ALASKA STATE LEGISLATURE
HOUSE RESOURCES STANDING COMMITTEE
March 9, 2011
1:36 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. 60
"An Act relating to aquatic farm permitting involving geoducks and to geoduck seed transfers between certified hatcheries and aquatic farms."

- MOVED OUT OF COMMITTEE

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 60
SHORT TITLE: GEODUCK AQUATIC FARMING/SEED TRANSFER
SPONSOR(s): REPRESENTATIVE(s) SEATON

01/18/11	(H)	PREFILE RELEASED 1/7/11
01/18/11	(H)	READ THE FIRST TIME - REFERRALS
01/18/11	(H)	FSH, RES
02/15/11	(H)	FSH AT 5:00 PM CAPITOL 120
02/15/11	(H)	Moved Out of Committee

02/15/11	(H)	MINUTE(FSH)
02/16/11	(H)	FSH RPT 2DP 3NR 1AM
02/16/11	(H)	DP: AUSTERMAN, THOMPSON
02/16/11	(H)	NR: HERRON, PRUITT, JOHNSON
02/16/11	(H)	AM: KAWASAKI
03/09/11	(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
02/14/11	(H)	Heard & Held
02/14/11	(H)	MINUTE(RES)
03/09/11	(H)	RES AT 1:00 PM BARNES 124

WITNESS REGISTER

REPRESENTATIVE PAUL SEATON
Alaska State Legislature
Juneau, Alaska
POSITION STATEMENT: Spoke as the sponsor HB 60.

RODGER PAINTER, President
Alaska Shellfish Growers Association
Juneau, Alaska
POSITION STATEMENT: Testified in support of HB 60.

JEFF REGNART, Director
Commercial Fisheries
Alaska Department of Fish & Game
Anchorage, Alaska
POSITION STATEMENT: Testified that ADF&G doesn't foresee any significant risk with the passage of HB 60.

JOHN THIEDE, Natural Resource Specialist
Division of Mining, Land, & Water
Department of Natural Resources
Anchorage, Alaska
POSITION STATEMENT: During hearing of HB 60, answered questions.

RICK ROGERS, Forest Resource Program Manager
Central Office
Division of Forestry

Department of Natural Resources
Anchorage, Alaska
POSITION STATEMENT: During the hearing on HB 105, answered questions.

ROBERT CLAUS
Southeast Alaska Conservation Council
Craig, Alaska (SEACC)
POSITION STATEMENT: During the hearing on HB 105, testified in opposition to including the Hook Arm parcel.

ACTION NARRATIVE

1:36:03 PM

CO-CHAIR ERIC FEIGE called the House Resources Standing Committee meeting to order at 1:36 p.m. Representatives Munoz, Foster, Dick, P. Wilson, Seaton, and Feige were present at the call to order. Representatives Herron, Gardner, and Kawasaki arrived as the meeting was in progress.

HB 60-GEODUCK AQUATIC FARMING/SEED TRANSFER

1:36:20 PM

CO-CHAIR FEIGE announced that the first order of business is HOUSE BILL NO. 60, "An Act relating to aquatic farm permitting involving geoducks and to geoduck seed transfers between certified hatcheries and aquatic farms."

1:37:05 PM

REPRESENTATIVE PAUL SEATON, Alaska State Legislature, speaking as the sponsor of HB 60, showed a short video regarding geoducks.

1:40:50 PM

CO-CHAIR SEATON commented that the video illustrates that geoducks are part of the culture of the Northwest and Southeast Alaska. He noted that geoducks are native to Southeast Alaska. He then explained that the goal of HB 60 is to provide an economic base for the Gulf of Alaska and communities from Yakutat to Sand Point, places where it's difficult to establish a new economic base. Farmed geoducks are worth $12-$15 per pound when sold live. He explained that geoducks are farmed in

sub tidal zones and nothing has to be done to them during the peak of the salmon season or any other fishery, and therefore it doesn't conflict with other economics in coastal Alaska. Furthermore, geoducks can be harvested at any time of the year.

