

ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE

February 7, 2011

3:32 p.m.

MEMBERS PRESENT

Senator Joe Paskvan, Co-Chair
Senator Thomas Wagoner, Co-Chair
Senator Bill Wielechowski, Vice Chair
Senator Bert Stedman
Senator Lesil McGuire
Senator Hollis French
Senator Gary Stevens

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Senator Cathy Giessel

COMMITTEE CALENDAR

SENATE BILL NO. 24

"An Act establishing the Sport Fishing Guide Services Board and licensing requirements for sport fishing guide-outfitters, sport fishing outfitters, sport fishing assistant guides, and sport fishing transporters; making conforming amendments; allowing the Department of Fish and Game to collect information on guiding services; and providing for an effective date."

- HEARD AND HELD

SENATE BILL NO. 44

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

- HEARD AND HELD

PREVIOUS COMMITTEE ACTION

BILL: SB 24

SHORT TITLE: SPORT FISHING GUIDES: BOARD; LICENSES

SPONSOR(S): SENATOR(S) MCGUIRE

01/19/11 (S) PREFILE RELEASED 1/7/11
01/19/11 (S) READ THE FIRST TIME - REFERRALS
01/19/11 (S) RES, FIN
02/07/11 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 44

SHORT TITLE: SOUTHEAST STATE FOREST

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/19/11 (S) READ THE FIRST TIME - REFERRALS
01/19/11 (S) RES, FIN
02/07/11 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

MICHAEL PAWLOWSKI, Staff to Senator McGuire
Alaska State Legislature
Juneau, AK

POSITION STATEMENT: Introduced SB 24 on behalf of the sponsor.

CHRIS MAISCH, State Forester and Director
Division of Forestry
Department of Natural Resources
Juneau, AK

POSITION STATEMENT: Supported SB 44.

ACTION NARRATIVE

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CO-CHAIR THOMAS WAGONER called the Senate Resources Standing Committee meeting to order at 3:32 p.m. Present at the call to order were Senators, Wielechowski, Stevens, McGuire, French, Co-Chair Paskvan and Co-Chair Wagoner.

SB 24-SPORT FISHING GUIDES: BOARD; LICENSES

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CO-CHAIR WAGONER announced the consideration of SB 24.

SENATOR MCGUIRE, speaking as sponsor of SB 24, stated that she gets involved in contentious fishing issues because she is a lifelong Alaskan and strong supporter of the fishing industry and is committed to preserving the resource for both commercial and sport fishing purposes.

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SENATOR STEDMAN joined the committee.

SENATOR MCGUIRE explained that SB 24 builds on SB 294 that she introduced last year to extend the licensing program for sport fishing guides into perpetuity, but the bill was amended in the House to sunset after just one year. Therefore, SB 24 aims to continue the program after this year. It has two components: the licensing component to ensure the competence of licensed guides, and the logbook component to ensure the collection of accurate data. It is the only data that is collected by the department.

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The bill also transfers the licensing requirement from the Department of Fish and Game (ADF&G) to a newly established board in the Department of Commerce, Community and Economic Development (DCCED). This idea is patterned after the Board of Game and intends to bring representation to the 3,600 guides in the state and get them more involved in the industry. They would be the fourth largest group as an industry if SB 24 passes.

She explained that logbook data is key to managing the state's fisheries and control of it remains in ADF&G. She also explained that because ADF&G doesn't collect enough fees to cover the cost of the licensing program, it is subsidized by other department funds. The funds should be used to manage fish, not the industry. So, in the end, SB 24 is about putting the regulation of guides as an industry in the hands of guides, so that ADF&G can focus on managing the resource rather than the industry. She said there are strong views on both sides of this bill.

CO-CHAIR WAGONER said he would hold the bill and take public testimony on a Saturday to provide maximum opportunity for people to testify. He asked for someone to bring the bill before the committee.

SENATOR PASKVAN moved to bring SB 24, version A, before the committee. There were no objections.

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MICHAEL PAWLOWSKI, staff to Senator McGuire, noted that SB 24 came about as a result of a 2006-ADF&G task force that started looking at the concept of limited entry. In the intervening period, the existing guide licensing program was created by HB 452 in 2005 has been sunsetted and then extended on a one-year bases for two times. The upcoming lapse in the program in the existing guide requirements provides an opportunity to take a look at the licensing and regulation of the industry.

