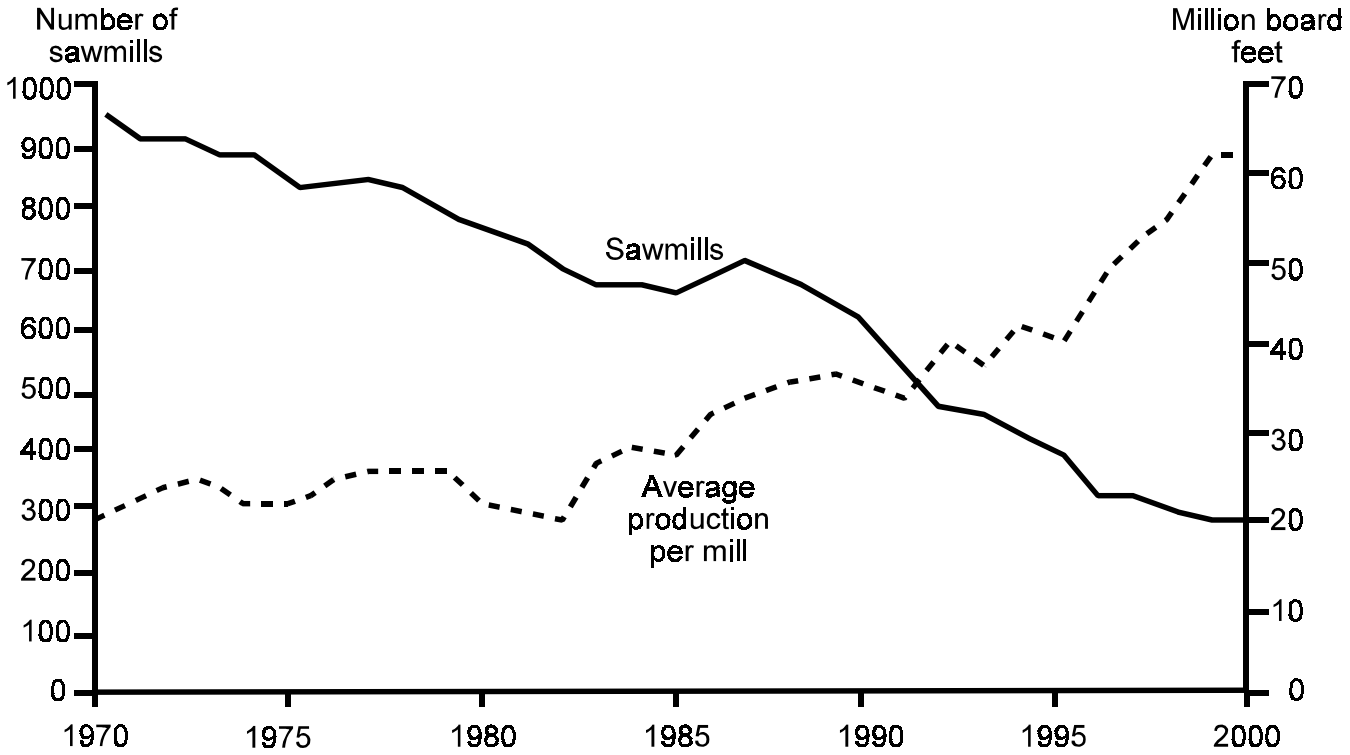

Figure 4-1. Number of sawmills operating in the western U.S. and average production per mill, 1970-2000.

Source: Western Wood Products Association (2000).

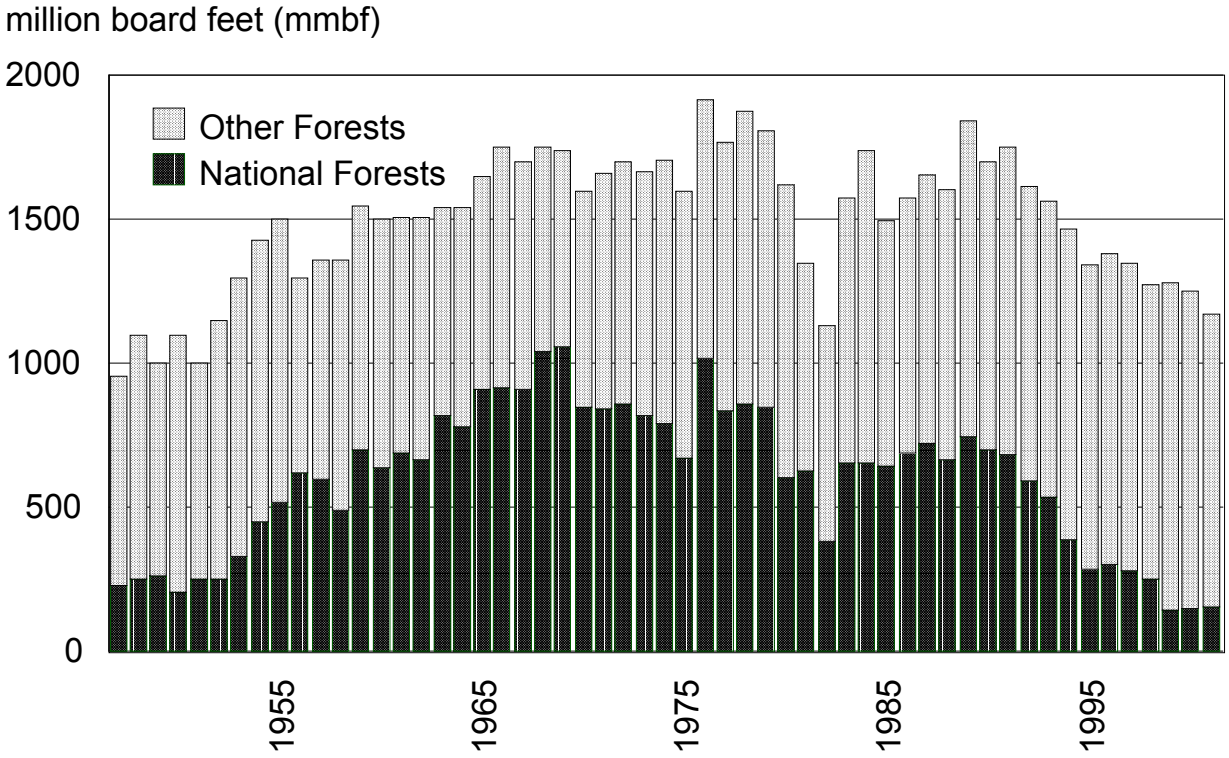

Figure 4-2. Idaho timber harvest, national forest and all other ownerships, 1947-2001.

Table 4-1. Number of active primary wood products plants in Idaho by product manufactured, 1979, 1985, 1990, 1995

Type of product manufactured	1979	1985	1990	1995
Lumber	133	90	80	62
Plywood veneer & OSB	8	7	6	6
Particleboard	1	1	1	1
Pulp & paper	1	1	1	1
Posts & poles	26	22	21	16
House logs	15	20	22	32
Cedar products	44	25	26	15
Utility poles	9	4	6	4
Other facilities	5	4	9	12
TOTAL	242	174	172	149

Source: Keegan et al. 1997

In 2001, several major Idaho wood processing facilities closed their doors (Keegan et al. 2002). Total sales value in 2001 was $1.3 billion, down from $1.45 billion in 2000 (Keegan et al. 2002). Factors that have contributed to recent sharp declines in production, sales, and employment include:

- the national and global economic recession that began in 1999,
- the expiration of the Canadian softwood lumber agreement in May 2001,
- a high valued U.S. dollar,
- continued low federal harvests, and
- high energy costs in early 2001 (Keegan et al. 2002).

Shortly after the expiration of the Canada-U.S. Softwood Lumber Agreement in May 2001, the Bush administration announced that it would impose a 19.3% penalty tariff on softwood lumber imported from Canada, in response to unfair Canadian government subsidies to the forest products industry. An additional 8% anti-dumping tariff was later instituted. The impetus for the tariffs was not only increased Canadian lumber imports, but also claims by U.S. lumber manufacturers that, in addition to receiving unfair government subsidies in the form of administratively determined stumpage prices for crown timber, Canadian lumber mills were "dumping" softwood lumber products in the United States at below fair market prices. At this writing, negotiations between the U.S. and Canada are ongoing.

Concerns also have grown among the region's producers that, since the early 1980s, the wood products industry has been moving from the Pacific Northwest to southern states, and that a primary reason was that the Northwest was pricing itself out of the wood products market with high-cost timber and labor (Beuter 1998). Also, while the Pacific Northwest has historically exported more wood products to international markets than other regions, that situation changed since the mid-1980s, when the southern states became the dominant source of U.S. forest products exports. Until the mid-1990s, exports of softwood logs and lumber produced primarily in the Northwest region went predominately to Japan, accounting for a significant proportion of U.S. forest products exports. The role of these exports declined due to the weakness in the Japanese economy, the emergence of other suppliers, the strength of the U.S. dollar and domestic markets, and changing federal land resource policies in the Northwest.

In Idaho, most primary wood products are currently exported outside the state, with only 19% consumed in the state itself (Keegan et al. 1997). Consequently, the Idaho wood products industry is highly integrated with national markets, and wood products use is dependent on new housing demand and other wood uses that are directly affected by national economic conditions, including inflation, recession, economic recovery, tax code revisions, and changes in interest rates. Consequently, demand for wood products has a pattern of historic volatility, as do supply and prices, and the pattern will continue.

From the mid-1980s to 1999, the U.S. had the second longest sustained period of economic growth in the country's history. National housing demand

over the last few decades has been cyclical with peaks in 1979, 1986 and 1996, and troughs in 1982 and 1991 (McKetta 1999). Lumber prices are determined by the cost of raw materials, national housing markets, inter-regional and import competition, and most of these trends have varied widely in recent decades. Lumber prices rose in tandem with housing starts since the early 1980s recession, most significantly in the last decade, but varied due to harvest reductions on national forests, passage of NAFTA, increased imports of Canadian lumber, and declines in Asian markets in the late 1990s (McKetta 1999).

During the late 1980s, logging and wood-products manufacturing initially stabilized, but environmental concerns and "below-cost" timber sales on national forests led to increased scrutiny of federal timber sales. Timber production again declined (Schallau 1990). During this period, policy shifts in management of national forests had a significant effect on timber supply. Endangered species protection for the northern spotted owl and concerns about old-growth forest protection resulted in a substantial reduction in national forest timber harvest in western Oregon, Washington, and northern California. In the 1980s, timber from Inland Northwest markets was being shipped to higher paying mills in markets on the west coast. In the early 1990s, national forests in the Inland Northwest began reducing harvests due to a variety of factors, including salmon habitat protection and other threatened and endangered species protective actions, environmentalist litigation and appeals of timber sales, cumulative impacts of past harvest practices, agency budget levels, and ecosystem-based management (Keegan et al. 2000). Unlike Oregon and Washington, where less than half of the timber inventory is on national forest timberlands, 73% of the timber inventory in Idaho is on national forest timberlands (Brown and Chojnacky 1996).

Decreased timber availability, increased log costs, and lower profit margins have resulted in continued closings of marginally profitable wood products manufacturing mills. In the five northwestern states, more than 400 sawmills and plywood mills, and five pulp mills have closed since 1992 (Ehinger 1999). A major factor is the continued volatility of timber prices nationally. Lumber prices reached record high levels at the beginning of 1997, but beginning with declines in economic activity in Asia, reduced global demand resulted in sharp decreases. By the end of 1998, prices were 10% to 25% below their early 1997 levels. By 1999, lumber and paper products markets substantially improved, and by mid-1999, lumber prices were at near record levels, 40% higher than at the same time in 1998. Of concern is the current recession that began in 1999, which could create a situation similar to that the forest products industry experienced during the 1980-1982 recession. Then mills faced with low prices could not afford to harvest timber under contract, and half of the state's milling capacity was idled by 1982. However, some analysts predict that when the global economy recovers, historically high pre-recession product prices of the late 1990s could return (Keegan 1999, Keegan and Campbell 1999, Keegan et al. 2001).

In 1999, employment in Idaho's wood products manufacturing industry was estimated to be 19,750 workers (Keegan et al. 2000), an increase of approximately 30% over employment in the late 1960s. Until recently, this level of employment had shown fairly steady growth (except for a significant spiking upwards in the late 1970s and downturn in the early 1980s), despite the significant decline in the volume of timber cut on national forests since the peak years of the 1970s and late-1980s.

In 2000, employment in the wood products industry in Idaho declined to 17,900 workers, in part due to restrictions on logging activities because of wildfire danger, as well as poor wood products markets (Keegan et al. 2001). While some of these workers returned to their jobs by mid-year, some companies permanently closed several Idaho mills, including the Crown Pacific mill in Coeur d'Alene and the Potlatch mill in Pierce.

Employment in wood products manufacturing has dropped to 14,500 in 2001 (Keegan et al. 2002). In 2001, Boise Cascade Corp. closed all its Idaho lumber and plywood operations permanently, attributing this action to major declines in national forest timber sales. Data on timber harvest by ownership shows a slight increase in production on private and state forest lands in the last decade. Non-federal lands supplied 80 percent of the harvest in Idaho in 1999; however, the volume cut on those forests has been fairly constant over the last several decades (Figure 4-2).

Timber market changes—decline in timber supply, increased competition, and retooling of mills for processing smaller-diameter logs—have added to the volatility of timber prices and resulted in unpredictable closing and reopening of different mills, and sometimes changes in their ownership. While timber supply is a factor here, plant efficiency and modernization and reductions in employment also are at work in this competitive industry. In particular, second-generation high-speed mills are

much more competitive and less labor-intensive. For example, the Colville, Washington, plant recently built by Vaggen Brothers Lumber requires roughly half the employment of existing mills in order to produce double their output. Similar increases in labor efficiency due to ever-improving logging mechanization also have reduced employment in logging firms.

4.2.1. Structural Change in the Southwestern Idaho Forest Products Industry. Southwest Idaho provides an example of the state of the forest products industry in Idaho. This area's logging and primary wood products manufacturing occurs in seven counties: Ada, Adams, Boise, Canyon, Elmore, Gem and Valley. Three national forests represent most of this area's timberlands (84%), with 4% owned by the state of Idaho and 5% by industrial forest landowners. The dominant tree species in these forests are Douglas-fir, grand fir, Engelmann spruce, and ponderosa and lodgepole pines. Sites are generally dry and sometimes overstocked. The species composition of this forest has changed due to logging, fire suppression, and forest management, with the once-dominant pine being replaced by Douglas-fir and grand fir. One estimate is that the volume of mortality of timber across all timberlands in the area is approximately half of the volume of growth of timber (McKetta 1999). This estimate is substantially higher than estimates in 1987 and earlier inventory periods, but less than the "catastrophic" mortality of the early 1990s, when annual mortality on the Boise and Payette National Forests exceeded gross annual growth (O'Laughlin et al. 1993, O'Laughlin 1994, Blatner et al. 1994). In 2002, the mortality rate statewide was 40% of growth, but on national forests the mortality-to-growth rate was 95% higher than on other forest ownerships (O'Laughlin 2002b). Although problems with the timeliness and methodology of these inventories (Gillespie and Smith 1999) have led some analysts to question the accuracy and useful of these estimates, there is no other data with which to describe forest conditions.

Total timber harvests in southern Idaho declined 35% from 1985 to 1997 (McKetta 1999). Harvesting declined about 50% on national forests, while harvesting increased on private lands by 17% and on state lands by 98%, partially compensating for this decrease. This region did not experience the significant reduction in federal harvest that began in the late 1980s and early 1990s in Oregon, Washington, Montana, and northern Idaho, but rather achieved a five-year harvest average close to the allowable sale quantities established in the national forests' plans to supply the local timber economy with a steady supply of timber. This was largely the result of substantial quantities of fire-salvage timber, rather than planned timber sales.

This area's larger mills were located in five counties: Ada, Adams, Boise, Gem and Valley. Despite some minimal "cross-hauling" (i.e., interstate transporting) of harvested timber in and out of this timbershed for milling, most logs used in the area's mills were predominately harvested from national forests in the area. In recent years, supply has shifted from national forests to other sources. The vast majority of the volume of timber from public lands went to a few large purchasing companies, including Boise Cascade, Croman, and Evergreen. Today, only the Evergreen mill remains open.