1:42:30 PM

CO-CHAIR SEATON informed the committee that HB 60 would extend the time for getting geoduck seed, which can only be obtained from Alaska. Geoduck seed used in Alaska cannot be imported. Although geoducks are a native species, they don't occur in the wild north of Juneau. Therefore, geoducks from Southeast Alaska are taken to the Alutiiq Pride Shellfish Hatchery, the only certified hatchery in the state, where they are bred, spawned, and the seed is then purchased by farmers for planting. He explained the methods used to farm the geoduck seeds, which grow to a harvest size of 1.5 pounds in about 5-7 years.

1:44:00 PM

CO-CHAIR SEATON clarified that HB 60 specifies that geoduck farming can only occur at the sub tidal level, and therefore it won't interfere with where boat landings or subsistence harvesting occurs. Geoducks prefer a low energy beach with a muddy, sandy bottom, and thus they don't compete with razor clams or hard shell clams that are found in the intertidal zone, which has a lot of energy on the beach. In the sub tidal, low energy habitat that geoducks prefer only tunicates and polychete worms are found. Studies found that in areas where a geoduck farm was established there was an increase in worm populations. The aforementioned occurs because the habitat is broken up such that more than just a muddy bottom exists. However, there hasn't been a decrease in other fauna in the area of the geoduck farm.

1:45:28 PM

CO-CHAIR SEATON informed the committee that no diseases, even those of transport significance, have been found in geoducks. Therefore, there is no concern with moving geoducks from one area to another area. As mentioned in the video, geoducks can live to be 160 years old. He noted that around the state there are larval drift zones, which are areas in which the goal is to maintain genetic integrity such that a clam isn't taken from one area to another in order to avoid disruption of the local genetics. This legislation, on the other hand, refers to moving clams to an area where there is no local population. Therefore,

there is no concern with regard to genetic contamination by moving geoduck clams from Southeast Alaska to anywhere in the Gulf of Alaska because north of Juneau there are no such clams.

1:46:59 PM

CO-CHAIR SEATON reminded the committee that geoducks are a highly prized species that is sold live and won't interfere with other animals. Moreover, geoducks will likely be non-reproductive like oysters are in Alaska. In response to Co-Chair Feige, Co-Chair Seaton explained that it's thought that geoducks don't reproduce because the water temperature does not reach a high enough temperature to start the spawn cycle. In the hatchery, for an extended period the water temperature has to be raised higher than what naturally occurs north of Juneau in order to reproduce. In regard to what would happen if geoducks did spawn [north of Juneau], he related that calculations estimate that it would create a $750 million a year industry for the dive fishery. Currently, there is no dive fishery [north of Juneau] because there aren't clams there. However, in Southeast Alaska there is a wild stock dive clam fishery. He explained that the controversy in Southeast has revolved around the desire to have a geoduck farm where wild stock is located. The aforementioned won't happen up north since there is no wild stock north of Juneau. Co-Chair Seaton informed the committee that the state-built Alutiiq Pride Shellfish Hatchery (hatchery) in Seward has not become self-sufficient, as intended, because it hasn't been able to sell enough product, clam seed, to do so. Therefore, the state has had to subsidize the hatchery. Co-Chair Seaton opined that developing a number of [geoduck] farms would allow the hatchery to become self-sufficient as it would have a source to sell its geoduck seed, which is more valuable than is oyster seed. In conclusion, Co-Chair Seaton highlighted that HB 60 wouldn't change the parameters of the required permits. The legislation merely says that permits to those in the Gulf of Alaska won't be denied just because wild geoducks aren't already present in that area.

1:51:41 PM

CO-CHAIR FEIGE observed that HB 60 has two zero fiscal notes, and surmised that HB 60 would reduce the need for the state to fund the hatchery as much.

CO-CHAIR SEATON answered that is correct. In further response to Co-Chair Feige, Co-Chair Seaton explained that funding for

the hatchery hasn't been built into the base as it has been a capital request item because it's not intended to be long-term.

1:53:00 PM

REPRESENTATIVE HERRON inquired as to the optimum harvest window and whether it's before they change sex.

CO-CHAIR SEATON answered that generally geoducks are harvested in five to seven years. Geoducks are sedimentary, stay in one spot, and are filter feeders. Unlike razor clams, once geoducks are in the substrate they cannot be pulled out and don't dig back in.

1:54:15 PM

REPRESENTATIVE P. WILSON surmised that the hatchery in Seward wasn't sustainable to begin with because it was to be used for Southeast.

