HB

105

<TARGET><BILL>HB 105</BILL><SUBJECT>HB 105</SUBJECT><COMM>HRES27</COMM></TARGET>

STATE CAPITOL
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Governor Sean Parnell
STATE OF ALASKA

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January 14, 2011

The Honorable Mike Chenault
Speaker of the House
Alaska State Legislature
State Capitol, Room 208
Juneau, AK 99801-1182

Dear Speaker Chenault,

Under the authority of Article III, Section 18, of the Alaska Constitution, I am transmitting a bill relating to the Southeast State Forest. The Southeast State Forest was established in June 2010, under Chapter 112, SLA 2010, in an effort to ensure that State lands in Southeast Alaska that had already been designated for commercial forestry management would be managed as an integrated unit and according to a broader long-term and comprehensive forest management plan. This bill would designate an additional 23,181 acres of commercial forest lands that are conducive to meeting these goals, almost doubling the size of the Southeast State Forest, and further ensuring an appropriate land base for long-term forest management. The lands would continue to be open for multiple uses, including wildlife harvest and recreational activities.

Adding lands to the Southeast State Forest enables the Division of Forestry in the Department of Natural Resources to manage this land to increase long-term timber supply for local processors and wood energy needs, provide near-term jobs in pre-commercial thinning, timber harvest and milling, and retain the land in State ownership for multiple uses.

The bill contains provisions to avoid conflicts with the newly formed City and Borough of Wrangell's land selection and entitlement. Additionally, if new municipalities are incorporated before June 30, 2019, lands that were vacant, unappropriated, and unreserved before establishment of the State Forest will be included in the calculation of the municipal entitlement acreage, but may not be selected.

Alaska's timber industry and energy needs remain top priorities of my administration. This legislation is one important piece of our overall strategy to stabilize and revitalize the timber industry and expand wood energy opportunities in Southeast Alaska.

I urge your prompt and favorable action on this measure.

Sincerely,

Sean Parnell

Sean Parnell
Governor

Enclosure

Southeast Alaska Conservation Council

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Representative Eric Feige
State Capitol Room 126
Juneau AK, 99801

February 10th, 2011

Representative Paul Seaton
State Capitol Room 102
Juneau AK, 99801

Re: Bills Relating to Southeast State Forest Need to Balance Timber with Other Uses

Dear Representatives Feige and Seaton;

The Southeast Alaska Conservation Council appreciates the opportunity to comment on SB 44 and HB 105.

Issue: On January 18, 2011, Governor Parnell transmitted SB 44 and HB 105 to the legislature for consideration, which would add 23,181 acres of land to the Southeast State Forest (SESF).[1] These identical bills would nearly double the size of the 25,291 acre SESF established by the Legislature in 2010.[2] Last year, SB 225 proposed transferring five of the 23 parcels to be added – about 21 percent of the lands – to the University of Alaska. That bill did not pass.

Concerns: Logging is the main priority for the SESF. Fish and wildlife habitat and community use are secondary. Adding more land to the SESF creates and imbalance between timber development and other uses. Solutions are:

1. **Balance new timber lands with new State Parks;**
2. **Remove land parcels with important to fish and wildlife habitat from legislation.**

Points of concern with SB 44 and HB 105 --

1. Designating this much state land for timber-first management in Southeast Alaska is imbalanced. If SB 44 is enacted, nearly 49,000 acres of state lands in Southeast Alaska will be managed primarily for timber production, when only 25,000 acres is designated for state parks, refuges, and other public use areas.
2. Less than 16 percent of all the State-owned land in Southeast Alaska is safeguarded for the long-term use and enjoyment of current and future generations of Alaskans.
3. DNR wants to add lands to the Southeast State Forest in order to make the long-term investments in actively managing 2nd growth timber stands a realistic management

[1] http://forestry.alaska.gov/pdfs/2011PublicBriefingHB105.pdf
[2] http://forestry.alaska.gov/pdfs/Fact_Sheet_on_SESF.pdf

option. If so, then including the Hook Arm parcel on Dall Island and the Kuiu Island parcel at the mouth of Rowan Bay does not make sense.

   a. Hook Arm parcel (nearly 1,000 acres)
      i. all old-growth timber
      ii. the Alaska Heritage Resources Survey reports prehistoric heritage sites in or around this unit
      iii. pink salmon anadromous stream in unit
      iv. contains significant karst and cave resources
   b. Rowan Bay parcel (652 acres)
      i. Over 80 percent of the parcel is old-growth timber
      ii. There are two anadromous streams (pink, chum, & coho)
      iii. Currently, DNR manages the parcel to maintain and retain old-growth habitat for wildlife and salmon.[3]
      iv. The Plan also states: "There are numerous heritage sites within the parcel, including the site of the prehistoric Rowan Village."

4. Given the distance of the Hook Arm and Rowan Bay parcels from the nearest community, the timber will likely be exported.
   a. Exporting Alaska wood means exporting Alaska jobs and the fish and wildlife resources this old-growth habitat supports.
   b. Nearly 27 percent of the timber sold from State lands in Southeast Alaska the last four years was isolated timber on Zarembo Island like that in Hook Arm and Rowan Bay and sold without a local manufacture requirement. This timber could be exported.
5. AS 41.17.210(a) requires that "[t]he proposal of the governor include a report and recommendations of the commissioner including (1) a preliminary forest inventory . . . ." The only inventory information provided by DNR to support SB 44 and HB 105 is the gross acres for each parcel. This is woefully insufficient to evaluate fully the merits of this proposal.

Options for Resolution –

1. **Balance new timber lands with new State Parks.** Designate the following 7991 acres of state land as State Parks:
   - *Sumdum (near Juneau)* – 5 acres -- this small undeveloped parcel occupies the head of Sanford Cove and lies adjacent to a popular cruise ship, charter and recreational boat travel corridor to Tracy and Endicott Arms Wilderness; it is a historic and culturally significant site.
   - Cleveland Peninsula (near Ketchikan) – 4,055 acres -- this parcel consists of three distinct parts, all of which occupy the northern part of Cleveland Peninsula, located northwest of Ketchikan. These lands are highly used by a guided hunting businesses and an important stop over for a youth education program that is the single largest private employer in Wrangell.
   - Mite Cove (near Pelican) – 320 acres – important to the nearby community of Pelican for recreation and subsistence activities; key safe anchorage for commercial boaters, particularly important for a fish packing business key integral to the troll fishery.
   - Lynn Canal and William Henry Bay (near Haines) – 1679 acres—these two parcels are located on the east shore of Lynn Canal. The Lynn Canal uplands and tidelands

[3] http://dnr.alaska.gov/mlw/planning/areaplans/cs_southeast/pdf/adoptchap3.pdf at p. 3-71

are recommended for designation as a State Marine Park in the Northern Southeast Area Plan (p.3-84).[4]

- *Rowan Bay (652 acres)* (see description of values above)
- *Hook Arm (Dall Island)* – 1,280 acres – (see description of values above)

The proposed conveyance of the above lands to the University of Alaska last year in SB 225 created substantial public controversy. Public testimony shows these lands contain important cultural, historical, recreation, fish, wildlife and other important community values. We urge the Committee to safeguard these special recreational, scenic, cultural, historical, and wilderness values for the long-term benefit of Southeast Alaskans by designating them state parks.

Designating these lands as state parks will help balance the consumptive and non-consumptive uses of state lands in Southeast Alaska, which is key for maintaining both a strong economy and high quality of life in the region.

2. **Drop the Hook Arm and Rowan Bay parcels from SB 44 & HB 105 and request better inventory information from the Division of Forestry before proceeding further with the bill.**

Sincerely,

Buck Lindekugel

[4] http://dnr.alaska.gov/mlw/planning/areaplans/nseap/plan/chap3.pdf.

Testimony
Before the Alaska House Resources Committee
On
HB 105: Authorizing Additions to the Southeast State Forest
Wayne R. Nicolls; P.O. Box 33436; Juneau, Alaska 99803
907-780-6318

I am Wayne R. Nicolls, I live in Juneau. I am retired after 37 years with the US Forest Service. I am a 50-year member of the Society of American Foresters and I continue my education efforts to qualify as a Certified Forester. I am also a member of the Alaska Board of Forestry.

This statement in support of HB 105 is in behalf of myself as an individual, not as a spokesman for any organization.

The addition of some 23,000 acres to the Southeast State Forest will total nearly 50,000 acres. The legislature and administration are to be complimented for their foresight in establishing the Southeast State Forest and I urge that they exercise that same foresight in enlarging it.

As I indicated last year during deliberations that led to the establishment of the SE State Forest, designation of lands as such elevates their status above mere state ownership. It justifies prudent investments via cultural treatment of the forest stands and establishment of infrastructure to facilitate their management and multiple public use.

While much current focus is on logging, resultant employment, and current economic results of state management, the real benefit is long term through subsequent management and use over many decades, possibly a century or more. These long term benefits far outweigh short term wood harvest benefits.

I have only heard one argument for deletion of certain tracts on the basis that they contain considerable old growth. Thus should remain outside the state forest. This is some sort of reverse logic. The argument is without merit because as the land is already owned by the state it can be harvested. It just is not feasible to invest management effort subsequently. Not including it in the state forest does nothing to protect it from logging if that is the objective.

Contrary to some popular belief, old growth is not the epitome of wildlife habitat. Carefully managed forest land through vegetation manipulation can improve habitat. It can increase carrying capacity for deer and other species. It can even improve fish habitat as has been proven by research in the past decade or two. Preaching that old growth must be preserved to benefit wildlife is shallow logic. The effort opposing inclusion in state forest would best be devoted to acquiring current scientific knowledge and advocating conservation through forest management..

Back to the primary reason for my appearance, I urge the committee to quickly move HB 105 ~~44~~ toward passage making the most of your shortened time to conduct business. Thank you for the opportunity to appear.

Wayne R. Nicolls, CF

John A. Sandor 3311 Foster Avenue Juneau, AK 99801-1926
Phone: (907) 586-2497 Fax: (907) 586-2490 e-mail: jsandor@ak.net

February 14, 2011 Alaska State House Resources Committee Hearing
HB 105: Authorizing Additional Acreage to the Southeast State Forest
(Resource Committee Co-Chairs: Representative Eric Feige and Paul Seaton)

Mr. Chairman - I am John A. Sandor with my home at 3311 Foster Avenue, in Juneau, Alaska. I first came to Alaska on an assignment with the U. S. Forest Service in 1953 and served as the Regional Forester of the Alaska Region from 1976 to my retirement from that agency in 1984. I also served as Commissioner of the Alaska Department of Environmental Conservation from 1990-1994. I am submitting this testimony as an individual - a Certified Forester and life-time member of the Society of American Foresters.

I support HB 105 - which will add 23,181 Acres of State lands to the 25,291 acre existing State Forest which was established last year. This expanded State Forest of 48,472 acres will enable the Department of National Resources Division of Forestry to sustainably managed the timber, fisheries, wildlife, waters, recreation, and other multiple benefits that will strengthen the local economy, provide jobs, and improve the quality of life of the communities living in the vicinity of these existing state lands.

Since the closure of the two Southeast Alaska pulp mills during the 1990's and the loss of an integrated forest product industry in this region, employment and population levels have significantly declined.

Since a forestry staff was established in the Department of Natural Resources shortly after Alaska achieved Statehood, the Department of Natural Resources has had an exemplary record of working with local communities in the protection and management of their local forests. This new Southeast State Forest will provide the local communities with new opportunities to improve their economy and quality of life.

Thank you for the opportunity to testify in support of HB 105.

John A. Sandor
John A. Sandor, CF

The past and future of the Tongass

By DR. WALTER SOBOLEFF

When I was born in Killisnoo, in 1908, the Tongass National Forest had just celebrated its first birthday. President Theodore Roosevelt set aside this land and water when Killisnoo was a bustling, productive community which produced much wealth. We processed everything from herring to whales and used everything from blueberries to Sitka Spruce. Nearby Angoon provided labor to Killisnoo, to canneries in Hood Bay, Hawk Inlet and the mines in Juneau. A coal mine was worked in Angoon as trees were cut to provide for buildings, heating and docks. We utilized our resources.

My Turn

President Roosevelt, the great conservationist, proclaimed:

"And now, first and foremost you can never forget for a moment what is the object of our forest policy. That is not to preserve the forests because they are beautiful, though that is good in itself, not because they are refuges for the wild creatures of the wilderness, though that too is good in of itself; but the primary object of our forest policy, as the land policy of the United States, is making of prosperous homes. It is part of the traditional policy of home making in our country. Every other consideration comes as secondary. You yourselves have got to keep this practical object before your minds; to remember that a forest which contributes nothing to the wealth, progress or safety of the country is of no interest to the government and should be of little interest to the forester. Your attention must be directed to the preservation of the forests, not an end in itself, but as a means of preserving and increasing the prosperity of the nation."

As we, the people and communities of the Tongass spent the next 50 years working together to share in this wealth with the United States, we mostly got along. Some newcomers were not friendly and brought bad manners with them and worse. Nonetheless, we welcomed them as we worked our fisheries, our timberlands and local mines while continuing our customary and traditional activities which have sustained us from the beginning. The economy prior to statehood offered the people of Southeast choices, something we no longer seem to have despite many advances in health care and many dollars spent on education.

With statehood, the Tongass and then I turned 50. The promise of a brighter future shone as we Alaskans would finally be "equal." The federal government invested in clean hydro-electric projects planned to power all our communities with affordable electricity. Alaskan Natives would be able to settle our claims for loss of aboriginal rights and for the first time stand side by side with Alaskans who homesteaded their lands. We understood from watching the treatment of our brothers and sisters in the Lower 48 that broken promises were the rule but we still believed this need not be so.

So, the Tongass just celebrated its 100th and Alaska is coming up on its 50th which is way too fast for my liking and I ask where we are today? Are we walking side by side with our fellow citizens, our fellow Alaskans? Do we have the opportunities that existed prior to Statehood? Are we able to utilize our lands and waters as a means to create energy, jobs and wealth for our families?

Our villages today suffer in a way I have never seen. Angoon fights for its survival. As a member of the Alaska Native Brotherhood and a witness to the work of the Lord, I have found the energy to share openly, firmly and with resolve the need to address the condition of our people with those who have come to live with us. Sadly, our work is not nearly done.

The federal government controls the land in Southeast Alaska and we rely on their word and commitment in our dealings. The Tongass was intended to create the type of wealth and security known from time immemorial by my people. Angoon has survived millennia and overcome many changes and is prepared to continue to contribute if allowed to do so.

• Dr. Walter Soboleff is a Tlingit spiritual leader and elder statesman who lives in Juneau.

PROCEEDINGS

OF

THE SOCIETY OF AMERICAN FORESTERS

The publications of the Society are sent gratuitously to all members. Copies of the Proceedings may be obtained of the Secretary for 25 cents each number.

VOL. I MAY, 1905 No. 1

Forestry and Foresters

THEODORE ROOSEVELT

Delivered before the Society March 26, 1903

I have felt that the meeting this evening was of such a character as not merely to warrant but to require that I should break through my custom of not going out to make speeches of this sort, for I believe that there is no body of men who have it in their power to-day to do a greater service to the country than those engaged in the scientific study of, and practical application of, approved methods of forestry for the preservation of the woods of the United States. I am glad to see here this evening not only the officials, including the head of the Department of Agriculture, but such men as Governor Richards, who are most concerned in carrying out the policy of the Department of the Interior, because the forest policy of any country must be an essential part of its land policy.

And now, first and foremost, you can never afford to forget for one moment what is the object of our forest policy. That object is not to preserve the forests because

they are beautiful, though that is good in itself, nor because they are refuges for the wild creatures of the wilderness, though that, too, is good in itself; but the primary object of our forest policy, as of the land policy of the United States, is the making of prosperous homes. It is part of the traditional policy of home making of our country. Every other consideration comes as secondary. The whole effort of the Government in dealing with the forests must be directed to this end, keeping in view the fact that it is not only necessary to start the homes as prosperous, but to keep them so. That is why the forests have got to be kept. You can start a prosperous home by destroying the forests, but you cannot keep it prosperous that way.

And you are going to be able to make that policy permanently the policy of the country only in so far as you are able to make the people at large, and, above all, the people concretely interested in the results in the different localities, appreciative of what it means. Impress upon them the full recognition of the value of its policy, and make them earnest and zealous adherents of it. Keep in mind the fact that in a government such as ours it is out of the question to impose a policy like this from without. The policy, as a permanent policy can come only from the intelligent conviction of the people themselves that it is wise and useful; nay, indispensable. We shall decide, in the long run, whether or not we are to preserve or destroy the forests of the Rocky Mountains accordingly as we are or are not able to make the people of the mountain States hearty believers in the policy of forest preservation.

That is the only way in which this policy can be made a permanent success. You must convince the people of the truth—and it is the truth—that the success of home makers depends in the long run upon the wisdom with which the nation takes care of its forests. That seems a strong statement, but it is none too strong.

You yourselves have got to keep this practical object before your minds; to remember that a forest which contributes nothing to the wealth, progress, or safety of the country is of no interest to the Government, and should be of little interest to the forester. Your attention must be directed to the preservation of the forests, not as an end in itself, but as a means of preserving and increasing the prosperity of the nation. "Forestry is the preservation of forests by wise use," to quote a phrase I used in my first message to Congress. Keep before your minds that definition. Forestry does not mean abbreviating that use; it means making the forest useful not only to the settler, the rancher, the miner, the man who lives in the neighborhood, but, indirectly, to the man who may live hundreds of miles off down the course of some great river which has had its rise among the forest-bearing mountains.

The forest problem is in many ways the most vital internal problem in the United States. The more closely this statement is examined the more evident its truth becomes. In the arid regions of the West agriculture depends first of all upon the available water supply. In such a region forest protection alone can maintain the stream flow necessary for irrigation, and can prevent the great and destructive floods so ruinous to communities farther down the same streams.

The relation between the forests and the whole mineral industry is an extremely intimate one; for, as every man who has had experience in the West knows, mines cannot be developed without timber—usually not without timber close at hand. In many regions throughout the arid country, ore is more abundant than wood, and this means that if the ore is of low grade, the transportation of timber from any distance being out of the question, the use of the mine is limited by the amount of timber available.

The very existence of lumbering, of course—and lumbering is the fourth great industry of the United States—depends upon the success of our work as a nation in putting practical forestry into effective operation.

As it is with mining and lumbering, so it is in only a less degree with transportation, manufactures, commerce in general. The relation of all these industries to forestry is of the most intimate and dependent kind.

It is a matter for congratulation that so many of these great industries are now waking up to this fact; the railroads especially, managed as they are by men who are compelled to look ahead, who are obliged by the very nature of their profession to possess a keen insight into the future, have awakened to a clearer realization of the vast importance of the economic use both of timber and of forests.

Even the grazing industry, as it is carried on in the great West, which might at first sight appear to have little relation to forestry, is nevertheless closely related to it, because great areas of winter range, available and good for winter grazing, would be absolutely useless without the summer range in the mountains where the forest reserves lie.

As all of you know, the forest resources of our country are already seriously depleted. They can be renewed and maintained only by the co-operation of the forester with the practical man of business in all his types, but above all, with the lumberman. And the most striking and encouraging fact in the forest situation is that lumbermen are realizing that practical lumbering and practical forestry are allies, not enemies, and that the future of each depends upon the other. The resolutions passed at the last meeting of the representatives of the lumber interests, which occurred here in Washington, were a striking proof of this fact and a most encouraging feature of the present situation. So long as we could not make the men concerned in the great lumber industry realize that the foresters were endeavoring to work in their interest, and not against them, the headway that could be made was but small. We shall be able to work effectively and bring about important results of a permanent character largely in proportion as we are able to convince those men, the men at the head of that great business, of the practical wisdom of what the foresters of the United States are seeking to accomplish.

In the last analysis, the attitude of the lumberman toward your work will be the chief factor in the success or failure of that work. In other words, gentlemen, I cannot too often say to you, as, indeed, it cannot be too often said to any body of men of high ideals and good scientific training who are endeavoring to accomplish work of worth for the country, that you must keep your ideals high and yet seek to realize them in practical ways.

The United States is exhausting its forest supplies far more rapidly than they are being produced. The situation is grave, and there is only one remedy. That remedy is the introduction of practical forestry on a large scale, and of course that is impossible without trained men, men trained in the closet, and also by actual field work under practical conditions.

You have created a new profession of the highest importance, of the highest usefulness to the State, and you are in honor bound to yourselves and the people to make that profession stand as high as any other profession, however intimately connected with our highest and finest development as a nation. You are engaged in pioneer work in a calling whose opportunities for public service are very great. Treat that calling seriously; remember how much it means to the country as a whole.

The profession you have adopted is one which touches the Republic on almost every side—political, social, industrial, commercial; to rise to its level you will need a wide acquaintance with the general life of the nation, and a view point both broad and high.

Any profession which makes you deal with your fellow-men at large makes it necessary that if you are to succeed you should understand what those fellow-men are, and not merely what they are thought to be by people who live in the closet or the parlor. You have got to know who the men are with whom you are to work, how they feel, how far you can go, when you have to stop, when it is both safe and necessary to push on.

I believe that the foresters of the United States will create a more effective system of forestry than we have yet seen. If not, gentlemen, if you do not, I shall feel that you have fallen behind your brethren in other callings, and I do not believe that you will fall behind them. Nowhere else is the development of a country more closely bound up with the creation and execution of a judicious forest policy. This is, of course, especially true of the West, but it is true of the East also. Fortunately in the West we have been able, relatively to the growth of the country, to begin at an earlier day, so that we have been able to establish great forest reserves in the Rocky Mountains instead of having to wait and attempt to get Congress to pay large sums for their creation, as we are now endeavoring to do in the Southern Appalachians.

In the administration of the national forest reserves, in the introduction of conservative lumbering on the timber tract of the lumberman and the woodlot of the farmer, in the practical solution of forest problems which effect well nigh every industry and every activity of the nation, the members of this society have an unexampled field before them. You have a heavy responsibility—every man that does serious work, work worth doing, has on him a heavy responsibility—for upon the development of your work the development of forestry in the United States and the production of the industries which depend upon it will largely rest. You have made a good beginning, and

I congratulate you upon it. Not only is a sound national forest policy coming rapidly into being, but the lumbermen of the country are proving their interest in forestry by practicing it.

Twenty years ago a meeting such as this to-night would have been impossible, and the desires we here express would have been treated as having no possible relation to practical life. I think that since the present Secretary of Agriculture first came into Congress here there has been a complete revolution in the attitude of the public mind toward this question. We have reached a point where American foresters trained in American forest schools are attacking American forest problems with success. That is the way to meet the larger work you have before you. You must instill your own ideals into the mass of your fellow-men and at the same time show your ability to work with them in practical and business fashion. This is the condition precedent to your being of use to the body politic.

Southeast Conference

February 14, 2011

Southeast Conference is a broad based association of communities in Southeast Alaska with a mission of undertaking and supporting activities that promote strong economies, healthy communities and a quality environment throughout the region. In keeping with that mission we support expanding the Southeast Alaska State Forest....SB44 & HB105.

The timber industry in SE Alaska is on the verge of disappearing as a result of the failure of the US Forest Service to provide a supply of economic timber from the Tongass National Forest. This disaster started with the cancellation of the Long Term Timber sales. The timber sale program went into a decline starting with the cancellation of the long term contracts and continues today. The current volume offered by the Forest Service is less than 10% of the volume offered at the time of cancellation of the long term sales.

The existence of a timber industry in SE Alaska depends on immediate action to provide a supply of economically viable sales. There has been a concerted effort by the State working with the Forest Service to improve the quantity and quality of the Forest Service timber sales. This effort continues but has not resulted in the improvements needed.

Southeast Conference has reviewed Senate Bill 44-which will add an additional 23,181 acres of State lands to the 25,291 acre existing Southeast State Forest established last year. This expanded Southeast State Forest of 48,474 acres will be managed by the department of Natural Resource' Division of Forestry, which has an exemplary record of managing Alaska's forests and related resources.

Southeast Conference commends Governor Parnell and the Alaska Legislature for the establishment of a Southeast Alaska State Forest.

The Southeast Conference is pleased to support SB-44. Enactment of SB-44 will enable the Department of Natural Resources Division of Forestry to sustainably manage the timber, fisheries, wildlife, waters, recreation and other multiple benefits that will strengthen the local economy, provide jobs and improve quality of life of all Southeast Alaska communities.

Thank you for your consideration.

Merrill Sanford
SEC Timber Committee Chairperson

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SOUTHEAST CONFERENCE

RESOLUTION 11-11

A RESOLUTION OF THE SOUTHEAST CONFERENCE EXPRESSING SUPPORT FOR THE PROPOSED ADDITIONS TO THE SOUTHEAST STATE FOREST AS PRESENTED IN HB105 & SB44

WHEREAS, the majority of timber in SE Alaska is on federally owned National Forest land, harvest of which has drastically declined and local mills are heavily dependent on sale of state timber, and;

WHEREAS, the state is committed to maximizing the sustainable supply of timber from the small state timber land base, and;

WHEREAS, there is broad support for shifting timber harvesting in SE Alaska from old growth to young growth stands, which yield higher volumes per acre on shorter rotations, and have less impact on wildlife, and;

WHEREAS, much of the state timber land was conveyed from the federal government with young growth stands, the shift from old growth to young growth harvest can be accelerated by thinning these stands, and;

WHEREAS, thinning and subsequent young growth management constitutes long-term investment, it is only justified if the land will continue to be available for forest management, and;

WHEREAS, land designated as State Forest would ensure that some land will remain available for long-term management for multiple uses including the supply of timber to local processors, and;

WHEREAS, the State owns the parcels of land that are listed in HB105 and are suitable for designation and subsequent management as a State Forest, now therefore;

THEREFORE BE IT RESOLVED THAT Southeast Conference generally endorses establishment of a Southeast Alaska State Forest as currently proposed in House Bill 105 "An Act relating to the Southeast State Forest; and providing for an effective date".

AND BE IT FINALLY RESOLVED THAT Southeast Conference will transmit this resolution to the Governor of Alaska, House and Senate Resource Committee Chair, Alaska State Legislature, the Alaska Congressional Delegation, the U.S. Forest Service Chief, U.S. Forest Service Alaska Regional Forester.

Approved and passed by the Southeast Conference Board of Directors on January 31, 2011

Witness: Janice Hill

Jan Hill, President

Attest: Shelly Wright

Shelly Wright, Executive Director

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

February 14, 2011

Representative Eric Feige and Representative Paul Seaton
House Resources Committee
Alaska State Capitol

RE: Testimony before House Resources Committee, HB 105, Southern Southeast Alaska State Forest

Good afternoon. My name is Carl Portman, Deputy Director of the Resource Development Council. RDC supports House Bill 105, given expansion of the forest would help sustain the forest products industry, save jobs, and boost the economy.

The state land identified for inclusion into the new state forest has been consistently managed for timber harvest. A state forest designation over these lands would ensure they would remain in state ownership and contribute to the long-term viability of the forest products industry in Southeast Alaska.

RDC supported the creation of the Southeast State Forest because demand for state timber exceeds supply and local mills are dependent on a consistent supply to stay in business. The majority of the timber in Southeast Alaska is on federal land, but federal timber sales have declined sharply. Subsequently, the demand for state timber from local mills has increased significantly.

Much of the new state forest contains young second-growth stands. There is broad support for shifting timber harvesting in Southeast from old growth to second growth. The new state forest and the proposed additional parcels to it will help provide a sustainable timber supply to local mills and accelerate the transition to second-growth timber. Actively managed second-growth will provide more timber volume per acre on shorter rotations. The shift to second-growth harvesting can be accelerated and timber volume increased on state land by thinning these stands. However, thinning is a long-term investment and is only justified if the land will be available for timber harvesting.

In our view, the Southeast State Forest and the proposed additions to it are needed to help restore some sense of balance in Southeast Alaska, given approximately 95 percent of the Tongass National Forest is closed to logging. The Tongass itself comprises 94 percent of the land in Southeast Alaska. As a result, land management in Southeast is heavily weighted toward preservation and non-development uses. Of 17 million acres in the Tongass, only 663,000 acres are scheduled for harvesting over the next 100 years, and half of that acreage is second-growth timber cut decades ago. The annual harvest ceiling has been reduced to 267 million board feet, down from 520 million board feet under previous federal plans and mandates. Only 30 million board feet of timber has been harvested annually in recent years, less than 15% of the allowable cut. Timber harvests on these federal lands are likely to be constrained due to litigation and other federal issues.

With regard to state lands, the Department of Natural Resources manages over 159,000 acres of uplands in southern Southeast Alaska. Of these, approximately 48,472 acres would be included in the new expanded state forest. The remaining land is designated for other uses, including recreation, water resources, land sales, and fish and wildlife habitat, including 25,000 acres of legislatively designated state parks, refuges, and public use areas. When put in the proper context, a 48,000 acre state forest, which is open to logging and other multiple uses, accounts for less than one-third of the state land in Southeast Alaska and less than one half of one percent of the total land base in the region, which pails in comparison to the acreage closed to development.

With the Forest Service unable to provide the timber sales the industry needs to keep operating and with most federal land in the region now closed to development, the proposed additions to the State Forest are needed and would help sustain the forest products industry, save jobs and benefit the economy.

Thank you for the opportunity to testify in support of HB 105.

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907-276-0700 Fax: 907-276-3887 Email: resources@akrdc.org Website: www.akrdc.org

RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

January 5, 2011

Mr. Chris Maisch, State Forester
Division of Forestry
550 W. 7th Avenue, Suite 1450
Anchorage, AK 99501

RE: Additional Lands to Southeast State Forest

Dear Mr. Maisch:

The Resource Development Council (RDC) is writing to support the inclusion of an additional 23,181 acres to the Southeast State Forest. This state land in southern Southeast Alaska is appropriately suited for inclusion into the new state forest as it has been consistently managed for timber harvest. A state forest designation over these lands would expand the Southeast State Forest to 48,472 acres and ensure they will remain in state ownership and contribute to the long-term viability of the forest products industry in Southeast Alaska.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

RDC supported the creation of the 25,291-acre Southeast State Forest, which was established in June 2010. In Southeast Alaska, demand for state timber exceeds supply and local mills are dependent on a consistent supply to stay in business. The majority of the timber in Southeast Alaska is on federal land, but federal timber sales have declined sharply. Subsequently, the demand for state timber from local mills has increased significantly.

