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# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.  
JUNEAU, ALASKA 99801-1796  
PHONE: (907) 465-2400

February 15, 1990

The Honorable Jack Coghill  
Alaska State Senator  
P.O. Box V  
Juneau, AK 99811

Dear Senator Coghill:

**Subject:** Senate Bill 321, relating to forest stewardship agreements.

**Position:** The Department of Natural Resources currently does not support the establishment of stewardship management agreements. As you may know, the state's resource inventory and management infrastructure is insufficient to support this type of agreement. Other management options should be explored first.

**Background:** The State of Alaska, Department of Natural Resources, Division of Forestry is responsible for forest management on ten million acres of forest lands. Most of these lands lie between Anchorage and Fairbanks and contain large quantities of both hard and soft woods. Much of the forested land is inaccessible and inadequately inventoried. The state is currently using small short-term sales for the sale of fuelwood, house logs, and salvage logging. Longer term sales have been used to market larger volumes.

Forest stewardship agreements or forest management agreements have been suggested as a means to encourage the development of a stable forest industry. An agreement may be a long-term negotiated contract where some of the terms require the contractor to provide for the management and reforestation of an area. In return the contractor is guaranteed a long-term source of timber.

The possibility of using forest agreements to promote a stable industry while providing acceptable forest management has been explored by the department and by the 15th and 16th Legislatures.

The following points are in support of forest stewardship agreements:

- 1) These agreements promote a stable forest products industry. Industry must have a long-term assured supply of raw material. A long-term contract would provide stability and an assured resource.
- 2) These agreements may provide cost savings to the state because management expenses are borne by the contractor.
- 3) These agreements may not always show a substantial return to the state but may provide steady employment and help establish a stable economy.

The following points are in opposition to forest stewardship agreements:

- 1) While a contractor would presumably bear the cost for forest management, the state would still be responsible for overseeing the contract and enforcing its terms. This would require additional staff and considerable expense on the part of the state. Many people experienced with forest agreements assert there are no savings to the government.
- 2) Once a forest stewardship agreement is established it is highly unlikely it would be terminated even if there were a substantial breach of the contract.
- 3) These agreements commit large amounts of land and resources to one contractor. If that contractor fails, the contract fails and the entire economy built on this one long-term contract would collapse.
- 4) The existing infrastructure (i.e., transportation, access, and facilities) is inadequate to meet the needs of a developing forest industry. But who will develop, fund, and maintain the necessary infrastructure?
- 5) These agreements eliminate competitive bidding for the state's forest resources, raising substantial policy questions for decision makers.

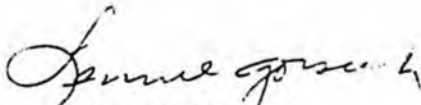
February 15, 1990

6) These agreements transfer management of state multiple use land to private contractors who manage forests primarily for timber harvest.

Recommendation: As funding permits, the Division of Forestry will begin an evaluation of the existing land base to provide a current inventory by species and volume, long-term timber production potential, and timber sales options.

Please let me or State Forester Bob Dick know if you would like additional forest management information.

Sincerely,



Lennie Gorsuch  
Commissioner

cc: Bill Sponsor  
Committee Members  
Bob Evans, Legislative Liaison  
Office of the Governor  
Denby Lloyd, Special Staff Assistant  
Office of the Governor  
Bob Dick, Director  
Division of Forestry  
Department of Natural Resources

## FISCAL NOTE

**REQUEST:**

Revision Date: 2/9/90  
 Title: An Act related to Forest Stewardship Agreements  
 Sponsor: Senator Coghill  
 Requestor: Senator Coghill

Agency Affected: Natural Resources  
 BRU: Forest Management

Components: Forest Management

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING	FY 91	FY 92	FY 93	FY 94	FY 95	FY 96
PERSONAL SERVICES	154.7	154.7	196.8	202.7	226.7	233.5
TRAVEL	21.0	21.0	16.0	16.0	15.0	15.0
CONTRACTUAL	22.5	27.0	20.0	15.0	15.0	15.0
SUPPLIES	2.5	2.5	2.5	3.0	40.0	3.5
EQUIPMENT	28.0					
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>228.7</b>	<b>205.2</b>	<b>235.3</b>	<b>236.7</b>	<b>296.7</b>	<b>267.0</b>

CAPITAL			100.0			
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REVENUE						
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**FUNDING:** (Thousands of Dollars)

GENERAL FUND	228.7	205.2	335.3	236.7	296.7	267.0
FEDERAL FUNDS						
OTHER						
<b>TOTAL</b>	<b>228.7</b>	<b>205.2</b>	<b>335.3</b>	<b>236.7</b>	<b>296.7</b>	<b>267.0</b>

**POSITIONS:**

FULL-TIME	3.0		1			
PART-TIME					1	
TEMPORARY						

**ANALYSIS :** (Attach a separate page if necessary)

See attached.

