

**ALASKA STATE LEGISLATURE**  
**SENATE RESOURCES STANDING COMMITTEE**

March 15, 2023

3:30 p.m.

**MEMBERS PRESENT**

Senator Click Bishop, Co-Chair  
Senator Cathy Giessel, Co-Chair  
Senator Bill Wielechowski, Vice Chair  
Senator Scott Kawasaki  
Senator James Kaufman  
Senator Forrest Dunbar  
Senator Matt Claman

**MEMBERS ABSENT**

All members present

**COMMITTEE CALENDAR**

SENATE BILL NO. 68

"An Act relating to public notice for a sale, appropriation, or removal of water, or for filing a declaration of a right of water; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 34

"An Act reestablishing the Citizens' Advisory Commission on Federal Management Areas in Alaska; and providing for an effective date."

- HEARD & HELD

SENATE BILL NO. 87

"An Act relating to a lumber grading training program and lumber grading certificates; relating to use of lumber graded and certified by a person holding a lumber grading training program certificate; and providing for an effective date."

- HEARD & HELD

**PREVIOUS COMMITTEE ACTION**

BILL: SB 68

SHORT TITLE: PUBLIC NOTICE FOR WATER RIGHTS  
SPONSOR(s): SENATOR(s) GIESSEL

02/10/23 (S) READ THE FIRST TIME - REFERRALS  
02/10/23 (S) RES  
03/15/23 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 34

SHORT TITLE: CITIZEN ADVISORY COMM ON FEDERAL AREAS  
SPONSOR(s): SENATOR(s) KAUFMAN

01/18/23 (S) PREFILE RELEASED 1/13/23  
01/18/23 (S) READ THE FIRST TIME - REFERRALS  
01/18/23 (S) RES, FIN  
03/15/23 (S) RES AT 3:30 PM BUTROVICH 205

BILL: SB 87

SHORT TITLE: LUMBER GRADING PROGRAM  
SPONSOR(s): SENATOR(s) BJORKMAN

03/01/23 (S) READ THE FIRST TIME - REFERRALS  
03/01/23 (S) RES, FIN  
03/15/23 (S) RES AT 3:30 PM BUTROVICH 205

**WITNESS REGISTER**

RYAN RIVERS, Staff  
Senator Cathy Giessel  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented the sectional analysis for SB 68:

CHRISTY COLLES, Director  
Division of Mining, Land, and Water  
Department of Natural Resources  
Anchorage, Alaska

**POSITION STATEMENT:** Co-presented SB 68: Public Notice for Water Rights.

TOM BARRETT, Water Resources Section Chief  
Division of Mining Land and Water  
Department of Natural Resources  
Anchorage, Alaska

**POSITION STATEMENT:** Co-presented SB 68: Public Notice for Water Rights.

EMMA TORKELSON, Staff

Senator James Kaufman  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Presented the sectional analysis for SB 34.

TINA CUNNING, ANILCA Expert  
Anchorage, Alaska

**POSITION STATEMENT:** Provided invited testimony in support of SB 34.

MEAD TREADWELL, former Lieutenant Governor  
Anchorage, Alaska

**POSITION STATEMENT:** Provided invited testimony in support of SB 34.

TED SPRAKER, President  
Kenai Chapter, Safari Club International  
Soldotna, Alaska

**POSITION STATEMENT:** Provided invited testimony in support of SB 34.

SENATOR JESSE BJORKMAN, District D  
Alaska State Legislature  
Juneau, Alaska

**POSITION STATEMENT:** Sponsor of SB 87.

JEREMY DOUSE, Northern Region Forester  
Division of Forestry and Fire Protection  
Department of Natural Resources  
Anchorage, Alaska

**POSITION STATEMENT:** Delivered a presentation on local timber grading during the hearing on SB 87.

#### **ACTION NARRATIVE**

[3:30:11 PM](#)

**CO-CHAIR CLICK BISHOP** called the Senate Resources Standing Committee meeting to order at 3:30 p.m. Present at the call to order were Senators Kaufman, Kawasaki, Dunbar, Claman, Co-Chair Giessel, and Co-Chair Bishop. Senator Wielechowski arrived during the course of the meeting

#### **SB 68-PUBLIC NOTICE FOR WATER RIGHTS**

[3:31:24 PM](#)

CO-CHAIR BISHOP announced the consideration of SENATE BILL NO. 68 "An Act relating to public notice for a sale, appropriation, or removal of water, or for filing a declaration of a right of water; and providing for an effective date."

3:32:03 PM

SENATOR CATHY GIESSEL, District E, sponsor of SB 68, provided the introduction to SB 68. The sponsor statement read as follows:

[Original punctuation provided.]

Senate Bill 68 proposes changes to certain public notice requirements relating to the sale, appropriation, or removal of water, and for the commencement of the process for determining the rights of persons holding existing appropriations of water.

