

**ALASKA STATE LEGISLATURE
SENATE RESOURCES STANDING COMMITTEE**

February 15, 2019

3:30 p.m.

MEMBERS PRESENT

Senator Chris Birch, Chair
Senator Cathy Giessel
Senator Lora Reinbold
Senator Click Bishop
Senator Scott Kawasaki

MEMBERS ABSENT

Senator John Coghill, Vice Chair
Senator Jesse Kiehl

COMMITTEE CALENDAR

PRESENTATIONS: TIMBER INDUSTRY UPDATE:

- ALASKA DIVISION OF FORESTRY
 - U.S. FOREST SERVICE-ALASKA DIVISION
 - SEALASKA CORPORATION
 - ALASKA FOREST ASSOCIATION
- HEARD

PREVIOUS COMMITTEE ACTION

No previous action to record

WITNESS REGISTER

CHRIS MAISCH, Director and State Forester
Alaska Division of Forestry
Alaska Department of Natural Resources
Anchorage, Alaska

POSITION STATEMENT: Provided a state forestry update.

DAVID SCHMID, Regional Forester
U.S. Forest Service-Alaska Division
U.S. Department of Agriculture
Juneau, Alaska

POSITION STATEMENT: Provided an update of the U.S. Forest Service's timber program in Alaska.

JAELEEN KOOKESH, Vice President of Policy and Legal Affairs
Sealaska Corporation
Juneau, Alaska

POSITION STATEMENT: Provided an overview of Sealaska's timber activities.

OWEN GRAHAM, Executive Director
Alaska Forest Association
Ketchikan, Alaska

POSITION STATEMENT: Provided an update on Alaska's timber industry, primarily on activities in the Tongass National Forest.

ACTION NARRATIVE

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CHAIR CHRIS BIRCH called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Giessel, Reinbold, Kawasaki, Bishop, and Chair Birch.

PRESENTATION: Timber Industry Update: Alaska Division of Forestry

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CHAIR BIRCH announced that the committee will hear an overview and update on the Alaska timber industry. Alaska holds 129 million acres of forested land including the boreal forest of the Interior, the mixed forests of Southcentral, and the coastal rainforests of Southeast Alaska. However, only a small portion of that supports commercially viable timber and is available for timber sales and harvest.

He said the committee will hear from leaders in state forestry, the U.S. Forest Service (USFS), one of the regional Native corporations, and a timber industry trade group about efforts to improve Alaska's timber availability, and about some of the opportunities and challenges faced by the important forestry sector.

He provided background information on Mr. Maisch's experience in forestry. Mr. Maisch has been with the Alaska Division of Forestry since 1999 and previously spent 15 years with Tanana

Chiefs Conference Forestry Program. Mr. Maisch has worked in both forest and wildland fire management during his career. Mr. Maisch is a certified forester via the Society of American Foresters and holds a B.S. in Forestry from the University of Michigan. Mr. Maisch is also a former president of the National Association of State Foresters.

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CHRIS MAISCH, Director and State Forester, Alaska Division of Forestry, Alaska Department of Natural Resources, Anchorage, Alaska, referenced "What conditions maintain or grow the forest products sector in Alaska" in his presentation and detailed as follows:

- Stable land base for forest management that produces a consistent offering of timber sales.
 - Planning and capital investments are not possible without a stable land base.
- A mix of private, state, trust (Alaska Mental Health Trust (MHT) and University Titled Land (UTL)), and federal land.
- Access to markets both domestic and foreign.
- A range of timber sale options, including longer-term commitments of supply from 10 to 20 years.
- Use of Good Neighbor Authority (GNA) to partner with the USFS to conduct work on national forest lands.
 - GNA allows states to work with the USFS to conduct work on national forest system lands, usually a combination of restoration work and timber sales.
 - Alaska has done two GNA sales to date including a recent sale.
- Access to resources and the current state specific Roadless Rule effort between the state and the U.S. Department of Agriculture (USDA).
 - Previous governor had petitioned the Secretary of the USDA to undertake a rulemaking process is currently underway.
 - The division met with the USFS to begin looking at analysis work that has been done on alternatives being considered for the Roadless Rule.
 - The goal is to return more acreage in the Tongass Forest to the timber base.

He referenced "Forest Resources and Practices Act and forest types across the state" as follows:

- Region Three:

- o Boreal forest,
- o Interior spruce/hardwood,
- o North and west of the Alaska Range.
- Region Two:
 - o Transitional forest,
 - o Interior spruce/hardwood,
 - o South of Alaska Range,
 - o Mix of both coastal and Interior species.
- Region One:
 - o Temperate rainforest,
 - o Coastal Sitka spruce/hemlock.

MR. MAISCH explained that the Alaska Forest Resources and Practices Act affects private landowners that do commercial forest activities in the state. The Alaska Forest Resources and Practices Act also protects water quality and fish habitat, both are key components, which includes buffers on streams and other best practices to ensure that commercial harvest activities exist and can coexist with other resources and not cause harm to those resources.

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He addressed Region 2 regarding the "Division of Forestry (DOF) Forest Health Program" pertaining to a large bark beetle outbreak that is currently going on in and north of Anchorage up to the southern parts of the Alaska Range.

He called attention to a map that shows the impacted areas from Spruce beetle activity from 2016-2018, resulting in nearly one million acres of dead spruce trees as a result of the Spruce beetle infestation. The Kenai Peninsula had a big infestation in the 1990s, primarily in the southern end.

MR. MAISCH said the spruce beetle infestation is a serious issue because of the potential increase in fire risk that is associated with the dead tree material. As the trees die, grasses come in underneath the dead trees due to the extra sunlight which creates a "flash" fuel that increases risk in the spring fire season.

