

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

January 19, 2011

1:00 p.m.

MEMBERS PRESENT

Representative Eric Feige, Co-Chair
Representative Paul Seaton, Co-Chair
Representative Alan Dick
Representative Neal Foster
Representative Bob Herron
Representative Cathy Engstrom Munoz
Representative Peggy Wilson
Representative Berta Gardner
Representative Scott Kawasaki

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Dan Saddler
Senator Cathy Giessel

COMMITTEE CALENDAR

OVERVIEW(S): DEPARTMENT OF NATURAL RESOURCES - COMMISSIONER'S
OFFICE, DIVISION OF AGRICULTURE, DIVISION OF FORESTRY, OFFICE OF
PROJECT MANAGEMENT AND PERMITTING

- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

DAN SULLIVAN, Commissioner
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Provided an overview of the Department of
Natural Resources and the commissioner's office.

FRANCI HAVEMEISTER, Director

Central Office
Division of Agriculture
Department of Natural Resources (DNR)
Palmer, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation about the Division of Agriculture's responsibilities and activities.

JOHN "CHRIS" MAISCH, Director
Department of Natural Resources (DNR)
Division of Forestry
Fairbanks, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation about the Division of Forestry's responsibilities and activities.

THOMAS CRAFFORD, Director
Office of Project Management & Permitting (OPMP)
Department of Natural Resources (DNR)
Anchorage, Alaska

POSITION STATEMENT: Provided a PowerPoint presentation about the responsibilities and activities of the Office of Project Management and Permitting.

ACTION NARRATIVE

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CO-CHAIR PAUL SEATON called the House Resources Standing Committee meeting to order at 1:00 p.m. Representatives Seaton, Feige, P. Wilson, Kawasaki, Herron, Dick, and Gardner were present at the call to order. Representatives Munoz and Foster arrived as the meeting was in progress. Senator Giessel and Representative Saddler were also present.

OVERVIEW(S): Department of Natural Resources - Commissioner's Office, Division of Agriculture, Division of Forestry, Office of Project Management and Permitting

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CO-CHAIR SEATON announced that the order of business would be overviews of the Department of Natural Resources commissioner's office, the Division of Agriculture, the Division of Forestry, and the Office of Project Management and Permitting.

CO-CHAIR SEATON further announced that Representative P. Wilson would be the vice chair of the House Resources Standing Committee.

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DAN SULLIVAN, Commissioner, Department of Natural Resources (DNR), first noted he has been commissioner for only six weeks. He promised a responsive and respectful relationship between his department and legislators, which is being symbolized by the presence of the department's directors at today's overview.

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COMMISSIONER SULLIVAN related that the constitutional underpinnings of what DNR does are found in Sections 8.1 and 8.2 of the Alaska State Constitution, which he quoted respectively:

It is the policy of the State to encourage the settlement of its land and the development of its resources by making them available for maximum use consistent with the public interest.

The legislature shall provide for the utilization, development, and conservation of all natural resources belonging to the State, including land and waters, for the maximum benefit of its people.

COMMISSIONER SULLIVAN said DNR specifically focuses on developing, conserving, and enhancing the state's natural resources for present and future Alaskans. The department manages approximately 100 million acres of uplands; 60 million acres of tidelands, shore lands, and submerged lands; and 40,000 miles of coastline. The department manages the state's energy and natural resources, state park lands, is a primary partner in wild land fire suppression in the state, supports the state's agriculture and timber industries, and obtains and provides the geologic, hydrolic, and land record and other information needed for managing and utilizing the state's natural resources.

COMMISSIONER SULLIVAN stated DNR currently employs about 1,100 Alaskans in full-time and seasonal positions throughout the state. The department's Fiscal Year (FY) 2011 operating budget is \$152.5 million and the FY 2012 operating budget request is \$153.6 million.

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COMMISSIONER SULLIVAN directed attention to the department's organizational chart, pointing out that Joe Balash and Ed Fogels are the two deputy commissioners. The Division of Oil & Gas, directed by Kevin Banks, develops and implements the state's oil and gas leasing program, he continued. The Division of Mining, Land and Water, under acting director Wyn Menefee, manages the 160 million acres of state-owned land and acquires land from the federal government to fulfill statehood entitlements. The Division of Forestry, under director Chris Maisch, provides fire protection services as well as fire and aviation management, and it manages the three state forests. The Division of Geological & Geophysical Surveys, headed by Bob Swenson, surveys the state's storehouse of minerals. The Division of Coastal and Ocean Management, directed by Randy Bates, administers the Alaska Coastal Management Program. The Division of Agriculture, directed by Franci Havemeister, offers land for agriculture development, promotes and supports Alaska's agricultural industry through financing for farmers, processors, plant material development, conservation education, and marketing assistance, and inspects and certifies farm products.

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COMMISSIONER SULLIVAN continued reviewing the organizational chart. The Division of Parks, led by Ben Ellis, provides recreation opportunities, protects and interprets areas of natural and cultural significance, and supports the state's tourism industry. The Division of Support Services, directed by Jean Davis, provides centralized administrative and management services in the areas of finance, procurement, and budgeting for all of DNR's divisions and offices. Mike Thompson leads the State Pipeline Coordinator's office, which is part of a joint federal and state program that oversees the Trans-Alaska Pipeline System (TAPS) as well as other common carrier pipelines. That office also has administrative oversight of pipeline right-of-way leases. The Office of Project Management & Permitting, led by Tom Crafford, coordinates review of all large-scale development projects, including projects related to mining, oil, gas, transportation, land use planning, and Alaska National Interest Lands Conservation Act (ANILCA) coordination. Additionally, there are also boards and commissions within DNR.

