

**ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE**

February 14, 2011

1:03 p.m.

MEMBERS PRESENT

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

MEMBERS ABSENT

All members present

COMMITTEE CALENDAR

HOUSE BILL NO. 123

"An Act relating to the Alaska clean water fund."

- HEARD & HELD

HOUSE BILL NO. 105

"An Act relating to the Southeast State Forest; and providing for an effective date."

- HEARD & HELD

PREVIOUS COMMITTEE ACTION

BILL: HB 123

SHORT TITLE: CLEAN WATER FUND: LINKED DEPOSITS

SPONSOR(s): REPRESENTATIVE(s) SEATON

01/26/11	(H)	READ THE FIRST TIME - REFERRALS
01/26/11	(H)	RES, FIN
02/14/11	(H)	RES AT 1:00 PM BARNES 124

BILL: HB 105

SHORT TITLE: SOUTHEAST STATE FOREST

SPONSOR(s): RULES BY REQUEST OF THE GOVERNOR

01/18/11 (H) READ THE FIRST TIME - REFERRALS
01/18/11 (H) RES, FIN
02/14/11 (H) RES AT 1:00 PM BARNES 124

WITNESS REGISTER

KATIE KOESTER, Staff
Representative Paul Seaton
Alaska State Legislature
Juneau, Alaska

POSITION STATEMENT: Introduced HB 123 on behalf of the sponsor,
Representative Seaton.

LYNN KENT, Director
Division of Water
Department of Environmental Conservation (DEC)
Anchorage, Alaska

POSITION STATEMENT: During the hearing on HB 123, answered
questions.

DEVONY LEHNER
Homer, Alaska

POSITION STATEMENT: Supported HB 123.

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

POSITION STATEMENT: Supported HB 105.

RON WOLFE, Natural Resources Manager
Sealaska Corporation
Juneau, Alaska

POSITION STATEMENT: Supported HB 105.

SHELLY WRIGHT, Executive Director
Southeast Conference
Juneau, Alaska

POSITION STATEMENT: Supported HB 105.

JOHN SANDOR
Juneau, Alaska

POSITION STATEMENT: Supported HB 105.

WAYNE NICOLLS
Juneau, Alaska

POSITION STATEMENT: Supported HB 105.

CARL PORTMAN, Deputy Director
Resource Development Council (RDC)
Anchorage, Alaska

POSITION STATEMENT: Supported HB 105.

KIRK DAHLSTROM, Co-Owner and General Manager
Viking Lumber Company Inc.
Craig, Alaska

POSITION STATEMENT: Supported HB 105.

ERIC LEE
Petersburg, Alaska

POSITION STATEMENT: Opposed HB 105.

JOSEPH SEBASTIAN
Petersburg, Alaska

POSITION STATEMENT: During the hearing on HB 105, urged that the bill be balanced by deleting some parcels from state forest designation and instead designating them as state parks.

JEREMY MAXAND
Wrangell, Alaska

POSITION STATEMENT: During the hearing on HB 105, urged that ways be found to process the timber within Alaska rather than allowing it to be exported.

ACTION NARRATIVE

[1:03:43 PM](#)

CO-CHAIR PAUL SEATON called the House Resources Standing Committee meeting to order at 1:03 p.m. Representatives Seaton, Feige, P. Wilson, Herron, Dick, Kawasaki, Gardner, and Foster were present at the call to order. Representative Munoz arrived as the meeting was in progress.

HB 123-CLEAN WATER FUND: LINKED DEPOSITS

[1:04:12 PM](#)

CO-CHAIR SEATON announced that the first order of business is HOUSE BILL NO. 123, "An Act relating to the Alaska clean water fund."

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KATIE KOESTER, Staff, Representative Paul Seaton, Alaska State Legislature, introduced HB 123 on behalf of Representative Seaton, sponsor. She said the bill would expand access to the Alaska Clean Water Fund, which is a revolving fund comprised of mostly federal dollars for the purpose of improving the water systems in the state. Currently, only municipalities and state agencies have access to these clean water dollars and HB 123 would broaden the access to that fund. The Alaska Clean Water Fund is used mostly by municipalities for point source pollution, such as septic systems. Nonpoint source pollution dollars are also in the fund and these are the type of programs that are being talked about under HB 123. An example of what would not fall under HB 123 is a private company borrowing Clean Water Fund money for a giant private septic system. Those systems are point source pollution and are only available to municipalities and state agencies.

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MS. KOESTER explained that HB 123 would establish a "linked deposit program" to access the Clean Water Fund dollars. A linked deposit would allow the state agency to put Clean Water Fund dollars into a bank and then the bank would loan that money to the borrower. The relationship between the state and bank would be a certificate of deposit: the state would basically be investing those Clean Water Fund dollars in a bank and then the bank's responsibility would be to vet an applicant or prospective borrower, which is who is being referred to when talking about expanding access to Clean Water Fund dollars. The bank would also have the responsibility to collect payment and follow up on any loan defaults.

MS. KOESTER related how the program would work. A non-profit organization would bring a project to the Department of Environmental Conservation (DEC) for approval. The department would make sure it is an eligible project that falls under the mission of the Clean Water Fund. Eligible projects would include anything that would contribute to a healthy watershed, such as green space development, on-site septic systems, agricultural best practices, storm water management, and brownfield remediation, to name a few. The definition for eligible nonpoint source pollution projects is broad because when talking about runoff, rainwater, and streams it is hard to point a finger at it.

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MS. KOESTER pointed out that this program is used in many other states. The committee packets include examples about some agricultural, brownfield remediation, and on-site septic system programs instituted in Ohio as a way to broaden access to Clean Water Fund dollars. She drew attention to a booklet on members' desks from the Homer Soil and Water Conservation District [entitled Landscape Suitability Map] that is a manual on best practices for development. The district received a grant to develop a landscape suitability map of the entire Homer area and identify projects that could be used for green development of subdivisions and land use in the Homer area.

MS. KOESTER provided an example of how this linked deposit program could be used under HB 123 for the bettering of Alaska's water systems. The Homer Soil and Water Conservation District would take these best management practices to DEC. The department would determine and approve the eligibility of projects for Clean Water Fund dollars, such as stormwater management, leaving green space in a subdivision, and other practices outlined in the booklet. Once approved by DEC, the developer would go through a development accreditation process with the Homer Soil and Water Conservation District. Then the developer would go to a bank for a project loan using these Clean Water Fund dollars that the state has put into the bank and for which the bank is paying a below-market value rate to the state. The bank would charge the developer an amount to administer this loan.