Much of the new state forest was inherited from the U.S. Forest Service with young second-growth stands. There is broad support for shifting timber harvesting in Southeast Alaska from old growth to second growth stands. The new state forest and the proposed additional parcels to it will help provide a sustainable timber supply to local mills and accelerate the harvest of second-growth timber. Actively managed second-growth stands will provide more timber volume per acre on shorter rotations.

The shift to second-growth harvesting can be accelerated and timber volume increased on state land by thinning these stands. However, thinning is a long-term investment and is only justified if the land will be available for timber harvesting.

The Division of Forestry will manage the state forest for a long-term supply of timber to local processors, and retain the land in state ownership for multiple use, including wildlife habitat and harvest, as well as recreational activities. The forest will be managed as part of the State Forest System in accordance with a new management plan that will be developed within the next three years. In the interim, existing guidance under the current Prince of Wales Island Area Plan and Central/Southern Southeast area plans will apply.

RDC supports the proposed additions to the Southeast State Forest from lands currently available for timber harvest and believes a larger state forest in the region will benefit the economy.

Sincerely,

Carl Portman
Deputy Director

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503-2035
Phone: 907-276-0700 Fax: 907-276-3887 Email: resources@akrdc.org Website: www.akrdc.org

Society of American Foresters
Growing better all the time

January 31, 2011

Alaska, SAF
C/o Maynard Nuss
Executive Secretary
521 High View Drive
Anchorage, Alaska 99515-3716

Governor Parnell
P.O. Box 110001
Juneau, AK 99811-0001

Dear Governor Parnell,

The Alaska Society of American Foresters (SAF) is Alaska's organization of professional foresters and other natural resource scientists dedicated to the sustainable management and protection of Alaska's forests and related resources.

The Alaska Society of American Foresters and Southeast state chapters have reviewed the HB 105 and corresponding Senate Bill 44 – which will add an additional 23,181 acres of State lands to the 25,291 acre existing Southeast State Forest established last year. This expanded Southeast State Forest of 48,474 acres will be managed by the Department of Natural Resource' Division of Forestry, which has an exemplary record of managing Alaska's forests and related resources.

The Alaska SAF commends the Governor Parnell and the Alaska Legislature for the establishment of a SE Alaska State Forest.

The Alaska Society of American Foresters is please to support HB 105. Enactment of HB 105 will enable the Department of Natural Resources Division of Forestry to sustainably manage the timber, fisheries, wildlife, waters, recreation, and other multiple benefits that will strengthen the local economy, provide jobs, and improve quality of life of all Southeast Alaska communities.

Sincerely,

Kathryn S Pyne

Kathryn S. Pyne,
Alaska SAF, Chair

Cc: Southeast Legislature Delegation; Alaska Congressional Delegation, State Forester Chris Maisch, Southeast Conference, USFS Regional Forester Beth Pendleton, and National SAF.

City of Coffman Cove

PO Box 18135
102 Denali
Coffman Cove, AK. 99918
Phone: (907) 329-2233 Fax: (907) 329-2212
Email: coffmancove@msn.com

1-18-2011

Chris Maisch
State of Alaska
Department of Natural Resources
Division of Forestry
550 W. 7th Avenue, Suite 1450
Anchorage, AK 99501

RECEIVED
JAN 26 2011
State of Alaska
DNR-Division of Forestry

RE: State Forest

Dear Chris:

The City of Coffman Cove fully supports the inclusion of additional lands to the State Forest. The addition of 23,181 acres will ensure the future of a small timber industry in Southeast Alaska. The concept of a State Forest is a good management tool to help Southeast Alaska diversify its economy to include timber harvest along with tourism and fishing.

Coffman Cove has a long history as a logging community. While we are trying to incorporate other industries, timber is still an important part of our lifestyle and economy. Other communities in Southeast Alaska find themselves in similar situations. With the shift in US Forest Service management of the Tongass National Forest we find ourselves in a situation where planning for the future is impossible. The establishment of the State Forest will allow some sensible management practices. The additional acreage will ensure there is enough land base to provide some stability.

Please feel free to copy this letter to use in any capacity to support the State Forest. I will write a similar letter to Senator Stedman and Representative Johansen.

Sincerely,

Elaine Price

Elaine Price
City Administrator

Alaska Forest Association, Inc.

111 STEDMAN STREET, SUITE 200
KETCHIKAN, ALASKA 99901
Phone: 907-225-6114
Fax: 907-225-5920
E-mail: afa@akforest.org

January 12, 2011

Chris Maisch
State Forester
Alaska Division of Forestry
550 W. 7th Ave., Suite 1450
Anchorage, AK 99501

RE: Support of Additional Lands to Southeast State Forest

Dear Chris:

The Alaska Forest Association supports inclusion of an additional 23,181 acres to the Southeast State Forest. The state's timber sale program in Southeast is very small, but very effective. The federal government controls about 94% of the land in Southeast Alaska but they have been supplying only about 20% of the timber that our industry has harvested in the last few years. While State and private timberlands have supplied the other 80%, this has not been sufficient to keep our mills operating. Currently we have only a single medium-size mill still operating in the region along with a handful of very small mills.

Unlike the federal forest management program, the State effort has provided economically viable timber sales on a regular and consistent basis within the constraints of sustained yield principles. In addition to supporting our timber industry the State's timber sale program brings in revenue in the form of stumpage payments that are invested back into the statewide forest management program.

Dedicating more State lands in Southeast Alaska to long-term forest management helps ensure these lands will continue to support the State timber sale program. This helps sustain our remaining timber industry until we can either overcome the impediments that make the federal timber unavailable or until we can persuade Congress to allow the State to own or manage a significant portion of the Tongass. By dedicating lands for long-term forest management the State is better positioned to invest in practices that enhance forest productivity, such as pre-commercial thinning. By increasing the growth and yield from the State Forest, more timber can be supplied to our industry from these lands in perpetuity.

We urge you to support the current efforts to increase the size of the Southern Southeast State Forest.

Sincerely,

Owen Graham

Owen Graham
Executive Director
Alaska Forest Association

A NATIVE CORPORATION
SEALASKA

February 15, 2011

The Honorable Representative Paul Seaton, House Resources Co-Chair
State Capitol - Terry Miller Building, Suite 111
Juneau, Alaska 99801-1182

The Honorable Representative Eric Feige, House Resources Co-Chair
State Capitol - Terry Miller Building, Suite 111
Juneau, Alaska 99801-1182

Dear Mr. Seaton and Mr. Feige,

During my testimony yesterday on HB 105 the issue of job creation by round log export versus those created by domestic manufacture came up and I am providing the committee with the report that addresses this issue: *Southeast Timber Harvest Employment*, October 2005. In the Executive Summary you will see that the number of direct jobs per million board feet is 4.5 for domestic manufacture versus 4.3 for round log export. Summary points in the Executive Summary further explain the importance of stevedoring and other jobs associated with round log export to the rural village workforce, this work force typically does not want to move their family to a community with a sawmill.

I am also providing another report that you may find helpful to better understand this issue *The Impact of Sealaska Corporation on The Southeast Alaska Economy, 2009 Update*. Please feel free to contact me if you have any further, questions, comments, or concerns. I can be reached at (907) 586-9277, or via email ron.wolfe@sealaska.com.

Sincerely,

SEALASKA CORPORATION

Ronald R. Wolfe

Ronald R. Wolfe
Natural Resource Manager

Cc: Mr. Richard P. Harris, Sealaska VP
Mr. Chris Maisch, Alaska State Forester
The Honorable Representative Dick
The Honorable Representative Foster
The Honorable Representative Herron
The Honorable Representative Munoz
The Honorable Representative Gardner
The Honorable Representative Kawasaki

Southeast Timber Harvest Employment Impact Analysis

PREPARED FOR:
Sealaska Corporation

McDowell Group

Research-Based Consulting

Juneau
Anchorage

October 2005

Southeast Timber Harvest Employment Impact Analysis

PREPARED FOR:
Sealaska Corporation

PREPARED BY:

McDowell GROUP

Juneau • Anchorage

October 2005

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EXECUTIVE SUMMARY

The purpose of this study was to compare the employment impact of Sealaska timber harvests with the impact of Tongass timber harvests. The primary difference between the two harvests, in terms of job creation, is that Sealaska harvests, in addition to logging jobs, create jobs in shiploading. Tongass harvests, because of the primary manufacturing requirement, create jobs in sawmills. This report examines these and other employment characteristics. Key findings of this study are summarized below:

- Sealaska harvested an average of 92 million board feet (mmbf) of timber from its lands in 2002 and 2003. During those same years the Tongass harvest averaged 42 mmbf.

- Sealaska and Tongass logging typically account for approximately 2.1 jobs per mmbf of timber harvested. This does not include stevedoring or sawmill jobs.

- Sealaska-related stevedoring activity generated jobs for 209 Southeast village residents in 2002 and 2003, with earnings totaling approximately $1 million annually. This equates to 2.2 jobs per mmbf. These mostly part-time jobs were in Hydaburg, Klawock, Kake and Hoonah.

- Tongass timber harvests created an average of 100 sawmill jobs in Southeast in 2002 and 2003 with payroll of $2 million annually. This equates to 2.4 jobs per mmbf. These mostly full-time jobs were primarily in Ketchikan, Wrangell and Klawock.

- Including logging and sawmill employment, Tongass harvests created an average of 4.5 jobs per mmbf. This is a measure of direct employment impacts attributable to the Tongass harvest.

- Including logging and stevedoring jobs, Sealaska harvests created an average 4.3 jobs per mmbf. This is a measure of direct employment impacts only.

- Other Sealaska-related impacts are readily measurable. Including employment with Sealaska Timber Corporation (STC) contractors (logging and stevedoring), STC offices and Sealaska Corporation headquarters, Sealaska timber harvests accounted for an average of 416 jobs in 2002 and 2003, from an average annual harvest of 95 million board feet. That equates to 4.9 jobs per mmbf.

- Income from STC logging activity is widely dispersed among village residents and is an important source of cash, particularly for many who have a high degree of dependence on subsistence activities. Placing a domestic manufacturing requirement on Sealaska timber harvests would transfer jobs from cash-poor areas to communities with existing sawmills.

- Not included in this study is the spending on goods and services by Sealaska Timber Corporation (other than logging and stevedoring), spending by Sealaska Corporation and Sealaska Heritage Institute, and spending by all of the employees of these organizations. This spending creates additional economic activity and employment in Southeast. Previous research has found that direct, indirect and induced employment related to Sealaska peaked at approximately 1,000 jobs in Southeast Alaska in 2002 and 2003.

- Also not factored into this analysis are other Sealaska contributions to Southeast including dividends paid to shareholders, SHI scholarships, and support for various regional programs. The shareholder intern program and shareholder hire policy, which have provided educational and career opportunities (that may not otherwise have been available) to many Southeast residents, are likewise not factored into this analysis.

In summary, the overall economic impact of Sealaska timber harvests is greater than that of the Tongass harvests (as would be expected, with about double the total harvest volume). Further, this analysis suggests that on a per mmbf basis, Sealaska's economic impact at least matches that of the Tongass (even with its primary manufacturing requirements).

Introduction

The purpose of this analysis is to compare the number of jobs created from timber harvests on Sealaska lands to harvests from the Tongass National Forest in Southeast Alaska on a per-million-board-foot basis.

There are two key components of the Southeast Alaska logging industry: logging activity in the Tongass National Forest and logging on private landholdings. In Southeast, the most significant volume of private timber is harvested by Sealaska Timber Corporation (STC). There are also timber harvests on land owned by the State of Alaska, University of Alaska, Alaska Mental Health Trust, as well as other much smaller scale harvests.

Timber harvested in the Tongass National Forest has primary manufacturing requirements, which mandate that most harvested logs be at least minimally processed in Alaska prior to export. Cedar can be exported as round logs and these exports are an important part of the financial viability of Tongass operators.[1] The primary manufacturing requirement creates employment in local sawmills. Timber harvested from private land in Southeast has no similar manufacturing requirements and is mostly exported as round logs.

While most Sealaska timber is not processed in Southeast Alaska, STC timber contracts create certain jobs that Tongass harvests do not. Log "manufacturing" and scaling are somewhat more labor intensive on Sealaska harvests, as logs are sorted and prepared to the exact specifications of the export market. Ship loading activity, in particular, provides significant employment and wages to village residents in Southeast. Logs are felled, transported to tidewater and loaded on ships in the remote locations along the coast of Prince of Wales (POW) Island, Hoonah and Kake to be transported to market. In addition, Sealaska timber harvests support the operations of Sealaska Corporation and Sealaska Heritage Institute, which provide employment and other economic opportunities in Southeast Alaska.

Methodology

The analysis was based on a combination of primary and secondary research. Primary research sources included a review of internal STC data supplemented by interviews with STC contractors regarding employment on STC contracts in 2002 and 2003. Secondary data sources included published and unpublished employment data from the Alaska Department of Labor and Tongass National Forest timber harvest volume from the USDA Forest Service.

In 2004, yellow cedar accounted for 7.2 percent of the Tongass National Forest harvest and Western red cedar accounted for 7.3 percent of the Tongass harvest.

Published employment data for the forestry and logging industry includes establishments primarily engaged in cutting and trucking timber. However, logging-related employment also includes road building, towing, log scaling, sorting and other jobs. Companies engaged in these logging support activities report their employment to the Alaska Department of Labor in different ways, because of the vertical integration of some companies, or other factors. As a result, establishments engaged in similar activities may be assigned different industry codes under the North American Industry Classification System (NAICS). Certain businesses may be categorized in non-logging NAICS categories. For example, establishments primarily engaged in trucking timber are classified in Industry 484220, Specialized Freight; however, employment numbers specific to timber trucking are not available. As a result, employment estimates for the logging industry as reported by the ADOL include some, but not all, employment in other logging support jobs such as road building, trucking and towing.

Due to these data limitations, this analysis focuses on the economic impacts of logging and sawmill components of the timber harvest process. Employment from logging activity in the Tongass is published annually by the USFS, but was considered preliminary at the time of this report. Following discussions with the USFS regional economist regarding the methodology of the agency's annual report on timber supply and demand, the study team calculated Tongass and Sealaska-related employment based on the most recent logging and sawmill industry employment data. The respective percentages of Tongass and Sealaska timber in 2002 and 2003 were applied to the total regional employment data for the logging industry to estimate employment in these occupations.

The assumption was made that road building, logging and log trucking activity are essentially the same on Tongass and Sealaska harvests. It was further assumed that the difference in employment between Tongass and Sealaska harvests occurs after the logs reach tidewater. For Tongass harvests, logs are either loaded on trucks or barged to sawmills for processing. For Sealaska, logs are staged and rafted by bundles into log booms and loaded on ships for transport (this 'in water' work includes log booming, towing, and rafting ground construction and maintenance) and also transported by truck and barge.

Because of the uncertainty regarding employment from Tongass harvests, the assumption that logging activities are similar for Tongass and Sealaska harvests may not be completely accurate in certain instances. For example, to fully optimize the value of logs for the export market, Sealaska harvests may require more time in bucking and quality control work. Further, it has been reported that Sealaska helicopter-supported harvests create more jobs (up to 50 percent more) than Tongass helicopter-supported harvests, due to the more selective nature of Sealaska's harvests.[2] Further, due to the importance of quality in log exports, STC contracts create more employment in sort yards. Nevertheless, the basic assumption that harvesting employment is essentially the same of Sealaska and Tongass harvests is required to insure an "apples to apples" comparison is made in the absence of detailed data related to Tongass contractor employment.

[2] This estimate is based on interviews with representatives of Columbia Helicopters, a firm that conducts helicopter logging on Sealaska land and on the Tongass.

Employment data provided by Sealaska contractors is considered to be accurate, but should be considered best estimates in the absence of Alaska Department of Labor data specific to STC contractors. Similar data on Tongass-related employment at the contractor level was not available; for this reason, the comparison of Sealaska and Tongass employment is based on uniform secondary data sources only. Additional employment data provided by STC contractors is presented at the conclusion of the Sealaska section to illustrate total direct, indirect and induced employment from Sealaska timber harvests. Similar data is not available for Tongass-related employment.

Southeast Alaska Timber Harvests

Sealaska Timber Corporation (STC) harvests represented 50 percent of the timber cut in Southeast Alaska in 2002 and 2003, while Tongass harvests in that period accounted for between 18 and 27 percent of the total harvest. Other timber harvests occurred on land owned by the State of Alaska, Alaska Mental Health Trust, University of Alaska, Bureau of Indian Affairs (BIA), or other Alaska Native corporations.

Southeast Alaska Timber Harvests, 2002-2003
(in million board feet)

	2002	2003	Average
Tongass National Forest	33.8	50.8	42.3
Sealaska	95.9	93.8	94.9
Other	63.1	41.7	52.4
Total Harvest	192.8	186.3	189.6

Source: USDA Forest Service, *Timber Supply and Demand 2003*

Tongass Harvest Volume

Current Tongass timber harvests are significantly lower than in prior decades and are expected to remain well below the allowable sale quantity (ASQ) of 187 million board feet (mmbf) annually, based on a 2004 McDowell Group report[3]. In 2003, the Tongass harvest volume was approximately 51 mmbf, a 50 percent increase over the previous year's harvest of 34 mmbf. The most recent two-year average harvest was just over 42 mmbf. Future Tongass harvests are uncertain due to a recent 9th Circuit Court of Appeals decision that found the Forest Service's timber demand analysis flawed.

Sealaska Harvest Volume

STC harvested 95 mmbf of timber annually between 2002 and 2003. Sealaska Corporation is the only ANCSA Corporation in Southeast Alaska with sufficient landholdings to maintain a sustained annual yield of timber[4].

Southeast Alaska Logging Employment

In 2002 and 2003, logging in Southeast Alaska accounted for an average of 362 and 406 jobs, respectively.[5] Employment peaked at 519 jobs in August of 2003 and 482

[3] McDowell Group, 2004. *Timber Markets Update and Analysis of an Integrated Industry in Alaska.*
[4] McDowell Group, 2004.
[5] Alaska Department of Labor and Workforce Development. Does not include stevedoring jobs and all transportation and construction jobs related to logging.

jobs in August of 2003. Based on annual averages, logging in Southeast created 1.9 jobs per mmbf in 2002 and 2.2 jobs per mmbf in 2003.

Tongass-Related Employment

Tongass National Forest logging and sawmilling directly created an average of 187 jobs for the years 2002 and 2003. Timber harvests on the Tongass National Forest create employment in several industries including road building, logging (tractor, shovel, standard cable and helicopter), towing, log scaling and sorting. Because of the prevalence of muskeg and other loose soils in Southeast Alaska, road construction is a significant part of logging support activity. Logging activity (excluding sawmilling) created an average of 63 and 111 jobs in Southeast in 2002 and 2003, respectively, with an average of 87 for the two-year period.

Tongass logging activity also creates employment in Southeast sawmills due to the primary manufacturing requirements for National Forest timber. Tongass timber accounted for 73 percent and 59 percent of the logs milled in Southeast mills in 2002 and 2003, respectively[6]. Based on this volume of Tongass timber supplied annually to Southeast Alaska mills, the Tongass accounted for 110 and 89 sawmill jobs in 2002 and 2003, respectively, for a two-year average of 100 jobs.

Tongass-Related Logging and Sawmill Employment in Southeast Alaska, 2002-2003

Year	Tongass Logging Employment	Sawmill Employment	Total Tongass-Related Employment
2002	63	110	173
2003	111	89	200
2002-2003 average	87	100	187

Source: McDowell Group estimate based on employment data from Alaska Department of Labor and Workforce Development and USDA Forest Service, *Timber Supply and Demand 2003.*

Based on the average timber harvest volume of 42 mmbf from the Tongass National Forest, Tongass logging activity created 5.1 jobs per mmbf in 2002, decreasing to 3.9 jobs per mmbf in 2003. The two-year average was approximately 4.4 jobs per mmbf of Tongass timber.

Jobs per Million Board-Feet of Tongass National Forest Timber Harvested, 2002-2003

Year	Total Tongass-Related Employment	Tongass Harvest (in mmbf)	Employment per mmbf
2002	173	33.8	5.1
2003	200	50.8	3.9
2002-2003 average	187	42.3	4.4

Source: McDowell Group estimates based on employment data from the Alaska Department of Labor and Workforce Development and timber harvest volumes from USDA Forest Service, *Timber Supply and Demand 2003.*

[6] Kilborn (2004) in USDA Forest Service, *Timber Supply and Demand 2003*

This estimate of employment per mmbf of timber harvested includes sawmill employment. Because the labor requirements for Tongass logging activity are assumed to be generally similar to Sealaska harvests, any difference in employment rates occurs after the timber is harvested and transported to tidewater. In the case of Tongass timber harvests, this is primarily sawmill employment (while shiploading activity is unique to Sealaska harvests).

The following table illustrates sawmill employment per mmbf for the sawmill component of Tongass employment, indicating an average range of 1.8 to 3.3 sawmill jobs per mmbf of Tongass timber harvested. Sawmill jobs are typically higher paying than jobs created in stevedoring. Statewide, the average annual earnings in the sawmill industry was $31,716 in 2003 (Southeast regional data is not available due to confidentiality of the data). At the statewide average, Southeast sawmills generated $2.8 million in earnings in 2003.

Sawmill Jobs per Million Board-Feet of Tongass National Forest Timber Harvested, 2002-2003

Year	Tongass-Related Sawmill Employment	Tongass Harvest (in mmbf)	Employment per mmbf
2002	110	33.8	3.3
2003	89	50.8	1.8
2002-2003 average	100	42.3	2.4

Source: McDowell Group estimates based on employment data from the Alaska Department of Labor and Workforce Development and timber harvest volumes from USDA Forest Service, *Timber Supply and Demand 2003.*

In addition to logging and sawmill employment, other economic impacts created from Tongass logging include indirect and induced employment. This includes employment created from spending by companies in support of their operations and the induced employment created from spending by employees in the local economies of Southeast Alaska. Fully quantifying these "multiplier" effects is beyond the scope of this study.

Sealaska-Related Employment

Sealaska Timber Corporation logging activity is conducted on Sealaska Corporation's landholdings in remote areas of Southeast Alaska. STC's logging activity is an important source of employment for rural Southeast residents, many of whom who find limited employment opportunities in their communities. Income from STC activity is widely dispersed among village residents and is an important source of cash, particularly for many who have a high degree of dependence on subsistence activities. These economic impacts have been documented in previous research[7].

STC harvested an annual average of 95 mmbf of timber in 2002 and 2003. Most of this harvest occurred in the Prince of Wales Island area (POW), including Dall Island, Natzuhini and Soda Bay. Approximately 65 mmbf was harvested from POW, 17 mmbf from the Hoonah area, and approximately 12 mmbf near Kake in 2003.

Based on the assumption that STC represented 50 percent of the timber harvested in Southeast Alaska in 2002 and 2003, it was assumed that 50 percent of logging employment, as reported by the Alaska Department of Labor, was due to STC logging contracts in that period. Based on that assumption, STC contracts created an annual average of approximately 192 logging jobs in 2002 and 2003. This estimate excludes subcontract activities, and is not a full accounting of STC-related employment due to the data limitations cited above.

Sealaska-Related Logging Employment in Southeast Alaska, 2002-2003

Year	Sealaska % of Total Harvest	Total Logging Employment	Sealaska Logging Employment
2002	50%	362	180
2003	50%	406	204
2002-2003 Average	50%	384	192

Source: McDowell Group estimates based on employment data from the Alaska Department of Labor and Workforce Development and timber harvest volumes from USDA Forest Service, *Timber Supply and Demand 2003*

An important source of employment not reflected in this data is stevedoring-related activity. This includes preparing the logs for shipping (bundling) and loading the logs on ships. Sealaska logging activity generated employment and income opportunities for an average of 209 individuals in Southeast Alaska in 2002 and 2003. This translates to an average of 2.2 stevedoring jobs per mmbf.

[7] McDowell Group, 2004, *The Impact of Sealaska Corporation on the Southeast Alaska Economy.*

Stevedoring Jobs per Million Board-Feet of Sealaska Timber Harvest, 2002-2003

Year	Sealaska harvest in mmbf	Number of Workers	Jobs per mmbf
2002	95.9	211	2.2
2003	93.8	206	2.2
Average	94.9	209	2.2

Care must be taken in comparing these stevedoring jobs with the sawmill jobs created form Tongass timber harvests (which averaged 100 jobs in 2002 and 2003). Tongass sawmill activity provides generally regular, day-to-day jobs for a smaller number of workers. STC stevedoring-related activity provides intermittent jobs for a larger number of workers. The approximately 100 sawmill workers dependent on the Tongass earned a total of $2 million in payroll, while the 209 STC-related stevedoring workers earned approximately $1 million.

Other Sealaska Timber Harvest Related Employment

The total number of jobs that are in some way dependent on the income generated by Sealaska logging activity is greater than the logging and stevedoring jobs. STC activity supports the operations of STC headquarters in Ketchikan, plus three regional offices elsewhere in Southeast Alaska. Logging income also supports employment at Sealaska corporate headquarters and Sealaska Heritage Institute in Juneau. Without logging income, employment levels of both organizations would likely be significantly reduced (if not non-existent).

Based on a 2004 report by McDowell Group, STC contracts created an average of at least 461 jobs in Southeast Alaska in 2002 and 2003. The seasonal nature of logging activity and related changes in demand for labor provide significant peak employment for a larger number of residents than is reflected in the average employment numbers. Peak employment was approximately 713 full-time and part-time employees in 2002 and 2003.

Sealaska Corporation Direct Employment and STC Contractor Employment Southeast Alaska, 2002-2003
(Annual Average Employment)

Year	STC Headquarters	STC Contractors	Sealaska Corporation and SHI	Total Employment
2002	29	425	53	507
2003	29	331	55	415
2002 - 2003 Average	29	378	54	461

Based on direct Sealaska and STC contractor employment, Sealaska logging activity created an average of approximately 4.9 jobs per mmbf of timber harvested in 2002 and 2003.

Jobs per Million Board-Feet
from Sealaska Timber Harvests, 2002-2003
(Annual Average Employment)

Year	Harvest Volume	Employment	Average Jobs per mmbf
2002	95.9	507	5.3
2003	93.8	415	4.4
2002-2003 Average	94.9	461	4.9

This method captured some indirect employment impacts, but not all. It did not capture induced impacts. Spending on payroll and purchases of goods and services by Sealaska Timber Corporation, Sealaska Corporation and Sealaska Heritage Institute creates additional economic activity and employment, referred to as a multiplier effect. Including direct, indirect and induced employment, STC activity created approximately 1,000 jobs in Southeast Alaska in 2002 and 2003.

Some of Sealaska's contributions to Southeast are beyond the scope of this report, including dividends paid to shareholders, SHI scholarships, the shareholder intern program and shareholder hire policy, which provide educational and career opportunities to many Southeast residents.

THE IMPACT OF SEALASKA CORPORATION ON THE SOUTHEAST ALASKA ECONOMY
2009 UPDATE

Prepared for:

Sealaska Corporation
One Sealaska Plaza, Suite 400
Juneau Alaska 99802

McDowell GROUP

Research-Based Consulting

Juneau
Anchorage

August 2009

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Executive Summary

The purpose of this study is to measure the economic impact of Sealaska Corporation and its subsidiary operations on Southeast Alaska in 2008. This report presents region-wide data and impacts, as well as data for Kake, Hydaburg, and Prince of Wales Island overall.

Sealaska-Related Spending and Employment in Southeast

- Sealaska Corporation, Sealaska Timber Corporation, and Sealaska Heritage Institute spent $45 million in 2008 in support of corporate and timber-related operations in Southeast Alaska. This spending included payroll and the purchase of goods and services, including timber harvest-related contracts. Spending was spread throughout the Southeast region. Approximately 350 businesses and organizations in 16 Southeast communities received spending from Sealaska-related activities.
- Region-wide, Sealaska and its contractors directly employed approximately 363 full and part-time workers in 2008. These workers earned an estimated $15 million in payroll.
- Sealaska and its contractor employment combined make the corporation one of the largest for-profit private sector employers in Southeast Alaska.
- Including direct and indirect employment and payroll, Sealaska-related employment totaled nearly 490 workers and approximately $21 million in payroll in Southeast Alaska in 2008.

Other Sealaska-Related Benefits in Southeast

Sealaska Corporation has a mission broader than paying dividends to shareholders. In addition to generating dividends, Sealaska's mission includes cultural preservation, shareholder education, and shareholder hire. Sealaska Corporation provides the seed money for the Sealaska Heritage Institute, which sponsors and supports numerous Native culture programs across Southeast Alaska. Using money set aside by Sealaska Corporation, Sealaska Heritage Institute awarded $410,000 in scholarships in 2008.

Role of Sealaska in Southeast Communities

Sealaska logging activity and, in particular, ship-loading activity, represent important sources of cash to many village residents. A total of 135 Hydaburg and Kake residents earned some income from ship-loading in 2008. Though these jobs are part-time, they are an important source of cash income. This income and other Sealaska-related economic activity are increasingly important in light of the long-term decline in these community's economies and population.

Hydaburg

- In Hydaburg, approximately 68 local residents earned income from Sealaska-related ship-loading and logging activity. Sealaska-related personal income in Hydaburg was approximately $700,000 in 2008, about 12 percent of the community's total personal income of $6 million. Hydaburg continues to struggle economically and is Southeast Alaska's poorest community, in terms of per capita income.

Craig, Klawock, and Prince of Wales (POW) Island Economy

- Sealaska is the single largest source of employment on POW Island. Sealaska-related activity contributed approximately 210 jobs to the POW Island economy in 2008. This includes both full-time and part-time employment in Sealaska logging-related activity. (This count includes employment for residents of Hydaburg as well as other POW communities.)