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COMMISSIONER SULLIVAN reiterated that the presence of all of the division directors at this hearing is to show they are ready to work with committee members. He said he has spent his first six weeks on the job in meetings with legislators, industry representatives, Native organizations, conservation groups, and other groups to hear what they have to say about the department. Three themes kept popping up during these meetings: the challenges, the significant potential and opportunities, and the critical need to achieve partnership among all stakeholders. The department will be focusing on what is clearly the number one challenge - the declining TAPS throughput. The average throughput in 2006 was 840,000 barrels per day; today the average has declined to 640,000 barrels per day.

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COMMISSIONER SULLIVAN advised that other challenges are aging infrastructure throughout the state, including the TAPS line and Cook Inlet; high energy costs throughout the state, particularly rural communities in the Interior; the "gasline project;" and energy in the Cook Inlet area. An internal challenge is permitting efficiencies and redundancies within DNR and the need for a regulatory system that is predictable and timely.

COMMISSIONER SULLIVAN pointed out, however, that Alaska has more opportunities than challenges. One enormous opportunity recognized by Governor Parnell is that Alaska is the nation's "storehouse." The North Slope remains a world-class energy basin with 43 billion barrels of oil, not including unconventional energy like heavy oil and shale, and 236 trillion cubic feet of gas. In terms of "storehouse," the department has taken a look at Alaska as if it were a country relative to the rest of the world. The estimates for every category looked at put Alaska in the top 10 in the world. For example, Alaska's estimated coal deposits are number two in the world. The state's copper, lead, gold, zinc, and silver deposits are all in the top 10 in the world. Additionally, if Alaska were a country, its permanent fund would be one of the top 10 sovereign wealth funds in the world. Commissioner Sullivan reported that another opportunity is the number of business newcomers, which indicates that the newcomers view the state as having promise. It is important from a policy perspective, he said, that the state continues to encourage new business people to come, invest, and employ Alaskans. He added that innovation in the resource development sector is also occurring in Alaska.

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COMMISSIONER SULLIVAN related that from his meetings with people across the state he has found a sense among most groups that responsible development must occur to give Alaska an economic future. This resource development needs to be done through a partnership among key and widely divergent stakeholders, including legislators, energy companies, and those conservation groups that believe in responsible development. However, he further related, there is enormous frustration across the state about a lack of partnership from the federal government on many issues. This chills investment opportunities and undermines economic, energy, and national security interests. Commissioner Sullivan urged that every Alaskan let the people in Washington, DC, know that this lack of federal partnership is hurting the state's interests as well as the country's national, energy, and economic security. Because the state's economic future is based on resource development, the federal government must be a partner, not an inhibitor, of resource development. The department will be re-doubling its efforts of reaching out to the federal government. The litigation front is the last step and even though the state has worked hard, he said he does not think the federal government has been listening.

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CO-CHAIR SEATON requested the commissioner to let committee members know if there are issues the legislature should address.

CO-CHAIR FEIGE agreed with the commissioner's statements about the federal government, saying it was this issue that brought him to Juneau. He said it is not the local federal officials, but rather a top-down directed effort that is occurring on all fronts and it is up to Alaskans to do something about it.

COMMISSIONER SULLIVAN, in response to Representative Wilson, agreed to provide committee members with the information about where Alaska stands in the world regarding its mineral storehouse. He cautioned that the details are not always easily available because of the issues of private land and what is available for leasing. He further related that the governor wants this storehouse information publicized to the rest of the country.

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COMMISSIONER SULLIVAN, in response to Representative Herron, said it is not in anyone's interest for there to be any tension

between DNR and the legislature. While there might be disagreement on policies, he will be demanding that his team deal with any disagreements in a respectful, honest manner. It is particularly important for DNR to be responsive, he said. He requested that it be brought to his attention if this does not happen. In further response to Representative Herron, he stated that the buck stops with him. He explained that the executive branch, led by the governor, comes up with policy positions, but that these are not always integrated within departments while the policy positions are being evolved and debated. It is important for the commissioner and directors to give honest answers, but it is also important that a director not get out in front of the commissioner and that the commissioner not get out in front of the governor. Therefore, he continued, when a director states that the department has not yet come up with a defined internal policy, it is important that committee members respect such an answer.

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COMMISSIONER SULLIVAN, in response to Representative Dick, agreed there are federal policies relating to Alaska that do not abide by what is set in federal statute. For example, under federal law the National Petroleum Reserve-Alaska (NPR-A) is to be developed for oil and gas, not treated as a wilderness area.

COMMISSIONER SULLIVAN, in response to Representative Munoz, agreed to look into the issue of shellfish permitting and leasing and whether such development is being encouraged or impeded.

REPRESENTATIVE FOSTER commented he would like to hear more about what Alaska is doing to develop rare earth elements. He offered his appreciation of the commissioner's support for finding an affordable energy solution, particularly for rural communities.

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COMMISSIONER SULLIVAN, in response to Co-Chair Seaton, said DNR's organizational chart indicates that the oil and gas industry is enormously important to the state, which makes it easy for the department to get pulled into only one issue. However, he continued, agriculture is an example of another industry that is very important to many people. He said he is into team building with strong deputies, something he thinks the department already has. He wants to ensure - from a management and leadership standpoint - that the department is cognizant of

the many aspects in which it touches upon the lives of Alaska's citizens. He cannot be critical of previous department leaders because it is natural to gravitate toward an issue that is of enormous importance to the state.

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CO-CHAIR SEATON expressed his concern about the future of Alaska's natural resources. For example, he said, natural resource studies are being terminated this year on the Kenai Peninsula, there is no longer a statewide coordinator for Future Farmers of America (FFA), and there is no DNR person working with school districts to provide classes on natural resources. He offered his hope that such educational partnerships will not go just to industry partnerships.

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The committee took an at-ease from 1:57 p.m. to 2:00 p.m.