Specifically, SB 68 proposes that public notices, as originally required in statute, instead be posted on the Alaska Online Public Notice System. This change would remove the current requirement that notices be posted in a newspaper of general circulation in the affected area. The bill would update, but not substantively change, any other requirements for notice by the commissioner to determine the rights of persons holding existing appropriations, removal, or sale of beneficial water use rights.

Eliminating the newspaper notice requirement would prevent delays in the water permitting process and save the applicants a significant amount of money required for newspaper notice. The changes would utilize the state's existing online public notice system, which is available to most Alaskans at no cost. All public notices posted on the online public notice system are permanently retained for future reference by interested parties, whereas newspaper notices are much more difficult to retrieve. Utilizing the online public notice system ensures that each Alaska resident has equal access to public notices rather than just newspaper subscribers or residents of an affected area. Further, elimination of coordinating newspaper publications reduces the permit processing timeframe.

The public is encouraged to utilize the "Subscriptions" feature on the Alaska Online Public Notice System website (<https://aws.state.ak.us/OnlinePublicNotices/>) to either register for all notifications through the system, or to tailor what notifications from which departments they wish to receive. The Department of Natural Resources is eager to educate the public on the benefits of using the online notice system; SB 68 enables notice to be delivered to Alaskans through the power of the Internet.

[3:34:36 PM](#)

RYAN RIVERS, Staff, Senator Cathy Giessel, Alaska State Legislature, Juneau, Alaska, presented the following sectional analysis for SB 68:

**Section 1:**

Amends AS 46.15.065(b)(2) by removing language requiring that notice be by means of "a newspaper of general circulation in the affected area" and replacing that language to require notice be published on the Alaska Online Public Notice System (AS 44.62.175) for a period of three weeks.

**Section 2:** Amends AS 46.15.133(b) by requiring that notice be provided on the Alaska Online Public Notice System (AS 44.62.175) and removing language requiring that notice be by means of a newspaper of general circulation in the affected area."

**Section 3:**

Adds an immediate effective date.

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CO-CHAIR BISHOP turned to invited testimony.

[3:36:19 PM](#)

CHRISTY COLLES, Director, Division of Mining, Land, and Water, Department of Natural Resources, Anchorage, Alaska, thanked the sponsor for introducing SB 68 because the current process has a large impact on staff time and is costly for those who request water rights. She deferred to Tom Barrett to start the presentation.

[3:37:16 PM](#)

TOM BARRETT, Water Resources Section Chief, Division of Mining Land and Water, Department of Natural Resources, Anchorage, Alaska, spoke to the following to provide background on the appropriation of water:

[Original punctuation provided.]

- Alaska Constitution Article 8 Section 13
- Title 46.15 Water Use Act
- Appropriation of Water
  - Right to Use Water
    - √Permit
    - √Certificate
  - Reservation of Water

[3:40:21 PM](#)

MR. BARRETT turned to slide 3, AS 46 Public Notice Requirements, and spoke to the following to explain the current process to publicly notice an application to use water:

[Original punctuation provided.]

- Alaska Statute 46.15.133 (b) requires that, "The commissioner shall publish the notice in one issue of a newspaper of general distribution in the area of the state in which the water is to be appropriated..."
- Once the Division of Mining, Land and Water (DMLW) determines which newspaper best fits that description, the identified newspaper is contacted by DMLW, and a copy of the public notice is sent to the newspaper in order to obtain both a quote of the price of the ad and a copy of the proof of the ad for review before authorizing publication of the ad.
- The applicant is also sent the proof and provided with a contact at the newspaper in order to make payment, pursuant to AS 46.15.133 (b).
- Once the proof has been accepted, the ad is run in the newspaper with a date as close as possible to the starting date of the online public notice.
- There is an exemption to public notice in regulation 11 AAC 93.100 for appropriations of 5,000 gallons of water per day (gpd) or less.

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SENATOR KAWASAKI asked if Title 46 currently requires online public notice.

MR. BARRETT said no; the statutes were written in 1966.

SENATOR KAWASAKI asked if the current process was to publish the notice online and then the department helps the applicant get the notice published in a newspaper.

MR. BARRETT clarified that DNR staff puts the notice in the online public notice system.

[3:43:52 PM](#)

MR. BARRETT advanced to slide 4 to describe the inefficiencies associated with newspaper notices. He spoke to the following points:

[Original punctuation provided.]

- Identifying a newspaper of general distribution in the area of the state in which the water is to be appropriated is not clear, especially in rural areas.
- A single day advertisement is a limited window of time to provide notice.
- Online services to get information have become more accessible since the Water Use Act was promulgated in 1966.
- The cost of a single day newspaper advertisement for a water right is expensive and can cost the applicant \$500 to \$1,500, depending on the length of the publication and the individual newspaper.
- It is expensive to extend a public notice in newspapers.
- DMLW staff must carefully coordinate newspaper publication dates with the Online Public Notice system. He noted that

[3:45:36 PM](#)

SENATOR DUNBAR asked how many notices of water rights are published in a year.