He said the DOF is working very diligently to try and undertake some commercial salvage-harvest activities, but a lot of the issues pertains to access. Two companies have expressed some interest and DOF is working through some due diligence with the companies to try and see if a project can be put together.

SENATOR BISHOP asked him to address spruce beetle mitigation efforts by DOF.

MR. MAISCH explained that mitigation efforts on beetles are very difficult because the insect lives inside of trees. The only way to really try and control the beetle is through insecticides where the outside of the tree must be sprayed during the right time of the year before the beetles emerge and start attacking trees. Applying insecticides is very expensive and application is probably only done for high value residential trees or perhaps in campgrounds or around public areas.

He disclosed that there is some being work done on a systemic insecticide that is injected into the tree where the beetle ingests the insecticide when it attacks a tree. Systemic insecticide is not a simple or inexpensive process and will probably be used for the highest value trees.

He said unfortunately there is not much DOF can do from a prevention perspective except have a healthy forest to start with. The infested forest is older, more decadent, and the beetle populations are always present in small number, but the conditions were right for the population to explode.

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He addressed a bar graph showing "DOF spruce beetle population monitoring for: Houston (2017-2018), Denali State Park (2018), Eagle River (2018), Homer (2018)." He said the graph dramatically demonstrates population increases in Houston and Denali State Park. The key point will be salvage and trying to mitigate fire risk with fuel breaks and other activities. DOF has held 22 meetings with the public to talk about "fire wise" and things that can be done to homes and businesses to help reduce the risk and increase the likelihood of surviving a wildland fire. DOF is ramping up a comprehensive response.

SENATOR REINBOLD asked if DOF is working with federal and state agencies. She inquired if there is a cost/benefit analysis in saving trees versus allowing trees to die and causing a fire hazard.

MR. MAISCH answered that the insecticide treatments are strictly going to be a homeowner's decision. The state does not provide insecticide services, but private companies do. DOF's role is to provide education and technical assistance to try and help the local governments formulate a plan of attack. DOF has applied for competitive funding, in the western states the process is

called Wildland-Urban Interface (WUI) funds to help reduce fire risk by treating "fuels;" i.e., dead trees. DOF was successful in attracting \$2.1 million for various projects around the state, two projects are in the Susitna Valley focused on individual-hazard trees in campgrounds and public spaces around schools and other public buildings that are hazards for physically blowing over. The "fire piece" is a tougher problem because the area is very large where significant resources would be required to do something. DOF has talked to Alaska's delegation in Washington, D.C. about additional resources for the issue.

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SENATOR REINBOLD asked if harvesting the trees would help and is there anything that can be done to stop the infestation from spreading.

MR. MAISCH answered that there is not much DOF can do to stop the infestation from spreading. DOF monitors the beetle population, but there is no practical opportunity to do something to prevent the beetles from spreading. A good cold winter might help to keep the beetle population somewhat in check; however, Alaska has been having milder winters in the last decade or so.

He addressed salvage and explained that harvesting is a viable way to get some utilization from the trees to reduce the risk; however, the economics of salvage is very hard to "pencil out." He noted that one issue is the port at Point MacKenzie that was damaged from the earthquake, a key place that any material would have to be shipped out of. DOF is doing some work with the Matanuska-Susitna Borough regarding Point MacKenzie.

He addressed a chart that shows "Who owns commercial forest lands" encompassing 126 million acres, the majority owned by federal, USFS, and the state.

He referenced "Statewide overview of the forest products sector" as follows:

- Regional differences in scale, markets, products and type of facilities;
- Primary Manufacturing:
 - First mill that breaks down a log from a round form into a board or some product;
- Log Export;
- Secondary Manufacturing;

- o Make higher value products;
- Non-Timber Forest Products:
 - o Includes mushrooms;
- Woody Biomass Projects:
 - o Scale and types of fuels;
 - o Energy production.

MR. MAISCH addressed "Primary manufacturing facilities" and noted a photo of the Viking Sawmill in Craig on Prince of Wales Island, the largest sawmill still operating in Alaska. The Viking Sawmill annually does 25-30 million board feet (MBF) of old growth timber. Sawdust and chips are produced in the manufacturing process, the chips are mainly shipped to Canada and Pacific Northwest for use in pulp mills or the biomass use in-state. Most of the materials that are produced are various grades of lumber for different manufacturing.

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He addressed "Primary manufacturing log export" and noted that a lot of Alaska's logs goes overseas in round-log form. Logs noted in a photo were young-growth material, young growth are trees that have come back after the first harvest. Southeast Alaska saw its first large-scale harvest in the 1950s and some of those trees are now becoming available for use as a log in a process. The only market for the material is China. The log tariffs currently in place with China are causing some difficulties in the industry, the tariff is 10 percent on Sitka spruce, 5 percent on western hemlock. If the U.S. and China do not successfully reach a trade agreement the tariffs are scheduled to increase to 25 percent which will effectively stop any ability to sell the logs in the China market.

He addressed "Log exports and phytosanitary inspection" for the ports in China as follows:

- Agriculture program staff provides inspection service and third-party fumigation inspections on-board ship in Korea for logs heading to China ports without onshore facilities.
- Industry pays travel costs.
- On shore fumigation is now available in six ports.
- Value last year: \$74.3 million in exports.
- Value over a ten-year period: \$1.2 billion in exports.
- Log tariff issue.

He addressed "Primary manufacturing facilities: pellet mill in North Pole." The Superior Pellet Mill is the largest pellet mill

in Alaska. Due to competition with lower oil prices, the mill is only operating at 10-percent capacity. The mill also produces compressed logs. The pellets are used in residential heating or larger-scale heating like the Sealaska building in Juneau.