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FRANCI HAVEMEISTER, Director, Central Office, Division of Agriculture, Department of Natural Resources, said her division's mission "is to promote and encourage the development of an agriculture industry in the state." This is done through cooperation and partnership with industry itself, she continued. The division's 47 employees work from three offices: the main office in Palmer, the Plant Materials Center in "the butte" near Palmer, and the northern region office in Fairbanks. The total budget for Fiscal Year 2011 is just over \$7 million. Employees include administrative staff, equipment operators, agronomists, production managers, natural resource specialists, development specialists and technicians, loan officers, and inspectors.

MS. HAVEMEISTER noted that the division has three funding components: agriculture development, the Agriculture Revolving Loan Fund, and the Plant Materials Center. Under agriculture development is marketing, inspection service, and land management. The marketing development program includes the Alaska Grown Program, the Farm to School Program, industry support, education and outreach, conference hosting, and the Farmers Market Directory. Grants the division has successfully obtained are the Specialty Crop Block Grant programs and the Federal-State Marketing Improvement Program.

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MS. HAVEMEISTER said the number one goal of her division's long-term plan is to assist producers in increasing market share development. For example, cooperation with the Department of Corrections has increased the movement of Alaska grown product into correctional facilities. The marketing department's work with farmers markets statewide was instrumental in the formation of the Alaska Farmers Market Association. The division is continuing its work with local chefs to move in-season fresh product into restaurants. Additionally, during the growing season the division provides a wholesale newsletter that lists available local products.

MS. HAVEMEISTER, in response to Co-Chair Seaton, explained that Alaska producers can join the Alaska Product Preference Program under which a producer placing a bid for state contracts is given a seven percent allotment above a non-state producer. In further response, she confirmed that an example of this would include a produce provider to the Department of Corrections. In response to another question from Co-Chair Seaton, Ms. Havemeister stated that under the Farm to School Program the division has hired a phenomenal farm to school organizer whose master's thesis was done on this subject.

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MS. HAVEMEISTER, in response to Representative Gardner, affirmed the division has attended meetings put on by Robin Richardson as well as meetings put on by the Global Food Collaborative.

MS. HAVEMEISTER continued her presentation, stating that the division provides industry support through conference facilitation, the Alaska Grown Source Book, the "Wholesale Newsletter," staff participation at conferences and events, and the division's newsletter. In response to Co-Chair Seaton, she agreed to provide committee members with copies of the division's newsletter.

MS. HAVEMEISTER, regarding education and outreach, noted that the division continues "to partner with educators, agencies, and the private sector to promote knowledge transfer within the industry." Agriculture education is important, she emphasized, because most children are three generations removed from the farm and have little understanding of where their food comes from. Regarding education, she said the division partners with Agriculture in the Classroom, Future Farmers of America (FFA), 4-H, teacher education, and youth education events.

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MS. HAVEMEISTER, in response to Co-Chair Seaton, said there is no specific position within the division for Future Farmers of America. She added, however, that she firmly supports FFA and the division does everything it can to support that program.

CO-CHAIR SEATON pointed out that the Alaska Envirothon Program is being shut down because of no support from the Department of Natural Resources. He asked whether the Division of Agriculture is giving any support to this program or worked with the Department of Education and Early Development (EED) regarding natural resource courses.

MS. HAVEMEISTER replied that she works closely with the state FFA coordinator. Additionally, the division volunteers employee time and assists with the promoting and sponsoring of certain events, such as the FFA state convention. She has not, however, had direct conversation with the EED.

CO-CHAIR SEATON said it is a tragedy in the making that FFA and natural resource classes are being cut from the state's classrooms. Courses that engage students are not being supported at all or only minimally.

MS. HAVEMEISTER responded that the division is doing what it can and she fully supports that program.

CO-CHAIR SEATON added that the Kenai Peninsula Borough School District has terminated that entire program.

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MS. HAVEMEISTER, returned to her presentation, reporting that the division offers inspection services, including U.S. Department of Agriculture (USDA) Grade Inspection and Certification, food safety audits, export certification allowing for the export of plants outside of the U.S., Country of Origin Labeling (COOL), and the Cooperative Agricultural Pest Survey (CAPS).

MS. HAVEMEISTER, in response to Representative Munoz, explained that the division deals specifically with a cooperative agreement with the USDA, whereas the Department of Environmental Conservation (DEC) does not. Thus, DNR and DEC do not perform any cross inspections.

REPRESENTATIVE MUNOZ related a story about a farmer who was shut down by DEC because the source of the water used for washing the farm's cucumbers was undetermined. She asked whether such inspection functions could be consolidated between DNR and DEC.

MS. HAVEMEISTER said those are two separate functions and the Division of Agriculture does not currently do that portion.

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MS. HAVEMEISTER resumed her presentation, explaining that land management within her division includes land sales, grazing leases, and agriculture leases. She further noted that the Agricultural Revolving Loan Fund (ARLF), statutorily established in AS 03.10.010 and operating for 57 continuous years, promotes "the more rapid development of agriculture as an industry throughout the state by means of long-term, low-interest loans." The types of loans available include short term, chattel, farm development, irrigation, product processing, and clearing loans. In 2010 the delinquency rate was only 2.1 percent and the cash balances available for loan as of June 30, 2010, totaled \$4.7 million. The value of the loan fund is \$22.8 million, which includes outstanding loans, assets, and cash balances. In response to Representative Munoz, Ms. Havemeister said she believes the ARLF satisfies the demand that is being received from Alaska farmers. In response to Representative P. Wilson, she said she believes that farmers are aware of the division's function [in regard to the availability of the ARLF].

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MS. HAVEMEISTER, in response to Co-Chair Seaton, stated that the Board of Agriculture and Conservation has heavily debated whether mariculture operations qualify for ARLF, although the division has not yet received such an application. She related that according to the attorney general's last opinion, mariculture does fall under the ARLF. In further response, she said it is her understanding that applications to the ARLF from mariculturists would be accepted.