- Sealaska accounted for approximately $6 million in personal income to residents of Prince of Wales Island in 2008.

- Sealaska contracts related to logging in the POW area totaled $25 million in 2008.

- In addition to logging contracts, Sealaska spent $600,000 in 2007 with 31 POW businesses and organizations in Craig, Hydaburg, and Klawock.

Though the Prince of Wales Island population grew slightly in 2008, the island's economy has been in decline in recent years. All of the larger communities on the island have seen population declines, including Craig (down 18 percent since 2000), Klawock (down 8 percent), and Thorne Bay (down 21 percent). In the absence of Sealaska timber harvests, the decline would have been much more severe. Future Sealaska timber harvests will be key in curbing further economic decline on Prince of Wales Island.

Kake

- In Kake, approximately 87 workers earned income from Sealaska-related forest industry activity in 2008. Most of this income is related to ship-loading, but also includes silviculture-related jobs.

- Kake's economy continues to struggle with economic decline. The community's population in 2008 totaled 519 residents, 24 percent below the 2003 population of 679 and 33 percent below Kake's peak population of 775 residents in 1998. The decline in Sealaska timber harvest-related activity is only one of several factors that have affected the local economy.

Summary of Economic Impacts of Sealaska Corporation on Southeast Alaska, 2008

Total Southeast Regional Impacts	
Direct employment (peak)	363
Direct + indirect employment (peak)	490
Direct payroll	$15 million
Direct + indirect payroll	$21 million
Total direct Sealaska payroll and spending in Southeast	$45 million
Number of Southeast businesses and organizations receiving Sealaska dollars	350
Number of Southeast communities receiving Sealaska dollars	16
Dividends to Southeast shareholders	$7.9 million
Local Area Impacts*	
Craig/Klawock and Other POW Island Impacts	
Sealaska-related employment	210
Sealaska-related payroll	$8 million
Sealaska-related income to POW residents	$6 million
Hydaburg Impacts	
Sealaska-related employment	68
Sealaska-related income to Hydaburg residents	$0.7 million
Percentage of total personal income	12%
Kake Impacts	
Sealaska-related employment in Kake	87

*Note: Individual area totals do not include all indirect impacts of Sealaska activity. The numbers in this table are based on the best available data and should be considered estimates.

Introduction

Sealaska Corporation is a Native-owned corporation founded in 1971 as one of the 13 regional Native corporations under the Alaska Native Claims Settlement Act (ANCSA). The corporation's mission is to manage corporate assets to provide economic, social, and cultural benefits to its shareholders. Sealaska is the largest private landholder in the Southeast Alaska, and represents more than 20,000 Tlingit, Haida, and Tsimshian shareholders, roughly 40 percent of whom live in Southeast Alaska.

Sealaska's economic activity in Southeast Alaska is generated by its headquarters, and its operations subsidiary Sealaska Timber Corporation (STC) and Sealaska Heritage Institute (SHI). Sealaska Corporation's cultural and educational mission is administered by Sealaska Heritage Institute, which sponsors and supports numerous Native language and culture programs across Southeast Alaska, including the biennial cultural event Celebration. Additionally, Sealaska Heritage Institute awards scholarships each year from funds set aside by Sealaska Corporation to Alaska Natives who are Sealaska shareholders or shareholder descendants.

The purpose of this study is to measure the economic impact of Sealaska Corporation and its subsidiary operations on the Southeast Alaska economy in 2008. Sealaska Timber Corporation, through a number of contracting companies, harvests and exports logs primarily from Prince of Wales Island areas. Communities specifically affected by logging and ship-loading activity include Hydaburg, Klawock, Craig, and the Prince of Wales economy in general. In the past, Kake also has benefitted from STC timber harvests, but currently, activity in these communities is limited to silviculture-related work. Kake residents also are employed loading logs on to ships for export. Juneau, as headquarters to Sealaska Corporation and Sealaska Heritage Institute, benefits from administrative and managerial jobs located in the city.

This analysis includes the employment and personal income effects of Sealaska operations in Southeast overall. Sealaska Corporation, Sealaska Timber Corporation, and Sealaska Heritage Institute provided detailed data on spending and employment in Southeast communities. Additionally, STC provided data on recent timber harvest activity in the region. Key Sealaska contractors were contacted to collect information about the residency of their employees working on Sealaska contracts. This, along with data from the Alaska Department of Labor and Workforce Development (ADOL), the US Bureau of Economic Analysis (BEA), and the US Census Bureau, provided the data used in this analysis.

Personal income is a strong indicator of economic impact in a community or region. Little data, however, exists on personal income in small communities in Alaska. The most current measure of per capita income for communities such as Craig, Klawock, Kake, and Hydaburg is the 2000 Census. More recent data is available from the BEA for larger geographic areas, such as boroughs or census areas; this data, however, does not accurately reflect many of the small communities within these areas.

Given the lack of particularly relevant and timely data, the study team relied on a mix of data to estimate personal income for these communities, including current employment data and wage rate data (ADOL, 2008); census area level income source data (US Census Bureau, 2000 Census and BEA, 2005); as well as other income data from the Commercial Fisheries Entry Commission (CFEC), based on the value of residents' commercial seafood harvest over the last several years.

Sealaska's Economic Impact in Southeast Alaska

This economic impact analysis focuses on the quantifiable impact of Sealaska Corporation business activity, primarily timber harvesting, on Southeast communities in 2008. Impact measures include spending on payroll and on goods and services in Southeast Alaska, as well as local jobs directly related to Sealaska's activities.

In this section, spending and employment data are provided for Sealaska Corporation headquarters and the Sealaska Heritage Institute, both in Juneau, and Sealaska Timber Corporation (STC), headquartered in Ketchikan and with employees in Hoonah and Craig.

Spending and employment data reveal important economic impacts, but do not provide a complete picture of the corporation's impact on the Southeast region or its communities. Each year Sealaska Heritage Institute awards a number of scholarships to shareholders and shareholder descendents. While the dollar value of scholarships awarded in 2008 is included in this analysis, the long-term economic benefits of these investments (such as recipients of educational funding returning to Southeast Alaska with degrees and vocational certificates) are beyond the scope of this report. Sealaska Corporation's shareholder intern program and shareholder hire policy likewise have provided educational and career opportunities that otherwise may not have been available to many Southeast residents. Shareholders also have benefited from corporate dividends. In 2008, Sealaska Corporation paid $7.9 million to shareholders in Southeast communities, an average of $432 per shareholder.

Sealaska-Related Spending in Southeast Alaska

Sealaska Corporation headquarters, the Sealaska Heritage Institute, and Sealaska Timber Corporation spent a combined $45 million in payroll and the purchase of goods and services in Southeast Alaska in 2008. Approximately 350 businesses and nonprofit organizations in 16 Southeast communities received Sealaska-related spending in 2008. These businesses include logging and towing contractors, marine service centers, air carriers, and nonprofit organizations, among others.

Sealaska Corporation Headquarters Spending

In 2008, Sealaska Corporation headquarters spent approximately $9.1 million on the purchase of goods and services in Southeast communities, compared to $8.6 million spent in 2007. Sealaska Corporation spending was slightly decreased in Kake, from roughly $1.6 million in 2007 to $1.5 million in 2008, and slightly increased in Klawock, from $860,000 in 2007 to $1 million in 2008.

Sealaska Corporation Headquarters Spending in Southeast Alaska, by Community, 2000, 2002, 2003, 2007 and 2008 (in thousands of dollars)

Community	2000	2002	2003	2007	2008
Juneau	$3,950	$5,988	$3,314	$4,055	$4,529
Craig	428	381	713	388	411
Hoonah	196	124	158	66	52
Hydaburg	111	167	137	562	654
Ketchikan	305	234	103	469	489
Angoon	38	147	91	24	8
Klawock	91	146	86	860	1,007
Kake	1,026	207	66	1,571	1,490
Sitka	152	27	58	49	47
Yakutat	58	97	50	317	401
Haines	25	9	23	231	43
All Other Southeast	3	3	4	13	9
Total Southeast Spending	**$6,383**	**$7,530**	**$4,803**	**$8,605**	**$9,140**

Source: Spending data provided by Sealaska Corporation.

Sealaska Heritage Institute Spending

In 2008, the Sealaska Heritage Institute spent a total of approximately $900,000 on the purchase of goods and services. This includes spending on scholarships awarded to Sealaska shareholders and shareholder descendents. Data on spending by location was unavailable for 2007, but if the proportion spent in Southeast is assumed to be similar to that found in previous studies, approximately two-thirds ($980,000) was spent in Southeast communities in 2007. In 2008, nearly $410,000 of the spending went to scholarships awarded to Sealaska shareholders or shareholder descendents living around the country, including Southeast communities.

Sealaska Heritage Institute Spending, 2003, 2007 and 2008

Region	2003	2007*	2008
Total Spending	$790,000	$1,592,000	$900,000
Spending in Southeast	$485,000	$980,000*	$490,000

Source: Spending data provided by Sealaska Heritage Institute.

*Note: The 2007 figure for Heritage Institute spending in Southeast Alaska is a McDowell Group estimate; actual regional spending data were not available from Heritage Institute or Sealaska Corporation at the time of this report.

Sealaska Timber Corporation Spending

Sealaska Timber Corporation spent approximately $28 million on the purchase of goods and services in support of Southeast logging activity in 2008, a 13 percent increase in spending since 2007. Most of STC's spending goes to logging, stevedoring, and towing contractors operating in the Prince of Wales Island area. The following table shows STC's direct spending by community in 2007 and 2008.

Sealaska Timber Corporation Spending in Southeast Alaska, by Community*, 2000, 2002, 2003, 2007 and 2008 (in thousands of dollars)

Community	2000	2002	2003	2007	2008
POW Island	$16,753	$15,615	$17,304	$9,510	$12,561
Ketchikan**	14,093	10,928	10,751	14,701	15,350
Kake	331	5,312	4,568	4	4
Hoonah	16,034	5,031	4,353	783	282
Juneau	177	53	210	19	100
All Other Southeast	537	374	398	9	7
Total Spending in Southeast	**$47,925**	**$37,313**	**$37,584**	**$25,026**	**$28,304**

Source: Vendor data provided by STC.

*Note: Spending attributed to location of contractor or vendor headquarters.

**Note: Ketchikan spending includes STC contracts for logging and related activity located on POW Island.

Sealaska-Related Employment and Payroll

Sealaska Corporation employment and its contractor employment combined continue to make the corporation one of the largest for-profit private sector employers in Southeast Alaska. In terms of peak employment, Sealaska accounts for more jobs than Alaska Airlines or Greens Creek Mining Company, two of the region's other large for-profit private employers.

Sealaska Corporation headquarters employment in Juneau averaged 52 workers in 2008, with a total payroll of $4.6 million. Sealaska Heritage Institute employment in Juneau averaged 25 workers, with a total payroll of $950,000 for the year. STC directly employed an average of 16 workers in Southeast in 2008, including 11 in Ketchikan, four in Craig, and one in Hoonah. These jobs accounted for $1.3 million in total annual payroll.

Sealaska Corporation, Sealaska Timber Corporation, and Sealaska Heritage Institute, Payroll in Southeast Alaska, 2000, 2002, 2003, 2007 and 2008 (In thousands of dollars)

	2000	2002	2003	2007	2008
Sealaska Corporation Headquarters	$4,200	$2,300	$2,220	$3,889	$4,607
Sealaska Heritage Institute	---*	490	742	1,350	950
Sealaska Timber Corporation Headquarters	2,160	1,578	1,962	1,088	1,252
Total Sealaska Payroll in Southeast Alaska	**$6,360****	**$4,368**	**$4,924**	**$6,327**	**$6,809**

Source: Payroll data provided by Sealaska Corporation, Sealaska Heritage Institute, and STC.
*Sealaska Heritage Institute payroll data was unavailable for 2000.
**Does not include Sealaska Heritage Institute Payroll

Sealaska Timber Corporation timber harvest-related contracts and Sealaska silviculture contracts created an estimated peak of 261 jobs in Southeast Alaska in 2008, down from approximately 330 jobs in 2007. While payroll data is not available for these contractors, it is estimated that STC contractor jobs accounted for roughly $10 million in total payroll in 2008, two-thirds of total Sealaska-related payroll in Southeast Alaska that year.

Sealaska-Reiated Annual Average Employment in Southeast Alaska, 2002, 2003, 2007 and 2008

	2002	2003	2007	2008
Sealaska Corporation Headquarters	34	38	45	52
Sealaska Heritage Institute	19	17	22	25
Sealaska Timber Corporation Headquarters	29	29	16	16
STC and Sealaska Contractors	425	330	220	165
Total Sealaska-Related Direct Employment in Southeast Alaska	**507**	**415**	**303**	**258**

Source: Sealaska Corporation, Sealaska Heritage Institute, STC and STC vendor employment data supplied by STC.

Sealaska-Related Peak Employment in Southeast Alaska, 2002, 2003, 2007 and 2008

	2002	2003	2007	2008
Sealaska Corporation Headquarters	40	44	50	60
Sealaska Heritage Institute	24	22	24	25
Sealaska Timber Corporation Headquarters	34	30	17	17
STC and Sealaska Contractors	597	635	330	261
Total Sealaska-Related Direct Employment in Southeast Alaska	**695**	**730**	**421**	**363**

Source: Sealaska Corporation, Sealaska Heritage Institute, STC and STC vendor employment data supplied by STC.

Region-wide, Sealaska Corporation, Sealaska Heritage Institute, Sealaska Timber Corporation, and STC contractors employed approximately 363 full-time and part-time workers in 2008 in Southeast Alaska. Annual average employment was 258 workers. This represents a 14 percent decline in the total number of employees (peak employment) from 2007 to 2008 and a 15 percent decline in annual average employment during the same time period. Sealaska-related employment created an estimated $15 million in payroll to Southeast Alaska workers.

The following table provides Sealaska contractor-related employment for key communities and areas of Southeast. Hydaburg, Kake, and the Craig/Klawock areas are the most affected by Sealaska-related employment in the region. The total of 303 workers differs from the peak employment figure of 261 noted in the previous table due to how ship-loading employment is measured. At any one time in 2008, the most people employed loading logs onto ships was 79. A total of 135 Kake and Hydaburg residents, however, earned some income from ship loading in 2008. The following table reflects this larger number. Other Kake and Hydaburg residents were employed in other jobs related to Sealaska timber activity, pushing total Sealaska-related employment in those communities to 87 and 68 jobs, respectively.

Sealaska Timber Corporation Contractor Employment in Southeast Alaska, 2000, 2002, 2003, 2007 and 2008

Community	2000	2002	2003	2007	2008
Kake	143	118	130	30	87
Hydaburg	74	82	85	70	68
Craig/Klawock/Other POW	249	228	250	200	117
All Other Southeast	309	169	170	30	31
Total Southeast Employees	**775**	**597**	**635**	**330**	**303**

Source: McDowell Group estimates based on data supplied by Sealaska and STC.

Sealaska's direct spending on payroll and the purchase of goods and services creates additional economic activity in the local economy, referred to as the multiplier effect. Including direct and indirect employment and payroll, Sealaska-related employment totals approximately 490 workers and $21 million in payroll in Southeast Alaska, based on McDowell Group estimates.

Sealaska's Impacts in Local Economies

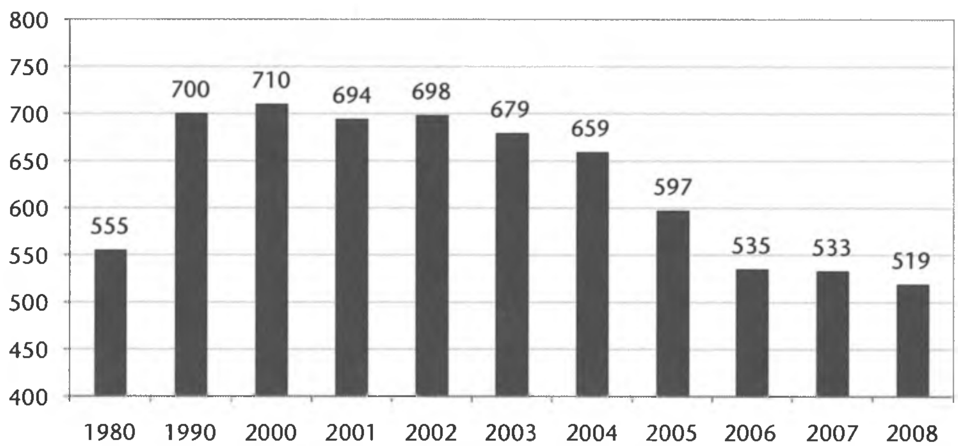
Kake

In the past, Sealaska Timber Corporation timber harvests have played an important role in the Kake economy. Though STC has not harvested any timber in the Kake area since 2006, when 15 mmbf were cut, Sealaska has continued to have a positive economic impact on the community through ship-loading employment and employment associated with silviculture activities. Despite Sealaska's contribution, the community continues to struggle economically.

Population

Kake is a community of 519 residents (2008) located on the northwest coast of Kupreanof Island. The community's population has declined steadily since 2000, when it had 710 residents. Kake's economy is based on commercial fishing and seafood processing, local government, tourism, and remaining timber and silviculture activities.

Kake Population, 1980, 1990, and 2000-2008

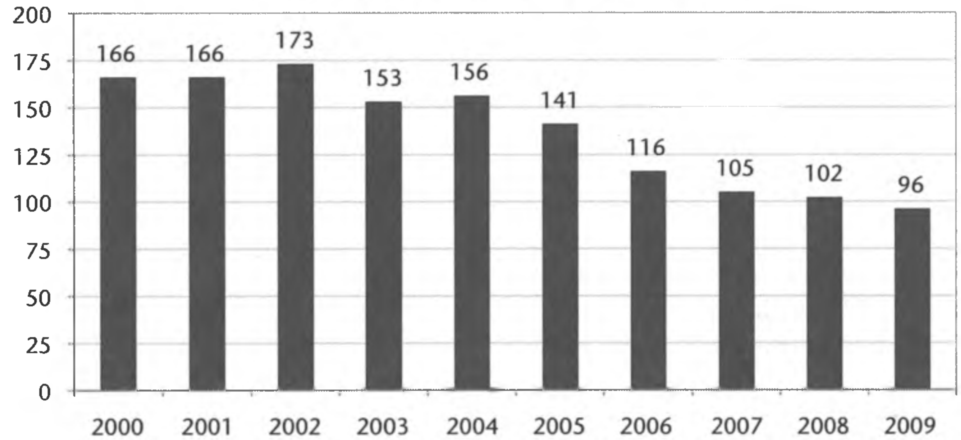


Source: ADOL 2008 population estimates.

School Enrollment

School enrollment trends reflect the community's population decline. The most recent school enrollment numbers are 45 percent below the peak of seven years ago.

Kake School Enrollment, 2000-2009



Source: ADEED district enrollment totals, 2000-2009.

Employment

ADOL data illustrates the importance of local government and tribal services in terms of employment in Kake. The top three employers are the City of Kake, the Kake City School District, and the Organized Village of Kake. This indicates a shift from the recent past (2003), when all three top employers were private-sector companies. Currently, Kake Tribal Corporation is the community's largest private-sector employer, and the fourth largest employer overall. Detailed employment data for individual employers is no longer available from ADOL, so 2007 data remains the best available information. The only notable change in the top ten list is the shutdown of LAB Flying Service. It also should be noted that Southeast Stevedoring, which employed 73 Kake residents on a temporary part-time basis in 2008, is not included in ADOL employment data for Kake because it does not have any operations in the Kake area.

Top Ten Employers in Kake, 2007
Non-Agricultural Employment

Employers	Annual Average Employment	Peak Monthly Employment
City of Kake	27	37
Kake City School District	25	33
Organized Village of Kake	25	28
Kake Tribal Corporation	23	36
Southeast Alaska Regional Health Consortium	14	15
SOS Value-Mart Inc.	13	15
Gunnuk Creek Hatchery	13	19
CSC Tree Service Inc.	10	36
Catholic Community Services Inc.	5	6
LAB Flying Service Inc.	5	6
All Other Employers (17)	33	59
Total Employment	**193**	**290**

Source: ADOL, unpublished statewide employer data.

Consistent with population trends, employment in Kake has declined significantly in recent years. From an annual average employment of 311 jobs in 2003, the community's employment fell to 193 in 2007 and recovered very slightly to 196 jobs in 2008. Much of the decrease in employment since 2003 can be attributed to the cessation of Kake Tribal Logging and Timber operations in 2004 and Kake Foods in 2006. Together, these two companies averaged 108 jobs in 2003, according to ADOL.

Employment in Kake, 2003-2008
Non-Agricultural Employment

Year	Annual Average Employment
2003	311
2004	200
2005	197
2006	218
2007	193
2008	196

Source: ADOL, unpublished data.

Wage and salary employment in Kake generated $4.6 million in payroll in 2008, down from the 2007 payroll total of $4.8 million, according to ADOL data.

Commercial Fishing

Commercial fishing activity is an important source of income for Kake residents. While participation in commercial fisheries has declined significantly in recent decades, ex-vessel values have been reasonably stable since 2000, with estimated annual gross earnings ranging from $800,000 to $1.1 million. In 2008, 23 Kake resident permit holders fished 33 different permits, and earned $916,000 in gross (ex-vessel) revenue.

Commercial Fishing Activity in Kake, 2000-2008

Year	Fishermen Who Fished	Permits Fished	Pounds Landed	Est. Gross Earnings
2000	28	45	1,081,000	890,000
2001	26	42	2,726,000	1,018,000
2002	26	43	2,880,000	817,000
2003	24	39	2,730,000	867,000
2004	30	43	1,290,000	883,000
2005	27	37	970,000	810,000
2006	25	38	1,216,000	1,067,000
2007	23	32	1,524,000	1,068,000
2008	23	33	823,000	916,000

Source: Commercial Fishing Entry Commission, permit and fishing activity by community, 2000-2008.

Personal Income

Based on data from the Bureau of Economic Analysis and the US Census Bureau, McDowell Group estimates that personal income in Kake totaled approximately $11 million in 2008.

In 2000, Sealaska directly or indirectly accounted for 30 percent of all personal income dollars flowing into Kake. In 2003, Sealaska accounted for about one-fifth of all personal income dollars, or approximately $2.5 million (including dividends). In 2008, Sealaska-related employment in the Kake area was limited to 87 mostly part-time jobs, including ship-loading and silviculture jobs. These workers earned approximately half a million dollars. Sealaska also contributed $207,000 in dividends to Kake residents in 2008. In total, Sealaska accounted for approximately $700,000 in personal income, or about 6 percent of the community total.

Commercial fishing accounted for an estimated $600,000 in annual personal income. This amount is less than the total ex-vessel value. Ex-vessel value is a measure of gross income to fishermen. Take-home pay (personal income) is ex-vessel value less expenses such as fuel, gear, insurance, etc.

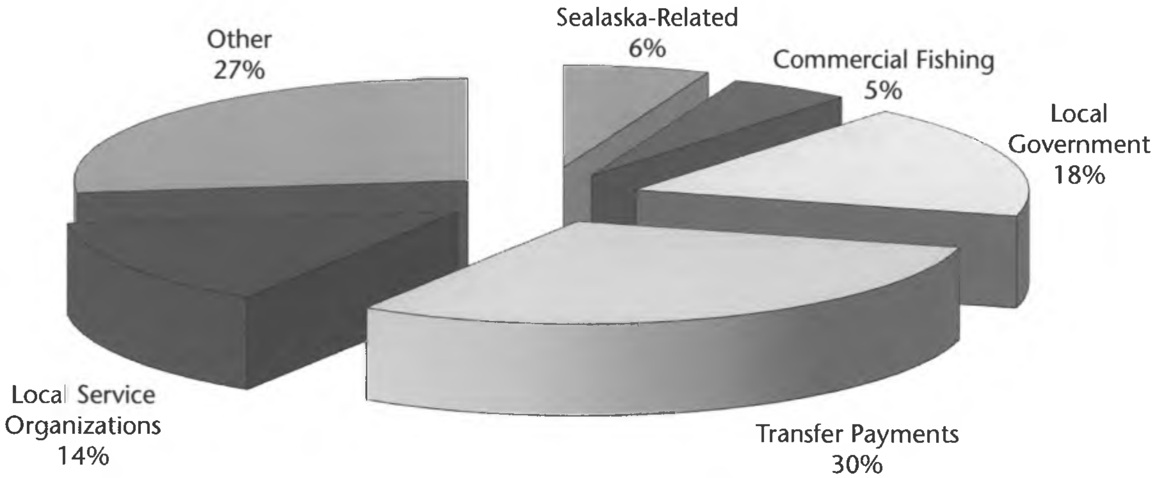
Local government, including city offices and the Kake City School District, contributed $2 million in personal income to community residents in 2008, approximately 18 percent of all local personal income.

Local service organizations include Organized Village of Kake, Southeast Alaska Regional Health Consortium (SEARHC), the Rural Alaska Community Action Program, and other organizations providing services to local residents. Together these organizations accounted for approximately $1.5 million in personal income, or 14 percent of total personal income in 2008.

In 2008, transfer payments accounted for approximately 30 percent of all personal income for Kake residents, or about $3.3 million. Again, transfer payments include all payments from governments to individuals, such as Alaska Permanent Fund dividends, Social Security payments, welfare payments, and other government transfers.

The "other" category of personal income includes all other sources, in particular income generated from other private sector commercial activity, such as construction, retail sales, and transportation services. It also includes state and federal government, which employ a small number of Kake residents. The total estimated personal income from this category was approximately $3 million in 2008.

Sources of Personal Income in Kake, 2008
Total Personal Income: $11 million



Source: McDowell Group estimates.

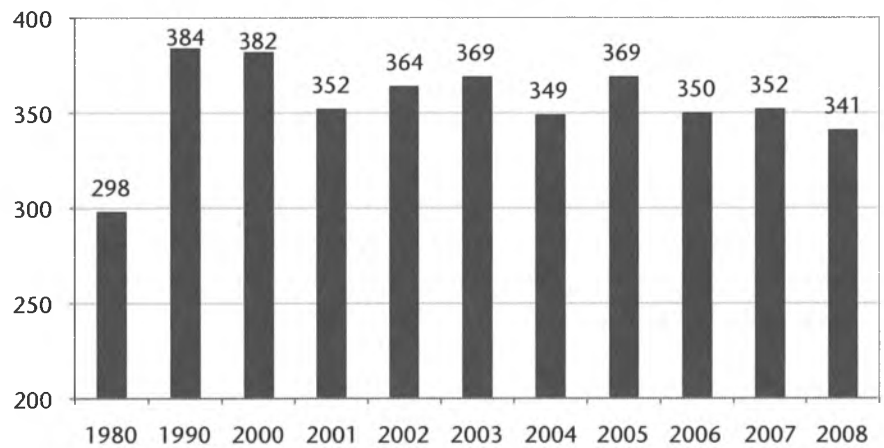
Hydaburg

In 2008, STC harvested 30mmbf in the Hydaburg area, down slightly from 31 mmbf in 2007 and significantly from the 81 mmbf harvested in 2004. With regard to Sealaska timber harvests, the community of Hydaburg benefits primarily from the employment opportunities associated with loading logs onto ships for transport to overseas export markets.

Population

Since 1990, Hydaburg has maintained a fairly stable population, ranging between 340 and 385 residents, though the general trend is down. In 2008, the community had a population of 341, its lowest point since prior to 1990. Hydaburg's economy is based on commercial fishing activity, timber harvesting, and local government.

Hydaburg Population, 1980, 1990, and 2000-2008

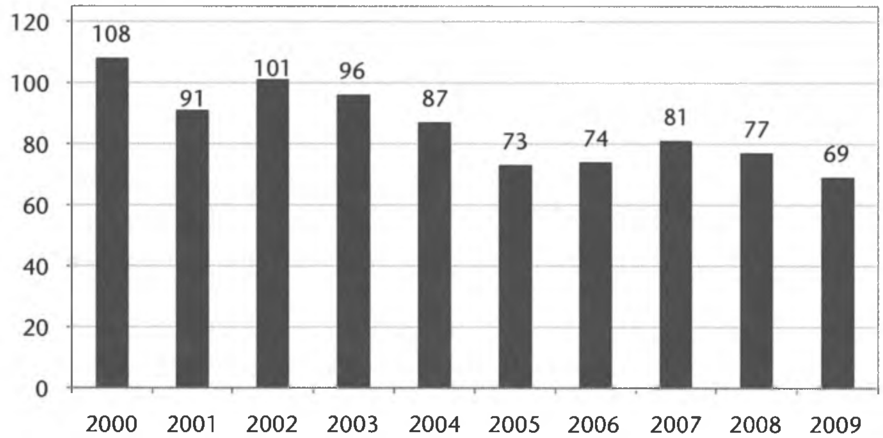


Source: ADOL 2008 population estimates.

School Enrollment

Hydaburg's school enrollment has fallen more significantly than has the local population. School enrollment is currently at about 69 students, 36 percent below the 2000 level.

Hydaburg School Enrollment, 2000-2009



Source: ADEED district enrollment totals 2000-2009.

Employment

As in other remote villages in Southeast, Hydaburg's local school district and tribal council provide a significant number of jobs within the community. Employment data for 2007 indicates the school district was the largest employer in Kake that year; preliminary 2008 data suggests, however, the Hydaburg Cooperative Association moved to the top spot last year.

Top Ten Employers in Hydaburg, 2007
Non-Agricultural Employment

Employers	Annual Average Employment	Peak Monthly Employment
Hydaburg City School District	19	24
Hydaburg Cooperative Assoc. (IRA)	17	20
Southeast Stevedoring	15	33
Southeast Alaska Regional Health Consortium	11	13
Haida Corporation	7	10
City of Hydaburg	4	5
Catholic Community Services Inc.	2	3
Grants Towing Inc.	2	3
US Postal Service	2	2
Rural Alaska Community Action Program	1	1
All Other Employers (2)	1	3
Total Employment	**80**	**117**

Source: ADOL, unpublished statewide employer data.

