

SB

180

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

No. 1
Bill Version: SB180
(S) Publish Date: 5/9/95

Revision Date:
Title: Authorization of Special Negotiated Timber Sales

Department Affected: University of Alaska
BRU: Organized Research
Component: 750

Sponsor:
Requestor: Governor

COMPONENT SERIAL NO.

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL	0.0	0.0	0.0	0.0	0.0	0.0
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FD SOURCE						
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FUNDING: (Thousands of Dollars)	FY96	FY97	FY98	FY99	FY00	FY01
1002 FEDERAL FUNDS						
1003 GF MATCH						
1004 GENERAL FUND						
1006 GF/MHTIA						
OTHER						
TOTAL FUNDING	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:	FY96	FY97	FY98	FY99	FY00	FY01
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)
See Attached

Prepared by: Wendy Matheny, Budget Analyst
Division: Statewide Budget Office

Approved by: *MB* Marylou Burton, Director
Agency: Statewide Budget Office

Phone: 463-3086
Date: 5/5/95

Date: 5/5/95

Distribution (by preparer): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).

FISCAL NOTE

No. 2
Bill Version: SB 180
(S) Publish Date: 5/9/95

Revision Date: May 5, 1995 Dept. Affected: Community & Regional Affairs
Title: An Act relating to authorization of special BRU: none
negotiated timber sales Component none
Sponsor: Governor
Requestor: Governor COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0
CAPITAL	0.0	0.0	0.0	0.0	0.0	0.0

REVENUE FUND SOURCE: _____

FUNDING: (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

FULL-TIME	0	0	0	0	0	0
PART-TIME						
TEMPORARY						

Estimate of current (FY94) Impact \$ none

ANALYSIS: (Attach a separate page if necessary)

This legislation would have no fiscal impact on the department.

Prepared by: Remond Henderson, Director *Remond Henderson* Phone: 465-4708
Division: Division of Administrative Services Date: 5/5/95
Approved by Commissioner: *[Signature]* Date: 5/5/95
Agency: Community & Regional Affairs

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FISCAL NOTE

No. 3

STATE OF ALASKA
1995 LEGISLATIVE SESSION

Bill Version: SB180

(S) Publish Date: 5/9/95

Revision Date: _____
 Title: *An Act authorizing the Commissioner of the Department of Natural Resources to negotiate and enter into timber sale contracts . . .
 Sponsor: Rules Committee
 Requestor: Governor

Department Affected: Commerce and Economic Development
 BRU: _____
 Component: _____
 COMPONENT SERIAL NO. _____

Expenditures/Revenues: (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	0	0	0	0	0	0
TRAVEL	0	0	0	0	0	0
CONTRACTUAL	0	0	0	0	0	0
SUPPLIES	0	0	0	0	0	0
EQUIPMENT	0	0	0	0	0	0
LAND & STRUCTURES	0	0	0	0	0	0
GRANTS, CLAIMS	0	0	0	0	0	0
MISCELLANEOUS	0	0	0	0	0	0
TOTAL OPERATING	0	0	0	0	0	0

CAPITAL EXPENDITURES	0	0	0	0	0	0
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CHANGE IN REVENUES ()	0	0	0	0	0	0
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0	0	0	0	0	0
1003 GF Match	0	0	0	0	0	0
1004 GF	0	0	0	0	0	0
1005 GF/Program Receipts	0	0	0	0	0	0
1006 GF/MHTIA	0	0	0	0	0	0
Other	0	0	0	0	0	0
TOTAL	0	0	0	0	0	0

Estimate of current year (FY 95) cost: \$ 0

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Gabrielle LaRoche, Section Chief
 Division: Economic Development

Phone: 465-5467
 Date: _____

Approved by Commissioner: William L. Hensley
 Agency: Commerce and Economic Development

Date: 5/4/95

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FISCAL NOTE

No. 4
 Bill Version: SB 180
 (S) Publi. Date: 5/9/95

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL

Revision Date: Original Dept Affected: Natural Resources
 Title: An Act authorizing the commissioner of the DNR BRU: Resource Development
 to negotiate and enter into timber sale contracts that provide... Component: Forest Management & Development
 Sponsor: Fules Committee
 Requestor: Governor Component Serial No. 435

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY96	FY97	FY98	FY99	FY00	FY01
PERSONAL SERVICES	0.0	20.0	3.5	3.5	3.5	3.5
TRAVEL		3.5				
CONTRACTUAL		3.0				
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	26.5	3.5	3.5	3.5	3.5
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 GF		26.5	3.5	3.5	3.5	3.5
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	26.5	3.5	3.5	3.5	3.5

Estimate of any current year (FY95) cost: \$ None

POSITIONS	FY96	FY97	FY98	FY99	FY00	FY01
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

See attached

Prepared by: Tom Boutin, Director Phone: 465-3379
 Division: Forestry Date: 8-May-95
 Approved by Commissioner: [Signature] Date: 5-8-95
 Agency: Natural Resources

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ATTACHMENT
FISCAL NOTE (NEGOTIATED TIMBER SALES)
May 8, 1995

This analysis assumes that the Act would be signed into law in June of 1996, and no timber sales enabled by the Act would take place until FY98. In FY97 there would be a cost of promulgating regulations. Additional annual costs (\$3.5) would be limited to evaluating the direct economic benefit, commercial success, etc., required under the best interest finding. As an isolated effort, program implementation requires ~~\$350,000 to \$550,000~~ annually and 4 to 5 full-time personnel, depending on the number of negotiated sales. However, because this program will most likely replace existing sales, funding and personnel requirements will displace costs of existing programs and are not reflected in the fiscal note. Timber sale receipts would continue to go the General Fund.

SENATE COMMITTEE REF RT
First Committee of Referral

DATE: 5/9/95

FURTHER: *Finance*

Date of 5-Day Notice: 2-15-96
 (in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 4-18-96

Resources Committee considered SB 180

Authorizing Commissioner of Dept. of Natural Resources to negotiate and enter into timber sale contracts.

and recommends:

- be replaced with SEN CS SB 180 (RES)
- adopt previous _____ CS _____
- attached amendment(s)
- adopt Letter of Intent by _____ Committee
- further referral to the _____ Committee

- Senate Bill:**
 same title
 new title
House Bill:
 same title
 technical title
 new: SCR# _____

SIGNING DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>[Signature]</i>	<input checked="" type="checkbox"/>	<i>[Signature]</i>	<input checked="" type="checkbox"/>		
<i>[Signature]</i>		<i>[Signature]</i>	<input checked="" type="checkbox"/>		
<i>[Signature]</i>					
<i>[Signature]</i>	<input checked="" type="checkbox"/>				
CHAIR: <i>[Signature]</i>	<input checked="" type="checkbox"/>				

NEW FISCAL NOTE(S):

Department	Date	Zero	Fiscal
C&ET	7/19/96	<input checked="" type="checkbox"/>	
DNR - Res. Dev.	7/20/96		\$26.5
UAF	9/18/96	<input checked="" type="checkbox"/>	
C+RA			

PREVIOUS FISCAL NOTE(S):*

Department	Date	Zero	Fiscal
<i>1 Ø FN forthcoming C&RA</i>			

APPROPRIATION -- no fiscal note

*include fiscal notes accompanying Governor's bill

FISCAL NOTE

STATE OF ALASKA
1995 LEGISLATIVE SESSION

BILL NO. SB 180

Revision Date: February 19, 1996 Department: Commerce and Economic Development
 Title: "An Act . . . establishing an Alaska Forest Products BRU: _____
Research and Marketing Program." Component: _____
 Sponsor: Rules, by request of the Governor
 Requestor: Senate Resources Committee COMPONENT SERIAL NO. _____

Expenditures/Revenues	(Thousands of Dollars)					
OPERATING EXPENDITURES	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL EXPENDITURES

CHANGE IN REVENUES

FUND SOURCE	(Thousands of Dollars)					
1002 Federal Receipts						
1003 GF Match						
1004 General Fund						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	0.0	0.0	0.0	0.0	0.0	0.0

Estimate of any current year (FY 96) cost: \$ 0.0

POSITIONS
FULL-TIME
PART-TIME
TEMPORARY

ANALYSIS: (Attach a separate page if necessary)

The budget for the Division of Trade and Development already includes a position for a Forest Products Specialist. This existing position would be used to perform the duties assigned for the Alaska Forest Products Research and Marketing Program.

Prepared by: Karl Ohls Phone: 465-5467
 Division: Trade and Development Date: Feb. 16, 1996
 Approved by Commissioner: [Signature] Date: 2-19-96
 Agency: Commerce and Economic Development

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FISCAL NOTE

STATE OF ALASKA

BILL NO. CSSB180(RES)

1996 LEGISLATIVE SESSION

Revision Date: 20-Feb-96 Dept Affected Natural Resources
 Title: An Act authorizing the commissioner of the BRU: Resource Development
 Dept. of Natural Resources to negotiate and enter into timber... Component: Forest Management & Development
 Sponsor: Senate Rules by request of the Governor
 Requestor: Senate Resources Component Serial No. 435

Expenditures/Revenues (Thousands of Dollars)

OPERATING EXPENDITURES	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES	20.0	3.5	3.5	3.5	3.5	3.5
TRAVEL	3.5					
CONTRACTUAL	3.0					
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	26.5	3.5	3.5	3.5	3.5	3.5
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES ()	0.0	0.0	0.0	0.0	0.0	0.0

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	26.5	3.5	3.5	3.5	3.5	3.5
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
TOTAL	26.5	3.5	3.5	3.5	3.5	3.5

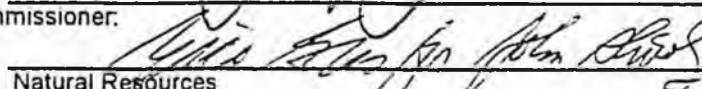
Estimate of any current year (FY96) cost: \$ none

POSITIONS

FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

This analysis assumes that the Act would be signed into law in June of 1996, and no timber sales enabled by the Act would take place until FY98. In FY97 there would be a cost of promulgating regulations. Additional annual costs (\$3.5) would be limited to evaluating the direct economic benefit, commercial success, etc., required under the best interest finding. If this program was intended to be a second concurrent timber sale program, then the program would require \$350.0 to \$560.0 annually and 4 to 5 full-time personnel, depending on the number of negotiated sales. However, because this program will most likely replace existing sales, funding and personnel requirements will displace costs of existing programs and are not reflected in the fiscal note. Timber sale receipts would continue to go to the general fund.

Prepared by: Tom Boutin, Director Phone: 465-3379
 Division: Forestry Date: 20-Feb-96
 Approved by Commissioner:  Date: 20-Feb-96
 Agency: Natural Resources

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FISCAL NOTE

STATE OF ALASKA
1996 LEGISLATIVE SESSION

BILL NO. CSSB 180

Revision Date:
Title: An Act ... establishing an Alaska Forest Products Research
and Marketing Program
Sponsor:
Requestor:

Department Affected: University of Alaska
BRU: UAF
Component: Fairbanks Organized Research

COMPONENT SERIAL NO. 750

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY97	FY98	FY99	FY00	FY01	FY02
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
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REVENUE FD SOURCE						
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FUNDING: (Thousands of Dollars)

1002 FEDERAL FUNDS						
1003 GF MATCH						
1004 GENERAL FUND						
1006 GF/MHTLA						
OTHER						
TOTAL FUNDING	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:						
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year impact: None

ANALYSIS: (Attach a separate page if necessary.)

Prepared by: Marylou Burton
Division: Statewide Budget Office

Approved by: *MB* Marylou Burton, Director
Agency: Statewide Budget Office

Phone: 463-3086
Date: 4/18/96

Date: 4/18/96

Distribution (by prepare): Legislative Finance, Legislative Sponsor, Requestor, OMB, & Impacted Agency(ies).



Alaska State Legislature


Senate Resources Committee

State Capitol
Juneau AK 99801

Official Business

MEMO

TO: Legal Services
via fax: X2029

FROM: Annette Kreitzer, Aide to
Senate Resources Committee 

DATE: April 17, 1996

RE: FINAL CS for SB 180 (RES)

Using 9-GS0046\K by Luckhaupt dated 4/16/96, please prepare a FINAL Senate CS for SB 180, Value-Added Timber Sales; Marketing, for delivery to Senate Resources before floor session (11:00 a.m.) tomorrow. There were no additional changes, however, I noticed that the title of this CS is different from the original bill. It appears that the title of the CS should revert to the title of the original bill. Call me if you have questions.

Deliver to Room 115 of the Capitol. Thanks.