CO-CHAIR SEATON replied no, specifying that through various administrations the plan has always been that mariculture would expand across Alaska. However, there has been reluctance to allowing geoducks to be farmed outside of Southeast Alaska. Moreover, there have been problems with the wild stock, the wild stock harvesters and the farmers, which have resulted in delays in the growth of mariculture in the state. In further response to Representative P. Wilson, he estimated that the hatchery is 10-12 years old.

1:56:02 PM

REPRESENTATIVE P. WILSON surmised then that even if HB 60 is passed, the hatchery would still need to be subsidized for at least another five to seven years. She likened allowing geoduck farming in the Gulf of Alaska to an experiment since there is no knowledge that geoducks will grow in that area.

CO-CHAIR SEATON disagreed, "No, we know they'll grow up there." The only question is whether geoducks will become reproductive in the Gulf of Alaska. No one believes geoducks will become reproductive in the Gulf of Alaska. Geoducks grow fine in the hatchery at Seward, but they don't become reproductive unless the water temperature is raised above the regular water temperature. He reiterated that this will be a similar situation to that of oysters, which don't become reproductive. There is no desire for the shellfish in the hatchery to become

reproductive because they're being grown for seed to sell. Therefore, the purchase of seed from the hatchery will result in the hatchery becoming self sustaining.

1:57:42 PM

REPRESENTATIVE P. WILSON maintained that she still didn't believe it wouldn't cost money because it took a long time to get [geoduck farming] started in Southeast Alaska. Although more areas in Southeast Alaska are desired, the Alaska Department of Fish & Game (ADF&G) doesn't have the funds to check out these sites. Therefore, she said she found it difficult to believe that there will be enough [funding] to allow geoduck farming in the Gulf of Alaska.

CO-CHAIR SEATON explained that part of the problem in Southeast Alaska is that surveys of the wild stock in the farming area must be conducted. However, in the Gulf of Alaska there are no wild stocks and thus they won't be on the farming sites, which will eliminate part of the difficulty. Furthermore, prior to obtaining a farming site, the Department of Environmental Conservation (DEC) has put GPSs on boats in order to track them and determine where the water sample was taken, which lowers the cost of the water quality sampling. He said that those entities/individuals who apply for the farm sites will have to make the necessary investments, including buying seed. The seed can only be purchased from the hatchery as it's illegal to import seed or take animals from another area. The state has good controls on the aforementioned in order to maintain high quality and safe non contaminated clam spat.

2:00:09 PM

REPRESENTATIVE MUNOZ asked whether the hatchery sells geoduck seed outside of Alaska.

CO-CHAIR SEATON answered that he didn't believe there are any sales to areas outside of Alaska. He highlighted that the seed from Alaska wouldn't be sold to British Columbia or Puget Sound because those areas want to ensure their wild stocks aren't contaminated. In further response to Representative Munoz, geoducks exist in Puget Sound and British Columbia. He noted that Tenakee Springs is the farthest north that wild geoducks are known to naturally exist. With regard to the primary market for geoducks, Co-Chair Seaton specified that it's Asia. Geoducks are highly prized seafood. Alaska has such a small piece of the market that it can't supply product throughout the

year, and thus it can't get a very good price. Therefore, more geoduck farms would be helpful to all in terms of the economic structure.

2:03:06 PM

CO-CHAIR FEIGE inquired as to the investment necessary to start a geoduck operation.

CO-CHAIR SEATON said that he is unfamiliar with the cost of the sites and surveys. He then informed the committee that when Kachemak Bay was established as a critical habitat area, on-bottom farming of clams wasn't allowed. Therefore, geoduck farming wouldn't be allowed in Kachemak Bay.

2:04:36 PM

RODGER PAINTER, President, Alaska Shellfish Growers Association, related support for HB 60, which he considered an economic development tool. He stressed that Alaska has very stringent regulations governing the movement of shellfish about the state. When geoduck is harvested in Southeast Alaska and sent to the Seward hatchery, it must be certified by the Fish Pathology Laboratory within ADF&G. The seed must also be certified prior to being sent to the farms. Mr. Painter relayed that the ADF&G Fish Pathology Laboratory believes that geoducks are one of the cleanest animals ever tested. Although he acknowledged that it's a little unclear how well geoducks will do beyond Southeast waters, it won't be known until it's tried. He highlighted that in the 15 years farmers in Washington State began working with geoducks, they have built a $20 million industry. That industry will likely double or triple in value over the next 10 years.