MR. BARRETT said the department publishes approximately 80 high-volume water rights in an average year. He noted there is a threshold below which notice is not required.

SENATOR DUNBAR asked if the major newspapers like ADN and the Fairbanks News Miner publish most of the notices.

MR. BARRETT said that would be his guess.

CO-CHAIR BISHOP asked if the 80 high-volume water rights applications are to use 5,000 gallons or more per day, and that volumes under 5,000 are considered de minimis and don't need public notice.

MR. BARRETT replied that's correct.

[3:47:14 PM](#)

MR. BARRETT advanced to slide 5, Online Public Notice Benefits, and discussed the following points:

[Original punctuation provided.]

- The Alaska Online Public Notice System (Online System) is available to everyone.
- There is no cost to applicants.
- Public notices are easily extended at no cost.
- Additional documents, maps, and figures can be attached.
- Submitting comments to DMLW through links provided in the Online System is easy and accurately sends the comment to the correct destination.
- Anyone can establish a subscription to get notified of specific topics, such as water rights.
- The Online System permanently archives public notices for future reference.
- DMLW already utilizes the Online System for land and mining notices.

CO-CHAIR BISHOP asked if the subscription would be mailed to his address in Bush Alaska if he didn't have access to the Internet.

MR. BARRETT clarified that this notice is distributed to email addresses. He noted that many people in remote areas access their email periodically using the public access at a local school. They're able to get to the email within the two-week public comment period. He noted that the graphic on the upper right of the slide included directions on how to sign up for the subscriptions.

[3:50:01 PM](#)

MR. BARRETT turned to the table on slide 6, Water Use Fees from 11 AAC 05.260(b), to illustrate the magnitude of the advertising costs. He directed attention to the third category in the first column, "(7) Appropriation of water > 5,000 gpd and < 30,000 gpd." These are small entity users such as schools, businesses, small utilities, and farmers. The fee to issue them a permit is \$595 and the cost to advertise that permit is often more than that. He calculated that 80 high-volume water rights publicized per year multiplied by \$750 for the average newsprint cost totals \$60,000. He said that's how much these Alaskans are paying for advertising every year and SB 68 would eliminate that cost.

[3:51:34 PM](#)

MS. COLLES turned to slide 7 to discuss the public notice requirements under AS 38.

[Original punctuation provided.]

- In 2012, the passage of HB 361 modernized public notice requirements in AS 38.05.945, the statute that provides general notice provisions in the Alaska Land Act.
- AS 38.05.945 now requires notice on the Alaska Online Public Notice System and one of the following:
  - o Newspapers
  - o Public service announcements
  - o Posting in conspicuous location
  - o Notification of known or likely affected parties
  - o Publication of a legal notice
  - o Another method calculated to reach affected persons

SENATOR KAWASAKI asked for confirmation that she said that the department has not had problems with people saying they had not seen the published notices.

MS. COLLES replied that there have been instances of people not getting their mail or their address no longer being accurate, but they didn't hear complaints that people didn't see the notice because it was not available in the newspaper. She continued to say the department is always looking for ways to deliver notices to individuals, other than knocking on doors.

[3:54:16 PM](#)

MS. COLLES concluded the presentation by speaking to the following points:

[Original punctuation provided.]

- DNR supports SB 68
  - Notification to affected parties in addition to the Online Public Notice System.
  - It aligns with other notice requirements under Title 38.
  - It will save Alaskans unnecessary advertising costs that can exceed the cost of a water right.
  - A process efficiency will be realized as DNR staff will be relieved of the responsibility to coordinate duplicative notifications.
  - The reduction in staff efforts will enable them to work on processing additional applications.
  - Statutory requirement to contact potentially affected appropriators of record by certified mail still applies.

SENATOR CLAMAN recalled that the Alaska Online System was implemented in 1985 or 1986. He asked if there had been any complaints about that system since the department started using it more for state notices.

MS. COLLES said not to her knowledge. She agreed with Senator Giessel that the public appeared happy with the online notices. She acknowledged that it was important to continue to educate the public about this no-cost tool.

SENATOR CLAMAN noted that the lieutenant governor's office manages the online system, and asked whether she had communicated with that office to see whether they'd encountered any problems.

MS. COLLES answered no.

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CO-CHAIR BISHOP held SB 68 in committee.

#

[3:56:53 PM](#)

At ease

**SB 34-CITIZEN ADVISORY COMM ON FEDERAL AREAS**

[3:57:02 PM](#)

CO-CHAIR BISHOP reconvened the meeting and announced the consideration of SENATE BILL NO. 34 "An Act reestablishing the Citizens' Advisory Commission on Federal Management Areas in Alaska; and providing for an effective date."