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MS. KOESTER noted that broadening access to these Clean Water Fund dollars has been successful in other states because it provides a market driven incentive for healthy water systems, rather than using enforcement. She directed attention to the Alaska Clean Water Fund Intended Use Plan for Fiscal Year 2009 in the committee packet. She read from page 2, long term goal 5, which states: "Increase the pace at which available funds are loaned by marketing to existing and potential new eligible entities by expanding the overall funds usage. Potential new entities may include lending to non-profit organizations for water quality type of projects, and to homeowners through a link-deposit program for on-site septic system improvements."

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CO-CHAIR FEIGE understood the state would deposit money with the bank, the bank would pay a lower-than-market interest rate to the state for use of that money, and then the bank would loan that money to people, entities, or non-profits. He asked what interest rate the bank would charge.

MS. KOESTER replied the bank would charge an interest rate that it feels acceptable for its risk in assuming that borrower. She confirmed that Co-Chair Feige's understanding of the program is correct.

CO-CHAIR FEIGE inquired what risk the bank would be taking since it is the state's money.

MS. KOESTER responded there is still a risk that the borrower might default. The real reason why the risk is on the bank is so that the bank will do the proper vetting of that applicant. The applicant would have to have collateral or a credit score or go through any other type of process necessary to access a loan. The difference is that someone might not be able to get a loan for some of these projects because the capital does not exist without being able to access the Clean Water Fund dollars.

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CO-CHAIR FEIGE asked how much of the current funding stream is being utilized by the municipalities and other qualified entities that are presently allowed to borrow from the fund.

MS. KOESTER deferred to DEC for the exact numbers. However, based on her conversations with the U.S. Environmental Protection Agency (EPA) about the goals that were established to increase the access and increase the lending of the funds, it is the sponsor's belief that there is room in that fund to expand access.

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REPRESENTATIVE P. WILSON understood the state provides the money, but she inquired whether the money comes directly from the state or from the federal government. She further inquired whether the state gets this money back when the bank is repaid.

MS. KOESTER answered that the Clean Water Fund is mostly federal dollars, so it is a federal-state revolving loan fund that exists in all the states for cleaning up water systems. The state would get the money back from the banks along with a

lower-than-market interest. It would be just like the state is investing funds in a bank instead of right now where all of those loans are issued to municipalities or state agencies and for which a lower-than-market value interest rate is applied. The state gets those dollars back at a nominal interest rate and that is why it is a revolving fund - it keeps growing and the state is able to expand programs.

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REPRESENTATIVE KAWASAKI asked how much money is in the fund and how much is encumbered.

MS. KOESTER understood that the fund is at around \$45 million. She deferred to DEC to answer the question in more detail.

REPRESENTATIVE KAWASAKI observed in paragraph 2 of the sponsor statement that community organizations, developers, non-profits, and individuals would have access to borrowing these funds. He inquired whether a Native village corporation, a cooperative that is regulated by "RCA", or a community supported agricultural farm would be included as eligible borrowers.

MS. KOESTER understood that any type of organization would be eligible and would not have to be a non-profit. The money just has to be spent on projects that are eligible for Clean Water Fund dollars.

REPRESENTATIVE KAWASAKI requested a broader definition of what the Clean Water Fund currently spends money on.

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REPRESENTATIVE MUNOZ asked whether Ms. Koester's referral to "state funds" means the funds that are in the Clean Water Fund now.

MS. KOESTER replied correct, she is talking about the Alaska Clean Water Revolving Loan Fund. She allowed it is confusing because that fund is federal dollars, but the state has control over those dollars.

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REPRESENTATIVE MUNOZ requested further explanation about what would be linked under the bill.

MS. KOESTER explained that the Clean Water Fund is already available to municipalities, so right now municipalities can already apply to DEC for a loan under that fund. Under HB 123, access to this fund would be expanded by saying that an individual, through a bank, can have access to Clean Water Fund dollars with an eligible project. The state's treasury would put an amount of money in a bank as a certificate of deposit, say \$100. The bank would pay interest to the state, say 2 percent, over the life of the loan. The bank would then loan that \$100 to say, John, a developer in Homer, who is doing a green development that will have a green space. The bank would charge John an interest rate of 7 percent, of which 5 percent is to cover the bank's risk of loaning to John and 2 percent is to cover its administration fee to the state.

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CO-CHAIR SEATON interjected that the relation of this linked deposit system is the developer can get cheaper capital, and can have access to capital, when the interest rate might otherwise prevent the development from going forward. At extremely low interest rates this might not be beneficial, but when interest rates go high developers have a hard time getting money economically enough to do a development; thus the linked deposit would allow for water systems to be improved, whether that is catchment ponds or other water system improvements. Water systems does not just mean water to the house, it means water systems flowing down through a planned development.

REPRESENTATIVE MUNOZ inquired whether the fund grows as loans are paid off with interest, or is the fund meant to stay at the level of \$45 million.

MS. KOESTER responded that the Alaska Clean Water Fund does grow and the interest received is re-loaned to other qualified projects. That is how it currently works and how it would continue to work.

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REPRESENTATIVE GARDNER understood that HB 123 would expand the entities that can borrow the money that is essentially federal money that the state has control of. But rather than have DEC or the state take the loan applications and provide administration, it would be done through a bank and the bank is willing to provide a lower interest rate because it has the security of the state's certificate of deposit.

MS. KOESTER confirmed that this is correct.

REPRESENTATIVE GARDNER noted that the language that would be added by HB 123 is "to persons, municipalities, or other qualified entities...." She asked what that specifically really means. For example, Kensington Mine has built settling pools next to its roads so that the runoff does not go directly into streams, which is clearly a water quality issue. She asked whether Kensington Mine would be a qualified entity for a loan for something like these settling ponds.

MS. KOESTER allowed that the sponsor has struggled with "qualified entities" because if it is defined too tightly then no one is really eligible. She said her understanding is that Kensington Mine would be eligible by working through the approval process that the project is eligible for.

REPRESENTATIVE GARDNER commented that if large industrial groups such as those on the North Slope are eligible, there would need to be a limitation on the scale so that one or two big groups did not take all the funds and leave "John in Homer" without access to the money.

MS. KOESTER agreed, saying limitations on the money would have to be developed because there is a need for municipalities. She deferred to DEC to speak to the current limitations.

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CO-CHAIR FEIGE observed that the first section of HB 123 defines the projects, which is the existing law: public wastewater collection, treatment, or discharge systems; nonpoint sources of pollution; and estuary conservation and management programs. He inquired why private persons would need to be added because it seems to him that persons do not have the responsibility for any of those particular projects.

MS. KOESTER answered that individual persons would not be added for point source pollution projects, such as solid waste management systems. There are two sections of the fund - point source and nonpoint source. Individual borrowers would be eligible for nonpoint source pollution because it is much more difficult to point a finger at something like pesticide runoff or a development that has issues with pavement and stormwater management that are harder to mitigate. So, the bill would

really provide a market incentive for individuals to consider those aspects when developing.