In 2007, Southeast Stevedoring was the top private sector employer in the community, providing one-fifth of the annual average employment. Southeast Stevedoring reported having 60 Hydaburg residents on its payroll in 2007 and 62 in 2008.

Between 2005 and 2007, employment in Hydaburg remained fairly stable at between 70 and 80 annual-average jobs. Employment increased to an average of 87 jobs in 2008, mostly the result of increased local government employment.

Employment in Hydaburg, 2003-2008
Non-Agricultural Employment

Year	Annual Average Employment
2003	73
2004	71
2005	77
2006	80
2007	80
2008	87

Source: ADOL, unpublished data.

Wage and salary employment in Hydaburg generated $2.9 million in payroll in 2008, up from the 2007 payroll total of $2.4 million, according to ADOL data.

Commercial Fishing

Earnings for Hydaburg residents from commercial fishing have been increasing in recent years and reached a high of $1.7 million in 2007. The 2008 total was slightly less, with 23 local fishermen earning just less than $1.5 million.

Commercial Fishing Activity in Hydaburg, 2000-2008

Year	Fishermen Who Fished	Permits Fished	Pounds Landed	Est. Gross Earnings
2000	21	31	935,000	510,000
2001	21	36	1,317,000	543,000
2002	18	31	936,000	369,000
2003	23	35	894,000	512,000
2004	21	34	1,189,000	643,000
2005	23	37	1,347,000	621,000
2006	22	40	965,000	832,000
2007	20	37	2,988,000	1,681,000
2008	23	40	1,492,000	1,465,000

Source: Commercial Fishing Entry Commission, Permit and Fishing Activity by Community, 2000-2008.

Personal Income

Based on McDowell Group estimates, Hydaburg's personal income totaled approximately $6 million in 2008. The community has had among the lowest per capita income rates in the state. At the time of the census, per capita income in Hydaburg was $11,401, about half the Alaska average.

In 2000, Sealaska timber harvests accounted for one-quarter (27 percent) of all personal income in Hydaburg. Southeast Stevedoring was the largest Sealaska-related source of employment, contributing about $600,000 in personal income to the community that year. In 2008, Sealaska-related employment income to Hydaburg residents from Southeast Stevedoring totaled just less than $400,000. Including other sources of employment income (several Hydaburg residents work for STC logging contractors) and dividend payments (about $134,000 in 2008), Sealaska accounted for a total of approximately $700,000 in personal income for Hydaburg residents in 2008, or about 12 percent of the community total.

Commercial fishing accounted for an estimated $900,000 in annual personal income for the 23 Hydaburg resident permit holders who fished 40 different permits in 2008.

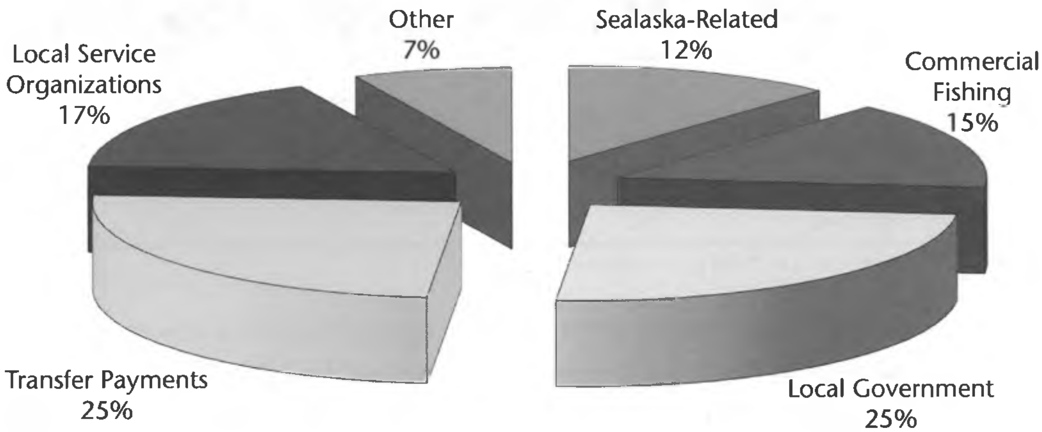
Local government, including the school district, accounted for an estimated $1.5 million in personal income in Hydaburg in 2008, 25 percent of the community total.

Local service organizations, including Southeast Alaska Regional Health Consortium (SEARHC), the Rural Alaska Community Action Program, and the Hydaburg Cooperative Association IRA, accounted for an additional $1 million in personal income.

Transfer payments also accounted for about one-quarter of all personal income for Hydaburg residents in 2008, or about $1.5 million. Again, transfer payments include all payments from governments to individuals, such as Permanent Fund dividends, Social Security payments, welfare payments, and other government transfers.

The "other" category of personal income includes all other sources, including Haida Corporation, other local businesses, and US Postal Service positions. The total estimated personal income from this category was roughly $400,000.

Sources of Personal Income in Hydaburg, 2008
Total Personal Income: $6 million



Source: McDowell Group estimates.

Craig, Klawock, and Prince of Wales Island Economy

Though the population of Prince of Wales Island remains well below its peak, the island's population increased slightly in 2008, adding 112 residents, an increase of about 3 percent. Since 2000, the population of POW has declined 13 percent, primarily due to reduced timber harvests. The island's population was 4,581 in 2000, 593 residents more than in 2008. All of the recent growth has been in the Craig/Klawock area. Other communities on the island continue to experience population decline.

POW Island Population, by Community, 2000, 2006-2008

Community	2000	2006	2007	2008	% Change 2000-2008
POW Island	4,581	3,984	3,876	3,988	-13%
Craig	1,725	1,404	1,352	1,414	-18%
Klawock	854	779	741	785	-8%
Thorne Bay	557	480	465	440	-21%
Hydaburg	382	350	352	341	-11%

Source: ADOL 2008 population estimates.

The POW Island economy is a mix of timber industry, commercial fishing, government, and tourism related employment. Local government continues to be a mainstay of the POW economy; the City of Craig and the Craig City School District were among the top three employers in 2007 and 2008. Other key employers include Alaska Commercial Company, the US Forest Service, Viking Lumber, and Southeast Alaska Regional Health Consortium (SEARHC).

Top Ten Employers on Prince of Wales Island, 2007
Non-Agricultural Employment

Employers	Annual Average Employment	Peak Monthly Employment
Craig City School District	83	96
Alaska Commercial Company	82	103
City of Craig	63	70
Southeast Island School District	56	76
US Forest Service (Department of Agriculture)	49	58
Klawock City School District	37	46
Viking Lumber Company, Inc.	36	38
Southeast Alaska Regional Health Consortium	33	36
Alaska Power & Telephone Co.	31	34
City of Klawock	28	31
All Other Employers (142)	691	1,174
Total Employment	**1,187**	**1,762**

Source: ADOL, unpublished statewide employer data.

Total employment on POW Island in 2008 averaged 1,280 jobs, 36 jobs fewer than in 2007. Total payroll for 2008 was $40.5 million, just above the 2007 total of $40.1 million. Sealaska-related employment on POW Island totaled approximately 210 full and part-time jobs and $8 million in payroll.

Sealaska accounted for approximately $6 million in personal income to residents of Prince of Wales Island in 2008. (Some Sealaska-related payroll on POW is earned by workers who are not residents of the island).

TESTIMONY OF RONALD R. WOLFE

HB105 AN ACT RELATING TO THE SOUTHEAST STATE FOREST"

February 15, 2011

Mr. Chairman, members of the House Resources Committee, my name is Ronald Wolfe, I live in Juneau Alaska where I have been a professional forester since 1982. Currently, I am Sealaska Corporation Natural Resource Manager and I wish to offer my testimony in support of HB 105. I witnessed the testimony of Mr. Chris Maisch, Alaska State Forester during the Monday February 14, 2011 hearing and rather than repeat the all of the specifics of the bill that he testified to I offer my concurrence with the information he provided in his testimony. I offered verbal testimony on February 15, 2011 and offer this written testimony to supplement that for the record.

In addition to the information Mr. Maisch provided it is important for the House Resources Committee to understand the precipitous situation of our Southeast region. Virtually every village and community has lost population over the past decade and The Alaska Economic Trends[1] in December forecast ever further declines in the future to the year 2034:

- (-14.2) % decline for Southeast as a region overall
- (- 33.9) % decline for Prince of Wales and outer Ketchikan
- (- 34.6) % decline for Wrangell-Petersburg
- and the discouraging news continues for every Borough and area in our region

Such population declines adversely impact everything, property values, the ability of communities to operate such basic things as schools, some villages may loose their school altogether, utilities, fuel and grocery delivery, transportation and the list goes on.

We need all of our industries in the face of such dire population forecasts, and it's no secret that the timber industry here is a mere shadow of itself and is on the verge of total collapse which if occurs moves Southeast Alaska closer to a catastrophic economic implosion. The industry today is supported metaphorically by a three legged stool; our timber comes from:

1. Sealaska Corporation and other private landowners
2. the Tongass National Forest, and
3. from the State of Alaska

We depend on each other to create enough critical mass to hang on, we use the same logging contractors, fuel suppliers, tug operators and the entire infrastructure that we need and helps to support Southeast Alaska overall.

Timber from these sales will be available for domestic manufacture and round log export. Both markets are important, wood that will go to the few remaining sawmills is important

[1] Alaska Economic Trends December 2010: Table 9, page 10

for their survival, but it is important to note that wood that is round log exported may provide higher revenues that make the timber sale economical to operate. In some instances our local mills actually export the logs themselves; so our local sawmills depend on round log export. Sealaska on the other hand is primarily in the round log export market, but we provide wood to local sawmills as well. So you see our industry is very inter-dependent on markets and infrastructure.

Some have expressed concern over round log export with a claim that we are exporting jobs. This is simply not the case. In addition to the economic contribution discussed earlier Sealaska commissioned an independent third party expert to investigate this in 2005. The McDowell Group[2] found that domestic manufacture creates 4.5 jobs per million board feet of harvest where as round log export creates 4.3 jobs per million board feet of harvest. Those who claim otherwise do not understand the jobs we create our sort yards and perhaps more importantly the stevedoring jobs for our ship loading.

The study further found that stevedoring and other round log export jobs allow the work force to remain in village where their families live, whereas domestic manufacture jobs require people to relocate to the community where the mill is located. Part time jobs such as stevedoring provide crucial income and allow rural village residents to pursue subsistence activities; both of which are necessary for survival. So you see round log export is important to such communities as Hydaburg, Hoonah and Kake for instance, whereas Viking Lumber is important for Craig and Klawock, and all of this is important for what remains of our industry. I offer the most recent report McDowell Group prepared[3] for Sealaska for the year 2008 for further information on the importance of round log export to our region.

It is important for the Committee to understand the land ownership of Southeast Alaska for the contextual setting of the bill. Southeast Alaska is about 23 million acres if one extends the 141st Meridian south and considers all of Alaska to the east to be our Southeast Region. Development is precluded over the vast majority of this region, some 89 %, most of this is owned by the federal government and is in parks, wilderness, national monuments and other classifications which preclude development altogether. Some is in State Parks. Development that occurs on the remaining lands must achieve resource protection first in order to comply with the Tongass Timber Reform Act, de facto roadless rule implementation, the Clean Water Act, the Bald Eagle Protection Act, the Endangered Species Act, the Alaska Forest Resources and Practices Act, Oil Spill laws and the list goes on and on; development can occur only on what's left.

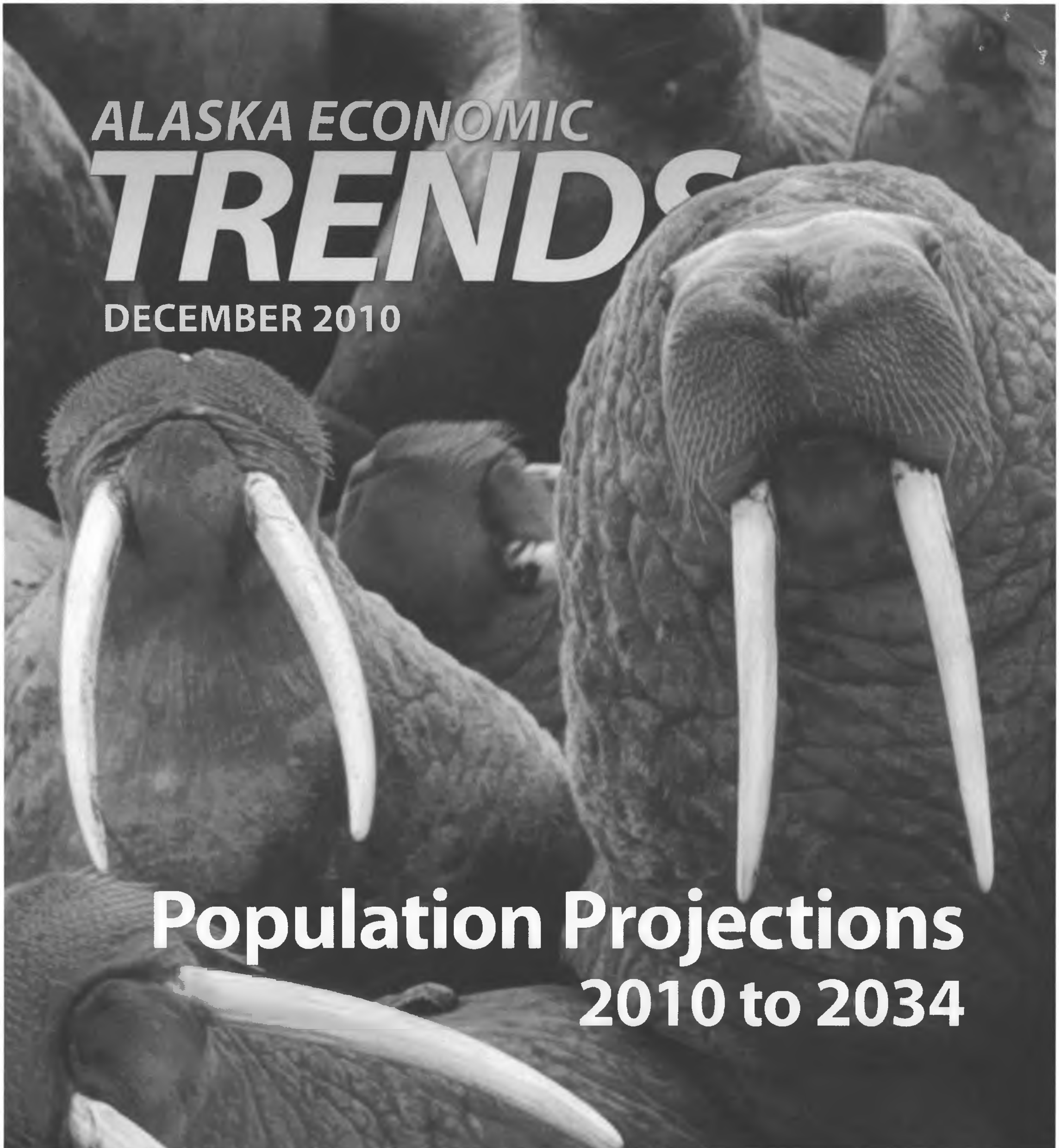
Passage HB 105 will help to stabilize timber supply from state lands and will allow these lands to be managed with a commitment towards forestry that is necessary for the long term planning horizons required for such things as sustainable resource management.

---

[2] Southeast Timber Harvest Employment Impact Analysis, October 2005, McDowell Group

[3] The Impact of Sealaska Corporation on the Southeast Economy 2009 Update, McDowell Group

These lands will be managed in accordance with our Alaska Forest Resources and Practices Act which has been demonstrated to be working well to protect water quality, anadromous fish habitat, wildlife and other important public resources.
Thank you, I urge expeditious passage of this bill.



ALASKA ECONOMIC

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Growth continues to eclipse rest of Alaska

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jobs
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& WORKFORCE DEVELOPMENT
Governor Sean Parnell
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Cover: Pacific walruses at Cape Peirce in Togiak National Wildlife Refuge. Photo courtesy of U.S. Fish and Wildlife Service.

Corrections
The average rent for a two-bedroom apartment in Kodiak is $1,267. The number was incorrect in Exhibit 12 on page 9 of August's *Trends*.

We have updated Exhibit 5 on page 13 of September's online issue of *Trends* to reflect revised U.S. Bureau of Labor Statistics educational and training-level information.

Brynn Keith, Chief
Research and Analysis

Sara Whitney, Editor
Sam Dapcevich, Graphic Artist
Kathy Ermatinger, Layout

To contact *Trends* authors or request a free subscription, e-mail trends@alaska.gov or call (907) 465-4500. *Trends* is on the Web at laborstats.alaska.gov.

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New scholarship one way to invest in our growing population

By Commissioner Click Bishop

This month's Trends focuses on Alaska's population, which is projected to increase 25 percent by 2034, from roughly 692,000 to more than 862,000 people. We expect Alaska's senior population, age 65-plus, to more than double and Alaska Native numbers to grow by more than 45,000, to almost 20 percent of our population.

The Alaska Department of Labor and Workforce Development, Research and Analysis section's projections are more than just head counts. Our state, local, and tribal governments use the data for planning for new schools, roads, police, and fire departments. The numbers are used to allocate funds for everything from job training and housing to community development and health care services.

Community organizations use the numbers to develop social service and community action projects. Businesses use the numbers to decide where to locate retail centers, movie theaters, banks, and offices — most often leading to new jobs.

Population information helps health care providers predict the spread of diseases through communities with elderly people and children. And during floods, tornadoes, or earthquakes, the numbers help rescuers plan for how many people will need help.

R&A's projections show the number of working Alaskans will also increase by 11 percent, to almost 490,000. As the "boomer" generation retires, jobs will open for succeeding generations.

As we move into the second decade of this century, we must continue to explore and develop ways to ensure the long-term vitality of Alaska's workforce. Often, that means investing now in workforce development to obtain significant returns in the future.

A new program would provide some of that investment for university or vocational training in Alaska. The Alaska Performance Scholarship, which aims to improve Alaska's student performance and future opportunities, was created this year after being proposed by the Parnell administration and passed into law by the Legislature.

This scholarship will provide annual awards of up to $4,755 to qualifying high school graduates who pursue university or vocational training in Alaska. Beginning with Alaska's high school class of 2011, graduates may qualify for the Alaska Performance Scholarship, with 2011-12 funding to be determined no later than May 1.

The State Board of Education and Early Development recently approved and began phasing in 2011 curriculum regulations, which should be fully implemented by 2013. Students who graduate in 2011 will need five or more credits of math and science, a GPA of 2.5 or higher, and scores of at least 21 on the ACT or 1450 on the SAT. Students pursuing a career and technical education certificate program may substitute WorkKeys scores of 5 or higher for an ACT or SAT.

Current high school freshmen and sophomores should prepare to take the full curriculum, including four years of English, four years of social studies, and either four years each of math and science or three years each of math and science plus two years of a foreign or Alaska Native language.

For more information, including funding status, detailed eligibility requirements, and how to apply, go to: aps.alaska.gov.

By ELISABETH MERCER, Demographer

Population Projections, 2010 to 2034

Alaska by age, sex, and race

Population projections tell us more than how many people we should expect — they tell us what kinds of services we'll need to support the future population. Alaskans use these projections to plan for social services like nursing homes, schools, and hospitals. This article is an overview of projected numbers for the state, regions, and borough/census areas as well as the Alaska Native population. It also summarizes how the Department of Labor makes these projections and explains components of change (mortality, fertility, and migration).

The state's total population is projected to increase by nearly 25 percent from 2009 to 2034, growing from 692,314 to 862,750 people. The number of seniors (age 65-plus) is expected to grow the most of any age group, more than doubling in size as Alaska's baby boomers age. Alaska's Native population is projected to increase by more than 45,000 by 2034.

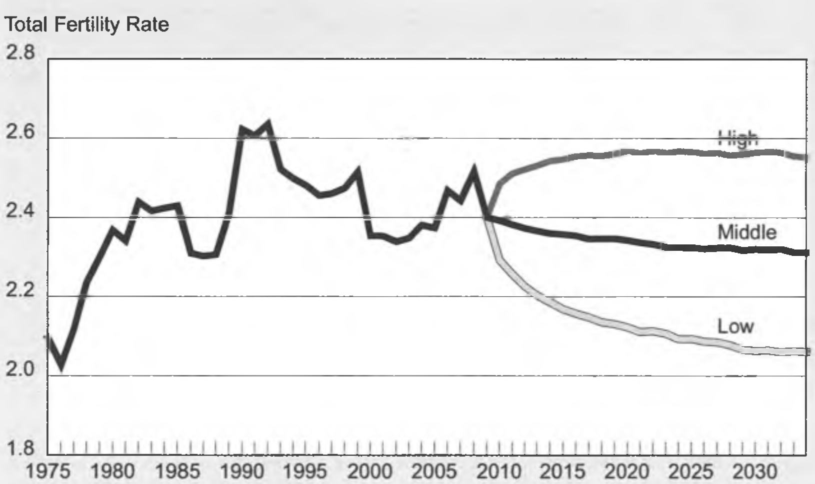
Projected population growth varies significantly across the state and in each of the economic regions, with the largest gain of about 38 percent in the Anchorage/Matanuska-Susitna region by 2034. By contrast, the projection for Southeast is a drop of 14.2 percent over the same period.

Methodology

Rather than building forecasts on economic factors, demographers base projections on the current population and historical trends in each of the components of population change. Specifically, they "age" the population[1] of each sex while accounting for natural increase (births minus deaths) and migration (in-migration and out-migration)[2]. However, past and current economic conditions also affect demographic variables[3].

Statewide, the demographers repeated the projections 2,000 times with random combinations of potential fertility and migration numbers, while keeping the age-specific mortality, or death rate, fixed. The projections took into account variations in recent trends of natural increase and migration, which gave a statistically valid[4] high and low projection range at the state level. There is a 90 percent chance that the actual values will fall

1 Total Fertility Rate
Alaska, 1975 to 2034



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

[1] For example, if a person is 10 years old in 2009, he or she will be 35 in the 2034 projection.
[2] This method is the "cohort component method."
[3] For example, fertility rates may drop during a recession.
[4] The probabilistic projection method provided a probability distribution for Alaska's future population, by sex and single years of age. After calculating 2,000 sets of component paths for each age and sex, the demography unit applied them to a cohort component projection model. More specifically, Leslie Matrices were used to project natural increase, with projected vectors of migrants added at each step. This process generated a distribution of 2,000 potential population paths from 2010 to 2034. The sums of the boundaries of the 90 percent confidence intervals for each age-by-sex are reported as the 90 percent confidence high and low variants.

within the range. These ranges do not account for all future uncertainty, such as state economic and social changes.

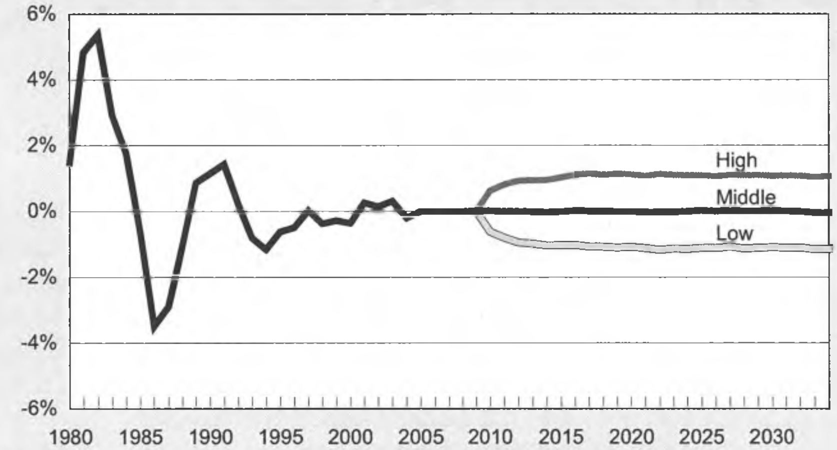
High and low ranges are not statistically significant at the regional and borough/census area levels, as they are adjusted to add up to the state's ranges to attempt to capture the uncertainty of these projections.

Mortality

Mortality rates across all age groups refer to a person's life expectancy at birth if that person lived according to age-specific mortality rates that year. Just as the makeup of Alaska's population varies greatly among groups, so does life expectancy. Overall, Alaska's life expectancy has been similar to that of the nation. From 2000 to 2034, life expectancy for Alaskan males is expected to rise from 74.9 to 79.9 years, and from 79.7 to 83.6 years for females.

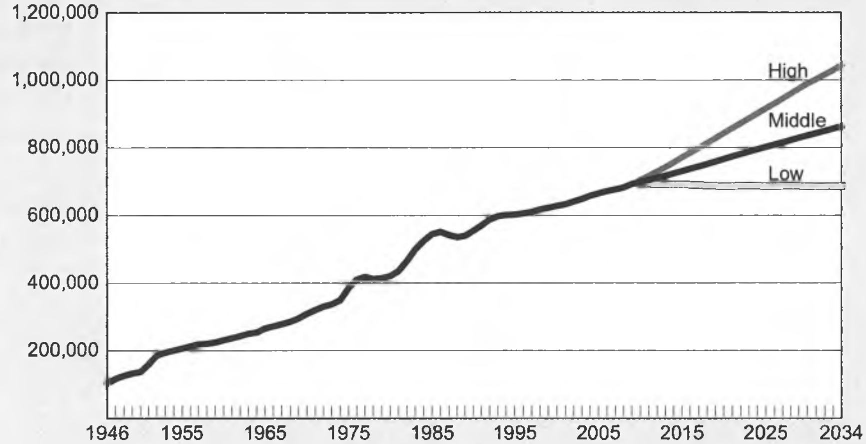
Mortality is the most predictable component of change for Alaska's population. It has been relatively stable over recent history, and is expected to continue improving, following the U.S. Social Security Administration's projected future changes in U.S. mortality.

Net Migration Ratio 2
Proportion of Alaska's Total Population, 1980 to 2034



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Alaska's Population 3
1946 to 2034



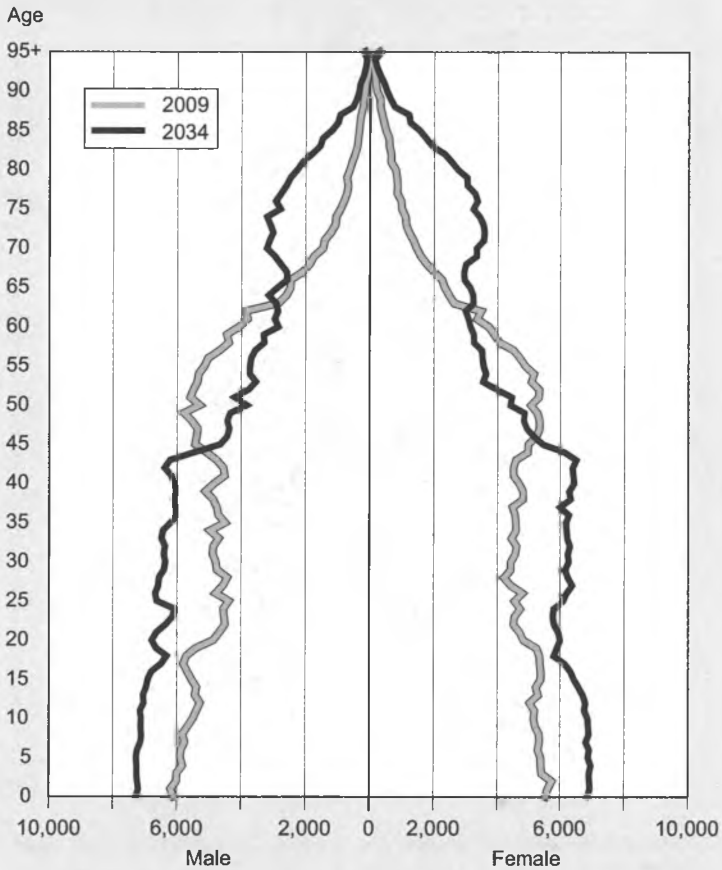
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Fertility

The level of fertility, or births, is expressed in the Total Fertility Rate (TFR). The TFR for a specified year is the average number of children that a woman would bear if she followed that year's age-specific fertility rates throughout her childbearing years. A TFR of 2.1 children per woman would be necessary for natural increase (births minus deaths) to break even. Alaska's TFR ranks among the highest in the U.S, allowing for robust and steady growth. Even if net-migration (in-migration minus out-migration) were zero, Alaska would continue to grow from natural increase alone.

Fertility varies greatly across the state, with estimated TFR ranging from 5.1 children per woman in the Wade Hampton Census Area to just 1.3 in the Aleutians West Census Area. However, the current global trend of rural-to-urban migration results in lower overall fertility rates. Assuming that continues in Alaska, the state's projected fertility rate is likely to be 2.3 in 2034, down from the 2009 estimate of 2.4. The statistical model estimated the level of uncertainty around this value by using variance from recent decades.

4 Population By Age and Sex
Alaska, 2009 and 2034[1]



[1] Middle projection series
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Exhibit 1 shows the projected levels of TFR through 2034. There is a 10 percent chance TFR will fall outside these bounds in any given year, so it is likely to be outside this range at some point over the next 25 years.

Migration

The most volatile component is migration, which is affected by the economy in Alaska and the Lower 48. Wars, pipeline construction, and the oil boom led to significant influxes of new residents throughout Alaska's modern history, while base closures, pipeline completion, and the oil bust prompted people to leave. However, large-scale economic events like the construction of the oil pipeline are unlikely over the next 25 years. Even construction of a natural gas pipeline probably would not reach that level of impact. Therefore, migration rates are likely to remain stable.

The projection model considered two ratios of migration (migrants divided by total population): in-migration and out-migration. The model estimated with 90 percent certainty that Alaska's net-migration will fall within about 1 percent of Alaska's population in a given year through 2034. (See Exhibit 2.) For example, if population is projected to be 700,000 in a given year, there is a 90 percent chance that net-migration will be within +/- 7,000 people. However, as with TFR, net-migration is likely to fall outside the predicted range at some point over the next 25 years, as it's 10 percent likely to do so in any given year.