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MR. MAISCH addressed "Primary manufacturing facilities smaller scale" and noted photos of a log turning mill for log homes and cabin kits, and a Wood-Mizer portable sawmill. The operations are one or two-person operations that are common throughout the state. The smaller-scale facilities are typically operated seasonally.

He addressed "Secondary manufacturing facilities" and noted the Fairweather Ski Works located in Haines. The skis are a high-value product that uses Sitka spruce and spalted birch.

He addressed "Secondary manufacturing facilities" and referenced the Great Alaska Bowl Company in Fairbanks. White birch is the primary species used.

He addressed "Non-timber forest product manufacturing facilities" and noted the Kahiltna Birch Works which produces birch syrup in the Susitna Valley. Seventy gallons of birch sap is required to make one gallon of birch syrup.

He addressed "Woody biomass and energy" as follows:

- Types of wood fuels used:
 - Wood chips,
 - Solid wood,
 - Pellets.
- Scale of operations from commercial to residential.
- Space heating:
 - Most common in Alaska.
- Electrical generation:
 - Tentative steps.
- Combined heat and power:
 - Larger scale.

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He addressed a state map that noted "Locations of biomass energy projects." He noted viable biomass energy projects throughout the state that includes:

- Ketchikan airport's pellet fuel heating project:

- o Heats the airport.
- Galena woody biomass heating project:
 - o Wood-chip boiler:
 - Galena,
 - Tok,
 - Craig.
- Tanana solid wood fuel heating project:
 - o System is fed by hand twice a day in cold weather,
 - o Burned as hot as possible and the energy is stored in a water jacket around the boiler systems,
 - o Clean way to produce heat and energy,
 - o Creates local jobs.

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MR. MAISCH addressed "Cross Laminated Timber (CLT)" as follows:

- Possible future manufacture product for Alaska.
- Young growth timber in Southeast Alaska.
- Finished buildings in Asian market.

He said CLT is relatively new in North America and has come into its own over the past five years. CLT has been used in Europe for a longer period. CLT is used to manufacture mid to high-rise buildings completely with wood. He explained that CLT is cross laminated with different layers of wood up to 13-layers thick where a very large product is possible. CLT dimensions is only limited by the press-size. CLT is structurally very strong, buildings using CLT go up very quickly. CLT panels noted in a photo are built in a factory, shipped in a truck, and lifted into place so the labor savings are significant over steel and concrete construction, over a third less in cost. CLT's environmental footprint is much friendlier, especially if climate change and CO2 is a consideration. CLT's CO2 sequestration works well where the carbon is stored in place and new trees grow where the trees used for CLT are harvested.

He noted that the Canadian architect from Vancouver that brought CLT into North America explained that he had built a lot of buildings with steel and concrete and none of his customers ever came inside and hugged one of the main pilings of the building. He said people like wood, like to live in buildings made from wood, wood is esthetically pleasing, and people for whatever reason bonds with wood.

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MR. MAISCH addressed CLT seismic testing and showed a seven-story-building mockup that was tested on a "shaker table" in Japan that simulated a 7.2 earthquake. He disclosed that a lot of urban areas in the U.S. would have to adjust their codes to allow CLT construction due to wood buildings that burned in cities in the 1800s and 1900s where restrictions were imposed to limit wood buildings to 3 stories.

He showed a video that demonstrated CLT seismic testing and the material's impressive reaction to shaking from an earthquake simulation. CLT gives more than steel and concrete. CLT testing continues for fire and engineering purposes. Buildings using CLT will become key pieces in U.S. cities.

CHAIR BIRCH thanked Mr. Maisch for his presentation. He noted that he was not aware of the permissibility of wood buildings to only three stories.

MR. MAISCH noted that there is a 15-story building in Vancouver, Seattle and Portland both have 15-story buildings under construction.

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At ease.

PRESENTATION: Timber Industry Update: U.S. Forest Service-Alaska Division

[3:57:31 PM](#)

CHAIR BIRCH called the committee back to order. He provided background information on Mr. Schmid's experience in forestry. He noted that Mr. Schmid oversees management of over 22 million acres of national forest lands in Southcentral and Southeast Alaska where he works closely with the region's diverse stakeholders on issues related to forest restoration and rural community health.

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DAVID SCHMID, Regional Forester, U.S. Forest Service-Alaska Division, U.S. Department of Agriculture, Juneau, Alaska, disclosed that he previously worked in Alaska and returned last year to be the regional forester. He noted that one of the things that changed since he left Alaska 13 years ago is that there are about half the number of employees now working at the U.S. Forest Service-Alaska Division. He said the USFS tries to figure out how to use their limited capacity by prioritizing its work within the region.

MR. SCHMID referenced the "Strategic priorities for fiscal years 2019-2020" as follows:

- Active Management:
 - Delivering on timber commitment, ensuring a continuous and reliable supply of timber into the future.
- Shared Stewardship:
 - Partnering and working across boundaries with the State of Alaska, Tribes, Alaska Native Corporations, communities, and non-governmental organizations.
- Customer Service:
 - Finding ways to get to "yes" by identifying new opportunities for partnerships, working with local service providers, and streamlining and improving our processes.