[3:57:44 PM](#)

SENATOR JAMES KAUFMAN, District F, sponsor of SB 34, spoke to the following sponsor statement to introduce the legislation:

[Original punctuation provided.]

SB 34 reestablishes the Citizens' Advisory Commission on Federal Management Areas in Alaska (CACFA) which sunset in 2021 and sets a new sunset date of June 30, 2031. The Commission is made up of 10 public members, one Senator, and one Representative who represent "the diversity of users and uses of federal land in the state" and are appointed by the Governor and Legislature.

CACFA was first established in 1981, shortly after Congress passed the Alaska National Interest Lands Conservation Act (ANILCA)—comprehensive legislation governing all federal public lands in the state. Under the balanced compromise Congress crafted in ANILCA, 104+ million acres (nearly a quarter of the state) were set-aside in permanent federal ownership as conservation system units (e.g., parks, preserves, wildlife refuges, wilderness areas) while at the same time creating unique provisions enabling Alaskan's to maintain their traditions, accommodate the social and economic needs of the state, provide a range of land-use and land access rights, safeguard opportunities for responsible resource development, and facilitate continued improvements in transportation and utility infrastructure. Factoring in the provisions of the Alaska Statehood Act and the Alaska Native Claims Settlement Act, most Alaskans are regulated under a unique and extremely complex regulatory web.

CACFA was an independent and impartial source of information and center for advocacy on Statehood, ANCSA, and ANILCA issues that impact all Alaskans. When active, CACFA helps Alaskans navigate complex regulations and to works with federal agencies to ensure Congressional intent is implemented with

respect to Alaska's interests. Among many things, the Commission holds hearings to collect public comment on decisions that affect them; disseminates information about historical and new regulation to the public, the Executive branch, and the Legislature; regularly submits written comment in response to federal requests; and helps Alaskans navigate federal permitting processes. While the State's ANILCA program and CACFA both monitor federal actions, CACFA does so on behalf of individual Alaskans, whereas the State can only focus on issues with state-level impact.

As time passes, institutional memory and ANILCA expertise is lost at both the federal and state level. An active CACFA would ensure that this critical knowledge is preserved and remains accessible to Alaskans. Until CACFA is reestablished, individuals, organizations, and the Legislature have no independent source of ANILCA expertise. Furthermore, there is no organized center through which individuals can channel their concerns to higher levels of government making decisions that impact them. CACFA is an essential tool to ensure that Alaskans have a strong and powerful voice in what happens across our state.

[4:00:48 PM](#)

EMMA TORKELSON, Staff, Senator James Kaufman, Alaska State Legislature, Juneau, Alaska, presented the sectional analysis for SB 34.

**Sec 1.** - Reestablishes the Citizens Advisory Commission on Federal Management Areas in Alaska, with a sunset date of June 30, 2031.

**Sec 2.** - Repeals the language that originally established the commission which sunset on June 30, [2021].

**Sec 3.** - Incorporates transition language to the uncodified law of Alaska establishing the initial term lengths of new appointments to the commission. Thereafter, the term limits outlined in the Commission's statute will take effect.

**Sec 4.** - Sets an effective date of July 1, 2023.

CO-CHAIR BISHOP turned to invited testimony

4:02:10 PM

SENATOR WIELECHOWSKI joined the committee.

4:02:17 PM

TINA CUNNING, ANILCA Expert, Anchorage, Alaska, provided invited testimony in support of SB 34. She paraphrased the following prepared testimony:

I worked in the State's ANILCA program from its beginning in 1981 for nearly 30 years in implementation of ANILCA. Since retiring in 2010, I am part of a team that conducts ANILCA training.

Recall the Alaska Native Claims Settlement Act of 1971 called for study of federal lands to set aside 80 million acres in special conservation status. For 9 years, there was considerable angst all across Alaska about what would be in the final "D-2" bill as it was called, e.g., how would the millions of acres in conservation units affect remote villages; access for hunting, fishing, and subsistence; development of private and state inholdings; need for utilities, etc.

When it became evident that Congress was going to pass a bill setting aside many more millions of acres in special conservation designations than originally envisioned in ANCSA, the Alaska Legislature and Governor worked with a broad representation of rural residents, businesses, communities, AFN, and industry to adopt a bottom line, a list of seven consensus points for Alaska. Negotiations in Congress led to bipartisan adoption of ANILCA in 1980 that included unique protections for the traditional way of life and uses of federal lands in that consensus list.

In 1981, the Alaska legislature established CACFA so that Alaskans could be kept informed as ANILCA was being implemented and to protect public uses of federal lands as Congress directed in ANILCA. CACFA was invaluable in helping individual Alaskans work through federal requirements -such as commercial permits for air taxis, sled dog tours, and hunting guides; access to inholdings; and for cabins needed for subsistence and trapping.

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MS. CUNNING continued her testimony.