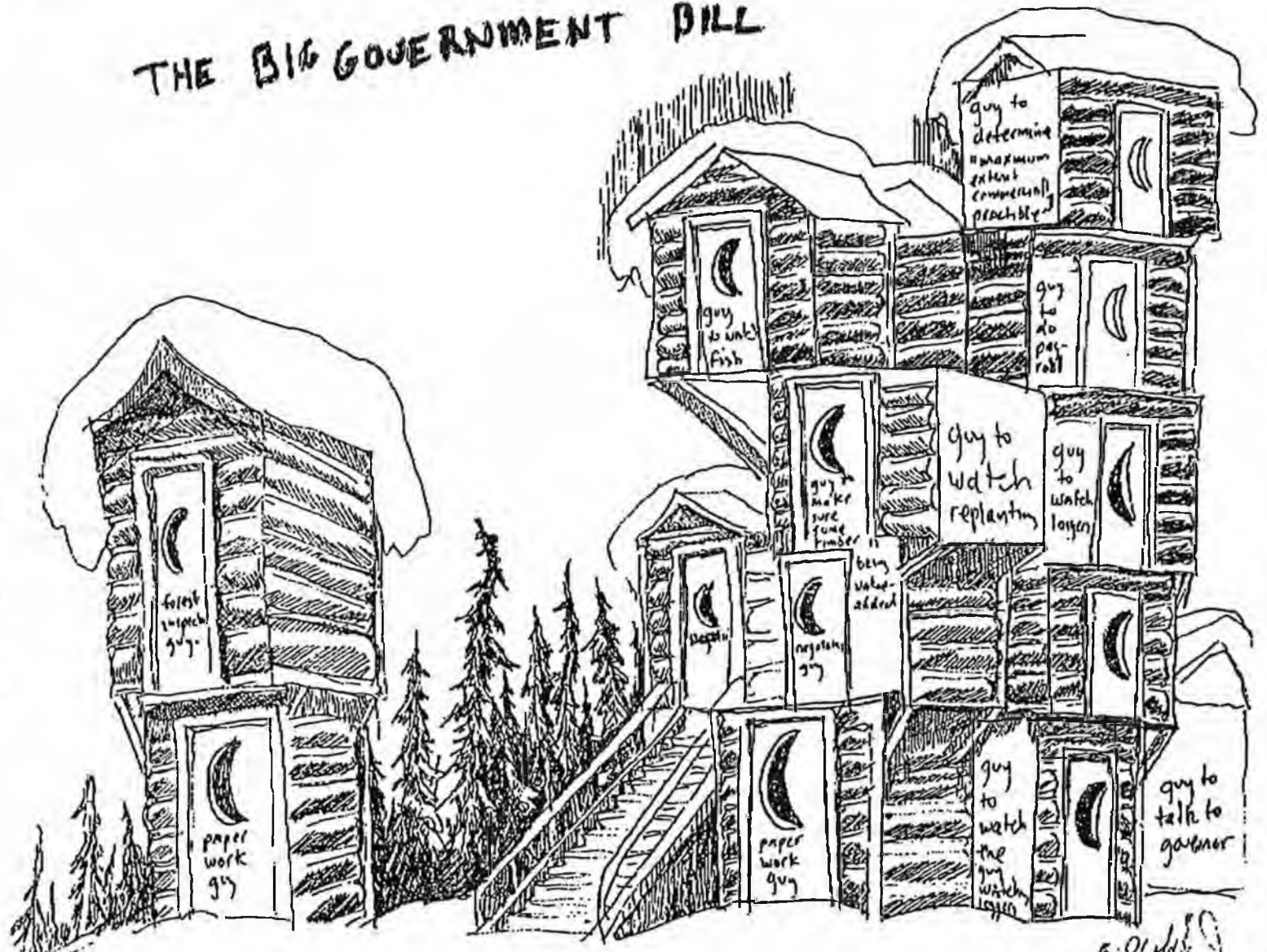
Hi, guys!

Comments on
timber development
in general.

I have a
poll put out
in Fall 1994
by the UAF.
Although the
public supports
increased timber
development by
a 63% margin,
the same poll
states 60%
want
more planning

before increasing the
a cut. *Ed Hall*

THE BIG GOVERNMENT BILL



D.O.F OUTHOUSE
BEFORE 344

D.O.F OUTHOUSE
AFTER 344
(wheelchair accessible)

© 9/16/96

P.02
FAX NO. 9074563346
FBX LIO
APR-16-96 TUE 09:56

Post-It™ brand fax transmittal memo 7671 # of pages 2

To: Senator LEMAN	FROM: FAX LIO
CO: Soil Resources	Ca:
Subject: WRITTEN TESTIMONY	Phone# FOR
Ext: SA 180	Fax#

ns-Miner, Sunday, March 26, 1995

Survey on timber harvest gives look at big picture

By BILL ROBERTSON

An exhaustive and comprehensive study has just been released by the University of Alaska Fairbanks that is well worth seeking out and reviewing. The document is a public opinion survey produced by the UAF School of Management undergraduate and graduate marketing students as part of a course assignment and prepared for the Fairbanks Industrial Development Corporation. The report, "Increased Timber Harvesting in the Tanana Valley: What does the Public Think?" is a public opinion survey of randomly selected voters in the Tanana Valley. The authors, Andreas P. Anger, John R. Boyce and Laura M. Milner have compiled a document that is defensible on all counts.

The survey was designed to access several major topics: How people feel about increased timber harvesting through long-term contracts with timber companies; how people use the forest and how those uses impact their support of increased timber harvesting; how respondents' attitudes impact their support of increased timber harvesting; and how support for increased timber harvesting would change given different logging proposal scenarios. The authors' discussion and conclusions are quoted and reproduced here.

"Our survey found that there is support for increased timber harvesting in the Tanana Valley. However, this support is based on a number of implicit assumptions. In particular, it does not appear that the public would support such a plan if the

BUSINESS VIEW



Greater Fairbanks Chamber of Commerce

only use were limited to products such as wood chips or paper pulp. We believe that there are a number of other factors which could affect public support. For example, while most respondents felt they would be adversely affected for viewing, a large percentage still voted 'yes' on our main referendum question. Were the visual effects to be worse than expected, this support would likely decline. Our section on respondent attitudes suggest that there are a number of other areas which could affect the support for such a program as well.

Our demographic results indicate that respondents are on average fairly well educated, a common finding for surveys such as this. However, with the exception of this possible bias, our survey results provide a much different picture than would be obtained by non-random methods such as public meetings or letters to the editor. In fact, when we asked whether respondents had been involved in the debate over timber harvesting, of the 83 percent who said they had not been involved, almost 69 percent voted 'yes' on the principle issue. This simply shows that a count of pro-versus-con letters to the editor or of pro-versus-con people at a public meeting is not representative of the population. While we expect

that public opinion may change as new information becomes available, we believe that we have an accurate depiction of public opinion at this stage of the game."

The authors and the UAF School of Management are to be commended for engaging and accomplishing a very complex and emotional task. It is important that issues such as this be tested by those in a neutral setting and with impeccable credentials for methodology.

In an hour-long press conference following release of the survey, the authors were grilled by the media and interest groups. They fielded the questions with a great deal of professionalism, confidence and knowledge of their profession. I was personally very proud of our university for taking on this project and for the way these investigators conducted themselves in the public forum. It is gratifying to see our university interact with the community on issues such as this. The university is an endless source of information and expertise and we should never forget that the minds being developed there today will be among the future leaders of this state and community.

Of course, this does not end the debate on timber harvest, but it does provide the baseline data needed to move forward in developing management plans for our interior forests. The survey documents are available for review at the UAF and Noel Wien libraries and at the Fairbanks Industrial Development Corporation and Greater Fairbanks Chamber of Commerce offices.

Bill Robertson is the Chamber's president and CEO.

• Sixty percent say state needs to do more planning before it allows increased harvest!

~~State~~
Sixty percent oppose timber harvesting only for pulp. or wood chips!

9-GS0046\K ✓
Luckhaupt
4/16/96

CS FOR SENATE BILL NO. 180(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

**Offered:
Referred:**

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 **"An Act authorizing the commissioner of natural resources to negotiate and**
2 **enter into timber sale contracts that provide for local manufacture of high**
3 **value-added wood products; and establishing an Alaska Forest Products Research**
4 **and Marketing Program within the Department of Commerce and Economic**
5 **Development."**

6 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

7 *** Section 1. LEGISLATIVE FINDINGS AND PURPOSE.** The legislature finds that it is
8 in the best interests of the people and economy of Alaska to encourage the establishment and
9 sustainable operation of local timber processing facilities in Alaska to produce high value-
10 added wood products and other value-added wood products from timber cut on state land.
11 One means of encouraging such facilities is through the use of an incentive by reducing the
12 stumpage price of timber offered through negotiated timber sale contracts. The value-added
13 use of timber harvested in Alaska is intended to foster a stable, small scale, locally operated,

1 finished wood products industry by providing a steady reliable supply of timber at a reliable
2 rate over a period of time to a purchaser of the timber that will provide maximum
3 opportunities for jobs in Alaska without significantly adversely affecting fish and wildlife
4 habitat and the forest resources.

5 * Sec. 2. AS 38.05 is amended by adding a new section to article 4 to read:

6 Sec. 38.05.123. NEGOTIATED TIMBER SALES FOR LOCAL
7 MANUFACTURE OF WOOD PRODUCTS. (a) Notwithstanding the provisions of
8 AS 38.05.115 and 38.05.120, and upon a finding that the sale is in the best interest of
9 the state, the commissioner may negotiate a sale of timber for use in the local
10 manufacture of high value-added wood products. A timber sale contract entered into
11 under this section may provide for a harvest of up to 10,000,000 board feet of timber
12 each year, consistent with sustained yield principles, and may be for a term of up to
13 10 years. Initial stumpage rates for a contract under this section shall be determined
14 by negotiation but may not be less than the base price for the area as established under
15 regulations adopted by the commissioner. A contract under this section shall provide
16 that stumpage rates shall be redetermined by negotiation at least once every three years
17 during the term of the contract, to reflect changes in market conditions; the
18 redetermined rates may not be less than the base price for the area as established under
19 regulations adopted by the commissioner. The commissioner shall by regulation set
20 a maximum number of contracts, but not less than two, per region of ^{the} state that may
21 be negotiated each year under this section.

22 (b) Notice of intent to negotiate a contract under this section shall be given in
23 accordance with AS 38.05.945.

24 (c) The commissioner may negotiate a sale of timber under this section if the
25 prospective purchaser agrees to use to the maximum extent commercially practicable
26 the timber subject to the sale for the local manufacture of high value-added wood
27 products. The commissioner shall determine the maximum amount of the timber being
28 sold that is commercially practicable to use for those purposes and make the use of
29 that percentage of the timber for those purposes a term of the contract. In evaluating
30 proposals, the commissioner shall take into account the proposed manufacture of other
31 value-added wood products to be produced under a negotiated contract.

1 (d) Before a sale may be negotiated under this section,

2 (1) the area of the sale must be designated for forestry purposes by a
3 valid, existing area plan adopted under AS 38.04; and

4 (2) the requirements of AS 38.05.112 and 38.05.113 must be met.

5 (e) In making the best interest finding required by AS 38.05.035(e) and this
6 section, the commissioner shall consider, in addition to other factors,

7 (1) the direct economic benefit from the local manufacture of high
8 value-added wood products as a result of the sale;

9 (2) the direct economic benefit from other local processing of the
10 timber to be undertaken by the purchaser as a result of the sale, including the
11 manufacture of other value-added wood products in addition to high value-added wood
12 products;

13 (3) the likelihood of commercial success of the locally manufactured
14 high value-added wood products and other value-added wood products;

15 (4) the extent to which the sale is likely to result in the creation and
16 maintenance of a stable local job base;

17 (5) the existence of adequate protection measures to ensure the
18 sustainability of fish and wildlife habitat and populations and continuation of other
19 uses of the area subject to the negotiated sale;

20 (6) the stumpage return to the state; and

21 (7) any other reasonably foreseeable benefits to the state and local
22 economies from the sale.

23 (f) As part of the timber sale negotiations authorized by this section, the
24 commissioner may require a prospective purchaser negotiating a timber sale contract
25 to submit financial and technical data that demonstrates that the requirements of this
26 section have been or will be met. Upon the prospective purchaser's request, the
27 commissioner shall keep data provided by the purchaser confidential in accordance
28 with the requirements of AS 38.05.035(a)(9).

29 (g) If the commissioner determines that additional analysis is necessary in
30 order to complete the best interest finding for a sale under this section, the
31 commissioner may require the prospective purchaser to retain and pay for the services

1 of a contractor to assist the commissioner in evaluating the proposed negotiated sale
2 and financial and technical data relating to the proposed sale. The contractor shall be
3 selected by the prospective purchaser from a list of consultants in forestry and timber
4 economics provided by the commissioner. If the commissioner requires a prospective
5 purchaser to retain the services of a contractor under this subsection, the commissioner
6 shall determine the scope of the work to be performed by the contractor.

7 (h) Under this section, a performance review shall be completed not more than
8 five years after a timber sale contract is entered into by the department to ensure that
9 the purchaser is performing in accordance with the terms of the contract, and to
10 determine if an updated forest land use plan under AS 38.05.112 is needed. If the
11 commissioner determines that the

12 (1) purchaser is not performing in accordance with the contract, the
13 commissioner may terminate the contract;

14 (2) contract conflicts with the current forest land use plan, the
15 commissioner may terminate the contract if the conflict cannot be resolved, provided
16 that the commissioner may not terminate a contract under this paragraph for lack of
17 timber until the commissioner has made a good faith effort to find suitable replacement
18 timber.

19 (i) A timber sale negotiated under this section does not affect other timber
20 harvest programs under AS 38.05.110 - 38.05.120.

21 (j) In this section,

22 (1) "high value-added wood product" means kiln-dried or commercially
23 dried lumber, interior finish paneling, and trim, flooring, doors, and windows, cabinet
24 stock, furniture, musical instruments or parts of instruments, toys, tools and
25 implements, ready-to-assemble building kits, veneer, plywood, finger-jointed lumber,
26 house logs, and other similar finished wood products specified by the commissioner
27 by regulation and, for deciduous aspen, poplar, and high defect birch, includes
28 engineered wood products and paneled wood products;

29 (2) "other value-added wood product" means pulp, chips, waferboard,
30 chipboard, fiberboard, green lumber, cants, slabs, or planks intended for remanufacture,
31 and other similar wood products specified by the commissioner by regulation.

