

SENATE FINANCE COMMITTEE

April 13, 2011

9:03 a.m.

9:03:22 AM

CALL TO ORDER

Co-Chair Stedman called the Senate Finance Committee meeting to order at 9:03 a.m.

MEMBERS PRESENT

Senator Lyman Hoffman, Co-Chair
Senator Bert Stedman, Co-Chair
Senator Lesil McGuire, Vice-Chair
Senator Johnny Ellis
Senator Dennis Egan
Senator Donny Olson
Senator Joe Thomas

MEMBERS ABSENT

None

ALSO PRESENT

Chester Carson, Staff, Senator Dennis Egan; Rick Rogers, Forest Resource Program Manager, Division of Forestry, Department of Natural Resources; Chip Thoma, Juneau.

SUMMARY

SB 95 FRANK PALMER FERRY TERMINAL

SB 95 was REPORTED out of committee with a "do pass" recommendation and with a new zero fiscal note by the Senate Finance Committee for the Department of Transportation and Public Facilities.

SB 108 SPC. STEPHEN "MAX" CAVANAUGH OVERPASS

SB 108 was REPORTED out of committee with a "do pass" recommendation and with previously published fiscal note: FN1 (DOT/PF).

HB 105 SOUTHEAST STATE FOREST

HB 105 was HEARD and HELD in Committee for further consideration.

#sb95

SENATE BILL NO. 95

"An Act naming the ferry terminal located at Auke Bay in Juneau the Frank Palmer Ferry Terminal."

9:05:10 AM

Senator Egan introduced SB 95. He stated that Frank Palmer had worked for nearly five decades at the Auke Bay Ferry Terminal. Palmer, who died the year prior at the age of 69, had spent his life loading tractor trailers on the ferries of the Alaska Marine Highway System. A Juneau freight company had suggested that the terminal at Auke Bay be named after Mr. Palmer in memorium, and idea which was then echoed by several other freight companies.

CHESTER CARSON, STAFF, SENATOR EGAN, informed the committee that Frank Palmer had grown up across the street from the Auke Bay Ferry Terminal, and that he had worked in and around the terminal for 47 years. He felt the renaming of the terminal to the Frank Palmer Ferry Terminal was fitting.

Co-Chair Stedman queried the zero fiscal note attached to the bill. He understood that the Department of Transportation believed that funds for the project could be located internally.

Senator Egan stated that local trucking companies and other freight services in Juneau had agreed to donate the sign to the terminal.

Senator Olson asked if Frank Palmer was still alive. Senator Egan replied in the negative.

Senator Olson asked if any other names had been put forward to rename the terminal.

Senator Egan replied no.

Senator Egan MOVED to report SB 95 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION it was so ordered.

SB 95 was REPORTED out of committee with a "do pass" recommendation and with a new zero fiscal note by the Senate Finance Committee for the Department of Transportation and Public Facilities.

#sb108

SENATE BILL NO. 108

"An Act naming the Dowling Road overpass at milepost 123.7 on the New Seward Highway the Spc. Stephen "Max" Cavanaugh, Jr., Memorial Overpass."

9:09:26 AM

Senator McGuire explained that Stephen "Max" Cavanaugh had been an Alaskan resident and military veteran. She stated that prior to his death he had been recovering from brain trauma suffered in Iraq. Mr. Cavanaugh struck a moose while driving on the Dowling Road overpass at milepost 123.7 on the New Seward Highway. He died from injuries incurred from the accident. She shared that the legislation would name the Dowling Road overpass at milepost 123.7 on the New Seward Highway after Mr. Cavanaugh, both as tribute to his service and as a reminder of the danger of moose collision.

Co-Chair Stedman explained that there was one fiscal note from the Department of Transportation and Public Facilities for \$10,000 to pay for the installation of four new signs.

Senator McGuire MOVED to report SB 108 out of committee with individual recommendations and the accompanying fiscal note. There being NO OBJECTION it was so ordered.

SB 108 was REPORTED out of committee with a "do pass" recommendation and with previously published fiscal note: FN1 (DOT/PF).

#hb105

HOUSE BILL NO. 105

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

9:13:36 AM

RICK ROGERS, FOREST RESOURCE PROGRAM MANAGER, DIVISION OF FORESTRY, DEPARTMENT OF NATURAL RESOURCES, read from a prepared statement (copy on file):

Background and Purpose

I am pleased to speak in support of HB105. 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 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.

Pursuant to SCSHB 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. 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. 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. In spite of these legal constraints the Division has done a good job encouraging local manufacturing of logs from State timber sales. Approximately 87% of the timber sold from state lands in southern Southeast over the past six years has been processed by Alaska manufacturers.

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.

The Division of Forestry worked with the Division of Mining, Land, and Water (DML& W) 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.

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, mineral exploration and development, 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.