MS. HAVEMEISTER, in response to Representative P. Wilson, said she toured the mariculture facility in Homer last year and the facility is aware of ARLF. In further response, she said she did not know whether mariculturists in Southeast Alaska know of ARLF, but offered to check in this regard. In response to Co-

Chair Feige, she agreed to also check on whether mariculturists operating in Prince William Sound are aware of ARLF.

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MS. HAVEMEISTER continued her presentation, stating that the mission of the Northern Latitude Plant Materials Center (PMC), established in 1972, is to "promote the use of Alaskan-produced agriculture crops for re-vegetation and seed production." In response to Co-Chair Seaton, she said the PMC does not at this time do work related to trees or reforestation.

MS. HAVEMEISTER reported that the primary activities of the PMC include the Foundation Seed Program, the Certified Potato Seed Program, the Certified Seed Laboratory, the Native Plant Evaluation, high latitude germplasm research, invasive species management, re-vegetation technology and design, conservation plant technology, seed cleaning and conditioning, the Ethnobotany Teaching Garden, and rural village seed production. The PMC also provides training, outreach, and publications, and is a web conference hosting facility.

MS. HAVEMEISTER elaborated that the Certified Potato Seed Program, established in 1984, is industry requested and driven. It ensures that pathogen tested seed is available to certified seed growers. Prior to the seed program's establishment, growers routinely had disease losses of 30-50 percent, but the yearly losses today are now minimal. The program also provides field certification inspections, which are required for the legal sale of seed potatoes in the state of Alaska. In 2009, Alaska potato producers harvested 137,000 hundred weight of potatoes, with a value of \$3.3 million.

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MS. HAVEMEISTER explained that under the Invasive Weeds and Pests Program a strategic plan has been developed. Through cooperative efforts projects have been initiated around the state, and federal funds have been secured for further projects. In response to Representative P. Wilson, she said she does not know the status of the invasive weeds program on the Tongass National Forest. In response to Representative Feige, she stated that whether bison in the Delta Junction area are considered an invasive species is being openly debated.

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MS. HAVEMEISTER, in response to Representative Dick, explained that funding for the export of Alaska seed potatoes to Japan was through the Department of Commerce, Community, & Economic Development under the Alaska Manufacturing Extension Partnership. The program funds the University of Alaska's lab, which enables the export. The producers have partnered with Larson Farms of Idaho to ship to China. Last week in Delta Junction 9 vans were loaded with 21 tons of potatoes each. In further response, Ms. Havemeister said there is potential to this industry and that this has been an ongoing debate in Juneau for many years. This is the most that has ever been exported and she believes Larson Farms is a viable partner because it has the needed connections in China along with Alaska producers who are willing to partner with them. In response to Representative Gardner, Ms. Havemeister elaborated that while these are Alaska seed potatoes, it is Larson Farms that has partnered with the Chinese. Thus, Larson Farms is acting as a broker for Alaska producers.

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The committee took an at-ease from 2:23 p.m. to 2:28 p.m.

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MS. HAVEMEISTER reported that there were 680 farms in Alaska in 2009. They generated over \$31.9 million in cash receipts from 900,000 acres of agricultural land. She added that it is important to note the average age of an Alaskan farmer is 56.2 years. In response to Co-Chair Seaton about bringing new people into agriculture, Ms. Havemeister said there are several programs for youth. One program, based out of Fairbanks but not affiliated with the division, provides training and hands-on experience. The Division of Agriculture has not [provided small parcels of farm lands close to population centers for the purpose of bringing new people into the agriculture industry]; rather, the division has provided promotion, education, and outreach.

MS. HAVEMEISTER concluded her presentation by noting that Alaska's primary crops include greenhouse nursery production, hay, specialty crops, potatoes, livestock, dairy, and barley.

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CO-CHAIR FEIGE surmised the Lower 48 is not a prime market for Alaska agriculture products and that expansion of Alaska

agriculture industry will have to be in local and international sales. He asked what the division has done to help in international marketing efforts.

MS. HAVEMEISTER replied that in addition to the seed potato program that is exporting to China, the division has an inspector who issues phytosanitary certificates to the timber industry. This industry falls under agriculture in the USDA and it is exporting to China. She pointed out that the division has a very limited number of staff. In response to another question from Co-Chair Feige, she confirmed there is interest in purchasing agricultural land. Since beginning her tenure three years ago every parcel that has come up for sale has sold. She added that it is a very long and tenuous process to get land surveyed and processed for sale.

MS. HAVEMEISTER, in response to Representative P. Wilson, replied that the division deals with state land [as opposed to federal land]. In further response, she explained that to get the land surveys done the Division of Agriculture works closely with the Division of Mining, Land and Water. She offered to provide the committee with further information in this regard. In response to Representative Munoz, Ms. Havemeister confirmed that land sold for farming purposes retains a restricted title.

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JOHN "CHRIS" MAISCH, Director, Department of Natural Resources, Division of Forestry, began by quoting DNR's mission statement, which is to "develop, conserve, and maximize the use of Alaska's natural resources consistent with the public interest." Continuing, he said the Division of Forestry creates opportunities for Alaska's communities and residents by focusing on its primary mission to "serve Alaskans through forest management and wildland fire protection."

MR. MAISCH explained that the division's role is to support jobs in timber harvesting and processing, sustainably manage forests on state land, protect water quality and fish habitat during forest operations on all non-federal lands through the state's Forest Practices Act, and provide technical forestry assistance to communities, private landowners, agencies, fire departments, and others.

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MR. MAISCH reported that the Fiscal Year (FY) 2012 governor's operating request for the division's forest management and development component is \$6.8 million, which would support 45 full time, 5 part time, and 13 temporary employees. This budget would be through the state's general fund, federal funds, timber receipts, and other miscellaneous funds.