1 * Sec. 3. AS 44.33 is amended by adding a new section to read:

2 ARTICLE 10. ALASKA FOREST PRODUCTS

3 RESEARCH AND MARKETING PROGRAM.

4 Sec. 44.33.900. ALASKA FOREST PRODUCTS RESEARCH AND
5 MARKETING PROGRAM. (a) The Alaska Forest Products Research and Marketing
6 Program is established in the Department of Commerce and Economic Development.

7 (b) The program is established to provide a statewide information
8 clearinghouse and coordinator to gather and disseminate information relating to
9 research and development, including technical, logistical, financing, marketing and
10 other relevant information regarding the manufacture of specific value-added wood
11 products and the establishment of new high value-added manufacturing facilities in the
12 state, and to assist in coordinating existing research and development efforts by state
13 and federal agencies and other public and private entities.

14 (c) The program coordinator shall identify unfilled needs and problems
15 impeding the development of a high value-added wood products industry in the state,
16 gather information and conduct analyses, and propose solutions by exploring successful
17 models in other states and nations.

18 * Sec. 4. Notwithstanding AS 38.05.123(a), added by sec. 2 of this Act, the commissioner
19 may negotiate no more than two sales of timber each year for local manufacture of high value-
20 added timber products under AS 38.05.123 in each region of the state in calendar years 1996,
21 1997, and 1998.



Alaska State Legislature

Official Business

State Capitol
Juneau AK 99801


MEMO

TO: Gerry Luckhaupt
Legal Services
via fax: X2029

FROM: Annette E. Kreitzer, Aide to
Senate Resources Committee

DATE: April 16 1996

RE: GS00046G dated 4/14/96 for SB 180(RES)



Please prepare a Resources Committee Substitute for SB180 using the following language which is to the G version noted above. I need the CS by Wednesday, April 17 at 10:00 a.m. for distribution to Resources Committee members.

Page 1, Line13:

DELETE: [LOCALLY RUN]

Insert: locally operated

Page 4, Lines 21-22:

DELETE: [(J) A PURCHASER MAY NOT BE A PARTY TO MORE THAN ONE CONTRACT UNDER THIS SECTION AT ANY ONE TIME.]

Reletter following section: .

9-GS0046\G ✓
Luckhaupt
4/15/96

CS FOR SENATE BILL NO. 180(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION
BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the commissioner of natural resources to negotiate and
2 enter into timber sale contracts that provide for local manufacture of high
3 value-added wood products; and establishing an Alaska Forest Products Research
4 and Marketing Program within the Department of Commerce and Economic
5 Development."

6 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

7 * Section 1. LEGISLATIVE FINDINGS AND PURPOSE. The legislature finds that it is
8 in the best interests of the people and economy of Alaska to encourage the establishment and
9 sustainable operation of local timber processing facilities in Alaska to produce high value-
10 added wood products and other value-added wood products from timber cut on state land.
11 One means of encouraging such facilities is through the use of an incentive by reducing the
12 stumpage price of timber offered through negotiated timber sale contracts. The value-added
13 use of timber harvested in Alaska is intended to foster a stable, small scale, locally run,

(6) locally operated
(M)

CSSB 180(RES)

S.E. Case a
bid on
timber

1 finished wood products industry by providing a steady reliable supply of timber at a reliable
 2 rate over a period of time to a purchaser of the timber that will provide maximum
 3 opportunities for jobs in Alaska without significantly adversely affecting fish and wildlife
 4 habitat and the forest resources.

5 * Sec. 2. AS 38.05 is amended by adding a new section to article 4 to read:

6 Sec. 38.05.123. NEGOTIATED TIMBER SALES FOR LOCAL
 7 MANUFACTURE OF WOOD PRODUCTS. (a) Notwithstanding the provisions of
 8 AS 38.05.115 and 38.05.120, and upon a finding that the sale is in the best interest of
 9 the state, the commissioner may negotiate a sale of timber for use in the local
 10 manufacture of high value-added wood products. A timber sale contract entered into
 11 under this section may provide for a harvest of up to 10,000,000 board feet of timber
 12 each year, consistent with sustained yield principles, and may be for a term of up to
 13 10 years. Initial stumpage rates for a contract under this section shall be determined
 14 by negotiation but may not be less than the base price for the area as established under
 15 regulations adopted by the commissioner. A contract under this section shall provide
 16 that stumpage rates shall be redetermined by negotiation at least once every three years
 17 during the term of the contract, to reflect changes in market conditions; the
 18 redetermined rates may not be less than the base price for the area as established under
 19 regulations adopted by the commissioner. The commissioner shall by regulation set
 20 a maximum number of contracts, but not less than two, per region of state that may
 21 be negotiated each year under this section.

22 (b) Notice of intent to negotiate a contract under this section shall be given in
 23 accordance with AS 38.05.945.

24 (c) The commissioner may negotiate a sale of timber under this section if the
 25 prospective purchaser agrees to use to the maximum extent commercially practicable
 26 the timber subject to the sale for the local manufacture of high value-added wood
 27 products. The commissioner shall determine the maximum amount of the timber being
 28 sold that is commercially practicable to use for those purposes and make the use of
 29 that percentage of the timber for those purposes a term of the contract. In evaluating
 30 proposals, the commissioner shall take into account the proposed manufacture of other
 31 value-added wood products to be produced under a negotiated contract.

*up from
5 mb f*

*instead of
50%*

1 (d) Before a sale may be negotiated under this section,

2 (1) the area of the sale must be designated for forestry purposes by a
3 valid, existing area plan adopted under AS 38.04; and

4 (2) the requirements of AS 38.05.112 and 38.05.113 must be met.

5 (e) In making the best interest finding required by AS 38.05.035(e) and this
6 section, the commissioner shall consider, in addition to other factors,

7 (1) the direct economic benefit from the local manufacture of high
8 value-added wood products as a result of the sale;

9 (2) the direct economic benefit from other local processing of the
10 timber to be undertaken by the purchaser as a result of the sale, including the
11 manufacture of other value-added wood products in addition to high value-added wood
12 products;

13 (3) the likelihood of commercial success of the locally manufactured
14 high value-added wood products and other value-added wood products;

15 (4) the extent to which the sale is likely to result in the creation and
16 maintenance of a stable local job base;

17 (5) the existence of adequate protection measures to ensure the
18 sustainability of fish and wildlife habitat and populations and continuation of other
19 uses of the area subject to the negotiated sale;

20 (6) the stumpage return to the state; and

21 (7) any other reasonably foreseeable benefits to the state and local
22 economies from the sale.

23 (f) As part of the timber sale negotiations authorized by this section, the
24 commissioner may require a prospective purchaser negotiating a timber sale contract
25 to submit financial and technical data that demonstrates that the requirements of this
26 section have been or will be met. Upon the prospective purchaser's request, the
27 commissioner shall keep data provided by the purchaser confidential in accordance
28 with the requirements of AS 38.05.035(a)(9).

29 (g) If the commissioner determines that additional analysis is necessary in
30 order to complete the best interest finding for a sale under this section, the
31 commissioner may require the prospective purchaser to retain and pay for the services

1 of a contractor to assist the commissioner in evaluating the proposed negotiated sale
 2 and financial and technical data relating to the proposed sale. The contractor shall be
 3 selected by the prospective purchaser from a list of consultants in forestry and timber
 4 economics provided by the commissioner. If the commissioner requires a prospective
 5 purchaser to retain the services of a contractor under this subsection, the commissioner
 6 shall determine the scope of the work to be performed by the contractor.

7 (h) Under this section, a performance review shall be completed not more than
 8 five years after a timber sale contract is entered into by the department to ensure that
 9 the purchaser is performing in accordance with the terms of the contract, and to
 10 determine if an updated forest land use plan under AS 38.05.112 is needed. If the
 11 commissioner determines that the

12 (1) purchaser is not performing in accordance with the contract, the
 13 commissioner may terminate the contract;

14 (2) contract conflicts with the current forest land use plan, the
 15 commissioner may terminate the contract if the conflict cannot be resolved, provided
 16 that the commissioner may not terminate a contract under this paragraph for lack of
 17 timber until the commissioner has made a good faith effort to find suitable replacement
 18 timber.

19 (i) A timber sale negotiated under this section does not affect other timber
 20 harvest programs under AS 38.05.110 - 38.05.120.

21 (j) A purchaser may not be a party to more than one contract under this
 22 section at any one time.

23 (k) In this section,

24 (1) "high value-added wood product" means kiln-dried or commercially
 25 dried lumber, interior finish paneling, and trim, flooring, doors, and windows, cabinet
 26 stock, furniture, musical instruments or parts of instruments, toys, tools and
 27 implements, ready-to-assemble building kits, veneer, plywood, finger-jointed lumber,
 28 (house logs) and other similar finished wood products specified by the commissioner
 29 by regulation and, for deciduous aspen, poplar, and high defect birch, includes
 30 engineered wood products and paneled wood products;

31 (2) "other value-added wood product" means pulp, chips, waferboard,

*Plan
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*There is no
 higher value
 achievable*

1 chipboard, fiberboard, green lumber, cants, slabs, or planks intended for remanufacture,
2 and other similar wood products specified by the commissioner by regulation.

3 * Sec. 3. AS 44.33 is amended by adding a new section to read:

4 ARTICLE 10. ALASKA FOREST PRODUCTS
5 RESEARCH AND MARKETING PROGRAM.

6 Sec. 44.33.900. ALASKA FOREST PRODUCTS RESEARCH AND
7 MARKETING PROGRAM. (a) The Alaska Forest Products Research and Marketing
8 Program is established in the Department of Commerce and Economic Development.

9 (b) The program is established to provide a statewide information
10 clearinghouse and coordinator to gather and disseminate information relating to
11 research and development, including technical, logistical, financing, marketing and
12 other relevant information regarding the manufacture of specific value-added wood
13 products and the establishment of new high value-added manufacturing facilities in the
14 state, and to assist in coordinating existing research and development efforts by state
15 and federal agencies and other public and private entities.

16 (c) The program coordinator shall identify unfilled needs and problems
17 impeding the development of a high value-added wood products industry in the state,
18 gather information and conduct analyses, and propose solutions by exploring successful
19 models in other states and nations.

20 * Sec. 4. Notwithstanding AS 38.05.123(a), added by sec. 2 of this Act, the commissioner
21 may negotiate no more than two sales of timber each year for local manufacture of high value-
22 added timber products under AS 38.05.123 in each region of the state in calendar years 1996,
23 1997, and 1998.

*change
to
no less than* I guess this means 2 contracts
no more no less



Alaska State Legislature


Senate Resources Committee

State Capitol
Juneau AK 99801

Official Business

Memo

TO: Gerry Luckhaupt
Legal Services
via fax: X2029

FROM: Annette E. Kreitzer, Aide to 
Senate Resources Committee

DATE: April 14, 1996

RE: CS SB 180: VALUE-ADDED TIMBER SALES; MARKETING

Please draft a Senate Resources Committee Substitute for SB 180 using GS0046\C dated 2/21/96 as the base document. The only amendment to this CS is to add back in Section 3 of the original bill (9-GS0046.B) This bill will have to be ready for the committee by 3:00 p.m. Monday, April 15.

Thank you for your assistance. Please call me at X4907 if you have questions.

9-GS0046\F
Luckhaupt
4/9/96

CS FOR SENATE BILL NO. 180(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the commissioner of natural resources to negotiate and
2 enter into timber sale contracts that provide for local manufacture of value-
3 added wood products; and establishing an Alaska Forest Products Research and
4 Marketing Program."

5 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

6 * **Section 1. LEGISLATIVE FINDINGS AND PURPOSE.** The legislature finds that it is
7 in the best interests of the people and economy of Alaska to encourage the establishment and
8 sustainable operation of local timber processing facilities in Alaska to produce value-added
9 wood products from timber cut on state land. One means of encouraging such facilities is
10 through the use of an incentive by reducing the stumpage price of timber offered through
11 negotiated timber sale contracts. The value-added use of timber harvested in Alaska is
12 intended to foster a stable, locally operated wood products industry by providing a steady
13 reliable supply of timber at a reliable rate over a period of time to a purchaser of the timber
14 that will provide maximum opportunities for jobs in Alaska within the constraints of

1 ~~AS 41.17.010 - 41.17.143~~ and the forest resources. *and the Forest Practices Act*

2 * Sec. 2. AS 38.05 is amended by adding a new section to article 4 to read:

3 Sec. 38.05.123. NEGOTIATED TIMBER SALES FOR LOCAL
4 MANUFACTURE OF WOOD PRODUCTS. (a) Notwithstanding the provisions of
5 AS 38.05.115 and 38.05.120, and upon a finding that the sale is in the best interest of
6 the state, the commissioner may negotiate a sale of timber for use in the local
7 manufacture of value-added wood products. A timber sale contract entered into under
8 this section may provide for a harvest of up to 20,000,000 board feet of timber each
9 year, consistent with sustained yield principles, and shall be for a term of up to 10
10 years. Initial stumpage rates for a contract under this section shall be determined by
11 negotiation but may not be less than the base price for the area as established under
12 regulations adopted by the commissioner. A contract under this section must provide
13 that stumpage rates shall be redetermined by negotiation at least once every three years
14 during the term of the contract, to reflect changes in market conditions. The
15 commissioner shall by regulation set a maximum number of contracts per region of the
16 state that may be negotiated each year under this section. The commissioner each year
17 shall negotiate under this section at least four contracts in each region of the state.
18 The commissioner shall enter into sufficient contracts so that a total harvest of at least
19 200,000,000 board feet of timber per year is contracted for under this section.

