

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

February 25, 2015

3:30 p.m.

MEMBERS PRESENT

Senator Cathy Giessel, Chair
Senator Mia Costello, Vice Chair
Senator John Coghill
Senator Peter Micciche
Senator Bert Stedman
Senator Bill Stoltze
Senator Bill Wielechowski

MEMBERS ABSENT

All members present

OTHER LEGISLATORS PRESENT

Representative Andy Josephson

COMMITTEE CALENDAR

SENATE BILL NO. 32

"An Act relating to the sale of timber on state land; and providing for an effective date."

- MOVED CSSB 32(RES) OUT OF COMMITTEE

Overview of the Extraction Industry in Alaska

- SCHEDULED BUT NOT HEARD

PREVIOUS COMMITTEE ACTION

BILL: SB 32

SHORT TITLE: TIMBER SALES

SPONSOR(S): RULES BY REQUEST OF THE GOVERNOR

01/30/15	(S)	READ THE FIRST TIME - REFERRALS
01/30/15	(S)	RES, FIN
02/13/15	(S)	RES AT 3:30 PM BUTROVICH 205
02/13/15	(S)	Heard & Held

02/13/15 (S) MINUTE(RES)
02/25/15 (S) RES AT 3:30 PM BUTROVICH 205

WITNESS REGISTER

CHRIS MAISCH, State Forester and Director
Division of Forestry
Department of Natural Resources (DNR)
Juneau, Alaska

POSITION STATEMENT: Commented on SB 32.

JOE YOUNG, owner
Young's Timber, Inc.
Tok, Alaska

POSITION STATEMENT: Opposed SB 32 as written.

ERIN MCLARNON, Executive Director
Working Forest Group
Anchorage, Alaska

POSITION STATEMENT: Supported SB 32.

DAVE STANCLIFF, representing himself
Tok, Alaska

POSITION STATEMENT: Said he hadn't the time to go through SB 32 to speak intelligently on all sections, but he would give him a deeper assessment next week when he was in Juneau.

ACTION NARRATIVE

3:30:27 PM

CHAIR CATHY GIESSEL called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Costello, Stedman, Coghill, Stoltze and Chair Giessel.

SB 32-TIMBER SALES

3:31:05 PM

CHAIR GIESSEL announced SB 32 to be up for consideration and that public comment was still open.

3:31:11 PM

SENATOR MICCICHE joined the committee.

3:31:40 PM

SENATOR COSTELLO moved CSSB 32 (), version 29-GS1022\W, as the working draft.

CHAIR GIESSEL objected for discussion purposes.

3:32:05 PM

CHRIS MAISCH, State Forester and Director, Division of Forestry, Department of Natural Resources (DNR), Juneau, Alaska, said at the last hearing the question came forward about the proposed change in the committee substitute (CS) on line 6. It drops the language: "consistent with the best interest of the state" at the very end of the sentence in that section. He was asked if that intended to mean a best interest finding or simply a lower case best interest, and in consultation with the Department of Law and the Governor's legislative director, they all concurred that it would be appropriate to clear up the possible confusion.

3:33:09 PM

SENATOR WIELECHOWSKI joined the committee.

MR. MAISCH said "best interest" also occurred on line 9, but there it requires a finding. That statement was moved forward to ensure that a finding would be required for a timber sale that was under this authority. He added that none of the public process is changed with the CS.

CHAIR GIESSEL, finding no questions, removed her objection and work draft W was adopted.

3:35:33 PM

SENATOR STOLTZE said he talked to the Mat-Su Borough mayor and manager since the last meeting who indicated they had been offering timber sales but didn't get much response. The feeling is that there is a glut in the Mat-Su Valley market and the state offering other sales would further restrict their economic opportunities.

He said that the Alaska Outdoor Council has also had concerns, because the Division of Forestry had failed to interact with them over past timber regulations. He wanted to make sure there had been the outreach that had been avoided in the past. He also wanted to know more about Mr. Maisch's discussions with the mayor and the manager.

3:37:28 PM

MR. MAISCH responded that he had shared an email with Mayor DeVilbiss and Manager Moosey; the mayor said he will inform the assembly of this proposed legislation and he hadn't any further discussion with Mr. Moosey, but expected to hear back from him. As for potentially glutting the timber market, they don't intend

to use this authority in the Mat-Su Valley unless there is a need. Their preferred method of selling timber there will still be through competitive auctions under their 120 authority.

He said an auction was offered in the Mat-Su Valley this fall; four timber sales were available and there were no bidders. That could mean they are satiated, so he doesn't intend to offer other sales except under the 120 authority.

SENATOR STEDMAN said it's a large state that has big differences in some of the forests. Southeast doesn't have municipal forests; it has the Tongass and some small state forests and forests on some Native lands. The response from this region is that timber sales have been very well received and he liked the language change. He thought that some of the public process in this industry had actually been detrimental and had been used to shut the industry down versus get a fair and balanced multi-use forest moving. The pendulum has moved too far to the point where there are objections to virtually every timber sale.

3:40:41 PM

SENATOR WIELECHOWSKI asked Mr. Maisch to address some concerns in the Young's Timber letter in their folder; one was that this could potentially lead to "cronyism."

MR. MAISCH responded that a number of safeguards are built into the process; first is the one that he just mentioned, using competitive bid under their 120 authority, their preferred method of selling timber and what they do in 90 percent of their timber sales. He also related that in Tok where Young's Timber is located, Alaska Power and Telephone (APT) was interested in a large long-term sale to support the development of a utility that would use wood as the primary fuel source to produce electricity. They started out with the 118 process in that instance, and after the preliminary best interest finding (BIF) was put out they had commenters including from Young's Timber that indicated they potentially had competitive interests. At that point, the division backed up and closed the preliminary BIF out with no action and started a 120 process with a new preliminary BIF that would basically offer that timber sale as a competitive sale. Then both Young's Timber and APT could decide whether they wanted to compete for that wood. So, by example the issue the letter referenced was addressed. The department has the best interest of the state at heart and there are specific things they have to do in a BIF that address that question.