CO-CHAIR FEIGE asked whether the Alaska Clean Water Revolving Loan Fund is just different terminology for the same thing or is something different.

MS. KOESTER replied it is the Alaska Clean Water Revolving Loan Fund and HB 123 would just expand the eligible borrowers to a portion of that fund, which is the nonpoint source pollution portion of that fund.

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REPRESENTATIVE FOSTER inquired whether any pushback is expected from state agencies or municipalities that fear the \$45 million might not grow and so more people would be fighting for this piece of the pie that is not growing.

MS. KOESTER responded she believes municipalities have first priority. It is the sponsor's understanding that Alaska could be taking advantage of more clean water opportunities. Municipalities are not using the fund at this point in time to a level that would indicate there is an over-demand on the fund.

REPRESENTATIVE FOSTER asked how much of the fund is encumbered.

MS. KOESTER deferred to DEC.

REPRESENTATIVE P. WILSON inquired how many applications there are per year and said she would like to hear from DEC.

CO-CHAIR SEATON confirmed that DEC would be speaking later.

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REPRESENTATIVE HERRON understood banks would like it because they can make money, but more importantly if a bank can invest in a project that enhances the bank's investment in a project or collateral or neighbor projects it is in its best interest to borrow this money from the state to lend out so that the bank can protect those projects that may be surrounding a respective project. He inquired whether this specific legislation has been tried in a previous Alaska legislature.

MS. KOESTER answered that House Bill 200 was introduced last year but was not heard.

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REPRESENTATIVE MUNOZ related that at a recent hearing before the House Community and Regional Affairs Standing Committee, the City of Unalaska testified that it is considering upgrades to its water discharge system to go from a primary system to secondary. She asked whether Unalaska would be eligible for these funds and, if so, whether the fund large is enough to support those new requirements that the EPA is bringing forward for many of Alaska's coastal communities.

MS. KOESTER replied that the City of Unalaska is already eligible for those funds. From her limited understanding of the potential implications of that decision, she said it is much larger than what many of the state's funds combined would be able to handle.

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CO-CHAIR FEIGE surmised the upcoming requirements described by Representative Munoz are beyond the current ability of the [Alaska Clean Water Fund] to fund.

MS. KOESTER understood there is some potential coming from the EPA for changes to its requirements that would have far-reaching ramifications for many communities. However, she said she does not know very much about this because it is very new and there are a lot of assumptions as to which communities may or may not be targeted, including some in the sponsor's district.

CO-CHAIR FEIGE, regarding page 2, line 14, of HB 123 that states the department "shall" establish a linked deposit loan program, asked whether it would be better to say "may" so as to give DEC the option of doing this depending upon demand.

MS. KOESTER responded that that would be a policy call; the differences between "shall" and "may" are very large. Either way, statutory authority is needed to hold Clean Water dollars somewhere besides the treasury.

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LYNN KENT, Director, Division of Water, Department of Environmental Conservation (DEC), explained that DEC administers two separate funds: the Drinking Water Revolving Loan Fund and the Clean Water Revolving Loan Fund that is the subject of HB

123. The Drinking Water Revolving Loan Fund is tapped out right now and no dollars are available beyond the annual appropriation to the fund in the federal grant. The Clean Water Revolving Loan Fund is about \$390 million, of which a balance of about \$42 million is currently available. While that may seem like a large amount of money, there are some communities poised to seek some very large loans from that fund, as was just heard, and that has the potential to tap out the fund in a hurry. Currently the loan fund is being used primarily for communities for their wastewater collection, treatment, and disposal systems. The department does fund some nonpoint projects through solid waste projects and stormwater projects, again through loans to communities.

MS. KENT, regarding the question of whether large industrial businesses could get loans under HB 123, said the answer is yes and no. She said she believes they would be prohibited from getting a loan for an activity that is regulated under the point source requirements of the Clean Water Act. The Kensington Mine stormwater example that was cited earlier is actually a permitted discharge at the mine, so the mine would likely not be eligible for a nonpoint source loan through this linked deposit program. She said she believes that under the way the bill is currently set up, private industry could seek loans for activities that are nonpoint source pollution oriented.

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MS. KENT, regarding the question about the source of the funds, explained that the fund consists of the annual appropriation by the EPA, the interest the state receives on the portions of the fund that are loaned out, and the repayments of the previous loans that have been issued. While the fund is growing from that perspective, DEC is concerned that federal appropriations that have been helping to capitalize the fund are proposed to take some pretty severe hits this year.

REPRESENTATIVE GARDNER requested a definition of the difference between point source and nonpoint source.

MS. KENT answered that a point source is a discharge from a facility that comes from what EPA calls a discreet conveyance, such as a pipe from a treatment plant that discharges to a surface water. Nonpoint source discharge does not come from a discreet conveyance; for example, pollution from dog droppings, herbicides, or fertilizers that are from the lawn of a city park and that through rainfall run off into a creek or surface water.

Another nonpoint example is rain falling onto parking lots that then runs off, carrying oils and grease from cars into the creek. The EPA does not have a regulatory program for nonpoint source discharges.

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REPRESENTATIVE KAWASAKI inquired how DEC would define a person or other qualified entity for purposes of the regulations.

MS. KENT replied that DEC would have to write regulations to implement HB 123, but as the bill is currently written the eligible entity would not preclude anyone who has a project that would be eligible under the terms of the revolving loan fund. So, eligible entity could include a private individual or a private business so long as the person or entity had a nonpoint source project that fell within the allowable projects under the fund.

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REPRESENTATIVE P. WILSON, regarding Unalaska having to meet new EPA requirements, noted that Unalaska goes through a huge amount of water because of the number of processors located there. She surmised that many municipalities may be faced with having to meet these new EPA requirements. She asked how much money the State of Alaska receives from the federal government and whether the program would be able to provide funds to all qualified entities if the program is kept as it is now.

MS. KENT responded that the municipalities are always requesting money from DEC, not just for new facilities but also for upgrading and replacing current facilities and to accommodate growth in the community. Therefore, it is not always a new or higher regulatory standard that causes municipalities to seek a loan from the department. Right now the department is receiving about \$12 million annually in federal allocations for this fund and the demand for the funds is going up and up. A few years ago DEC had a much larger balance in this fund; the balance is going down and DEC expects it to tap out very soon.

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REPRESENTATIVE P. WILSON inquired whether the fund would be able to handle adding more eligible entities for these loans, given that the state may be receiving less money from the federal

government in coming years and that municipalities will be needing upgrades.

MS. KENT answered that it all comes down to prioritization on use of the fund. When conducting its annual scoring process, the department primarily looks at the immediate health needs that would result from a given project. So, once the funds are tapped out, what is likely to happen is that those projects that meet an immediate health need would outscore projects that do not provide such an immediate health benefit. In further response to Representative P. Wilson, she said she does not think DEC's eligibility criteria for the loan programs have changed since the fund's inception.