20 (b) Notice of intent to negotiate a contract under this section shall be given in
21 accordance with AS 38.05.945.

22 (c) The commissioner may negotiate a sale of timber under this section if the
23 prospective purchaser agrees to use to the maximum extent commercially practicable
24 the timber subject to the sale for the local manufacture of value-added wood products.
25 The commissioner shall determine the maximum amount of the timber being sold that
26 is commercially practicable to use for those purposes and make the use of that
27 percentage of the timber for those purposes a term of the contract. In evaluating
28 proposals, the commissioner shall take into account the proposed manufacture of other
29 value-added wood products to be produced under a negotiated contract.

30 (d) Before a sale may be negotiated under this section,

31 (1) the area of the sale must be designated for forestry purposes by a

1 valid, existing area plan adopted under AS 38.04; and

2 (2) the requirements of AS 38.05.112 and 38.05.113 must be met.

3 (e) In making the best interest finding required by AS 38.05.035(e) and this
4 section, the commissioner shall consider, in addition to other factors,

5 (1) the direct economic benefit from the local manufacture of value-
6 added wood products as a result of the sale;

7 (2) the direct economic benefit from other local processing of the
8 timber to be undertaken by the purchaser as a result of the sale in addition to value-
9 added wood products;

10 (3) the likelihood of commercial success of the locally manufactured
11 value-added wood products and other value-added wood products;

12 (4) the extent to which the sale is likely to result in the creation and
13 maintenance of a stable local job base;

14 (5) the compliance of the sale with AS 41.17.010 - 41.17.143;

15 (6) the stumpage return to the state; and

16 (7) any other reasonably foreseeable benefits to the state and local
17 economies from the sale.

18 (f) As part of the timber sale negotiations authorized by this section, the
19 commissioner may require a prospective purchaser negotiating a timber sale contract
20 to submit financial and technical data that demonstrates that the requirements of this
21 section have been or will be met. Upon the prospective purchaser's request, the
22 commissioner shall keep data provided by the purchaser confidential in accordance
23 with the requirements of AS 38.05.035(a)(9).

24 (g) If the commissioner determines that additional analysis is necessary in
25 order to complete the best interest finding for a sale under this section, the
26 commissioner may require the prospective purchaser to retain and pay for the services
27 of a contractor to assist the commissioner in evaluating the proposed negotiated sale
28 and financial and technical data relating to the proposed sale. The contractor shall be
29 selected by the prospective purchaser from a list of consultants in forestry and timber
30 economics provided by the commissioner. If the commissioner requires a prospective
31 purchaser to retain the services of a contractor under this subsection, the commissioner

1 shall determine the scope of the work to be performed by the contractor.

2 (h) A timber sale negotiated under this section does not affect other timber
3 harvest programs under AS 38.05.110 - 38.05.120.

4 (i) In this section,

5 (1) "other value-added wood product" means pulp, chips, waferboard,
6 chipboard, fiberboard, green lumber, cants, slabs, or planks intended for remanufacture,
7 and other similar wood products specified by the commissioner by regulation;

8 (2) "value-added wood product" means kiln-dried or commercially dried
9 lumber, interior finish paneling, and trim, flooring, doors, and windows, cabinet stock,
10 furniture, musical instruments or parts of instruments, toys, tools and implements,
11 ready-to-assemble building kits, veneer, plywood, finger-jointed lumber, house logs,
12 and other similar finished wood products specified by the commissioner by regulation
13 and, for deciduous aspen, poplar, and high defect birch, includes engineered wood
14 products and paneled wood products.

15 * Sec. 3. AS 44.33 is amended by adding a new section to read:

16 ARTICLE 10. ALASKA FOREST PRODUCTS
17 RESEARCH AND MARKETING PROGRAM.

18 Sec. 44.33.900. ALASKA FOREST PRODUCTS RESEARCH AND
19 MARKETING PROGRAM. (a) The Alaska Forest Products Research and Marketing
20 Program is established in the Department of Commerce and Economic Development.

21 (b) The program is established to

22 (1) provide a statewide information clearinghouse and coordinator to
23 gather and disseminate information relating to research and development, including
24 technical, logistical, financing, marketing and other relevant information regarding the
25 manufacture of specific value-added wood products and the establishment of new
26 value-added manufacturing facilities in Alaska;

27 (2) assist in coordinating existing research and development efforts by
28 state and federal agencies and other public and private entities; and

29 (3) work with the Department of Natural Resources, the Mental Health
30 Trust Authority, and the University of Alaska in evaluating and prioritizing state
31 timber assets on the basis of potential economic return.

1 (c) The program coordinator shall

2 (1) identify unfilled needs and problems impeding the development of
3 a value-added wood products industry in Alaska, gather information and conduct
4 analyses, and propose solutions by exploring successful models in other states and
5 nations; and

6 (2) act as an advocate for the establishment of a value-added timber
7 industry with a minimum harvest of 200,000,000 board feet annually.

8 * Sec. 4. Notwithstanding AS 38.05.123(a), added by sec. 2 of this Act, the commissioner
9 may negotiate no more than four sales of timber each year for local manufacture of value-
10 added timber products under AS 38.05.123 in each region of the state in calendar years 1996,
11 1997, and 1998.




Alaska State Legislature

Official Business

State Capitol
Juneau AK 99801

MEMO

TO: Gerry Luckhaupt
Legal Services
via fax: X2029 - 2 pages

FROM: Annette E. Kreitzer, Aide to
Senate Resources Committee 

DATE: April 5, 1996

RE: GS00046C dated 2/21/96 for SB 180(RES)

Please prepare a Resources Committee Substitute for SB180 using the following language which is to the C version noted above. I need the CS by Monday, April 8 at 5:00 p.m. for distribution to Resources Committee members.

- 1) Remove the word "high" in reference to value throughout the bill.
- 2) Page 1, Line 8:
following "added wood products": **DELETE [AND OTHER VALUE-ADDED WOOD PRODUCTS]**
- 3) Page 1, Line 11:
following "stable," **DELETE [SMALL SCALE,]**
- 4) Page 1, Line 11:
DELETE [RUN], Insert operated
Page 1, Line 12:
DELETE [FINISHED]
- 5) Page 1, Line 14 and continuing to Page 2, Line 1:
DELETE [WITHOUT SIGNIFICANTLY ADVERSELY AFFECTING FISH AND WILDLIFE HABITAT]
Insert: within the constraints of the Alaska Forest Practices Act
- 6) Page 2, Line 9:
DELETE [MAY]
Insert shall
- 7) Page 2, Line 8:
DELETE [10,000,000]
Insert: 20 million

- 8) Page 2, Line 10:
Following "years"
Insert: Total annual sale contract volume shall be at least 200 million board feet.
- 9) Page 2, Lines 14-16:
[THE REDETERMINED RATES MAY NOT BE LESS THAN THE BASE PRICE FOR THE AREA AS ESTABLISHED UNDER REGULATIONS ADOPTED BY THE COMMISSIONER]
- 10) Page 3, Line 7:
Following "of the sale"
DELETE [,]
- 11) Page 3, Lines 7-8:
DELETE: **[INCLUDING THE MANUFACTURE OF VALUE-ADDED WOOD PRODUCTS**
- 12) Page 3, Lines 14-16:
DELETE ALL MATERIAL AND INSERT:
(5) compliance with the State Forest Practices Act;
- 13) Page 4, Lines 4-15:
(h) DELETE ALL MATERIAL and reletter following sections
- 14) Page 4, Lines 18-19:
(j) DELETE ALL MATERIAL and reletter following sections
- 15) Page 4, Line 31:
Insert new Section 3 amending AS 44.33 (as it appeared in original version of SB 180 - Article 10. Alaska Forest Products Research and Marketing Program

Note: the following amendments are to the section inserted by Amendment #15.

- 16) Page 5, Insert new section:
(d) The program coordinator shall act as an advocate for the establishment of a value-added timber industry with a minimum harvest of 200 million board feet annually.
- 17) Page 5, Insert new section:
(e) This program will work with DNR, the Mental Health Trust Lands Authority and the University of Alaska to prioritize and evaluate their timber assets on the basis of potential economic return.

Sen Taylor

Amendments to SB 180

1. Remove the word "high" in reference to value added throughout the bill.
2. Page 1, line 10 - 11 delete after products "and other value added wood products"
3. Page 2, line 1 delete "small scale,"
4. Page 2, line 1 insert "operated," for "run," delete "finished"
5. Page 2, line 2 after jobs, delete "without significantly adversely impacting fish and wildlife habitat." insert, "within the constraints of the Alaska Forest Practices Act."
6. Page 2, line 9 delete "may" and insert "shall"
7. Page 2, line 12 delete "five" and insert "twenty"
8. Page 2, line 13 after "years." insert "Total annual sale contract volume shall be at least 200 million board feet. *- Does this mean aggregate sales? (all sales) and not section? or it clear!*
9. Page 2, line 19 insert "." after conditions. Delete "the redetermined rates may not be less than the base price for the area as established under regulations adopted by the commissioner."
10. Page 3, line 7 insert "," after sale.
11. Page 3, line 8 delete "including the manufacture of value-added wood products;"
12. Page 3, line 15 delete all of (5) and insert a new (5) "compliance with the State Forest Practices Act;"
13. Page 4, line 15 delete all of (j).
14. Page 4, line 20 after "kits," insert plywood, pulp, waferboard, chipboard, medium density fiber board, green lumber. *Amendments need to be drafted to CS*
15. Page 4, line 24 delete " Except as otherwise provided in this subsection, "high value-added wood product" does not include specified by the commissioner by regulation."
16. Page 5, insert (d) " the program coordinator shall act as an advocate for the establishment of a value-added timber industry with a minimum harvest of 200 million board feet annually."

17. Page 5, insert (e) "this program will work with DNR, the Mental Health Trust Lands and the University of Alaska to prioritize and evaluate their timber assets on the basis of potential economic return."

INTERIOR ALASKA FOREST ASSOCIATION

"THE FOREST IS OUR FUTURE."

Senate Resource Committee:

My name is Albert Pagh. My son and I have owned and operated Four Star Lumber Co. in Fairbanks for 26 years. I am also chairman of Interior Alaska Forest Association, which represents forest industry in the interior.

I would like to offer the following comments on SB 180 for the Interior Alaska Forest Association and for myself as a sawmill owner.

Line 9, page 1 Stumpage reduction. We do not believe there should be any stumpage reduction. A healthy industry does not need subsidies. No one in the logging industry I know of is asking for a subsidy. What we do need is a more reliable long term supply and most importantly we need a market for hardwood and pulp logs. This subsidy will hurt local sawmills that have been selling lumber for years. The local existing added value industry would be destroyed by mills that would be subsidized by the state under SB180. What's wrong with this picture? SB180, the "added value bill", would kill the existing added value industry as it's currently written (for spruce sawlogs). There have been very few sales put up in the Fairbanks region that haven't sold unless there were stipulations in the contract that increased the stumpage beyond its market value. So in a healthy competing industry, why create a subsidy?

Line 16, page 2, not less than 2 per year per region. The Division of Forestry is now putting up what is supposed to be the allowable cut of spruce sawlogs, so how can they put up sales under this bill without putting existing operators out of business? The product that four Star Lumber has been cutting and selling locally for 26 years, green lumber, does not qualify as high value added product under this bill. Tom Boutin says in the fiscal note he will replace the open bid sales we rely on with SB180 sales which all the sawmills in the region do not qualify for. If this happens we will lose our timber supply and be out of business. We do not believe it is us that should be put out of business.

Tom Boutin states on his fiscal note to CSHB344(Res) February 20, 1996 "However, because this program will most likely replace existing sales, funding and personnel requirements will displace costs of existing programs and are not reflected in the fiscal note." Yet on page 4, line 13, (I) of the bill it says a timber sale negotiated under this section does not affect other timber harvest programs under A.S. 38.05.110 - 38.05.120. Apparently, Mr. Boutin is planning on violating the law even before it is passed!! It is clear what his intent is for the existing added value industry. I hope you will question Mr. Boutin intentions.

Page 3, line 26 (G) erodes the value of the timber.

Page 4, line 4 (H). The commissioner can cancel a contract if it conflicts with the current forest land use plan. I don't know of anyone that would make an investment of any size when it could be canceled after 5 years. It looks like the forest plan can be changed after the contract is negotiated, and then the sale can be canceled. Would you invest your money under such conditions? Please, delete lines 7, 11-15. Added
to
proposed
bill

Page 4, line 15(J) says a purchaser may not be party to more than one contract under this section at any one time. This would not allow a Co-op to be formed to use a dry kiln or and other Co-op endeavor. We recommend you delete the product lists and simply let sales go to mills that will be always trying to increase the values added when feasible. Government does a poor job of determining products to sell, (ie Barley). The list will be obsolete in a few years as new products are designed. Priority should go to using the logs that are currently valueless- this is all hardwoods and spruce pulpwood. We need an industry that can build the access and marketing infrastructure that real high value added mills will never be able to do on their own. You can't create a high end industry in a area dominated with a low end wood supply. Anyone in this industry can tell you the low end determines the profitability and whether a high value industry can be done. The low end is the stumbling block and must be removed first. This bill as written is an invitation to high grade and create a huge amount of waste and degrade the forest. I can't believe pulp is not included as high added value, it has one of the highest value per ton of all wood products. ✓

Sincerely,

Al Pagh
Chairman,
IAFA

"When the oil stops flowing, the trees will still be growing."