From 1993 to 1998 sawmill capacity dropped rapidly in response to dwindling public log supplies. Only two of five dominant companies operating in 1995 were still operating in 1998, and one of these, Boise Cascade, closed two of its large sawmills during this period. In the mid-1980s Boise Cascade operated three sawmills, one plywood mill and a finishing-planer mill. Idaho closures included its Council and Horseshoe Bend sawmills. Only two facilities remained open in 1999, the sawmill in Cascade and a plywood mill in Emmett. In the last two years, both of these mills closed, along with Croman's mill.

Similar trends are occurring elsewhere in Idaho. In north central Idaho, Potlatch Corporation's Jaype mill in Pierce closed in 2002, and its Lewiston plant has been steadily reducing employees. Other recent closings of Idaho mills have occurred in Coeur d'Alene, Boise, and Grangeville, and in Baker, Oregon.

4.2.2. Wood Products Mill Closures and Impacts on Towns in the Inland Northwest Region. Data from the Interior Columbia Basin Ecosystem Management Project (ICBEMP) provide further evidence of the state of wood products manufacturing and communities in the region. A total of 130 cities and towns in the Inland Northwest region had sawmill, plywood, and pulp and paper mills during the period from 1989 to 2000 (Table 4-2). Of these communities, 81 were small rural communities with less than 10,000 in population in 1980, and of these, ICBEMP data were collected on 52 towns. In these towns, which comprise about one-quarter of all communities in the region,

Table 4-2. Mill employment and number of cities and towns with mills, Pacific Northwest by state.

State	Total Mill Employment 1989-2000	Number of Towns & Cities	Current Mill Employment 2000	Number of Towns & Cities	Lost Jobs Due to Mill Closures 1989-2000	Number of Towns & Cities
Idaho	6928	45	5242	26	1686	26
Montana	5535	24	3835	15	1700	16
Washington	4757	34	3182	19	1575	21
Oregon	6587	27	2975	13	3612	23
Total	23,807	130	15,234	73	8573	86

Source: Paul Ehinger and Associates (2001).

approximately 23,807 people were employed in forest products manufacturing mills in 1989.

In 2000, about 15,234 people (64% of the 1989 total) were employed in the mills that remained in operation. A total of 48 towns (37%) experienced no mill closures, while 73 towns (65%) have mills that are still operating Some towns have mills that are still operating but also other mills that closed. Current mill employment is highest in Idaho (5,242 employees in 26 towns), followed by Montana (3,835 employees), eastern Washington (3,182 employees), and eastern Oregon (2,900 employees).

Approximately 8,573 people (36% of the 1989 total) are no longer employed due to mill closures. This occurred in 86 (or about two-thirds) of the region's towns and cities with mills in 1980. Eastern Oregon lost 3,612 mill-related jobs between 1989 and 2000. Each of the other states lost between 1,600 and 1,700 jobs due to mill closures.

Eastern Oregon had the fewest number of towns in which mills remained open, a trend that is consistent with the recent history of the wood products industry across that state. Idaho currently has the largest number of towns with mills that are still in operation of any state in the region, followed by eastern Washington. Then again, these states had the largest number of towns with mills to begin with in 1989.

In Idaho, 36 mills closed between 1989 and 2001, and the workforce was reduced by an estimated 2,506 workers. Four national or multinational corporations accounted for 11 of those closures and 1,195 (48%) of those job losses (Barker 2001, based on data from Ehinger 2001).

Timber supply from federal forests was an important factor in many mill closures in the Inland Northwest (Table 4-3). An analysis done for the Inland Northwest Economic Adjustment Strategy (Barney & Worth 2001) found that in Idaho the loss of federal timber was a primary reason for mill closure in about one-third of the cases, a contributing factor in about a third, and not a factor in about a third of mill closures. More than three-fourths of Idaho's timber resource is in national forests (Brown and Chojnacky 1996).

The ICBEMP community self-assessment data were collected in the midst of the 1989-2001 period. An analysis of these towns did not reveal much difference in terms of their social make-up or cohesiveness, quality of life, or community resilience, regardless of whether or not forest products manufacturing facilities were operating or had closed. Communities that had experienced significant changes related to forest products job losses may actually have more capacity to deal with change and may exhibit greater cohesiveness (Harris 1996).

4.3. Economic Diversification and Amenity-based Sectors

The economies of Idaho and other states in the Inland Northwest region have become more diversified. As we discussed in **Chapter 3**, many communities depend on more than one economic sector for their well-being. Some of the diversification has occurred because of people's attraction to forest-based amenities, such as beautiful scenery and recreation opportunities. Also, as we pointed out in **Chapter 3**, travel & tourism is a common proxy for an amenity-based sector, but other sectors can also be influenced by the same amenities. For example, amenities attract retirees who bring with them retirement or indirect income and transfer payments.

4.3.1. Travel & tourism. The travel & tourism economic sector can play a role in community

Table 4-3. Timber-related causes for mill closures in the Inland Northwest, 1989-2000.

	As a reason for mill closure, loss of federal timber supply was			
	primary reason	***contributing factor***	***not a significant factor***	**Total**
Idaho	9	12	10	31
Montana	10	12	1	23
Eastern Oregon	22	6	6	34
Eastern Washington	10	6	2	22
Total	51	36	23	110

Source: Barney & Worth (2001), from Paul H. Ehinger & Associates.

growth and change. The tourism sector generates hundreds of billions of dollars in the United States each year and employs millions of people. (Specific data are elusive because tourism is not a U.S. government Standard Industrial Classification.) Employment in the U.S. travel industry in the mid-1990s was growing nearly 5 percent a year, with growth in international travel of nearly 10 percent a year, accounting for almost one-fourth of international trade in services (Power 1996). Although much travel is for business purposes, some of it is pleasure travel and related to amenity attractions. Recreation-based travel & tourism in Idaho generated approximately $450 million in the late 1980s (Harris and Robison 1993). In the late 1990s, total travel & tourism spending in Idaho was estimated at nearly $1.7 billion (Dean Runyan Associates 1999), with some unknown portion of this related to recreation and amenity attractions.

Although economic activity in travel & tourism in the Inland Northwest has increased, much of it has occurred in trade centers like Boise, Spokane, and Missoula, with much less benefitting smaller rural communities. For example, estimates for Oregon (Holly et al. 2001) indicate that growth in tourism and services in nonmetropolitan Oregon has not compensated for losses in basic timber harvesting and wood processing industries, resulting in decreased per capita income and increased unemployment in formerly timber-dependent counties. **Chapter 3** of this report provides detailed data and analysis on the role of travel & tourism in the economies of rural communities in Idaho.

4.3.2. Amenities as Factors in Attracting Businesses. A variety of research has assessed the role of amenities in attracting businesses to particular locations. Surveys of company executives have found that quality-of-life factors are frequently ranked in the top half of all locational factors in respondent rankings (Gottlieb 1994). However, given that these studies used general categories—such as "cultural amenities," "recreational amenities," and "environmental quality"—defining exactly what these terms encompass can be problematic. Items which tend to rank above amenities are business "musts" like market proximity and labor supply (Gottlieb 1994).

Surveys of location decisions of high-tech industries, as opposed to other kinds of industries, indicate that quality-of-life factors tend to rank higher for high-tech firms (Gottlieb 1994). High-tech firms also are more concerned with "push factors," such as traffic congestion, that make rapidly growing areas less desirable. For high-tech firms, the existence of agglomeration economies—areas with a skilled labor pool in the appropriate field and proximity to similar firms to facilitate face-to-face exchanges of ideas—is perhaps the most important location factor (Gottlieb 1994). While rural communities may rank highly for some amenities, it seems unlikely they would rank highly in agglomeration.

Few econometric studies of firm location have focused on amenities as a primary variable of interest (Gottlieb 1994). Given that crude proxies often are used for amenity data, and that levels of scale and focus differ across these studies, findings of firm location studies also differ as to significant variables and conclusions that can be drawn.

From his review of the research, Gottlieb (1994) concludes "there is no evidence that firms seek out amenities to the exclusion of all other location factors." However, he also concludes that development officials and researchers who ignore amenities do so at their peril (Gottlieb 1994). Given the current state of knowledge, the role of forest-based amenities in the location decisions of firms needs more study before conclusions can be drawn.

4.3.3. High-tech Sectors in Idaho. Economic growth in the 1990s was strong in the Pacific Northwest region. Part of this growth occurred as economies became more diversified and new industries became part of the economic base of various communities. Some of this diversification and expansion can be attributed to the location of high-tech industries in the region's urban trade centers in the Willamette Valley of Oregon, Puget Sound of Washington, and Idaho's Boise area. Only the latter is in the Inland Northwest. As we discussed in the previous section, although the exact role of amenities in firm location decisions is not clear, they do appear to be more important in the location decisions of high-tech firms than other firms (Gottlieb 1994).

Idaho's growth in the high-tech sector has been less than some other western states, but Idaho was not been left out of the high-tech boom (Emerson 2002). Two electronic manufacturing sectors—[1] Electronics & Other Electrical Equipment , except Computers, and [2] Industrial & Commercial Machinery & Computer Equipment—are counted as "high-tech" industries in labor market analyses. In 1999, there were 827 high-tech businesses in Idaho, ranking Idaho forty-second nationally (American Electronics Association 2001). Idaho's technology industry employed 28,300 people in 2000, adding 11,300 jobs since 1994. This 66% increase was the second most growth among mid-size states, defined as those with 25,000 to 100,000 technology workers. In 1999, Idaho ranked fifth nationally in semiconductor manufacturing employment with 11,700 jobs (American Electronics Association 2001).

Idaho's high-tech payroll of $1.4 billion in 1999 ranked 34th among all states (American Electronics Association 2001). Idaho's technology employees earned an annual average of $52,100 in 1999. This is more than double the average private sector wage of $25,800, the fourth highest wage differential in the country (American Electronics Association 2001).

In 2000, Idaho exported $2.8 billion worth of high-tech goods, ranking 15th among all states (American Electronics Association 2001). This was an increase of $1.8 billion from 1997, the sixth largest increase in the country. Exports from Idaho's high-technology industry represent 78% of total exports from the state, the third highest high-tech export concentration nationwide (American Electronics Association 2001).

Following the economic recession that began in 1999, the years 2000 and 2001 saw a downturn in the technology sectors in Idaho and the rest of the country. Idaho lost 3,700 jobs between March 2001 and March 2002, a 14% decrease (Hyer 2002). Wages in the technology sector trended downward even more sharply (Parks 2002). From the first quarter of 1999 to the first quarter of 2000, workers saw a 42% increase in average quarterly wage per employee. The first quarter of 2001 saw a 38% decrease in wages (Parks 2002).

As disturbing as the wage trend may be, some analysts predict that if Idaho can weather the recession storm, its electronics component industry may be poised for a rapid recovery due in part to its relatively stable employment level (Parks 2002). Electronics jobs are expected to decrease by 7.2% in FY2002, but rebound somewhat in FY2003 with a 2.9% positive growth rate. The industry will provide an estimated 23,700 jobs in FY2002, down from the 25,500 estimated in FY2001 (Adams and Hyer 2002).

Attempts to increase the high-tech sector in Idaho face several challenges. Some evidence suggests that concerns about the higher education system in Idaho and the ability to find an adequately trained workforce may slow growth (Marcus 2000). Adequate bandwidth is an issue in rural Idaho. However some areas of the state appear to be tackling the problem. For example, in southern Idaho, Syringa Networks LLC, a consortium formed by 12 local phone companies, is building a fiber optic network to provide broadband connectivity for businesses across the southern half of the state. An investment tax credit for broadband infrastructure approved by the Idaho Legislature in 2000 provided impetus for the project. The 1,400-mile fiber-optic network will gradually come online in 2002 and 2003 (Emerson 2002).

4.3.4. Indirect Income and Retirees. Indirect income includes transfer payments (i.e., income to residents from outside the state, such as pension, disability, and social security payments), dividends, interest, and rent. It represents income not associated with employment or production and export of goods and services. As several researchers have noted (Beuter 1998, Harp 1998, Robison 1997), indirect income is unrelated to local employment in a community, is unaffected by changes in that local economy, and thus does not contribute directly to that economy in terms of direct employment or income impacts. However, this income does contribute to an economy in terms of indirect impacts, through residents' purchases of local goods and services, and also in terms of

induced impacts, whereby the spending of the beneficiaries of these local purchases on other local goods and services (i.e., the associated multiplier effect) can be significant. For example, indirect income contributes almost 6% to the economic base of the state of Oregon lying outside of Portland (Beuter 1998).

Indirect income has become an increasingly large part of Idaho's economy (Harp 1998). In Idaho in 2001, indirect income accounted for $10 billion of $32 billion of personal income. Transfer payments comprised $4.4 billion of the indirect income, and other sources of non-wage income comprised the rest (Tran 2002).

One of the reasons that indirect income has increased in Idaho is that older residents (65 years and older) are a growing segment of the population in many rural communities, exceeding both the state and national averages for this segment (11% and 12%, respectively). The number of older residents in Idaho increased 20% in the 1990s, in comparison with about a 12% increase for the U.S. as a whole.

Some of the increase in the proportion of older residents in rural communities is explained by the general aging of the population and the propensity of young people to leave to find employment elsewhere. However, some of the increase in explained by an increase in retirees migrating to Idaho. The third highest rate of immigration of older Americans has occurred in the Northwest, exceeded only by the Southwest and Florida (Fuguitt and Beale 1993). As we pointed out in section **2.1**, amenity and quality-of-life factors are attracting retirees to Idaho, and communities such as Riggins, Kamiah, and Hayden Lake have become magnets for retirees.

4.4. Government as a Source of Income and Employment in Rural Communities

All levels of government—federal, state, and local—provide varying levels of support in terms of income and employment for the residents of rural communities. This support comes from a variety of sources and is provided in various ways, including local offices of federal and state government agencies, local government such as county offices and courthouses, and school districts that have their funding sources at both the local and state levels. In addition, government employees can be an especially important source of human capital in small communities, in that these employees may be more educated and in some cases have a greater diversity of skills, life experiences, perspectives, and energy they can bring to community affairs.

Also, the system for federal transfer payments to counties with federal lands has been a significant source of fiscal support in these rural areas. Recent changes have been made in that system through congressional legislation.

4.4.1. Federal Government Employment in Rural Communities. Employment in the federal government and the income that these jobs generate for local communities can be significant, especially in rural areas (Harris et al. 2000). In Idaho, 25 towns, nearly all of which are under 10,000 people in population, have more than 10 percent of their work force employed by the federal government (Appendix Table 1). The 1990s saw an increase in the number of federal government employees in Idaho from 17,854 in 1990 to 18,994 in 2000, but at the same time, federal employees as a percentage of the workforce in Idaho declined from 4.0% to 3.2% (U.S. Bureau of the Census 2002).

4.4.2. Federal Transfer Payments to Local Rural Governments. In addition to government sector jobs, federal payments to state and local governments are made annually to compensate these governments for property tax revenues foregone because of tax-exempt federal lands within their boundaries. The two primary sources of funds related to federal forest lands are the Payments-in Lieu-of-Taxes (PILT) program and the 25% Fund revenue-sharing program.

The PILT program, administered by the U.S. Bureau of Land Management since 1976, distributes a fixed amount of revenue to counties containing federal lands for the counties to use for any governmental purpose. The amount of PILT allocated is based on a formula that includes such factors as acres of public land in a county, previous annual payments from this fund, and population. A recurring issue is that the U.S. Congress has seldom appropriated the fully authorized amount of PILT funds. Figure 4-3 shows the amount of PILT payments to Idaho for fiscal years 1980 to 2002.