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CO-CHAIR SEATON opened public testimony on HB 123.

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DEVONY LEHNER, Private Developer, said HB 123 would allow another group of potentially eligible recipients to come on line, but that she sees no downside to passing the bill because the state would still have the flexibility to determine where the money is allocated. She noted that she is a private developer and that individual private developers have profound long-term effects that can either increase or minimize the demands on municipal systems. She and her husband are strong advocates of trying to minimize demands on municipal systems and keeping environmental effects from transferring offsite.

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MS. LEHNER stated that she and her husband are developing an 80-acre conservation subdivision, called Stream Hill Park. It is located inside Homer city limits so there are many hoops that must be jumped through. Over half of the subdivision has been set aside in permanent green space that is primarily drainages, not creeks which require a buffer anyway. These drainages are for handling large amounts of water coming from within the subdivision as well as from outside it. She noted that there are many piecemeal developments uphill from Stream Hill Park, so her subdivision represents a system between upslope and downslope development that can handle lots of water. She and her husband have tried to create many ways where water can be flowed, infiltrated, and cleaned so that it will not become a problem downslope. She pointed out that impervious surfaces are

created by development which causes much more runoff. So, if no mechanisms are put in place for looking at these things long term, the city will end up with more and more runoff and already the city often has more than it can effectively handle.

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MS. LEHNER noted that there is a rippling effect of benefits when developers, particularly those that control relatively large parcels, are encouraged to look at ways of developing so as to minimize the demands on municipal services. There are currently no incentives to do what she and her husband are trying to do in their development and they have had to work hard with taxing entities to explain that these parks and open spaces are set aside as non-developable lands for forever and so should not be taxed as developable. A developer has lots of issues to deal with when trying to pro-actively develop in ways that maximize watershed and community benefits, so any kind of incentive could be significant for encouraging developers to look at approaches that have long-time benefits to the municipality and the community. She and her husband have put a trail in their open space system that is used by many Homer residents. Thus, in addition to open space protecting water quality, it provides outdoor activity, quality of life, and health benefits.

MS. LEHNER added that the benefits are diverse, widespread, and long term. She urged members to consider the value of allowing developers to have access to these kinds of funds through this linked deposit program because developers really shape the communities in which they are developing. It is better to have the developments designed in appropriate and long-term environmentally conscious sustainable ways than to be giving money to municipalities to deal after the fact with the problems created by poorly designed developments.

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REPRESENTATIVE P. WILSON inquired whether the U.S. Army Corps of Engineers would consider the 40 acres of land set aside in Ms. Lehner's subdivision as wetlands.

MS. LEHNER replied that very little of the area set aside in her subdivision is mapped as wetlands. Kenai Peninsula wetlands were classified and mapped in 2005 at a scale of 1:25,000 and those are the maps used by the corps. Virtually none of the areas that she and her husband have set aside are mapped as

wetlands even though they convey water downhill. She and her husband are setting aside much larger areas than what would be required by the minimum regulatory standards.

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CO-CHAIR FEIGE commented that Ms. Lehner's subdivision sounds like a very nice development that would be a good investment. He asked whether Ms. Lehner could not go to a bank and borrow money to do this same thing.

MS. LEHNER responded that she and her husband have a credit line of over \$2 million with a bank. However, she pointed out, when developing within the city the developer is required to put in sewer, water, and paved roads. The lots in her subdivision range from one-quarter to one-half acre in size which is a more expensive way to go than the more traditional way of having roughly one-acre individual parcels with no green space and where the buyer must put in an on-site septic and figure out how to put in a well or have water delivered. Such a traditional development would have required much less money up front for infrastructure, but it would not have created a significant open space system. She said her testimony today is talking about folks in the future who would be able to get a lower interest rate than she and her husband were able to get. That lower interest rate would encourage and allow developers to use this beneficial type of approach.

CO-CHAIR SEATON held over HB 123.

HB 105-SOUTHEAST STATE FOREST

[1:56:14 PM](#)

CO-CHAIR SEATON announced that the next order of business is HOUSE BILL NO. 105, "An Act relating to the Southeast State Forest; and providing for an effective date."

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JOHN "CHRIS" MAISCH, State Forester, Director, Division of Forestry, Department of Natural Resources (DNR), spoke in favor of HB 105. He paraphrased from the following written statement [some minor formatting changes]:

This bill is part of the state's effort to ensure that local timber processing continues to be a piece of the economy in Southeast Alaska. The majority of timber in SSE [southern Southeast Alaska] is on federal land, but federal timber sales have declined drastically. Local mills now depend heavily on state timber for survival. Demand for southeast timber for wood energy is also increasing, further raising the importance of securing a timber base in this region.

MR. MAISCH, as an example, noted that Sealaska Corporation recently installed a wood pellet boiler for heating its building in Juneau. He continued speaking from his written statement:

Pursuant to [Senate Committee Substitute for House Bill] 162(RES), the 25,291 acre Southeast State Forest was established in June 2010. HB 105 would add an additional 23,181 acres of state lands to the Southeast State Forest from state lands currently available for timber harvest. The Division of Forestry would then be able to manage the combined acreage (48,472 acres) for a long-term supply of timber and retain these lands in state ownership for multiple uses. These forest lands will be managed as an integrated unit and according to a state forest management plan that will be developed via a public process within the next two years.

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While the lands were previously available for timber harvest before the State Forest was established, the State Forest designation ensures these productive forest lands will remain in state ownership and contribute to the long term viability of the timber based economy in southeast.

In 2009, the previous forest inventory was updated for all general use lands managed by the Department of Natural Resources (DNR) with forest management intent language per the regions Area Plans. This data provides the required supporting information on timber volume, acreage and allowable harvest for this request. The allowable harvest from these lands is approximately 8.3 million board feet. The DNR manages over 159,000 acres of uplands in southern southeast Alaska. Timber management is allowed on approximately

one third of this land; the State actively manages this timber base to supply wood to local processors. The remaining land is designated primarily for other uses including land sales, recreation, water resources, and fish and wildlife habitat, including over 65,073 acres of legislatively designated state marine parks and critical habitat areas.

Adding lands to the State Forest will ensure that the State's most suitable lands in Southeast remain available to contribute to timber supply through the State's ongoing timber sale program. Much of the State owned timber land in southeast Alaska was inherited from the U.S. Forest Service and is comprised of young, second-growth stands. Actively-managed second-growth stands provide more timber volume per acre on shorter rotations and can result in improved deer browse than unmanaged stands.