Please distribute
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members of
S. Resources
Committee



Alaska State Legislature

Senate

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2/23/96

TO SENATE COMMITTEE:

Resources

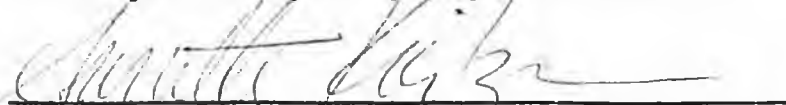
FROM: Office of the Senate Secretary

The Senate President has added/changed the referral(s) on the following bill(s):

SB 180 - value-added timber sales

Please give the bill file(s) and the signed letter (this note) to the page delivering this message.

Thank you for your prompt attention.


SIGNATURE OF PERSON RECEIVING THIS NOTE

JR/s

CS FOR SENATE BILL NO. 180(RES)
IN THE LEGISLATURE OF THE STATE OF ALASKA
NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing the commissioner of natural resources to negotiate and enter
2 into timber sale contracts that provide for local manufacture of high value-added
3 wood products."

4 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

5 * Section 1. LEGISLATIVE FINDINGS AND PURPOSE. The legislature finds that it is
6 in the best interests of the people and economy of Alaska to encourage the establishment and
7 sustainable operation of local timber processing facilities in Alaska to produce high value-
8 added wood products and other value-added wood products from timber cut on state land.
9 One means of encouraging such facilities is through the use of an incentive by reducing the
10 stumpage price of timber offered through negotiated timber sale contracts. The value-added
11 use of timber harvested in Alaska is intended to foster a stable, small scale, locally run,
12 finished wood products industry by providing a steady reliable supply of timber at a reliable
13 rate over a period of time to a purchaser of the timber that will provide maximum
14 opportunities for jobs in Alaska without significantly adversely affecting fish and wildlife

1 habitat and the forest resources.

2 * Sec. 2. AS 38.05 is amended by adding a new section to article 4 to read:

3 Sec. 38.05.123. NEGOTIATED TIMBER SALES FOR LOCAL
4 MANUFACTURE OF WOOD PRODUCTS. (a) Notwithstanding the provisions of
5 AS 38.05.115 and 38.05.120, and upon a finding that the sale is in the best interest of
6 the state, the commissioner may negotiate a sale of timber for use in the local
7 manufacture of high value-added wood products. A timber sale contract entered into
8 under this section may provide for a harvest of up to 10,000,000 board feet of timber
9 each year, consistent with sustained yield principles, and may be for a term of up to
10 10 years. Initial stumpage rates for a contract under this section shall be determined
11 by negotiation but may not be less than the base price for the area as established under
12 regulations adopted by the commissioner. A contract under this section shall provide
13 that stumpage rates shall be redetermined by negotiation at least once every three years
14 during the term of the contract, to reflect changes in market conditions; the
15 redetermined rates may not be less than the base price for the area as established under
16 regulations adopted by the commissioner. The commissioner shall by regulation set
17 a maximum number of contracts, but not less than two, per region of state that may
18 be negotiated under this section.

19 (b) Notice of intent to negotiate a contract under this section shall be given in
20 accordance with AS 38.05.945.

21 (c) The commissioner may negotiate a sale of timber under this section if the
22 prospective purchaser agrees to use to the maximum extent commercially practicable
23 the timber subject to the sale for the local manufacture of high value-added wood
24 products. The commissioner shall determine the maximum amount of the timber being
25 sold that is commercially practicable to use for those purposes and make the use of
26 that percentage of the timber for those purposes a term of the contract. In evaluating
27 proposals, the commissioner shall take into account the proposed manufacture of other
28 value-added wood products to be produced under a negotiated contract.

29 (d) Before a sale may be negotiated under this section,

30 (1) the area of the sale must be designated for forestry purposes by a
31 valid, existing area plan adopted under AS 38.04; and

1 (2) the requirements of AS 38.05.112 and 38.05.113 must be met.

2 (e) In making the best interest finding required by AS 38.05.035(e) and this
3 section, the commissioner shall consider, in addition to other factors,

4 (1) the direct economic benefit from the local manufacture of high
5 value-added wood products as a result of the sale;

6 (2) the direct economic benefit from other local processing of the
7 timber to be undertaken by the purchaser as a result of the sale, including the
8 manufacture of other value-added wood products in addition to high value-added wood
9 products;

10 (3) the likelihood of commercial success of the locally manufactured
11 high value-added wood products and other value-added wood products;

12 (4) the extent to which the sale is likely to result in the creation and
13 maintenance of a stable local job base;

14 (5) the existence of adequate protection measures to ensure the
15 sustainability of fish and wildlife habitat and populations and continuation of other
16 uses of the area subject to the negotiated sale;

17 (6) the stumpage return to the state; and

18 (7) any other reasonably foreseeable benefits to the state and local
19 economies from the sale.

20 (f) As part of the timber sale negotiations authorized by this section, the
21 commissioner may require a prospective purchaser negotiating a timber sale contract
22 to submit financial and technical data that demonstrates that the requirements of this
23 section have been or will be met. Upon the prospective purchaser's request, the
24 commissioner shall keep data provided by the purchaser confidential in accordance
25 with the requirements of AS 38.05.035(a)(9).

26 (g) If the commissioner determines that additional analysis is necessary in
27 order to complete the best interest finding for a sale under this section, the
28 commissioner may require the prospective purchaser to retain and pay for the services
29 of a contractor to assist the commissioner in evaluating the proposed negotiated sale
30 and financial and technical data relating to the proposed sale. The contractor shall be
31 selected by the prospective purchaser from a list of consultants in forestry and timber

1 economics provided by the commissioner. If the commissioner requires a prospective
2 purchaser to retain the services of a contractor under this subsection, the commissioner
3 shall determine the scope of the work to be performed by the contractor.

4 (h) Under this section, a performance review shall be completed not more than
5 five years after a timber sale contract is entered into by the department to ensure that
6 the purchaser is performing in accordance with the terms of the contract, and to
7 determine if an updated forest land use plan under AS 38.05.112 is needed. If the
8 commissioner determines that the

9 (1) purchaser is not performing in accordance with the contract, the
10 commissioner may terminate the contract;

11 (2) contract conflicts with the current forest land use plan, the
12 commissioner may terminate the contract if the conflict cannot be resolved, provided
13 that the commissioner may not terminate a contract under this paragraph for lack of
14 timber until the commissioner has made a good faith effort to find suitable replacement
15 timber.

16 (i) A timber sale negotiated under this section does not affect other timber
17 harvest programs under AS 38.05.110 - 38.05.120.

18 (j) A purchaser may not be a party to more than one contract under this
19 section at any one time.

20 (k) In this section,

21 (1) "high value-added wood product" means kiln-dried or commercially
22 dried lumber, interior finish paneling, and trim, flooring, doors, and windows, cabinet
23 stock, furniture, musical instruments or parts of instruments, toys, tools and
24 implements, ready-to-assemble building kits, veneer, plywood, finger-jointed lumber,
25 house logs, and other similar finished wood products specified by the commissioner
26 by regulation and, for deciduous aspen, poplar, and high defect birch, includes
27 engineered wood products and paneled wood products;

28 (2) "other value-added wood product" means pulp, chips, waferboard,
29 chipboard, fiberboard, green lumber, cants, slabs, or planks intended for remanufacture,
30 and other similar wood products specified by the commissioner by regulation.

31 * Sec. 3. Notwithstanding AS 38.05.123(a), added by sec. 2 of this Act, the commissioner

- 1 may negotiate no more than two sales of timber for local manufacture of high value-added
- 2 timber products under AS 38.05.123 in each region of the state in calendar years 1996, 1997,
- 3 and 1998.

9-GS0046C ✓
Luckhaupt
2/21/96

CS FOR SENATE BILL NO. 180(RES)

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE RESOURCES COMMITTEE

Offered:

Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

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10 stumpage price of timber offered through negotiated timber sale contracts. The value-added
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12 finished wood products industry by providing a steady reliable supply of timber at a reliable
13 rate over a period of time to a purchaser of the timber that will provide maximum
14 opportunities for jobs in Alaska ~~without significantly adversely affecting fish and wildlife~~

1 ~~habitat and the forest resources.~~

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17 a maximum number of contracts, ~~but not less than two, per region of state that may~~
18 ~~be negotiated under this section.~~

19 (b) Notice of intent to negotiate a contract under this section shall be given in
20 accordance with AS 38.05.945.

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27 proposals, the commissioner shall take into account the proposed manufacture of other
28 value-added wood products to be produced under a negotiated contract.

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30 (1) ~~the area of the sale must be designated for forestry purposes by a~~
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~~(2) The requirements of AS 38.05.112 and 38.05.113 must be met.~~

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(f) As part of the timber sale negotiations authorized by this section, the commissioner may require a prospective purchaser negotiating a timber sale contract to submit financial and technical data that demonstrates that the requirements of this section have been or will be met. Upon the prospective purchaser's request, the commissioner shall keep data provided by the purchaser confidential in accordance with the requirements of AS 38.05.035(a)(9).

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10 commissioner may terminate the contract;

11 (2) contract conflicts with the current forest land use plan, the
12 commissioner may terminate the contract if the conflict cannot be resolved, provided
13 that the commissioner may not terminate a contract under this paragraph for lack of
14 timber until the commissioner has made a good faith effort to find suitable replacement
15 timber.

16 (i) A timber sale negotiated under this section does not affect other timber
17 harvest programs under AS 38.05.110 - 38.05.120.

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20 (k) In this section,

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delete

- 1 may negotiate [no more than two] sales of timber for local manufacture of high value-added
- 2 timber products under AS 38.05.123 in each region of the state in calendar years 1996, 1997,
- 3 and 1998.

Scrubber Fund:
Add back in marketing program.

Sec. 3 in SB/80 : title change.

K other: budgeted for 1 person in Comm.

Katherine will be d.s.

BOF already

Frank, imp's sub'dy

Sec. 3 - may neg. ms and - 2 sal
calendar yrs. 96-98

BOF already

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MEMORANDUM

February 21, 1996

SUBJECT: Local Manufacture of High Value-Added Wood Products -
CSSB 180(RES), Draft, Dated 2/21/96
(Work Order No. 9-GS0046(C))

TO: Senator Loren Leman
Attn: Annette Kreitzer

FROM: Gerald P. Luckhaupt *GLP*
Legislative Counsel

Enclosed is the draft committee substitute you requested. I have one comment concerning the bill. There is a risk that the provisions of this bill requiring local manufacture may violate the interstate commerce clause of the United States Constitution.¹ While the state can try to craft an argument that the bill is not unconstitutional, if I were a betting man I'd probably put my money on a court finding the bill unconstitutional. My concern in this area is based upon the decision of the United States Supreme Court in South-Central Timber Development Inc. v. Wunnicke, 467 U.S. 82, 81 L.Ed. 2d 71, 104 S.Ct. 2237 (1984).² I do believe the state could provide that in-state or local processing of timber

¹I assume that this is what Governor Knowles is referring to on page 2 of his transmittal letter for HB 344 where he says: "My Administration will be working with the Alaska Congressional delegation to ensure that appropriate related changes are made to federal law."

²As a note, the state currently has a regulation, 11 AAC 71.230, that addresses the subject of "primary manufacture" or partial processing of timber offered for sale by the state. The regulation says:

PRIMARY MANUFACTURE OF TIMBER. (a) The director will, in his discretion, require the primary manufacture of timber removed under this chapter [11 AAC 71] be accomplished within the state to the extent consistent with law.

(b) For the purposes of this section, the director will consider timber which has been manufactured into a product for use without further processing as having been primarily manufactured

(continued...)

could be a factor the commissioner considers in determining whether to enter into a negotiated sale of timber for local manufacture of high value-added wood products. The consideration of this as one of many factors, while not actually requiring it as a contractual provision, would probably not run afoul of Wunnicke.

The United States Supreme Court in Wunnicke found Alaska's primary manufacture requirement embodied in 11 AAC 71.230 unconstitutional. Briefly summarized, the court first found that Congress had not authorized Alaska's primary manufacture requirement. While the court found evidence (in a series of annual riders attached to federal appropriation Acts in the preceding decade) of a clearly defined federal policy imposing primary manufacture requirements as to timber taken from federal lands in Alaska, in order for the state's regulation to be removed from the reach of the Commerce Clause of the United States Constitution,^{3/} it required that Congressional intent to allow state regulation over a facet of interstate commerce must be unmistakably clear. The court concluded that Congress had acted only with respect to activities on federal lands and determined that its authorization, by silence, of similar activities on non-federal lands could not be inferred.

²(...continued)

only if the director determines that there is a market for the product.

At 11 AAC 71.910(11) there appears this definition of "primary manufacture":

"primary manufacture" means manufacture which is first in order of time or development; the term

(A) when used in relation to a saw milling operation, means the breakdown process in which logs are reduced in size . . . to the extent that the residual cants, slabs, or planks do not exceed a nominal eight and three-quarters inches in thickness;

(B) when used in relation to a pulp operation, means the breakdown process to the point at which wood fibers have been separated;

(C) when used in relation to an operation for veneer for plywood production, it means the production of green veneer;

(D) when used in relation to poles or piling, whether treated or untreated, means manufacture for the purpose of use as poles or piling; and

(E) when used in relation to timber processing wastes, means manufacture into chips.

