



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Natural Resources

OFFICE OF THE COMMISSIONER

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February 19, 2025

The Honorable Calvin Schrage, Chair
House Finance Committee/Department of Natural Resources Budget Subcommittee
Alaska State Capitol, Room 410
Juneau, Alaska 99801

RE: DNR Responses to Subcommittee Questions at February 5, 2025 Meeting

Dear Chair Schrage:

Thank you for the opportunity to present the Department of Natural Resources (DNR) budget requests with the House Finance Committee's DNR Budget Subcommittee on February 5, 2025. The subcommittee requested written follow-up on several questions. Additionally, as Division of Forestry and Fire Protection Director Jeremy Douse's testimony was difficult to discern due to poor audio, a written summary of his testimony is included as Appendix A.

1. Rep. Elam asked whether broadband vendors have secured necessary equipment for their projects when they apply for Division of Mining, Land and Water permits/authorizations.

The Division of Mining, Land and Water's (DMLW) application for an authorization to install fiber optic cable on state lands does not require information on whether the company has secured equipment for the project. The Alaska Broadband Office in the Department of Commerce, Community, and Economic Development, has requirements related to supply chain management within their scoring criteria for the Broadband Equity Access and Deployment program grant funds.

2. Rep. Tomaszewski questioned why the Division of Mining, Land and Water is seeking temporary (two-year) funding for two permanent positions related to broadband applications.

DMLW is seeking to establish these positions under unrestricted general funds (UGF) to ensure staff is in place this fall to accept and adjudicate broadband applications to meet the strict timelines imposed by the federal grant requirements. Any delays in permitting could result in loss of funding for these important state projects. If positions are still warranted after two years, DMLW may consider requesting an allocation of general fund program receipts (GFPR) to fund the positions. DMLW will know by that time how much revenue will be received once authorizations are issued and fees are received for use of state lands to establish easements. Easement fees for broadband projects are a one-time fee of \$0.56/lineal foot and if a lease is required there is an annual fee based on

appraised fair market value. By the beginning of FY2027, DMLW will understand the number of remaining pending applications and the potential revenue, and could request an allocation from GFPR if staff are still necessary.

3. Chair Schrage asked why there is not a decrement to federal funds in conjunction with the Division of Forestry and Fire Protection's request to increase General Fund increment for foresters, equipment operators and Geographic Information Systems (GIS) analysts.

The Division of Forestry and Fire Protection (DOF) is requesting to transition some positions from federal/state split funding to a higher proportion of state funding, in anticipation of future federal grants reductions. Because this is a phase-in of state funds as federal funds decrease and the precise timing and degree of federal reduction is unknown at this time, no decrement is shown. The Division intends to cover these positions with as much federal funding as possible, for as long as possible.

4. Rep. Tomaszewski asked if DNR is seeing an increase in timber sales or any new timber processors in light of the local lumber grading program.

The Legislature in 2023 passed Senate Bill 87, establishing a lumber grading training program for sawmill operators in Alaska. The program is intended to help local sawmills get their products to market and reduce Alaska's dependence on imported lumber for residential construction. Since the bill was signed into law, DOF has developed the grading program and held eight training sessions in seven Alaska communities, issuing certificates to 109 individuals. The first course was offered June 2024 in Palmer.

DOF saw a 120 percent increase in timber sales in FY2024, which began in July 2023 and closed at the end of June 2024 (see Table 1). However, only one lumber grading course was offered in FY2024. Sales so far for FY2025 are on track to continue this growth trend; DNR presumes some of the increase is attributable to the lumber grading program as existing operators may be able to get more value from the timber they harvest. DOF will track data from the local lumber grading program for a better analysis in future years of the program effectiveness.

Table 1: Timber Sales FY2023 to FY2024 Comparison

	FY2023	FY2024
Southern Southeast area	11.6 million board feet	23.7 million board feet
Other areas of the state	3.2 million board feet	9.9 million board feet
Statewide total	14.9 million board feet	33.6 million board feet

5. Rep. Mears asked why there is no decrement shown for the long-term, non-permanent forester position that DNR seeks to replace with the increment for a long-term, permanent forester.

DOF requested the long-term, non-permanent (LTNP) PCN in May 2024 and proposed to pay for it with timber sales receipts. The position was not filled. Later in 2024, DOF revisited the LTNP and decided to request in the current budget cycle changing the LTNP to a long-term, permanent position paid for with unrestricted generals fund instead of with timber sales receipts, as DOF was working to transition positions off timber sales receipts (see answer to question 6 below). Because the position cost was never appropriated, there is no decrement shown.

6. Rep. Coulombe asked about the use of timber sales receipts (TSR).

Revenue from the sale of timber from state land is statutorily required to be deposited into the TSR. These funds have historically been used to fund personal services, covering the cost of field foresters. In FY2024 DOF generated \$1.7 million in timber sale receipts. Forecasting reduced revenue from timber sales in the coming years, in 2024 for FY2025 DOF worked with the Legislature to move personal services costs from TSR to UGF. This served two purposes: the division would have certainty of funding to pay for positions, and would be able to use TSR for infrastructure improvements that would result in more timber sales as the account was originally intended. The forecast reduction in receipts is driven by a move out of old growth timber harvest in Southeast Alaska and into second growth harvest, which generates lower revenue.