The 25% Fund, administered by the U.S. Forest Service since 1908, returns 25% of the net revenues from timber sales and other forest revenues to counties with national forest lands. Idaho state law requires that of this total revenue, 70% is distributed to county road districts and 30% to school districts in counties. Because of the substantial decrease in national forest revenues from timber sales during the 1990s, this program has been supplanted by the

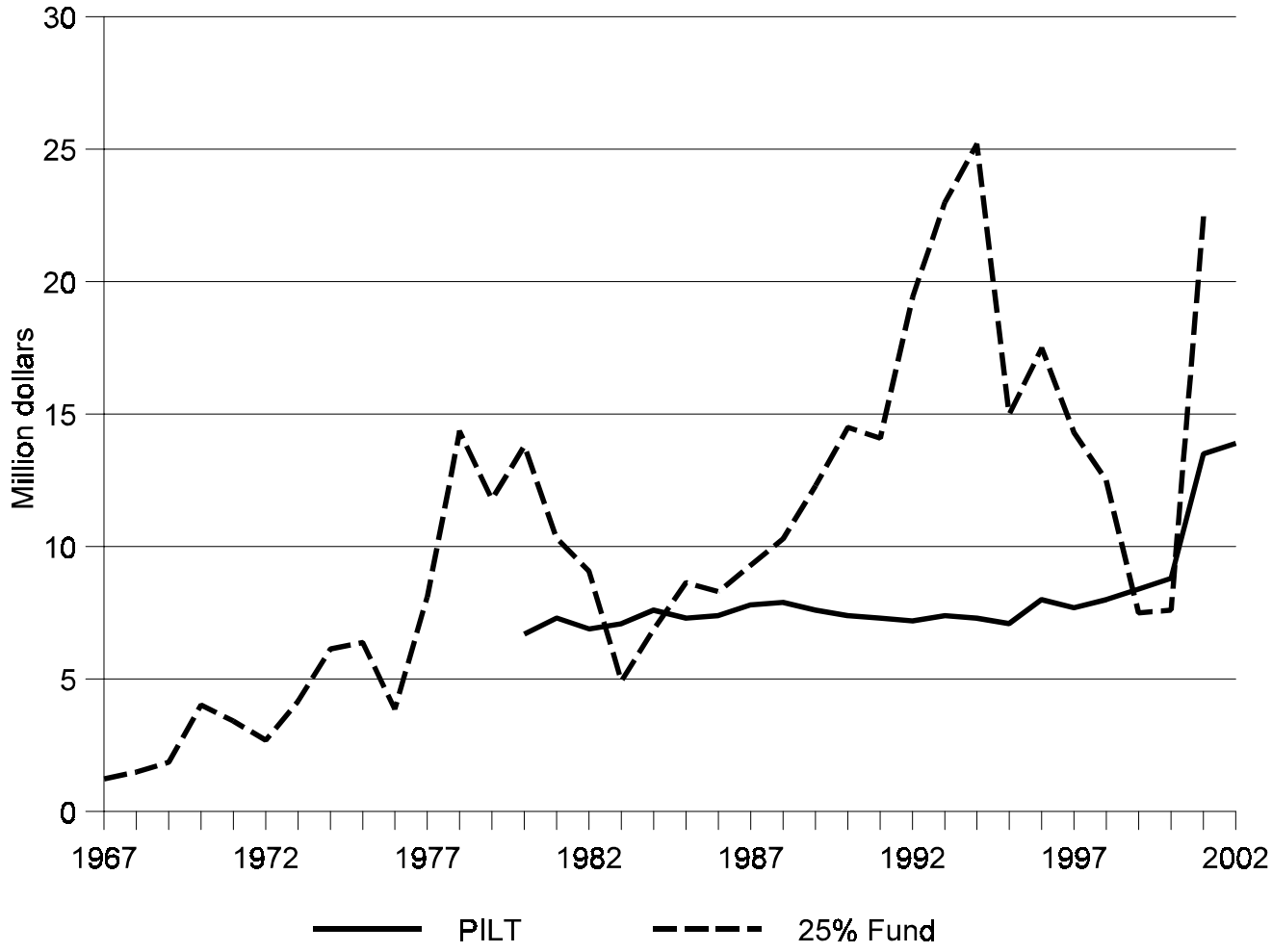

Figure 4-3. Payment-in-Lieu-of-Taxes (PILT) payments to Idaho, 1980-2002, and 25% Fund payments to Idaho, 1967-2001.

Secure Rural Schools and Community Self-Determination Act (P.L.106-393). This act represents a transfer of more than $232 million from the U.S. Treasury to local governments in the region for each year from 2001-2006. If counties opt for this program, it provides funds for federal land and resource management projects in the local areas as well as transfer payments to counties at an historic proportion of the former 25% funds. This is significant because many of the jobs in rural communities are government-related, whether county and highway district employees or teachers and staff in rural school districts. Figure 4-3 shows the amount of 25% Fund payments from 1967-2000 and payments under the interim act to Idaho for 2001.

Another source of direct federal funding to rural communities in Idaho has been proposed, but is not yet established. Because of the predominance of federal land in the Inland Northwest region, the decrease in timber harvests from federal lands in the 1990s, and the resulting decrease in 25% Fund revenue-sharing payments to local governments, regional development specialists, including representatives from the states of Oregon, Washington, and Montana, and the Idaho Rural Partnership, are seeking a transfer of funds through the U.S. Department of Commerce's Economic Development Administration, with a direct special appropriation by Congress to fund the economic development of the region's rural communities (CBC 2000). They are seeking to establish an economic recovery program titled the Inland Northwest Economic Adjustment Strategy. We review this proposal in section **5.2.1**.

4.5. Challenges for Rural Communities

Rural communities face many challenges because of the trends in economic sectors described above and the changes they may bring to communities. As **Chapter 3** documents, rural communities depend to

varying degrees on these economic sectors, but few communities depend on only one of the sectors (see also Appendix Table 1). Therefore, our approach is to discuss challenges associated with dependencies on particular sectors, not a particular type of community. Dependency on any economic sector—whether it's wood products manufacturing, travel & tourism, or government—may bring challenges for a rural community.

4.5.1. Challenges of Timber Dependency. A community that depends on the wood products manufacturing industry is subject to the same business cycles that affect that industry as a whole. The boom-and-bust cycle of resource-dependent communities is well-documented (for a report on a recent workshop on this topic, see Limerick et al. 2002).

Most wood products are commodities that are subject to some degree to the "rules" of the free market—efficient, low-cost producers survive. Wood products are produced and traded globally, and the Inland Northwest may no longer have a low-cost advantage in many commodity industries (Cooke 2002). One of the ways to remain competitive is to reduce labor costs by replacing labor with capital, as the wood products sector has done. Another is lowering wages. Either can affect the well-being of communities. Because corporations are accountable to their shareholders, who are not necessarily community members, management decisions may have the interests of the financial community above that of the rural community.

The challenges of dependency on national forests for supplies of timber are discussed below in section **4.5.5**.

4.5.2. Challenges of Travel & tourism Dependency. Like the wood products industry, the travel & tourism sector is dependent on business cycles and must maintain competitive advantages in the marketplace. However, unlike many wood products, travel & tourism "products" for the most part are not commodities—i.e., there is greater product differentiation in the marketplace. In other words, a 2x4 framing stud from Idaho is the same product and commands the same price as a 2x4 from Chile, but a trip to the Sawtooth Mountains is a different product than a trip to the Andes Mountains. Communities face the challenge of keeping their competitive advantage in their travel & tourism "products."

Another challenge for communities that depend on travel & tourism is the low income and skill levels of some travel & tourism-related jobs. Tourism-related jobs are often seasonal, and low-paying as well, resulting in lower overall annual income for a community (NRC 2000, citing Power 1996). Many tourism-related services require less-valued skills than other jobs, which may limit growth in personal income and further skill development (McDaniel 2000).

Another challenge that communities dependent on travel & tourism face is the peaks in demand for services such as water and sewer, public safety, and search and rescue due to the seasonal and cyclical nature of visitation (Meyer 2001b). Paying for the infrastructure and personnel to provide travel & tourism services also can be problematic, particularly if the majority of purchases made for a rural recreation visit are made in the residential location of the visitor. The business volume and value in the community of residence is increased, but may not be shared with the community of visitation. Under current tax structures, the costs of dealing with additional demands on recreation destinations are placed on local governmental units and, indirectly, on local property taxpayers (Meyer 2001b).

Sandpoint, Idaho, for example, recently voted on a resort tax that would levy 5 percent of all revenues from lodging businesses in the town to help cover the increased infrastructure costs of ongoing community growth. Sandpoint has experienced increased parking and traffic circulation problems, and tourism activity in the town has created strains on its physical and public services infrastructure, such as roads, solid waste disposal, sewer systems, and fire and police protection. Residents have complained that upgrading or expansion of this infrastructure is needed, and that it would be at local taxpayer expense. Tourism brings economic benefits to the town, and one could argue that better meeting tourist demand is necessary to maintain a viable community economy having positive benefits for all residents.

4.5.3. Challenges of Indirect Income Dependency. Dependency on indirect or retirement income helps communities by increasing the total amount of income available for circulation in the local economy, but it also may weaken the connection between the economic well-being of a community's citizens and the economic well-being of a community's businesses. If citizens are not

dependent on local businesses for income, they may not support those businesses as vigorously.

Indirect income is often subject to the same business and economic cycles as salary or wage income. As the recent recession in Idaho and the nation has demonstrated, when dividends, interest, and capital gains on investments fall, tax revenues are reduced. As people see their pensions and retirement funds shrinking, they often become more conservative in their spending. Lower tax revenues and reduced consumer spending affect communities.

Residents who depend on indirect income may be less supportive of taxes for local services. For example, retirees, who no longer have children in school, may in some cases be less supportive of tax increases to support local schools. On the other hand, retirees have more time, life experiences, and skills, and thus can provide an important addition to a community's human capital. In particular, these individuals typically have more discretionary time that they can devote to volunteer work and significant contributions through civic involvement and community activities.

4.5.4. Challenges of Government Payments and Employment Dependency. Transfer payments from the government are income for the community, but they may not be as secure as other income sources. Transfer payment programs are developed by Congress, and they can be changed or abolished almost any time. Most programs are subject to the annual appropriations process in Congress, so the amounts of the payments can be volatile. Transfer payment programs are usually implemented with a set of uniform, nationwide rules, so local communities may not have the flexibility to spend funds in ways that would most effectively meet the community's needs. The ability of a particular community to influence a transfer payment program is often limited. The political system rather than the economic system determines the existence and amount of the transfer payments.

Government employees add to a community's economy and its human capital, given that they can have higher levels of education and expertise in some areas, but government agencies, like other entities in a community, can choose to downsize. This may be done for political as well as economic reasons. Recent downsizing and closing of Forest Service ranger district offices in smaller, rural communities has affected these communities economically, as well as socially (Parker et al. 2002).

4.5.5. Challenges of Dependency on National Forests. National forests influence commodity-based and amenity-based sectors in many Idaho communities because national forests make up 39% of Idaho's land base. In the case of timber-based commodity production, national forest timberlands contain 77% of the timber in Idaho that potentially can be harvested to make wood products. In the case of amenities-based development, national forests contribute to the qualities—recreation, clean water, wildlife, scenic beauty, etc.—and settings that attract people to travel to and live in Idaho.

Existing resource conditions on national forests are challenging for rural communities. The ICBEMP assessment documented resource conditions on national forests in the Inland Northwest and Idaho. Concerns about forest ecosystem conditions in the region fall into three general, interrelated categories: [1] increased vulnerability to insects, pathogens, fire, and drought; [2] loss of habitat, or its fragmentation, and associated diminishment of biological diversity; and [3] soil degradation (NRC 2000). The question of what to do about these concerns is contentious.

For example, the risk of severe impacts from wildfire on national forests has increased (Arno and Allison-Bunnell 2002). Decades of fire suppression and selective logging have led to encroachment of fire-intolerant and pest-susceptible Douglas-fir and true firs in many forests, with more intense and widespread fires and pest outbreaks today than likely occurred in the past when fuels and host abundance were limiting factors (Quigley et al. 1996, NRC 2000). This forest transition is prevalent in Idaho, where over the past 50 years, forest growing stock volume increased 37%. Most all of the increase was in Douglas-fir and grand fir, which together increased 83%, while the historically important ponderosa pine and western white pine declined by 46% (Figure 4-4). Such changes in tree species composition are related to forest health (O'Laughlin and Cook 2003).

Widespread western wildfires in 2000 burned 8.4 million acres, and experts warn that future wildfires in the West will be more difficult and more expensive to fight in the face of increased fuel loads, growing populations near forests, and deepening state budget deficits (Sonner 2002). In 2000, more land (1.3 million acres) burned in Idaho than in any other state (Gilbert et al. 2001). An additional problem is that the construction of houses and buildings on fire-prone landscapes has increased the financial liability and risk to human life associated with wildfires (NRC 2000).

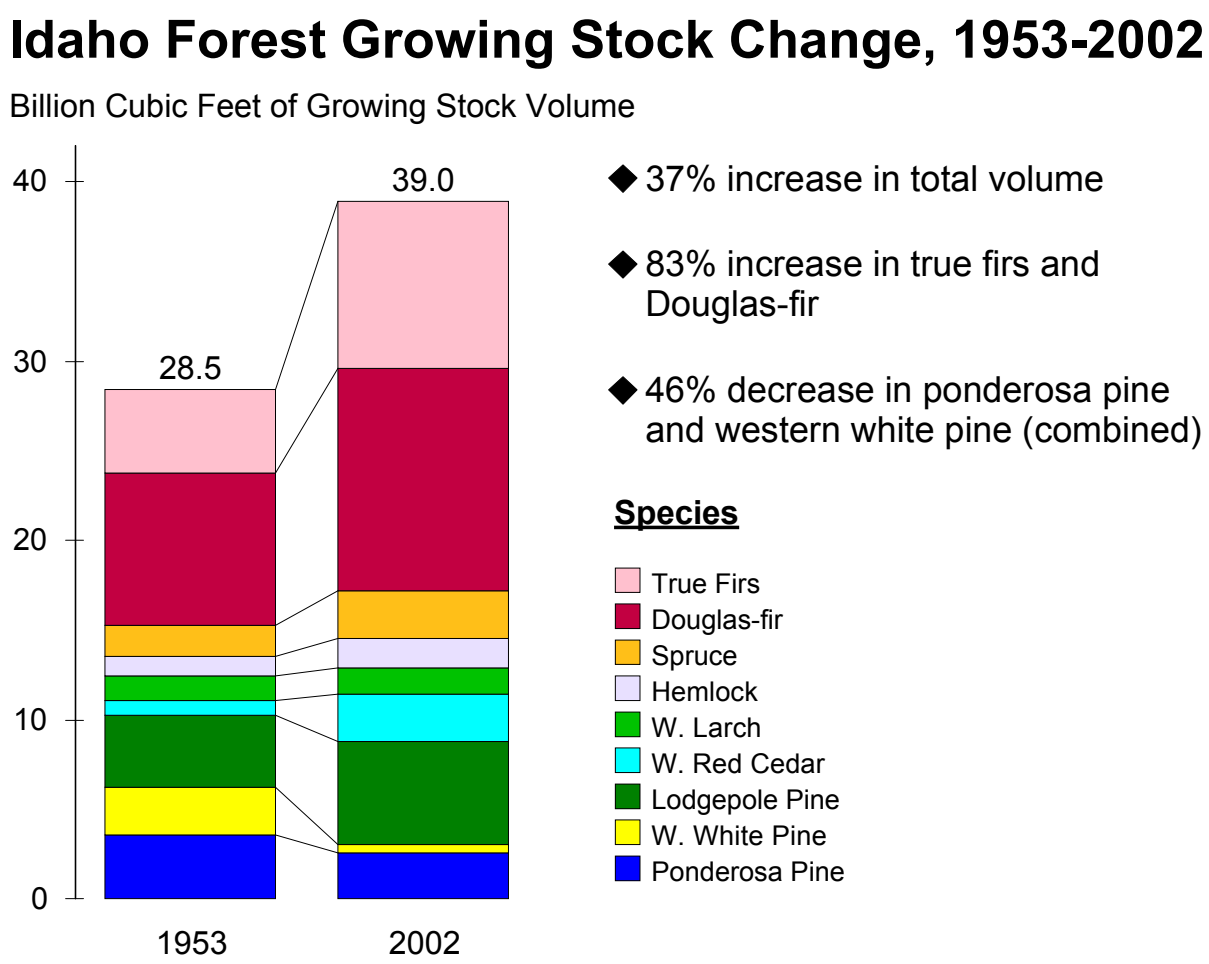

Figure 4-4. Idaho forest growing stock volume change by species, 1953-2002 (O'Laughlin 2002b).

What challenges does the increased risk of wildfire pose for communities, and what should be done? Timber harvesting can pose risks to amenity values, as does wildfire. Different interests' views of the magnitude and importance of those risks and the most effective way to reduce them make the issue especially contentious. The issue is a nationwide problem, and federal agencies are working hand-in-hand with the states to implement the National Fire Plan, a policy response to widespread wildfires in 2000. The plan focuses on four goals: enhanced fire suppression, rehabilitation and restoration, fuel reduction, and community assistance.