Special populations

The military makes up a large portion of the population in Anchorage, Fairbanks, Denali, and Kodiak, and these military populations were held constant over the projection period to avoid "aging" these populations, which would underestimate residents in their 20s and 30s. Fish processing (group quarters) populations in Aleutians East and Aleutians West were also kept constant to prevent errantly "aging" these transient populations.

Statewide projections

Though the department projects a total statewide population increase through 2034 (see Exhibits 3 through 6), the annual rate of growth will likely slow over the projection period because of the expected increase in deaths relative to births. However, as stated earlier, the state is expected to continue growing even if net-migration were zero. By 2014, the most likely scenario is a population of 723,619, with 794,975 people in 2024 and 862,750 by 2034. The level of uncertainty greatly increases with time.

Projections for age groups

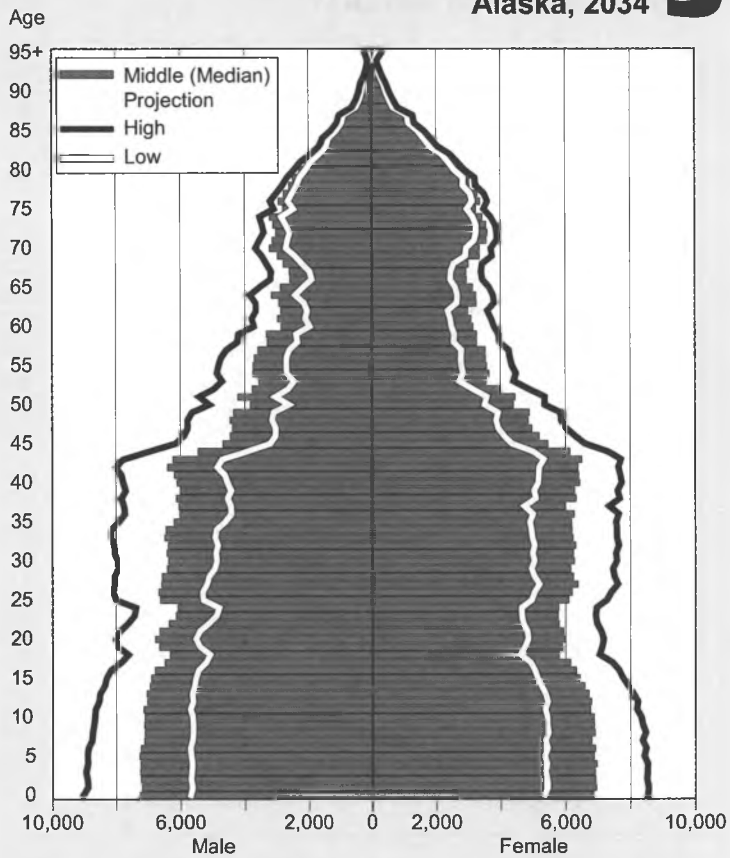
Alaska's population 4 years of age and younger is projected to increase by 22.3 percent, from 57,899 to 70,805 children between 2009 and 2034. (See Exhibit 6.) Numerous potential levels of fertility and migration cause greater uncertainty for younger age groups.

The most likely scenario for school-age children (ages 5 to 17) is 25.7 percent growth, from 141,873 to 178,392 people between 2009 and 2034. With the "echo boom" cohort (the children of baby boomers) now entering working ages, the short-term projection for the school-age group supports slow growth; but further into the future, the projected total school age population will grow at a steady pace.

Alaska's working-age population (ages 18 to 64) is currently 440,279 people, and is likely to increase by 11 percent over the projection period to 488,696 in 2034. As baby boomers become retirees, the echo boomers will move into the working ages, yielding almost no change in the overall working-age population for the majority of the period.

As mentioned earlier, retirees (ages 65 and older) are likely to more than double by 2034. This is attributable to Alaska's large number of baby boomers reaching age 65 and older in 2009, representing 7.5 percent of the state's population. That number is projected to climb 138.9 percent (to 124,857) by 2034, when it would represent 14.5 percent of the population. (See Exhibit 7.) The U.S. Census Bureau projects a similar trend for the nation as a whole, with the proportion age 65 and older in the U.S. increasing from 12.9 percent in 2009 to 19.8 percent in 2034.

Population By Age and Sex 5
Alaska, 2034



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Increasing dependency ratios

Dependency ratios show the burden of support on the working-age population to care for the young and old, traditionally nonworking populations. In 2009, every 100 Alaskans of working age supported 45.4 people under age 18, and 11.9 people over age 65, which adds up to a total dependency ratio of 57.3. Each of these figures is expected to rise over the next 25 years. (See Exhibits 7 and 8.)

With the aging of Alaska's echo boom, the youth dependency ratio will probably first decrease to 45.2 in 2014, then rise to 50.0 in 2024 and 51.0 in 2034. The aged dependency ratio is projected to increase to 14.6 by 2014, then 23.5 by 2024, and 25.5 by 2034. Though there is uncertainty in the specific figures for the aged dependency ratio, it is certain it will climb dramatically over the next 25 years.

Projections for regions and boroughs/census areas

Population change is likely to vary greatly across the state, following paths similar to the last decade. (See Exhibits 9 and 10.) Regions and boroughs/census areas are more susceptible to the impact of migration than any other component of change because it includes intrastate and interstate migration. Although applying recent trends of migration to regions and boroughs/census areas can predict growth or decline, it is possible these trends will significantly change across the state in the future. Migration depends on economic and social factors, making it less predictable.

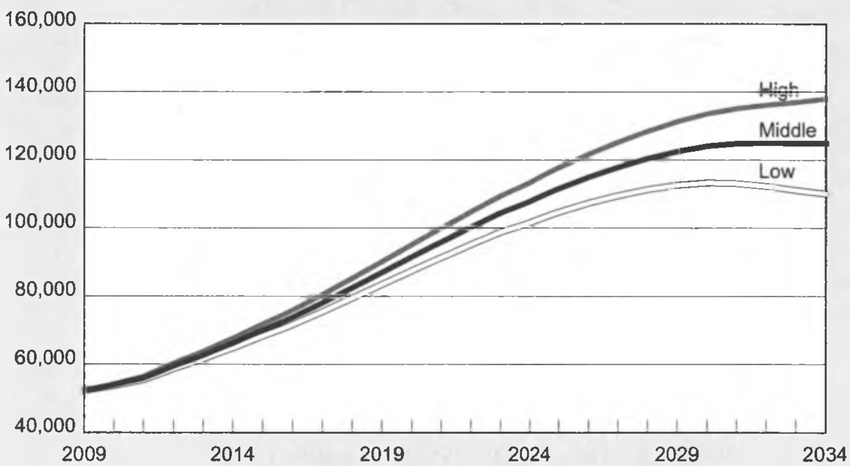
6 Population by Age
Statewide and Alaska Natives, 2009 to 2034[1]

Total Alaska Population							Alaska's Native Population						
Age	2009	2014	2019	2024	2029	2034	Age	2009	2014	2019	2024	2029	2034
Birth to 4	57,899	59,656	64,160	66,695	68,614	70,805	Birth to 4	14,344	13,666	14,480	14,862	15,470	16,317
5 to 9	55,674	58,943	60,923	65,703	68,348	70,268	5 to 9	12,060	14,138	13,464	14,271	14,647	15,249
10 to 14	52,991	55,828	59,256	61,409	66,320	69,022	10 to 14	11,058	11,994	14,067	13,392	14,196	14,570
15 to 19	54,941	50,698	53,474	56,864	58,895	63,771	15 to 19	12,235	10,845	11,770	13,828	13,150	13,944
20 to 24	46,487	57,967	53,619	56,261	59,231	61,308	20 to 24	11,427	11,964	10,586	11,499	13,536	12,861
25 to 29	45,324	49,970	61,743	57,770	60,486	63,930	25 to 29	9,219	11,257	11,797	10,437	11,347	13,371
30 to 34	46,859	47,101	52,037	64,102	60,260	63,325	30 to 34	7,007	9,082	11,102	11,647	10,314	11,224
35 to 39	47,260	47,510	47,921	53,089	65,037	61,466	35 to 39	7,170	7,075	9,136	11,149	11,711	10,424
40 to 44	47,053	44,351	44,680	45,249	50,270	62,232	40 to 44	7,832	7,004	6,922	8,952	10,939	11,503
45 to 49	53,789	44,485	41,845	42,204	42,584	47,572	45 to 49	8,104	7,653	6,865	6,800	8,797	10,756
50 to 54	53,133	50,353	41,220	38,594	38,749	39,110	50 to 54	7,105	7,739	7,320	6,573	6,521	8,465
55 to 59	45,804	48,978	46,221	37,276	34,499	34,687	55 to 59	5,694	6,773	7,402	7,023	6,327	6,293
60 to 64	32,837	41,579	44,612	41,917	33,070	30,397	60 to 64	4,057	5,354	6,394	7,010	6,670	6,023
65 to 69	20,556	28,948	37,199	40,090	37,480	29,127	65 to 69	2,821	3,719	4,934	5,917	6,516	6,221
70 to 74	12,525	17,355	25,059	32,661	35,380	33,105	70 to 74	1,982	2,436	3,239	4,319	5,216	5,780
75 to 79	8,423	9,517	13,673	20,350	27,010	29,505	75 to 79	1,508	1,574	1,954	2,625	3,525	4,292
80 to 84	5,746	5,538	6,415	9,691	15,059	20,460	80 to 84	881	1,081	1,138	1,426	1,942	2,628
85 to 89	3,280	3,091	2,966	3,560	5,789	9,527	85 to 89	428	524	650	690	874	1,204
90+	1,733	1,751	1,590	1,490	1,786	3,133	90+	268	277	316	387	434	535
Total	692,314	723,619	758,613	794,975	828,867	862,750	Total	125,200	134,155	143,536	152,807	162,132	171,660

[1] Middle projection series

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

7 Age 65 and Older
Alaska's population, 2009 to 2034



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Those with the most dramatic expected losses in average annual population include the Haines Borough (-1.5 percent) and the Wrangell-Petersburg and Prince of Wales census areas (-1.3 percent).

The Anchorage/Mat-Su region's population is projected to grow by more than 142,535 — 38.0 percent, with a 1.5 percent average annual growth rate — from 374,902 people in 2009 to 517,429 in 2034. Anchorage is expected to continue growing, following the state's rural-to-urban migration trend. The Mat-Su Borough has grown dramatically throughout Alaska's history as a state, and is expected to continue.

The boroughs and census areas with the highest projected average annual growth rates over the period are the Matanuska-Susitna Borough (3.1 percent), the Wade Hampton Census Area (2.3 percent), and the Bethel Census Area (1.4 percent).

The Gulf Coast region's population boomed during the 1980s, but growth has moderated in recent years. The projections yield an increase of roughly 5,239 people between 2009 and 2034 — 6.8 percent — but recent trends could change significantly with future resource development.

Alaska's Interior region has grown steadily over recent years. However, the future of the populations in the Fairbanks North Star Borough and the Southeast Fairbanks Census Area may greatly depend on the military. Assuming current trends continue, the predicted increase for the Interior is 16,195 people between 2009 and 2034, or 14.9 percent.

High birth rates in the Northern and Southwest regions are anticipated to outpace the projected out-migration, resulting in net growth in those regions. Projections show the Northern region gaining about 5,908 residents (a 25.0 percent increase), and the Southwest region adding 10,433 (a 26.6 percent increase).

The only regional population expected to decline over the projection period is Southeast. Due to particularly low birth rates and the highest median age in the state (39.3), growth would require a sharp rise in net-migration. Southeast's projected loss is about 9,866 people (a 14.2 percent drop) between 2009 and 2034. The future of Southeast is uncertain because of its dependence on future social and economic developments.

Projections show no change in the population rank-ordering of the regions over the projection period. In other words, the Anchorage/Mat-Su region is likely to remain the most populous, followed by the Interior, Gulf Coast, Southeast, and Southwest regions. The Northern region is expected to remain the least populated because of rural-to-urban migration.

Alaska Native projections

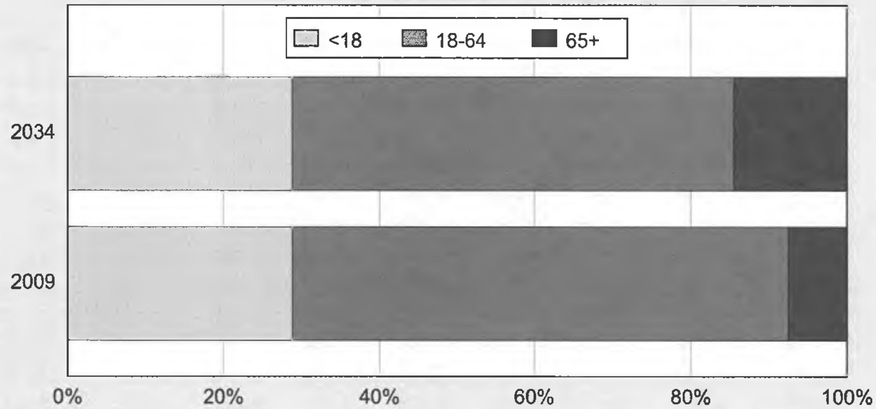
The department used the 2009 "bridged race[5]" estimate as a base for the Alaska Native[6] population, applying the same method as regions and boroughs/census areas.

Mortality, fertility, and migration rates among Alaska Natives have historically differed greatly from those of the overall state population. Native mortality and fertility rates are among the highest in the nation. Alaska Native life expectancy will likely follow the U.S. Social Security Administration's projections for change in U.S life expectancy over the projected period. From 2009 to 2034, life expectancy for Alaska Native males is expected to rise from 67.2 to 74.7 years, and from 73.7 to 78.6 years for Native females. Projected fertility will decline from 3.2 children per woman in 2009 to 3.0 in 2034, due to the rural-to-urban migration discussed earlier. Because of the social and economic characteristics of urban centers, urban women are more likely to have fewer children than their rural counterparts.

Compared to statewide rates, Alaska Native migration is relatively low. Natives migrate to the state at just above 2 percent of the total Native population and leave the state at just over 2 percent of the population. This very slight annual loss

Population by Selected Age Groups
Alaska, 2009 and 2034[1]

8



[1] Middle projection series
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

[5] "Bridge" series race estimates use the definition of race from the 1990s, when people could only choose one race to define themselves. With the 2000 census, people could check all of the races that applied. As a result, race as reported after 2000 is no longer compatible with earlier data, and statistics on race are far more complex.

[6] Alaska Native: A person with origins in any of the original peoples of North or South America (including Central America), who maintains tribal affiliation or community attachment. (Federal Office of Management and Budget) This includes Native Americans in Alaska; however, the majority of Natives in Alaska are Alaska Natives.

9 Population By Region and Borough/Census Area
Alaska, 2009-2034[1]

	2009	2014	2019	2024	2029	2034	Percentage Change 2009-2034	Average Annual Growth Rate 2009-2034
State of Alaska	692,314	723,619	758,613	794,975	828,867	862,750	24.6%	0.9%
Anchorage / Mat-Su Region	374,902	399,950	427,814	457,519	487,028	517,429	38.0%	1.5%
Anchorage, Municipality of	290,588	304,555	319,812	335,672	350,569	364,973	25.6%	1.0%
Matanuska-Susitna Borough	84,314	95,395	108,002	121,847	136,459	152,456	80.8%	3.1%
Gulf Coast Region	76,686	78,196	79,885	81,313	81,908	81,925	6.8%	0.3%
Kenai Peninsula Borough	53,578	56,007	58,562	60,921	62,673	64,019	19.5%	0.7%
Kodiak Island Borough	13,860	13,461	13,095	12,705	12,188	11,567	-16.5%	-0.6%
Valdez-Cordova Census Area	9,248	8,728	8,228	7,687	7,047	6,339	-31.5%	-1.2%
Interior Region	108,463	111,723	115,217	118,773	121,822	124,658	14.9%	0.6%
Denali Borough	1,838	1,783	1,715	1,642	1,550	1,451	-21.1%	-0.8%
Fairbanks North Star Borough	93,779	96,997	100,358	103,768	106,774	109,580	16.8%	0.6%
Southeast Fairbanks Census Area	7,243	7,694	8,216	8,751	9,246	9,742	34.5%	1.3%
Yukon Koyukuk Census Area	5,603	5,249	4,928	4,612	4,252	3,885	-30.7%	-1.2%
Northern Region	23,664	24,760	26,037	27,257	28,354	29,572	25.0%	1.0%
Nome Census Area	9,500	9,911	10,391	10,859	11,282	11,744	23.6%	0.9%
North Slope Borough	6,798	7,140	7,517	7,855	8,157	8,517	25.3%	1.0%
Northwest Arctic Borough	7,366	7,709	8,129	8,543	8,915	9,311	26.4%	1.0%
Southeast Region	69,338	67,948	66,480	64,692	62,244	59,472	-14.2%	-0.5%
Haines Borough	2,286	2,133	1,974	1,802	1,619	1,422	-37.8%	-1.5%
Juneau, City and Borough of	30,661	30,884	31,051	31,040	30,710	30,191	-1.5%	-0.1%
Ketchikan Gateway Borough	12,984	12,464	11,934	11,339	10,633	9,878	-23.9%	-0.9%
Prince of Wales-Outer Ketchikan Census Area	5,392	5,052	4,721	4,368	3,966	3,566	-33.9%	-1.3%
Sitka, City and Borough of	8,627	8,578	8,505	8,400	8,215	8,000	-7.3%	-0.3%
Skagway-Hoonah-Angoon Census Area	2,908	2,785	2,642	2,483	2,297	2,100	-27.8%	-1.1%
Wrangell-Petersburg Census Area	5,852	5,445	5,070	4,701	4,276	3,828	-34.6%	-1.3%
Yakutat, City and Borough of	628	607	583	559	528	487	-22.5%	-0.9%
Southwest Region	39,261	41,042	43,180	45,421	47,511	49,694	26.6%	1.0%
Aleutians East Borough	2,778	2,830	2,887	2,945	2,967	2,981	7.3%	0.3%
Aleutians West Census Area	4,549	4,592	4,627	4,638	4,610	4,564	0.3%	0.0%
Bethel Census Area	16,997	18,036	19,224	20,471	21,720	23,019	35.4%	1.4%
Bristol Bay Borough	967	972	977	986	986	974	0.7%	0.0%
Dillingham Census Area	4,729	4,739	4,781	4,798	4,755	4,698	-0.7%	0.0%
Lake and Peninsula Borough	1,547	1,487	1,441	1,393	1,328	1,258	-18.7%	-0.7%
Wade Hampton Census Area	7,694	8,386	9,243	10,190	11,145	12,200	58.6%	2.3%

[1] Middle projection series
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

through migration is projected to continue through 2034.

The Department of Labor projects stable growth for the Native population through the projection period, from 125,200 people in 2009 to 171,660 in 2034. (See Exhibits 6 and 11.) Additionally, Natives are expected to increase as a share of the state's population, from 18.1 percent in 2009 to 19.9 percent in 2034.

Historical trends for natural increase and interstate net-migration have been relatively stable, so uncertainty estimates were unnecessary for this group. Therefore, the Alaska Native projections are only comparable to the middle series of the statewide projections and can be subtracted from this series to estimate the non-Native population.

Decreasing fertility rates are reflected in the Native share of the total population under age 20. That proportion is projected to decline over the period from 22.4 percent in 2009 to 21.9 percent in 2034. The median age for the population is expected to rise from 25.8 to 29.8 between 2009 and 2034.

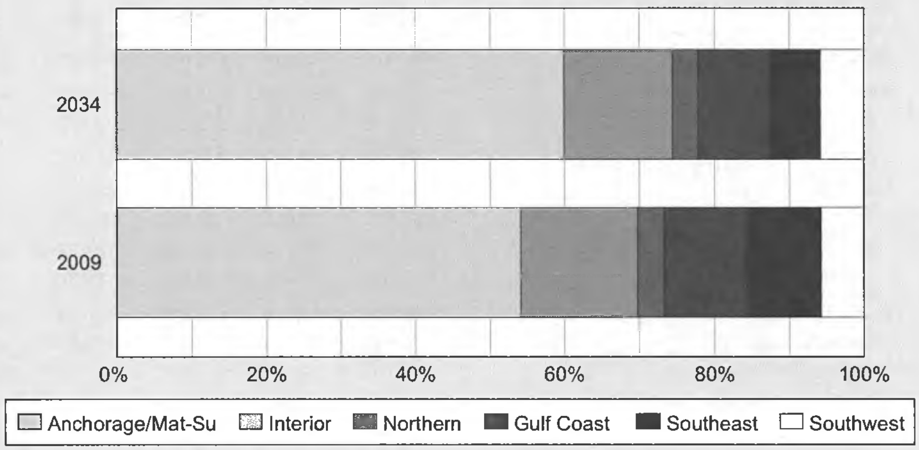
Natives ages 65 and older are projected to follow the same broad trends as the overall population in Alaska and the U.S. Specifically, the number of elderly Natives is expected to rise by 161.9 percent — from 7,888 in 2009 to 20,660 in 2034. The proportion of Natives age 65 and older within the total Native population will likely grow from 6.3 percent in 2009 to 11.7 percent in 2034. Increases in Native life expectancy will also affect future population change.

Historically, migration has not played as large a role in population change as natural increase; therefore only small losses in the population due to net out-migration are projected. However, rural-to-urban migration is expected to continue, so Alaska Natives are likely to help shape the future of urban centers.

The Department of Labor's Native projections are only at the state level in this series. While Alaska uses the same classification for Native Americans as the U.S. Census Bureau does for the nation, the demographic makeup of the two populations is vastly different, therefore not comparable.

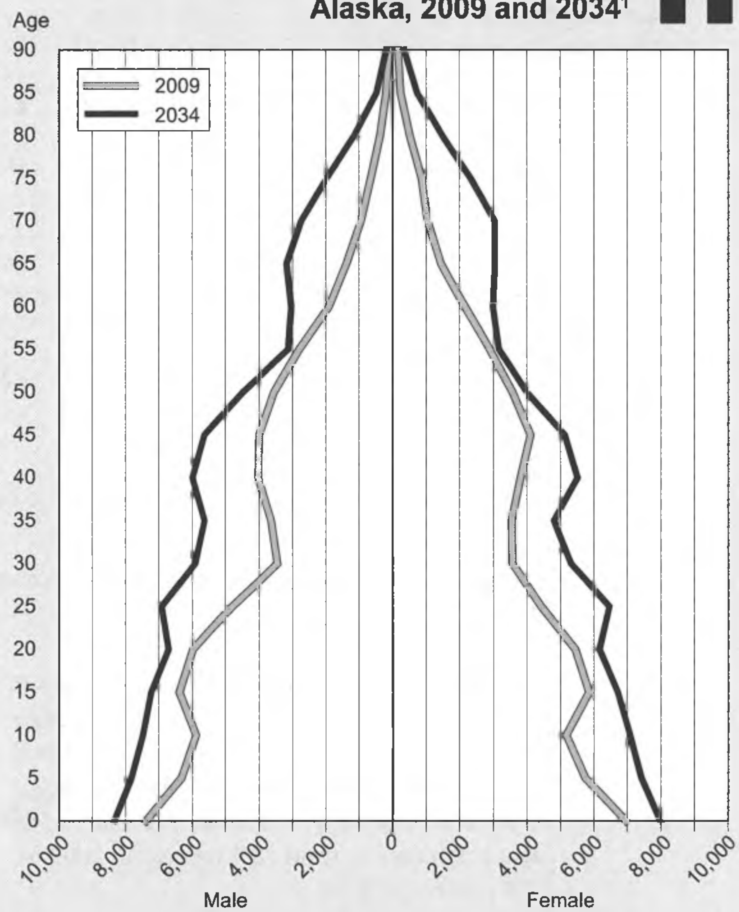
A complete description of the methods and results for these population projections (including high and low projection series) are available on the Research and Analysis Web site at laborstats.alaska.gov. Click on "Population & Census" on the left, then "Estimates & Projections."

Population by Economic Region 10
Alaska, 2009 and 2034[1]



[1] Middle projection series
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Alaska Native Population By Sex 11
Alaska, 2009 and 2034[1]



[1] Middle projection series
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

By NEAL FRIED, Economist

The Matanuska-Susitna Borough

Growth continues to eclipse rest of Alaska

1 Mat-Su Borough's Population Estimates, 2000 to 2009

	Estimated Population 2009	2000 Census 2000	Change 2000 to 2009	Percentage Change 2000 to 2009
Alaska	692,314	626,931	65,383	10%
Anchorage	290,588	260,283	30,305	12%
Fairbanks North Star Borough	93,779	82,840	10,939	13.2%
Matanuska-Susitna Borough	84,314	59,322	24,992	42%
All places in the Mat-Su Borough are Census Designated Places (CDPs) unless footnoted.				
Big Lake	3,331	2,635	696	26%
Buffalo Soapstone	738	699	39	6%
Butte	3,255	2,561	694	27%
Chase	35	41	-6	-15%
Chickaloon	277	213	64	30%
Farm Loop	1,313	1,067	246	23%
Fishhook	3,337	2,030	1,307	64%
Gateway	4,068	2,952	1,116	38%
Glacier View	246	249	-3	-1%
Houston city	1,664	1,202	462	38%
Knik-Fairview	13,824	7,049	6,775	96%
Knik River	631	582	49	8%
Lake Louise	100	88	12	14%
Lakes	8,388	6,706	1,682	25%
Lazy Mountain	1,446	1,158	288	25%
Meadow Lakes	7,319	4,819	2,500	52%
Palmer city[1]	5,532	4,533	999	22%
Petersville	6	27	-21	-78%
Point MacKenzie	273	111	162	146%
Skwentna	73	111	-38	-34%
Susitna	16	37	-21	-57%
Sutton-Alpine	1,407	1,080	327	30%
Talkeetna	894	772	122	16%
Tanaina	7,407	4,993	2,414	48%
Trapper Creek	444	423	21	5%
Wasilla city[2]	7,245	5,469	1,776	32%
Willow	2,218	1,658	560	34%
Y	1,057	956	101	11%
Remainder of Mat-Su Borough	7,770	5,101	2,669	52%

[1] Palmer had an annexation on September 5, 2003.
[2] Wasilla had a small annexation on May 3, 2002.
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section; and the U.S. Census Bureau

The story of the Matanuska-Susitna Borough's growth in population and employment, which has long outstripped the rest of the state, is an old one. That saga continued in 2009, as employment kept growing in the borough even when it fell in the rest of Alaska for the first time in 21 years. Early indicators for 2010 are also positive.

One large place

Only Fairbanks and Anchorage have more residents than the Mat-Su Borough, which had a 2009 population of 84,314. (See Exhibit 1.) In addition, the Mat-Su is nearly as large as West Virginia at 24,682 square miles. Although it is a big place, 90 percent of its residents live in "the Valley," a tight corridor between the communities of Sutton on the Glenn Highway and Willow on the Parks Highway.

Wasilla, Palmer, and Houston are the only three communities that are incorporated or have political boundaries, and the residents of these three towns represent just 17 percent of the borough's population. The rest live in various unorganized or census-designated places (CDPs). According to state demographer Greg Williams, ten of the top 14 places in the state that experienced the most rapid growth between 2000 and 2009 are in the Mat-Su Borough. If these places were to incorporate, four of them would be larger than the City of Wasilla. One of them, Knik-Fairview, would become the fourth-largest city in the state.

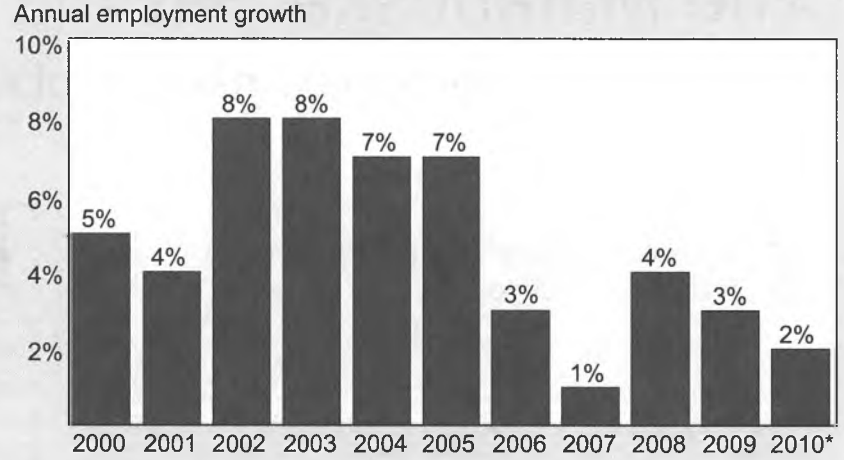
Different economy than most

Historically, the lifeblood of the area came from farming, gold, and coal mining. Although the Mat-Su Borough remains the largest agricultural producer in the state and coal mining might make a comeback, these industries were eclipsed decades ago by forces that have put the borough on the state's economic pedestal.

Today, an array of sectors vitalize the area's economy. Its most important stimulus is its status as a bedroom community — a place where people live while working elsewhere. An expanding visitor industry also plays a role, as does a growing list of borough enterprises that provide services to the rest of the state. One example is the new Goose Creek prison, which is scheduled to open in 2012.

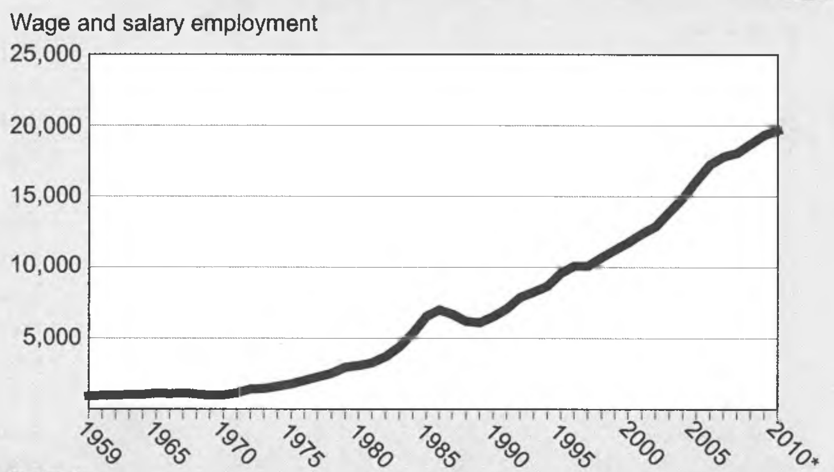
However, the most important explanation for the borough's rapid employment growth is that its businesses and institutions are providing a larger range of goods and services to its burgeoning population.