MR. MAISCH said the division's Fire Management Program provides wildland fire protection on state, private, and municipal lands commensurate with values at risk. This program also ensures that the division's wildland suppression resources are ready to safely and cost-effectively fight fire. Additionally, the program promotes community wildlife protection planning and hazard fuel reduction projects. He noted that hazardous fuel in the Interior is usually stands of black spruce and white spruce. On the Kenai Peninsula, grass that has replaced the trees killed by spruce bark beetles is a flash fire hazard, especially in the spring when the grass is dry. He further noted that the division provides wildland fire training.

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MR. MAISCH explained that the division's statewide Fire Suppression Program has two components: the Fire Suppression Preparedness Component with an FY 2012 request of \$17.7 million and the Fire Suppression Activity Component with an FY 2012 request of \$13.6 million. This funding would come from Alaska's general fund, federal funds, and other funds. There are 33 full-time year-round employees and 181 full-time seasonal employees. He said if the fire suppression component runs out of money, the governor's office can declare a disaster which then provides additional funds for fire suppression activities.

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MR. MAISCH turned to the five forest resources programs: Forest Management; Forest Practices; Forest Stewardship which provides technical assistance to private land owners; Forest Health which deals with statewide forest health issues; and Community Forestry which works directly with the urban communities. Many Alaska communities are Arbor Day Foundation Tree City USA communities, all of Alaska's military bases are certified as Tree City USA facilities, and two of Alaska's universities are certified under the Tree Campus USA program.

MR. MAISCH noted that there are four fire management programs: Fire Preparedness, Fire Suppression, State Fire Assistance, and Volunteer Fire Assistance.

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MR. MAISCH elaborated on the Forest Management Program which manages 47 million acres of forest on state lands across the state. The division is the lead agency for planning and management on the Tanana Valley, Haines, and Southeast state forests. He noted that the division also administers the Forest Practices Program which implements the Alaska Forest Resources & Practices Act (FRPA) on state, municipal, trust, Native corporation, and other private lands throughout Alaska. He clarified that this is not a permit program, but rather a "one-stop-shopping program" that enables a private land owner to file a Detailed Plan of Operation (DPO) when the landowner is planning to conduct a forestry operation. The division has 30 days to take action on a DPO; if no action is taken, the activity can proceed without the division taking action.

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MR. MAISCH, in response to Representative Wilson, explained that a series of regulations, including regulations for water quality and fish habitat, go along with the statute that authorizes the Forest Resources Practices Act. Three agencies participate - the Department of Environmental Conservation (DEC), the Alaska Department of Fish & Game (ADF&G), and the Department of Natural Resources, Division of Forestry - and each agency has due deference for its area of expertise. For example, ADF&G is the lead agency on fish issues. The Division of Forestry is in charge of coordinating inspections by the three agencies.

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MR. MAISCH, in response to Representative Kawasaki, said the actions taken by the division in response to a DPO are to ensure that the proposed activity meets the standards of the Forest Resources Practices Act. For example, within the Southeast State Forest buffers are mandatory along anadromous fish streams on both public and private lands, so maps must be submitted that show in detail what the operator plans to do. The DPO must also identify and locate any anadromous fish streams. Additionally, the division looks at the DPO and conducts field inspections to ensure that the best management practices embodied in the Forest Resources Practices Act are being implemented and are being

effective. He reiterated that it is not a permit, but rather an activity that is allowed as long as it is compliant with the best management practices in the act. In further response, he clarified that the division is the lead agency; it copies the DPO notices to ADF&G and DEC and coordinates the responses of those agencies to the operator. Thus, the operator only speaks to one entity - the Division of Forestry. He stressed that this is a good system that has worked very well.

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MR. MAISCH noted that the Board of Forestry is a governor-appointed board with staggered three-year terms. Board representatives/interests are in statute and include the timber industry, mining industry, fishing industry, foresters, fish and wildlife scientists, recreationists, Native corporations, and environmentalists. He said he serves as ex-officio chair of the board. The board reports to the legislature annually about the effectiveness of the Forest Resources Practices Act, whether it is being implemented, and whether it is effective in achieving the objectives of the act. He specified that it is an advisory, not a regulatory, board.

MR. MAISCH, in regard to the Fire Preparedness Program, said the division protects 152 million acres. That acreage includes almost all of the roaded area of the state, which is where most Alaskans live. The division responds to an annual average of 500-600 fires; over a 10-year period an average of about 2 million acres are burned. The years 2004 and 2005 were the state's first and third highest years on record, and either 2007 or 2008 was the fourth highest year on record. He reiterated that the Fire Preparedness Program is responsible for managing wildland fire on state, private, and municipal land. To carry out the fire program in Alaska, the division cooperates with the U.S. Bureau of Land Management Alaska Fire Service and the U.S. Forest Service, as well as structure fire departments.

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MR. MAISCH, in response to Representative Gardner, said he attributes the increase in the number of fires to changes in the weather patterns, especially in Interior Alaska. Summers have been drier than what the state used to have and the fire seasons are earlier and longer. For example, May 2010 had a record number of more than 280 fires.

MR. MAISCH, in response to Representative Dick, noted that the Alaska Interagency Wildland Fire Management Plan identifies the benefits of fire, of which there are many. The plan is structured around trying to allow fire to play its natural role in the Alaska ecosystem. Fire turns over the resource and most of Alaska's Interior wildlife species are early-succession-type species that depend on fire to maintain that type of vegetation. The plan identifies areas where fire can be allowed to burn or not be aggressively put out; however, the division still manages those fires and conducts site protection. For areas around communities and places of infrastructure, the division conducts aggressive initial attack to try to limit the size of the fire. This strategy is partly a fiscal issue because if the division tried to extinguish every fire or keep every fire as small as possible, it would cost hundreds of millions of dollars.