As Senator McGuire pointed out and as the fiscal notes demonstrate, he said, currently ADF&G is subsidizing the running of this logbook and licensing program by over \$200,000 annually, because not enough fees are collected through the licensing program to cover the cost of running and administering it.

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MR. POWLAWSKI said it has become clear in working with the department that the logbook data is critical in managing the state's fisheries. SB 24 keeps the logbook program in ADF&G, but the licensing program would move to the Department of Commerce, Community and Economic Development (DCCED) where analogous boards use fee-supported services to support the structure. He said the bill has errors related to the collection of fees, but he looked forward to cleaning that up so the fiscal notes more accurately reflect the intent. He walked the committee through the following sectional analysis:

Section 1 states a purpose for the bill, which is to provide stability for the sportfish industry by regulating the activities of the sport fish guide, outfitters and transportation services. He noted that when the guide license was created, several business models popped up in the state that while they provided sport fishing services to clients, might not qualify as a guide. Under the current system those businesses aren't required to submit logbook data. The reason the bill has the different classifications of licenses - be it sport fishing, guide outfitter, or transporter - those are intended to meet the different business models that exist and get the logbook data into ADF&G's hands so it can be used for management.

Section 2 creates the Sport Fishing Guides Services Board. This is where the rest of the boards are listed.

Section 3 is the meat of the bill, which he said he would address in articles.

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Article 1 on page 2, line 10, is the creation and membership of the board. It consists of 9 members appointed by the governor (as is the condition for most commercial services boards) with 5 members who are currently licensed sport fishing guides, a transporter, 2 public members, and 1 member from the Board of Fisheries. Language on page 2, lines 25-26, is fairly standard for commercial services boards where terms are staggered and the members do not receive compensation but are entitled to per-diem and traveling expenses (page 2, lines 26-27).

Board Assistance is the next section and it is important to providing the technical assistance needed to fulfill its regulatory responsibility that the bill charges it with.

Sec.08.57.030 on page 3 addresses duties and powers of the board. Lines 3-18 are the examination statutes creating examinations that demonstrate first:

(A) a qualifying exam for guides and a certification exam; and
(B) relates to the unit in which one is fishing or providing guide services for.

MR. PAWLOWSKI said paragraph (3) on page 3, lines 22-23, is a departure from the existing statutes. Under the existing program the ADF&G does not really have the power to impose disciplinary actions on a guide through the licensing process. This is an important difference in the commercial services board concept - in that rather than having to complain to ADF&G enforcement or the Better Business Bureau, now the public and the guides themselves would have a disciplinary body made up of guides that they can go to complain about actions out in the industry. Then those complaints could either be dealt with through the licensing provisions or forwarded on to the Department of Law for prosecution.

On page 4, lines 6-8, the board adopts regulations that include establishing a code of ethics for professions regulated by it. This is another departure from the existing licensing statutes, and it would enable the board to come up with good business practices guidelines.

MR. PAWLOWSKI said language on page 4, lines 13-18, is significantly controversial and will enable the Commercial Services Board to start looking at the process of establishing, for resource conservation purposes, the maximum number of licensees who might operate within an existing sport fish guide unit or in a concessionaire program to achieve the maximum number. There is a lot of public concern over this provision, and it is different than existing statute under ADF&G the licensing program.

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Article 2 on page 4, line 19, through page 10, line 5, is the licensing statutes. The first on line 27 is the sport fishing guide-outfitter license. The requirements are fairly similar to what exist in current statute in terms of CPR training or first aid, residency, and holding a current fishing license. New

additions are on page 5, lines 9-12, which are the qualifying and the certifying examinations.

MR. PAWLOWSKI said paragraph (8) relates to being licensed to perform the services of a sport fishing assistant guide in the state for at least 20 days within the last three years and having received a favorable recommendation from at least one licensed sport fishing guide outfitter. Part of the bill's provisions is to create a new assistant guide license to supplement the existing guide license much like the Big Game Commercial Services Board uses Big Game Hunting Guides and Big Game Assistant Guides who work their way up to become Master Guides.