*AKH*

Prepared by: George K. Hollett  
 Division: Forestry

Phone: 762-2503  
 Date: 2/7/90

Approved by Commissioner: *[Signature]*  
 Agency: Department of Natural Resources

Date: \_\_\_\_\_

**Distribution (by preparer):**

Legislative Finance  
 Legislative Sponsor  
 Requestor  
 Office of Management and Budget  
 Impacted Agency(ies)

## SENATE BILL 321 ANALYSIS

Assumptions: The following list of assumptions have a direct effect on the required funding during the first five years after passage of the bill: 1) DNR will offer two FSA's encompassing 200,000 to 400,000 acres within five years; 2) Infrastructure is required including annual plan review; 3) 20% of the FSA set aside for harvesting by others; 4) The State will handle the regeneration; 5) Do a continuing timber growth inventory every four years; 6) Some capital improvement costs will have to be reimbursed; 7) Current forest quality and quantity inventories will be needed before additional FSA's are offered; 8) Prepare list of areas that can be offered every two years; and 9) As acres are put into Forest Management Agreements there will be a needed increase in people and funding.

Program Summary: After passage of the bill a set of regulations must be developed. This will take one full time Natural Resource Manager I based in Anchorage six to eight months to complete. Agency and public review of these regulations will be required. Upon completion of the regulations this position will begin the process of development of one FSA within the Southcentral Region. At this same time one Natural Resource Manager I based in Fairbanks will begin the planning process for development of one FSA in the Northern Region. Involvement of the public is necessary during the planning process which requires travel to the communities and holding of public meetings.

One full time Forest Engineer position will be working with the two NRM I's on development of conceptual transportation plans that will be needed in the development of appraisal and contract information. This position will work out of Anchorage but will also cover the Northern Region's FSA work.

In order for the State Forest Nursery to provide an additional 800,000 seedlings one full time Forest Technician IV will be needed

in year three. As production gets into full swing one seasonal Forest Technician I will be needed in year five. As acres in need of reforestation increase there will be needed capital funding to build additional greenhouses.

Travel to many communities between Fairbanks and Anchorage will be necessary as regulations and plans are developed for the proposed FSA areas. Many public meetings and information sessions will be held. A well informed public is necessary to have acceptance of the program.

On site inspection of the areas for preparation of appraisals and contracts will be necessary. The NRM I's as the future state managers of the FSA's must know what is on the ground and what problems an operator is going to be expected to overcome. Snow machines and pickup trucks are needed for this phase of the operation at a cost of \$28.0.

In year three a \$100.0 contract for timber inventory on the next purposed FSA area will have to go out to bid. The inventory data is needed to develop the required annual allowable harvest of each unit. This will be a private sector contract put out for bid by General Services. The Division of Forestry will develop the specifications.

In year four nursery supplies of \$37.4 will be purchased so that additional seedlings will be grown in year five to be ready after the first year of logging.

Development of new forest industries will have good effects on the State's economy by bringing in additional stumpage revenue and creation of jobs. The local governments will also receive benefits in added taxes and increased demand for other products and supplies.

1.	POSITION TITLE Natural Resource Manager I				RANGE/STIP 18/A	DEPT. UNIT GG	PAGE/LINE	GOV.	APPROV.	DISAPP
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Fairbanks	ELECTION DISTRICT 20	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION:					
4.	TYPE OF EXPENDITURE			AMOUNT	<p>This position will help develop the required regulations and take them through the public review process in the Fairbanks Area.</p> <p>Prepare a plan for administration oversight of a FSA within the Northern Region and take it to the affected state agencies.</p> <p>Develop actions necessary to prepare one FSA and take it through the review process to completion.</p> <p>Work with Logging Engineer and Southcentral NRM I in developing the required contract and any additional plans that must be developed.</p>					
	1	2	3							
	PERSONAL SERVICES									
5.	Salary	12 x 3237	38.8							
6.	Benefits	12 x 1194	14.3							
7.	Supplemental Benefits									
8.	Fixed Benefits									
9.	TOTAL PERSONAL SERVICES		01	53.1						
10.	Travel		02	8.0						
11.	Contractual		03	10.0						
12.	Commodities		04	1.0						
13.	Equipment		05	10.0						
14.	Other									
15.	TOTAL COST			82.1						
	RECEIPT CODE	FUNDING SOURCE								
16.		Federal Receipts 1002								
17.		G.F. Hatch 1003								
18.		General Funds 1004		82.1						
19.		I-A Receipts 1005								
20.		Program Receipts 1028								
21.		Other								
	FOR B&M USE ONLY									
	KEY NUMBER - - - - -									

