

SENATE BILL NO. 180

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY THE SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

Introduced: 5/9/95

Referred: Resources

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
8 finds that it is in the best interests of the people and economy of Alaska to
9 encourage the establishment and sustainable operation of local timber processing
10 facilities in Alaska to produce high value-added wood products and other value-added
11 wood products from timber cut on state lands. One means of encouraging such
12 facilities is through the use of incentives offered through negotiated timber sale
13 contracts. The value-added use of timber harvested in Alaska is intended to foster

1 a stable, small-scale, locally run, finished wood products industry that will provide
2 maximum opportunities for Alaskan jobs without significantly adversely impacting fish
3 and wildlife habitat.

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

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

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

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

28 (d) Before a sale may be negotiated under this section,
29 (1) the area of the sale must be designated for forestry
30 purposes by a valid, existing area plan adopted under AS 38.04; and
31 (2) the requirements of AS 38.05.112 and 38.05.113 must be

1 met.

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

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

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

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

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

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

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

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

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

28 (g) If the commissioner determines that additional analysis is necessary
29 in order to complete the best interest finding for a sale under this section,
30 the commissioner may require the prospective purchaser to retain and pay for
31 the services of a contractor to assist the commissioner in evaluating the

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

7 (h) No more than five years after a timber sale contract is entered
8 into under this section, a performance review shall be completed by the
9 department to ensure that the purchaser is performing in accordance with the
10 terms of the contract. If the commissioner determines that the purchaser is
11 not performing in accordance with the contract, the commissioner may
12 terminate the contract.

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

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

17 (k) In this section, "high value-added wood product" means kiln-dried
18 or commercially dried lumber, interior finish paneling and trim, flooring, doors
19 and windows, cabinet stock, furniture, musical instruments or parts of
20 instruments, toys, tools and implements, ready-to-assemble building kits, and
21 other similar finished wood products specified by the commissioner by
22 regulation and, for deciduous aspen, poplar, and high defect birch, includes
23 engineered wood products and paneled wood products. Except as otherwise
24 provided in this subsection, "high value-added wood product" does not include
25 plywood, pulp, chips, waferboard, chipboard, fiberboard, green lumber, cants,
26 slabs, or planks intended for remanufacture, and other similar wood products
27 specified by the commissioner by regulation.

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

29 **ARTICLE 10. ALASKA FOREST PRODUCTS**
30 **RESEARCH AND MARKETING PROGRAM.**

31 **Sec. 44.33.900. ALASKA FOREST PRODUCTS RESEARCH AND**

1 MARKETING PROGRAM. (a) The Alaska Forest Products Research and
2 Marketing Program is established in the Department of Commerce and
3 Economic Development.

4 (b) The program is established to provide a statewide information
5 clearinghouse and coordinator to gather and disseminate information relating
6 to research and development, including technical, logistical, financing, marketing
7 and other relevant information regarding the manufacture of specific value-
8 added wood products and the establishment of new high value-added
9 manufacturing facilities in Alaska, and to assist in coordinating existing
10 research and development efforts by state and federal agencies and other
11 public and private entities.

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