

**CS FOR SENATE BILL NO. 180(FIN)**

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Offered: 4/26/96

Referred: Rules

Sponsor(s): SENATE 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  
2 enter into timber sale contracts that provide for local manufacture of high  
3 value-added wood products; and establishing an Alaska Forest Products Research  
4 and Marketing Program within the Department of Commerce and Economic  
5 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 land.  
11 One means of encouraging such facilities is through the use of an incentive by reducing the  
12 stumpage price of timber offered through negotiated timber sale contracts. The value-added  
13 use of timber harvested in Alaska is intended to foster a stable, small scale, locally operated,

1 finished wood products industry by providing a steady reliable supply of timber at a reliable  
2 rate over a period of time to a purchaser of the timber that will provide maximum  
3 opportunities for jobs in Alaska without significantly adversely affecting fish and wildlife  
4 habitat and the forest resources.

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

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

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

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

1 (d) Before a sale may be negotiated under this section, the requirements of  
2 AS 38.05.112 and 38.05.113 must be met.

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

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

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

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

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

15 (5) the stumpage return to the state; and

16 (6) any other reasonably foreseeable benefits to the state and local  
17 economies from the sale.

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

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

1 shall determine the scope of the work to be performed by the contractor.

2 (h) Under this section, a performance review shall be completed not more than  
3 five years after a timber sale contract is entered into by the department to ensure that  
4 the purchaser is performing in accordance with the terms of the contract. If the  
5 commissioner determines that the purchaser is not performing in accordance with the  
6 contract, the commissioner may terminate the contract.

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

9 (j) In this section,

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

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

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

21 **ARTICLE 10. ALASKA FOREST PRODUCTS**  
22 **RESEARCH AND MARKETING PROGRAM.**

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

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

1 and federal agencies and other public and private entities.

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

6 \* **Sec. 4.** Notwithstanding AS 38.05.123(a), added by sec. 2 of this Act, the commissioner  
7 may negotiate no more than three sales of timber each year for local manufacture of high value-  
8 added timber products under AS 38.05.123 in each region of the state in calendar years 1996,  
9 1997, and 1998.