Page 6, line 30, through page 8, line 1, relates to the sport fishing outfitter license. This is a little bit different than the guide-outfitter. It is a person that may not be directly involved on the boat helping with fishing itself, but rather providing services helping people get out into the field and do fishing. In that that is still a commercial endeavor, this is a new type of license which would be required most importantly to provide logbook data on the catch rates of people using the service to get out and fish.

Language on page 8, line 2, is about the sport fishing assistant guide license. This is the position that could advance to guide with the recommendation of a master guide. These are intended for the people who are the assistants to the outfitter who is taking people out. They are working under language in section (c) [page 8, lines 24-26]. This section is controversial, and time is needed to work with industry on it, Mr. Pawlowski said.

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MR. PAWLOWSKI continued: page 9, line 9, through page 10, line 5, is the sport fishing transporter license section. This goes beyond the outfitter and to someone who is transporting to a permanent lodge or cabin or to a boat with permanent living quarters, but still being a commercial relationship between a client and the person providing the services. This would bring a different class of guide and guide-related services into the logbook and enforcement programs to give ADF&G data to use in managing fisheries.

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Section 08.57.150 on page 10, lines 6-22, provides the renewal process. Lines 23-31 [on page 10] require financial responsibility and insurance to be carried by the licensee for

sport fishing guide-outfitters, sport fishing outfitters, and sport fishing transporters. The assistant guides are not included in the proof of responsibility section; the presumption being that since they are under the employ and direct supervision of the guide outfitter, the guide outfitter would carry the appropriate level of insurance. This level of insurance is what is required of guides in current statute.

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Page 11, line 6, Article 3, relates to enforcement, and that is a new power. The board has authority to impose certain disciplinary sanctions for:

- violations of state or federal statute or regulation relating to sport fishing or to provisions of sport fishing guide-outfitter, sport fishing outfitter, sport fishing assistant guide, sport fishing assistant guide, or sport fishing transportation services;
- failing to file records or reports required by law;
- negligently misrepresenting or omitting a material fact on an application,
- breaching an agreement with a client;
- failing to comply with limitations or conditions of the professional practice of the licensee;
- as well as the ability to:
 - impose certain disciplinary sanctions, singly or in combination
 - permanently revoke a license or suspend a license
 - censure or reprimand
 - impose limitations or conditions
 - impose requirements for remedial professional education
 - impose probation

MR. PAWLOWSKI said a lot of these were taken from the Big Game Commercial Services Board. Again it creates the ability to have a separate line of enforcement in the community when people are bad operators and to have a place for the public to complain to. On page 12, line 2, the civil fine that can be levied under this section cannot exceed \$5,000, which is standard for a lot of commercial service-type boards.

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SENATOR STEVENS asked if the fine cap is for a single fine or a maximum.

MR. PAWLOWSKI said he would provide an answer after he checks with Legislative Legal.

He continued that language on page 12, line 24, relates to unlawful acts that have been defined. When the working group was developing the draft, this kind of language related to things that people were concerned about happening. For example, on page 12, lines 25-27 - to intentionally obstruct or hinder, or attempt to obstruct the lawful sport fishing engaged by a person who is not a client of the person (on a crowded river someone comes in and pushes someone else out of the way) - this is the type of bad behavior the board would have the ability to deal with. Knowingly guiding or assisting the guiding outside the unit where the person is licensed is another type of bad behavior on page 13, lines 9-11. He said drafting related these provisions back to specific requirements of licenses.

SENATOR WAGONER said Charlie Swanton, Director of the Division of Sport Fish, Alaska Department of Fish and Game (ADF&G), was on line to answer questions.

MR. PAWLOWSKI said he neglected to mention that on page 13, lines 26-27, a person presenting themselves as a master sport fishing guide outfitter without being one is an unlawful act. He explained within the guide outfitter provision on page 6, lines 14-29, a special subset of the guide outfitter license is created called a master sport fishing guide license. The important requirements there (on page 6, lines 21-25) are having been a sport fishing guide for 12 of the last 15 years and then getting letters from 10 clients that would allow somebody to advertise themselves as a master guide. This license carries no additional powers and no additional responsibilities; it seems to be more of an advertising concept that was put into the bill as it came out of the task force working group. He added that you cannot represent yourself as a master guide unless you have actually received the master guide's license.