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He referenced the "Alaska Roadless Rulemaking" as follows:

- Focused on the Tongass National Forest:
 - Rulemaking in response to a petition from the State of Alaska for full-exemption.
- An Alaska Roadless Rule will:
 - Amend the 2001 National Roadless Area Conservation Rule.
 - Address local economic and development concerns.
 - Conserve roadless areas for generations to come.
 - Determine which currently designated roadless areas would have a different management designation that may allow for timber harvest and road construction and reconstruction in areas where it currently prohibited.
- Committed to transparent rule-making process:
 - Cooperating agency engagement with State of Alaska and six Tribal governments.
 - Government-to-government consultation with all federally recognized Tribes.
 - Government-to-corporation consultation with Alaska Native Corporations.
 - Public engagement through National Environmental Policy Act (NEPA) processes and other outreach.
- Timeline:
 - Ongoing: project review and decisions on activities allowed under the 2001 Roadless Rule (i.e., mining, hydropower, interties, etc.).
 - Mid-summer 2019:

- Draft Environmental Impact Statement released; formal public comment open.
- June 2020: anticipated decision.

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MR. SCHMID referenced the "Tongass transition" as follows:

- 2016 Tongass Forest Plan - Timber Program:
 - Contributing to the continued viability of the timber industry, an economically and socially significant part of Southeast Alaska.
 - Implementing a transition to primarily young-growth timber program:
 - Approximately 400,000 acres was previously harvested in the national forest.
 - The earliest young-growth timber is available.
 - Continuing to provide old-growth "bridge" timber sale opportunities during the transition to young-growth timber.
- Young-growth inventory and suitability analysis:
 - Partnership with State of Alaska includes inventory and workforce development.
 - Inventoried young-growth stands on 30,000 acres across 7 Ranger Districts.
 - Completed stream surveys on roughly have of inventoried acres.
 - In process:
 - Suitability analysis to determine amount of acres and volume of young-growth available for harvest.
 - Report expected later in 2019.
- Thinning treatments in previously harvested areas:
 - Promote better growth of trees for future timber harvest.
 - Improve wildlife habitat.
 - Goal:
 - To treat 9,000 acres annually.
- Alaska Mental Health Trust Land Exchange to provide old-growth timber:
 - Phase I:
 - January 2019, the Forest Service and the Trust closed on Phase I of the federally legislated land exchange.
 - Phase I:
 - Approximately 2,400 federal acres near Naukati (POW) exchanged for approximately 2,500 acres of Trust land near Ketchikan.

- o Phase I:
 - Federal lands exchanged include old-growth, potentially merchantable timber.
- o Phase II:
 - In process.
 - Will include the remainder of the approximately 18,600 federal acres and 15,500 non-federal acres to be exchanged.

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MR. SCHMID referenced the "Status: Tongass Timber Program" as follows:

- 66.34 MBF of timber currently under contract:
 - o Approximately half of this volume is old-growth timber.
 - o Nearly half of the volume is young-growth, via a Good Neighbor Agreement sale through the State of Alaska.
 - o Prior year (FY2018) no-bid sales remain available for off-the-shelf purchase.
- Industry Challenges:
 - o Unique to Alaska.
 - o High costs of goods and materials.
 - o High transportation costs from Alaska to the contiguous 48 states.
 - o Sparsely developed infrastructure facilities.
 - o Variable and unpredictable market conditions.
- Work to Support Industry Opportunity:
 - o All Landowners Group:
 - Coordinate operations,
 - Find efficiencies,
 - Share infrastructure.
 - o Using the Good Neighbor Authority to work cooperatively to with the State of Alaska to implement timber projects on National Forest System lands.
 - o Identifying opportunity to:
 - Use expanded Good Neighbor Authority,
 - Allow for partnerships with Tribes and Alaska Native Corporations.
 - o Updating annual targets.

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He referenced the "Landscape Level Projects" as follows:

- Comprehensive and efficient analysis:

- o Plan on a large spatial scale and increase the number of activities authorized in a single NEPA analysis and decision.
 - o Meet multiple resource objectives, including the timber.
 - o NEPA-clear projects for a 10-15-year period.
- Prince of Wales Landscape Level Analysis:
 - o Approximately 1.8 million acres within the Craig and Thorne Bay Ranger Districts.
 - o Final Environmental Impact Statement (FEIS) and draft Record of Decision was released in November 2018.
 - o Selected alternative closely followed the recommendations made by the Prince of Wales Landscape Assessment Team (POW-LAT), an independently formed collaborative group.
 - o Currently in the objection review and resolution phase.
 - o First on-the-ground projects focused on timber stand improvement (thinning) and stream restoration.
- Central Tongass Project:
 - o Approximately 3.7 million acres within the Petersburg and Wrangell Ranger Districts.
 - o Early Summer 2019:
 - Draft Environmental Impact Statement anticipated to be released for public comment and public meeting.
 - o Background:
 - Public meetings and a public comment period were conducted in August-September 2018 on the project notice of intent.

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MR. SCHMID addressed the Chugiak National Forest and noted the Alaska Division's focus on customer service and access, noting that the 6-million-acre forest has 90 miles of roads. USFS is working to improve its response and help facilitate special uses like heli-skiing, year-round recreation, and looking at cabins along the forest's road system.

He referenced the "State and Private Forestry Program" as follows:

- Technical and financial assistance:
 - o FY2018: \$6.3 million assistance provided to the State of Alaska, rural communities, and other partners through S&PF programs.

- o Four-year cumulative investment of \$24 million in cooperative fire, cooperative forestry, forest health, and all lands initiatives.
- o Investments have supported priorities including Tongass transition for young growth inventory, workforce development, Good Neighbor Authority timber projects, and coordination of an All Landowners Group.
- Highlighted Program Investment:
 - o Cooperative Fire Assistance:
 - FY2018: \$2.2 million.
 - Grants to Alaska to supplement fire and fuels protection programs for rural communities and rural lands, and provide financial, technical assistance for State Fire and Fuels Programs.
 - o Forest Health Protection:
 - FY2018: \$1 million.
 - Activities related to forest insects, forest diseases, forest health monitoring, pesticides and pesticide use, and invasive plants on private and public lands.
 - o Forest Stewardship:
 - FY2018: \$325,000.
 - Provides landowners with professional planning and technical assistance to keep forestland productive and healthy.
 - o Woody Biomass and Wood Innovation:
 - FY2018: \$340,000.
 - Substantially expands and accelerates wood energy and wood products markets on National Forest System and other forest lands.
 - Using wood fuel is home-grown, keeps money in the community, creates local jobs and bolsters the local economy.