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MR. MAISCH, in response to Co-Chair Feige, said there are no plans to contract out the division's aviation section. The division owns the two air attack planes that provide the initial air control over a fire and that are also the lead planes when air tankers drop retardant. Those two planes are being sold through a broker to enable the division to purchase two new or used aircraft on a different platform that will provide for more efficient operation. The division also owns and operates two other utility aircraft, but otherwise hires from the private sector all the other necessary aviation assets, such as helicopters. In further response, he said the division hopes to purchase aircraft replacements that are like an Aero Commander, which is a turbine twin engine platform.

MR. MAISCH directed attention to a map delineating Alaska's Wildland Fire Protection Areas. He explained that the U.S. Bureau of Land Management Alaska Fire Service is the division's partner and the lead agency for the northern half of the state; the Division of Forestry has primary responsibility for the [southern/southcentral/Aleutian chain] area; and the U.S. Forest Service is the division's partner and the lead agency for [Prince William Sound and Southeast Alaska].

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MR. MAISCH discussed three current "hot topics." He said the first hot topic is the governor's proposed legislation to add 23,181 acres of state-owned land to the newly established Southeast State Forest. The second hot topic is the state's

effort in implementing the 2008 Tongass Land Management Plan (TLMP). The state is an official cooperating agency and is thus working side-by-side with the U.S. Forest Service to ensure that the timber sales offered under TLMP are economic and follow the conservation strategy enumerated in the plan. The third hot topic is the state's Personal Use Firewood Program that provides thousands of cords of wood to individual families, particularly those families located in Interior and Southcentral Alaska. People must get the wood themselves, but it is supplied at an economical price. The 2008 hike in the cost of oil led more people to install wood boilers, which in turn created issues regarding wood smoke particulate.

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MR. MAISCH concluded with three success stories. First, he noted, is the Tok biomass boiler at the Tok Gateway School District, which is off-setting 55,000 gallons of fuel oil and operates on approximately 40 acres of hazardous fuel removal annually. He directed attention to a related article in the committee packet. He said the program is successful, and another boiler like the one in Tok will be built in Delta. The division has worked closely with the Alaska Energy Authority on this project, and he expressed gratitude for the legislature's funding of AEA's Alternative Energy Program. He relayed that approximately 30, or 13 percent, of the alternative energy projects that have been funded are woody biomass projects.

MR. MAISCH said the second success story is the New Growth Initiative, which tracks new investments in the wood products sector in Interior Alaska. He explained that there is a large, under-utilized allowable cut in the Interior, and the initiative advertises the type of wood that is available and where it is located. He announced that a new pellet mill was built last year between North Pole and Fairbanks. He said the facility was between a \$7-\$12 million investment, and it employs 15-20 people. He noted that there is further information regarding this initiative included in the committee packet.

MR. MAISCH related that the third success story is the Alaska Wildland Firefighter Academy, which was initiated in 2010. He said this is a new approach, and he offered his understanding that 39 of the 40 students graduated and received 9 credits toward an associate degree in Fire Science at the University of Alaska Fairbanks (UAF). He said the students spent two weeks "on the fire line," and some of the crew members who graduated

are already working in that field. Mr. Maisch said the division is looking for ways to continue this program.

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CO-CHAIR FEIGE noted that there are a number of small lumber mills in the Matanuska-Susitna (Mat-Su) area that rely on public timber sales to provide feedstock for their mills, but these small mills do not know from year to year what the supply is going to be. He asked whether there is any way to produce a steady feedstock for these mills with enough advance notice for the mills to be able to plan their investments.

MR. MAISCH responded that the division has a 5-year schedule of timber sales published biannually that attempts to do the aforementioned. For each sale, the division writes a forest land use management plan. He explained that where there is state forest, the division has the ability to offer a more consistent program; however, general use land is classified as part of an area planning process for forestry intent. He said the amount of timber that can be offered is sometimes limited by staff. He expressed interest in finding out precisely which producers have what concerns.

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MR. MAISCH, in response to Representative Herron, said the state's policy is to keep the cut that comes off state lands in-state to be used in domestic manufacture; however, the state cannot restrict round log export due to statute. He said one issue with export is that the round log is approximately three times more valuable than "a domestic log." He said this is a complicated issue, but indicated that the reason there are still mills in Alaska is because of the state's efforts to give what timber it can to the mills.

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MR. MAISCH, in response to Representative P. Wilson, said Superior Pellet, LLC is the name of the private sector company in the Interior whose parent company is based in Oklahoma. Some of the wood is being supplied from Northland Wood's waste products, which buys a lot of its wood from the state. He indicated that Superior Pellet is trying to make use of lower quality wood that is unsuitable for manufacturing into lumber. The company is still in a start-up phase, he added. In response to a follow-up question, he said the harvest is forest-wide, and

there are buffer requirements along the Tanana River. He relayed that currently less than 10 percent of the annual allowable harvest is being used. With the mill at full production, he said, it would need approximately 1,000 acres a year, which would be double the current harvest size, but still would be a small amount.

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The committee took a brief at-ease.

THOMAS CRAFFORD, Director, Office of Project Management & Permitting (OPMP), Department of Natural Resources, specified that one of OPMP's core services is the coordination and integration of state and federal permitting requirements for large natural resource development projects for applicants that voluntarily request and pay for this service. The second core service is review and comment on various federal plans and actions to ensure protection of the state's interests under the Alaska National Interest Lands Conservation Act (ANILCA). These interests include resource development, wise stewardship of state resources, and continued opportunities for access and public use of federal lands.

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MR. CRAFFORD, in regard to private sector development projects, explained that OPMP assigns a coordinator to oversee the review and permitting process of the larger scale projects. Large scale projects are complex due to the many different permits that are required and OPMP's coordination provides the developer the benefit of having a single point of contact. He said OPMP deals with many kinds of projects, including transportation, oil and gas, and mining projects, along with federal grants and ANILCA issues. A Memorandum of Understanding (MOU) between the applicant and OPMP provides a means for OPMP to bill the applicant for state agency reviewers. The MOU also specifies that there is no guarantee of what the outcome of the permitting process will be as a result of entering into this agreement.