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Page 14 is the responsibility section. It spreads the responsibility for violations of one of the responsibilities of those licenses equally across the difference license classes. Page 15, lines 26-31, addresses license examinations and fees under the current program in the ADF&G that are fixed. This is what has led to the revenue problem that the fiscal note identifies and this language is a significant departure from existing statute. It would give the Department of Commerce, Community and Economic Development (DCCED) and the board the responsibility for adjusting the fees based on the amount of revenue needed for the program, so that the program itself can

become self sustaining, and so that the industry being regulated will be paying the state for the cost of the program.

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SENATOR WIELECHOWSKI asked if this would apply to regular sport fish licenses.

MR. PAWLOWSKI answered no; this is particularly for guide, guide outfitter, transporter, and assistant guide licenses - people involved in the commercial use of fish.

SENATOR WIELECHOWSKI referenced the annual \$1.1 million fiscal note and asked if they assumed a gap would occur that would need an appropriation.

MR. PAWLOWSKI answered under the DCCED enough fees have to be collected to pay for the cost of the programs. So, on page 1 of the fiscal note, under "revenues and funds sources," it's all "fund code 1156 receipts supported services." There are no general funds in this program, he stated.

SENATOR PASKVAN asked how many licenses will be issued for calculating the amount of the fee.

MR. PAWLOWSKI replied about 3,500 licenses within the state or about \$300 per license (back of the envelope calculation).

SENATOR PASKVAN asked if there is an intent to limit the number of licenses and would that bar some people from becoming assistant guides.

MR. PAWLOWSKI replied that there is no intent for limited entry; and in order to get there, a finding would have to be made by the Commercial Services Board. But they are concerned if there were to be a limited area, then there might be a problem with assistant guides moving up. They are trying to work on language.

SENATOR WIELECHOWSKI asked how many people who are currently performing this type of work will not go ahead and get the license.

MR. PAWLOWSKI replied that he didn't have that figure, but he would be happy to get some analysis of whether there has been a change in the number of guides on an annual basis from the moment the guide licensing program was initially created in 2004.

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CO-CHAIR WAGONER suggested he check the drop in sport halibut licensees.

SENATOR STEDMAN remarked that it appears that there is no tie-in in this bill for situations where one or more sport fish guides are egregious in their violations while being directed by lodge owners. How was that going to be handled?

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MR. PAWLOWSKI thanked him for that suggestion. They may have not captured that concept; the concept being that the lodge owner would perhaps be a sport guide outfitter, and that is in the responsibility section that links the licenses back together so the outfitter can be held responsible for what the assistant guide is doing while under their employ.

He went on to explained that Article 4 on page 16 contains the definitions. The most important definition is for "compensation" on lines 21-29. Since licenses are linked to providing sport fishing or sport fishing services for compensation, the definition of this word is very important. He is currently reviewing different suggestions for it.

Sections 4, 5, and 6 are conforming since such a substantive change is being done to the licensing system. Section 8 on page 22, lines 4-8, addresses sunsets and repealers. Section 10 is fairly standard language for transitional appointments when a board (Sport Fishing Guide Board) is being created. You want to stagger terms so that members aren't all coming up at once.

Section 11 is accepting applications; and he noted they need to do a better job with the transition provisions to make it easier for existing guides to transfer from the existing framework to the proposed one in DCCED, if this were to pass. There is concern that the transfer would provide a lot of opportunity to deny a lot of people licenses, and that is not the sponsor's intent.

Sections 12-14 are effective dates related to different provisions in the bill, and are part of the transition framework they are trying to do a better job of working on. Those dates will change as they try to figure out how quickly the DCCED can fulfill this mission.

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SENATOR STEVENS said he has serious reservations about the bill. He has received many communications saying it is not needed or wanted.

At ease from 4:12 p.m. to 4:14 p.m.

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CO-CHAIR WAGONER announced he would hold SB 24 in committee.