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We can increase timber yield and associated timber supply from state land by thinning these stands. Thinning is a long-term investment and is only justified if the land will continue to be available for forest management.

Timber sales from these lands will be a mix of domestic and export and will be based on economic conditions and locations. As established by the 1984 Supreme Court Case of South Central Timber Development, Inc vs. Esther Wunnicke, Commissioner DNR, the state may not restrict round log exports due to the interpretation of the interstate commerce clause. Instead, the state has developed timber sale methodologies to encourage domestic manufacture. Currently, almost all sales sold are to local mills.

The proposed additions to the Southeast State Forest include 23 parcels (see chart in the briefing paper). Approximately 21 percent of these lands are from five parcels that had previously been reserved pending legislative transfer to the University of Alaska. That legislation did not pass freeing these lands for long-term forest management in the State Forest. The legislation includes general use lands on Prince of Wales, Tuxekan, Gravina, Kosciusko, Revillagigedo,

Wrangell, Suemez, Mitkof, Kuiu, Dall, and Zarembo Islands. Six of these parcels are adjacent or near existing State Forest parcels.

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The Division of Forestry worked with the [Division of Mining, Land and Water] to identify and exclude lands that are priorities for the state land disposal program. A consultation was also initiated with the University of Alaska Statewide Office of Land Management and University senior officials. A key difference between a state forest designation and a transfer of lands as proposed by previous legislation is the continued long-term public ownership of these lands as opposed to other development uses. The Division also consulted with the Alaska Department of Fish and Game to ensure there was internal alignment on the list of proposed parcels, and there is. Several other parcels were considered as part of our internal due diligence process, but because of [known] concerns and or potential for high controversy were not included.

Fish habitat and water quality are key components of the Forest Resources and Practices Act (FRPA) which have a series of regulations that will apply to management of these parcels. Stream buffers have a no cut 100 foot minimum width on both anadromous and high value resident fish streams. The next 100 to 300 foot zone may allow timber harvest, but the activity must be consistent for both the maintenance of important fish and wildlife habitat. Area Plans also provide for coastal buffers of 300 to 500 feet with additional recommendations for specific parcels. During the development of the forest management plan, a key consideration for the Neets Bay parcel will be the maintenance of water quality and quantity for the fish hatchery operation at the head of the bay. Dialog with the Southern Southeast Regional Aquaculture Association (SSRAA) is ongoing concerning this legislation.

2:03:52 PM

The Southeast State Forest would be managed as part of the State Forest System under AS 41.17.200-230. Subsection (a) of Sec. 41.17.200 reads in part:

"The primary purpose in the establishment of state forests is timber management that provides for the production, utilization, and replenishment of timber resources while allowing other beneficial uses of public land and resources".

In addition to timber management, State Forests are open for multiple uses, including wildlife habitat and harvest, mining, transportation, recreation and tourism. State Forest lands would be managed consistent with the management intent under the current Prince of Wales Island and Central Southeast area plans. Changes to management intent would require public and interagency review through adoption of a State Forest Management Plan under AS 41.17.230.

One of the other demands on state land in SSE is to fulfill land entitlements for new municipalities. To avoid conflicts with the Wrangell Borough entitlement, the Southeast State Forest bill specifies that the new Wrangell Borough may select State Forest land within the borough boundary. The Wrangell borough boundary encompasses three parcels in the existing state forest (Crittenden Creek and Bradfield Canal East and West), and four parcels in the proposed additions (Eastern Passage, Pat Creek, Pat Creek uplands and Earl West Cove).

If additional municipalities are incorporated before June 30, 2019, lands that were vacant, unappropriated, unreserved land before establishment of the State Forest would be included in the calculation of the municipal entitlement acreage, but may not be selected.

[2:05:33 PM](#)

DNR has briefed many statewide groups and entities across Southeast Alaska about this proposal, including the Board of Forestry, SE Conference, local governments, and the diverse groups participating in the Tongass Futures Roundtable. These discussions will continue and to date we have received letters in

support from the following organizations: the City of Coffman Cove, the Resource Development Council, the Alaska Forest Association, The Alaska Chapter of the Society of American Foresters Southeast Conference, [and] ... a letter of support from George Woodbury.

2:06:16 PM

REPRESENTATIVE MUNOZ inquired whether the University of Alaska intends to move forward with selecting the aforementioned parcels of lands and legislation.

MR. MAISCH replied no. Based on discussions, the university has no intention of moving forward with additional legislation.

REPRESENTATIVE KAWASAKI asked how much of the current acreage is being utilized now.

MR. MAISCH responded that currently about 50,000 acres are identified in the area plan as general use land with forest management intent. The combination of the bill that passed last year and HB 105 would put just about all of the lands that were classified general use forestry intent into state forest designation. In further response, he confirmed that the 23,000 additional acres are currently managed for forestry and are part of the allowable cut in southern Southeast Alaska. Thus, adding these lands to the state forest would not increase the allowable cut, but it would allow the division to start making investments in pre-commercial thinning. Right now the division is unwilling to do that since a municipality could form and select those acres.

2:08:19 PM

CO-CHAIR FEIGE observed that concern has been expressed by a group that the timber from Hook Arm and Rowan Bay will likely be exported because these two locations are so far from a mill. He asked whether Mr. Maisch had earlier stated that whole logs could not be exported from state land due to federal statute.

MR. MAISCH answered that the state used to have a primary processing rule, which was essentially a round log export ban. However, because of the interstate commerce clause, only the federal government has the ability to do that and the state's statute was struck down by the [U.S.] Supreme Court. Therefore, the state does not have the ability to regulate round log export by law. So, by policy and the type of sales that the division

does, the state encourages domestic manufacture of timber in the state.

CO-CHAIR FEIGE inquired whether the division has talked to the mill in [southern] Southeast Alaska as to whether it could receive timber from those parcels.

MR. MAISCH replied that that particular mill, Viking Lumber, is the last mid-size mill in the state. The mill has benefitted by state timber sales and if not for state volume it would likely have closed due to lack of federal volume.

[2:10:04 PM](#)

REPRESENTATIVE MUNOZ offered her support for HB 105 and asked whether the timber base is stable for the mill that is located in Hoonah.

MR. MAISCH identified the mill as Icy Straits Lumber Mill and said this mill does have some state volume under contract. The one area that the U.S. Forest Service is doing well in is its small timber sale program and that program supplies most of the small mills on Prince of Wales Island and is meeting most of the needs of the small operators.

[2:11:10 PM](#)

REPRESENTATIVE GARDNER observed that page 2 of the letter from the Southeast Alaska Conservation Council talks about the likely export of the timber from Hook Arm and Rowan Bay. She asked whether it makes economic sense for the timber from these two parcels to go to Viking Lumber for processing.