Besides the challenges of resource conditions and fire management and suppression, communities are also challenged by national forest management decision making processes. National forests are managed to provide multiple uses, and the questions of the appropriate balance among those uses and who should determine the appropriate balance are contentious. Some people believe that communities in the vicinity of and dependent upon the national forests should have a greater say in their management than other Americans. Other people believe that because national forests belong to the federal government, all Americans should have an equal say in their management. Idaho communities that are dependent on national forests, whether commodity- or amenity-dependent, can be affected by decisions influenced by people from all over the United States as well as from other communities within Idaho that may not be dependent on national forests for their economic well-being.

Lack of agreement about the appropriate balance among multiple uses of national forests has led many commentators, analysts, and citizens to describe the U.S. Forest Service's decision-making processes as being in gridlock (see O'Laughlin et al. 1998, Parker et al. 2002). Gridlock is government

inaction when faced with a problem that results from a lack of consensus on what action to take (Kraft 2000). The Forest Service sees the cause of gridlock as excessive analysis, ineffective public involvement, and management inefficiencies (USDA-FS 2002). Others see Forest Service gridlock as a function of failure to uphold the law (e.g., Oregon Natural Resources Council 2002). Gridlock is part of the design of our government system. Whether gridlock is an appropriate state for federal land management depends on perceptions and values about what the purpose of these lands is, and how the Forest Service should meet its mission of "caring for the land and serving people."

4.5.6. Challenges of Economic Transition. Some communities are facing transitions in their dependencies from one resource-based sector to another, or to multiple sectors. These transitions can pose challenges for communities. An often-cited challenge for communities moving from a reliance on a wood products manufacturing base to a travel & tourism base is that tourism jobs on average provide less income than manufacturing jobs (Keegan et al. 1992, 1997; NRC 2000, citing Power 1996).

A strong tourism sector can strengthen local economies by providing jobs with low, entry-level skill requirements, potential for upward mobility, and local ownership and control; however, tourism by itself probably cannot substitute for wood products manufacturing jobs (NRC 2000). For reasons discussed earlier in this chapter, wood products manufacturing is declining as a percentage of Idaho's economic base. In the 1990s, as the rest of the economy grew, employment in wood products manufacturing declined from 11% to 8% of the total jobs in Idaho's basic industries, and the percentage of total labor income from this industry declined from 18% to 14% (Table 4-4). Meanwhile, non-resident travel held steady at 17-18% of employment, and 7-9% of labor income. These data (Table 4-4) also reveal that average labor income in Idaho's wood products industry is three times that of the non-resident travel sector. This income differential has implications for rural community development. A higher percentage of wood products manufacturing jobs offer a living-wage than jobs in the non-resident travel sector.

4.5.7. Challenges of In-migration. Communities that are experiencing in-migration for either commodity-based or amenity-based reasons can experience social and cultural as well as economic challenges. For example, some research reports, as well as stories in the news and popular media, describe newcomers to rural western communities as having different values and opinions than longer-term residents about the environment, community growth, and development issues. Specifically, newcomers who are attracted to communities for their amenities are thought to be more liberal, urban-oriented, "green," and less supportive of traditional commodity industries than longer-term residents. Some sociologists suggest that these differences are resulting in a "culture clash" (Smith and Krannich 2000). The social science literature provides mixed support for this contention (see Blahna 1985, 1990; BSRI 1994; Dunlap and Heffernan 1975; Fortmann and Kusel 1990; Jobes 1988, 1995; Kenworthy and Overberg 2002; Krull 1995; McBeth and Foster 1994; Smith and Krannich 2000; Sofranko 1980; Sofranko and Fliegel 1980; Sofranko and Williams 1980; Theodori et al. 1998; Voss 1980; Wellman and Maran 1983; Williams and Jobes 1990).

In addition to differences in environmental attitudes, cultural clashes may arise because of ethnic heritage. Perhaps the most dramatic demographic and socio-cultural change in the Inland Northwest region has been the increase in the number of in-migrating Hispanic-Americans. In Idaho, for example, the number of Hispanic-Americans has almost doubled over the last decade, reaching 101,690 residents in 2000, an increase of 92% since 1990 and far surpassing the national increase of about 50%. Much of the increase has occurred in communities in the middle and upper Snake River plain of Idaho. Regardless of whether newcomer and oldtimer differences exist and whether they are based on environmental attitudes or cultural heritage, communities must be aware that the potential for culture clash exists as communities develop and change.

Other potential challenges of in-migration include overloads on roads, hospitals, fire departments, sewage treatment plants and other infrastructure and public services as communities grow (McDaniel 2000, NRC 2000). Property taxes may need to be increased to raise revenue to pay for new infrastructure and increased services. Property values may also increase, which may reduce housing that is affordable to some residents (NRC 2000).

4.5.8. Challenges of Leadership. Strong leadership is imperative as communities face both economic and social changes. Strong local leadership can promote policies designed to balance growth among rural industries, encourage skill development of

Table 4-4. Comparison of Idaho wood products manufacturing industry and non-resident travel sectors in percentage of total basic industry employment, labor income, and average annual wages, 1987-2000.

	1987-1991	
	Wood Products Manufacturing	Non-Resident Travel
% of total employment	11.2%	17.6%
% of total labor income	18.2%	8.8%
average annual wages	$38,000	$12,700

Source: Keegan et al. (1992)

	1996	
	Wood Products Manufacturing	Non-Resident Travel
% of total employment	10.3%	17.0%
% of total labor income	15.7%	7.5%
average annual wages	$43,500	$13,200*

Source: Keegan et al. (1997)

	2000	
	Wood Products Manufacturing	Non-Resident Travel
% of total employment	8%*	18%
% of total labor income	14%*	8%
average annual wages	$46,700*	$14,900*

* C.E. Keegan, personal communication.

rural workers, and maintain crucial rural services (McDaniel 2000). Civic leadership is the most important factor underlying community resilience (Harris et al. 1998). Rural communities face challenges in community leadership. Some rural communities lack strong leadership today, as documented in Harris et al. (2000), and many rural communities are losing younger residents, and thus potential future leaders (McDaniel 2000; Harris et al. 1999, 2000).

A challenge for some communities will be avoiding "growth machine" leadership (Molotch 1976). Some local leaders who have a specific economic interest and personal stake in community growth—for example, real estate agents, contractors, developers, etc.—may take actions to promote growth, even in ways that may be detrimental for the community as a whole but that economically benefit the leaders. Although these leaders may gain support by making a pretense of doing what is best for the community, they are also acting from self-interest. Their actions may, in fact, serve to benefit the community as a whole, through coincidence. "Growth machine" structures do not necessarily exist in every community, and the theory cannot be applied wholesale to discredit motives of all community leaders. However, a failure to recognize the existence of a "growth machine" may result in unnecessary policy implementation problems.

Attempts should be made to ensure that all community members have the opportunity to provide meaningful input to the process of developing a community vision for the future. Additionally, the policy evaluation process should include criteria that examine whether or not the impacts of the selected policies benefit the targeted communities as a whole, or only a powerful few. Those policies that do not meet these criteria may need to be modified or replaced.

4.6. Conclusions

This chapter conveys the complexities and paradoxes of economic change in Idaho and the Inland Northwest. As the national economy went into a recession in 1999, led by the declining high-tech sector, we are reminded that economies tend to be dynamic, volatile, and turbulent. The main points

concerning trends affecting the wood products manufacturing and travel & tourism sectors are:

- Over the last half-century, commodity-based industries, such as wood products manufacturing, have become more capital-intensive and less labor intensive, thereby affecting employment in rural communities.
- All industrial sectors, including wood products and tourism, operate in a global economy.
- The wood products industry in Idaho grew rapidly following World War II. Timber harvest volume in Idaho peaked in 1976 at 1.9 billion board feet. The 2001 harvest level was about 1.1 billion board feet.
- The contribution of Idaho's national forests to total timber harvest peaked in 1969 at 61% and declined to11% in 1999.
- The number of primary wood products manufacturing plants in Idaho declined from 242 in 1979 to 149 in 1995, and processing capacity declined about 30%. More mills have closed since then.
- Recent closures of wood processing facilities have been caused by numerous factors including: the national and global economic recessions, the expiration of the Canadian softwood lumber agreement, a high-valued U.S. dollar, continued low federal timber harvests, and high energy costs in early 2001.
- In 2001, primary wood and paper products manufacturing in Idaho had total sales value of $1.3 billion.
- In 1997, travel & tourism spending in Idaho was $1.7 billion, with some unknown portion attributable to forest amenities.
- The high-tech sector has become important to Idaho's economy, but has declined during the economic recession that began in 1999.
- Indirect income (retirees, for example), employment in government sectors, and federal transfer payments are increasingly important parts of Idaho's diversified economy.

Dependencies on economic sectors and changes in those sectors create challenges for rural communities in Idaho. Among the challenges are:

- All business sectors, whether commodity- or amenity-based, are subject to business cycles, which creates volatility for communities.
- Government transfer payments and employment are determined by political, not economic, processes, which may not always take into account the best interests of a community.
- Various interests in a community may not always agree about management of national forests in their vicinity because of different perceptions about the relative risks posed by existing resource conditions and proposed management actions.
- Communities may be unable to sway national forest management decisions in their favor because of the existing decision-making framework for these federal lands.
- Communities in transition from commodity- to amenity-based economic sectors may experience upheaval due to income differences between sectors, different values of in-migrants, and infrastructure needs.
- Community leadership that can balance the different needs of the community may be difficult to find.

Chapter 5. What Development Strategies Help Communities Build Promising Futures?

The goal of community development is to ensure that communities are vital, healthy, and desirable places to live and work. Socioeconomic stability, resilience, and a high level of quality of life are all attributes of communities that are developing in positive and constructive ways.

Economic development is a part of community development and the focus of this report. This chapter provides a brief review of the current state-of-practice for economic development in rural areas. Individual communities can choose different development paths depending on their specific needs. We also describe an economic adjustment initiative proposed in the region. Appendix A describes specific rural community development programs in the state of Idaho.

5.1. Approaches to Rural Community Development

In general, rural development specialists focus on five broad approaches for strengthening rural communities: [1] attracting new basic employers (both manufacturing and non-manufacturing); [2] attracting entrepreneurs and growing existing businesses within the community; [3] improving educational opportunities; [4] developing physical infrastructure, including telecommunications; and [5] building community capacity, or social infrastructure. These five strategies are not mutually exclusive, but provide a convenient framework for reviewing the rural development literature. The literature emphasizes that the strategies that will be most successful for a particular community are unique to that community (Stauber 2001), and thus that no one formula can ensure that a particular place will develop and prosper in effective ways that best suit its unique characteristics and capabilities (Fox 1996). Ideally, a difficult but crucial step in rural development is for the residents of a place to reach consensus about their vision for the future of that place and what they would like it to become. Conflicts over rural development often have their source in divisions among residents concerning their desires for their community's future, including desired levels of growth in population, business, and infrastructure.

5.1.1. Attracting New Basic Employers. Increasing the amount of basic, or exporting, employers and industries is a proven method of increasing economic growth and development in rural communities (Polzin 2001). Basic industries can include establishments reliant upon amenities, such as travel & tourism businesses, as well as those focused on commodity production, such as wood products manufacturing facilities. The key is attracting income from outside the community that is then re-circulated within the community.

Some analysts suggest that industry recruitment opportunities for isolated rural communities are extremely limited (Markley and McNamara 1995), and communities should rely more on the comparative advantages they offer for a particular enterprise—for example, nearby forests—than on incentives or concessions to potential employers (Blakely 1994). For example, relocation tax incentives commonly have been used to encourage firms to relocate to rural areas; however, some analysts question their effectiveness in recruiting new employers (e.g., Drabenstott 2002, Johnson 2001). Recent trends during the current economic slowdown reported in the media (e.g., Hochberg 2002) are that companies which received these incentives in the past are now leaving the communities providing them. This does not mean that incentives should not be used, but the kinds of incentives and support programs a community uses should be carefully considered in a flexible framework, with the main goal to fit programs to the businesses the community desires to attract (Blakely 1994).

5.1.2. Expanding Existing Businesses and Attracting Entrepreneurs. Encouraging existing businesses to expand is an important strategy for rural development (Dabson 2001, Drabenstott 2002, Drabenstott and Sheaff 2001, Markley 2001, Markley and McNamara 1995). Small businesses are particularly important in rural areas. For example, in the Rocky Mountain region in 1998, small firms employed more than two-thirds of the rural workers (McDaniel 2001).

Attracting entrepreneurs to rural areas also may be key for some communities (Henderson 2002, Hoy 1996). Rural entrepreneurs create new products, serve or create new markets, or utilize new technologies in the rural environment. Increased entrepreneurial activity can lead to increased economic activity for other businesses in the community in support of the entrepreneur (Hoy 1996).

An essential ingredient in starting or expanding businesses is financial capital, and in rural areas access to adequate supplies of capital tends to be

limited (Drabenstott and Sheaff 2001, Henderson 2002). Expanding access to capital is one way rural communities could foster small businesses and entrepreneurs (Hoy 1996, Martin and Stiefelmeyer 2001, McDaniel 2001).

5.1.3. Improving Educational Opportunities. One key contributor to economic development is education, particularly of a community's youth and its unemployed workers (Barkley 1995, Drabenstott 2000, Freemuth 2001, Jischke 2000, McNamara and Deaton 1996a). Education is generally presumed to stimulate economic development through its influence on labor productivity, or the output per unit of labor input, which typically increases as the work force becomes more educated (McNamara and Deaton 1996b).

Businesses using newer technologies may be reluctant to locate in rural areas, and rural businesses may not adopt new technologies because of a perceived or actual lack of skills among rural workers (Barkley 1995, Olmsted and Cook 2000, Wilkerson 2001). The 1996 rural manufacturing survey showed that the chief concern of both urban and rural manufacturers is typically the quality of their workforces (Wilkerson 2001).

Education and worker training are essential for helping rural communities attract high-performance, knowledge-based companies (Marshall 2000). As firms seek employees with higher skill levels, communities that have invested in education will have an advantage over communities that have not, other things being equal. Communities that fail to focus on improving the education level of the work force will continue to attract manufacturing investment of firms seeking low-skilled, poorly-trained workers for low-wage employment (Barkley 1995, McNamara and Deaton 1996a).

While education is an important determinant of firms' industrial location decisions because of the importance of labor productivity, it is also important as a quality-of-life factor that impacts firms' abilities to hire and make the best use of management and skilled laborers (McNamara and Deaton 1996a). These personnel will be reluctant to move to communities that offer their children inferior educational opportunities. As firms consider industrial sites for new manufacturing investments, they assess the local educational system along with other quality-of-life factors affecting their ability to hire management and other needed personnel at the production facility (McNamara and Deaton 1996a).

5.1.4. Developing Public Infrastructure. Infrastructure is another key component of economic development. Public infrastructure includes the physical capital investments traditionally supported by the public sector to meet the needs of residents and businesses for water systems, sewerage systems, electricity, telecommunications, roads and other transportation modes, such as railroads and airports (Fox 1996). The economic impacts of infrastructure development depend on: [1] how rural a community is, [2] the existing condition of a community's infrastructure, [3] the community's industrial composition, and [4] other community characteristics (Fox 1996).

Public infrastructure influences the quality of life for rural residents by improving access to certain basic necessities and comforts such as mobility, water, sanitation, health care, education, and social interaction. But infrastructure also influences rural quality of life indirectly by improving access to economic opportunity, by increasing productivity of labor, private capital, and human capital, and by strengthening the tax base upon which public service provision is dependent (Johnson 1996). Improving public infrastructure in rural areas is one way to foster small business (Martin and Stiefelmeyer 2001, McDaniel 2001). A basic, minimal level of infrastructure development is needed to support most private sector enterprises. Although infrastructure is necessary to development, an expansion of infrastructure does not guarantee economic development unless other determinants of development are also in place (Drabenstott 2000, Fox 1996).

Transportation infrastructure improvements appear to have great potential for encouraging economic development because most development is directly linked to resources and outside markets (Fox 1996). In general, infrastructure should be built to meet known demands, not prospective ones, and it is generally cheaper to maintain infrastructure than to build new projects periodically (Fox and Porca 2000).

Much has been written about technology infrastructure, particularly telecommunications. Some analysts suggest that technology will be the driving force for the rural economy in the 21st century (e.g., Greenspan 2000). Others emphasize that rural areas need to be connected to the digital economy, but telecommunications is not a panacea for development (Drabenstott 2000, 2002). Telecommunications may be a necessary, but

insufficient element in rural economic development (Drabenstott 1995, Marshall 2000).

