

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

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

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

7 * **Section 1.** LEGISLATIVE FINDINGS AND PURPOSE. The legislature finds that it is
8 in the best interests of the people and economy of Alaska to encourage the establishment and
9 sustainable operation of local timber processing facilities in Alaska to produce high value-
10 added wood products and other value-added wood products from timber cut on state land.
11 One means of encouraging such facilities is through the use of an incentive by reducing the
12 stumpage price of timber offered through negotiated timber sale contracts. The value-added
13 use of timber harvested in Alaska is intended to foster a stable, small scale, locally operated,

1 finished wood products industry by providing a steady reliable supply of timber at a reliable
2 rate over a period of time to a purchaser of the timber that will provide maximum
3 opportunities for jobs in Alaska without significantly adversely affecting fish and wildlife
4 habitat and the forest resources.

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

6 Sec. 38.05.123. NEGOTIATED TIMBER SALES FOR LOCAL
7 MANUFACTURE OF WOOD PRODUCTS. (a) Notwithstanding the provisions of
8 AS 38.05.115 and 38.05.120, and upon a finding that the sale is in the best interest of
9 the state, the commissioner may negotiate a sale of timber for use in the local
10 manufacture of high value-added wood products. A timber sale contract entered into
11 under this section may provide for a harvest of up to 10,000,000 board feet of timber
12 each year, consistent with sustained yield principles, and may be for a term of up to
13 10 years. Initial stumpage rates for a contract under this section shall be determined
14 by negotiation but may not be less than the base price for the area as established under
15 regulations adopted by the commissioner. A contract under this section shall provide
16 that stumpage rates shall be redetermined by negotiation at least once every three years
17 during the term of the contract, to reflect changes in market conditions; the
18 redetermined rates may not be less than the base price for the area as established under
19 regulations adopted by the commissioner. The commissioner shall by regulation set
20 a maximum number of contracts, but not less than two, per region of the state that may
21 be negotiated each year under this section.

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

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

1 (d) Before a sale may be negotiated under this section,
2 (1) the area of the sale must be designated for forestry purposes by a
3 valid existing area plan adopted under AS 38.04; and
4 (2) the requirements of AS 38.05.112 and 38.05.113 must be met.
5 (e) In making the best interest finding required by AS 38.05.035(e) and this
6 section, the commissioner shall consider, in addition to other factors,
7 (1) the direct economic benefit from the local manufacture of high
8 value-added wood products as a result of the sale;
9 (2) the direct economic benefit from other local processing of the
10 timber to be undertaken by the purchaser as a result of the sale, including the
11 manufacture of other value-added wood products in addition to high value-added wood
12 products;
13 (3) the likelihood of commercial success of the locally manufactured
14 high value-added wood products and other value-added wood products;
15 (4) the extent to which the sale is likely to result in the creation and
16 maintenance of a stable local job base;
17 (5) the existence of adequate protection measures to ensure the
18 sustainability of fish and wildlife habitat and populations and continuation of other
19 uses of the area subject to the negotiated sale;
20 (6) the stumpage return to the state; and
21 (7) any other reasonably foreseeable benefits to the state and local
22 economies from the sale.
23 (f) As part of the timber sale negotiations authorized by this section, the
24 commissioner may require a prospective purchaser negotiating a timber sale contract
25 to submit financial and technical data that demonstrates that the requirements of this
26 section have been or will be met. Upon the prospective purchaser's request, the
27 commissioner shall keep data provided by the purchaser confidential in accordance
28 with the requirements of AS 38.05.035(a)(9).
29 (g) If the commissioner determines that additional analysis is necessary in
30 order to complete the best interest finding for a sale under this section, the
31 commissioner may require the prospective purchaser to retain and pay for the services

1 of a contractor to assist the commissioner in evaluating the proposed negotiated sale
2 and financial and technical data relating to the proposed sale. The contractor shall be
3 selected by the prospective purchaser from a list of consultants in forestry and timber
4 economics provided by the commissioner. If the commissioner requires a prospective
5 purchaser to retain the services of a contractor under this subsection, the commissioner
6 shall determine the scope of the work to be performed by the contractor.

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

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

14 (j) In this section,

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

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

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

26 ARTICLE 10. ALASKA FOREST PRODUCTS
27 RESEARCH AND MARKETING PROGRAM.

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

31 (b) The program is established to provide a statewide information

1 clearinghouse and coordinator to gather and disseminate information relating to
2 research and development, including technical, logistical, financing, marketing and
3 other relevant information regarding the manufacture of specific value-added wood
4 products and the establishment of new high value-added manufacturing facilities in the
5 state, and to assist in coordinating existing research and development efforts by state
6 and federal agencies and other public and private entities.

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

11 * **Sec. 4.** Notwithstanding AS 38.05.123(a), added by sec. 2 of this Act, the commissioner
12 may negotiate no more than two sales of timber each year for local manufacture of high value-
13 added timber products under AS 38.05.123 in each region of the state in calendar years 1996,
14 1997, and 1998.