MR. MAISCH answered that he did not mean to imply earlier that Viking Lumber would likely be able to process the timber from those locations. Those two locations are fairly isolated and those logs would likely go to the round log export market. The way the industry functions right now in Southeast Alaska is that there is both a round log export market and a domestic manufacturing market. It is important for the cash flow of mills to be able to export a portion of the logs that they purchase because of the price that they can get on the export market for sorts that are not profitable for sawing or for very expensive logs that command a very high price. In further response, he concurred that Viking Lumber would likely not have access to the processing of timber from Hook Arm and Rowan Bay,

although it is difficult to anticipate what the economics will be at the time that the sales come forward.

2:13:00 PM

REPRESENTATIVE KAWASAKI asked whether there are any requirements that trees from state forests must be processed or have value added before they can be exported.

MR. MAISCH replied no, that is what the state tried to do with its primary processing law that was on the books in the 1970s. It went to court in 1984, so the state does not have the ability to require that type of manufacture, especially under a competitive purchase situation. The state has several statutes for selling timber. The statute used a lot when selling timber in Southeast Alaska is called "118," which refers to the section of the statute. In areas of high unemployment and under-utilized allowable cut, this statute allows for a competitive negotiated process and one of the things that can be taken into consideration is either value added or high value added products. Statute "123," often referred to as the high value added statute, has more stringent requirements but the division is currently unable to use that statute in Southeast Alaska. Two other statutes under which the division sells timber are the regular competitive bid process and the small negotiated sale process. Right now a purchaser can choose to manufacture and most of the logs purchased are being used for local sawing. Separate appraisals are done on any logs that will be exported, which the purchaser must identify, and the state receives a higher price for these.

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REPRESENTATIVE P. WILSON pointed out that a parcel included in HB 105, Cleveland Peninsula, was under consideration for selection by the university and at that time a group in Wrangell had identified this parcel as being an area that it used for its children's wilderness program. She asked whether the division has talked with this group.

MR. MAISCH responded no, he is not aware of that organization, but that the division would talk to them if the name and phone number are provided. He said he does not believe any of the parcels are actually on the Cleveland Peninsula, but that he will check and get back to the committee.

2:17:03 PM

RON WOLFE, Natural Resources Manager, Sealaska Corporation, testifying in support of HB 105, stated that communities in Southeast Alaska are experiencing either reduced population demand or continued population loss. This is important for such things as schools, property values, and businesses. The timber industry, while struggling, is one that is needed, as are all of the industries in Southeast Alaska. The Southeast Alaska timber industry is basically supported by three legs: federal timber sales, private timber harvest, and state timber sales, and all three of these landowners are necessary for a viable timber industry in this region. Sealaska Corporation is predominantly in the round log export business and uses the same contractors as does Viking Lumber. It is these same contractors that would purportedly operate on state timber sales. The same fuel distributors and air taxi companies are also used. Thus, he is describing a critical mass that is important for the survival of the Southeast Alaska region. If any one of these legs of the stool falls away, Southeast Alaska could be in very serious trouble. The long term commitment of the state, as described by Mr. Maisch, is important for the long term management and health of the timber industry.

[2:20:14 PM](#)

MR. WOLFE, regarding the concerns expressed about round log export, said it is important to note that a strong component of timber sales on the Tongass National Forest is round log export. This is necessary to make the timber economics work. The premium price attained from round log export is basically what makes a timber sale economical to operate. He urged members to look at Sealaska's website to read the McDowell Group study on timber industry employment, which found that on a per million board foot basis the round log export industry generates just as many jobs as the domestic manufacturing industry. These jobs in the round log export arena are frequently in rural Southeast Alaska villages where there are no other forms of employment and this source of cash is crucial in a subsistence economy. Favoring a solely domestic manufacture would mean that people would have to move to a village that has a sawmill. He said the Alaska Forest Resources and Practices Act works well to protect fish and wildlife habitat resources on state and private land.

[2:22:18 PM](#)

REPRESENTATIVE KAWASAKI said it seems that the value added industry would provide more jobs than would round log export.

MR. WOLFE appreciated how that seems counterintuitive, but said a look at how Sealaska manufactures round logs into a customer specification will show the extra jobs that are created in the sort yard when the scale rollout is done. More importantly is the ship loading or stevedoring jobs that go with the export of the round logs. So, the combination of these jobs basically equivocates to the mills.

MR. WOLFE, in response to Co-Chair Seaton, agreed to provide the committee with a copy of the aforementioned McDowell study. He further offered to provide committee members with a tour of the Sealaska wood pellet boiler system.

[2:24:50 PM](#)

SHELLY WRIGHT, Executive Director, Southeast Conference, said she is testifying on behalf of the communities of Southeast Alaska that rely on resource development for survival. She testified as follows:

The communities of Southeast Alaska are struggling to survive. Part of the struggle is a lack of jobs. There used to be a timber industry in our region that supported our communities. People had wage earning jobs and financial support for their schools and their infrastructure. We depended on this for security and for our future. Now our industry is almost gone. I have been told the timber industry is a thing of the past. However, I opened the Juneau Empire last Friday and read on the front page that the State of Alaska's retirement fund officials are looking at investing in a timber industry in the Lower 48. To make the Alaska state retirement fund more secure they are investing in timber in the southeastern states from Texas to the Carolinas while we sit on 17 million acres of Tongass National Forest. That tells me we are missing the mark here in our region. This state forest will be a small way to stabilize our investments in the future of our communities. Allowing the state to have designated lands to manage for timber harvest will give our local mills a little more security and therefore maybe be able to employ a few more folks. We are down to one medium sized mill in Prince of Wales Island and nine or ten mom-and-pop mills throughout the region that rely on the bigger mills to stay in business. Supply is the obstacle for every

one of these mills. We are encouraged by the progress the state department of forestry has made with its industry development and with the partnership they have with the federal government. However, these efforts are almost unfortunately too little too late. Our region is in emergency mode now. We need this forest designation in order to survive.

[2:27:26 PM](#)

CO-CHAIR SEATON interjected that the committee has a copy of the Southeast Conference Resolution 11-11 as well as a copy of the February 14, 2011, letter from the Southeast Conference Timber Committee chairperson.

MS. WRIGHT continued her testimony:

The existence of a timber industry in Southeast Alaska depends on immediate action to provide a supply of economically viable sales. There has been some concerted effort by the state working with the U.S. Forest Service to improve the quality and quantity of the Forest Service timber sales. This effort continues, but has not resulted in the improvement needed. There are 17 million acres in the Tongass National Forest. This bill will secure 48,472 acres for timber harvest management by the Division of Forestry. It is a very small amount of land in a very big picture, but it could go a long way in maintaining the stability for our people in Southeast Alaska. As a representative of the logging communities in Southeast Alaska, I urge you to support the expansion of the Alaska State Forest. This designation will enable the Department of Natural Resources Division of Forest to sustainably manage the timber, fisheries, wildlife, waters, recreation, and other multiple benefits that will strengthen the local economy, provide jobs, and improve quality of life of all Southeast Alaska communities.