Employment Continues to Grow 2
Matanuska-Susitna Borough, 2000 to 2010



*estimate
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

A History of Strong Growth 3
Matanuska-Susitna Borough, 1959 to 2010



*estimate
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Residents spend more locally

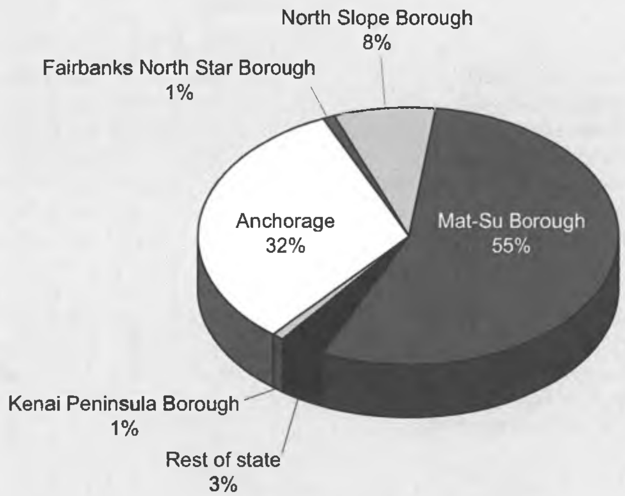
Exhibits 2 and 3 show employment growth in the borough over the past decade and since 1959. The number of jobs in the borough grew more than three times as fast as the rest of the state in the past decade, and this trend continues because residents spend a growing share of their income locally. Economists call this phenomenon import substitution, and it increases payroll as well as salaries. For example, between 2000 and 2009, health care employment doubled and retail added more than 1,000 jobs.

The fact that employment grew considerably faster than population may be another indicator of this trend. Growth in sales tax revenue in Palmer and Wasilla is further evidence of the borough capturing more of its residents' consumption dollars. Between 2000 and 2009, collected sales tax more than doubled (even after adjustment for inflation), even though the borough's population grew only 42 percent.

Many earn their living elsewhere

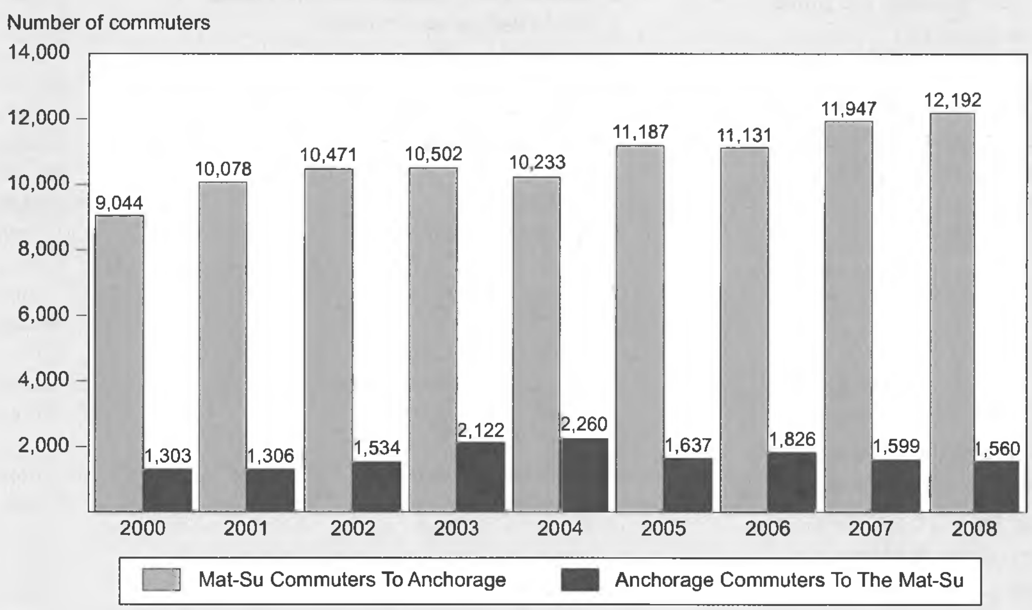
In some ways, the Matanuska-Susitna Borough's commuter patterns are not that different from elsewhere in the country. That is, many people who live there commute outside the borough each day, and data produced by the Alaska Department of Labor and Workforce Development shed some

4 Where Mat-Su Residents Work[1]
2008



[1]Excludes uniformed military, federal, and self-employed workers, 2008
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

5 Commuter Traffic Continues to Grow[1]
Matanuska-Susitna Borough, 2000 to 2008



[1]Excludes uniformed military, federal, and self-employed workers
Source: Alaska Department of Labor and Workforce Development, Research and Analysis

light on where these residents work. (See Exhibits 4, 5, 6, and 7.) According to these data (which exclude federal, uniformed military, and self-employed workers), nearly a third of the Mat-Su Borough's residents work in Anchorage, and this hasn't changed much over the years. (See Exhibit 4.)

Unlike many areas that are home to a large population of commuters, the borough also has many residents that travel to remote job sites. For example, in 2008, 8 percent of the area's residents worked on the North Slope and another 5 percent held jobs in other distant places around the state.

Over the past decade, the proportion of commuters and those who work locally has not changed much. In both 2000 and 2008, 45 percent commuted beyond the borough's boundaries. However, an interesting trend emerged: workers were taking more jobs farther away. The number of commuters working on the North Slope doubled between 2005 and 2008 — a reflection of the employment rebound in the state's oil patch and the Mat-Su area's role as home to a large share of the state's oil industry workforce. The borough supplies the second-largest group of oil industry workers to the North Slope, after Anchorage.

There are many reasons so many Mat-Su residents commute, but two are paramount. The borough offers a competitive housing market, and the state's largest labor market (Anchorage) is within easy reach of most residents.

Primary Place of Work and Wages[1] 6
Matanuska-Susitna residents, 2008

	Number of Workers	Percent	Wages
Matanuska-Susitna Borough	20,665	55%	$543,926,149
Anchorage Municipality	12,192	32%	$553,470,946
North Slope Borough	2,858	8%	$222,468,891
Kenai Peninsula Borough	359	1%	$14,978,354
Fairbanks North Star Borough	350	1%	$12,726,821
Northwest Arctic Borough	142	0%	$9,893,588
City and Borough of Juneau	141	0%	$5,501,178
Valdez-Cordova Census Area	135	0%	$6,803,009
Bethel Census Area	125	0%	$6,056,487
Nome Census Area	114	0%	$5,856,028
Denali Borough	96	0%	$2,334,864
Yukon-Koyukuk Census Area	79	0%	$3,268,004
Southeast Fairbanks Census Area	71	0%	$3,650,749
Aleutians West Census Area	60	0%	$3,468,193
Total	37,744	100%	$1,405,224,612

	Number of Workers	Percent	Wages
Bristol Bay Borough	48	0%	$1,557,543
Ketchikan Gateway Borough	43	0%	$1,064,649
Kodiak Island Borough	42	0%	$1,151,191
Dillingham Census Area	41	0%	$1,515,610
Lake and Peninsula Borough	41	0%	$1,347,090
Aleutians East Borough	40	0%	$1,207,105
Wade Hampton Census Area	34	0%	$1,230,727
City and Borough of Sitka	21	0%	$487,742
Skagway-Angoon Census Area	18	0%	$492,495
Wrangell-Petersburg Census Area	15	0%	$355,965
Prince of Wales-Outer Ketchikan CA	12	0%	$411,236
Haines Borough	0	0%	$0
Hoonah-Angoon Census Area	0	0%	$0
City and Borough of Yakutat	0	0%	$0

[1]Excludes uniformed military, federal, and self-employed workers, 2008
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Housing is key to the economy

The numbers clearly show that a large part of the Mat-Su Borough's appeal is its affordable housing market. Other factors such as lifestyle and scenery probably play an important role, but they are more difficult (if not impossible) to quantify.

In 2010, the average sale price of a single-family home in the area was $239,572: just three-quarters of the price of a single-family home in Anchorage (see Exhibit 8) and significantly below the statewide average of $277,941. This difference is a strong enticement to those who want to live close to a larger city.

Measuring how many wage earners it takes to pay the average mortgage also shows why an Anchorage worker might choose to live in the Mat-Su area. It takes 1.2 Anchorage wage earners to pay the average Mat-Su mortgage versus 1.6 to buy a home in Anchorage.[1] (See Exhibit 9.) Because average wages in the borough are significantly lower than those in Anchorage, it also takes 1.6 wage earners for those who work in the Mat-Su to afford a home there, so those who live and work

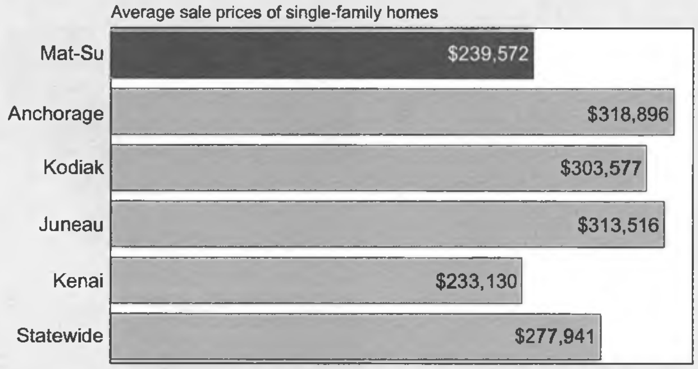
[1] The Alaska Affordability Index is a measurement of the number of wage earners necessary to afford an average home, based on workers who earn average wages for their geographic location, and the average price for a single family home.

Top 25 Employers[1] 7
Matanuska-Susitna Borough, 2009

Rank	Employer	Employment Range[2]
1	Matanuska-Susitna Borough School District	2,013
2	State of Alaska (excludes University of Alaska)	947
3	Mat-Su Regional Medical Center	500-749
4	Wal-Mart/Sam's Club	250-499
5	Fred Meyer	250-499
6	Matanuska-Susitna Borough	368
7	Matanuska Telephone Association	250-499
8	First Student	250-499
9	Carrs/Safeway	100-249
10	Federal government	235
11	Mat-Su Services for Children and Adults, Inc.	100-249
12	University of Alaska	165
13	First Student	100-249
14	Spenard Builders Supply	100-249
15	Chugach Government Services (Job Corps)	100-249
16	Target	100-249
17	City of Wasilla	143
18	Alaska Hotel Properties	100-249
19	Three Bears	100-249
20	Lowes	100-249
21	McDonald's Restaurants	100-249
22	Home Depot	100-249
23	Matanuska Electric Association	100-249
24	Alaska Home Care	100-249
25	Matanuska Valley Federal Credit Union	100-249

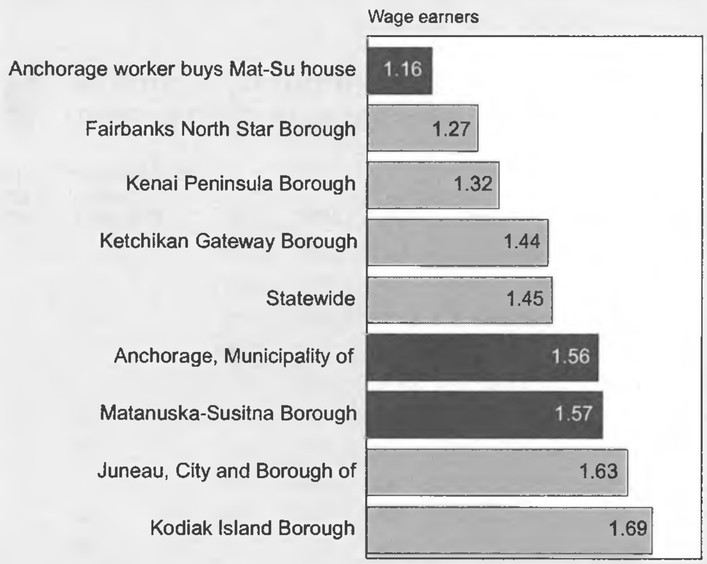
[1] Excludes federal employees and uniformed military
[2] Due to confidentiality restrictions, employment data for private-sector firms are provided in ranges.
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

8 Housing a Big Attraction in Mat-Su
First quarter, 2010



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

9 Buying a Single-Family Home
Wage earners needed to pay mortgage



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

in the Mat-Su don't see the benefit of the lower housing prices.

Most earnings come from elsewhere

One reason many residents choose to work outside the borough is that they can earn better wages elsewhere. (See Exhibit 10.) The average annual salary in the Mat-Su area in 2009 was $36,492, nearly $13,000 less than in Anchorage. Even higher wages are available on the North Slope and elsewhere in Alaska. The borough's wages tend to be lower because of the prevalence of retail and service jobs. (See Exhibit 11.)

More of the higher paying jobs — such as those in oil, transportation, government, and the military — are also based elsewhere in the state. In 2008, Mat-Su residents earned more of their wages in Anchorage than they did at home, and 61 percent of all earnings came from outside the borough. (See Exhibit 6.)

Mat-Su provides services statewide

Besides the visitor industry and the housing market, other types of businesses provide services to the rest of the state, bringing new jobs into the Mat-Su area. These include Job Corps, Alaska Department of Corrections, GCI, and the surveying company TerraSond. Other examples are car dealers, greenhouses, farmer's markets, and others that cater to the local population as well as to Anchorage clientele.

A dynamic visitor sector

Bed tax receipts in the Mat-Su area more than tripled over the past five years — mainly due to the opening of large destination lodges — while visitor growth in most of the state was muted. The borough also has a well-developed visitor industry that caters to more independent travelers. A significant slice of its visitors come from Anchorage, and many own recreational property in the area.

Agriculture is still a player

The Mat-Su area remains the largest agricultural producer in the state. Most of its value is in crops like vegetables, potatoes, hay, and livestock. The recent explosion of farmer's markets in Southcentral Alaska is boosting farming in the Mat-Su.

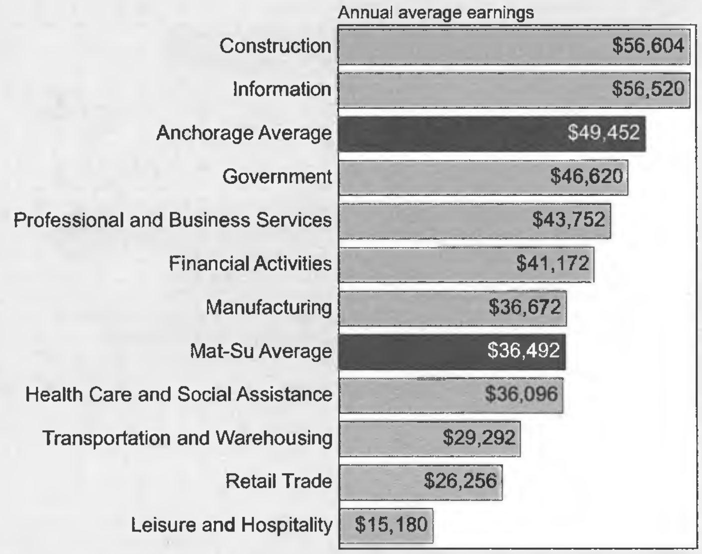
Population, population, population

Since 2000, the borough's population has grown by 42 percent versus a 9 percent increase for Anchorage and 10 percent statewide. (See Exhibit 12.) The Mat-Su's 2009 population of 84,314 is an increase of 24,992 people since 2000. Only Anchorage's absolute population grew more than that, but not by much. Unlike the rest of the state, most of this growth came from migration. (See Exhibit 13.) Overall, the borough went from comprising 7 percent of the state's population in 1990 to 12 percent in 2009. (See Exhibit 14.)

The demographics are different

The median age of the Mat-Su area's population is 34.5, one year older than the statewide median age and nearly four years older than the area's median age in 1990. (See Exhibit 15.) Its population is considerably less diverse than the state's — 84.1 percent white versus 70.4 percent statewide. The age breakdown of its population is similar to the state average, as is the ratio of men to women.

Average Annual Earnings
Matanuska-Susitna Borough, 2009 10



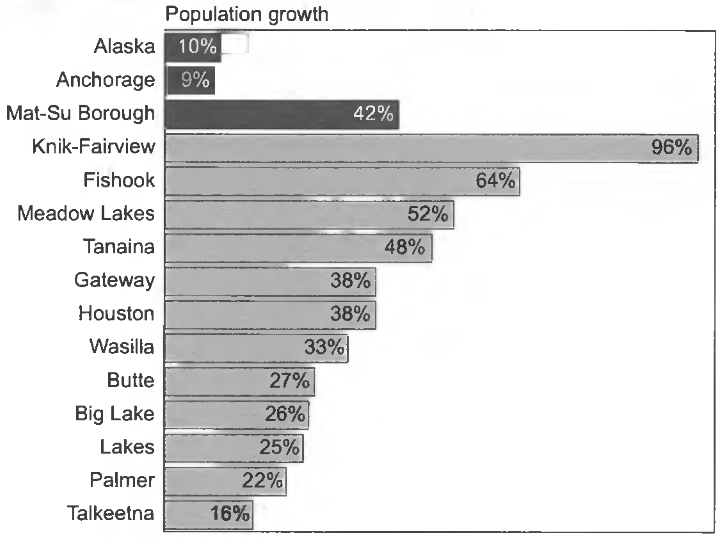
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

Average Annual Wage and Salary Employment by Industry
Matanuska-Susitna Borough, 2000 to 2009 11

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	Employment Change 2000-2009	Percent Change 2000-2009
Statewide	12,361	12,873	13,904	15,002	16,087	17,216	17,896	18,038	18,684	19,320	6,959	56%
Natural Resources	69	83	105	120	117	132	118	96	116	128	59	86%
Construction	1,163	1,298	1,439	1,546	1,736	1,850	1,788	1,602	1,648	1,577	414	36%
Manufacturing	118	140	167	221	214	218	221	246	281	249	131	111%
Trade	2,467	2,510	2,609	2,755	3,036	3,386	3,432	3,429	ND	ND	*	*
Retail	2,394	2,435	2,547	2,670	2,928	3,268	3,313	3,296	3,429	3,491	1,097	46%
Transportation, Warehousing	259	280	397	453	543	559	539	781	814	809	550	212%
Utilities	152	147	137	147	148	145	143	141	ND	ND	*	*
Information	405	407	401	498	520	534	557	663	646	659	254	63%
Financial Activities	368	362	404	494	551	589	702	744	728	751	383	104%
Professional Services	703	731	805	836	894	912	943	856	929	989	286	41%
Educational and Health Care Services	1,771	1,807	1,970	2,293	2,424	2,608	2,827	2,900	3,020	3,353	1,582	89%
Health Care/Social Assistance	1,561	1,603	1,736	1,979	2,161	2,339	2,503	2,582	2,692	3,094	1,533	98%
Leisure and Hospitality	1,323	1,446	1,579	1,760	1,917	2,053	2,234	2,301	2,333	2,274	951	72%
Accommodations/Eating and Drinking	1,149	1,218	1,364	1,524	1,645	1,775	1,970	2,025	1,983	1,909	760	66%
Accommodations	255	200	228	396	447	538	647	675	635	542	287	113%
Eating and Drinking	894	1,018	1,136	1,127	1,198	1,238	1,323	1,350	1,347	1,368	474	53%
Other Services	477	423	548	518	550	572	588	601	626	691	214	45%
Government	3,042	3,140	3,344	3,357	3,426	3,649	3,741	3,658	3,819	4,040	998	33%
Federal Government	206	163	171	182	192	203	223	199	207	235	29	14%
State Government	876	896	904	952	963	990	1,011	1,002	1,058	1,111	235	27%
Local Government	1,960	2,081	2,269	2,223	2,272	2,457	2,507	2,456	2,554	2,694	734	37%

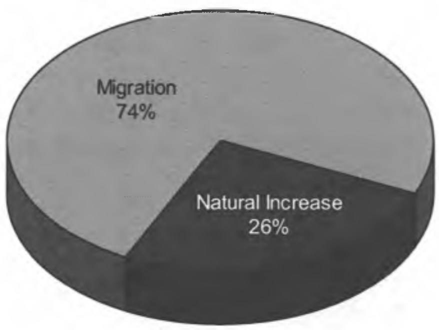
ND: Not disclosable
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

12 Dramatic Population Growth
Matanuska-Susitna Borough, 2000 to 2009



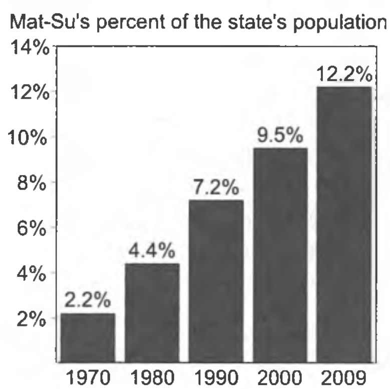
Sources: Alaska Department of Labor and Workforce Development, Research and Analysis Section, and U.S. Census Bureau

13 Growth Mostly Migration
Mat-Su Borough, 1970 to 2009



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

14 Growing Share of Alaska
Mat-Su Borough, 1970 to 2009



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

There are more married couples and family households in the borough (two or more people related by blood or marriage) than there are statewide, and those households are considerably bigger. The average family size in the Mat-Su was 4.3, versus 3.4 statewide. Median household income was $67,132 — close to the statewide average, but 7 percent below Anchorage.

Hints of a continued bright future

If Southcentral Alaska's economy continues to grow, the Mat-Su area will undoubtedly continue to capture a lopsided share of that action. The combination of its cost advantages and land availability is hard to beat. If projects such as a new coal mine, a rail extension, or Knik Arm crossing come to fruition or if Port MacKenzie attracts significant business, they too could become factors. But the economic fundamentals are likely to remain the most important factors in the borough's future: providing a competitive housing market, making more goods and services available locally, and finding new ways to sell goods and services to the rest of the state.

A Demographic Snapshot 15
Matanuska-Susitna Borough, 2006 to 2009

2009 Population Estimates

	Mat-Su Borough	Anchorage	Alaska
Total Population	84,314	290,588	692,314
Median Age	34.5	33.1	33.5
Race			
White	84.1%	72.8%	70.4%
Native American	7.5%	9.5%	16.2%
Black	1.9%	5.9%	3.8%
Asian/Pacific Islanders	2.1%	6.7%	4.8%
Two or More Races	4.4%	5.1%	4.8%
Age			
Under 5	7.9%	8.3%	8.4%
18+	70.4%	71.8%	71.1%
65+	7.6%	7.1%	7.5%
Female	48.8%	49.9%	49.0%

Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

[1]A family household is two or more people living together who are related by blood or marriage.
[2]Poverty is measured using thresholds in a matrix that cross-classifies a variety of factors, such as family size, composition, and the number of people under age 18.

American Community Survey 2006-2008

	Mat-Su Borough	Anchorage	Alaska
Total population	82,485	278,716	681,235
Type of households			
Average family size	4.3	3.2	3.4
Average household size	3.8	2.7	2.8
Family household[1]	73.1%	67.4%	67.7%
Born in Alaska	36.2%	33.5%	38.9%
Labor force	66.2%	74.7%	72.3%
Income			
Median household income	$67,132	$72,137	$66,293
Median family income	$74,232	$84,443	$77,020
Living in poverty[2]	9.6%	7.6%	9.5%
Educational attainment (age 25+)			
Less than ninth grade	2.6%	3.3%	3.6%
Ninth to 12th grade, no diploma	7.8%	4.9%	5.8%
High school graduate or equivalent	32.7%	23.7%	28.5%
Some college, no degree	27.6%	27.4%	27.5%
Associate's degree	9.6%	8.3%	8.1%
Bachelor's degree	12.9%	20.7%	16.8%
Graduate or professional degree	6.8%	11.6%	9.7%
Veterans	15.6%	15.6%	14.7%
Housing			
Owner-occupied housing units	80.6%	61.6%	64.1%
Renter-occupied housing units	19.4%	38.4%	35.9%
Mean travel time to work in minutes	33.7	18.1	18.1

Source: U.S. Department of Commerce, Bureau of the Census, American Community Survey, 2006-2008, Three-Year Estimates

A Safety Minute

Tread safely this winter

Winter is here, and so are icy, slippery conditions. Slips and falls are the number two cause of accidental death and disability behind vehicle accidents, so please be prepared this season. Preparation may mean anything from studded tires or chains on our vehicles to personal traction devices on our shoes. There are many types of traction devices available depending on your needs. Here are a few more winter travel tips:

- Wear footwear with maximum traction.
- Remove snow immediately from walkways or driveways before it becomes packed or turns to ice.
- Prevent ice from forming by spreading an ice melt product, and always read the directions before use.
- Walk defensively in parking lots, because cars and trucks cannot stop as fast on ice and snow.
- Watch your footing while exiting a vehicle; hold on to the vehicle for more stability.

By NEAL FRIED, Economist

Employment Scene

Unemployment rate at 7.9 percent

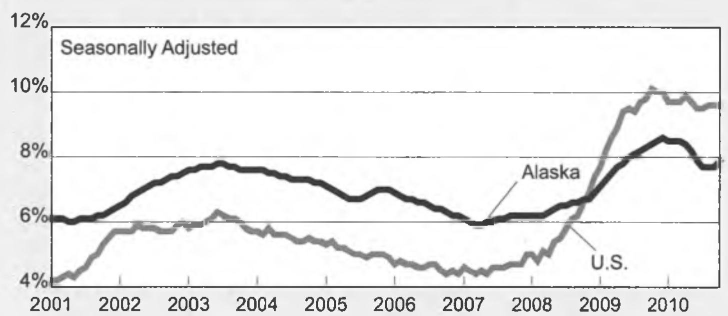
Alaska's seasonally adjusted unemployment rate for October inched up to 7.9 percent. September's rate was revised down slightly, from 7.8 percent to 7.7 percent.

The comparable national jobless rate for October was 9.6 percent, unchanged from September. Exactly a year ago, the national unemployment rate was 10.1 percent, compared to 8.4 percent for Alaska. The improvement in Alaska's jobless rate has been similar to the nation's, but October marks the second straight year that Alaska's unemployment rate has been lower than the national rate.

Winter unemployment begins to climb

Not seasonally adjusted unemployment rates increased in most of the state's regions in October. This is typical when Alaska's labor market enters its winter slump. Fishing declines, the visitor industry is nearly shuttered, and the construction industry buttons down for mostly indoor work. Another sign of the seasonal downturn is October's increase in the number of regular weeks claimed for unemployment — from 8,583 in September to 10,106 in October.

1 Unemployment Rates, Alaska and U.S.
January 2001 to October 2010



Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

In nearly all regions, unemployment rates rose in October but remain below year-ago levels. For example, the Gulf Coast region's rate rose to 9.0 percent, from 7.9 percent in September — but that's still lower than last year's 9.8 percent.

Seasonal industries contract

The North Slope Borough and Juneau had the lowest October unemployment rates, and the Wade Hampton Census Area and Skagway had the highest. Although Wade Hampton frequently has one of the highest rates in the state, Skagway had the second-lowest jobless rate in the state just last month. The end of the tourism season explains Skagway's dramatic unemployment shift.

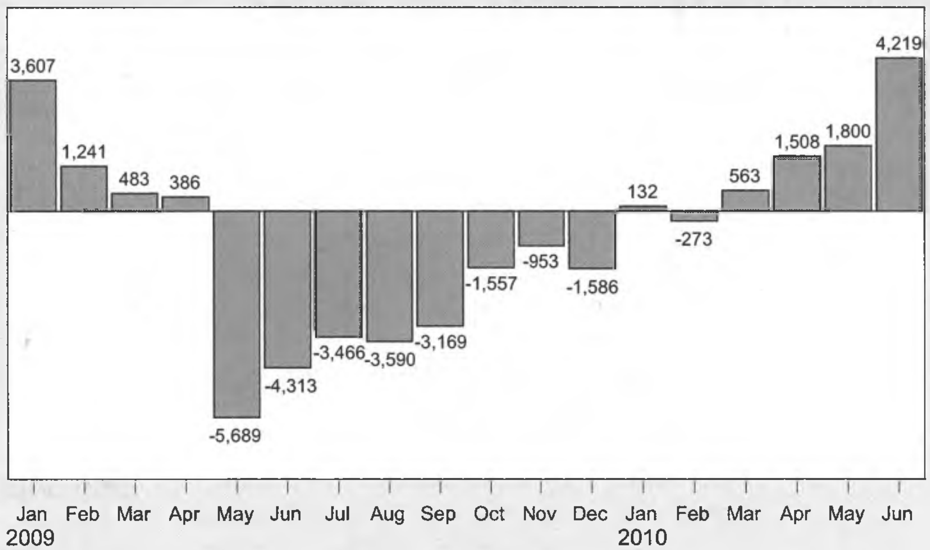
Employment on the rebound in 2010?

Preliminary second-quarter data from the 2010 Census of Employment and Wages (QCEW) became available recently, and the results are intriguing. (Nearly all the QCEW employment is based on quarterly payroll reports provided by employers around the state.) Over-the-year changes in total employment turned negative during the second, third, and fourth quarters of 2009; were mixed during the first quarter of 2010; but turned positive during the second quarter of 2010 (see Exhibit 2).

Why is this important? In 2009, after employment grew for 21 straight years in Alaska, it stopped and lost some ground. That year, employment fell by approximately 0.5 percent, a modest decline but still a loss. Many economic observers, including this author, expected this trend to continue through most of 2010. Instead, only February's over-the-year changes are negative so far. In addition, each following month has turned increasingly positive. As a result, average employment during the first half of 2010 was up 0.4 percent, or 1,325 jobs, over the same period in 2009 — a small gain, but positive nonetheless.