^{3/} Article I, section 8, clause 3 provides, in pertinent part, that the United States Congress may "regulate commerce with foreign nations [and] among the several states

The court then rejected Alaska's further assertion that its restrictions on the export of unprocessed timber from state-owned land was exempt from Commerce Clause scrutiny under the so-called "market-participant doctrine."^{4/} The court could not find evidence that Alaska was, in fact, a participant. Instead, the court opinion declared:

[D]ownstream restrictions have a greater regulatory effect than do limitations on the immediate transactions. Instead of merely choosing its own trading partners, the State is attempting to govern the private, separate economic relationships of its trading partners; that is, it restricts the post-purchase activity of the purchaser, rather than merely the purchasing activity. In contrast to the situation in White [v. Massachusetts Council of Construction Employees, Inc.], 460 U.S. 204, 75 L.Ed.2d 1, 103 S.Ct. 1042 (1983)], this restriction on private economic activity takes place after the completion of the parties' direct commercial obligations, rather than [as in White] during the course of an ongoing commercial relationship in which the city retained a continuing proprietary interest in the subject of the contract. In sum, the State may not avail itself of the market-participant doctrine to immunize its downstream regulation of the timber-processing market in which it is not a participant.

Southcentral Timber Development, 81 L.Ed.2d at 84 (emphasis added, note omitted, citation supplied).^{5/}

^{4/} Case law makes clear that, if a state acts in a market as a participant, as distinguished from its exercising its role as a regulator, the Commerce Clause places no restrictions on the state's activities. Hughes v. Alexandria Scrap Corp., 426 U.S. 794, 49 L.Ed.2d 220, 96 S.Ct. 2488 (1976), Reeves, Inc. v. Stake, 447 U.S. 429, 65 L.Ed.2d 244, 100 S.Ct. 2271 (1980), White v. Massachusetts Council of Construction Employers, Inc., 460 U.S. 204, 75 L.Ed.2d 1, 103 S.Ct. 1042 (1983). The cases all considered factual situations in which government expenditure of public money for commercial purposes yielded benefits that the governments wished to keep within the affected communities.

^{5/} And, the court cautioned,

This is not to say that the State could evade the reasoning of this opinion by merely including a provision in its contract that title does not pass until the processing [of the timber] is complete. It is the substance of the transaction, rather than the label attached to it, that governs Commerce Clause analysis.

Southcentral Timber Development, 81 L.Ed.2d 84, n. 11.

Finally, the court summarily rejected the state's further contention that the restriction does not impose a burden on interstate or foreign commerce.

In the intervening years, relying on the opinion cited, the Alaska Department of Natural Resources has not implemented its regulation.^{6/}

I wish I could tell you that the "market participation" exception has been substantially altered by one or more intervening court decisions so that another effort to craft a primary manufacture requirement might be brought within a refashioned, broadened definition of "market." But Southcentral Timber Development appears to have been the last word from the Court on the subject, and I think we should understand that the Court is highly unlikely to look kindly on further state efforts aimed at regulating commercial activity involving resources that happen to be found on state land. The earlier decisions infer that the Court may be willing to accept more modest efforts limited to those with whom government engages as a business participant including, especially, instances in which the government commits to expenditure of public money in conjunction with those commercial efforts.^{7/} The

^{6/} In the other Western states, with one notable exception, the recent trend has been to ban the sale and export of unprocessed timber. Under the Forest Resources Conservation and Shortage Relief Act of 1990, a series of provisions set out in 16 U.S.C. 620 et seq., effective in January, 1991, extended an existing ban on unprocessed log exports from federal lands in the 11 contiguous Western states, directed the U.S. Secretary of Commerce to ban all exports of unprocessed timber from these 11 states with annual sales volume of 400 million board feet or less, but allowed a partial sale of unprocessed timber from states with sales exceeding that volume (to the amount of not more than 25 percent of unprocessed timber). 16 U.S.C. 620a - c. In essence, the provision favored limited continued sales of unprocessed timber from state and private lands only in Washington; one rationale offered was that revenue from these sales provided substantial support for public education in that state and helped a number of counties with substantial lands that were under timber harvest to meet the costs of a range of other general government services. In 1992, the Secretary of Commerce, acting under authority given elsewhere in that Act, terminated even this limited exception for export of unprocessed timber from Washington by making the ban on those sales total. The statutory provisions and the secretary's orders were struck down as violative of the Tenth Amendment by the Ninth Circuit Court of Appeals in Board of Natural Resources of Washington v. Brown, 992 F.2d 937 (9th Cir. 1993).

^{7/}The argument can be made if expenditure of state funds qualifies the state as a market participant then foregoing the receipt of state funds should qualify the state as a market participant also. Therefore, if the state were to provide incentives that involved foregoing the receipt of state funds, for example by providing for the sale of timber at less than fair market value, then the state is economically involved as a market participant and
(continued...)

Senator Loren Leman

February 21, 1996

Page 5

negotiated sales and decisions to enter into them could be considered to be just such a situation where the state is involved as a business participant with the logger. As such, a provision that allows or requires the commissioner to consider where the timber will be processed may be permissible. But I'm not convinced that a provision of a local manufacture negotiated sale that requires in-state processing could be enforceable as I don't believe that that situation would be distinguishable from the downstream regulation condemned by the Supreme Court in Wunnicke. See infra, p.3-4 and footnote 4.

GPL:pl

96-059.plm

Enclosure

⁷(...continued)

a requirement of primary or local manufacture should be permissible. I do not know what the likelihood of success for this argument is, I only know that facially it appears to meet the requirements for the market participant doctrine.

SECTIONAL ANALYSIS OF CS HB344 FOR HOUSE RESOURCES COMMITTEE

February 21, 1996

My name is Tom Boutin. I am employed as State Forester, in Department of Natural Resources Division of Forestry. With me is Karl Ohls, Resources Specialist with the Department of Commerce. I would also like to introduce Kathleen Morse, who has just been hired as Forestry Economist with the Department of Commerce. Thank you for inviting us here and thank you for the hard work you have done on HB344; during the interim and now with CS that we have before us.

Thank you also for allowing the Board of Forestry to add to the public process on HB344. Last Fall, the Board of Forestry held a hearing on the bill and then worked what they heard into recommendations. The CS adopted virtually all of those recommendations.

We're very pleased with the processes of which we have been a small part on both HB212 and HB344. The work of the House Resources Committee and HB212 sponsor Representative Jeanette James allowed virtually all stakeholders and interests to reach an understanding. With HB344, the Board of Forestry was able to bring its role as a consensus building body of interest groups to the process. The Board of Forestry looks for sound science and good process.

The Governor introduced this legislation in response to concerns of many groups, including members of the timber industry that we better utilize the timber that is cut in Alaska. HB344 is our response to what we think we heard from many constituents who want better utilization of state timber.

What you see in HB344 is what we heard from people like Steve Seley, of Ketchikan. The Governor's office told me that Steve would be here to talk with you today but we just received the sad news that Steve's Dad just passed away. I understand that some other small SE operators would be patched in to this teleconference except for the busy schedule you have before you today.

In order to not take any more of your time than absolutely necessary, I will now move to the bill. I know this committee has looked at this bill before but there was a recommendation that I run through the bill since there is a CS.

Section 1. The purpose of HB344 is to bring some certainty of wood supply to processors who bring high value in the manufacture of state timber. The administration has talked with many small operators and they agree on at least one point: they can find a market for any high-value product they can produce but they cannot buy the capital equipment those products require unless there is a reliable supply of timber. While HB344 is not a mandate to eliminate log exports or change the forest products industry, it's still true that round log export prices prohibit small operators in SE from putting capital equipment in place.

HB344 is a tool and an incentive for high value-added processing. While Governor Knowles would like small independent commercial wood users to have an advantage, this bill is directed toward maximizing the number of jobs per acre harvested and does not favor any sector of the forest products industry.

Section 2. Sec 2 provides that negotiated timber sales of up to 10 million board feet and 10 years in duration can be negotiated for use in the local manufacture of high value-added wood products. HB 344 originally provided for sales of no more than 5 million board feet per year. We did not intend that would be enough to supply all the wood needs of some types of value-added processing. However, a firm that has a certainty-of supply for a substantial part of its needs can then compete on the open market for timber sold by private and public timber owners. Very few wood users receive all of their supply from one source.

While the CS now allows sales of up to 10 million board feet per year, we would feel more

comfortable with 5 to 7 million board feet as a maximum. Most timber sale contracts will be far less. A higher amount would alarm the public without gaining any utility whatsoever. The Board of Forestry did not recommend any change to the contract volume.

The Board heard concerns about the increase in timber offered that might result from this bill. Section 2 adopted the Board's recommendation to provide for limiting the number of contracts per region by regulation. There has been some discussion about different possible interpretations of Ln 16, on Page 2. The way I understand it, the commissioner could set a maximum number of contracts per region and that maximum must be two or more. That is acceptable to us if that is the correct interpretation.

Another area that the Board of Forestry investigated is the portion of state timber that is of sufficient quality to produce high value-added products. The CS adopts the Board of Forestry recommendation to allow consideration of other value-added wood products.

Section 2, Paragraph (e), required the commissioner to consider not only the economic benefits from the manufacture of high and other value-added wood products, but also the likelihood of the venture being successful, job creation and stability, fish and wildlife habitat and multiple use, and the stumpage return to the state.

The CS adds public process in providing for an updated Forest Land Use Plan after a 5-year performance review. The requirements of AS 38.05.112 (Forest Land Use Plans) and AS 38.05.113 (5 year schedules of timber sales) apply to HB344 because the Governor wants good public process. The public has told us that at least during the past 2 years, forest land use plans and 5 year schedules have provided good public process.

The Board of Forestry looked at the list of high value-added products and recommended adding to the list. The CS has the amended list to now include veneer, plywood, finger-jointed lumber and house-logs, exactly as the Board of Forestry recommended.

The Board also wanted to encourage the processing of other value-added products where the resource just cannot make high value-added products. The CS includes the list of other value-added wood products in Section 2, Paragraph (k)(2). Other value-added wood products means pulp, chips, waferboard, fiberboard, green lumber, cants, slabs or planks intended for remanufacture. Similar products can be specified by regulation.

Section 3. As noted earlier, the Board of Forestry heard about the public concern that this bill could lead to large increases in the amount of timber offered. The CS limits the number of these timber sales to no more than 2 per region in 1996, 1997 and 1998.

HB344 as originally drafted provided for an Alaska Forest Products Research and Marketing Program. We had not heard of any concerns over that proposal but the CS eliminates it. Karl Ohls will talk about that in a moment.

HB344 does not add timber sales. Timber sales on state land are unlikely to approach the ceiling of sustained yield with multiple use because of budget realities.

HB344 is simply a method of sale option. It does not change public process for timber sales. It does not transfer any forest management responsibilities to the timber purchaser. It does not close the door on round log exports.

We thank you for this hearing today and the interest the House Resources Committee has shown in state timber. We would be glad to answer any questions you may have.

Committee Substitute for House Bill 344

Outline of Changes Prepared by Representative Bill Williams

An Act authorizing the commissioner of natural resources to negotiate and enter into timber sale contracts that provide for local manufacture of high value-added wood products.

Page 1, Section 1, lines 9-10

Added: "an incentive by reducing the stumpage price of timber offered through negotiated timber sale contracts."

Reason: The Board of Forestry wanted to be certain the only incentive offered is a reduction in the stumpage price for timber.

Page 1, Section 1, lines 12-13

Added: "by providing a steady reliable supply of timber at a reliable rate over a period of time to a purchaser of the timber"

Reason: The Board of Forestry recognized the single most important requirement of a value-added wood processing industry is a long-term reliable supply of timber.

Page 2, Section 1, line 1

Added: "and the forest resources."

Reason: The Board of Forestry wanted to ensure high-grading of state owned timber did not occur and that the forest resources are not significantly adversely impacted by value-added timber sale contracts.

Page 2, Section 2, line 8

Changed from [5,000,000] board feet to 10,000,000 board feet

Reason: Five million board feet was not considered enough timber to people in the Fairbanks areas in particular to encourage new industry to come to Fairbanks.

Page 2, Section 2, lines 16-18

Added: "The commissioner shall by regulation set a maximum number of contracts, but not less than two, per region of the state that may be negotiated under this section."

Reason: The Board of Forestry recommended two sales per region during the transition years; however, we wanted to ensure not less than two per year in the years following the transition.

Page 2, Section 2, line 22

Added: "maximum extent commercially practicable"

Reason: The Board of Forestry understood the intent of the bill would not prohibit the export of some portion of timber to make the sale commercially practicable.

Page 2, Section 2, lines 24-28

Added: "The commissioner shall determine the maximum amount of the timber being sold that is commercially practicable to use for those purposes and make the use of that percentage of the timber for those purposes a term of the contract. In evaluating proposals, the commissioner shall take into account the proposed manufacture of other value-added wood products to be produced under a negotiated contract."

Reason: The Board of Forestry understood the intent of the bill would not prohibit the export of some portion of timber to make the sale commercially practicable.

Page 4, Section 2, lines 11-15

Added: "(2) contract conflicts with the current forest land use plan, the commissioner may terminate the contract if the conflict cannot be resolved, provided the commissioner may not terminate a contract under this paragraph for lack of timber until the commissioner has made a good faith effort to find suitable replacement timber."

Reason: The Board of Forestry discussed the need for periodic public review of a long-term resource development on public land and the counter posing need for a long-term, reliable supply of timber which is necessary for investment in value-added facilities.

Page 4, Section 2, lines 6-7

Added: "and to determine if an updated forest land use plan under AS 38.05.112 is needed."

Reason: The Board of Forestry discussed the need for periodic public review of a long-term resource development on public land and the counter posing need for a long-term, reliable supply of timber which is necessary for investment in value-added facilities.