MR. SCHMID summarized that he had worked on the economic use of biomass at his previous assignment in the Lower 48. He said biomass can work in Alaska and there are opportunities he will continue to explore.

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At ease.

PRESENTATION: Timber Industry Update: Sealaska Corporation

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CHAIR BIRCH called the committee back to order. He said the committee will next hear from Jaeleen Kookesh, vice president of Sealaska Corporation. He explained that Sealaska is an Alaska Native corporation formed pursuant to the Alaska Native Claims Settlement Act (ANCSA) and is owned by more than 22,000 shareholders, primarily of Tlingit, Haida, and Tsimshian descent. Ms. Kookesh's experience is driving the corporation's legal activities in public policy priorities which include developing legislation and regulations to advance Alaska Native interests and addressing Alaska Native shareholder issues.

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JAELEEN KOOKESH, Vice President of Policy and Legal Affairs, Sealaska Corporation, Juneau, Alaska, provided her background information. She noted that she serves on the Board of Forestry. She detailed that she works a lot in timber policy and the area of management area.

She said Sealaska Corporation runs its company based on the values of the Tlingit, Haida, and Tsimshian groups. Sealaska's homeland is Southeast Alaska, approximately 20 million acres within the region; however, Sealaska only owns 1.6 percent of the region, approximately 362,000 acres that were retained from ANCSA. While Sealaska only owns a portion of land in Southeast Alaska, Sealaska cares about all of it. Southeast Alaska is Sealaska's homeland and the Native corporation is engaged with other landowners including the USFS, the State of Alaska, and the University of Alaska. Sealaska's goal is to, "Strengthen our people, culture, and homelands through Values in Action."

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She addressed "Sealaska values and actions" in managing its land and guided as follows:

- Alaska Native values:
 - Haa Aaní:
 - Our land;
 - Recognizing the importance of Sealaska's land and waters to its people;
 - Value of utilizing Sealaska's land.
 - Haa Shuká:
 - Our past, present, future;
 - Defines the importance of Sealaska's past, present, and future generations;
 - Making decisions that are mindful of all generations and not just the current one.
 - Haa Latseen:

- Our strength, leadership;
- Recognizes the importance of Sealaska's leadership and collective identity, adaptability, and perseverance.
- Woch.Yax:
 - Balance, reciprocity, and respect;
 - Utilizing partnerships, being respectful to other groups, and working together.
- Operating goals.
- Sealaska purpose.
- Sealaska vision.

MS. KOOKESH said Sealaska's values, goals, purpose, and vision guides the corporation in its operations and purpose. Sealaska looks at many more values and considerations than just profitability; however, the corporation wants to be profitable for the benefit of its shareholders. Sealaska's values is why the corporation is very involved in the development of the State Forest Practices Act. She said there were others in the industry that were not as keen on significant regulation and timber industry management, but Sealaska understands as Native people the value of having good regulation and management of their forest practices.

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She addressed "Sealaska's businesses" as follows:

- Sealaska's three primary platforms:
 1. Natural Resources:
 - Balanced land management.
 2. Sealaska Government Services:
 - Environmental monitoring marine and water focus.
 3. Seafood and Natural Foods:
 - High quality, sustainable products that tie to our values and culture;
 - Seafood processing companies in Washington state:
 - Hope to bring seafood platform and investments to Alaska.
- Sealaska is experiencing unprecedented growth and income, supported by thriving businesses that have a common purpose, connected by a shared goal of working toward healthier oceans and enhancing the natural environment.

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She addressed "Haa Aaní: Sealaska's balanced land management" as follows:

- 362,000 acres (1.6 percent of Southeast Alaska):
 - 35-percent-working forest:
 - Maintain strong habitats for wildlife and have no negative effects on salmon streams;
 - Southeast economic development:
 - 400 to 600 jobs;
 - \$17 million in wages.
 - Community partnerships:
 - Workforce development,
 - Road building and other contracts.
 - 65-percent-mature forest:
 - Light and selective harvest;
 - Carbon sequestration;
 - Wetland mitigation;
 - Tourism;
 - Community and cultural use;
 - Non-timber products:
 - Blueberries;
 - Spruce tips.
 - Balanced land management with strong stewardship allows for current economic benefit, while maintaining opportunities for future generations (Haa Shuká).
- Land ownership of traditional homelands:
 - Percentage of land owned: 23 million acres total;
 - Tongass National Forest:
 - 72.7 percent.
 - Glacier Bay and Wrangell St. Elias National Parks East of 141st Meridian:
 - 23.0 percent.
 - Sealaska:
 - 1.6 percent.
 - Other Native corporations:
 - 1.2 percent.
 - State of Alaska and others:
 - 1.1 percent.
 - Annette Island Reservation:
 - 0.4 percent.
- Potential jobs:
 - Administration,
 - Land technician,
 - Marketing,
 - Finance,
 - Management,
 - Engineering,

- o Operations,
- o Construction,
- o Stevedoring,
- o Mechanic.
- The Haa Aani team's mission is to create the greatest financial, cultural, and community benefit from Sealaska's land.