The jury is still out for 2010, at least until the third-quarter QCEW numbers become available (especially because the third quarter represents peak economic activity of the year). If the trend remains positive in 2010, Alaska will have come through the national recession largely unscathed.

Possible Overall Employment Growth in 2010
Alaska, 2009 to 2010 **2**



Source: Quarterly Census of Employment and Wages (QCEW).

3 Statewide Employment
Nonfarm wage and salary

Alaska	Preliminary 10/10	Revised 9/10	Revised 10/09	Year-Over-Year Change 10/09	90% Confidence Interval	
Total Nonfarm Wage and Salary[1]	319,000	333,100	320,000	-1,000	-8,383	6,383
Goods-Producing[2]	43,000	49,300	42,800	200	-2,684	3,084
Service-Providing[3]	276,000	283,800	277,200	-1,200	–	–
Mining and Logging	14,600	14,600	15,000	-400	-1,193	393
Mining	14,200	14,200	14,700	-500	–	–
Oil and Gas	11,800	11,600	12,500	-700	–	–
Construction	16,700	18,400	17,400	-700	-3,283	1,883
Manufacturing	11,700	16,300	10,400	1,300	306	2,294
Seafood Processing	7,400	11,800	6,400	1,000	–	–
Trade, Transportation, Utilities	60,900	64,000	62,600	-1,700	-4,072	672
Wholesale Trade	6,000	6,300	6,100	-100	-656	456
Retail Trade	34,800	35,600	35,700	-900	-2,928	1,128
Food and Beverage Stores	6,000	6,100	6,300	-300	–	–
General Merchandise Stores	10,000	10,100	10,300	-300	–	–
Transportation, Warehousing, Utilities	20,100	22,100	20,800	-700	-1,738	338
Air Transportation	5,400	5,600	6,100	-700	–	–
Truck Transportation	2,900	3,100	3,200	-300	–	–
Information	6,400	6,300	6,500	-100	-681	481
Telecommunications	4,300	4,200	4,300	0	–	–
Financial Activities	14,600	14,900	15,000	-400	-2,343	1,543
Professional and Business Services	25,200	26,200	25,600	-400	-2,193	1,393
Educational[4] and Health Services	41,900	41,600	39,900	2,000	732	3,268
Health Care	30,400	30,400	28,900	1,500	–	–
Leisure and Hospitality	28,900	32,500	29,700	-800	-2,837	1,237
Accommodations	6,400	8,900	6,000	400	–	–
Food Services and Drinking Places	18,700	19,000	17,900	800	–	–
Other Services	11,800	11,700	11,600	200	-2,976	3,376
Government	86,300	86,600	86,300	0	–	–
Federal Government[5]	16,400	17,500	16,700	-300	–	–
State Government	26,400	26,600	26,300	100	–	–
State Government Education[6]	8,200	8,100	8,100	100	–	–
Local Government	43,500	42,500	43,300	200	–	–
Local Government Education[7]	25,800	24,300	24,700	1,100	–	–
Tribal Government	3,900	3,900	3,700	200	–	–

5 Regional Employment
Nonfarm wage and salary

	Preliminary 10/10	Revised 9/10	Revised 10/09	Changes from 9/10	Changes from 10/09	Percent Change 9/10	Percent Change 10/09
Anch/Mat-Su	173,100	176,300	172,000	-3,200	1,100	-1.8%	0.6%
Anchorage	152,450	154,650	151,700	-2,200	750	-1.4%	0.5%
Gulf Coast	28,800	32,600	28,100	-3,800	700	-11.7%	2.5%
Interior	44,850	48,350	44,500	-3,500	350	-7.2%	0.8%
Fairbanks[8]	38,700	40,200	38,300	-1,500	400	-3.7%	1.0%
Northern	20,200	19,950	20,450	250	-250	1.3%	-1.2%
Southeast	34,800	39,100	34,900	-4,300	-100	-11.0%	-0.3%
Southwest	18,000	20,000	18,000	-2,000	0	-10.0%	0.0%

A dash indicates that confidence intervals aren't available at this level.

[1] Excludes the self-employed, fishermen and other agricultural workers, and private household workers. For estimates of fish harvesting employment, and other fisheries data, go to labor.alaska.gov/research/seafood/seafood.htm.

[2] Goods-producing sectors include natural resources and mining, construction, and manufacturing.

[3] Service-providing sectors include all others not listed as goods-producing sectors.

[4] Private education only

[5] Excludes uniformed military

[6] Includes the University of Alaska

[7] Includes public school systems

[8] Fairbanks North Star Borough

Sources for Exhibits 1, 2, and 3: Alaska Department of Labor and Workforce Development, Research and Analysis Section; U.S. Department of Labor, Bureau of Labor Statistics

Sources for Exhibit 4: Alaska Department of Labor and Workforce Development, Research and Analysis Section; also the U.S. Department of Labor, Bureau of Labor Statistics, for Anchorage/Mat-Su and Fairbanks

4 Unemployment Rates
Borough and census area

	Prelim. 10/10	Revised 09/10	Revised 10/09
SEASONALLY ADJUSTED			
United States	**9.6**	**9.6**	**10.1**
Alaska Statewide	**7.9**	**7.7**	**8.4**
NOT SEASONALLY ADJUSTED			
United States	**9.0**	9.2	9.5
Alaska Statewide	**7.6**	**7.3**	**8.0**
Anchorage/Mat-Su Region	**6.9**	**6.9**	**7.3**
Municipality of Anchorage	6.5	6.7	6.8
Matanuska-Susitna Borough	8.3	7.9	8.9
Gulf Coast Region	**9.0**	**7.9**	**9.8**
Kenai Peninsula Borough	9.6	8.8	10.4
Kodiak Island Borough	6.5	5.4	7.3
Valdez-Cordova Census Area	9.4	6.4	9.8
Interior Region	**7.3**	**6.8**	**7.9**
Denali Borough	14.6	4.1	17.2
Fairbanks North Star Borough	6.6	6.3	7.1
Southeast Fairbanks Census Area	9.6	9.1	9.8
Yukon-Koyukuk Census Area	13.3	13.3	14.5
Northern Region	**9.4**	**9.8**	**9.2**
Nome Census Area	11.9	12.6	12.1
North Slope Borough	5.5	5.4	5.3
Northwest Arctic Borough	12.4	13.6	12.2
Southeast Region	**7.4**	**6.2**	**7.8**
Haines Borough	8.1	4.8	9.7
Hoonah-Angoon Census Area[1]	13.8	10.0	18.3
Juneau, City and Borough of	5.8	5.3	6.2
Ketchikan Gateway Borough[1]	7.5	6.0	7.3
Prince of Wales-Outer Ketchikan CA[1]	13.1	13.2	14.0
Sitka, City and Borough of	6.2	5.5	6.9
Skagway, Municipality of[1]	20.4	3.9	13.2
Wrangell-Petersburg Census Area[1]	9.1	7.7	10.0
Yakutat, City and Borough of	8.4	6.7	8.4
Southwest Region	**12.1**	**11.8**	**12.5**
Aleutians East Borough	8.1	7.8	9.9
Aleutians West Census Area	8.1	7.8	9.9
Bethel Census Area	13.4	14.8	13.3
Bristol Bay Borough	6.3	3.0	6.4
Dillingham Census Area	10.2	8.6	10.4
Lake and Peninsula Borough	6.9	5.7	6.8
Wade Hampton Census Area	18.1	18.7	19.1

[1] Because of the creation of new boroughs, this borough or census area has been changed or no longer exists. Data for the Skagway Municipality and Hoonah-Angoon Census Area (previously Skagway-Hoonah-Angoon Census Area) became available in 2010. Data for the Wrangell Borough, and Petersburg and Prince of Wales-Hyder census areas will be available in 2011. Until then, data will continue to be published for the old areas.

Changes in Producing the Estimates

The U.S. Department of Labor's Bureau of Labor Statistics has implemented a change to the method used to produce statewide wage and salary employment estimates. That change has resulted in increased monthly volatility in the wage and salary estimates for many states, including Alaska. Therefore, one should be very cautious in interpreting any over-the-year or month-to-month change for these monthly estimates. The Quarterly Census of Employment and Wages series may be a better source of information for trends analysis (http://labor.alaska.gov/qcew.htm).

For more current state and regional employment and unemployment data, visit our Web site: **laborstats.alaska.gov**

Employer Resources

On-the-job training benefits employers as well as workers

As an employer looking to hire new staff, consider establishing an on-the-job training (OJT), which allows you to tap a larger pool of candidates who may need additional training to become qualified.

On-the-job training provides a range of benefits. In addition to helping find, train, and pay candidates while they work, OJTs also reimburse part of the employee's wages during the training period — often a motivating factor for employers. Employers may train workers to meet their specific needs, and OJT hires tend to be more loyal to employers who have provided better career opportunities through training.

The Alaska Department of Labor and Workforce Development's Employment Security Division provides OJTs and wage reimbursement through the Alaska Job Center Network.

The on-the-job training process

The Alaska Job Center looks for candidates who may be a good match for vacant positions, and evaluates the interested employer and the job for OJT eligibility. If eligible, the employer may interview candidates prior to an assessment of the employer's needs and the prospective worker's skills.

The Alaska Job Center uses the WorkKeys®* assessment to compare the individual's abilities to the skills required for the position — this is called a Skills Gap Analysis — and uses this analysis to create a training plan. To finalize the OJT, both parties sign an agreement that delineates the training plan, reimbursement amount, and length of the training.

Throughout the OJT, the job center monitors the work to ensure participants and employers adhere to the training plan, then reimburses employers as outlined in the agreement.

How to seek an on-the-job training

For more information about on-the-job training, contact the Alaska Job Center Network at (877) 724-2539 or go to www.jobs.alaska.gov/offices to find a job center near you.

OJTs are available to public, private nonprofit, and private sector employers based on availability. However, OJTs are not available for gambling establishments, swimming pools, aquariums, zoos, or golf courses. Also, because OJTs are meant to train people for full-time, long-term jobs, they may not be used for high-turnover, part-time, low-skill, or seasonal positions.

**To learn more about WorkKeys® and the Alaska Career Ready Program, visit jobs.alaska.gov/acrw.html.*

HB 105 Briefing

February 14, 2011

DNR, Division of Forestry
House Resources Committee

Introduction

Thank you Mr. Chairman and members of the Committee. My name is Chris Maisch, and I am the State Forester and Director of the DNR Division of Forestry.

Background and Purpose

I am pleased to speak in support of HB105. This bill is part of the state's effort to ensure that local timber processing continues to be a piece of the economy in Southeast Alaska. The majority of timber in SSE is on federal land, but federal timber sales have declined drastically. Local mills now depend heavily on state timber for survival. Demand for southeast timber for wood energy is also increasing, further raising the importance of securing a timber base in this region. (Cite example of Sealaska wood pellet boiler)

Pursuant to SCSHB 162(RES), the 25,291 acre Southeast State Forest was established in June 2010. HB105 would add an additional 23,181 acres of state lands to the Southeast State Forest from state lands currently available for timber harvest. The Division of Forestry would then be able to manage the combined acreage (48,472 acres) for a long-term supply of timber and retain these lands in state ownership for multiple uses. These forest lands will be managed as an integrated unit and according to a state forest management plan that will be developed via a public process within the next two years. While the lands were previously available for timber harvest before the State Forest was established, the State Forest designation ensures these productive forest lands will remain in state ownership and contribute to the long term viability of the timber based economy in southeast.

In 2009, the previous forest inventory was updated for all general use lands managed by the Department of Natural Resources (DNR) with forest management intent language per the regions Area Plans. This data provides the required supporting information on timber volume, acreage and allowable harvest for this request. The allowable harvest from these lands is approximately 8.3 million board feet. The DNR manages over 159,000 acres of uplands in southern southeast Alaska. Timber management is allowed on approximately one third of this land; the State actively manages this timber base to supply wood to local processors. The remaining land is designated primarily for other uses including land sales, recreation, water resources, and fish and wildlife habitat, including over 65,073 acres of legislatively designated state marine parks and critical habitat areas.

Adding lands to the State Forest will ensure that the State's most suitable lands in Southeast remain available to contribute to timber supply through the State's ongoing timber sale program. Much of the State owned timber land in southeast Alaska was inherited from the U.S. Forest Service and is comprised of young, second-growth stands. Actively-managed second-growth stands provide more timber volume per acre on shorter rotations and can result in improved deer browse than unmanaged stands. We can increase timber yield and associated timber supply from state land by thinning these stands. Thinning is a long-term investment and is only justified if the land will continue to be available for forest management.

Timber sales from these lands will be a mix of domestic and export and will be based on economic conditions and locations. As established by the 1984 Supreme Court Case of South Central Timber Development, Inc vs. Esther Wunnicke, Commissioner DNR, the state may not restrict round log exports due to the interpretation of the interstate commerce clause. Instead, the state has developed timber sale methodologies to encourage domestic manufacture. Currently, almost all sales sold are to local mills.

The proposed additions to the Southeast State Forest include 23 parcels (see chart in the briefing paper). Approximately 21 percent of these lands are from five parcels that had previously been reserved pending legislative transfer to the University of Alaska. That legislation did not pass freeing these lands for long-term forest management in the State Forest. The legislation includes general use lands on Prince of Wales, Tuxekan, Gravina, Kosciusko, Revillagigedo, Wrangell, Suemez, Mitkof, Kuiu, Dall, and Zarembo Islands. Six of these parcels are adjacent or near existing State Forest parcels.

The Division of Forestry worked with the Division of Mining, Land, and Water (DML&W) to identify and exclude lands that are priorities for the state land disposal program. A consultation was also initiated with the University of Alaska Statewide Office of Land Management and University senior officials. A key difference between a state forest designation and a transfer of lands as proposed by previous legislation is the continued long-term public ownership of these lands as opposed to other development uses. The Division also consulted with the Alaska Department of Fish and Game to ensure there was internal alignment on the list of proposed parcels, and there is. Several other parcels were considered as part of our internal due diligence process, but because of know concerns and or potential for high controversy were not included.

Fish habitat and water quality are key components of the Forest Resources and Practices Act (FRPA) which have a series of regulations that will apply to management of these parcels. Stream buffers have a no cut 100 foot minimum width on both anadromous and high value resident fish streams. The next 100 to 300 foot zone may allow timber harvest, but the activity must be consistent for both the maintenance of important fish and wildlife habitat. Area Plans also provide for coastal buffers of 300 to 500 feet with additional recommendations for specific parcels. During the development of the forest management plan, a key consideration for the Neets Bay parcel will be the maintenance of water quality and quantity for the fish hatchery operation at the head of the bay. Dialog with the Southern Southeast Regional Aquaculture Association (SSRAA) is ongoing concerning this legislation.

The Southeast State Forest would be managed as part of the State Forest System under AS 41.17.200-.230. Subsection (a) of Sec. 41.17.200 reads in part:

"The primary purpose in the establishment of state forests is timber management that provides for the production, utilization, and replenishment of timber resources while allowing other beneficial uses of public land and resources".

In addition to timber management, State Forests are open for multiple uses, including wildlife habitat and harvest, mining, transportation, recreation and tourism. State Forest lands would be managed consistent with the management intent under the current Prince of Wales Island and Central Southeast area plans. Changes to management intent would require public and interagency review through adoption of a State Forest Management Plan under AS 41.17.230.

Municipal Entitlements

One of the other demands on state land in SSE is to fulfill land entitlements for new municipalities. To avoid conflicts with the Wrangell Borough entitlement, the Southeast State Forest bill specifies that the new Wrangell Borough may select State Forest land within the borough boundary. The Wrangell borough boundary encompasses three parcels in the existing state forest (Crittenden Creek and Bradfield Canal East and West), and four parcels in the proposed additions (Eastern Passage, Pat Creek, Pat Creek uplands and Earl West Cove).

If additional municipalities are incorporated before June 30, 2019, lands that were vacant, unappropriated, unreserved land before establishment of the State Forest would be included in the calculation of the municipal entitlement acreage, but may not be selected.

Outreach
DNR has briefed many statewide groups and entities across Southeast Alaska about this proposal, including the Board of Forestry, SE Conference, local governments, and the diverse groups participating in the Tongass Futures Roundtable. These discussions will continue and to date we have received letters in support from the following organizations:

- the City of Coffman Cove,
- the Resource Development Council,
- the Alaska Forest Association,
- The Alaska Chapter of the Society of American Foresters
- Southeast Conference
- Just in today, a letter of support from George Woodbury

Thank you Mr. Chair and members of the committee. I would be glad to answer questions.

Public Briefing: HB 105/SB 44

Alaska Department of NATURAL RESOURCES

Additional Lands to Southeast State Forest

January 24, 2011

DEPARTMENT OF NATURAL RESOURCES -- DIVISION OF FORESTRY

Background. Pursuant to SCSHB 162(RES), the 25,291 acre Southeast State Forest was established in June 2010. These forest lands will be managed as an integrated unit and according to a state forest management plan. While the lands were previously available for timber harvest before the State Forest was established, the State Forest designation ensures these productive forest lands will remain in state ownership and contribute to the long term viability of the timber based economy in southeast.

An additional 23,181 acres of State lands in the southern southeast have been identified as appropriate for inclusion into the Southeast State Forest. The Department of Natural Resources manages over 159,000 acres of uplands in southern southeast Alaska. Timber management is allowed on approximately one third of this land; the State actively manages this timber base to supply wood to local processors. The remaining land is designated primarily for other uses including land sales, recreation, water resources, and fish and wildlife habitat, including over 25,000 acres of legislatively designated state parks, refuges, and public use areas.

Adding lands to the State Forest will ensure that the State's most suitable lands in Southeast remain available to contribute to timber supply through the State's ongoing timber sale program. Much of the State owned timber land in southeast Alaska was inherited from the U.S. Forest Service and is comprised of young, second-growth stands. Actively-managed second-growth stands provide more timber volume per acre on shorter rotations and can result in improved deer browse than unmanaged stands. We can increase timber yield and associated timber supply from state land by thinning these stands. Thinning is a long-term investment and is only justified if the land will continue to be available for forest management.

Purpose. This bill would add an additional 23,181 acres of State lands to the Southeast State Forest from lands currently available for timber harvest. The Division of Forestry would then be able to manage the 48,472 acres of Southeast State Forest lands for a long-term supply of timber and retain these lands in state ownership for multiple uses.

Proposed Additions to Southeast State Forest The proposed additions to the Southeast State Forest include 23 parcels totaling approximately 23,181 acres (see chart). Approximately 21 percent of these lands are from six parcels that had previously been reserved pending legislative transfer to the University of Alaska. That legislation did not pass freeing these lands for long-term forest management in the State Forest. The legislation includes general use lands on Prince of Wales, Tuxekan, Gravina, Kosciusko, Revillagigedo, Wrangell, Suemez, Mitkof, Kuiu, Dall, and Zarembo Islands. Six of these parcels are adjacent or near existing State Forest parcels. The Division of Forestry worked with the Division of Mining, Land, and Water to identify and exclude lands that are priorities for the state land disposal program.

State Forest Management. The Southeast State Forest will be managed as part of the State Forest System under AS 41.17.200-.230. Lands in the State Forest will continue to be open for multiple uses, including wildlife habitat and harvest and recreational activities. State Forest lands will be managed consistent with the management intent under the current Prince of Wales Island Area Plan, Prince of Wales Island Area Plan Amendment, and Central/Southern Southeast Area Plan. Changes to management intent would require public and interagency review through adoption of a State Forest Management Plan under AS 41.17.230.

Municipal Entitlements. The City and Borough of Wrangell boundary encompasses five parcels in the proposed state forest additions (St. Johns Harbor, Eastern Passage, Pat Creek, Pat Creek Uplands and Earl

West Cove). A State Forest designation will not affect the amount or location of land the Wrangell Borough can select. That determination is based on the maximum total acreage of vacant, unappropriated, unreserved land in the borough boundaries within two years after the date of incorporation (AS 29.65.030). However, a borough would not normally be able to select land within a State Forest. To avoid conflicts with the Wrangell entitlement, the Southeast State Forest bill specifies that the Wrangell Borough may select State Forest land within the borough boundary.

If new municipalities are incorporated before June 30, 2019, lands that were vacant, unappropriated, unreserved land before establishment of the State Forest will be included in the calculation of the municipal entitlement acreage, but may not be selected.

SOUTHEAST STATE FOREST ADDITIONS			
Plan Unit	**Acreage**	**General Location**	**Island**
Prince of Wales Island Area Plan and Amendment			
8b	617	Kosciusko Island/ Edna Bay	Kosciusko
7c	786	Naukati	Prince of Wales
7b	345	Tuxekan	Tuxekan
6a	597	Coffman Cove	Prince of Wales
5a	972	Whale Pass	Prince of Wales
13b	523	Kitkun Bay	Prince of Wales
12b	1,002	Indian Creek	Prince of Wales
11c	280	Thorne Bay South	Prince of Wales
D-01	1,063	Port Delores	Suemez
D-02	985	Hook Arm	Dall Island
Central/Southern Southeast Area Plan			
K01, K02	1,885	Neets Bay	Revillagegedo
K11	332	Leask Cove	Revillagegedo
K25	1,487	North Gravina Island	Gravina
P23	1,264	Favor Peak (E Mitkof)	Mitkof
P25	467	South Mitkof	Mitkof
P27	1,040	Woodpecker	Mitkof
P28	867	Frederick Point	Mitkof
U02	652	Rowan Bay	Kuiu
W02	1,266	St. Johns Harbor	Zarembo
W08	1,411	Eastern Passage	Wrangell Is.
W10	2,601	Pat Creek	Wrangell Is.
W12	2,320	Earl West Cove	Wrangell Is.
W27	419	Pat Creek Uplands	Wrangell Is.
TOTAL	**23,181**	**23 parcels**	

Shaded parcels are from prior University Land bill

FISCAL NOTE

STATE OF ALASKA
2011 LEGISLATIVE SESSION

Fiscal Note Number	1
Bill Version	**HB 105**
(H) Publish Date	**1/18/11**

Identifier (file name)	1694-DNR-FMD-1-13-11	Dept. Affected	Natural Resources
Title	Land Additions to Southeast State Forest	Appropriation	Resource Development
		Allocation	Forest Management and Development
Sponsor	Rules Committee		
Requester	Governor	OMB Component Number	435

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
OPERATING EXPENDITURES	**FY 2012**	**FY 2012**	**FY 2013**	**FY 2014**	**FY 2015**	**FY 2016**	**FY 2017**
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**	**0.0**
CAPITAL EXPENDITURES							
CHANGE IN REVENUES							

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF							
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
TOTAL	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**	**0.0**

Estimate of any current year (FY2011) cost ________

POSITIONS

Full-time							
Part-time							
Temporary							

Why this fiscal note differs from previous version

not applicable, initial version

Prepared by	Rick Rogers	Phone	269-8473
Division	Forestry	Date/Time	1-10-11 3:30pm
Approved by	Daniel S. Sullivan	Date	1/13/2011
	Natural Resources		

FISCAL NOTE #1

STATE OF ALASKA
2011 LEGISLATIVE SESSION

BILL NO. HB 105

Analysis

This bill adds 23,181 acres to the southeast State Forest in Southern Southeast Alaska by redsignating certain state-owned parcels. A timber management plan would be developed to actively manage the parcels for higher timber volumes per acre, shorter rotations, and less impact on wildlife. Designation of these parcels as State Forest lands and the development of a timber management plan will allow for long-term management activities, including the thinning of young second-growth timber stands, generally not considered appropriate for undesignated state lands.

Implementation of this bill will not require new positions or funding.

The bill will have no short-term impact to the revenue stream, but will provide for long-term increases in forest productivity and subsequent increased timber revenues.

ENCOURAGING VALUE ADDED TIMBER PROCESSING OF STATE TIMBER

The most important element of state encouragement of value added timber processing is a steady reliable and consistent timber supply to industry. Most state timber remains in state and is processed locally. Over the past six years statewide sale volume of 159 million board feet, just over 8 million or **5.1% was exported**. All of the exports have been from the Southern Southeast office where export markets do compete with local manufacturing.

Looking at just the Southern Southeast office, about 13% of logs have been exported. Some of this volume is exported by the mills themselves, as they can maximize sale value by exporting specific sorts that command premium prices in oversees markets.

Summary Six Year Sale History SSE Area Office, FY05 - FY10
In thousands of board feet (Mbf) and number of sales

Domestic Sales	54	90.0%
Domestic Volume	54,525	89.7%
Export Sales	6	10.0%
Export Volume	6,262	10.3%
Export Volume by Mills [1]	1,806	3.0%
Total sales [2]	60	
Total Volume	60,777	

1 Note: Export by AK mills in eight transactions as follows:
Viking Lumber, 6 export transactions
Icy Straights, 1 Export Transaction
Western Gold, 1 Export transaction

2 Note: These sixty timber sales made to thirty different Alaska businesses

While the U.S. Supreme Court in *South-central Timber v. State of Alaska* (see http://supreme.justia.com/us/467/82/index.html) forbids Alaska from restricting interstate commerce by mandating primary manufacture from competitively bid State timber sales, the State has developed criteria whereby negotiated sales can be entered into with such requirements. Of the following timber sale authorities, the 38.05.118 and 38.05.123 statutes are used when specific criteria (under utilized manufacturing capacity, high unemployment, high value added processing) exist. In most parts of the State competitive sales go to manufacturers because export markets are not viable. In southern Southeast log exports are viable alternatives and sometimes the 118 or 123 authorities are used to encourage manufacturing.

Prepared by Rick Rogers, Division of Forestry, March 7, 2011

DNR Division of Forestry State Timber Sale Types

◆**Competitive sales** (AS 38.05.120)

- No volume limit within allowable cut
- No duration limit
- Requires best interest finding, advertisement, and public notice
- Price determined by auction, but not less than base price
- This is the standard sale type. Use of negotiated sales is limited to the specific conditions listed below.

◆**Small negotiated sales** (AS 38.05.115)

- ≤500 MBF
- ≤1 year duration
- No more than one per purchaser each year
- No best interest finding, advertisement, or public notice required
- Price determined by fair market value appraisal and base price (11 AAC 71.092)

◆**Negotiated sales for value added products** (AS 38.05.123)

- Up to 10MMBF/yr (100 MMBF total over 10 years)
- Up to 10 years
- Requires best interest finding and public notice
- Restricted to use for local manufacture that includes "high value-added" wood products. By statute, wood chips are defined as a "value-added" product rather than a "high value-added" product.
- Operators must submit a business plan/operating plan for their processing facilities prior to negotiating a .123 sale. Processing facilities must be operational prior to harvesting timber sold under a .123 sale.
- Requires best interest finding and public notice.
- State typically uses RFP process to select winning proposal, especially where there is competitive interest in state resources.

◆**Negotiated sales for areas with high unemployment** (AS 38.05.118)

- No volume limit
- Up to 25 years with reappraisal every five years
- Limited to areas with unemployment ≥135% of statewide average
    - This sale type does not apply in some jurisdictions because their unemployment rates are close to the statewide average)
- Area must have underutilized manufacturing capacity
- Must have underutilized allowable cut or salvage timber
- Requires best interest finding and public notice
- Price determined by fair market value appraisal and base price (11 AAC 71.092)

Prepared by Rick Rogers, Division of Forestry, March 7, 2011

◆**Personal use sales** (AS 38.05.850)

- Not for commercial use
- No best interest finding, advertisement, or public notice required
- Up to 10MBF per purchaser per year
- Price determined by fair market value appraisal and base price (11 AAC 71.092)

Other Initiatives to Encourage Investment in Value Added Processing

- New Growth Prospectus for Interior Alaska

  This publication provides summary inventory information including annual allowable cut and contacts for State and Native Corp lands in interior Alaska.

- Updated Forest Inventories

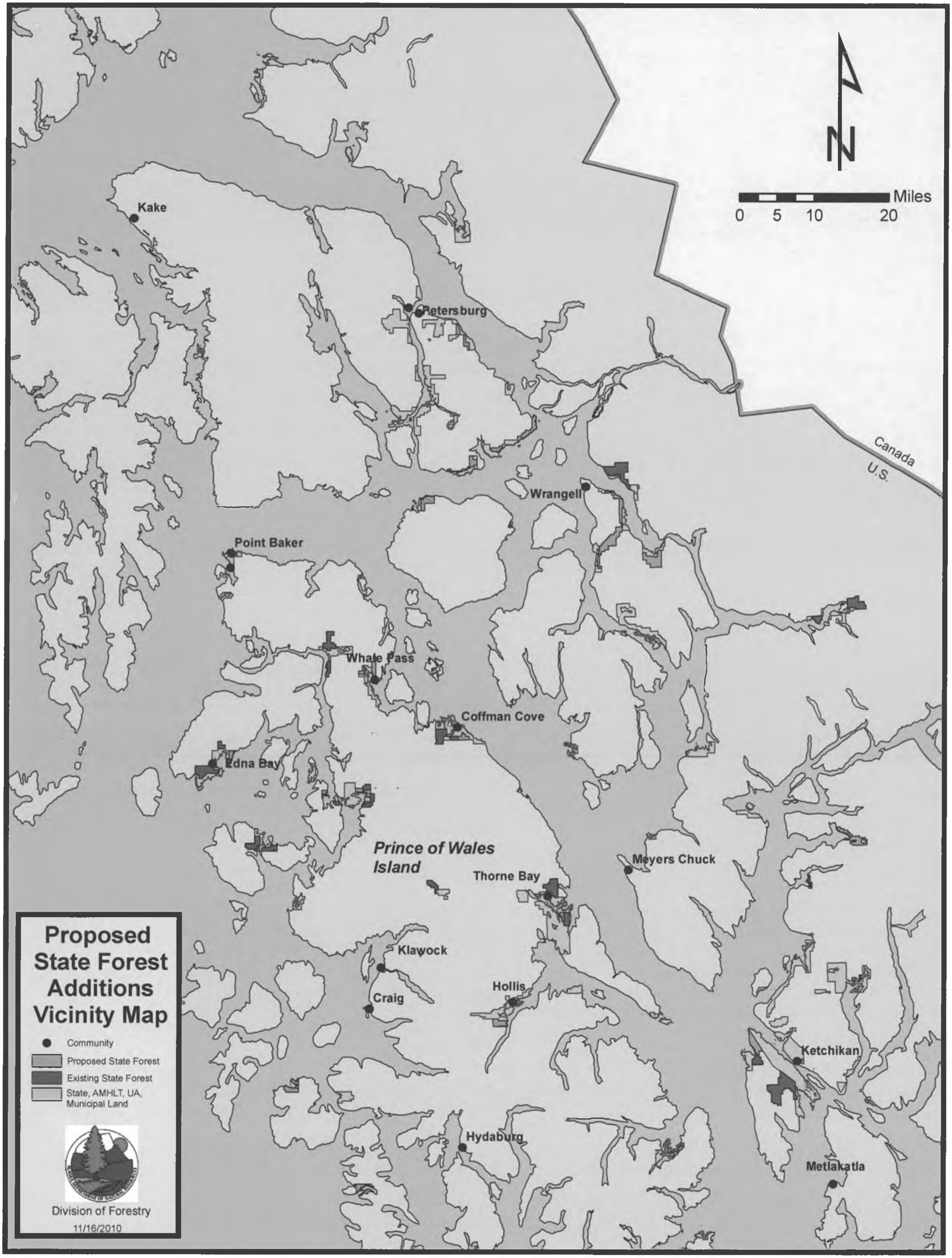
The division has been updating forest inventories in Southern Southeast, Tanana Valley, and Matsu valley and will proceed with updates in Haines and Kenai over next few years. Reliable inventory information is critical for investors interested in citing new facilities.