[2:29:55 PM](#)

JOHN SANDOR spoke in favor of HB 105 from the following written statement [original punctuation provided]:

I first came to Alaska on an assignment with the U.S. Forest Service in 1953 and served as the Regional

Forester of the Alaska Region from 1976 to my retirement from that agency in 1984. I also served as Commissioner of the Alaska Department of Environmental Conservation from 1990-1994. I am submitting this testimony as an individual - a Certified Forester and life-time member of the Society of American Foresters.

I support HB 105 - which will add 23,181 Acres of State lands to the 25,291 acre existing State Forest which was established last year. This expanded State Forest of 48,472 acres will enable the Department of [Natural] Resources Division of Forestry to sustainably [manage] the timber, fisheries, wildlife, waters, recreation, and other multiple benefits that will strengthen the local economy, provide jobs, and improve the quality of life of the communities living in the vicinity of these existing state lands.

Since the closure of the two Southeast Alaska pulp mills during the 1990's and the loss of an integrated forest product industry in the region, employment and population levels have significantly declined.

MR. SANDOR called the committee's attention to the Department of Labor & Workforce Development's projections for populations from 2010 to 2034. The population of Southeast Alaska is roughly 69,000 and by the year 2034 the population will decline by 14.5 percent. This is astonishing because the total state population is projected to increase by 24 percent. He noted that the Department of Natural Resources has had an exemplary record of working with local communities in protecting and managing local forests. The new Southeast State Forest will provide local communities with new opportunities to improve their economy and quality of life. He directed attention to a Juneau Empire article in the committee packet written by Tlingit leader Dr. Walter Soboleff.

[2:33:49 PM](#)

REPRESENTATIVE HERRON inquired whether more acreage could be added to the state forest.

MR. SANDOR replied that this is about one-third of the total state forest land in Southeast Alaska, but it is about the ideal amount in that state forest. He deferred to the state forester as to whether any additional land should be added.

[2:34:53 PM](#)

WAYNE NICOLLS urged passage of HB 105, paraphrasing from the following written statement [original punctuation provided]:

I am retired after 37 years with the US Forest Service. I am a 50-year member of the Society of American Foresters and I continue my education efforts to qualify as a Certified Forester. I am also a member of the Alaska Board of Forestry.

This statement in support of HB 105 is in behalf of myself as an individual, not as a spokesman for any organization.

The addition of some 23,000 acres to the Southeast State Forest will total nearly 50,000 acres. The legislature and administration are to be complimented for their foresight in establishing the Southeast State Forest and I urge that they exercise that same foresight in enlarging it.

As I indicated last year during deliberations that led to the establishment of the [Southeast] State Forest, designation of lands as such elevates their status above mere state ownership. It justifies prudent investments via cultural treatment of the forest stands and establishment of infrastructure to facilitate their management and multiple public use.

While much current focus is on logging, resultant employment, and current economic results of state management, the real benefit is long term through subsequent management and use over many decades, possibly a century or more. These long term benefits far outweigh short term wood harvest benefits.

I have only heard one argument for deletion of certain tracts on the basis that they contain considerable old growth. Thus should remain outside the state forest. This is some sort of reverse logic. The argument is without merit because as the land is already owned by the state it can be harvested. It just is not feasible to invest management effort subsequently. Not including it in the state forest does nothing to protect it from logging if that is the objective.

Contrary to some popular belief, old growth is not the epitome of wildlife habitat. Carefully managed forest land through vegetation manipulation can improve habitat. It can increase carrying capacity for deer and other species. It can even improve fish habitat as has been proven by research in the past decade or two. Preaching that old growth must be preserved to benefit wildlife is shallow logic. The effort opposing inclusion in state forest would best be devoted to acquiring current scientific knowledge and advocating conservation through forest management.

[2:38:59 PM](#)

CARL PORTMAN, Deputy Director, Resource Development Council (RDC), spoke in favor of HB 105 as follows:

RDC supports HB 105 given expansion of the forest would help sustain the forest products industry, save jobs, and help the economy. The state land identified for inclusion into the new state forest has been consistently managed for timber harvest. A state forest designation over these lands would ensure they would remain in state ownership and contribute to the long-term viability of the forest products industry in Southeast Alaska.

RDC supported the creation of the Southeast State Forest because demand for state timber exceeds supply and local mills are dependent on a consistent supply to stay in business. The majority of the timber in Southeast Alaska is on federal land, but federal timber sales have declined sharply. Subsequently, the demand for state timber from local mills has increased significantly.

Much of the new state forest contains young second-growth stands. There is broad support for shifting timber harvesting in Southeast Alaska from old growth to second growth. The new state forest and the proposed additional parcels to it would help provide a sustainable timber supply to local mills and accelerate the harvest of second-growth timber. Actively managed second-growth stands will provide more timber volume per acre on shorter rotations.

The shift to second-growth harvesting can be accelerated and timber volume increased on state land by thinning these stands. However, thinning is a long-term investment and is only justified if the land will be available for timber harvesting.

In our view the Southeast State Forest and the proposed additions to it are needed to help restore some balance in Southeast Alaska, given approximately 95 percent of the Tongass National Forest is closed to logging. The Tongass itself comprises about 94 percent of the land base in Southeast. As a result land management in Southeast is extremely weighted toward conservation and non-development uses. Of the 17 million acres in the Tongass, only 663,000 acres are scheduled for harvesting over the next 100 years and half of that acreage is second growth timber cut decades ago. The annual harvest ceiling has been reduced to 267 million board feet, down from 520 million board feet under previous federal plans and mandates. Only 30 million board feet of timber has been harvested annually in recent years, less than 15 percent of the allowable cut. Timber harvests in these federal lands are likely to be constrained due to litigation and other federal issues.

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With regard to state lands, DNR manages over 159,000 acres of uplands in southern Southeast Alaska. Of these, approximately 48,472 acres would be included in the new expanded state forest. The remaining land is designated for other uses, including recreation, water resources, land sales, and fish and wildlife habitat, including 25,000 acres of legislatively designated state parks, refuges, and public use areas. These statistics in our view speak to the need, the urgent need, of a productive state forest in Southeast. With the Forest Service unable to provide timber sales and the industry need to keep operating and with most federal land in the region now closed to development, the proposed additions to the Southeast State Forest are needed and would help sustain the forest products, industry, save jobs, and benefit the economy.