In the 40+ years since passage of ANILCA, most Alaskans and government employees have forgotten the special provisions for public uses that the Governor, legislature, ANCSA corporations, rural residents, and Senator Stevens and Congressman Young fought so hard for. Most Alaskans do not read the Federal Register every morning with their coffee, but that is exactly what the CACFA Executive Director did in order to watch for actions that impacted ANILCA's implementation. Without CACFA there is no one to help Alaskan's navigate red tape or appeal decisions if a federal manager simply says no.

In contrast, the State's ANILCA program cannot help individual Alaskans. It coordinates with federal agencies on behalf of ANILCA provisions of concern for the state agencies in federal management plans, regulations, and other actions. As an independent Commission, administration politics do not interfere with CACFA's defense of individual Alaskans' rights or other provisions adopted by Congress in ANILCA.

The Alaska legislature was wise in establishing this citizen forum to help Alaskans meet their social and economic needs promised in the final deal Congress adopted. Every passing year without CACFA results in lost opportunities for Alaskans, and conflicts over uses go unresolved. I strongly support reauthorization of this independent Commission for the benefit of all Alaskans in implementing ANILCA as Congress intended.

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MEAD TREADWELL, former Lieutenant Governor, Anchorage, Alaska, stated that his experience with CACFA dates to when he served in Governor Hickel's cabinet. He helped draft the curriculum Tina Cunning uses to conduct ANILCA training. He cited the Willow project and the decision yesterday on the land trade for the King Cove Road as examples of why CAFCA is important to Alaskans. CAFCA also worked on smaller issues such as whether a four-wheel vehicle can be used in a BLM land management plan in the Interior; whether Zodiac boats can be used from a small cruise ship in Glacier Bay National Park; and whether a land management plan for the Forest Service in Prince William Sound allows leasing for a small lodge. The point is that without CAFCA, there is nobody to track the hundreds of federal

decisions that are made daily about public lands in Alaska. CAFCA also worked to maintain Alaska's rights under the Statehood Compact.

LIEUTENANT GOVERNOR LIEMAN spoke of the broken promises under the Statehood Compact and articulated his belief that when Alaska loses it's because the federal government doesn't recognize how committed Alaskans are to ensuring that things are done correctly in the state. CAFCA can help get that message out. He said he supports sunset legislation, but CAFCA is necessary as long as the federal government owns 60 percent of the land in the state. CAFCA represents the voice of Alaska.

[4:10:12 PM](#)

TED SPRAKER, President, Kenai Chapter, Safari Club International, Soldotna, Alaska, stated support for SB 34 on behalf of the 150 members of the Kenai Chapter of the Safari Club International. He relayed that he spent his career with the Alaska Department of Fish and Game (ADF&G) and then served six consecutive terms on the Board of Game. As a board member he heard from trappers who asked for help to get a special use permit to use or build a line cabin for their trap lines. The board didn't have the authority to help, but CAFCA was able to help the trappers through the process. It was the same situation with snow machine access. The board had no authority, but CAFCA was able to help. He also cited the proposed new national park service rule regarding predators as an example of the need to have CAFCA to help guide businesses and trappers. He said he feels strongly that institutional knowledge, and thus the intent of the protections provided by ANILCA, will be lost if the citizen's advisory commission isn't reauthorized. In particular, CAFCA helps the "little guy."

[4:14:32 PM](#)

CO-CHAIR BISHOP held SB 34 in committee.

#

### **SB 87-LUMBER GRADING PROGRAM**

[4:14:46 PM](#) late

CO-CHAIR BISHOP announced the consideration of SENATE BILL NO. 87, "An Act relating to a lumber grading training program and lumber grading certificates; relating to use of lumber graded and certified by a person holding a lumber grading training program certificate; and providing for an effective date."

[4:15:33 PM](#)

SENATOR JESSE BJORKMAN, District D, Alaska State Legislature, Juneau, Alaska, sponsor of SB 87, introduced the legislation by reading the following prepared statement:

[Original punctuation provided.]

I am pleased to introduce Senate Bill 87, "An Act relating to a lumber grading training program and lumber grading certificates; relating to use of lumber graded and certified by a person holding a lumber grading training program certificate; and providing for an effective date."

I had several constituents approach me about the excellent qualities of our high strength local lumber and the need for a local lumber grading program. When I met with Department of Natural Resources, I learned that an effort was underway to develop such a program. Stakeholders including sawmill owners, home builders, housing authorities, economic development associations, vocational educators, and the Department of Natural Resources and the US Forest Service have all had a role in promoting and developing this concept.

There are several things that have contributed to the need for this bill:

- Lumber used in residential construction must be graded and stamped to meet building code and financing requirements. However, small Alaska sawmills do not produce enough dimensional lumber to justify the cost of hiring a grading agency to grade and stamp their lumber;
- The cost of lumber and other construction materials has risen dramatically over the last several years, making it harder for Alaskans to address the housing shortages affecting most of our state; and
- Regions off the road system experience even higher costs of construction as materials have to be flown or barged into areas that may already have abundant timber growing nearby.