[9:19:43 AM](#)

Mr. Rogers continued with his testimony:

Municipal Entitlements

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.

[9:23:13 AM](#)

Mr. Rogers continued:

Outreach

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
- Wrangell resident and forestry consultant, George Woodbury
- The Juneau Chamber of Commerce
- The Alaska Board of Forestry

Senator Thomas asked about the role of federal lands in Southeast in relation to state and timber corporation lands.

Mr. Rogers referred to a pie chart: "Southeast Alaska Public Land Summary" (copy on file). He replied that total public lands comprised about 21 million acres, including the north end of the Tongass National Forest at Yakutat to Southern Southeast Alaska. He stated that the "Tongass Timber Scheduled" section of the chart totaled 144,000 acres; the Haines State Forest was 286,000 acres; and the existing Southeast State Forest was about 25,000 acres.

Co-Chair Stedman added that for all practical purposes most of the public land in Southeast was owned by the federal government.

Senator Olson wondered whether there was opposition to the proposed forest.

Mr. Rogers referred to testimony from Southeast Alaska Conservation Council (SEACC) in opposition to the bill. He recalled that there had been individuals from the communities who had voiced opposition.

[9:28:47 AM](#)

Senator Olson queried the opposition's viewpoint.

Mr. Rogers replied that some felt the wood would be exported, and not support the mills in Alaska. He reported that over the prior six years, 87 percent of the timber sales went to local mills. He also stated that there was some concern about balancing forest management with fisheries, wildlife, and cultural resources. He pointed out that the standards and requirements of the Forest Resources and Practices Act and the additional planning requirements set forth in the bill would address many of the concerns.

Senator Olson wondered whether there were letters of support from communities close to the proposed forest.

Mr. Rogers replied that there was no official position from other individual communities. He remarked that the Southeast Conference membership included many of the surrounding municipalities.

Co-Chair Stedman mentioned timber mills in Southeast, and wondered how many mills would be affected.

Mr. Rogers replied that there very few timber mills remained in Southeast Alaska. He stated that the Viking Lumber Mill, near Craig, had relied on federal timber and were experiencing significant difficulty in wood supply. The mill had begun to rely on state timber sales to stay in business. He noted that the annual requirement for the mill was 20 million board feet per year, but annual board footage from state lands was only 8 million. He opined the limitations concerning how the land base could be utilized, but if it was properly managed there could be further support of the timber industry. He mentioned that there were enhancements in the bill directed at the other smaller timber mills.

Co-Chair Stedman explained that the mill was relatively small, as was the state forest, because most of the land in Southeast was federally owned.

Co-Chair Stedman referred to a zero fiscal note from the Department of Natural Resources.

[9:35:04 AM](#)

CHIP THOMA, JUNEAU, explained that the proposed lands were originally intended for community development. He expressed concern that the lands would eventually be clear cut. He declared that Rowan Bay and Hook Arm were inappropriate locations for timber cutting, because the areas had been cut in the few years prior. He stressed that most of the Native Corporation land was located on Prince of Wales Island.

Co-Chair Hoffman noted that there was a projected decrease in population in Southeast Alaska, so community development would be impossible. He wondered how the lands could be intended for community expansion when the surrounding communities were decreasing.

Mr. Thoma replied that the lands should be designated to the communities' intentions, rather than combining them with the State Forest and designating them for logging.

[9:38:26 AM](#)

Co-Chair Stedman referred to the 2010 Trend Magazine (copy on file), and looked at population forecasts mentioned by Co-Chair Hoffman. He stated that the Southeast region was negative 14 percent, Prince of Wales Island would decrease by 34 percent, Wrangell/Petersburg would decrease 34.6 percent, Juneau would decrease 1.5 percent, and Sitka would decrease 7 percent. He stressed that there were different mechanisms that the legislature used to respond to population growth and decline.

Senator Egan wondered whether there would be clear-cutting of the acreage.

Mr. Rogers replied that most of the lands were in second growth, and hoped to foster the land. He stressed that clear-cutting was the primary means of managing timber, with a regeneration applied to the stripped land. He stated

that there would be some pre- commercial thinning but that the land was public and stricter mandates would be applied.

Senator Olson queried plans for reclamation after the commercial cutting.

Mr. Rogers stated that the Forest Resources and Practices Act had a mandatory re-forestation requirement. He stated that Southeast Alaska had a requirement to have stocking standards applied within 5 years of cutting. He stressed that there was heavy natural seeding in Southeast, and that it was rare to invest in planting trees in Southeast. He stated that the act had high standards for road maintenance, with emphasis on water quality and fish passage.

HB 105 was HEARD and HELD in Committee for further consideration.

[9:45:24 AM](#)

RECESSED

#

ADJOURNMENT

[3:11:04 PM](#)

The meeting was adjourned at 3:11 PM.