

Statement in Opposition to SB 32 - Timber Sales on State Forests
Written Testimony

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To: Chairperson and Members of the Committee:

I represent myself today. I have previously provided testimony in opposition to the proposed SB32 and it's companion - HB87 and continue to oppose the legislation based on those concerns with expanded testimony today:

- The legislation is largely intended to guarantee a long term supply of timber to two timber operators in SE Alaska¹ and would result in monopolistic control of the State timber resources in Southeast *for up to 25 years*. This situation would repeat the devastating mistakes of the past that resulted in decades of controversy related to the Ketchikan Pulp Corporation and Alaska Pulp Corporation long-term contracts.²
- The current budgetary crisis of the State of Alaska (SoA) is projected to continue, impacting the Department of Forestry's (DoF) ability to adequately administer unforeseen, long term contract implementation.
- SB32 represents a monumental transfer of authority to the Commissioner of DNR - a politically appointed position in the timber extraction arm of State government.
- It does not include substantive prohibitions on unprocessed (round log) export of timber along with the jobs and value associated with that timber.³
- It severely impacts multiple uses of other resources on SoA lands that contribute significantly to regional economies.

¹ Viking Lumber and Alcan which both operate in Southeast. Viking operates out of Klawock on Prince of Wales Island. Alcan does not have a mill in Southeast and is mostly an "in the round" timber exporter. Alcan has offices in Ketchikan, Terrace BC, and Aberdeen WA and their parent company is TransPac.: <http://www.grouptranspac.com/web2/page/forestry.htm>

² This period of controversy is exemplified by the 1983 Reid Brothers lawsuit that resulted in a district court's award of \$1,489,881 to the Reids: <http://openjurist.org/699/f2d/1292/reid-brothers-logging-company-v-ketchikan-pulp-company>

³ In the absence of a prohibition, when the smaller operators are unable to handle larger volumes (an inevitable situation), the negotiated purchaser will export as much as possible. In reality, it will be business as usual, with the added benefit to the negotiated purchaser of having a guaranteed 25 year corner on the market.

Drastic budget cuts have reduced the ability of the State to adequately fund administration of its current timber sale program.⁴ Adequate funding for administration of **new** long term timber contracts is highly questionable despite “assurances” from DoF personnel and the bill’s zero fiscal note.

As noted during the recent Board of Forestry (BoF) meeting by Kevin Hanley of the DEC, “In 2015, due to budget reductions and travel restrictions, DEC participated in only one trip with three [compliance] inspections. Next year, they are budgeted for six inspections, which is still below the 18 inspections conducted in prior years.”[BoF⁵ at 13]. Moreover, “Most of the 2015 decline in the number of inspections is due to reduced staffing.” [BoF at 13]. State Forester Chris Maisch said, “This is an impact of the budget cuts.”[BoF at 11]. **One** annual statewide inspection does not equate to satisfactory oversight and exemplifies the lack of adequate funding for forestry programs.

It is also questionable whether SB32 can actually generate significant positive revenue to the State. According to the Alaska Department of Natural Resources Division of Forestry 2013 Annual Report⁶, statewide Forest Management and Development cost \$5.9 million, however, only \$293,000 in receipts were earned for the 2013 fiscal year. [DNR 2013 at 55]. The 2014 budget anticipated \$851,000 in timber receipts from an anticipated \$6.9 million budget. [DNR 2013 at 56]. Revenue from timber sales to the State for the period from 2009 – 2013 averaged less than \$600,000 annually with only 2% of timber revenue generated from other sources such as log brands, seedlings, retained damages and document fees. [DNR 2013 at 8]. It appears that that the timber program operates at a considerable deficit regarding the administrative cost of the timber program in comparison to the low value of timber receipts.

In fact, according to the latest BoF meeting minutes, shortfalls to DoF’s budget are so severe that a tourism head tax was suggested [BoF at 2] — as well as a raid on the proceeds of fishing industry licensing fees [BoF at 3] to “help protect fisheries habitat”. This obtuse logic is especially troubling when these in-

⁴ Tanana Valley State Forest Citizens’ Advisory Committee Meeting. April 23, 2015; http://forestry.alaska.gov/Assets/uploads/DNRPublic/forestry/pdfs/tvsf_committee/tvsf_cac__draft_minutes_april_23_2015.pdf

“Chris Maisch gave an update on House Bill 87 and Senate Bill 32. The governor reduced Division of Forestry \$1.2 million and 18 positions, and 16 of those positions are starting July 1 from McGrath. A good majority have found positions. The other two were resource positions from Palmer and Southeast. During the legislative session 4 positions were reestablished, but 18 more positions were lost (10 interns and 8 Foresters across the state including one in Fairbanks). Overall this was a 40% reduction from forest management personnel. Overall the Division of Forestry was reduced \$2.3 million and 30 positions statewide. McGrath and the Southeast were hit the hardest. The Division is trying to help find positions for those affected. The Northern and Coastal regions are combining with Tim Dabney as the acting for now. There is still some money left in FY14 to repair road damages. In FY17 and FY18 the Division of Forestry will need to reduce another 16%.”

⁵ Board of Forestry Draft Meeting Minutes. March 1, 2016. <http://forestry.alaska.gov/alaskaboardforestry>

⁶ Alaska Department of Natural Resources Division of Forestry 2013 Annual Report. http://forestry.alaska.gov/Assets/uploads/DNRPublic/forestry/pdfs/overview/2013_Annual_Report_v4.pdf

dustries contribute significantly — without harm — to regional economies, especially in SE Alaska where they contribute far more than the timber industry.⁷ Moreover, DoF is in such budgetary dire straits that it was suggested that the DoF budget be supplemented through “grants” from non governmental organizations [BoF at 3]. Any expectation that these sources of funding can be assured, especially while entering into a new era of long term timber sale contracts is reckless at best.

Overall, SB 32 (and HB87) represent a considerable expansion of the already underfunded timber sale program. The current budget crises is predicted to only worsen. If passed, it would result in an irresponsible abdication of State oversight to the industry — quite simply there would be inadequate funds to do otherwise.

I respectfully request that you do not allow SB32 bill to advance.

Sincerely,

A handwritten signature in cursive script that reads "Rebecca Knight". The signature is written in dark ink on a light-colored background.

Rebecca Knight
Petersburg

Link to Alaska Board of Forestry draft Meeting Minutes, March 1, 2016s (“draft” as of April 4, 2016): <http://forestry.alaska.gov/alaskaboardforestry>

⁷ Southeast Conference. Southeast Alaska by the Numbers - 2014 Southeast Conference. p. 10. http://www.seconference.org/sites/default/files/Southeast%20Alaska%20by%20the%20numbers%202014%20FINAL_0.pdf “Over the last decade, timber employment has shrunk by another 89%, and in 2013, timber accounted for less than one percent of jobs and wages in the region.”