A local lumber grading program would allow sawmill operators to become certified to grade and sell the dimensional lumber they mill for residential

construction to a homeowner or the homeowner's contractor. This will provide Alaskans the option to purchase a local product for use in the construction of their homes. And it will create economic opportunities that will result in permanent, stable, family-wage jobs in rural communities and villages, and with strengthen and diversify local economies.

4:20:12 PM

SENATOR BJORKMAN continued the introduction of SB 87.

In some parts of the state, there will be a substantial cost savings from locally produced dimensional lumber. According to information we have from 2022:

- The average price of an 8' 2X4 in Fairbanks was \$9.44;
- The average total price of barging an 8' 2X4 to interior communities was \$12.00; and
- The average total price of air shipping an 8' 2x4 to interior communities was \$21.00. The actual price could go as high as \$30.44.

The Kuskokwim Corporation has been working with the Alaska Cold Climate Research Center on a heat-efficient kit house that uses timber harvested in their region. Using locally produced and graded dimensional lumber would be significantly cheaper than shipping in dimensional lumber, and would help the Corporation meet more of the housing needs in this part of rural Alaska. Many of the villages in the Tanana Chiefs Conference also have small sawmills and may be able to take advantage of the local lumber grading program in the future to help build housing in their communities.

In Southeast Alaska, a coalition of tribal, public sector, and private sector partners is interested in transitioning away from old growth timber to a sustainable industry manufacturing young growth wood products. This would provide economic opportunity and a local supply of wood products for consumers, but the limited opportunities for sales if sawmill operators are not able to grade their lumber is one of the hurdles for its implementation.

A local lumber grading program would also lower the barrier for entry to create new sawmills. These sawmills can serve as a catalyst to increase investment in forest management and help build the timber sector statewide. A larger timber sector in turn can provide the additionality needed for creating and selling forest carbon offset projects, adding further investment and revenues to the timber sector.

The Department of Natural Resources Division of Forestry and Fire Protection would administer the program and ensure that the training necessary for certification is offered at least annually.

Jeremy Douse, Northern Region Forester of the Department of Natural Resources Division of Forestry and Fire Protection is here to provide the Committee with a discussion of lumber grading, a deeper dive into the need for a local lumber grading program, and an overview of the program DNR would administer under this bill.

[4:22:12 PM](#)

SENATOR BJORKMAN read the sectional analysis for SB 87:

[Original punctuation provided.]

Section 1: Adds new statutes to AS 41.17 directing the Department of Natural Resources Division of Forestry and Fire Protection to establish a local lumber grading training program for conservative grading standards established by DNR. It specifies the frequency of the courses and directs the division to identify the content of courses, qualifications for instructors, and requirements for completion. The section also provides guidance for issuing certificates, specifies the duration of the certificate, defines exceptions for certification without taking a training course, and specifies how a certificate may be revoked.

The section also adds new statutes to AS 41.17 that allow for the use of locally graded lumber in residential construction of single homes, duplexes, or triplexes. The new language allows an individual holding a lumber grading certificate to grade and sell lumber that they have produced directly to a person

constructing a residence or a contractor and specifies the documentation the seller must provide. The language also provides a building inspector the authority to approve, conditionally approve, or reject the lumber for use in a residence.

Section 2: Provides an immediate effective date

SENATOR CLAMAN mentioned the reference to selling the lumber directly to the builder. He asked whether the lumber could also be sold to a company like Spenard Builders Supply.

SENATOR BJORKMAN said no.

SENATOR CLAMAN asked why not.

SENATOR BJORKMAN explained that the lumber grades for this program aren't the same as traditionally graded lumber and conflating the two grading systems would cause confusion. He deferred further explanation to Mr. Douse.

[4:24:37 PM](#)

SENATOR KAUFMAN noted that the fiscal note designates the fund source as UGF. He asked if he'd considered having the program funded with DFG through a certification or inspection fee.

SENATOR BJORKMAN said he'd support exploring that notion once the program has enough participants to support self-funding.

[4:25:23 PM](#)

SENATOR KAWASAKI asked why this lumber wouldn't be certified for commercial construction.

SENATOR BJORKMAN mentioned the intention to conform to the International Building Code standards, and deferred to Mr. Douse to speak to the question further.

[4:26:10 PM](#)

At ease

[4:26:59 PM](#)

CO-CHAIR BISHOP reconvened the meeting and invited Mr. Jeremy Douse to provide his testimony.