5.1.5. Building Community Capacity. The ability or capacity of local people to solve problems in their own communities is related to the well-being or health of the community. Although it might not be thought of as an economic development strategy, building community capacity is paramount for effective community development in small, rural communities. In particular, capacity building emphasizes the development of social and institutional processes for helping rural residents think about their futures, and implement their ideas for securing those futures with approaches that result in meaningful and desirable change in the community. Capacity building increases the ability of people and institutions to do what is required to be effective actors in progressive community development.

One relevant consideration here is the concept of c*ommunity resilience,* which is defined as a community's ability to manage change and adapt to it in positive, constructive ways (Harris et al. 2000). Important elements of resilience include social cohesion among community residents as well as high levels of civic involvement and effective community leadership. Researchers have developed a community resilience index and examined the resilience of communities in the Inland Northwest (see Harris et al. 2000). They found that larger communities had higher resilience, as did communities with well-developed physical infrastructure and diverse economies. Communities that had plans and identified projects allowing for change to achieve a desired future had higher resilience scores (Harris et al. 2000).

Local leadership is an important component for building community capacity (Freemuth 2001, Harris et al. 2000), and leadership is sometimes limited in small, rural communities. Leadership development is not an activity that most small communities have the resources to formally engage in, but some opportunities can be provided through partnerships with other levels of government. For example, the states of Washington and Oregon have developed community leadership development strategies, including leadership outreach and regional leadership meetings that are located where they are needed. The federal government also has called for partnerships with communities to develop effective local leadership (see President's Council on Rural Development 1992).

5.2. Economic Adjustment Initiatives

Communities, no matter where they are, do not control all the factors that affect the development of their economy. For example, some communities depend on distant export markets over which they have little control. Likewise, communities are affected by government policies over which they have limited control, and these policies affect the community's ability to develop. In Idaho, almost 64% of the land is administered by the federal government, including 39% by the U.S. Forest Service. Although federal land and resource management provides many benefits to Idaho's communities, it also means that communities may not be able to use these natural resources to develop in ways they would like.

In recognition that federal land management policies can have a major influence on economic development in some communities, the federal government has sometimes provided special assistance to those communities most affected. For example, in the wake of concern about the spotted owl and reduced federal timber harvest levels west of the Cascade mountains, a program known as the Economic Adjustment Initiative was instituted for the west-side areas of Washington, Oregon, and Northern California in the early 1990s. Congress appropriated $1 billion for this program over five years to help get communities back on their feet (Hahn and Manning 2001). The key elements of the initiative were not only the additional funding that was made available for communities, but also the streamlining of the funding process and the ability of communities to prioritize their funding needs. By most accounts, the streamlined funding process was successful at matching the needs of communities with appropriate funding sources (Christensen et al. 2000, WA-CERT 1995). Projects were designed to provide the recipient communities with the infrastructure improvements needed to attract new economic opportunities, and were not necessarily related to natural resource management.

Communities that were affected by resource-use changes were allowed under the Economic Adjustment Initiative to develop their own strategies for adapting to that change. Assistance is provided to help communities achieve the goals they have set for themselves. Communities identify the resources that exist, and then attempt to utilize them to the greatest degree possible. For example, the U.S. Forest Service, as part of the Economic Adjustment Initiative, gives grants of up to $20,000 to communities for the purposes of carrying out a

SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis of its current situation.

5.2.1. Inland Northwest Economic Adjustment Strategy. Economic development agencies from the four Inland Northwest states—Idaho, Montana, Oregon, and Washington—are putting together an economic adjustment initiative for areas east of the Cascade Mountains. The proponents of the strategy believe the economy of the region has been damaged by federal land and resource management policies—including timber harvests, grazing allotments, the Endangered Species Act, and environmental regulations—and Congress should provide a special appropriation to mitigate the situation (Hahn and Manning 2001).

Work to develop the strategy was initiated in 1999 by the four states and a coalition of counties (Barney & Worth 2001). This partnership received two planning grants from U.S. Economic Development Administration and assistance from the four state governments to systematically research socioeconomic conditions and design an economic adjustment strategy to cover the entire 97-county, 14-tribe region. The strategy was developed under the guidance of a 40-member regional Advisory Committee that was assisted by a consultant team led by Barney & Worth, Inc. The strategy has been prepared in two phases:

- Phase I – Comprehensive analysis of the region and its communities and tribes.
- Phase II – Creation of a "roadmap for economic vitality" based upon locally identified needs and priorities (Barney & Worth 2001).

The desired outcomes are:

- Provide a regional assessment of the socioeconomic vitality being experienced within the Inland Northwest region;
- Create region-wide grassroots awareness of the problems, and involve community and tribal leaders in devising possible strategies and solutions; and
- Secure Congressional, administration, and federal agency understanding and support for economic diversification, workforce training and infrastructure investment in the Inland Northwest (Barney & Worth 2001).

The results of Phase I found that as few as two, or as many as 15, of the 97 counties are experiencing socioeconomic conditions that are merely average. The rest are sub-average. Over the entire four-state Inland Northwest, only two counties are doing better than the four-state Pacific Northwest socioeconomic average. The two exceptions are in Idaho: Ada County (Boise) and Blaine County (Sun Valley). These findings are consistent with the results of existing socioeconomic indices devised by the EDA and the states of Oregon and Washington. For example, applying EDA's criteria, only nine of the 99 counties fail to qualify as distressed (Barney & Worth 2001).

Those involved in developing the strategy have emphasized the need for planning processes, intergovernmental coordination, and funding sources that would support a holistic approach to economic revitalization (Barney & Worth 2001). Common strategies identified for rebuilding and strengthening the economy included:

- Infrastructure investments, including telecommunications infrastructure and public safety (e.g. fire protection).
- Decentralizing public agency functions back out into rural communities (e.g., reversing the trend toward consolidation of offices in distant regions).
- Value-added agricultural and forest products manufacturing (e.g., strawboard manufacturing).
- Alternative energy generation, especially bio-mass and wind power.
- Ecosystem restoration, including fire prevention, as a strategy for the future.
- Technology jobs, generally expressed as need to upgrade worker skills in this area.
- Entrepreneurial support.
- Tourism – a key strategy component in many but not all areas.
- Connecting with and building upon the strong presence of Tribes and their cultural resources to develop projects of benefit to the whole region.
- Workforce training.
- Providing more and better information about promising opportunities in specific sectors and niches (Barney & Worth 2001).

The Inland Northwest Economic Adjustment Strategy recognizes a variety of strategies to improve conditions in communities. Three of these relate directly to the topic addressed in this report.

Pursue sustainable natural resource strategies: Some Inland Northwest economies remain dependent upon natural resource-based sectors. These resource-dependent communities, in particular, are striving to attain a sustainable level of

agriculture and forest production. Examples of emerging products include "natural" beef and ready-to-assemble furniture. Communities also want to explore new natural resource opportunities including ecosystem restoration, fire prevention, and sustainable energy generation (Barney & Worth 2001).

Establish partnerships with federal land managers: To achieve sustainable levels of natural resource production, many communities want to establish closer relations with the federal land management agencies that hold the keys to their future. Some land management decisions have been moved away from the local level, and contacts with federal land managers have become less frequent. New partnership arrangements are a priority for communities across the region, to identify and pilot sustainable job development projects (Barney & Worth 2001).

Develop tourism: Many parts of the Inland Northwest region continue to attract visitors. In these communities the challenge is to develop a tourism industry that adds value and contributes to local socioeconomic vitality, while guarding against unwanted impacts. For a region that is so rich in natural resources, history and cultural heritage, niche markets hold particular promise, including ecotourism, cultural/heritage tourism, and adventure travel. Examples of tourism targeting niche markets would be working stays on guest ranches/farms and interpretive guide services (Barney & Worth 2001).

5.3. Conclusions

Rural communities can pursue any number of strategies for building a promising future. Each community's approach to economic development will be different, and strategies need to be tailored to fit the needs of the community. Among the strategies for consideration can be:

- Attracting new basic employers that bring outside income into the community by highlighting the community's comparative advantages to employers.
- Attracting entrepreneurs and expanding existing businesses by insuring adequate access to capital.
- Providing high quality education to increase worker productivity and quality-of-life for residents.
- Providing high quality physical infrastructure, particularly transportation and telecommunication.
- Building social infrastructure and capacity to help communities plan for and deal with change.

Given the large influence that federal land and resource management policies have on rural communities in Idaho, an economic adjustment initiative which provides direct financial help to communities from the federal government may be appropriate to help communities move into the future.

Chapter 6. What National Forest Management Policies Can Aid Communities' Futures?

As we discussed in **Chapter 5**, National Forest System lands and the way the U.S. Forest Service administers them influence many communities in Idaho. About 39% of Idaho's land is national forests, 77% of Idaho's timberlands are in national forests, and 76% of the timber growing stock volume in Idaho is in the national forests. National forests also provide many other benefits to Idaho including scenic and recreational amenities, wildlife habitat, and watershed values. National forest management is therefore an important policy issue for many of Idaho's communities.

The statutory purposes for establishing national forests, as stated in the Organic Act of 1891, are "to improve and protect the forest within the boundaries, or for the purpose of securing favorable conditions of water flows, and to furnish a continuous supply of timber for the use and necessities of citizens of the United States" (16 U.S.C. § 475). The U.S. Forest Service was assigned by Congress the responsibility for administering the national forests. Over time, new laws and policies have expanded the agency's mission to include wilderness, recreation, biodiversity conservation, and maintenance of soil quality and natural processes.

Policies for managing national forests continue to evolve, and the chief role of national forests in the northwestern U.S. has shifted from one of providing timber and other forest products to one of sustaining and restoring forest ecosystem integrity (NRC 2000). This new management direction is sometimes called ecosystem management or sustainable forest management (EM/SFM) and has implications for ways that communities are affected by the national forests around them. This chapter discusses what EM/SFM is, and what types of policies based on EM/SFM might be implemented on national forest lands to assist rural communities in their economic development. These strategies are applicable to communities regardless of whether they have chosen a commodity-based or amenties-based path, or both, for their futures.

6.1. Ecosystem Management/Sustainable Forest Management (EM/SFM)

During the 1990s, ecosystem management (EM), or sustainable forest management (SFM), was developed to address a variety of natural resource challenges in the Pacific Northwest and elsewhere (NRC 2000). The evolving concept of EM/SFM has been a recurring feature of PAG Reports that analyze federal land management (see O'Laughlin et al. 1993; O'Laughlin et al. 1998). Most recently, the PAG analyzed timber harvesting in the context of sustainable forest management (Cook and O'Laughlin 2000), so we provide only a brief summary of EM/SFM here.

EM/SFM provides a framework for forest management in the context of competing goals and objectives and across scales of time and space (NRC 2000). Key elements of this framework are as follows:

- *Operational goals.* Goals are formulated in terms of ecosystem processes, as well as economic and social outcomes, to provide measurable benchmarks for success of management policies and practices.
- *Context and scale.* Managers should be cognizant that activities at one location in a forest landscape influence processes and outcomes at nearby and sometime distant locations. The spatial and temporal context for management decisions should match the scales of ecosystem processes critical to sustainability. Forest ecosystems are constantly changing and such change is often critical to their long-term functioning. This reality is especially important in the drier forest types where fire exclusion has resulted in accumulations of fuel, an abundance of densely stocked young stands, and, consequently, increased risk of wildfire and outbreaks of insects and pathogens.
- *Complexity and diversity.* Management practices for any one species or element must recognize that suitable habitat encompasses all of the other species and ecosystem processes on which that species depends. The area of habitat expected to sustain viable populations of species through time must be sufficiently large to buffer inevitable fluctuations in population size. A landscape or regional approach to distribution of reserves and connections between them is critical.
- *Uncertainty and surprise.* Uncertainty results from complex, often unpredictable interactions among ecosystem elements, limited ecological understanding and poorly developed principles upon which models of ecosystem behavior can be constructed, and poor data quality, sampling bias and analytical errors. Although risks can be reduced, managers cannot eliminate surprises. Adaptive management is critical to dealing with this reality.

• *Humans as ecosystem components.* The effects of human activities on ecosystems including effects on forest structures and on ecosystem processes present important management challenges (NRC 2000).

A key element of EM/SFM is adaptive management (NRC 2000). Adaptive management is a systematic process for continually improving management policies and practices by learning from the outcomes of operational programs (Ministry of Forests 2002). As one policy analyst suggests, adaptive management "embodies a simple imperative; policies are experiments; *learn from them*" (Lee 1993, p.9; emphasis in original). Adaptive management evaluates the effects of forestry practices on key ecosystem properties and adjusts management practices in a timely fashion to changes in forest condition across all spatial scales (NRC 2000).

The U.S. Forest Service has worked hard for the past decade to implement EM/SFM on National Forest System lands, with results that have been questioned by a diversity of interests. Today's version of EM/SFM is perhaps best captured by Chief Dale Bosworth's (2001) statement to Congress:

> The Forest Service should be judged by "how we leave the land," and I am personally prepared to abide by that judgment. Forest Service managers will continue their efforts to ensure that all land management decisions are based on a collaborative, integrated approach that addresses the environmental implications of our actions in a timely and efficient manner. That is how it should be (Bosworth 2001).

6.2. Managing National Forests to Assist Forest Resource-Based Communities

There are numerous alternative policies for managing national forests that would aid communities around them in various ways. This section describes a few of these policies and reviews some of their benefits and also some of the concerns critics of these approaches have raised.

6.2.1. Target Ecosystem Restoration Work to Communities. EM/SFM emphasizes the restoration of socially desirable and economically viable ecosystem conditions. Such work includes: watershed restoration and maintenance, road obliteration for sediment control, wildlife habitat improvements, fuel load reductions, timber stand improvements, and insect/disease protection. In the past, these projects were completed using revenues generated by timber sales and directed to various fund accounts for completion by Forest Service employees. However, due to a number of factors, including agency downsizing, resource management projects conducted by agency employees have steadily declined (Pinchot Institute 2002). Despite these reductions, the need for ecological restoration or maintenance work remains. Ecosystem restoration work formerly done by agency employees could perhaps be undertaken by locally-based private employers.

For example, protecting communities from wildfires by reducing hazardous fuels would seem to be socially desirable. Restoration, including treatment of hazardous fuels, has the potential to provide economic benefits to local communities and businesses, particularly if they are given priority in the awarding of contracts for restoration activities that take place in a local area. Local workers often have detailed knowledge of local resources. The federal government could encourage local firms with opportunities to carry out and thus benefit from restoration and hazardous fuel reduction activities. The National Fire Plan promotes this approach.

6.2.2. Implement the National Fire Plan. Widespread western wildfires in 2000 and 2002 refocused attention on federal forest policy. The National Fire Plan (USDA-FS and USDI-BLM 2001) was a policy response to wildfires in 2000. Its four goals are:

[1] Improve fire prevention and suppression,
[2] Reduce hazardous fuels,
[3] Restore fire-adapted ecosystems, and
[4] Promote community assistance.

The goals of the Plan recognize a need to assist communities by protecting them from severe wildfire and restoring fire-adapted ecosystems and reducing hazardous fuels. Currently, some communities and regional economies experience substantial economic benefits during major fire seasons from the infusion of substantial amounts of federal dollars for labor, logistical support, and supplies for firefighting efforts. As the plan is implemented, restoration-based fuel treatments could provide substantial amounts of timber, depending on the management approach taken, and thus expand opportunities for wood products manufacturing.

6.2.3. Change Federal Revenue-Sharing Programs. As covered earlier in **Chapter 4**, federal Payments-in-Lieu-of-Taxes (PILT) and the U.S. Forest Service's 25% Fund have been important sources of revenue for counties and other local governments with large areas of federal lands. However, these funds historically have not provided a stable level of funding (Corn 1998). The PILT was designed to compensate counties containing federal land for their inability to tax those lands. The 25% Fund was designed to share federal revenue with local governments based directly on the amount of federal revenues received for timber, creating an incentive for counties receiving road and highway funds and communities receiving school funds to support high timber harvest levels (Hagenstein 1984). The reduction of national forest timber harvests by 80% in the 1990s similarly affected the amount of 25% Fund payments.

Congress temporarily addressed declines and instability in the 25% Fund through passage of the Secure Rural Schools and Community Self-Determination Act of 2000. The act's provisions are authorized through fiscal year 2006. Congress could permanently change the funding for these programs to create more consistent funding levels and to eliminate the incentive communities have for supporting timber harvests and revenue sharing to support local roads and schools. However, national forest timber harvest also supports local logging businesses and manufacturing jobs in communities where such facilities exist.