He said Subsection (1-(b) in 11AAC71.055 provided additional things they can consider. This is part of their 123 sale authority and it talks about financial backing, capability and experience in the proposed activity and being able to meet the bonding and insurance requirements of the timber sale. Part of that BIF process is the department's due diligence as an agency and as professionals to ensure that this is approached in a business-like manner.

SENATOR WIELECHOWSKI said one of the other issues Young's Timber raised was if an environmental group can be prevented from purchasing the timber.

MR. MAISCH answered that a negotiated sale would be through the RFP process where the objectives are enumerated like the creation of local jobs and what kind of high value-added products are going to be manufactured, and it is unlikely that an environmental group could respond positively to those criteria. He said the main area of the state that they use this authority in is Southern Southeast Alaska.

[3:46:56 PM](#)

SENATOR STOLTZE said he appreciated the continuing follow-up and that his overall concern is to support the Southeast economy.

[3:48:28 PM](#)

JOE YOUNG, owner, Young's Timber, Inc., Tok, Alaska, opposed SB 32 as written, especially Section 3 that states "AS 38.05.11(c) is repealed." He said the intent of that section was to help Alaskans with high levels of unemployment, underutilized manufacturing capacity, underutilized allowable cut/damaged trees (Tok has thousands of acres of fire killed and wind-blown trees) or land being converted to non-forest use for long term negotiated timber sales.

He said SB 32 needs to be at least delayed until public hearings and explanations of the sectional analysis are held in Tok and other rural areas, so it can be rewritten to reflect their concerns.

MR. YOUNG explained that the Tok area has four different operators that have 10 timber sales executed under AS 38.05.11(h)(c). The effect of these sales has spurred investment of over \$3 million by the private sector and \$4 million by the state for wood fiber heating systems to reduce the cost of energy in the Tok area. Young's Timber, alone, has invested \$5

million in value-added equipment because of the 118(c) timber sales it was able to acquire.

He said the 118(c) timber sales in rural areas can be administered with smaller staff. They can be used to economically reduce hazardous fuels in rural communities feeding the energy heating systems. It can spur timber industry development, help reduce energy costs and create new jobs.

[3:50:56 PM](#)

His other concern was the immediate effective date in Section 5. "What's the rush?" he asked. It sure looked suspicious.

[3:51:39 PM](#)

ERIN MCLARNON, Executive Director, Working Forest Group, Anchorage, Alaska, supported SB 32. She is also a Board of Forestry member. She said SB 32 would allow the DNR commissioner to better respond to the economic and geographic realities of the forest product industry. "Who would have guessed that a primary demand for our state's timber would be for bio-mass energy purposes?" she asked.

She explained that SB 32 would allow the DNR to offer negotiated timber sales for up to 25 years, which is crucial for medium to large bio-mass energy products to get off the ground. This bill would also give DNR the flexibility to determine which sale method is in the best interest of the state for each timber sale.

CHAIR GIESSEL, finding no further questions, closed public testimony.

SENATOR WIELECHOWSKI said an RFP made him feel a little bit better and asked if it was a requirement for a manufacturer.

MR. MAISCH replied that is the language that is in the 123 authority. It is not in the 118 authority, but the same process is used: they can choose to do an RFP, but they don't have to do one. As a practice in their RFP they make an initial cut at who might be appropriate to negotiate with. It's part of the best interest finding process.

SENATOR WIELECHOWSKI said he sees a lot of merit and with a good commissioner this is a great bill, but his concern was that the maybe the commissioner's uncle is a local manufacturer and he gives him a sweetheart deal but they would have got a lot more

money by putting it out to bid. With an RFP anyone could respond and the commissioner would have to negotiate the best deal.

MR. MAISCH answered that was right. Through the BIF process, the commissioner would most likely be the final signatory. He, himself, has been delegated authority for a timber sale of \$50,000 or less. For example, the current 123 sale in Fairbanks has a \$400,000 value and that will be signed by the commissioner. The BIF is in the light of day; the public comment is on it. The process is well designed to prevent Senator Wielechowski's concern from occurring.

SENATOR STOLTZE said he worked with Mr. Stancliff on the biomass project and he wanted to hear from him whether this will diminish or enhance the viability of those types of projects.

[3:56:48 PM](#)

SENATOR WIELECHOWSKI asked if removing language in section 1 that requires consistency with the best interest of the state implies that it has to be in the best interest of the state.

MR. MAISCH explained that a question on lines 6 and 9 was specifically asked at the last hearing. The question pertaining to line 6 was would the lower case best interest be confused with an actual finding that would be a best interest finding. He concurred that that language was potentially confusing to especially the lay public and the purpose of the CS is to drop the generic best interest reference and avoid the confusion.

[3:58:00 PM](#)

DAVE STANCLIFF, representing himself, Tok, Alaska, said he hadn't the time to go through the bill to speak intelligently on all sections, but he would give him a deeper assessment next week when he was in Juneau.

[3:59:11 PM](#)

SENATOR COSTELLO moved to report CSSB 32(RES), version 29-LS1022\W, from committee with individual recommendations and attached fiscal note(s). There were no objections and it was so ordered.

[3:59:51 PM](#)

CHAIR GIESSEL, finding no further business to come before the committee, adjourned the Senate Resources Committee meeting at 3:59 p.m.