HOUSE CS FOR CS FOR SENATE BILL NO. 180(FIN)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE FINANCE COMMITTEE

Offered: 5/3/96
Referred: Rules

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

"An Act authorizing the commissioner of natural resources to negotiate and enter into timber sale contracts that provide for local manufacture of high value-added wood products; and establishing an Alaska Forest Products Research and Marketing Program within the Department of Commerce and Economic Development."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

*Section 1. LEGISLATIVE FINDINGS AND PURPOSE. The legislature finds that it is in the best interests of the people and economy of Alaska to encourage the establishment and sustainable operation of local timber processing facilities in Alaska to produce high value-added wood products and other value-added wood products from timber cut on state land. One means of encouraging such facilities is through the use of an incentive by reducing the stumpage price of timber offered through negotiated timber sale contracts. The value-added use of timber harvested in Alaska is intended to foster a stable, small scale, locally operated,
finished wood products industry by providing a steady reliable supply of timber at a reliable rate over a period of time to a purchaser of the timber that will provide maximum opportunities for jobs in Alaska without significantly adversely affecting fish and wildlife habitat and the forest resources.

* Sec. 2. AS 38.05 is amended by adding a new section to article 4 to read:

Sec. 38.05.123. NEGOTIATED TIMBER SALES FOR LOCAL MANUFACTURE OF WOOD PRODUCTS. (a) Notwithstanding the provisions of AS 38.05.115 and 38.05.120, and upon a finding that the sale is in the best interest of the state, the commissioner may negotiate a sale of timber for use in the local manufacture of high value-added wood products. A timber sale contract entered into under this section may provide for a harvest of up to 10,000,000 board feet of timber each year, consistent with sustained yield principles, and may be for a term of up to 10 years. Initial stumpage rates for a contract under this section shall be determined by negotiation but may not be less than the base price for the area as established under regulations adopted by the commissioner. A contract under this section shall provide that stumpage rates shall be redetermined by negotiation at least once every three years during the term of the contract, to reflect changes in market conditions; the redetermined rates may not be less than the base price for the area as established under regulations adopted by the commissioner. The commissioner shall by regulation set a maximum number of contracts, but not less than two, per region of the state that may be negotiated each year under this section.

(b) Notice of intent to negotiate a contract under this section shall be given in accordance with AS 38.05.945.

(c) The commissioner may negotiate a sale of timber under this section if the prospective purchaser agrees to use to the maximum extent commercially practicable the timber subject to the sale for the local manufacture of high value-added wood products. The commissioner shall determine the maximum amount of the timber being sold that is commercially practicable to use for those purposes and make the use of that percentage of the timber for those purposes a term of the contract. In evaluating proposals, the commissioner shall take into account the proposed manufacture of other value-added wood products to be produced under a negotiated contract.
(d) Before a sale may be negotiated under this section,

(1) the area of the sale must be designated for forestry purposes by a valid existing area plan adopted under AS 38.04; and

(2) the requirements of AS 38.05.112 and 38.05.113 must be met.

(e) In making the best interest finding required by AS 38.05.035(e) and this section, the commissioner shall consider, in addition to other factors,

(1) the direct economic benefit from the local manufacture of high value-added wood products as a result of the sale;

(2) the direct economic benefit from other local processing of the timber to be undertaken by the purchaser as a result of the sale, including the manufacture of other value-added wood products in addition to high value-added wood products;

(3) the likelihood of commercial success of the locally manufactured high value-added wood products and other value-added wood products;

(4) the extent to which the sale is likely to result in the creation and maintenance of a stable local job base;

(5) the existence of adequate protection measures to ensure the sustainability of fish and wildlife habitat and populations and continuation of other uses of the area subject to the negotiated sale;

(6) the stumpage return to the state; and

(7) any other reasonably foreseeable benefits to the state and local economies from the sale.

(f) As part of the timber sale negotiations authorized by this section, the commissioner may require a prospective purchaser negotiating a timber sale contract to submit financial and technical data that demonstrates that the requirements of this section have been or will be met. Upon the prospective purchaser’s request, the commissioner shall keep data provided by the purchaser confidential in accordance with the requirements of AS 38.05.035(a)(9).

(g) If the commissioner determines that additional analysis is necessary in order to complete the best interest finding for a sale under this section, the commissioner may require the prospective purchaser to retain and pay for the services
of a contractor to assist the commissioner in evaluating the proposed negotiated sale and financial and technical data relating to the proposed sale. The contractor shall be selected by the prospective purchaser from a list of consultants in forestry and timber economics provided by the commissioner. If the commissioner requires a prospective purchaser to retain the services of a contractor under this subsection, the commissioner shall determine the scope of the work to be performed by the contractor.

(h) Under this section, a performance review shall be completed not more than five years after a timber sale contract is entered into by the department to ensure that the purchaser is performing in accordance with the terms of the contract. If the commissioner determines that the purchaser is not performing in accordance with the contract, the commissioner may terminate the contract.

(i) A timber sale negotiated under this section does not affect other timber harvest programs under AS 38.05.110 - 38.05.120.

(j) In this section,

(1) "high value-added wood product" means kiln-dried or commercially dried lumber, interior finish paneling, and trim, flooring, doors, and windows, cabinet stock, furniture, musical instruments or parts of instruments, toys, tools and implements, ready-to-assemble building kits, veneer, plywood, finger-jointed lumber, house logs, and other similar finished wood products specified by the commissioner by regulation and, for deciduous aspen, poplar, and high defect birch, includes engineered wood products and paneled wood products;

(2) "other value-added wood product" means pulp, chips, waferboard, chipboard, fiberboard, green lumber, cants, slabs, or planks intended for remanufacture, and other similar wood products specified by the commissioner by regulation.

* Sec. 3. AS 44.33 is amended by adding a new section to read:

ARTICLE 10. ALASKA FOREST PRODUCTS RESEARCH AND MARKETING PROGRAM.

Sec. 44.33.900. ALASKA FOREST PRODUCTS RESEARCH AND MARKETING PROGRAM. (a) The Alaska Forest Products Research and Marketing Program is established in the Department of Commerce and Economic Development.

(b) The program is established to provide a statewide information
clearinghouse and coordinator to gather and disseminate information relating to
research and development, including technical, logistical, financing, marketing and
other relevant information regarding the manufacture of specific value-added wood
products and the establishment of new high value-added manufacturing facilities in the
state, and to assist in coordinating existing research and development efforts by state
and federal agencies and other public and private entities.

(c) The program coordinator shall identify unfilled needs and problems
impeding the development of a high value-added wood products industry in the state,
gather information and conduct analyses, and propose solutions by exploring successful
models in other states and nations.

* Sec. 4. Notwithstanding AS 38.05.123(a), added by sec. 2 of this Act, the commissioner
may negotiate no more than two sales of timber each year for local manufacture of high value-
added timber products under AS 38.05.123 in each region of the state in calendar years 1996,