[4:27:08 PM](#)

JEREMY DOUSE, Northern Region Forester, Division of Forestry and Fire Protection, Department of Natural Resources, Anchorage,

Alaska, delivered a presentation on local lumber grading. He turned to slide 2, Grade Stamped Lumber, and spoke to the following:

- Grade Stamped lumber allows the purchaser to know the wood meets a quality standard
- Grading agencies such as Western Wood Products Association (WWPA) publishes the Western Lumber Grading Rules for appearance grading
- Grading rules are accredited by the American Lumber Standards Committee (ALSC)
- Members of WWPA receive mill training, quality assurance (QA), market analysis, and professional development
- Small mill operators find it economically challenging to become a member of these types of associations

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CO-CHAIR BISHOP asked if mechanical testing involves the use of a hydraulic press that breaks a 2X4 at a certain number of pounds per square inch.

MR. DOUSE explained that dimensional lumber, such as 2X4s that are rated Number 2, are tested for tension, compression, and shear strength and assigned a statistical design value. Ninety five percent of Number 2 2X4s of that species should equal that design value. In 2005, the Ketchikan Wood Technology Center and the Western Wood Products Association (WWPA) conducted that testing on four Alaska species: white spruce, Sitka spruce, western hemlock, and yellow cedar. The results of those tests were published and accepted by the American Lumber Standards Committee, which made the proposed grading program possible.

[4:31:03 PM](#)

MR. DOUSE turned to slide 3 and discussed the average cost in Alaska to be a member of the grading agency. He spoke to the following:

- Membership Dues + Monthly Site Inspections + Inspector Travel Costs ≈ \$2200/month
- Membership options for small mill operators: - Only pay for membership fees during active periods - Stockpile milled material and bring in an inspector when there is enough to justify the travel costs

- Difficult for small mills to produce enough volume to justify these costs and remain profitable

CO-CHAIR BISHOP commented on the difficulties associated with producing sufficient volumes to make membership economically feasible.

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SENATOR CLAMAN asked, other than the Viking Lumber Company, how many small Alaska mills are operating under a grading program.

MR. DOUSE responded that he was aware of three mills that are operating under a grading agency; Northland and Viking operate under WWPA and one mill operates under the Pacific Lumber Inspection Bureau, which is a transient grading agency. Those three mills produce sufficient volume to justify the cost, but multiple small mills don't have the volume.

SENATOR CLAMAN asked if a number of mills were cutting and selling ungraded lumber.

MR. DOUSE said yes; building with ungraded lumber is okay in areas that don't have building codes and if it's done out-of-pocket. Unstamped lumber can also be used in an area with building codes if it's for a small structure such as a shed or sauna.

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MR. DOUSE advanced to slides 4-6 to discuss what constitutes a local-use/native lumber program. He spoke to the following:

- It is state law/regulation in seven states allowing non graded/stamped locally produced dimensional lumber in some construction applications
- It is often an exemption to a building code that requires grade stamped lumber
- It is focused on small mill operators providing opportunities for them to enter home construction markets

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SENATOR WIELECHOWSKI asked, in those seven states that allow the use of ungraded lumber, whether there had been any problems associated with the quality of the wood.

MR. DOUSE said he hadn't heard of any problems. People he spoke with in Wisconsin said that as a general rule, this lumber is

high quality; the mill owners are proud of their product and want to see the program continue.

MR. DOUSE continued to discuss what constitutes a local use/native lumber program:

- It includes a training program for small mill operators on grading their own lumber and includes a recertification schedule
- Because of the code exemption, it allows for traditional home construction financing
- Gives building inspectors an opportunity to inspect and reject the wood if necessary

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SENATOR WIELECHOWSKI asked if there were reports of increases in the cost of insurance or mortgage financing when unstamped lumber is used.

MR. DOUSE said he hadn't heard of any such increases in the seven states that have local-use lumber programs.

CO-CHAIR GIESSEL commented that the last point about building inspectors having the ability to inspect and reject the wood assumes that the building is in a coded area.

MR. DOUSE said that's correct.

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He advanced to slide 6 and continued to discuss what constitutes a local use/native lumber program:

- Local use lumber must be sold to the end user or the contractor building the home
- Most states only allow residential (1 - 3 family home) construction as well as outbuildings
- Mill operator must take and pass a grading course
- Certification only lasts for 5 years
- Mill operator provides a certificate with the local lumber
- Only applies to softwood

SENATOR CLAMAN asked why the lumber could only be sold to the end user and not a company like Spenard Builders Supply.

MR. DOUSE answered that the lumber grades in the local use lumber program are simplified, whereas the lumber sold through a box store is a very specific product. He said he'd talk about this more later in the presentation.