SB 44-SOUTHEAST STATE FOREST

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CO-CHAIR WAGONER announced the consideration of SB 44 and asked for a motion to bring the bill before the committee.

SENATOR STEDMAN moved to bring SB 44 before the committee for discussion purposes. There were no objections.

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CHRIS MAISCH, State Forester and Director, Division of Forestry, Department of Natural Resources, supported SB 44. He stated that SB 44 is an effort to ensure that local timber processing continues to be part of the economy in Southeast Alaska. The majority of timber in southern Southeast is on federal land, but because federal timber sales have declined dramatically, local mills now depend heavily on state timber for survival. Demand for Southeast timber to supply wood energy is also increasing, further raising the importance of securing a timber base in this region. For example, Sealaska Corporation recently installed a wood pellet boiler at their headquarters in Juneau.

He explained that last year the legislature passed SCSHB 162(RES) that established the 25,291-acre Southeast State Forest that will be managed as an integrated unit and according to state forest management plans. SB 44 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 48,472 acres of Southeast State Forest lands for a long-term timber supply and retain these lands in state ownership for multiple uses. The 2009 forest inventory supports this request.

MR. MAISCH said that the Department of Natural Resources (DNR) manages over 159,000 acres of uplands in southern Southeast. Timber management is allowed on about one-third of this land and it is actively managed 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. Over 25,000 acres is legislatively designated as state parks, refuges, and public use areas.

Much of the state-owned timber in Southeast is second growth timber that, if actively managed, can provide more volume per acre on shorter rotations and can result in improved deer browse. Thinning is a long-term investment and is only justified if the land will continue to be available for forest management activities.

The proposed 23-parcel addition to the State Forest includes general use lands totaling approximately 23,100 acres on Prince of Wales, Tuxekan, Gravina, Kosciusko, Revilla, Wrangell, Suemez, Mitkof, Kuiu, Dall, and Zarembo Islands. Six of these parcels are adjacent to 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.

Consultation was also initiated with the University of Alaska Office of Statewide Land Management and senior University 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.

MR. MAISCH said the division also consulted with the Alaska Department of Fish and Game (ADF&G) to ensure there was internal alignment on the list of proposed parcels - and there is.

Fish habitat and water quality are key components of the Forest Resources and Practices Act (FRPA), he said, which have a suite of regulations that would apply to managements of these parcels. There is a no-cut 100-foot minimum width on both anadromous and high-value resident fish streams. The next 100-300 foot zone allows timber harvest if it maintains important fish and wildlife habitat. In addition, area plans also provide for 300-500 foot coastal buffers with additional recommendations for specific parcels.

When the Forest Management Plan was developed, Mr. Maisch explained, a key consideration for the Neets Bay parcel was to maintain water quality and quantity for the fish hatchery at the head of the bay. Dialog with the Southern Southeast Regional Aquaculture Association (SSRAA) is ongoing concerning this bill.

The Southeast State Forest would be managed as part of the State Forest System set forth in AS 41.17.200-.230. Subsection 41.17.200(a) 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 for other beneficial uses of public land and resources.

MR. MAISCH said in addition to timber management, State Forests are open to 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, which have both been recently updated. Changes in management intent would require public and interagency review through adoption of a state forest management plan under AS 41.17.230.

He said one of the other demands on state land in southern Southeast is to fulfill land entitlements for new municipalities. To avoid conflict with the Wrangell Borough entitlement, the bill specifies that the new Wrangell Borough may select state forest land from within the borough boundary. This boundary encompasses three parcels in the existing state forest - Crittenden Creek, Bradfield Canal East and West, and four parcels in the proposed additions - the Eastern Passage, Pat Creek, Pat Creek Uplands and Earl West Cove.

If additional municipalities are incorporated before June 30, 2019, land that was vacant, unappropriated, or unreserved before the state forest was established would be included in the calculation of the municipal entitlement acreage, but may not be selected. So, there is one key difference between the Wrangell exception and others: Wrangell can select from lands within the State Forest and others cannot, but it wouldn't affect their total calculation for entitlement.