MS. KOOKESH noted that while Sealaska owns 362,000 acres, the corporation gets a bad rap for timber clearcutting and not managing its lands well. Sealaska only utilizes 35 percent of its land base as a working forest for both helicopter logging and clearcutting, also known as "even age" management. She said the rest of Sealaska's forest will remain mature and untouched. Sealaska takes the management of its forest very seriously. Sealaska does not harvest the 35 percent of its land and just leaves it. Sealaska takes very seriously its silviculture activities by staying on top of pre-commercial thinning, pruning, and planting if necessary. She noted that being in a rain forest, the forest grows back very quickly, sometimes too quickly and too thick which then requires thinning to make sure the trees have a chance of being very large again. Sealaska continues to look at many opportunities for getting value out of its lands, not just harvesting.

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She addressed "Land management update: harvest update" as follows:

- Sealaska intends to harvest 55-65 MBF per year from its timber base on Prince of Wales Island:
 - o 2018 production ended up at 59 MBF.
 - o Harvest is no where near what Sealaska had harvested, but the current harvest amounts are sustainable.
 - o Sealaska secured its final ANCSA land entitlement in 2015 and the corporation knows what land it owns in perpetuity and can have a more sustainable management planning process for land utilization.
 - o Sealaska's harvest is a bit more than what the USFS is managing to get from its 17 million acres:
 - Sealaska operates under the State Forest Practices Act;
 - State agencies and the USFS has more public input that they must wade through;
 - Sealaska has been successful in maintaining a more successful harvesting program.

- Harvest Areas for 2019 are at Keete Inlet and McKenzie Bay on Prince of Wales.
- Icy Bay stumpage over the next two years will add another 18-20 MBF per year.
- Young growth harvest will be 5-10 MBF per year.
- Sealaska primarily exports its logs to China, Japan, and Korea, with its pulp and cedar going to Washington and Canada.
- The China Tariff, as proposed, will significantly impact the completion of its Icy Bay stumpage sale obligation:
 - Currently at 10 percent but could increase to 25 percent if no agreement by March 2, 2019.
 - 50/50 split has been accepted by customers for 10 percent tariff.
- Sealaska does some small sales to local mills:
 - Sealaska does not do a significant amount because exporting round-logs is the highest value Sealaska can get for its logs.
 - Sealaska gets a lot of requests and criticisms for not doing more domestic manufacture but selling domestically is significantly less than the export market.
 - Sealaska as a Native corporation has Section 7(i) obligations per ANCSA for sharing 70 percent of what the corporation makes from timber harvesting activities.
 - Other regional corporations in the past have challenged Sealaska's log sales for not maximizing value.

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SENATOR BISHOP inquired if it is a combination of not enough board feet to do the value-added piece, including the ANCSA Section 7(i) distribution. There is not enough timber to amortize the investment over the life of the capital cost.

MS. KOOKESH answered that there are many factors, foremost is the cost to do business within the region. Sealaska has looked at many ways to do value-added activities in Southeast but the cost is prohibitive versus export logging. She added that "7(i)" sharing is also a consideration.

She noted that Sealaska tries to provide opportunities from Prince of Wales Island to local wood users that produce musical instruments, wood shingles, and other things. Sealaska has firewood programs in its communities to help defray high energy

costs. Sealaska deems the importance in providing monumental art logs to its carvers for canoes and totem poles, as well as wood for clan houses and schools. Sealaska continues to push the USFS and the state to provide monumental art logs when feasible because there are only so many monumental logs available.

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MS. KOOKESH addressed "Land management update: silviculture" as follows:

- Silviculture activities will include 4,000 acres per year of pre-commercial thinning on Sealaska and Village Corporation lands, with some basal pruning and 100 acres per year of tree planting:
 - 1,600 acres of village corporation lands.
 - 2,400 Acres of Sealaska lands.
- With all these harvesting and land management activities, Haa Aaní supports approximately 340-350 jobs per year.
- Sealaska is involved in the All Landowners Group, and maintain regular Communication with the USFS, the State of Alaska, and other landowners on our land management and harvesting activities.

She noted that Sealaska's operations in total allows the corporation to provide other benefits to their shareholders. Sealaska in 2018 contributed an additional \$10 million to its scholarship endowment and stood up a \$6 million bereavement for shareholders. Sealaska also provides for its internship programs and to do public advocacy for land management, the Alaska Marine Highway System, funding, and other important customary and traditional needs for its communities.

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She addressed "Areas of concern for timber program" as follows:

- Tariffs:
 - An increase to 25 percent for some species will likely stop sales to China.
- Contractors:
 - New contractor from the Lower 48;
 - Others not investing to stay;
 - Helicopter logging company has departed.
- Workforce development:
 - Worked with the Sustainable Southeast Partnership to focus on the region's local economy.

- o Working with partners on the Training Rural Alaska Youth Leaders and Students (TRAYLS) program for training youth for forest or timber related jobs in the region:
 - Successful program;
 - Resulted in new employees for Sealaska and other landowners in the region.
- Consistent operations at USFS and the State of Alaska:
 - o Sealaska considers itself as one of the legs on the stool and if one leg goes away in terms of the timber industry, the other legs will have difficulty continuing to have a timber program.
- Roadless Rule:
 - o Sealaska has been very engaged with the USFS and the State of Alaska on the issue.
- State staffing/funding for permitting and regulatory requirements:
 - o Concerns with staffing due to proposed budget cuts within the state.