6.2.4. Simplify and Encourage Land Exchanges. Exchanges of land between public agencies and private landowners can enhance ecological values (NRC 2000). Checkerboard ownership of public and private lands hinders effective management of forest ecosystem patterns and processes. Land exchanges offer a way to obtain and protect critical habitats and create public and private management boundaries that are consistent with the behavior of ecosystem processes (NRC 2000).

It often can be difficult for the federal agencies, including the U.S. Forest Service, to engage in land exchanges with private landowners because of current regulations and restrictions that can make the process complex and lengthy. The process for land exchanges could be streamlined to make it a more attractive option for the protection of species habitat and other resource values. Private landowners could benefit by receiving some economic value for exchanging land that otherwise might be subject to land-use restrictions. This could benefit private owners as well as the local economy through the multiplier effect. The PAG currently has a project underway analyzing the barriers to and potential benefits of land exchanges in Idaho.

6.2.5. Create Dominant-Use Watersheds and Reserves. National forest lands have been managed under a multiple-use mandate for a century. It was most recently codified as the Multiple-Use Sustained-Yield Act of 1960. This approach has not always been feasible in practice when activities have limited compatibility with one another. One solution is that administrative units could be designated where a dominant use (for example, timber harvesting) is identified and managed as the primary use. Other uses would be secondary and only considered after the dominant use had been maximized. This would allow communities to plan for the future with some certainty about that dominant use, whether it be wilderness, motorized recreation, or timber harvest, fostering greater stability in the economies of nearby communities.

Some dominant use watersheds might have "reserve" as their dominant use. Reserves are an important element of EM/SFM strategies (NRC 2000). Reserves are areas managed primarily to maintain (or restore) the natural processes and conditions present prior to European settlement (Aber et al. 2000). Reserves typically exclude activities such as timber harvest and road building, but may allow management aimed at restoring or maintaining desired conditions. Appropriate levels of management may play a legitimate role in a reserve system.

Reserves could be established to protect amenity-related values, such as scenery and visual quality upon which some economic development may depend. The hard part is determining which amenities to protect, which areas to protect, and what type of management to use to protect the amenity values.

6.2.6. Establish Timber Harvest Targets. This goes a step further than the previous alternative by specifying that "dominant-use" areas would be managed to provide specific quantities of timber harvest. Local wood products manufacturing may contribute to strengthening a community's ability to adapt and respond to change. Communities that choose to depend on wood products manufacturing would probably be aided if the U.S. Forest Service established harvest targets for a set amount of timber to be produced from designated areas of national forests, thereby ensuring a supply of timber

for local mills. Congress might be the appropriate authority to set these targets. The targets would represent an amount of timber that forests would be required to cut. This would be a different approach than the Allowable Sale Quantity "target" of the NFMA planning process, which is generally interpreted as a ceiling or maximum amount of permissible harvest (Brown et al. 1993). Local economies would benefit by being assured a reliable level of timber supply, and thus associated jobs and tax revenues.

A supplemental strategy might be to use the Small Business Set-Aside Program to allow small producers to compete with larger national and multinational firms for national forest timber sales (US-SBA 1998). Social cohesion and community well-being might be encouraged by setting aside a specified volume of timber for this program.

6.2.7. Establish Cooperative Sustained-Yield Units. Establishing cooperative commodity production programs on federal lands could ensure communities have access to a reliable supply of resources for local processors and plants. For example, the Lakeview Sustained Yield Unit was established in Oregon in the 1940s under the Cooperative Sustained-Yield Act as a cooperative arrangement between the U.S. Forest Service, the Bureau of Land Management, and private mill owners to provide a steady supply of timber from federal lands for the community's logging and milling industries.

Similarly, the Cooperative Sustained-Yield Act also enabled federal agencies and community members to establish cooperative arrangements between the federal government and private timberland owners. Under the provisions of the act, federal agencies and private owners would each dedicate some amount of land to be managed jointly as a unit on a sustained-yield basis. Harvest levels would be set by federal land managers, but the unit would be managed for 100-year rotations and the timber reserved for local mills. Only one unit, the Shelton Cooperative Sustained-Yield Unit in Washington, was eventually established under this policy. The government could revive this program and establish cooperative management units. Communities with mills would benefit from a sustained supply of timber and from associated jobs and tax revenues.

6.2.8. Expand Land Stewardship Contracting. Stewardship contracts are innovative ways for the U.S. Forest Service to work cooperatively with local communities to achieve results such as watershed restoration and maintenance, road obliteration for sediment control, wildlife habitat improvements, fuel load reductions, timber stand improvements, and insect and disease protection (Pinchot Institute 2002). Since the 1930s the agency has been allowed to channel some of the receipts from timber sales to fund such work by agency employees. As timber harvests declined 75 percent nationwide during the 1990s, this funding source diminished along with budget appropriations, the agency's work force, and employment opportunities for rural community residents (O'Laughlin 2003).

Beginning in 1999, following several years of efforts by community-based forestry groups, Congress authorized the Forest Service to contract with private operators for results-oriented outcomes, and to test new authorities designed to accomplish stewardship objectives (O'Laughlin 2003). According to some Forest Service officials, land stewardship contracting is the best hope the agency now has to take care of the land and meet the expectations of the American people (Kemmis 2001). Given the inadequacy of Congressional appropriations and the continued likely trend of lower timber sales on federal lands, creative approaches may help complete projects and simultaneously contribute to the economic growth of rural communities. Stewardship contracting is one such approach (Pinchot Institute 2002). On a number of national forests throughout the nation, 84 demonstration projects were authorized between 1999 and 2002. In the 2003 Appropriations Act, a rider expanded stewardship contracting by removing limits on the number of projects.

The new authorities under stewardship contracting are: exchange of goods for services; receipt retention; best-value contracting; designation by description or prescription; and multi-year contracting. Accountability stems from multi-party monitoring and evaluation of each project and an annual report to Congress (Pinchot Institute 2002). Other points that characterize stewardship contracting are:

- broad-based public collaboration at the community level;
- provisions for multi-year, multi-task, end-results-oriented activities;
- comprehensive approach to ecosystem management and cost saving for the agency; and
- creation of a new workforce focused on maintenance and restoration activities (Pinchot Institute 2002).

The exchange of high-value timber for stewardship services is a feature of stewardship contracting that is contrary to the agenda of groups that are advocating an end to commercial logging on national forests. Critics of land stewardship contracting also assert that it represents efforts by commodity interests to resume large-scale timber harvesting in national forests (see, e.g., Brownscombe 2002, Leahy 2002). Some of the existing stewardship contracting projects would increase logging, including some large-diameter, higher-values trees in order to enhance economic viability of the projects.

Some groups suggest that land stewardship contracting can best be explained as a set of natural resource management practices that seeks to promote a closer working relationship with local communities in a broad range of activities that improve land conditions, consistent with a community's ecological, social, and economic objectives (Pinchot Institute 2002). Such projects are seen as a means of shifting the focus of federal forest and rangeland management towards a desired future resource condition, rather than meeting on-the-ground targets or a predetermined schedule of resource outputs. They are also considered a means by which federal agencies can contribute to the development of sustainable rural communities through restoring and maintaining healthy forest ecosystems and providing a continuing source of local income and employment (Pinchot Institute 2002).

To this end, land stewardship contracts benefit the agency and the public in different ways. For the Forest Service, land stewardship contracts provide a means to improve contracting flexibility and efficiency, address forest health concerns in areas of low-value material, and increase collaboration among federal agencies and outside partners. Within the surrounding local communities, stewardship contracts are capable of promoting local involvement in National Forest management, while also strengthening local economies through the diversification of available jobs and the development of new and expanded markets. Through improved and increased restoration/ maintenance of the natural environment, stewardship contracts help provide living wages, new employment opportunities, and overall diversification of rural economies. From a biological perspective, stewardship contracts provide a means of improving the health of forest systems, such as reducing the threat of wildfire, improving forest composition and structure, improving wildlife habitat and forage, and improving water quality (Pinchot Institute 2002). Critics, in contrast, suggest that these projects are merely efforts to skirt environmental protections for other forest resources and values (see e.g., Brownscombe 2002, Leahy 2002), and environmental interests have either challenged stewardship contracting projects in court, or are preparing to do so.

Stewardship contracting projects in Idaho national forests include the Lakeface Lamb and Iron Honey projects (Idaho Panhandle National Forest), the Meadow Face project (Nez Perce National Forest), and the North Kennedy/Cottonwood Project (Boise National Forest). The seven-year Lakeface Lamb contract has been awarded and is in the process of being implemented, while the other projects currently are undergoing decision approval or judicial review (Fawcett and Maynard 2002).

6.2.9. Authorize Pilot Projects for Local-Level Collaborative Management. In recognition that the current decision-making processes of the Forest Service may be "too brittle" (Kemmis 2001), different approaches to collaborative national forest management may be useful. A variety of pilot project experiments are now under consideration or underway. Three pilot project experiments have been legislatively authorized— the Quincy Library Group in northern California, the Valles Caldera Trust in New Mexico, and collaborative restoration in New Mexico—and other experiments, such as the "Region Seven" concept and the Clearwater Basin Project Act have been proposed. All of these projects are controversial. In this section, we briefly describe the projects without detailing the controversies.

Quincy Library Group. This experiment began in 1993 as a collaborative approach to implementing a fuels reduction/firebreak strategy on national forest lands in the Sierra Nevada region of California (O'Laughlin et al. 1998). It was codified in federal law in 1998 (Colburn 2002). However, due to competing Forest Service strategies as well as endangered species, funding, and other issues, this pilot project has become more the subject of conflict and delay, including appeals and litigation, than a model for breaking gridlock.

Valles Caldera Trust. Pursuant to federal legislation enacted in 2000, a trust was established to manage 100,000 acres of newly purchased federal lands in New Mexico as a "national preserve" component of the National Forest System. This is the only operating effort to manage national forest lands that is comparable in at least some ways to

pilot project proposals such as those in Idaho (see below) that would use a trust land management model. The Valles Caldera Trust may provide some useful insights and precedent for future pilot projects that use the trust land concept. Additional federal funding will likely be needed for several years to address such resource issues as juniper intrusion, noxious weeds, and wildfire threat (Fawcett and Maynard 2002).

Collaborative Forest Restoration Program. Operating on national forest and adjoining lands in New Mexico under the Community Forest Restoration Act of 2000 (Title V, Public Law 106-393), this program authorizes and provides for funding and implementation of specific wildfire threat reduction, ecosystem restoration, and similar activities determined through a collaborative process. The program criteria emphasize consensus decision-making, use of small diameter trees, creation of forest-related local employment, compliance with all federal and state environmental laws, and multi-party monitoring and assessment. In 2001, a total of $4.7 million in funding and 18 relatively small-scale fuel reduction and other projects were approved under this program. Each of these activities is being implemented or moving towards implementation. In 2002 a total of $4.5 million in funding for 15 additional projects has been recommended and is awaiting final release (Fawcett and Maynard 2002).

"Region Seven." The Center for the Rocky Mountain West (CRMW 2002) at the University of Montana has been deeply involved in discussions about the role of local collaboration in federal land management for several years. In 2000, the Center, along with the University of Wyoming's Institute for Environment and Natural Resources, published *Reclaiming NEPA's Potential*, a book examining the history of the National Environmental Protection Act, including a recommendation for pilot projects. The projects would test the limitations and benefits of collaborative groups and their appropriateness for and compatibility with the NEPA process.

Daniel Kemmis, CRMW director (see also Kemmis 2001), has suggested experiments with new forms of governance, with an emphasis on collaboration with local stakeholders. Among the experiments could be the creation of a new Forest Service "Region Seven" that would experiment with different models of forest advisory management and provided suggestions of what might be included in the legislation (CRMW 2002). The Region Seven nomenclature comes from the history of Forest Service redistricting that has left the agency with nine regions, but none labeled as Region Seven.

"Charter Forests." In February 2002, a short paragraph in the President's budget proposal for 2003 acknowledged the "excessive decision-making structure" of the Forest Service and requested the formation of "Charter Forests." The forests would experiment with local oversight based on a land management trust to overcome agency inefficiencies (see O'Laughlin 2002a). There are currently no active proposals to create a charter forest.

Clearwater Basin Project. In July 1998, the Idaho Federal Land Task Force Report *New Approaches for Managing Federally Administered Lands* identified "gridlock" in agency decision-making as a major problem that impairs community and environmental values on federal lands in Idaho. To address this and related resource management issues, the Task Force Report recommended consideration of pilot projects to test three alternative approaches to managing federal lands in Idaho: [1] collaborative, [2] cooperative, and [3] trust lands. In December 2000 the Idaho Federal Land Task Force Working Group report *Breaking the Gridlock* found that decision gridlock and resource condition problems persist. The *Breaking the Gridlock* report described and recommended five specific pilot projects for consideration to test the alternative approaches in the earlier *New Approaches* report (Fawcett and Maynard 2002, see also IDL 2002).

During 2002, a private contractor engaged with Working Group members, the Idaho congressional delegation, and numerous constituencies to implement *Breaking the Gridlock* pilot project findings and recommendations. In October 2002 federal legislation was introduced in the 107th Congress to implement a pilot project adapted from the Clearwater Basin Stewardship Collaborative project described in *Breaking the Gridlock*. The Clearwater Basin Project Act was reintroduced in the 108th Congress in February 2003. The bill describes a pilot project to test a collaborative alternative for high priority stewardship activities on Clearwater and Nez Perce National Forest lands in the Clearwater River Basin. It may provide a template for other pilot project proposals or broader pilot project authorization legislation (Fawcett and Maynard 2002).

6.3. Conclusions

Ecosystem management or sustainable forest management (EM/SFM) provides a framework in which to examine national forest management strategies that can aid communities. EM/SFM emphasizes adaptive management, in protected reserves as well as in areas where active management occurs. Among the alternatives for national forest management that could be considered are:

- Targeting ecosystem restoration work to local communities to provide jobs and economic opportunities at the same time ecological objectives are being attained;
- Implementing the National Fire Plan, which emphasizes reducing fire risk on national forests and the communities adjacent to them;
- Changing federal revenue sharing programs, including PILT and the 25% Fund, to provide higher and more stable levels of funding regardless of national forest timber harvest levels;
- Encouraging land exchanges that provide ecological benefits as well as efficiencies in land management;
- Creating dominant-use ranger districts or watersheds, which may lessen controversy over how to implement the National Forest System's multiple-use mandate;
- Establishing timber harvest targets that meet ecological, economic, and social goals;
- Establishing cooperative sustained-yield units where national forests and private forests work together to meet objectives;
- Expanding land stewardship contracting authorities, under which the objectives are providing community benefits and improving resource conditions, not meeting output targets; and
- Authorizing local-level pilot projects that implement adaptive management by experimenting with new operating structures and policies for national forests.

Land managers must consider highly variable local conditions, and on public lands, the public must be included in the decision-making process. People working directly with Forest Service managers working collaboratively with other interested parties can decide on desired conditions for particular forest areas. Restoring sustainable forest conditions can help ensure the long-term persistence of desired forest values. Recognizing that sustainability is based on economic and social as well as ecological factors, restoration-based fuel reduction may be a good starting point for improvement.

The key consideration in choosing management options is determining desired future forest conditions. On national forest lands, the public must be involved. The crux of the controversy that recent approaches for public involvement and collaborative management have raised is the extent to which all interests parties are adequately represented, including representation of regional and national concerns as well as those of local communities.

Chapter 7. The Future of Forest Resource-based Economic Development for Rural Communities in Idaho

Some rural communities in forested areas of Idaho have struggled during the last decade and a half as changes in economic and social forces have affected the wood products manufacturing industry that previously supported the communities. Some changes are driven by market factors far beyond the control of the community, including globalization of trade and modernization of manufacturing processes that require less labor.

Other changes are the result of federal policies for the national forests nearby many Idaho communities. The relative values that Americans attach to the resources coming from Idaho's forests have changed. Forests are seen as much more than storehouses of timber. Government policies have responded to this reordering of priorities, and as a result, timber harvesting has declined on the national forests. Reduced supplies of national forest timber have contributed to the decline of the traditional woods product manufacturing industry that supported many communities. Communities have found it just as difficult to influence federal policies as market forces.

