

CS FOR HOUSE BILL NO. 344(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE HOUSE RESOURCES COMMITTEE

Offered: 4/10/96
Referred: Finance

Sponsor(s): HOUSE 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 enter
2 into timber sale contracts that provide for local manufacture of high value-added
3 wood products."

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

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

1 habitat and the forest resources.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

26 (g) If the commissioner determines that additional analysis is necessary in
27 order to complete the best interest finding for a sale under this section, the
28 commissioner may require the prospective purchaser to retain and pay for the services
29 of a contractor to assist the commissioner in evaluating the proposed negotiated sale
30 and financial and technical data relating to the proposed sale. The contractor shall be
31 selected by the prospective purchaser from a list of consultants in forestry and timber

1 economics provided by the commissioner. If the commissioner requires a prospective
2 purchaser to retain the services of a contractor under this subsection, the commissioner
3 shall determine the scope of the work to be performed by the contractor.

4 (h) Under this section, a performance review shall be completed not more than
5 five years after a timber sale contract is entered into by the department to ensure that
6 the purchaser is performing in accordance with the terms of the contract, and to
7 determine if an updated forest land use plan under AS 38.05.112 is needed. If the
8 commissioner determines that the

9 (1) purchaser is not performing in accordance with the contract, the
10 commissioner may terminate the contract;

11 (2) contract conflicts with the current forest land use plan, the
12 commissioner may terminate the contract if the conflict cannot be resolved, provided
13 that the commissioner may not terminate a contract under this paragraph for lack of
14 timber until the commissioner has made a good faith effort to find suitable replacement
15 timber.

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

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

20 (k) In this section,

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

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

31 * **Sec. 3.** Notwithstanding AS 38.05.123(a), added by sec. 2 of this Act, the commissioner

- 1 may negotiate no more than two sales of timber for local manufacture of high value-added
- 2 timber products under AS 38.05.123 in each region of the state in calendar years 1996, 1997,
- 3 and 1998.