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MS. KOOKESH addressed "Sealaska's carbon offset project: improved forest management" from the California Carbon Market as follows:

- Sealaska receives saleable offset credits that represent verified greenhouse gas (GHG) emission reductions from 165,000 acres:
 - o Sealaska has looked at offset credits as an opportunity to capitalize on its land base.
 - o Sealaska has areas in its land base where local communities and local interest did not want timber harvesting:
 - Even though there were areas that had very valuable timber such as the Hydaburg watershed;
 - There was concern about water supply impact.
 - o Carbon offset credits allows Sealaska to allows trees to remain standing but still provide financial benefit to shareholders.
- Forest projects are required to monitor, report and verify offset project data for duration of project life, 100 years, to assure the net climate benefits of activities that sequester carbon on forestland.
- Sealaska maintains ownership of carbon offset lands, with no access restrictions, allowing continued customary and traditional gathering.

- Limited loss of development rights, while assuring emission reductions or net climate benefit.
- The project is a tremendous success for Sealaska, representing our commitment to addressing the environmental effects of climate change, while providing financial benefit.
- Sealaska is helping village corporations who have carbon project opportunities.

MS. KOOKESH summarized that receiving carbon offset credits takes a significant commitment to manage the project and the lands over the set time period. Sealaska did not go into the program without making sure the corporation fully understood its commitment in terms of land management and ensuring a certain level of carbon sequestration was attained within the region.

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She addressed "Growth credits help limit opportunity cost" as follows:

- Limited loss of development rights, while assuring emission reductions.
- Sealaska is still able to:
 - Harvest,
 - Pursue tourism and land development opportunities,
 - Pursue mineral extraction,
 - Build roads and other forms of development.

She summarized that Sealaska can annually harvest some carbon offset lands while maintain a certain level of carbon offset because the corporation is allowed to harvest a forest's growth. She noted that the carbon offset program is only available to private landowners and some state ownership, it's not available to federal landownership but the program is a tremendous opportunity for some of Southeast Alaska's land base.

CHAIR BIRCH commented that he had not heard details about carbon offset having value in a program.

MS. KOOKESH noted Sealaska's carbon market involvement, detailing that Sealaska was the first large carbon sale in Alaska. Alaska was only permitted to be part of the California Carbon Market approximately two years ago. Other regional and village corporations are coming behind Sealaska to be part of the offset carbon program.

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At ease.

PRESENTATION: Timber Industry Update: Alaska Forest Association

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CHAIR BIRCH called the committee back to order.

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OWEN GRAHAM, Executive Director, Alaska Forest Association, Ketchikan, Alaska, asserted that timber supply is the timber industry's primary issue and agreed with Ms. Kookesh about keeping every part of the industry alive, noting the interdependencies surrounding the industry.

He summarized state timber sales as follows:

- Fairbanks:
 - Five-year schedule;
 - 2,000 acres per year;
 - Sales seems to be keeping up with the region's demand.
- Mat-Su/Kenai:
 - Smaller program;
 - 1,000 acres per year;
 - More problems in the area for the state to manage, not just access but mixed ownership as well;
 - Region's focus is on sanitation and salvage logging due to mixed ownership and the beetle infestation;
 - Local mills are struggling because they need more green timber sales.
- Southeast Alaska:
 - State program has been invaluable to keep what little is left of the region's manufacturing alive;
 - The federal timber program has mostly fallen apart for the last 20 years.

He said the timber industry is grateful that Mr. Schmid with USFS is involved, but the industry has very little timber to keep the mills alive. Some operators have asked the state to consider some longer-term contracts so that they are not continuously in a position of wondering where their timber is coming from.

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He referenced the "Land ownership distribution in Southeast Alaska" as follows:

- Federal/ USFS: 16,774,000 acres;
- State of Alaska: 360,000 acres;
- Local Governments: 44,000 acres;
- Native Regional Corporations: 293,000 acres;
- Native Village Corporations: 287,000 acres;
- Small Private Owners: 183,000;
- Total: 17,867,000 acres.

MR. GRAHAM pointed out that the USFS has the bulk of the timberland and consequently the Alaska timber industry must get the bulk of its timber supply from them and currently the federal program is not working.

He detailed the breakdown from the total 17.9 million acres in Southeast Alaska as follows:

- 5.5 million acres is commercial timberland;
- A third is non-commercial timberland that is slow growing, hard to reforest, hard to harvest, and the timber is not that good;
- A third is non-timberland that is muskegs, lakes, mountain tops, etc.

He addressed the Roadless Rule and opined that the State Roadless Committee has come up with alternatives. He said other than releasing all the area from the Roadless Rule, the Alaska Forest Association has chosen "Alternative D" as the best alternative for timber supply, a quantity that is a bit less than the 2008 Land Management Plan, a plan that was in effect when three quarters of the timber industry was "starved out of existence." He said he was "ringing his hands" about how much timber can really be made available out of "Alternative D" if the alternative is chosen. He noted that Mr. Schmid from USFS is doing some "quick economic analysis" to provide a guess as to how much timber might be available. He emphasized that however much timber is released from the Roadless Rule, USFS will still have to go back and adjust the current standards and guidelines in the forest plan because they prevent timber harvest on the exact same lands in most cases as the Roadless Rule does.

He addressed state staffing and regulations and noted that the state has lost some of its more experienced staff in recent years. To compensate, the state had implemented in large sale the allowance for the industry to "mark its own" cutting boundaries, a process that seemed to work well. The timber

industry is hopeful that the state will continue to be innovative.

MR. GRAHAM said the state has also been working with the USFS on its Good Neighbor Authority work where USFS is allowing the state to do a lot of the field work and the contracting of the timber sales and administration; that seemed to be working well and the timber industry hopes that the program will be expanded.

He noted that suggestions were made to the state regulatory program to reduce paperwork so that the few people in the forestry division can be more productive getting out in the field so that they can do something productive rather than just writing reports and management plans.