2:07:38 PM

REPRESENTATIVE P. WILSON restated the earlier question regarding how much of an investment is required from the time seed is placed in the ground to harvest time.

MR. PAINTER said that the biggest problem with farming geoducks is the long time required for them to reach marketable size, which is about 1.5 pounds. The geoducks planted in Southeast Alaska were just harvested this year, and thus the estimate is seven to eight years to reach marketable size. Most of the investment cost is the purchase of the seed, which cost about 25 cents apiece. A farmer should plan on purchasing at least twice the amount of seed as animals desired to produce. The only

other costs are regulatory costs, certification of the water, and survey fees for those in Southeast Alaska. Survey fees in Southeast Alaska are $5,000 for the pre-lease survey in order to determine how many geoducks might be on the site. Another cost is for a vessel and divers. Therefore, the total cost would depend on the size of the operation. An operation that wanted to harvest 10,000 animals would require the purchase of 25,000 animals at 25 cents apiece.

REPRESENTATIVE P. WILSON asked whether the geoducks in Southeast Alaska multiply [after the initial seed is placed in the ground] so that more seed doesn't need to be purchased. Or, does seed have to be purchased and planted each year, she asked. She then restated her earlier question regarding the amount of the initial investment in a geoduck farm.

MR. PAINTER estimated it would be in the range of $100,000 by the time eight to nine years of seed is purchased and diver and vessel costs have been covered.

2:11:47 PM

REPRESENTATIVE MUNOZ inquired as to the permit fees through ADF&G. She also inquired as to whether there is a holding period for the collection of fees pending the first harvest.

MR. PAINTER said he would like to convince the Department of Natural Resources (DNR) to do that because it's difficult to cover the front-end costs when no revenue is being brought in. He reminded the committee that the costs include not only the capital investment but also the operating costs, tide land fees, and water quality certification. The water quality certification alone will cost about $6,000-$8,000. Moreover, the state and regulatory costs are a considerable part of the investment.

2:13:25 PM

REPRESENTATIVE GARDNER inquired as to how confident one can be that these geoduck stocks will be unable to reproduce.

MR. PAINTER answered, "We don't know; we're guessing based on what's happened with other animals." He related that geoducks have not spread beyond Southeast Alaska probably because of the currents off the coast. At Cape Fairweather, the end of Southeast, the currents go out into the Gulf of Alaska before coming back to the coastline. During that time geoduck larvae

is floating in the water, but it can only live for a certain period of time. Therefore, the seed can't make the transition to the new water. There is no definitive knowledge regarding how the geoducks will perform or how fast they will grow. Although it seems unlikely they will reproduce, it's unknown at this point. In response to Co-Chair Feige, Mr. Painter confirmed that his theory that geoducks won't reproduce [in the Gulf of Alaska] is based on laboratory work done at the hatchery, which has been producing geoducks for well over 10 years. Temperatures need to be raised several degrees to actually make geoducks spawn, and therefore it seems highly unlikely they would spawn.

2:16:19 PM

JEFF REGNART, Director, Commercial Fisheries, Alaska Department of Fish & Game, stated that ADF&G takes a cautious approach to farming, although in this case it doesn't foresee any significant risk with the passage of HB 60.

2:16:52 PM

REPRESENTATIVE P. WILSON inquired as to the permits required for geoduck farming and how the leasing of the land works. She also inquired as to what's required annually after the initial permitting.

MR. REGNART said that he is unfamiliar with the permitting process, and noted that the tide land portion of the permitting would be DNR's purview.

CO-CHAIR SEATON pointed out that AS 16.40.100 addresses aquatic farms and specifies the criteria for issuing permits. He explained that first and foremost the biological characteristics of the area being applied for permit is reviewed as is whether there would be any significant interactions or disruptions. There is also the aquatic stock acquisition permit and the transfer of stock permit as well as disease inspection. Furthermore, when the land is leased the corners must be identified by DNR. The DEC is involved with the water quality as the water must be certified because the geoducks are being raised for human consumption. Water samples are taken over the course of one year in order to ensure a farm isn't placed in an area with water pollution. Co-Chair Seaton opined that mariculture is beneficial because it requires good clean water, and thus the farmers make sure things aren't occurring that pollute the area.