MR. MAISCH said DNR has briefed many statewide groups including the Board of Forestry, Southeast Conference, local governments and the diverse groups participating in the Tongass Futures Round Table process, and these discussions will continue. To date the City of Coffman Cove, the Resource Development Council, the Alaska Forest Association, and the Alaska Chapter of the Society of American Foresters have sent letters of support, and the Southeast Conference passed a supporting resolution.

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SENATOR WIELECHOWSKI asked if he foresees additional requests.

MR. MAISCH replied that he believes this 23,000 acres will be the last increment, mainly because this would add-in the lands that have been identified through the area planning process as "GUNS" and have forest management intent as their key purpose.

SENATOR WIELECHOWSKI noted that AS 41.17.210 says the governor "must include a report and recommendations that include, among other things, an estimate of the full cost of implementation of an operational forest inventory and management plan." He said none of this was in the legislation creating the State Forest last year. The Governor's transmittal letter said that this will enable management to "increase long-term timber supply...to provide near-term jobs and pre-commercial thinning." So it sounds like there will be some need for money and the fiscal note doesn't say that.

MR. MAISCH replied because of the area planning process, these lands have been identified for forest management for many years, so the division has already been managing these lands for that purpose. They updated the forest inventory in 2009 that establishes the allowable cut for these lands and actually had to reduce it based on better inventory information. That particular inventory was funded with a CIP to the Division of Forestry. The fiscal note is zero, he said, because their ongoing work is already funded to do forest management planning activities; the division already has a forest planner and staff that would do the work. They already have funding for some pre-commercial thinning activity and for running the timber management programs they already have in place in Southeast. The key difference is this bill allows them to do aggressive pre-commercial thinning on young growth stands so that production will be doubled on the same acreage of land in the future. Right now the allowable cut is 8.5 million board feet.

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SENATOR WIELECHOWSKI asked if the plan is to work on the young growth, why are 52 percent of the selected acres old growth forest. Will you harvest that?

MR. MAISCH answered yes; the old growth will be harvested over time as part of the allowable calculation.

SENATOR WIELECHOWSKI asked how much of the old growth is planned to be harvested.

MR. MAISCH answered that some will depend on the location of the stands and economic conditions. Their current 8.5-million foot allowable cut is managed on a "decadal" basis. In any given year they can be below or above that 10-year average, but over the 10 year period they have to be at the same level of harvest. For example, when USFS sales were cut drastically a few years ago, he started a "bridge timber program" consisting of trees that hadn't been cut to the maximum each year. Klawock's Viking Saw Mill continued to operate on this basis. Over time, a good percentage of the old growth timber will be harvested on the State Forest land.

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SENATOR WIELECHOWSKI said Hook Arm is 595 acres, 590 of which are old growth; and Rowan Bay has 402 acres, 390 of which are old growth and 12 are muskeg. It looks like that is all old growth that will be harvested.

MR. MAISCH replied yes; but they won't know what the final harvest acreage will be until a site-specific plan is done. Their planning process requires having sales on a five-year schedule, which is reviewed by both the industry and the public. Then they have to write a forest land use plan that is a site specific plan for the timber sale. That is when they look at economics, roading, and access in a much more detailed manner. So, he didn't know for sure if the full acreage would be harvested of those two, but more than likely a full percentage will be.

SENATOR WIELECHOWSKI asked if he knew what mill this old growth timber on Hook Arm and Rowan Bay would be going to. Does DNR anticipate selling this old growth only as a negotiated sale for local manufacture or could it be sold to the highest bidder and exported in the round?

MR. MAISCH replied that more than likely it would go to an exporter because of the location of the sales. He explained that the southern Southeast timber industry has two components; one is local manufacture with mills both mid-size and very small, and the other is round-log export. He explained that the two work together. The export log is two to three times the value of a domestic log.

He said it has long been the policy of the State of Alaska to try and support domestic manufacture. The state cannot actually restrict round log export or have a primary-manufacture rule on the books (which was tried in the late 70s and went all the way to the Supreme Court resulting in a decision that the state cannot regulate interstate trade). Instead, policies were put in place that encourage high value-added manufacturing whenever possible. But when the purchaser purchases these logs for these small businesses, it helps their cash flow to be able to market the log to its highest and best use. So, sometimes some of the logs they purchase will be sold as round logs and go to the marketplace which could be the US West Coast, China or Japan. They get charged for an export price if they do that, but the domestic price is much lower. He said another Southeast company primarily does round log export, but they trade some of their logs to domestic manufacturers, so "there's very much a give and take going on in the log market."