MR. CRAFFORD added that OPMP is currently managing 17 different MOUs with a total reimbursement commitment of about \$4.4 million; this commitment is an estimated cumulative budget for these projects. He noted that OPMP is a small organization with only 12 full-time positions and 1 intern position. The full-time positions are filled by relatively senior individuals, and most of these individuals were appointed to their positions.

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MR. CRAFFORD discussed the mining projects being coordinated by OPMP. He said "Greens Creek" is currently operating, is renewing its permits, and is seeking to expand its tailings disposal facility. In response to Co-Chair Seaton, he explained that a currently operating mine will still have some OPMP oversight because permits need renewal and mining projects typically get modified. In further response to Co-Chair Seaton, he confirmed that a mine could elect to depart from OPMP coordination, but that up to this point none have because of the benefit of having coordinated state involvement.

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MR. CRAFFORD continued his review of mining projects, noting that "Pogo Gold Mine" is currently operating and in the process of renewing permits. "Red Dog" is currently operating and recently went through a major permitting effort to allow for the transition of mining from the original ore body to a new ore body. "Fort Knox" is in the process of renewing several permits, the most significant being a dam raise. "Kensington Gold Mine" is in its first year of operation. "Rock Creek" is currently in temporary closure status while the operator decides whether to sell the project, re-open it, or permanently close it. "Chuitna Coal Project" is in full coordination with OPMP as it goes through the National Environmental Policy Act (NEPA) process for a Supplemental Environmental Impact Statement, which is expected to be completed toward the end of 2011, and permitting decisions anticipated sometime in 2012.

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MR. CRAFFORD, in response to Co-Chair Seaton, confirmed that coordination by OPMP does not change any of the standards that are required by a particular permit. He pointed out that OPMP itself has no permitting authority, it only coordinates the process. It is the agencies having the regulatory authorities that are responsible for making those permitting decisions.

MR. CRAFFORD resumed his review of mining projects, stating that the "Pebble Project" is currently in a pre-application phase and is still conducting exploration; it is unknown if and when applications might be submitted, although it might be in 2012. In response to Representative P. Wilson, he confirmed that this project is still in exploration and no development designs have

yet been submitted. Conceptual designs were submitted when the project applied for some water rights in 2006. However, the project subsequently asked that those water rights not be adjudicated and all of that has been on hold since then.

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MR. CRAFFORD said "Donlin Creek" is a large gold project that is currently in pre-application. He noted that the energy requirements for this project are substantial and difficult. Another difficulty with this mine's development and operation is the use and the traffic that it would cause on the Kuskokwim River. He anticipated that permit applications for this project will occur later in 2011.

MR. CRAFFORD related that "Livengood" is an advanced-stage exploration project that is currently working with agencies on baseline studies; applications are likely a few years away. He said the "Jumbo Dome Project" is currently in the pre-application phase and OPMP is working with that project on baseline data and preparatory work for the submittal of applications. In response to Co-Chair Seaton and Representative P. Wilson, respectively, he stated that the project is adjacent to the "Usibelli operations" at Healy and it is a coal property.

MR. CRAFFORD said the "Niblack Project" on southeastern Prince of Wales Island is in on-going exploration for copper, lead, zinc, and gold. "Nixon Fork" is a small, previously-operated gold mine in the Interior and a new operator is seeking to re-open that project. He added that OPMP and the state's large mine team are also involved in monitoring, reviewing, and commenting on Canadian mine projects that have potential trans-boundary implications for Alaska. He pointed out that no permitting is involved with the Canadian mines, just review.

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MR. CRAFFORD, in response to Co-Chair Feige, elaborated that the Canadian projects include the "Tulsequah Project" up the Tulsequah tributary to the Taku River, the "Galore Creek Project" up the Stikine River, "Shaft Creek" farther up the Stikine River, and the "KSM Project" up the Unuk River. He understood that the KSM Project would have the tallest headwall of any mine in North America and perhaps anywhere in the world. In response to Co-Chair Seaton, he defined "headwall" as being the tallest wall on the side of a pit, and that he believes the TSM headwall would be about 1.4 kilometers tall. In response to

Co-Chair Feige, Mr. Crafford said the Canadian mines are generally copper, molybdenum, and gold properties. In response to Representative P. Wilson, he said the KSM Project would be an open pit mine located immediately at the toe of a glacier and that it would have acid-draining potential into Alaska.

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MR. CRAFFORD, in response to Co-Chair Seaton, confirmed that OPMP is following the KSM mine because no agencies in Alaska have permitting authority and OPMP is ensuring protection from things coming into the country. He said the Alaska Department of Fish & Game's Alaska Sustainable Salmon Fund is providing funding from federal sources for the involvement and engagement of state agencies with OPMP's coordination. The state's opportunity to engage with the Canadian agencies is through the Boundary Waters Treaty Act and other international agreements, such as the Migratory Bird Treaty Act. In response to Representative P. Wilson, Mr. Crafford affirmed that Alaska has some say in what happens upstream from the state, but it does not issue any permits and therefore does not have any control. In further response to Representative P. Wilson, he complimented the Canadian agencies for their hospitality and for affording OPMP a seat at the table throughout the review process.

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MR. CRAFFORD next reviewed the energy projects in which OPMP is involved. He said the "Cook Inlet Natural Gas Storage Project" proposes to develop a natural gas storage facility in the "Cannery Loop Unit" at the mouth of the Kenai River. Many of the permitting decisions are complete, the project is currently under review by the Regulatory Commission of Alaska, and is also awaiting the resolution of some issues. He said OPMP is involved with Outer Continental Shelf (OCS) leasing, something which is of real concern for keeping the Trans-Alaska Pipeline System operating. The Office of Project Management and Permitting is also engaged in the National Petroleum Reserve-Alaska Integrated Activity Plan that is being conducted by the U.S. Bureau of Land Management.