Page 4, Section, lines 24-25

Added: "veneer, plywood, finger-jointed lumber, house logs"

Reason: The Board of Forestry added four products to the list of high value-added products after hearing that those products have some potential to provide jobs for Alaskans.

Pages 4-5, section 3, lines 31; 1-3

Added: "Notwithstanding AS 38.05.123(a), added by sec. 2 of this Act, the commissioner may negotiate no more than two sales of timber for local manufacture of high value-added timber products under AS 38.05.123 in each region of the state in calendar years 1996, 1997, and 1998."

Reason: The Board of Forestry heard public concern about the volume of timber that might be developed under the bill. The board felt that the best way to answer this concern is to limit the number of sales in any part of the state.

Deleted the original Section 3 which created the Alaska Forest Products Research and Marketing Program.

Reason: Fiscal.



VIKING LUMBER COMPANY, INC.

Mile 6, Craig-Klawock Hwy. • P.O. Box 670 • Craig, Alaska 99921
Telephone (907) 755-8880 • FAX (907) 755-8888

March 4, 1996

MAR 07 1996

SENATE RESOURCE COMMITTEE
C/O Senator Loren Leman
State Capital Building Room #115
Juneau, AK 99801

Honorable Senator Leman,

I would like to submit my enclosed testimony on Senate Bill #180. I would also like to thank you and the rest of the legislature for working on a bill that would supply a stable log source for the sawmills in Alaska.

Thank You

Kirk Dahlstrom
Kirk Dahlstrom

enc

KIRK DAHLSTROM
VIKING LUMBER COMPANY INC.

I WOULD LIKE TO THANK THE CHAIRMAN FOR ALLOWING ME TO TESTIFY
ON SENATE BILL # 180

MY BROTHERS AND I HAVE BEEN IN THE SAWMILL BUSINESS FOR 18 YEARS.
IN THAT TIME WE HAVE SUFFERED AND SURVIVED THROUGH BAD MARKETS,
MECHANICAL PROBLEMS, FINANCIAL HARDSHIP, PERSONNEL PROBLEMS,
GOVERNMENT REGULATIONS, SHORTAGE OF TIMBER SUPPLY, TRANSPORTATION
PROBLEMS, TAXATION, FINANCING AND ALL OF THE OTHER PROBLEMS
AND TROUBLES ASSOCIATED WITH OWNING AND OPERATING A SMALL
BUSINESS.

THESE PROBLEMS EXCEPT ONE CAN BE HANDLED WITH HARD WORK, COMMON
SENSE, NEGOTIATING ABILITY AND COMMITMENT TO YOUR BUSINESS.
THAT ONE IS THE PROBLEM OF TIMBER SUPPLY.

I CAN NOT OUT THINK A SHORTAGE OF LOGS, I CAN NOT OUT WORK A
SHORTAGE OF LOGS, I CAN NOT OUT NEGOTIATE A SHORTAGE OF LOGS.
A SUPPLY OF LOGS FOR A SAWMILL IS REALLY THE ONLY ABSOLUTE
REQUIREMENT. EVERY OTHER PROBLEM SOMEHOW CAN BE OVERCOME.

THIS BILL IS A BEGINNING FOR A STABLE SUPPLY OF TIMBER FOR
LOCAL MANUFACTURERS. ALTHOUGH I DON'T BELIEVE IT GOES FAR
ENOUGH TOWARDS GUARANTEEING A STEADY SUPPLY OF TIMBER.

MY COMPANY WOULD BE INTERESTED IN NEGOTIATING A STATE TIMBER
SALE TO SUPPLY THE EXISTING SAWMILL AT KLAUOCK. BUT WITHOUT
STRONGER LANGUAGE IN THE BILL OR A FINANCIAL INVESTMENT BY THE
STATE, MY COMPANY WOULD NOT BE INCLINED TO INVEST IN A NEW HIGH
VALUE ADDED MANUFACTURING PLANT IN ALASKA.

AGAIN THANK YOU FOR ALLOWING ME TO TESTIFY ON THIS BILL.

Post-It™ Fax Note	7671	Date	4/4	# of pages	2
To	SEN LOREN LEMAN		From	FBX L10	
Co./Dept	SEN. RESOURCES		Co.		
Phone #	WRITTEN TESTIMONY ON SB180		Phone #		
Fax #			Fax #		

April 3, 1996
Senate Resource

Mr. Chairman and members of the Committee, for the record my name is Dan Ritzman and I am with the Northern Alaska Environmental Center in Fairbanks. Thank You for the opportunity to share our concerns with SB 180.

The Northern Center is opposed to the present version of SB 180. Governor Tony Knowles introduced this bill last spring. His initial premise was supported by most of the environmental community -- that when logging is to occur on public lands it makes no sense to export round logs and chips, and consequently jobs, out of the state. However job creation at any cost is not acceptable.

Commercial logging is just one, and in Alaska frequently not the most important economic one, of a large number of forest resources and uses. Fish, wildlife, water quality, scenic beauty, wilderness, subsistence, recreation, sport and commercial fishing, and tourism are all dependent on the state's forests and can be seriously damaged by large-scale unsustainable logging. Our concern is that the first responsibility must be to sustainability; even value-added jobs are not worth sacrificing our sustainable forests.

We would like to support value-added legislation, but we can not support this legislation with the changes proposed by the Legislature. SB 180 will now mandate that the state subsidize the timber industry with large-volume long-term contracts which will only require a minimal amount of "high value-added processing" the rest of the wood can be chipped or pulped or whatever.

^{outlined}
Our Concerns with the Committee Substitute are:

10,000,000 board feet of timber per contract per year is too much. The type of value-added processing we would like to see happen could work with less than 5,000,000 board feet. This bill should seek to benefit local operations, not be used as a device to entice new out-of-state business.

10 years is a long term contract. Surveys have shown that the Fairbanks community does not support contracts longer than five years. Ten year contracts are not needed to encourage the type of value-added processing we would like to see in Alaska. Many of the independent contracts in southeast Alaska are 5 to 7 years in length, and we have been told by ~~value~~ value added operations in the Interior that they need a three year guaranteed supply to acquire loans.

Too much discretion to the Commissioner of DNR. The bill authorizes the Commissioner of Natural Resources to set the percentage of wood from each contract that must go to high value-added, with no minimum. An unscrupulous Commissioner could provide a subsidized contract with 10% of the wood going to furniture manufacturing, and 90% being ~~exported~~. We would like to see a minimum percentage set for high value-added -- say 65%. ↑ ~~exported~~

ALASKA
TONY KNOWLES, GOVERNOR**DEPARTMENT OF NATURAL RESOURCES****DIVISION OF FORESTRY****COASTAL REGIONAL OFFICE**
400 WILLOUGHBY AVE., 9RD FLOOR
JUNEAU, ALASKA 99801
PHONE: (907) 465-2491
FAX: (907) 586-3113

February 25, 1996

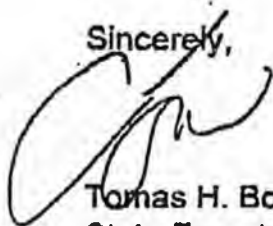
The Honorable Bill Williams
Co-Chair, House Resources Committee
Alaska House of Representatives
Room 128, State Capitol
Juneau, Alaska 99801-1182

The Honorable Joe Green
Co-Chair, House Resources Committee
Alaska House of Representatives
Room 128, State Capitol
Juneau, Alaska 99801-1182

Dear Representatives Williams and Green:

At the House Resources Committee hearing for HB344, on February 21, Chairman Williams asked for a copy of a communication I had mentioned. That communication expresses the Administration's request to the Alaska delegation for assistance with an amendment to federal law which would clarify the state's authority to encourage in-state processing of timber from state land. This particular communication is a letter to Senator Murkowski. The in-state processing issue appears at the bottom of Page 2. Language suggested for federal legislation is an attachment to the letter. Please let me know if you would like additional information or follow-up. Your hard work on timber issues is very appreciated.

Sincerely,



Thomas H. Boutin
State Forester

c: Governor's Office
Board of Forestry

TONY KNOWLES
GOVERNOR



P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
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STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 8, 1995

The Honorable Frank Murkowski
United States Senate
706 Hart Building
Washington, DC 20510-0202

Dear Senator Murkowski:

Recognizing your continued involvement in issues related to the Tongass National Forest, I am writing to provide you my comments on several of the issues you raised during our meeting.

I appreciated the opportunity to discuss these matters with you, and I believe that ultimately consensus-building is the true charge of leaders today, particularly in Alaska. I further believe that we can work together to avoid continued divisiveness among competing interests in our state.

With regard to the process of resolving these various issues, my Administration will be working closely with the U. S. Forest Service and interested parties in an attempt to finalize the revisions to the Tongass Land Management Plan (TLMP). The TLMP process represents our best opportunity to develop a comprehensive solution to these issues by assuring that the decision-making process incorporates the best science available and meaningful public participation. If, in addition, there are legislative initiatives to address these issues, I would like the opportunity to consult with you at the appropriate time.

Timber Supply

As we discussed, a strong diversified economy is essential to the well-being of Alaska's families. My Administration shares the commitment to develop and maintain a predictable, sustainable timber supply for Southeast Alaska. To this end, we have pushed the Forest Service to fill the "timber pipeline" so that the Ketchikan Pulp Corporation (KPC) and other Southeast mills can have a reliable source of timber.

The Honorable Frank Murkowski .
May 8, 1995
Page 2

Specifically, we have secured a commitment from the Forest Service to make 320 million board feet of timber available for sale this year. In addition, we have supported both timber development in Ushk Bay, which will provide approximately 67 million board feet of timber, and road development across state lands on Kuiu Island, which allows the Forest Service to proceed with harvesting approximately 43 million board feet of timber. We also recently held a sale in the Haines State Forest that Ketchikan Pulp bid on.

Finally, in support of the bi-partisan compromise which led to the Tongass Timber Reform Act, the state is continuing its participation in the Alaska Forest Association's lawsuit to clarify the process by which the Forest Service determines market demand.

Layout of Sales

With regard to your suggestion that the law should be changed in order to allow the Forest Service to contract with the private sector to conduct the layout for timber sales, I will look carefully at any legislation that is introduced and will provide specific comments at that time. Generally speaking, however, I believe that to the extent a problem exists in connection with the layout process, it should be resolved to the maximum degree possible by administrative remedies. In addition, I may have some concerns if the proposed legislation allows for the delegation of governmental discretionary authority to the private sector.

In-State Processing

I urge you to work with my Administration to encourage in-state processing of timber on state and federal lands in Alaska. I have introduced a bill in the state Legislature to provide incentives for and give predictability to small locally owned operators that guarantee they will provide in-state processing of timber on state lands. I have attached a copy of that legislation. I am requesting that you assist us with an amendment to federal law that will clarify the state's authority. Attached is some draft language I would like you to consider introducing. As well, I am also asking you to consider proposing parallel federal law as we are proposing on state lands. I feel this is one of the most important things we can do in order to assure jobs for Alaskans in the timber industry. We are working with many groups in Alaska to promote value-added processing in Southeast and throughout the state. In-state processing will increase the number of local jobs by providing more jobs per board foot of timber cut on lands in Alaska. We would like to work with you in this effort to ensure jobs in the timber industry.

The Honorable Frank Murkowski
May 8, 1995
Page 3

Federal Advisory Committee Act

I would like your support further in amending the Federal Advisory Committee Act (FACA). Our participation in natural resources and fish and wildlife issues have been hampered by this act.

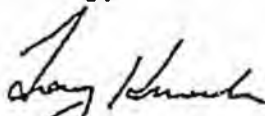
Currently, the state and interested parties are not provided a seat at the table. I am aware that Congress has amended FACA as part of S.1, the unfunded mandates bill, which the President recently signed into law. However, I understand that this may not provide complete relief from the constraints imposed by FACA. John Katz's office will provide you with the language.

Landless Natives

There is no denying that there are Natives and Native communities in Southeast Alaska who did not receive village land entitlement when the Alaska Native Claims Settlement Act was adopted in 1971. I believe the question presented by this issue can be divided into two parts: recognition and consideration. My own judgment is that these communities do warrant recognition and I support a fair settlement. How to develop a fair settlement is a difficult issue, and we look forward to reviewing your legislation when it is introduced and to having a dialogue with you in an effort to achieve an appropriate solution. And, while we recognize that this remedy is largely a federal question, we urge that you develop a process that leads to consensus among landless Natives, Southeast communities, subsistence and non-subsistence hunters and fishermen environmentalists, and other interests to fashion a solution that most can support.

I appreciate the opportunity to share my views with you on these issues and wish to thank you, again, for the time you spent in updating me and my staff on your thoughts related to the Tongass. Finally, I want to reiterate my commitment to resolving the subsistence issues, and I look forward to working with you on this very important matter.

Sincerely,



Tony Knowles
Governor

The Honorable Frank Murkowski
May 8, 1995
Page 4

cc: Senator Ted Stevens
Congressman Don Young
Don Glickman, Secretary of Agriculture, Washington, DC
Phil Janik, U.S. Forest Service
Deborah Williams, Department of Interior
Commissioner Frank Rue, F&G
Commissioner John Shively, DNR
Commissioner Gene Burden, DEC
John Katz, Washington DC
Diane Mayer, Director, DGC

Viewed: 02/25/98 12:37:37
Sent: 02/25/98 12:37:37
To: [redacted]

Subject: [redacted]

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Proposed amendment to 16 U.S.C. sec. 616:

Section 1. 16 U.S.C. sec. 616 is amended by adding a new subsection to read:

(b) Notwithstanding any other provision of law, the State of Alaska may establish incentives to encourage the in-state processing of timber from state lands that are administered by the Alaska Department of Natural Resources, including measures which make award of contracts for the sale of state timber contingent on the purchaser's agreement to in-state processing of the timber.