Sincerely,



Rena Miller
Acting Legislative Liaison
Alaska Department of Natural Resources

cc: Jordan Shilling, Director, Governor's Legislative Office

Appendix A

Testimony provided by Division of Forestry and Fire Protection Director Jeremy Douse to the House Finance DNR Budget Subcommittee on February 5, 2025 (**not an official transcript*)

Good afternoon, Chair Schrage and committee members. For the record, my name is Jeremy Douse, Director of the Division of Forestry and Fire Protection (DOF). Thank you for the opportunity to present our operating request to support the forest products industry and the division's missions.

The Division of Forestry and Fire Protection fulfills two essential roles: serving as both the state's fire department and its timber manager. These interconnected missions share common objectives in land management, such as protecting valuable landscapes, conducting silvicultural activities like fuels mitigation and timber harvesting, and developing infrastructure through road construction and maintenance.

The division generates economic opportunities for the forest products industry by selling timber. Although we do supply timber to the export market, our primary focus is on supporting in-state processors. Furthermore, we ensure the effective implementation of the Forest Resources and Practices Act (FRPA), promoting the use of best management practices among operators. This guarantees the protection of fish habitats and water quality and ensures that forests remain forests through reforestation requirements.

This operating request is for positions that directly impact the division's goals. To start, I'll address the funding request for 12 existing positions, which are currently partially funded through temporary federal or capital funds that are set to expire.

To begin, we have four forester positions currently funded by federal sources. These foresters are currently funded 90% by federal receipts that we receive through forest landowner assistance grants, cooperative forestry assistance grants and state forest action plan grants. This funding is received from the state through the consolidated payment grants from DOF's federal partners. These foresters primarily provide technical assistance to private landowners, including Native corporations, for forest management and fire mitigation purposes. They assist small landowners in implementing Firewise principles to protect homes during fire incidents and also support area staff with timber sale and road layout, contract administration, and forest practices inspections. This request seeks to allocate 50% of their time to Unrestricted General Funds (UGF) to cover the anticipated loss of federal funding. **The division is requesting \$162.3 in unrestricted general funds to account for 50% of the time for these existing positions.**

Next, we'll address the positions currently funded through the Fire Risk Reduction and Fuel Breaks capital projects, which are set to expire in FY26. These positions include two seasonal Equipment Operator Journey 2 roles, one Equipment Operator Foreman 1 position, and five GIS Analyst positions. The equipment operators are fully funded by the Fuels CIP. They are essential for meeting ongoing fuel break objectives to protect communities from wildfires and responding to wildfire incidents. Additionally, these operators play a critical role in developing forest

infrastructure, such as roads and material sites. The GIS analysts, who are 25% funded through the Fuels CIP, develop spatial data and mapping products that support both branches of the division. This function is crucial for strategic planning in community protection, providing spatial data to fire management teams and analyzing forest data for timber planning and management. **The division is requesting \$219.9 in unrestricted general funds for these existing positions.**

Moving forward, we are requesting three new positions within the division to address the current needs of the forest products industry. Specifically, we are asking for one forester position for the Haines office. This role will supplement the existing single forester position in the Haines office, thereby increasing timber sale capacity in Southeast Alaska. With the industry's increasing demand for timber sales in the southeast, this position will help meet that need. **The division is requesting \$144.9 in unrestricted general funds to support this addition.**

The division requires engineering expertise to implement forest infrastructure projects. To provide more opportunities for industry, increased access to currently inaccessible portions of the state forest is essential. This necessitates the construction of roads and bridges. The new position will coordinate infrastructure development projects, prioritize these projects, and collaborate with DOF staff, the industry, and private sector engineering firms to execute them. **The division is requesting \$173.5 in unrestricted general funds to support the development of infrastructure within the state forest.**

The division is seeking to build capacity in its Forestry administrative team to manage the increasingly complex Operating and Capital budgets effectively. In recent years, the division has received Operating and Capital increments to enhance its capacity to prepare, offer, and conduct timber sales, meet the timber industry's needs, support economic development in rural communities, and maintain roads within State Forests for access to those sales. This new position will provide essential budget management and accounting support to the foresters engaged in forest development projects and timber sale activities. Responsibilities will include ensuring adherence to division or department rules, policies, or manuals, addressing cross-appropriation expenditure errors, and reporting financial activity to forestry program managers. **The division is requesting \$102.0 in unrestricted general funds to support the financial management of forestry activities**

These positions are vital for supporting the Governor's priority of growing the timber industry and protecting communities from wildfires. Without them, we risk delays in forest infrastructure development, timber sales, and fuels project execution. The Division aims to enhance the forest products industry's impact on the state's economy, increase in-state processing of forest products, and attract investment in private sector capacity. Additionally, the timber sale receipts that are generated through the timber sale program are used to further develop and maintain infrastructure which is why we are requesting UGF funds to cover these positions.

Jeremy Douse

Director and State Forester

Alaska Division of Forestry and Fire Protection