

HOUSE BILL NO. 344

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE HOUSE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 5/10/95

Referred: Resources, Finance

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the commissioner of the Department of Natural Resources
2 to negotiate and enter into timber sale contracts that provide for local
3 manufacture of high value-added wood products; and establishing an Alaska Forest
4 Products Research and Marketing Program within the Department of Commerce
5 and Economic 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 lands.
11 One means of encouraging such facilities is through the use of incentives offered through
12 negotiated timber sale contracts. The value-added use of timber harvested in Alaska is
13 intended to foster a stable, small-scale, locally run, finished wood products industry that will

1 provide maximum opportunities for Alaskan jobs without significantly adversely impacting
2 fish and wildlife habitat.

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

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

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

20 (c) The commissioner may negotiate a sale of timber under this section if the
21 prospective purchaser agrees to use at least 50 percent of the timber subject to the sale
22 for the local manufacture of high value-added wood products.

23 (d) Before a sale may be negotiated under this section,

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

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

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

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

31 (2) the direct economic benefit from other local processing of the

1 timber to be undertaken by the purchaser as a result of the sale, including the
2 manufacture of value-added wood products other than high value-added wood
3 products;

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

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

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

11 (6) the stumpage return to the state; and

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

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

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

29 (h) No more than five years after a timber sale contract is entered into under
30 this section, a performance review shall be completed by the department to ensure that
31 the purchaser is performing in accordance with the terms of the contract. If the

1 commissioner determines that the purchaser is not performing in accordance with the
2 contract, the commissioner may terminate the contract.

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

5 (j) A purchaser may not be a party to more than one contract under this
6 section at any one time.

7 (k) In this section, "high value-added wood product" means kiln-dried or
8 commercially dried lumber, interior finish paneling and trim, flooring, doors and
9 windows, cabinet stock, furniture, musical instruments or parts of instruments, toys,
10 tools and implements, ready-to-assemble building kits, and other similar finished wood
11 products specified by the commissioner by regulation and, for deciduous aspen, poplar,
12 and high defect birch, includes engineered wood products and paneled wood products.
13 Except as otherwise provided in this subsection, "high value-added wood product" does
14 not include plywood, pulp, chips, waferboard, chipboard, fiberboard, green lumber,
15 cants, slabs, or planks intended for remanufacture, and other similar wood products
16 specified by the commissioner by regulation.

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

18 ARTICLE 10. ALASKA FOREST PRODUCTS
19 RESEARCH AND MARKETING PROGRAM.

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

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

30 (c) The program coordinator shall identify unfilled needs and problems
31 impeding the development of a high value-added wood products industry in Alaska,

- 1 gather information and conduct analyses, and propose solutions by exploring successful
- 2 models in other states and nations.