Not all forest resource-based communities have stagnated or declined. Some have grown and developed by diversifying and expanding the types of activities they depend on for their economic well-being. Some have embraced the "other" resources that forests provide—including recreation, wildlife, and scenery—to attract visitors, new residents, and new businesses. These communities, however, face other issues as new residents with diverse lifestyles and values bring a new set of challenges and opportunities for the community.

So what does the future hold for rural communities that depend on the forest resources around them? Some analysts have suggested that communities must choose either a future based on wood products manufacturing or one based on amenities protection. We found little evidence in our review that the path is "either/or." Communities can do both.

We found evidence that people move to Idaho for a variety of reasons, some having to do with jobs and income, and others with amenities and quality of life. We found evidence that businesses move to Idaho for a variety of reasons, some related to production and markets and others related to amenities.

In some places in Idaho, wood products manufacturing has dominated, and likely will continue to do so. There are other communities where forest resources may be more useful for amenity values. In some places, both can occur and contribute positively to the community. Indeed, we found that some communities currently rely on a variety of forest resource-based economic sectors—both timber- and amenity-based—and we see no reasons that preclude other communities from doing so, as long as timber is available and amenities exist.

We did not find evidence that timber harvesting and/or wood products manufacturing is incompatible with the protection of forest amenities, but we also did not find evidence that they are always complementary. We believe a crucial question needs answering—How do specific timber management activities affect the forest amenities that attract and retain people in communities? More definitive and focused research is needed before communities dismantle existing wood products industries and attempt to replace them with a forest amenity-based development path.

Forest management that provides both timber and amenities protection seems plausible. For example, forests around some communities may need thinning to reduce the danger of wildfire. A wood products manufacturing facility located in the community that takes advantage of this source of raw material may make both an economic and amenity contribution to the community. A community that currently depends primarily on a woods products manufacturing facility may want to protect amenities in its surrounding forests that attract visitors and provide quality of life for its residents.

Regardless of what economic development path a community pursues several basic strategies can help.

- Use the advantages of the community—whether timber, scenic beauty, outdoor recreation, or whatever—to attract new employers;
- Grow and support existing employers;
- Provide a good education for the workforce and their children;
- Develop good physical infrastructure; and
- Build the capacity to plan for and adapt to change.

Adapting to change is particularly important. The future will always be different than the past, and the uncertainty about the changes that will occur can be as unsettling for communities as it is for individuals.

Strong leadership and planning can help reduce that uncertainty.

Communities do not exist in isolation, however. What if a community determines that it wants to follow a particular development path, but factors outside its control impede that path? For example, a community may want to have an economically viable wood products manufacturing facility, but cannot because it is surrounded by national forests where timber harvest levels are such that a mill cannot be fed? Should the national forests make more timber available? How should national interests in the forest be balanced with the local interests? If increased timber harvests are problematic, should the federal government help the community find another way to improve its well-being through community development programs? Or should the federal government just step out of the way, and let local and state governments and their agencies work with communities to help them attain their vision of their desired future? Scientific answers to these questions don't exist. Questions about what "should" be done with natural resources are political, not scientific, and will be answered through political processes.

Communities and nearby national forests can work more closely together to attain their goals. Ecosystem management or sustainable forest management (EM/SFM) offers approaches that promise ecologically sound, economically viable, and socially acceptable levels of resource use and protection. EM/SFM has become the operating policy of the National Forest System, but there is still work to be done to make the benefits of EM/SFM a reality for communities. We suggest several policy changes based on EM/SFM that would aid communities, including:

- targeting ecosystem restoration work to communities,
- implementing the National Fire Plan
- changing revenue sharing programs,
- simplifying land exchanges,
- establishing cooperative public/private partnerships,
- expanding land stewardship contracting, and
- authorizing local collaborative pilot projects.

The key to implementing either the commodity-based or amenity-based model of forest resource development, or some combination of the two, is maintaining or restoring desired forest ecosystem conditions. How to define those conditions has long been and continues to be a topic of debate and disagreement among forest scientists, resource managers, and policy analysts, as well as many citizens and interest groups. Much work needs to be done to reconcile these differences, and the work will not commence until there are discussion forums that promise to take ideas forged through consensus and implement them on the ground.

Collaborative forums are one way in which stakeholders can begin to address their differences and find some common ground. In recent years, several approaches have been developed for involving community members, agencies, and interest groups in assessing the current situation, projecting the likely effects of various future actions, and reaching agreement on how to proceed (see e.g., Becker et al. 2003, Daniels and Walker 2001, Friedmann 1973, Reich 1985). We do not pretend that such efforts will be easy, but they seem preferable to "gridlock" or what the Forest Service calls "the process predicament" (USDA-FS 2002).

Policies meant to help rural communities need to be flexibile. As some rural specialists like to say, "If you've seen one rural town, you've seen one rural town." Each community's circumstances, surroundings and economics differ. Policies that make sense in Sandpoint probably don't make sense in Owyhee County. Whatever policies and programs are initiated to assist rural communities, they need to be flexible and based on assessments that focus on the knowledge, perceptions, and values of community members.

Appendix Table 1. Economic diversity index scores and levels of direct employment by industrial sector (based on proportions of employment) for Idaho communities.

Community	Economic diversity index	Levels of direct employment by industrial sector[1]					
		Agriculture	Timber	Travel and tourism	State/local government	Federal government	Mining and minerals
Aberdeen	Med. high	Med. high	Low	Low	Med. low	Med. low	Low
Acequia	Low	High	Low	Low	High	Low	Low
Albion	Low	High	Low	Low	High	Low	Low
American Falls	Med. low	Med. high	Low	Low	Med. high	Low	High
Ammon	Low	Med. high	Low	High	Low	Low	Low
Arbon Valley	Low	High	Low	Low	High	Low	Low
Arco	Med. high	Low	Low	Low	Low	Med. high	High
Arimo	Med. low	Med. high	Low	Low	High	Low	Low
Ashton	Med. high	Med. high	High	Med. low	Low	Low	Low
Athol	High	Low	Med. high	High	Med. high	Low	Low
Atomic City	Low	High	Low	Low	Low	Low	Low
Bancroft	Med. low	High	Low	Med. high	Med. high	Low	Low
Banks	Low	Low	Low	High	Low	Low	Low
Basalt	Low	Low	Low	Low	Low	Med. high	Low
Bellevue	Med. high	Med. high	Low	High	Med. low	Low	Low
Blackfoot	High	Low	Low	Med. high	Med. high	Low	Low
Bliss	Med. high	High	Low	High	Med. high	Low	Low
Bloomington	Low	High	Low	Low	Low	Low	Low
Boise	High	Low	Low	Med. high	Med. high	Low	Med. low
Bonners Ferry	High	Med. low	Med. low	Med. high	Med. high	Low	Low
Buhl	Med. high	Med. high	Low	Med. low	Low	Low	Low
Burley	High	Low	Low	Med. high	Med. high	Low	Low
Butte City	Low	High	Low	Low	Low	Low	Low
Caldwell	High	Low	Low	Med. low	Med. high	Low	Med. high
Cambridge	Med. high	High	Med. high	Med. low	Med. high	Low	Low
Carmen	Low	High	Low	Med. high	High	Low	Low
Cascade	High	Low	Med. low	Med. high	High	Med. high	Low

Appendix Table 1. (continued).

Community	Economic diversity index	Levels of direct employment by industrial sector[1]					
		Agriculture	Timber	Travel and tourism	State/local government	Federal government	Mining and minerals
Castleford	Med. high	High	Low	Low	High	Low	Low
Challis	High	Med. high	Low	Med. low	Med. high	Med. low	High
Chatcolet	Low	High	Low	Low	Low	Low	Med. low
Chubbuck	Med. high	Med. high	Low	High	Med. high	Low	Low
Clark Fork	Med. low	Low	Med. low	Med. high	High	Low	Low
Clayton	Low	Med. low	Low	High	Low	High	Low
Coeur d'Alene	High	Low	Low	Med. high	Med. high	Low	Med. low
Cottonwood	Med. high	Med. high	Low	Med. high	High	Low	Low
Council	Med. high	Med. high	Low	Med. high	Med. low	Med. high	Low
Craigmont	Med. low	High	Low	Med. low	Med. low	Low	Low
Culdesac	Med. low	High	Low	Med. high	High	Low	Low
Dalton Gardens	NA	NA	NA	NA	NA	NA	NA
Dayton	Low	High	Low	Low	High	Low	Low
Deary	Med. high	Low	High	Med. high	High	Low	Med. low
Declo	Low	High	Low	High	Low	Low	Low
Dietrich	Low	High	Low	Low	High	Low	Low
Dingle	Low	Low	Low	Low	Low	Low	Low
Donnelly	Med. low	Low	Low	High	Med. low	Low	Low
Dover	Low	Low	Low	High	Low	Low	High
Downey	Med. high	Med. high	Low	High	High	Low	Low
Driggs	High	Med. high	Low	Med. high	Med. high	Low	Low
Drummond	Low	High	Low	Low	Low	Low	Low
Dubois	Med. low	High	Low	Low	Med. high	Med. low	Low
Eagle	High	Med. low	Low	Med. high	Med. low	Low	Low
East Hope	Low	Low	Low	Low	Low	Low	High
Eden	Med. low	High	Low	Low	Med. low	Low	Low
Elk City	Med. high	High	High	Med. high	Low	High	Low
Elk River	Low	High	Low	Med. low	Low	Med. low	Low

Appendix Table 1. (continued).

Community	Economic diversity index	Levels of direct employment by industrial sector[1]					
		Agriculture	Timber	Travel and tourism	State/local government	Federal government	Mining and minerals
Ellis	Low	Low	Low	Med. high	Low	High	Low
Emmett	High	Med. high	Med. high	Med. low	Med. high	Low	Low
Fairfield	High	High	Low	Low	Med. high	Low	Low
Ferdinand	NA	NA	NA	NA	NA	NA	NA
Fernan Lake	Low	Low	High	Low	Low	Low	Low
Filer	High	Med. high	Low	Med. low	Med. high	Low	Low
Firth	Med. low	High	Low	Low	Low	Low	Low
Fishhaven	Low	Low	Low	High	Low	Low	Low
Fort Hall	Med. low	Med. low	Low	Med. low	Med. low	High	Low
Franklin	Med. low	Low	Low	High	Low	Low	Low
Fruitland	High	Med. high	Med. high	Med. low	Med. low	Low	Low
Garden City	Low	High	Low	Low	Low	Low	Low
Garden Valley	Med. low	Low	Low	High	Low	Low	Low
Genesee	Med. low	High	Low	Low	High	Low	Low
Geneva	Low	High	Low	Low	Med. high	Low	Low
Georgetown	Low	High	Low	Med. low	Med. high	Low	Low
Gibbonville	Low	Low	Low	High	Low	Low	Low
Glenns Ferry	Med. low	Med. high	Low	Low	Med. high	High	Low
Glifton	Low	Low	Low	Low	Low	Low	Low
Gooding	High	Med. low	Low	Low	Med. high	Med. low	Low
Grand View	Med. low	High	Low	Med. low	Med. high	Med. low	Low
Grangeville	High	Med. low	Med. low	Med. high	Med. high	Med. high	Low
Greenleaf	Low	Low	Low	High	High	Low	Low
Hagerman	High	Med. high	Low	Low	Med. low	High	Low
Hailey	High	Low	Low	Med. low	Med. high	Low	Low
Hamer	Med. low	High	Low	Low	Med. low	Low	Low
Hansen	Med. low	Med. high	Low	Med. high	High	Low	Low
Harrison	Med. high	High	Low	High	Med. low	Low	Low

Appendix Table 1. (continued).

Community	Economic diversity index	Levels of direct employment by industrial sector[1]					
		Agriculture	Timber	Travel and tourism	State/local government	Federal government	Mining and minerals
Hauser	Low	Low	Low	High	Low	Low	Low
Hayden	Med. low	Low	High	Low	Low	Low	Low
Hayden Lake	Med. high	Low	Low	High	Low	Low	Low
Hazelton	Med. low	High	Low	Low	Med. high	Low	Low
Heyburn	Med. low	High	Low	Low	Med. low	Low	Low
Holbrook	Low	High	Low	Low	Med. low	Low	Low
Hollister	Low	High	Low	Low	Low	Low	Low
Homedale	High	Med. high	Low	Low	Med. high	Low	Med. high
Hope	Med. low	Low	High	High	Med. low	Low	Low
Horseshoe Bend	Med. high	Med. low	High	Low	Med. low	High	Low
Huetter	Low	Low	High	Low	Low	Low	Low
Idaho City	Med. low	Low	Low	High	High	Low	Low
Idaho Falls	High	Low	Low	Med. high	Med. high	Low	Low
Indian Valley	Low	High	Low	Low	Low	Low	Low
Inkom	Med. high	Low	Low	Med. low	High	Low	High
Iona	Med. low	Low	Low	High	Low	Low	Low
Irwin	Med. low	Low	Low	High	Low	Low	Low
Island Park	Med. low	Low	Low	Med. low	High	High	Low
Jerome	High	Med. high	Low	Med. low	Med. low	Low	Med. low
Juliaetta	Med. low	Med. high	High	Low	High	Low	Low
Kamiah	Med. high	Med. low	High	Med. high	Med. high	Low	Low
Kellogg	High	Low	Low	Med. high	Med. low	Low	Med. high
Ketchum	Med. high	Low	Low	High	Low	Low	Low
Kimberly	Med. high	High	Low	Med. high	Low	Low	Low
Kooskia	Med. high	High	High	Med. low	Med. high	Low	Low
Kootenai	Med. low	High	Low	Med. high	Low	Low	Med. low
Kuna	High	Med. high	Low	Med. low	High	Low	Low
Lakefork	Low	Med. high	Low	Low	High	Low	Low

Appendix Table 1. (continued).

Community	Economic diversity index	Levels of direct employment by industrial sector[1]					
		Agriculture	Timber	Travel and tourism	State/local government	Federal government	Mining and minerals
Lapwai	Med. low	Med. high	Low	Low	Med. high	High	Low
Lava Hot Springs	Med. low	Med. low	Low	High	Low	Low	Low
Leadore	Med. low	High	Low	Med. low	High	Low	Low
Lemhi	Low	High	Low	Low	Med. high	Low	Low
Lenore	Low	High	Low	Low	Low	Med. high	Low
Letha	Low	High	Low	Low	Low	Low	Low
Lewiston	High	Low	Med. high	Med. high	Med. high	Low	Med. low
Lewisville	Low	High	Low	Low	Low	Low	Low
Mackay	Med. high	High	Low	High	Low	Med. high	Low
Malad City	High	High	Low	Med. low	High	Low	Med. low
Malta	Med. low	Med. high	Low	High	Low	Low	Low
Mansfield	Med. high	High	Low	Med. high	High	Low	Low
Marsing	Med. high	High	Low	Low	Med. high	Med. low	Low
May	Low	High	Low	Low	High	Low	Low
McCall	High	Low	Low	High	Med. low	Low	Low
McCammon	Med. low	High	Low	Med. high	Low	Low	Low
Melba	Med. low	Med. high	Low	Med. low	High	Low	Low
Menan	Med. low	High	Low	Low	Low	Low	Low
Meridian	High	Low	Low	Med. low	Med. low	Low	Med. low
Middleton	Med. high	High	Low	Med. low	Med. low	Low	Low
Midvale	Low	High	Low	Low	Med. low	Low	High
Minidoka	Low	High	Low	Low	High	Low	Med. low
Montour	Low	High	High	Low	Low	Low	Low
Montpelier	High	Med. low	Low	High	Med. high	Med. low	Med. low
Moore	Low	Low	Low	Low	Low	Low	Low
Moscow	Med. high	Low	Low	High	High	Low	Low
Mountain Home	Med. high	Med. low	Low	Med. low	Med. low	High	Low
Moyie Springs	Med. low	Med. low	High	Med. low	Med. low	Low	Low

Appendix Table 1. (continued).