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MR. DOUSE advanced to slide 7 to discuss why the local use lumber program is needed in Alaska. He spoke to the following:

- Wood prices have increased dramatically for home construction - National Association of Home Builders notes wood prices add \$36k to new single family home construction - Alaska Housing Finance Corporation cites high cost of construction as a reason new building permits fell 15%
- Canadian import tariffs on softwood were raised to 17.99% in early 2022 - Alaska imports ~\$20 million annually in wood products from Canada (Canadian Trade Commission)
- Forest Management - Salvage harvest of beetle-killed trees less than 4 years past mortality - Increase forest management opportunities for private landowners
- Increase economic activity in rural communities
- Increase milling capacity

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MR. DOUSE directed attention to the graph on slide 8 that reflects US Forest Service mill surveys of capacity and production. These surveys are done every five years on mills located throughout the Tongass National Forest. It shows that both sawmill capacity and production has reduced significantly since 2000 when the estimated production was 87 million board feet. In 2020, production was only 15.5 million board feet. He opined that there was a lot of capacity for smaller mills.

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MR. DOUSE said the chart on slide 7 addresses Senator Claman's question about why this lumber can't be sold to a retail outlet like Spenard Builders Supply. It shows the grading categories that somebody who is certified under the Western Wood Products Association would be trained to use. It illustrates that timber grading is complex and requires a lot of training to be a certified professional. The program that SB 87 proposes is an equivalent to the following use categories for dimensional lumber:

**Light Framing:** Construction, Standard, Utility, Economy

**Stud:** Stud, Economy Stud

**Structural Light Framing:** Select Structural, No. 1, No. 2, No. 3, Economy

**Joists and Planks:** Select Structural, No. 1, No. 2, No. 3, Economy

The lumber in the proposed local use program would not be grade stamped, but the certification and a form that describes the wood would be handed to the end user. If this lumber were sold through a company like Spenard Builders Supply, it could be sold anywhere and for any application, which is not the intention of the program. The idea is that this lumber would go directly from the sawmill to the end user.

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SENATOR BJORKMAN added that keeping the close connection between the buyer and the seller provides accountability for the lumber. If there is a building inspector, that person has the ability to inspect the lumber and reject it if there's a quality issue.

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MR. DOUSE directed attention to the chart on slide 10 that shows the substitute equivalent Alaska grades and the descriptions of that lumber.

**Number 2 and Better:** Substitute equivalent to Number 2 Grade of Structural Light Framing, Joists and Planks and Standard Grade of the Light Framing use categories

**Stud:** Substitute equivalent to Stud Grade used in residential construction

**Number 3:** Substitute equivalent to Number 3 Grade of Structural Light Framing, Joists and Planks and Utility Grade of the Light Framing use categories

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MR. DOUSE described the training and certification proposed for the Alaska Local Use Lumber Program. He spoke to the following:

- One day free class focusing on visually grading lumber to the three Alaska grades.
  - Issuance of Alaska Local Use Lumber handbook

- o Issuance of Air-Drying Best Practices document
- Offered at least annually in Southeast, Southcentral and Interior
- Recertification required every five years
- Certification issued to the person, not the mill

SENATOR DUNBAR asked him to speak to the difference between air dried and kiln dried wood. He opined that it goes to Senator Bjorkman's point about the need for the seller to have a close relationship with the end user to ensure they know the appropriate use for the lumber.

MR. DOUSE explained that air drying is used quite a bit in Alaska and there are best practices for stacking and testing the moisture content. If the lumber has a moisture content of more than 19 percent, it is considered green or partially air dried; when the moisture content is below 19 percent, the lumber is considered dry. Kiln dried means the lumber has been put into a controlled environment where heat is applied to draw moisture out of the wood.

SENATOR DUNBAR offered his understanding that there was a difference in strength and quality depending on how the wood is dried, so the buyer needs to know what they're doing.

MR. DOUSE agreed that an important part of the program was that the seller could look the buyer in the eye and say that the wood was green, partially air dried, or air dried to below 19 percent moisture content so the end user knows what they're buying.

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SENATOR KAUFMAN spoke to the reasons to have dimensional lumber, and asked if there was any thought given to making the lumber in the home use program equivalent.

MR. DOUSE answered that the surface condition is one of the five required designations in the form that's given to the end user. If the lumber is rough cut, planed, or planed on one side, that will be communicated on that form.

SENATOR KAUFMAN mentioned hybrid solar drying and asked him to speak to additional methods of improving the quality of the wood by drying in a semi-controlled environment.

CO-CHAIR BISHOP mentioned forests in the Interior that had burned more than four years ago and didn't have any beetle

infestation. He asked if that lumber was kiln dried or air dried.

MR. DOUSE replied that timber would be considered air dried because it was not in a controlled environment.

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MR. DOUSE turned to slide 12 to discuss the special conditions for selling lumber in the proposed program. He spoke to the following:

- Mill owner/operator sells the lumber directly to the end user or to the contractor building the home
- Lumber sale must include documentation that describes the 5 designations (grade, species, moisture content, surface condition, size)
- Lumber sale must include a copy of the mill owner's certification with the Alaska Local Use Lumber program
- Building inspector may refuse the lumber

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CO-CHAIR BISHOP held SB 87 in committee.

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There being no further business to come before the committee, Co-Chair Bishop adjourned the Senate Resources Standing Committee meeting at 4:58 p.m.