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He detailed the "Commercial timberland on the Tongass" as follows:

- Mature timber set aside by Congress:
 - o 2,332,121 acres;
 - o Set aside in perpetuity;
 - o Wilderness areas and national monuments.
- Mature timber set-aside by TLMP and the Roadless Rule:
 - o 1,318,183 acres.
- Mature timber set-aside by the Roadless Rule:
 - o 1,567,746 acres.
- Young-growth timber not set-aside:
 - o 284,144 acres.
- Mature timber not set-aside:
 - o 42,479 acres.
- Total commercial timber acres on the Tongass:
 - o 5,544,673 acres.

He noted that most of the commercial timberland, outside of the mature timber set aside by Congress, is set aside "administratively." Currently there is slightly over 300,000 acres, most of which is young growth that's 30 years from maturity and that's what has caused the timber starvation that has wiped out all, but one mid-sized sawmill, a mill that has less than a year of timber supply ahead of it. The mill is hoping that they will get some relief from the Mental Health Trust lands that Mr. Schmid from USFS mentioned. He said the timber industry in Southeast Alaska cannot survive on a small timber base. Either changes are made, or the industry will parish. The first thing that must be done is remove the Roadless

Rule, but the standards and guidelines must be changed so that the mills have access to more timber.

MR. GRAHAM addressed a question posed to Ms. Kookesh about timber manufacturing. He admitted that putting in a manufacturing facility is not possible due to economies of scale when compared to operations outside of Alaska.

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He addressed "Percentage of national forestland that is roadless and or wilderness within each state" juxtaposed to the "2005 timber harvest for all states." Alaska has the highest percentage of national forest that is roadless, over 90 percent, but only 5,000 acres of timber is harvested annually. Georgia is number-one in annual timber harvested with 350,000 acres of timber annually harvested, employing several hundred thousand people in their timber industry; Alaska will never get that kind of timber program with the industry currently hanging on by its fingernails to get its timber supply up, the industry will need help from the state.

He addressed "Positive Value VCUs" map and noted areas in the southern Tongass region that has the most potential for economic timber supply. He conceded that less than a third of the timber in the marked areas on the map will be economic under the current standards and guidelines. Standards and guidelines will have to be changed after the Roadless Rule is removed in order to have a timber supply. The primary standards and guidelines that are causing problems are the "Wildlife Conservation Strategy" and the "Land Use Designations Primarily for Scenic Use," and those are going to have to change. A wildlife conservation strategy can remain, but the strategy must be something different or there will be no timber industry in the Tongass. The State Division of Forestry has always tried to be "middle of the road" and compromise, but the timber industry has nothing to compromise on. Alaska Fish and Game has helped the timber industry in some cases, like with the "wolf issue," but the department has not been very helpful in other cases. For the timber industry to survive in the Tongass, both the Division of Forestry and the Department of Fish and Game must pull as hard as they can to come up with a different wildlife conservation strategy.

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He addressed "Possible state management" and noted a map that showed areas that the Division of Forestry selected as lands that the state could manage or own. The Alaska Forest

Association would prefer that the state own the land so they could manage the land under the State Forest Practice Act, but the state could also manage the land for the USFS that results in a better, more consistent timber supply. He said the noted land on the map is the same land for the most case that the USFS map indicates as being the most economical lands, lands that are the most developed with most already accessed with roads. The lands noted on the map is the kind of timberland base needed to restore the manufacturing industry and allow the mills to be able to offer Sealaska more money than they are getting in the export market. The noted land on the map is a great opportunity that would not take a big portion of the Tongass, approximately 8-10 percent of the entire Tongass would be wrapped up in providing timber in perpetuity.

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MR. GRAHAM referenced Mr. Schmid's overview and noted that he said there was 66 MBF of timber currently under contract, of that timber 30 MBF is young growth that is 30 years from being fully mature. The young growth harvest is earmarked for customers in China and Korea. He said he was not happy with cutting trees 30 years before maturity because of the reduced yield, the volume per acre is 15,000-20,000 per acre versus 50,000 per acre in 30 years.

He conceded that the young growth harvest provides jobs. The mills in Alaska cannot use smaller logs due to volume inefficiencies where mills in the Lower 48 can because their average timber utilization per mill is 200-300 MBF. All the acres that the USFS has is 400,000 acres, even when it's mature it's never going to be enough to supply one mill.

He said the timber industry in the Tongass needs to keep harvesting mature timber and more acreage of young growth timber needs to be created until there's enough volume that is sustainable, kind of the same problem that Sealaska had in trying to get enough acres locked in for sustainability. The 36 MBF of timber that is old growth that's under contract right now, half of that is going to China, Korean, and Japan as export because it's mostly low-grade logs that the sawmills can't utilize.

He noted that there is one mid-sized sawmill surviving that uses 20-25 MBF per year, but of the 66 MBF that is currently under contract, only 18 MBF of timber is available, less than a year's work of timber. The timber industry in the Tongass is in a desperate situation, Mr. Schmid is working hard to fix it, but

the industry needs the state to step up and help Mr. Schmid get the changes made that need to be made in the forest plan.

CHAIR BIRCH provided background information on Mr. Graham. He detailed that Mr. Graham has been with the Forest Association since 2001, was a timber division manager for the Ketchikan Pulp Company, worked as a logging engineer in Alaska and Washington, and has a Master of Forestry Degree from the University of Washington. He said the Alaska Forest Association is a trade group committed to advancing the restoration, promotion, maintenance of healthy, viable forest products industry in Alaska.

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There being no further business to come before the committee, Chair Birch adjourned the Senate Resources Standing Committee meeting at 5:03 p.m.