2:21:06 PM

REPRESENTATIVE P. WILSON inquired as to who owns the land that the farmers lease.

CO-CHAIR FEIGE answered that the state is the owner.

CO-CHAIR SEATON explained that since the state owns the sub tidal lands, a DNR lease permit has to be obtained. The ADF&G controls the biological criteria, and thus all of those permits come from ADF&G. There is also the water quality review by DEC. The lease fees are paid to the state through DNR, he clarified.

2:22:20 PM

REPRESENTATIVE KAWASAKI inquired as to whether ADF&G has denied a permit based on the absence of a wild stock.

MR. REGNART said that he didn't know, but offered to find out.

2:23:07 PM

The committee took an at-ease from 2:23 p.m. to 2:25 p.m.

2:25:22 PM

JOHN THIEDE, Natural Resource Specialist, Division of Mining, Land, & Water, Department of Natural Resources, in response to Representative P. Wilson, informed the committee that to lease the first acre or portion thereof would cost $450 and each additional acre would cost $125. Therefore, it depends upon the size of the farm. In further response to Representative P. Wilson, Mr. Thiede stated that it's a 10-year lease that's paid annually.

2:26:44 PM

REPRESENTATIVE P. WILSON asked if there is any other annual fee.

MR. THIEDE related that there is a list of all the fees on the application and there are fees for water quality certification. Since HB 60 addresses farming geoducks in areas where there is no wild stock, he said he was unsure whether ADF&G would require a bottom survey, which is required for on-bottom farming. In further response, he clarified that once the bottom survey is performed, it doesn't have to be performed again.

2:28:05 PM

REPRESENTATIVE KAWASAKI restated his earlier question regarding whether a permit has been denied based on the absence of wild geoduck stock.

MR. THIEDE said he does not believe so, noting that he has been in the program practically since its inception. He noted that there have been no on-bottom lease applications outside of areas where there already are geoducks.

2:28:49 PM

REPRESENTATIVE P. WILSON asked whether the state has ever leased areas to people who never farm the area. If so, how does it work for the state to obtain the land again, she asked.

MR. THIEDE reminded the committee of House Bill 208 [22nd Alaska State Legislature], which requested that the state specify a certain amount of shellfish sites. The aforementioned led to folks nominating sites. He explained that when he was hired for that program, he reviewed all the shellfish permits and why permits were closed out. If a permit was closed out for anything other than a biological problem, then those specific sites were reoffered to the public in the department's over-the-counter program. Those who wish to expand one of these reoffered sites has to make an amendment to the [lease], which then goes through the process again including the public comment period. He opined that the main reason folks close out their leases in the aquatic shellfish program is because they discover it's too much work. In further response to Representative P. Wilson, Mr. Thiede stated that there aren't very many out-of-state aquatic shellfish farmers. In fact, he estimated that about 99 percent of the 67 leases are held by in-state people.

2:31:38 PM

REPRESENTATIVE KAWASAKI inquired as to the permit process for a geoduck farmer.

MR. THIEDE explained that there is an opening every other year from January to April. Interested individuals are encouraged to perform some background checking with the various departments involved. Once an individual applies, the process begins by the application going to the Alaska Coastal Management Program (ACMP) and a public comment period, after which he pens a

preliminary decision. The preliminary decision is then let for public comment and those public comments are incorporated into DNR's final decision. The ACMP performs a consistency review, provides a preliminary review, takes comments, and ultimately pens a final [decision]. If the application isn't found to be in compliance with ACMP regulations, the application doesn't go forward. Once the permit is finalized, there is a 15-day waiting period to make sure there is no appeal. If there is no appeal, the lease is issued. Simultaneously, ADF&G reviews the biological aspects of the project and then issues a permit. Mr. Thiede noted that ADF&G works with DNR. After [the permit] is issued, the applicant can seek the water quality [approval]. If 10-12 applications are received, the process can be completed and leases approved by late fall or early winter, which allows the applicant time to order the necessary spat for planting in the spring.