Community	Economic diversity index	Levels of direct employment by industrial sector[1]					
		Agriculture	Timber	Travel and tourism	State/local government	Federal government	Mining and minerals
Mud Lake	Med. high	Med. high	Low	Low	High	Med. low	Low
Mullan	Low	Low	Low	Low	Low	High	High
Murtaugh	Med. low	High	Low	Low	Med. high	Low	Low
Nampa	High	Low	Low	Med. high	Low	Low	Med. low
New Meadows	Med. low	Low	High	Low	High	Med. low	Low
New Plymouth	Med. low	High	Low	Low	Low	Low	Med. low
Newdale	Low	High	Low	Low	High	Low	Low
Nez Perce	Med. low	High	Low	Med. low	Med. low	Low	Low
North Powder	Low	High	High	Low	Med. high	Med. low	Low
Notus	Med. high	High	Low	Med. high	High	Low	Low
Oakley	Med. high	High	Low	High	Low	Low	Med. low
Ola	Low	High	Low	Med. high	High	Low	Low
Oldtown	High	Med. high	Med. high	Med. high	Low	Med. high	Low
Onaway	NA	NA	NA	NA	NA	NA	NA
Orofino	High	Med. low	Med. high	Med. low	High	Med. low	Low
Osburn	Med. high	Low	Med. low	Med. high	High	Low	Med. low
Ovid	Low	Low	High	Low	Low	Low	Low
Parker	Low	High	Low	Low	High	Low	Low
Parma	High	High	Low	Low	Med. low	Low	Low
Paul	Med. high	High	Low	Low	Med. high	Low	Low
Payette	High	Low	Med. high	Low	Med. high	Low	Low
Peck	Med. high	Med. high	Low	Med. high	Med. high	Low	Med. high
Pierce	Med. low	Low	High	Low	Med. low	Low	Low
Pilot Rock	Med. high	Med. high	High	Low	High	Low	Low
Pinehurst	High	Low	Med. high	High	Med. high	Low	Low
Plummer	Med. high	Med. high	High	Med. high	Med. low	High	Low
Pocatello	High	Low	Low	Med. high	High	Low	Med. low
Ponderay	Med. low	High	Med. low	Low	Med. low	Low	High

Appendix Table 1. (continued).

Community	Economic diversity index	Levels of direct employment by industrial sector[1]					
		Agriculture	Timber	Travel and tourism	State/local government	Federal government	Mining and minerals
Post Falls	High	Low	Low	High	Low	Low	Med. low
Potlatch	Med. high	Med. low	High	Med. low	Med. high	Low	Med. high
Preston	High	Med. high	Low	Med. high	Med. high	Low	Low
Priest River	High	Low	High	High	Med. low	Low	Low
Rathdrum	High	Low	Med. low	High	Med. high	Low	Med. low
Rexburg	High	Low	Low	Med. high	Med. high	Low	Med. low
Richfield	Med. low	High	Low	Low	Med. low	Low	Low
Rigby	High	Med. low	Low	Med. high	Med. high	Low	Low
Riggins	Med. high	Med. high	Low	High	Med. high	Med. high	Low
Ririe	Med. low	Med. high	Low	Low	Med. high	Low	Low
Roberts	Med. high	High	Low	Med. low	High	Low	Low
Rockland	Low	High	Low	Low	High	Low	Low
Rupert	High	Med. low	Low	Med. low	Med. high	Low	Low
Salmon	High	Med. low	Med. low	Med. high	Med. high	Med. low	Low
Sandpoint	High	Low	Med. low	High	Med. high	Low	Low
Shelley	High	Med. high	Low	Med. low	Med. high	Low	Low
Shoshone	High	High	Low	Low	High	Med. low	Low
Smelterville	Med. low	Low	Low	High	High	Low	Med. high
Smiths Ferry	Low	High	Low	High	Low	Low	Low
Soda Springs	High	Med. high	Low	Low	Med. high	Low	High
Spalding	Low	Low	Low	Low	Low	High	Low
Spirit Lake	Med. high	Low	Low	High	High	Med. low	Low
St. Anthony	Med. high	High	Med. low	Med. high	Med. high	Low	Low
St. Charles	Low	High	Low	Low	Low	Low	Low
St. Marie	High	Low	High	Med. low	Med. high	Low	Low
Stanley	Med. low	Low	Low	High	Med. high	Low	Low
Sugar City	Med. low	High	Low	Med. low	Med. low	Low	Low
Sun Valley	Med. high	Low	Low	High	Med. low	Med. high	Low

Appendix Table 1. (continued).

Community	Economic diversity index	Levels of direct employment by industrial sector[1]					
		Agriculture	Timber	Travel and tourism	State/local government	Federal government	Mining and minerals
Swan Valley	Low	High	Low	High	Low	Low	Low
Sweet	Low	High	Med. low	Low	Low	Low	Low
Tendoy	Low	Low	Low	High	Low	Low	Low
Tensed	Low	High	Low	Med. low	Med. low	Med. low	Low
Teton	Low	High	Low	Low	Med. low	Low	Low
Tetonia	Med. low	High	Med. low	Med. low	Med. low	Low	Low
Troy	Med. low	High	Med. low	Low	High	Low	Low
Twin Falls	High	Low	Low	Med. high	Med. high	Low	Low
Ucon	Low	High	Low	Low	Low	Low	Low
Victor	Med. low	High	Low	Med. high	Med. low	Low	Low
Wallace	Med. low	Low	Low	Med. high	High	Med. low	Med. high
Wardner	Low	High	Low	Low	Low	Low	Low
Weippe	Med. low	Med. low	High	Low	High	Low	Low
Weiser	High	Med. high	Low	Med. low	Med. high	Low	Med. low
Wendell	Med. high	High	Low	Low	Med. low	Low	Low
Weston	Low	High	Low	Low	Low	Low	Low
White Bird	Med. low	High	Med. low	Med. high	Low	High	Low
Widler	High	High	Low	Low	Med. high	Med. low	Low
Winchester	NA	NA	NA	NA	NA	NA	NA
Worley	Med. low	High	Low	Med. high	Med. high	Med. high	Low

NA = not available.

[1]A "low" level of direct employment represents 5% or less of total employment in a given sector; "med. low," 6 to 10%; "med. high" 11 to 19%; and "high" 20% or more of total employment in a given sector.

Source: Haris et al. 2000

Appendix A. State of Idaho Resources for Rural Development

Numerous resources for rural and community development are available to Idaho communities, businesses, organizations, and individuals. For example, the State of Idaho has recently expanded its programmatic, strategic approach to its rural community development efforts, both with new modes of technical assistance and commitment of additional financial resources. Like other states, Idaho's Department of Commerce has developed a Web site (<http://www.idahoworks.com>) that provides quick, easy access to publications and resources, including:

- "Starting a Business in Idaho,"
- "Workforce Development Training Fund,"
- "The Advantage – Infrastructure Financing,"
- "Idaho Community Development Block Program (ICDBP) Manual,"
- "ICDBP Application Handbook," and
- "Downtown Handbook: A Guide To Assist Communities Plan And Implement Downtown And Mainstreet Revitalization Projects."

In addition, efforts to increase financial resources with both increased state as well as federal funding have been implemented.

This recent set of state initiatives had its beginnings in 2000 with the appointment of an "Idaho Task Force on Rural Development" by the Idaho governor, who was responding to a perceived need to expand Idaho's economic prosperity beyond its cities to rural areas of the state. The task force identified five key issues where it believed the state could help foster growth and job creation in Idaho's rural communities—telecommunication, infrastructure, education, economic development, and governance (Governor's Task Force on Rural Development 2000).

In comparison to federal policy, state policy is able to respond more quickly and with greater knowledge of and interest in local issues, and it can offer new and often more effective approaches (Drabenstott and Sheaff 2001). States are launching new rural policy initiatives for two main reasons. They sense that broad federal policy changes are far off. But more to the point, they recognize that many rural areas in their state have been left behind in the nation's long-running economic expansion (Drabenstott and Sheaff 2001).

In the following sections, we highlight some state agencies, private entities, and partnerships that are involved with rural community development in Idaho. We have not attempted to list all community development programs and resources available to Idaho communities. This information merely suggests the diversity of recent development efforts and provides a starting point for those interested in further developing their own community resources.

A.1. Idaho Rural Partnership (IRP)

The Idaho Rural Partnership (IRP) began operating under an Executive Order from the Idaho Governor in 1991. Its mission is to join diverse public and private resources in innovative collaborations that strengthen and improve life in rural Idaho. In 2001, Governor Kempthorne authorized the continuation of the IRP and outlined its responsibilities as:

- To identify organizations, authorities, and resources to address various aspects of rural development;
- To serve as a clearinghouse of information and as a referral center on rural problems, programs, and policies
- To serve as a nonpartisan forum for identifying and understanding rural issues from all perspectives;
- To assess conditions in rural Idaho and to set goals and specific objectives for improving the quality of life in rural Idaho;
- To identify collaborative strategies toward meeting these goals and to facilitate the implementation of these strategies by the Partnership's member organizations;
- To develop better intergovernmental and private/public coordination and to seek out opportunities for new partnerships to achieve rural development goals within the existing structure;
- To identify and seek solutions to unnecessary impediments to rural development, first within Idaho and then through the National Rural Development Partnership; and
- To work cooperatively with the National Rural Development Partnership and other state rural development councils (Idaho Governor Executive Order No. 2001-01).

Membership of the IRP includes representatives from various state government agencies. In addition, tribal governments, local government organizations, private and not-for-profit organizations, and federal agencies are invited to participate. In 2002, control of the IRP was transferred from the Idaho

Department of Labor to the Idaho Department of Commerce. This transfer was a direct result of legislative intent in the fiscal year 2002 IRP appropriation which directed IRP to "integrate its efforts with the Idaho Departments of Agriculture and Commerce, and the Governor's Task Force on Rural Development to develop a unified direction in addressing rural economic issues" (Legislative Services Office 2002b).

A.2. Idaho Department of Commerce

The Idaho Department of Commerce has four divisions directly connected to economic and community development. The Division of Economic Development helps existing businesses expand, encourages the start-up of new businesses, and promotes economic diversification by attracting new businesses to Idaho. It also assists local development efforts, and develops, maintains, and disseminates economic and demographic data (Legislative Services Office 2002a).

The Division of Rural and Community Development provides financial and technical assistance to Idaho's cities and counties in the construction and rehabilitation of critical infrastructure to support economic diversification, expansion, and sense of community. The Division of International Business assists Idaho businesses in exporting goods and services, helps develop access to new markets, and increases foreign awareness and acceptance of Idaho products and services. The Division of Tourism Development helps expand Idaho's tourism and recreation industry by marketing Idaho travel opportunities at home and abroad, distributing grants to communities to promote tourism, and developing the state's film industry (Legislative Services Office 2002a).

The department administers several grant programs for rural development including the Idaho Gem Community Implementation Grant Program, Economic Action Pilot Grants, Community Planning for Fire Protection Grants, and the Idaho Community Development Block Grant Program. The department is also responsible for distributing funds from the 2% "bed tax" collected on sales of lodging, including hotels, motels, and private campgrounds, and funds raised from sales of the Idaho snowskier license plate to promote Idaho's ski industry. Forty-five percent of these funds are distributed to non-profit travel and promotional organizations via competitive grants (Legislative Services Office 2002b).

A.3. Idaho Department of Agriculture

The Idaho Department of Agriculture's Marketing and Development programs assists Idaho food producers with increasing their profitability by enhancing marketing opportunities for their products. As one of its efforts, the program plans to explore a "Product of Idaho" labeling program to promote Idaho products and expand consumer awareness (Legislative Services Office 2002a).

A.4. Idaho Department of Fish and Game

Fish- and wildlife-associated recreation is an important source of income for many communities in Idaho. The U.S. Fish and Wildlife Service (2002) estimates that 251,000 resident and 165,000 nonresident anglers fished in Idaho in 2001, and 150,000 resident and 47,000 nonresident hunters hunted in Idaho in 2001. In Idaho, anglers spent about $355 million and hunters spent about $275 million in 2001. An additional, 643,000 people participated in wildlife-watching activities and spent about $356 million in Idaho during 2001 (U.S. Fish and Wildlife Service 2002).

Besides managing the state's fish and wildlife resources so that residents and nonresidents alike can participate in recreational opportunities, the Idaho Department of Fish and Game also administers the federal government's Wildlife Conservation Recreation and Education program to assist rural communities with wildlife related conservation, recreation, and education projects. The department also has a land acquisition and development program that funds acquisition and development of wildlife habitat to produce sustainable populations of wildlife for hunting and wildlife viewing (Legislative Services Office 2002a).

A.5. Idaho Department of Lands

The Idaho Department of Lands manages the state's 2.5 million acres of state "endowment" lands. These lands are managed to provide "maximum long term financial return" to the beneficiaries, which are the public schools and eight other public institutions (see O'Laughlin 1990, O'Laughlin and Cook 2001). The department's Division of Forest Resources administers a timber sale program that produces between 165 million and 200 million board feet annually (Legislative Services Office 2002a). The division also provides assistance to Idaho's cities and rural communities in areas of forest stewardship and urban forestry. The department's Land, Range,

and Mineral Resource Management program provides income through the lease of cropland, grazing, mineral resources, cottage sites, and special surface uses of state owned lands (Legislative Services Office 2002a).

A.6. Idaho Department of Parks and Recreation

The Idaho Department of Parks and Recreation manages 26 state parks totaling over 43,000 acres. The department also administers the registration program for snowmobiles, boats, and off-highway vehicles, and the permit program for the state's 14 Park N-Ski areas. Idaho state parks receive nearly three million visitor days and visitor contacts annually, and contribute significantly to Idaho's $1.7 billion tourism industry (Idaho Department of Parks and Recreation 2001). Many of the goals in the department's strategic plan (Idaho Department of Parks and Recreation 2001) focus on recreational opportunities that affect rural communities.

A.7. Idaho Transportation Department

The Idaho Transportation Department is responsible for much of the transportation infrastructure in the state. In addition to highways, the department is responsible for planning and overseeing rail, air, and public transportation. In 2001, the Idaho Legislature created a Rail Service Preservation program, which may have implications for rural communities that depend on rail service; however, the program was not funded for FY 2003. The department also administers airport development grants for airport repairs, improvements and expansions, which are financed though a combination of local, state and federal funds. The department is also responsible for the administration of public transportation funds including those for rural public transportation (Legislative Services Office 2002b).

A.8. Idaho Lottery

The Idaho Lottery pays annual dividends to the state Permanent Building Fund and to public schools. In FY 2001, dividends totaled $18 million, with $9 million going to the building fund and $9 million to the public schools (Legislative Services Office 2002b).

A.9. University of Idaho and UI Extension Service

The University of Idaho, as the state's land grant research university, has a mission of outreach and service statewide. For example, one objective of the university's strategic plan is to "link the university's education and research programs to Idaho's economic and social needs and the well-being of its citizens" (University of Idaho 1998). Numerous university departments and programs help fulfill this mission.

Since 1912 the University of Idaho Cooperative Extension System has provided research-based education to the people of Idaho. Extension education attempts to improve people's lives by teaching how to apply knowledge relevant to agriculture, natural resources, family and consumer sciences, youth development, and communities (UI Extension Service 2001). The UI Extension Service has a Rural Development Planning Group and provides a useful source of information for rural communities (see UI Extension Service 2002).

A.10. Idaho Small Business Development Center

The Idaho Small Business Development Center is a partnership between Boise State University, North Idaho College, Lewis-Clark State College, College of Southern Idaho, Idaho State University, and the U.S. Small Business Administration. The center's mission is "to provide direct consulting and training services to improve the success of individual small businesses in Idaho through a sustained and increasingly effective higher education network" (Idaho Small Business Development Center 2002a). The center was founded in 1986, and in 2001, the center's clients added more than 619 new jobs in Idaho (Idaho Small Business Development Center 2002b).

A.11. Idaho Community Foundation

The Idaho Community Foundation is a public charity (as opposed to a private foundation) and is composed of individual funds that are pooled for more efficient and cost effective management of the assets. The foundation was established in 1988, and it mission is to "enrich life's quality throughout Idaho" (Idaho Community Foundation 2002). The foundation does not define what that means; instead it asks communities to describe through the applications they submit what is needed to make life better for the people in their town. At the end of 2000, total assets of the foundation were $47.8 million, and in 2000 the foundation awarded $1.1 million dollars in competitive grants (Idaho Community Foundation 2002).

A.12. Idaho Economic Development Association

In 2000, leaders of more than 30 different economic development organizations announced the creation of the Idaho Economic Development

Association. The association intends to provide statewide, grassroots support for the Idaho Department of Commerce and serve as a focus for enhanced professional development for local and regional economic development groups. To ensure a stronger Idaho economy, the IEDA seeks to find new ways to make the state's economic development efforts more effective. The IEDA adopted four initial objectives:

- Support for the Idaho Department of Commerce and its funding priorities,
- Cooperation and collaboration with the department on statewide economic development initiatives.
- Focus on professional development opportunities for economic development personnel, and
- Serve as a clearinghouse for information on issues of regional or statewide importance.

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