FAX SHEET

STATE OF ALASKA
DEPARTMENT OF NATURAL RESOURCES
DIVISION OF FORESTRY - COASTAL REGION
400 WILLOUGHBY AVE., 3RD FLOOR
JUNEAU, AK 99801
FAX: (907) 586-3113

DATE: _____

TIME: _____

TO: Annette FROM: Tory

Total number of pages including cover sheet: 7

If you do not receive all pages of this fax please call: 465-3379

COMMENTS: FVI



ALASKA CENTER *for the* ENVIRONMENT

519 West 8th Avenue, Suite 201 • Anchorage, Alaska 99501
(907) 274-3621 • fax: 274-8733

March 8, 1996

Senate Resources Committee
Alaska State Legislature
State Capitol (MS 3100)
Juneau, AK 99801-1182

Re: SB 180

Dear Committee Members:

We very much support, in those situations where it is appropriate to undertake commercial logging on the public lands in the first place, the concept of adding high value to timber rather than exporting round logs, or chips, out of the state (or region), and consequently exporting processing jobs as well. We believe the administration deserves a great deal of credit for taking the initiative, seriously addressing the issue, and attempting to foster a "stable, small-scale, locally run, finished wood products industry" (emphasis added). Whether this particular bill will accomplish that purpose, however, is far from clear to us.

We do not support timber industry job creation at all costs. Our state forest lands provide a wide variety of forest resources and uses, not just commercial timber. We need to ensure a sustained yield of all of those forest resources and uses, as well as timber. For example, we need to inventory not just our timber, but also our fish, wildlife, water, wildlands, etc., and carefully analyze the effects of road building and logging, especially large-scale logging, on those resources. In most if not all regions of the state our existing subsistence, commercial and sport fishing, recreation, and tourism economies depend on healthy forests. What effect will heavy logging in, for example, the Anchor River, Deep Creek, Ninilchik River, and Kenai River watersheds on the Kenai Peninsula have on those economies, and on the lifestyles of Alaskans?

The state's fish and wildlife experts, our Department of Fish and Game, are increasingly concerned about the cumulative effects of extensive logging on not only state but also private, university and federal lands. We can not continue to ignore the likely adverse impacts of such a large amount of logging occurring in such a short period of time.

Even ignoring for the time being the general absence of inventories of resources other than timber, on state lands we are doing a very poor job of inventorying the latter and of establishing an annual allowable cut. On the Kenai Peninsula the state's totally unscientific calculation of its base forest land, and consequently its AAC, is twice that of the one

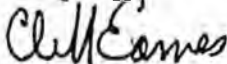
calculated by the Kenai Peninsula Borough's consultant using generally accepted U.S. Forest Service guidelines.

Looking at the particulars of this bill, we would offer the following additional comments:

1. 5 mmbf is too large a sale to be negotiated, especially at subsidized stumpage rates, and in addition to the state's regular logging sale program (in some parts of the state, for example where timber yields are only 3-5 mbf/acre, logging 5 mmbf can affect a significant number of acres). Other, generally more important resources and uses will suffer from such a level of cutting.
2. Similarly, 10 years is too long a contract term. Normal contract terms are generally no more than 3 years. A longer term is unnecessary and would severely limit our options and our ability to adjust to changing circumstances and changing public desires regarding the preferred uses of our public forests.
3. Allowing as much as 50% of the timber in these sales to be exported is not good policy; at least 75% (perhaps substantially more) of the timber from these sales should be required to have high value added in the state. The state's regular sales are providing more than ample opportunities to export timber and jobs from state lands (virtually all of the timber from state sales on the Kenai is being exported either in the round or as chips), and will continue to do so unless we aggressively seek congressional help. In this regard we strongly support Senator Torgerson's resolution (SJR 37); it might very well be that we can accomplish a great deal more pursuing that avenue rather than devoting an undue proportion of our energies to this bill at this time.

Thank you for the chance to offer these comments.

Sincerely,



Cliff Eames
Issues Director



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

Phone: 907-463-3366

Fax: 907-463-3312

CS for SB 180 (RES) Value Added Timber Processing

The Environmental Lobby supports the concepts behind the original legislation, but we have specific concerns with the the bill in its present form. Changes made in the Committee Substitute ignore the recommendations of the Board of Forestry and depart from the original intent of the bill. The original intent was to help establish and sustain the operation of small-scale local timber processing that produce high value-added finished wood products in order to *maximize opportunities for jobs* and minimize impact on fish and wildlife habitat.

Major concerns with CS for SB 180:

- 1) *10 years is too long for negotiated contract limits.* Resource policy decisions, rather than protracted contract obligations, should drive forest management. Value added operators in the Interior have indicated that they need a three-year guaranteed timber supply in order to acquire loans. Thus, this time frame would provide a workable basis for negotiated contract limits.
- 2) *A large portion of trees should remain in-state for processing.* This version of the bill allows the Commissioner to determine how much of the timber undergoes high value-added processing. This stipulation allows leeway above and beyond the original language of SB 180 which required that at least 50% of timber should undergo high value-added processing in-state. The original intent is further weakened by including pulp, chips, green lumber, and other products specifically termed *not* high value-added in the original version of the SB 180, in the list of products qualifying for high value added status in the Commissioner's decision.
- 3) *10 million board feet is too large for a negotiated contract.* The CS ignores the Board of Forestry's recommendation to keep the maximum cut at 5 million board feet per year. Considering the different levels of productivity on state forested land across Alaska, logging levels need to be determined on a specific, regional basis.
- 4) *There should be a limit on the number of contracts per region.* The Board of Forestry recommends limiting the number of negotiated contacts in each region of the state.

The Environmental Lobby is concerned with the direction this legislation is going and recommends adopting the original version of SB 180.

TONY KNOWLES
GOVERNOR



P.O. Box 110001
Juneau, Alaska 99811-0001
(907) 465-3500
Fax (907) 465-3532

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

May 9, 1995

The Honorable Drue Pearce
President of the Senate
Alaska State Legislature
State Capitol
Juneau, AK 99801-1182

Dear President Pearce:

Under the authority of art. III, sec. 18, of the Alaska Constitution, I am transmitting a bill that establishes a new negotiated timber sales program for state land managed by the Department of Natural Resources. This bill addresses the need to stimulate local, small scale value-added processing of Alaska's forest resources and to foster creation of Alaskan jobs. With the introduction of this bill, we seek to provide a new focus on how timber should be managed in Alaska by providing more jobs from timber cut on state lands by encouraging industries that process high-value finished wood products. At the same time, this legislation provides direction on management of our forests to preserve fish and wildlife habitat and other uses of the forest including tourism, fisheries, personal and family uses including hunting and fishing.

The goal of my Administration in proposing this bill is to develop sound long-term strategies for managing Alaska's forest resources so as to provide the highest and best economic uses in local communities that are dependent on timber resources while maintaining other Alaskan uses through the constitutionally mandated sustained yield principles. The attached bill maximizes the opportunity for employment while minimizing the impact on other uses of our state forests.

I am introducing this legislation in the final days of the session because it is my understanding that the legislature will be holding hearings on timber over the interim and I think it is critical that the new directions embodied in this bill are considered in the discussions of the legislature.

The bill has two main components:

- provisions for incentives for local manufacture of high value-added wood products and other value-added wood products from timber on state lands and authorizing use of such incentives in awarding special negotiated timber sale contracts (sec. 2 of the

The Honorable Drue Pearce
May 9, 1995
Page 2

bill)

- creation of an Alaska Forest Products Research and Marketing Program within the Department of Commerce and Economic Development to coordinate research and marketing efforts related to value-added manufacturing of Alaska wood products (sec. 3 of the bill).

An uncertain supply of timber is one of the primary factors limiting the development of high value-added wood products manufacturing facilities in the state. To address this problem, sec. 2 of the bill proposes a new special negotiated timber sale program for timber destined for local manufacture of high value-added wood products. Contracts negotiated under this section may be for the harvest of up to five million board feet of timber each year for up to 10 years. Stumpage rates would not be less than the base price established under regulations. Planning for this program by the Department of Natural Resources also will take into account sustained yield principles of timber harvest, the need for protection of fish and wildlife populations and habitat and maximizing opportunities for public uses of the state's forests. The same public comment will apply to the planning process as it does with sales conducted presently. Existing forest planning requirements would apply to these new negotiated sales and other timber sales programs would not be affected.

To participate in a negotiated timber sale authorized in sec. 2 of the bill, the prospective purchaser must agree to use at least 50 percent of the timber from the sale for the local manufacture of high value-added wood products. In determining whether it is in the state's best interest to enter into a sale contract under sec. 2, the commissioner is to consider the economic benefits to the region from the local manufacture of the high value-added wood products as well as from the local manufacture of other value-added wood products; the commissioner also must ensure the sustainability of fish and wildlife populations and habitat and other uses of the forest. My Administration will be working with the Alaska Congressional delegation to ensure that appropriate related changes are made to federal law.

Section 3 of the bill establishes an Alaska Forest Products Research and Marketing Program to encourage in-state processing of Alaska timber into value-added wood products. The program coordinator is to gather and disseminate existing information related to the manufacture of value-added wood products and to identify unfilled needs and problems, conduct analyses and propose solutions to assist local manufacturers. This program will be accomplished through an existing position in the Department of Commerce.

The provisions proposed in this bill will provide a mechanism for encouraging the development of Alaskan businesses and Alaskan jobs, and will establish a new timber sales program as a means of encouraging local processing. It should help address the crisis that faces Alaskan communities that are largely dependent on the jobs the forest products

The Honorable Drue Pearce

May 9, 1995

Page 3

industry provides. I urge your favorable action on this bill.

Sincerely,

A handwritten signature in cursive script, appearing to read "Tony Knowles".

Tony Knowles
Governor



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

Phone: 907-463-3366

Fax: 907-463-3312

SB 180 The Governor's Value-Added Bill

The Alaska Environmental Lobby supports the concepts behind this legislation, but we have specific concerns about the bill in its present form.

This bill represents a good first step on the road toward a high value-added forest products industry in Alaska. The Governor should be commended for his vision of the future of Alaska's timber industry. Adding value to timber cut in Alaska creates jobs that stay in Alaska. However, job creation at any cost is not acceptable. Most importantly, we need to guarantee the protection of all uses of the forest before signing off on negotiated timber contracts.

Major concerns with SB 180:

- **10 years is too long for negotiated contracts.** Experiences on the Tongass National Forest have shown how dangerous it is to allow contract obligations, rather than sound resource policies, to drive forest management. AEL would like to see contracts limited to three years, as small value-added operations in the Interior have indicated they need a three-year guaranteed supply to acquire loans
- **More than 50% of the trees should remain in-state.** This bill allows 50% of the negotiated timber to be exported. We do not support a situation in which a token local industry would cover for a lucrative export business, and hence another subsidy for exporting timber in the round. Therefore, we recommend that at least 70 % of the timber undergo high value-added processing. The commissioner should also ensure that the maximum percentage feasible above 70% is dedicated to high value-added products.
- **Volume levels should be determined on a regional basis, not according to a statewide maximum.** Without considering different volume levels on forests across the state, the current bill limits negotiated contracts to 5 million board feet per year. 5 million board feet would impact significantly more acreage in the Interior than in the coastal forest. Therefore, logging levels need to be determined on a specific, regional basis.
- **The bill needs to limit the number of negotiated contracts in any area.** As it reads now, the bill fails to limit the number of contracts per area. This could allow negotiated contracts for all of the timber in regions such as the Mat-Su Valley, the Interior, and the Copper River Country.

KNOWLES INTRODUCES VALUE ADDED TIMBER BILL

Development of High Value Timber Products Means Jobs for Alaskans

Seeking a new direction for timber management in Alaska, Governor Tony Knowles today introduced legislation that establishes a new timber sales program on state lands and will create jobs by encouraging the in-state processing of high-value added wood products.

"My goal is to develop a sound, long-term strategy for managing Alaska's forest resources in a way that brings to Alaska jobs that are presently being performed out of state," Knowles said. "This bill seeks to maximize opportunities for Alaskan employment while minimizing the impact on fish and wildlife habitat and other important uses of our state forests, such as tourism, recreation, and subsistence hunting and fishing."

Under the bill, the state would conduct a new negotiated timber sale program of up to five million board feet per year destined for local manufacture of high value-added products. Participants would have to agree to use at least 50 percent of the timber from the sale for the local manufacture of high value-added products. "High value added products" include dimension lumber and other manufactured wood products. Processing timber into high-valued added products creates two to four times the number of jobs created by shipping the timber out of the state.

The new sales would have to meet existing forest planning requirements and be open to public comment as on other sales. Before sales are allowed, the Department of Natural Resources would be required to consider potential impacts to fish and wildlife populations, habitat, and other public uses of the forest. The bill also would create an Alaska Forest Products Research and Marketing Program to coordinate efforts related to the manufacture of value-added wood products.

In submitting the bill near the end of the legislative session, Knowles requested hearings be held on the measure during the interim. "This bill is intended to expand opportunities for Alaskan jobs without negatively impacting the fish and wildlife habitat of our state forests," Knowles said. "It provides a mechanism for encouraging the development of local processing of Alaskan timber and providing jobs for Alaskan families."

Press Office contacts

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Posted by: T. Swaim, Alaska State Library, 05/10/95