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CO-CHAIR PASKVAN noted the letter from the Southeast Alaska Conservation Council (SEACC) expressing concern with the bill and offering what they think is a more balanced approach.

MR. MAISCH responded that he had seen the letter and is aware of most of the issues it raises. He tried to address some of those in his testimony. He explained that the state is a very small land owner in Southeast Alaska; it's 98 percent federal ownership. The federal government has set aside large amounts of land in wilderness areas, parks and other reserves that allow very little other types of multiple uses for resource development. The state is trying to keep the timber industry alive in Southeast with a limited amount of resources.

CO-CHAIR WAGONER asked how many acres the US government holds title to in Southeast Alaska that is harvestable forest lands.

MR. MAISCH replied the 2009 Tongass Land Management Plan allows commercial development to take place on under 1-million acres. The Tongass is 98 percent of southern Southeast and the allowable cut is 260 million feet. The plan has three phases; the state is in phase 1 now, and that should allow up to 100 million feet to be harvested annually. The feds sold under 12 million feet in their worst year. He remarked that the state sold more than they did off of less than 2 percent of the land base.

SENATOR WAGONER asked how old most of the second growth timber is.

MR. MAISCH replied it varies, 25-30 years, which is still a ways from being mature enough to harvest. Pre-commercial activity can be done by the time timber reaches 15-20 years old. The rotation ages for the timber right now are 100 years and that can be shortened to 60 years on very good sites, but 80 years is probably a more accurate number to use for second growth in the future.

CO-CHAIR WAGONER asked if anyone is putting in a pellet mill in Southeast.

MR. MAISCH answered no; some people have discussed the concept, but the biggest issue is a stable timber supply and until that changes, it's unlikely anyone would make the investment that would need to be made to build a new wood production facility in Southeast.

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SENATOR STEDMAN stated that in Southeast it's also a demand issue, and the transportation corridor is rather difficult because of the water and mountains. He asked Mr. Maisch to explain the allowable cut going into perpetuity.

MR. MAISCH replied that currently the allowable cut is about 8.5 million feet. Prior to the inventory update, it was about 13 million feet. As they convert over to a young growth management on these lands, the volume will approximately double or triple depending on the site. At some point in the future the allowable cut will be 60 million feet off the same acreage. That timeframe is 30-40 years out, and will depend on how fast the old growth is converted to young growth.

SENATOR STEDMAN recalled that Viking is about 35 million board feet a year.

MR. MAISCH replied that Viking Lumber runs about 20 million board feet a ship, so they can run up to a 3-ship basis. They haven't done that for many years because of supply. Viking is the mill they helped supply bridge timber to.

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SENATOR STEDMAN said that's the only mill left in Southeast.

MR. MAISCH agreed.

SENATOR STEDMAN stated in the scheme of things, this is a very small land expansion and the amount of fiber that can be produced off it is miniscule. And in particular, if the federal forest continues to be shut down, this amount of volume off the State Forest will keep extremely small mills running, but that's all.

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MR. MAISCH agreed; it would be difficult to support a mill like Viking just off of state land.

SENATOR STEDMAN asked him to expand on the impact to really small mills if they decide to enlarge the state forest.

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MR. MAISCH answered that right now small mills can be supplied volumes in various places in southern and northern Southeast Alaska. Some of the small mills don't need a lot, maybe a couple dozen trees. The US Forest Service actually has a good small log program where they can actually provide small amounts of volume to small saw mills, too. Some of these are very specially oriented mills that use high-grade spruce or cedar for other value-added products like sound boards for pianos and guitar stock. Small mills produce locally-used products that are typically not exported. The best example is Icy Straits that produces very high-quality log cabins out of cedar. The cost of transportation is the largest impediment.

[4:46:29 PM](#)

CO-CHAIR WAGONER announced that SB 44 would be held in committee. There being no further business to come before the committee, Co-Chair Wagoner adjourned the meeting at 4:46 p.m.