2:34:55 PM

REPRESENTATIVE KAWASAKI inquired as to how much study goes into the biological review of introducing a non Native species into a new habitat before a final determination to proceed with a permit is made.

MR. THIEDE said that would be best addressed by ADF&G. However, he pointed out that there has never been a geoduck farm site where there were none before, and therefore he wasn't sure what ADF&G would review. Mr. Thiede noted that ADF&G is very concerned with invasive species, which can be transported via non Native species and thus there would be serious review of this.

2:36:26 PM

REPRESENTATIVE MUNOZ asked whether there is a provision in DNR's regulations that allow fees to be waived during the production phase and until the first harvest occurs.

MR. THIEDE replied no.

REPRESENTATIVE MUNOZ opined that it would be helpful to consider an option requiring the fees be due at the first harvest because of the high ongoing costs and the difficulty in making these aquatic farms pencil out financially during the preproduction period.

2:37:13 PM

REPRESENTATIVE P. WILSON inquired as to the average size of an aquatic farm.

MR. THIEDE specified that it depends upon the species. For oyster farms, very few are over 2 acres, although the farmer may have a lease for up to 3 acres. Geoduck farms would require a larger size farm. Although it takes longer to produce a harvest, once the seed is sown and the predator netting is placed over the seed there is really no intensive work involved for the next 5-10 years. However, for oyster farming gear has to be purchased and cleaned, and thus the operation is more intense. In further response to Representative P. Wilson, Mr. Thiede related that generally a geoduck farmer may have 5-10 acres, although the entire acreage may not be used. He noted that he would discourage an individual applying for a 10-acre oyster farm permit from starting with such a large amount of land. However, geoduck farming is relatively new and when House Bill 208 was enacted the geoduck applicants chose their acreage.

2:40:23 PM

REPRESENTATIVE P. WILSON recalled when House Bill 208 was enacted that several farmers bought as many geoduck farm sites as they could at the time. She asked if DNR has gotten any of those sites back.

MR. THIEDE replied yes, a few. He told the committee that it has been difficult for geoduck farmers because of insufficient amounts of available spat. The biggest concern, he said, is that there is no data regarding growth, mortality, or how close to harvest these animals are. The DNR has encouraged the geoduck farmers to keep going rather than close the lease, but at this point the department is in a bit of quandary because it's nearing the end of the lease period. In further response to Representative P. Wilson, Mr. Thiede related that the geoduck farmers are required to submit an annual use report to ADF&G, which questions farmers regarding the following: how much product the farmer has; how much product the farmer plans to plant; how much product the farmer planted; how many worker days were there; how many workers were utilized; and what was the income? The aforementioned is then compared to the 10-year operation and development plan that each farm is required to complete and have approved at the outset of the process. However, DNR has been very lenient and not required the farmers to fill out the forms any better because of it being a new industry. Although there is nothing like the fish ticket that

is used for commercial fishing, there has been talk of such within DNR. Of course, there has been resistance from the [geoduck farming] community because it's a burden on them.

2:43:45 PM

CO-CHAIR FEIGE inquired as to the reasoning behind ADF&G's informal policy to prevent geoduck seed from being used anywhere outside of Southeast Alaska.

MR. REGNART responded that the policy had to do with the concerns regarding invasive species and the unknown impacts of introducing a species to an area where the species isn't [naturally occurring]. He said that for geoducks ADF&G has backed away from that policy a little bit and is instead urging caution in moving ahead with the permitting program.

2:44:58 PM

REPRESENTATIVE KAWASAKI asked if the passage of HB 60, which allows the farming of geoducks in areas where wild geoducks aren't present, would hamper ADF&G's ability to perform due diligence on a project or request for a project.

MR. REGNART replied no, adding that ADF&G would still have the ability to review the pros and cons of a proposal while keeping in mind the best interest of the resource. "I don't feel it would compromise our ability to do our job, carry out our mission," he stated.

2:46:22 PM

REPRESENTATIVE KAWASAKI commented that he has seen this legislation for the last five years in a row and he recalls that initially ADF&G was 100 percent opposed to it. Although the sponsor has done much to reach the point at which the legislation is today, Representative Kawasaki said that he still has concerns, particularly with regard to the potential introduction of invasive species. He also expressed concern with threatened species issues in terms of a non native species that's introduced to an area becoming a hindrance to the development of a natural resource that competes with the introduced species, such as in the case of the Wood bison. In conclusion, Representative Kawasaki said he would cautiously support HB 60 today.