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KIRK DAHLSTROM, Co-Owner and General Manager, Viking Lumber Company Inc., specified that 17 years ago he and his brothers bought a bankrupt sawmill located on Prince of Wales Island, intending to run the mill on Forest Service timber. However, the federal government has let them down. Over the past 10 years almost one-third of the mill's volume has come from state timber sales and is what has kept the mill alive. The mill has over 100 employees and contributes about \$17 million annually to the local Prince of Wales Island economy. Over the years he has had some very tough times with timber supply, but the state timber sale program and [House Bill 162], which established the state forest last year, have given him great confidence to continue going. He supports passage of HB 105 because it will provide more confidence to keep going in the face of the horrible market conditions and timber supply that he has had.

CO-CHAIR SEATON inquired whether Viking Lumber would be interested in the two remote parcels [Hook Arm and Rowan Bay].

MR. DAHLSTROM replied that over the years Viking Lumber has reached out over 200 water miles to get timber. Rowan Bay is not too far, but it may take a little more of the wood being exported from there to cover the extra costs of transportation. About 30-40 percent of the logs would go to the sawmill and the rest would need to be exported to make it economical.

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ERIC LEE noted that all of the comment heard by the committee so far has been from big timber interests. The reason for this, he maintained, is that the small operators can have an entirely different opinion about HB 105. Born in Petersburg in 1951, he said he has been a subsistence hunter on Mitkof Island every year since he was a boy until the season was closed in 1975 due to the drastic decline of deer after the extensive logging and two hard winters. Before logging deforested much of the best deer winter habitat, game was plentiful on the island. Deer and wolf populations rose and fell in the same natural cycle they had always followed for thousands of years. During the time he grew up the deer season was open for five months of each year, from August through December, and the limit was four deer. Following the closure in 1975 the deer made only a slow and partial recovery and the season remained closed entirely for 16 years. In 1991 it was re-opened for two weeks with a limit of one buck, and except for a small archery season it remains at just two weeks and a limit of one very-hard-to-find buck. In spite of this very restrictive management, the deer population

has never recovered. This dramatic reduction in Mitkof Island's deer carrying capacity is directly attributable to the deforestation of deer winter range and the extensive system of logging roads that allow poachers to access most of the island and that also provide easy travelling for wolves.

MR. LEE also recalled his days of coho salmon fishing in a stream in the Falls Creek watershed on Mitkof Island before that area was logged. He said the streambed and sandbars were clean, but during and after logging of the watershed the sand and gravel bars were periodically covered by an inch or more of fine mud and silt even though the logging took place a long distance from the creek. Over the next four or five years the coho run dropped to a fraction of its former strength and has never fully covered.

MR. LEE said he is using these firsthand observations from his life to show why he is concerned about the additional logging that would take place on Mitkof Island if the four parcels on the island are selected. There are already over 150 miles of logging roads on this small island, he noted. Both ecologically and economically, logging has not been conducted in a sustainable way despite the claims to the contrary. Most of the valuable timber from these state lands will be cut down and shipped overseas as fast as possible, rather than sustainably, with no regard for added processing to bring economic benefit.

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MR. LEE urged that no state lands be designated for logging until the timber can be processed in Alaska for the benefit of Alaskans. He read from Article 8, Section 4, of the Alaska State Constitution which states that resources shall be utilized and managed sustainably, and said that the proposal for Mitkof Island is not even remotely close to sustainable.

MR. LEE, regarding round log export, pointed out that the best trees are shipped overseas and these trees are centuries old, irreplaceable, and extremely valuable. Once those trees are gone they are gone for good. The big timber interests make their quick money, but sustainable long-term business opportunities for the mom-and-pop operators are gone with the exported timber and it is the mom-and-pop operators that provide economic opportunities for communities like Petersburg.

[2:53:28 PM](#)

JOSEPH SEBASTIAN warned that like the federal forest program on the Tongass National Forest, this state forest land program will be a deficit-receipt program to the State of Alaska. It will require more state investment than there will be profits to the state or communities. Much of this land is already marginal timber or old clear cuts and marginal second growth. There will be tens of thousands of dollars of survey costs, monitoring, accounting, and trying to keep the users honest that will add further costs. Additionally, the far-flung nature of these land parcels will make them impossibly expensive to administer by the state forester and his staff. This program amounts to little more than corporate welfare for a couple of timber operators and the round log export amounts to round job exports.

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MR. SEBASTIAN said the state cannot clearcut its way to prosperity in the Tongass and will be doubly impoverished by exporting its forest resources under the premise of further jobs from exporting. Sealaska has completely stripped the trees from over half of Dall Island, he charged, so the island will be clearcuts on top of clearcuts. He urged that the state program be more responsible than has Sealaska. The Hook Arm and Rowan Bay parcels should be dropped. The parcel in Rowan Bay has a lot of coastline and sensitive beach fringe. North Kuiu Island is one of the most heavily logged places in Southeast Alaska. The Sumdum, Cleveland Peninsula, Mite Cove, Lynn Canal, Rowan Bay, and Hook Arm parcels should be deleted from HB 105 and the bill balanced by designating these parcels as state parks.

[2:58:19 PM](#)

JEREMY MAXAND noted that he and his parents were born and raised in Wrangell and his father was a longshoreman. He is proud to say that in 1992 he was the first Wrangell student to receive the Alaska Pulp Corporation's academic scholarship of \$10,000, which helped put him through college. He said his comments are not necessarily in support or opposition to HB 105; rather, his primary concern is with the potential scale of round log export and, in essence, the exporting of jobs from his community. Wrangell used to have a very large mill that processed 60-70 million board feet a year, but this mill is now in the final stages of complete dismantlement. The Wrangell community has gone through a tumultuous economic time to re-create itself and identify ways to diversify and stabilize its economy. Wrangell has two micro-operators that process about 250,000-500,000 board

feet of timber a year into amazing wood products and he supports their efforts 100 percent.

MR. MAXAND said his concern about HB 105 is that Wrangell is in the unique position of determining how it will go forward economically and what role the timber industry is going to play in that. He believes most people have moved beyond the idea of a large timber industry in Wrangell, but they have not moved beyond the idea that Wrangell could have some very important value added wood manufacturing operations in addition to the ones the community currently has. Even though comments have been made that there are efforts to encourage local manufacturing of that fiber, his concern is that he does not see how genuine or real those efforts are. If HB 105 moves forward, he urges that the state look very hard at ways to innovatively support communities like Wrangell that have worked toward having a long-term sustainable mill industry. The state must look at ways to ensure that the timber harvested from Wrangell Island is kept on the island for manufacturing and value adding by small, sustainable mill operations in Wrangell. Alaska's timber should not be shipped out of the country while the communities are left with clearcuts and no remaining timber. He urged the committee to do the right thing for the people in Wrangell.

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CO-CHAIR SEATON held over HB 105.

[3:02:45 PM](#)

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:03 p.m.