MR. CRAFFORD said OPMP is coordinating the state's review and comment on the "ExxonMobil Point Thomson Gas Cycling Project." In response to Co-Chair Seaton, he deferred to the Division of Oil & Gas for answering any questions about litigation or negotiation on Point Thomson unitization and leases. Returning to his review of energy projects, Mr. Crafford said "Shell" is

involved in an Environmental Impact Statement (EIS) for its proposed OCS exploration off the North Slope. Additionally, OPMP is involved in the "BP Liberty Development and Production Project." In response to Co-Chair Seaton, he understood that BP's decision to reassess this project was an internal engineering and decision-making process.

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MR. CRAFFORD turned to the transportation projects that involve OPMP. He said the final EIS/Record of Decision (ROD) for the "Northern Rail Extension Project" has been issued and OPMP is now coordinating the processing of state permits for the first phase of this project. Responding to Representative Feige, he offered his understanding that the U.S. Environmental Protection Agency's (EPA) opposition to a bridge across the Tanana River has created a "bump in the road" in the project's permitting process. The EPA's opposition is because at that particular location the river is considered to have Aquatic Resources of National Importance (ARNI). This is an instance in which the state and the EPA have been bumping heads, he added.

MR. CRAFFORD, in response to Representative P. Wilson, said he could not state the average number of permits that would be needed for most projects because the suite of permits and the number of permits varies so much from project to project. For example, transportation projects and access roads associated with any of the aforementioned projects can require an individual permit for each stream crossing.

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MR. CRAFFORD reported that the draft EIS for the "Port MacKenzie Rail Extension Project" has been issued and OPMP is awaiting the Final EIS/ROD while continuing to work on pre-application coordination with the state and federal agencies that are involved. He noted that OPMP has been coordinating the "King Cove/Izembek Land Exchange and Road EIS" for a lengthy period of time. Regarding the Knik Arm Bridge and Toll Authority (KABATA), he said the final EIS came out in 2008 and the Record of Decision was anticipated in 2010; thus, OPMP's involvement in this project has declined.

MR. CRAFFORD, in regard to other activities that OPMP is involved in, noted that OPMP has two employees engaged with federal agencies on issues related to the Alaska National Interest Lands Conservation Act (ANILCA). In response to an

observation by Co-Chair Feige that the rate of federal employee turnover is high, he said training on ANILCA is provided to new federal employees and any other interested people by the Institute of Social and Economic Research (ISER); those OPMP coordinators involved with the state's input on ANILCA participate in providing this training.

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MR. CRAFFORD related that OPMP's workload for coordinating the Endangered Species Act (ESA) is increasing due to the listing of new ESA species and the designation of critical habitat. In regard to lands managed by the U.S. Bureau of Land Management (BLM), he explained that the agency uses a Resource Management Plan (RMP) as its management tool. The RMP's for various BLM lands in Alaska are periodically revised and the state has an opportunity to comment on these plans, which are done via an EIS. For each of these plans, an OPMP coordinator coordinates and consolidates the comments of the state's various agencies. He said there are a number of issues common to many of these plans, including "d(1) withdrawals" established under ANILCA and U.S. Secretary Salazar's order regarding "wild lands."

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CO-CHAIR SEATON observed that other issues being addressed by OPMP include the Exxon Valdez oil spill and restoration, federal grant programs, Tongass National Forest coordination, and health impact assessments.

MR. CRAFFORD, in response to Representative P. Wilson, said [newly appointed] DNR deputy commissioner Ed Fogels used to be the person responsible for Tongass National Forest coordination, and questions about the Tongass could be directed to Mr. Fogels.

MR. CRAFFORD pointed out that health impact assessments are becoming a part of the permitting sphere in Alaska. For private sector major development projects, the idea is that greater attention should be paid to an evaluation of potential impacts to human health as a consequence of developments. He said the state is attempting to get in front of this growing effort so that such assessments do not spiral out of control.

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MR. CRAFFORD, in response to Representative P. Wilson, confirmed that health impact assessments would include addressing diseases

that could be caused by development projects. However, he continued, concerns have been raised that the scope of such assessments could get out of control and include such things as how a person's diet might change as a result of being employed, or that a person might smoke more cigarettes as a result of being employed. In response to Co-Chair Feige, he said the concept of health impact assessments initially came about from a public health physician affiliated with the Alaska Native Tribal Health Consortium and other organizations. As a result, there is now a position in this regard in the Department of Health & Social Services. In response to Representative P. Wilson, Mr. Crafford confirmed that educating employees could be one of the outcomes of an assessment. For OPMP, however, it is a pre-permitting assessment of the health of the state's population prior to permitting, what the concerns might be, and how those concerns might be addressed as the project moves forward. Educating employees could be a consequence of this attention, he allowed, but not necessarily a part of the effort.

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CO-CHAIR FEIGE related that farmers in the Delta Junction area are looking for more help than the Division of Agriculture has been able to provide. He further related that farmers have discussed whether it would be appropriate to either elevate the division into its own department or move the division to the Department of Commerce, Community & Economic Development (DCCED). He asked for Commissioner Sullivan's comments about how farmers could be better served.

COMMISSIONER SULLIVAN responded that at the moment he does not advocate for moving the division because he first wants to hear directly from the Delta Junction farmers and wants to get up to speed on Alaska's agricultural issues in general.

CO-CHAIR SEATON noted that the statewide board for Alaska's soil and water conservation districts has been unable to meet with the DNR commissioner for four years. He encouraged Commissioner Sullivan to look carefully at that program, especially since two of the districts have closed over the past few months and therefore the vehicle for making contact with farmers is rapidly fading into oblivion. He expressed his support for sustainable agriculture in Alaska as a means for providing jobs and keeping people within Alaska's communities.

COMMISSIONER SULLIVAN said he looks forward to working with legislators and forming a partnership to get things done.

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ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 4:07 p.m.