2:48:54 PM

CO-CHAIR SEATON appreciated the caution, but he pointed out that the geoduck exists in Alaska with the same species mix [present in the Gulf of Alaska]. "So, it's not as if we are moving something into an unknown ecology because this is the same ecology, they just don't go that far north," he said.

2:50:28 PM

REPRESENTATIVE MUNOZ moved to report HB 60 out of committee with individual recommendations and the accompanying fiscal notes. There being no objection, it was so ordered.

HB 105-SOUTHEAST STATE FOREST

2:50:47 PM

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

2:51:31 PM

RICK ROGERS, Forest Resource Program Manager, Central Office, Division of Forestry, Department of Natural Resources, recalled that at the last hearing there was concern regarding whether logs from the Southeast State Forest would go overseas in the round without any processing in the local sawmills. Upon review of the past six years, it was found that 87 percent of the logs from state timber sales remained in the state for manufacturing in Alaska while 13 percent were exported. Of that 13 percent, 3 percent were exported by sawmills because that percentage of logs had more value as exported in the round than if processed. To achieve the aforementioned, sawmills request a variance under their contract requirements to export a small percentage for their logs. In balance, the data demonstrates the state is doing a good job of encouraging instate manufacture of timber off state lands. Upon review of this statewide, it was found that only 5 percent of the logs are going out of state in the round.

2:55:20 PM

REPRESENTATIVE KAWASAKI inquired as to the level of processing sawmills perform on the 87 percent of logs that remain in the state.

MR. ROGERS answered that it varies by mill. Under the long-term forest contracts, the past practice was the production of cants, which was crude processing in which 8-12 inch cuttings were made and large cants were sent overseas for secondary manufacturing at mills. However, that has changed quite a bit. In fact, the Viking Sawmill, the state's largest sawmill, is producing finished products. He noted that some mills also provide secondary manufacturing such that they perform planing and have kilns. In the northern part of Alaska, much of the [logs] are being used for fuel in which case processing may be as simple as cutting and splitting firewood. Most importantly, for the state to see additional investment in manufacturing, there must be a reliable supply of timber. In Southeast, particularly with the dominance of federal land, there hasn't been new investment in manufacturing because there's too much risk involved when there isn't enough of a reliable supply to amortize the investment.

2:57:55 PM

REPRESENTATIVE HERRON reminded the committee that his community is primarily situated in the tundra. He then asked if there are different harvest practices on state lands as opposed to the clear cuts in the Tongass National Forest in the past.

MR. ROGERS related that the Alaska Forest Resources & Practices Act guides timber harvest on both state and private lands in Alaska. State land has a higher standard for riparian buffer retention. In Southeast Alaska, in particular, anadromous fish and salmon are another extremely valuable resource to Alaska. Timber harvest in or outside of the state forest requires a 100-foot no-cut buffer on each side of salmon bearing waters. The aforementioned includes a small Coho rearing stream that may be only a couple of feet wide. Additionally, there is a 100-300 foot zone beyond the aforementioned buffer where additional consideration is given to the water quality and impacts to the stream. Also, the land management plans for state land provide additional guidance. The land to which he is referring is guided under both the Prince of Wales Area Plan and the Central Southeast Area Plan, both of which generally have a 500 foot no-cut zone along the coast. The aforementioned no-cut zone provides for habitat as well as visual appeal and protection of eagle nests. Typically, there is a 330-foot radius around any known eagle tree. Mr. Rogers opined that the state has some very good protections and a credible program that balances the state's interest in managing timber along with other resources.

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REPRESENTATIVE MUNOZ recalled that at the last meeting it was related that the target amount of allowable harvest in the state forest is 8.3 million board feet. She inquired as to the actual demand from the existing sawmills in terms of the target allowable harvest.