REQUEST FOR  
NEW POSITION

AGENCY Natural Resources

BRU Forest Management

COMPONENT Forest Management

FY 91

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Revised Date

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1.	POSITION TITLE Natural Resource Manager I				RANGE/STEP 18/A	BARG. UNIT CG	PAGE / LINE	GOV.	APPROV.	DISAPP
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT 7	LEG.		
3.	CONTINUATION LEVEL				JUSTIFICATION:					
4.	TYPE OF EXPENDITURE									
	1		2		3					
	PERSONAL SERVICES									
5.	Salary 12 x 3113		37.4							
6.	Benefits 12 x 1119		13.4							
7.	Supplemental Benefits									
8.	Fixed Benefits									
9.	TOTAL PERSONAL SERVICES		01		50.8					
10.	Travel		02		8.0					
11.	Contractual		03		10.0					
12.	Commodities		04		1.0					
13.	Equipment		05		10.0					
14.	Other									
15.	TOTAL COST				79.8					
	RECEIPT CODE		FUNDING SOURCE							
16.			Federal Receipts 1002							
17.			G.F. Hatch .003							
18.			General Funds 1004		79.8					
19.			I-A Receipts 1005							
20.			Program Receipts 1028							
21.			Other							
FOR B&M USE ONLY										
KEY NUMBER - - - - -										

**JUSTIFICATION:**

This position will be the lead person responsible for drafting required regulations and taking through the public review process with the Anchorage Area.

Prepare a plan for administration oversight of a FSA within the Mat-Su Valley and take it to the affected state agencies.

Develop actions necessary to prepare one FSA and take it through the review process to completion.

Work with logging Engineer and Northern NRM I in developing the required contract and any additional plans that must be developed.

REQUEST FOR  
NEW POSITION

AGENCY Natural Resources

BRU Forest Management

COMPONENT Forest Management

FY 91

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Revised Date

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1.	POSITION TITLE Logging Engineer				RANGE/STEP 18/A	BARG. UNIT GG	PAGE/LINE	GOV.	APPROV.	DISAPP
2.	TYPE OF POSITION PFT	STAFF MONTHS 12	RP NUMBER	PCN NUMBER	BRU PRIORITY	LOCATION Anchorage	ELECTION DISTRICT 7	LEG.		
3.	CONTINUATION LEVEL									
4.	TYPE OF EXPENDITURE									
	1				2		3			
	PERSONAL SERVICES									
5.	Salary 12 x 3113		37.4							
6.	Benefits 12 x 1119		13.4							
7.	Supplemental Benefits									
8.	Fixed Benefits									
9.	TOTAL PERSONAL SERVICES		01		50.8					
10.	Travel		02		5.0					
11.	Contractual		03		2.5					
12.	Commodities		04		0.5					
13.	Equipment		05		8.0					
14.	Other									
15.	TOTAL COST				66.8					
	RECEIPT CODE		FUNDING SOURCE							
16.			Federal Receipts 1002							
17.			G.F. Match 1003							
18.			General Funds 1004			66.8				
19.			I-A Receipts 1005							
20.			Program Receipts 1028							
21.			Other							
FOR B&M USE ONLY KEY NUMBER - - - - -										

JUSTIFICATION:

This position will be the Division of Forestry field Engineer. In order to know what can and what can not be done in road development the position will be working on the ground with the NRM I's. Transportation information is needed to work into the appraisals and will be necessary for the agency and public review.

Access development is necessary in any areas that may be proposed as FSA's and will become a part of the selection process of a concessionaire. The Division does not have this capability at present.

REQUEST FOR  
NEW POSITION

AGENCY Natural Resources

BRU Forest Management

COMPONENT Forest Management

FY 91

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