MR. ROGERS explained that per the Alaska State Constitution the division is required to manage the timber in a sustainable fashion, and therefore the 8.3 million board feet is the result of the state's inventory and the calculation of growth and yield. Essentially, the 8.3 million board feet is a sustainable output of timber from the land base that can be harvested in perpetuity. However, that is nowhere near meeting the demand for Alaska's existing mills and certainly wouldn't allow for any growth and investment in new mills. Mr. Rogers said, "What's somewhat frustrating about this situation is given the state's land base, I think this bill represents the state doing what it can to help the situation on timber supply. And yet, it's not enough to really overcome the supply issues that industry faces, but that's really a function of what the land entitlement is for the State of Alaska." He reiterated that [HB 105] offers a good balance and package to support the industry.

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REPRESENTATIVE DICK said he understands the idea of a no-cut zone along salmon streams, but in the Interior that's about the only location of trees. Therefore, that regulation basically means there would be no logging at all in the Interior. He opined that the provision would encourage poaching.

MR. ROGERS clarified that the riparian standards he mentioned earlier are for coastal Alaska and there are different standards in the Interior as they are somewhat more permissive. Again, he stated that it's a balance between protecting important water quality and fisheries and managing the timber. In spite of the riparian protections, there is a significant amount of underutilized allowable cut in Interior Alaska. In further response to Representative Dick, Mr. Rogers agreed to talk with him further regarding this matter.

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CO-CHAIR SEATON related his understanding that the lands specified in HB 105 are already available for cutting. Therefore, the purpose of HB 105 is to provide for pre-

management of the lands on a rotation cycle, and the legislation doesn't place lands unavailable for cutting in an [allowable harvest zone].

MR. ROGERS said that's correct. He explained that under the area plan designation, these lands are in the category of general use, which allows for timber harvest. These are the lands for which the allowable harvest has been calculated. Furthermore, these are lands on which the state is already actively managing timber sales. However, one exception is a small parcel that is in selection status and is currently in the adjudication process with the U.S. Bureau of Land Management. This land, though, has already been planned for in the Prince of Wales area plan and has a general use designation.

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REPRESENTATIVE KAWASAKI asked whether that 87 percent in state use will continue if the timber supply is increased or will the increase merely result in export.

MR. ROGERS remarked that is doesn't really make any difference because these lands are already part of the timber base the state is managing. What could make a difference in the future is whether the state can maintain its existing sawmills to have the processing capacity to process the timber. One of the purposes of HB 105 is to provide certainty in the long-term tenure of the lands in order to perform more aggressive management. In fact, the state could actually increase the allowable harvest if the trees can be grown faster. If the lands will be managed as a state forest, it makes more sense to consider practices such as pre-commercial thinning, whereby the allowable cut of these lands could conceivably be more than doubled over the long term.

3:07:34 PM

MR. ROGERS, in response to Representative Gardner, explained that if lands are designated general use under an area plan, as is the case today, the state in the future can sell the land or subdivide it or move into some other use. Therefore, HB 105 is deciding whether the state is committing to growing trees on these designated lands, subject to all the other multiple use considerations. This legislation provides a commitment and doesn't include lands that the Division of Mining, Lands and Water felt were better suited for subdivision or other purposes.

3:10:09 PM

ROBERT CLAUS, Southeast Alaska Conservation Council, began by relating that SEACC supports small mills, micro sales, and the ability of folks to make a living from the state's forests through a value-added processing of timber products. However, SEACC believe that the public lands should remain multiple use lands and not be [managed] for timber as a first priority, as is the case in the state forest. Most of the parcels in the state forest aren't areas that SEACC finds controversial and they do support small mills, particularly in Thorne Bay. However, SEACC does object to the Rowan Bay parcel and Hook Arm parcel, which is on the west coast of Dall Island. As a resident of Prince of Wales Island, he related that he uses the west coast of Dall Island and all the outer islands of Prince of Wales for hunting, fishing, and recreation. Moreover, tourism businesses in the small town of Craig use the Hook Arm parcel for their business. Therefore, Mr. Claus opined that Hook Arm wouldn't be a good addition to the state forest rather it should remain a multiple use parcel and not be logged.

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CO-CHAIR FEIGE, upon determining no one else wished to testify, closed public testimony.

[HB 105 was held over.]

3:12:10 PM

ADJOURNMENT

There being no further business before the committee, the House Resources Standing Committee meeting was adjourned at 3:12 p.m.