- Credible and Effective Regulatory Structure

The State's Forest Resources and Practices program (FRPA) is a modeling being credible in protecting public resources while not being overly burdensome on operators. Investors in manufacturing facilities need assurance that they can coexist with other forest users and FRPA helps provide that assurance.

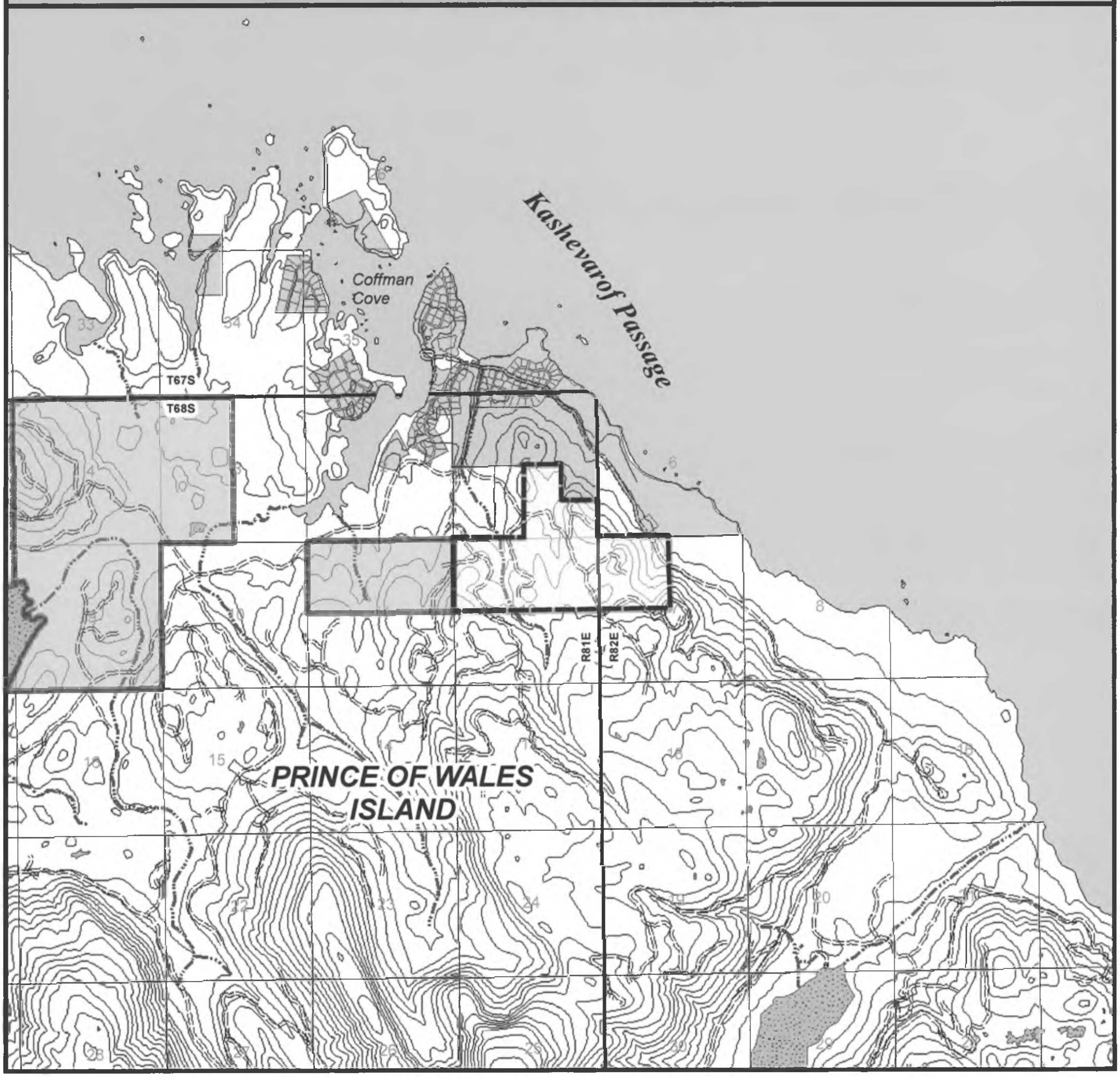
Trends in Value Added Processing

The State's investment in the renewable energy fund is generating widespread interest in developing woody biomass energy facilities for heat and combined heat and power. Energy prices and state investments will spur an increase in value added for low quality wood to meet energy needs. DOF is working with existing timber sale authorities however there may be need for modifications to address the unique needs of these projects that include up to 25 year supply commitments.



Proposed State Forest Additions Vicinity Map
Community
Proposed State Forest
Existing State Forest
State, AMHLT, UA, Municipal Land
Division of Forestry
11/16/2010
Miles
0 5 10 20
N
Canada
U.S.
Kake
Petersburg
Wrangell
Point Baker
Whale Pass
Coffman Cove
Edna Bay
Prince of Wales Island
Thorne Bay
Meyers Chuck
Klawock
Craig
Hollis
Ketchikan
Hydaburg
Metlakatla

Coffman Cove Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 6a

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

Miles
0 1 2

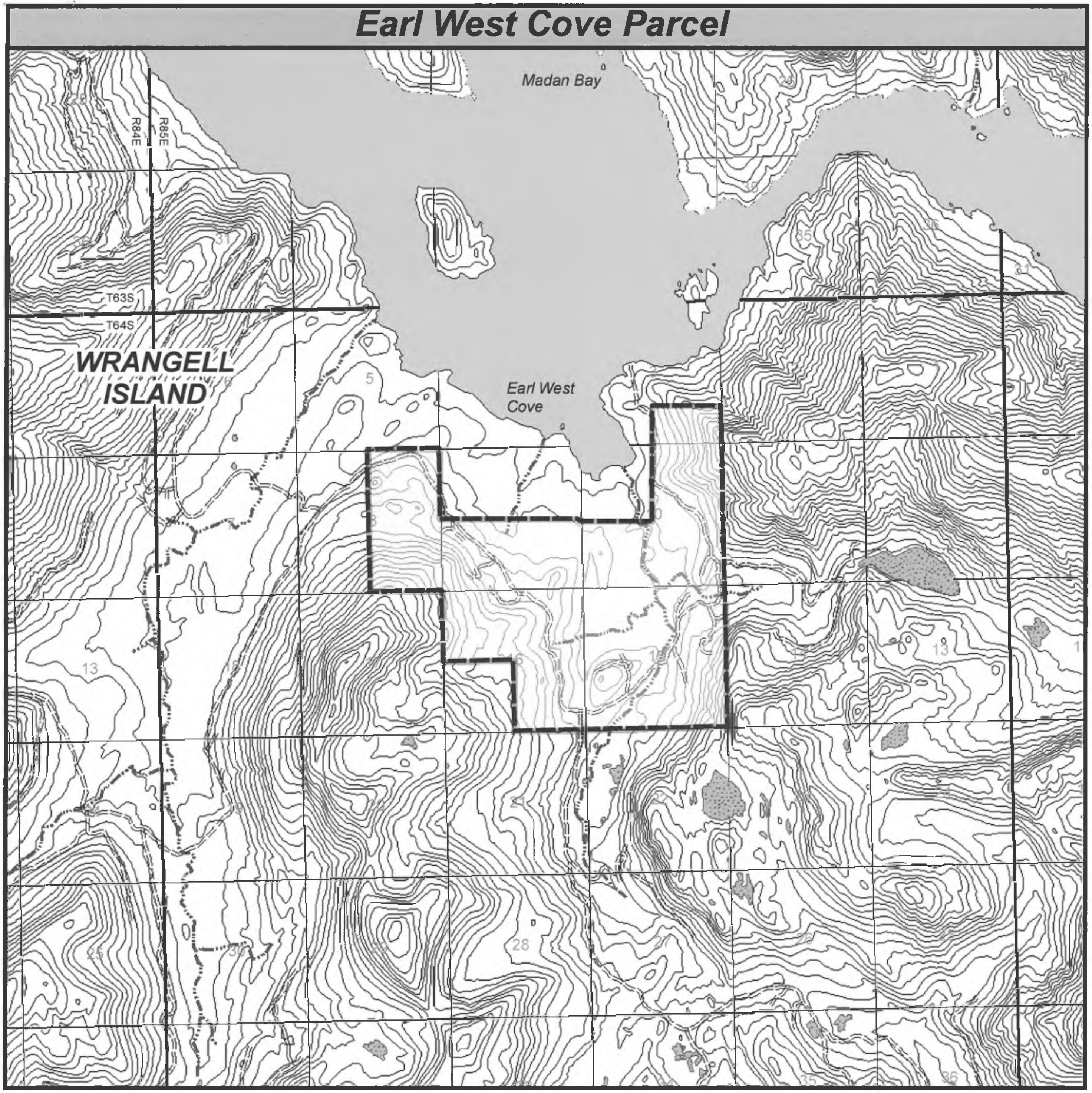
1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010



Area Planning Unit W12

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

Miles
0 1 2

1 inch = 1 miles

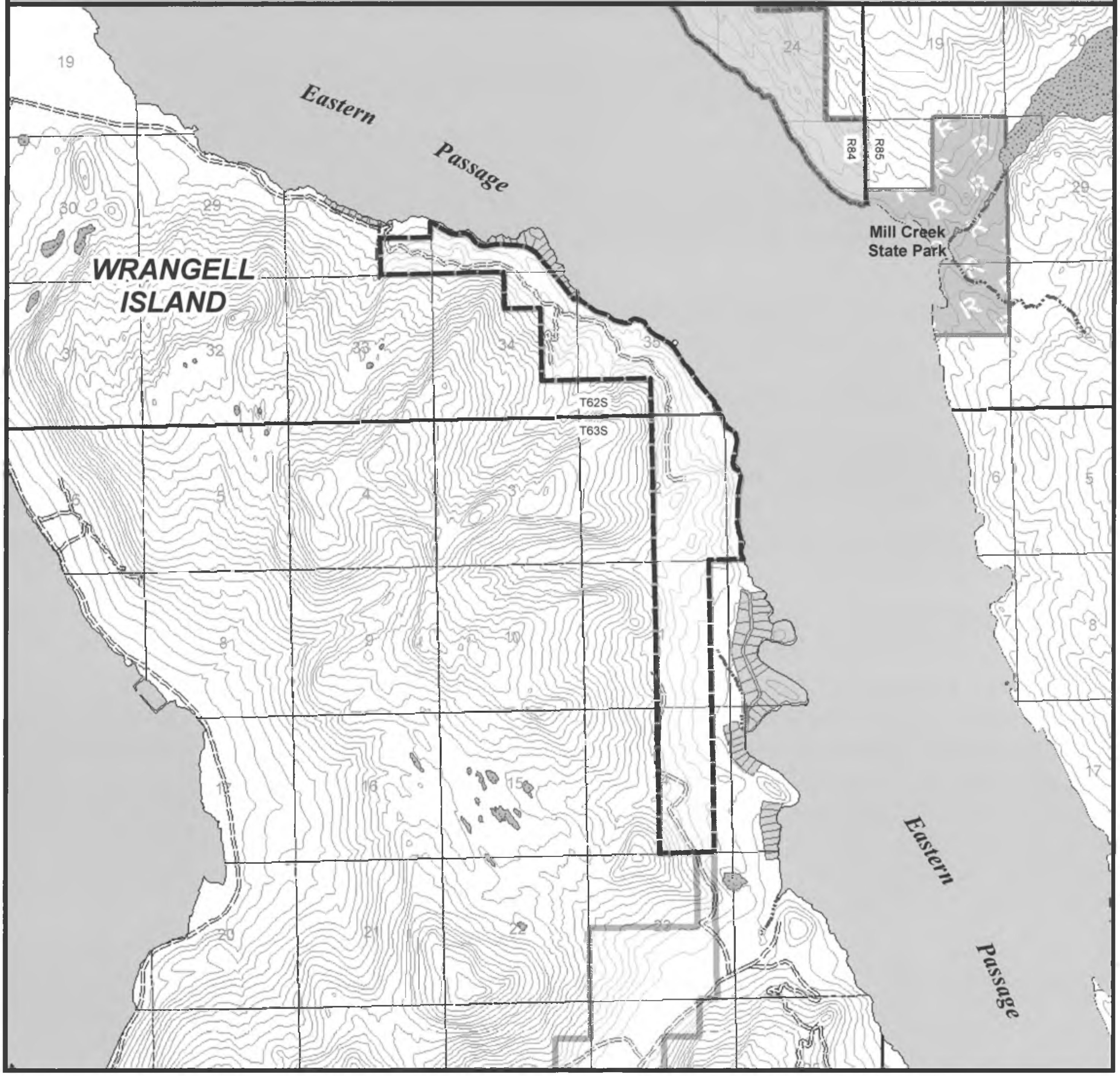
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Eastern Passage Parcel



NAD 83, Contour Interval 100'

Area Planning Unit W08

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

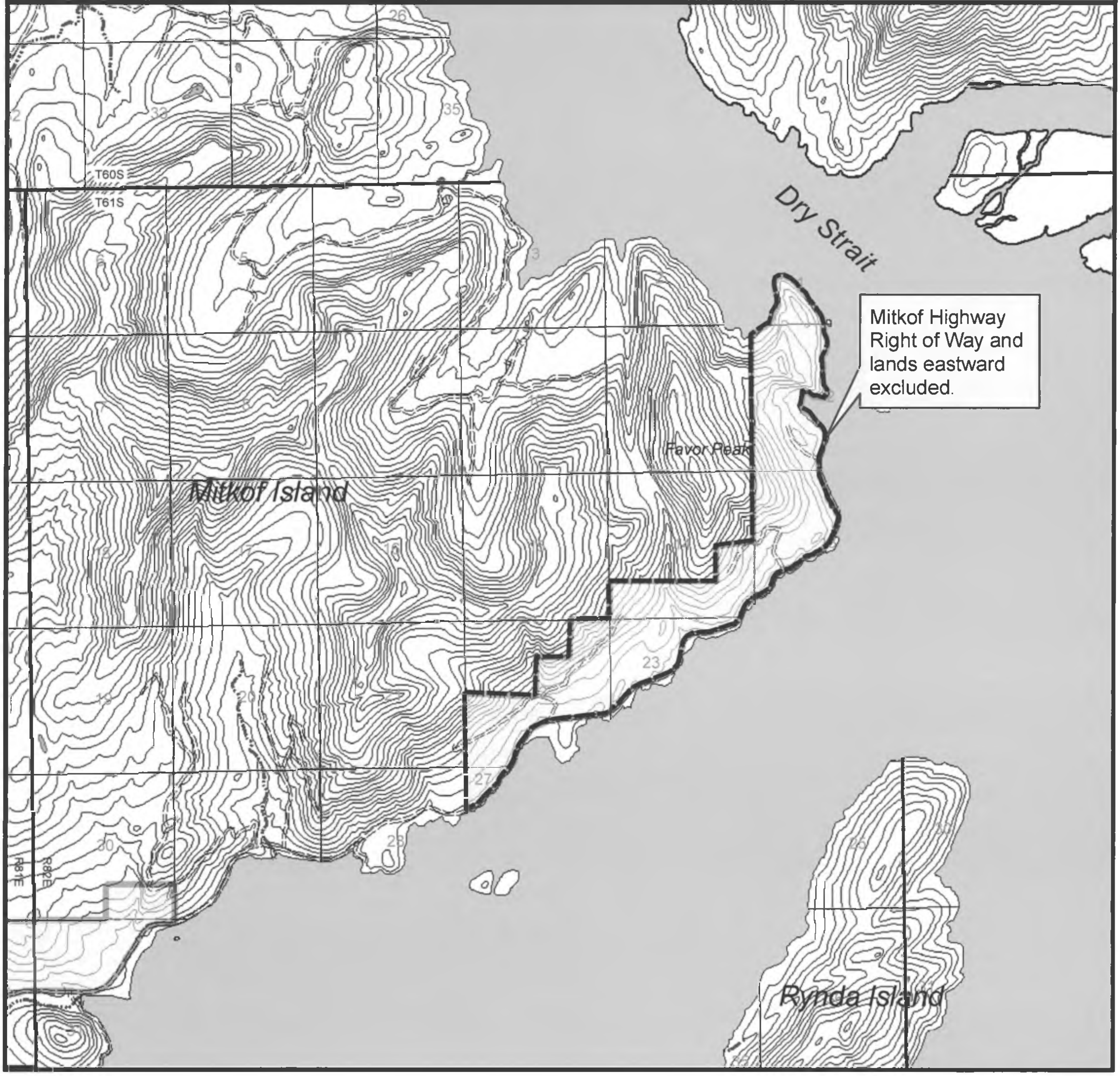
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 15, 2010

Favor Peak Parcel



NAD 83, Contour Interval 100'

Area Planning Unit P23

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Cataloged Streams

N

0 1 2 Miles

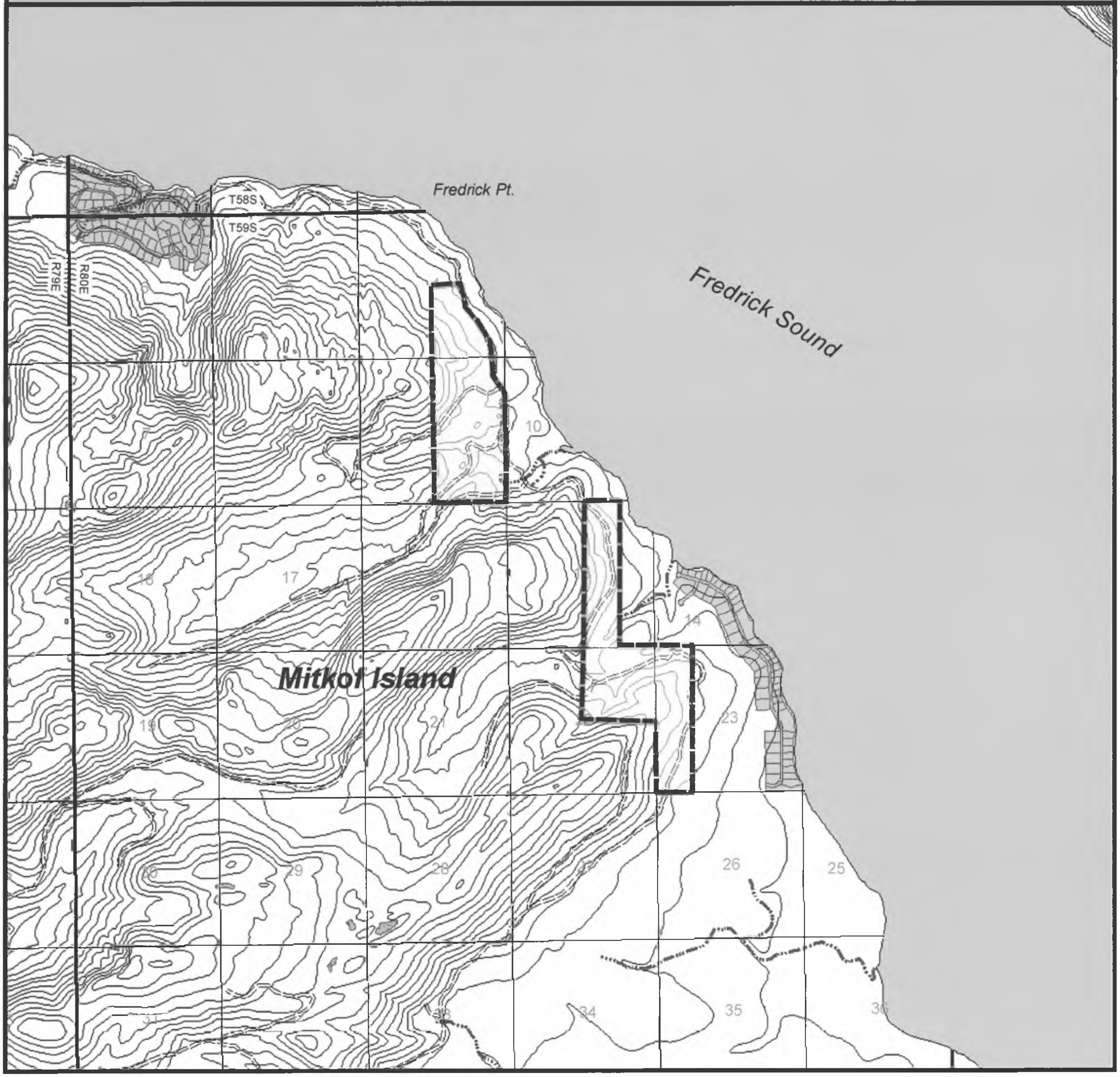
1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

DIVISION OF FORESTRY

Oct 27, 2010

Frederick Point Parcel



NAD 83, Contour Interval 100'

Area Planning Unit P28

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

1 inch = 1 miles

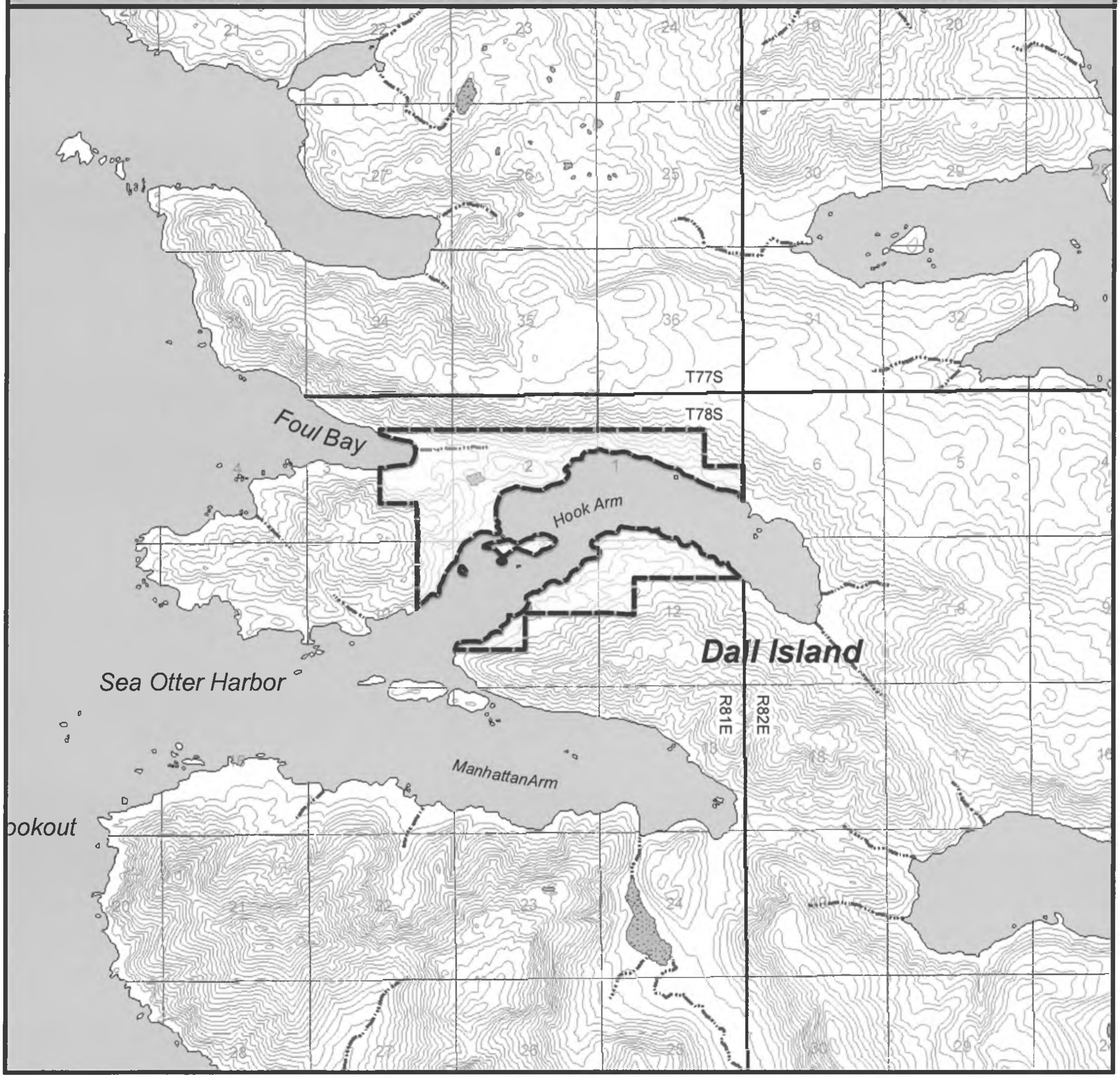
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Hook Arm Parcel



NAD 83, Contour Interval 100'

Area Planning Unit D02

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

0 1 2 Miles

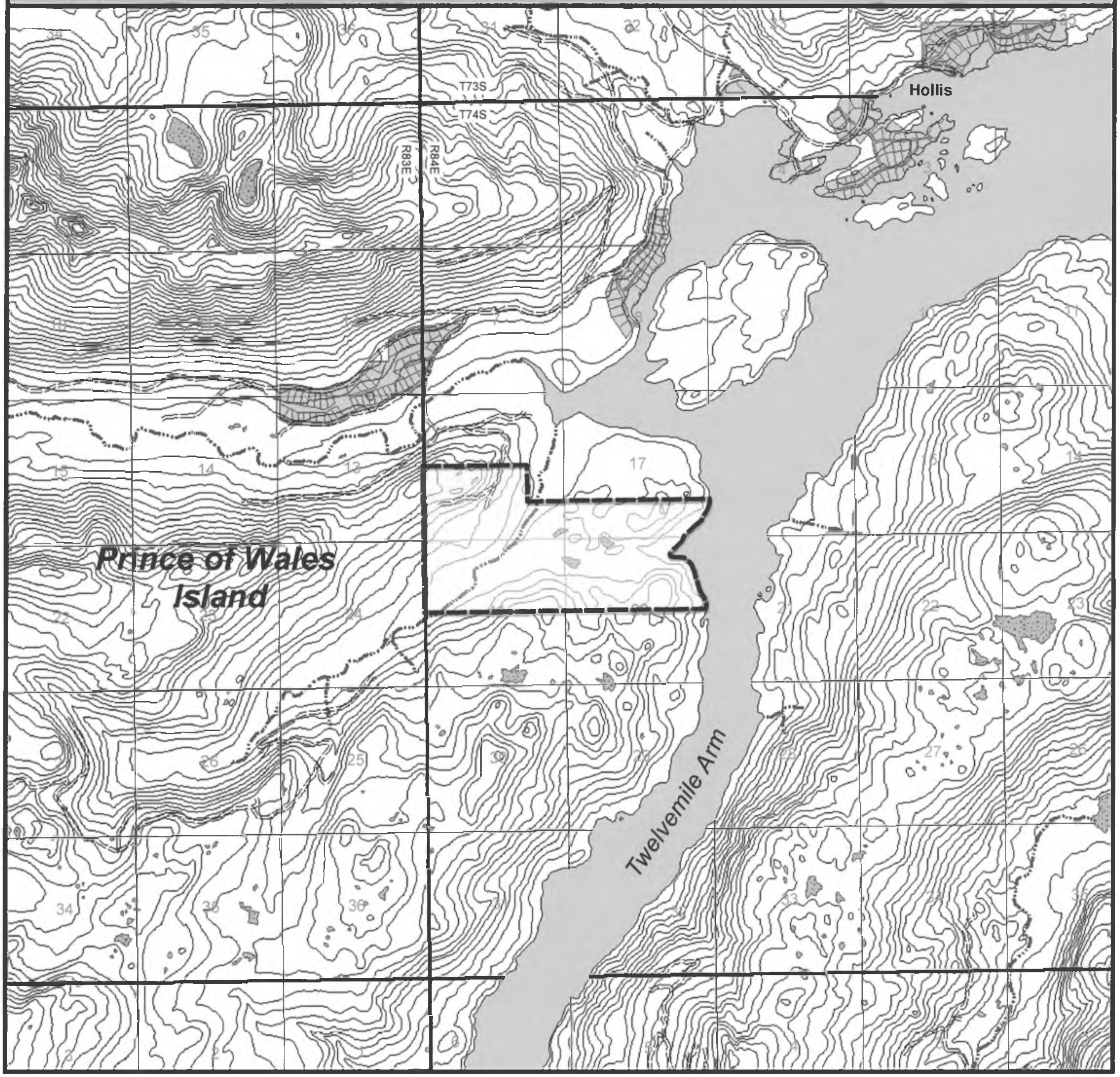
1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

DIVISION OF FORESTRY

Dec 13, 2010

Indian Creek Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 12b

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

Miles

0 1 2

1 inch = 1 miles

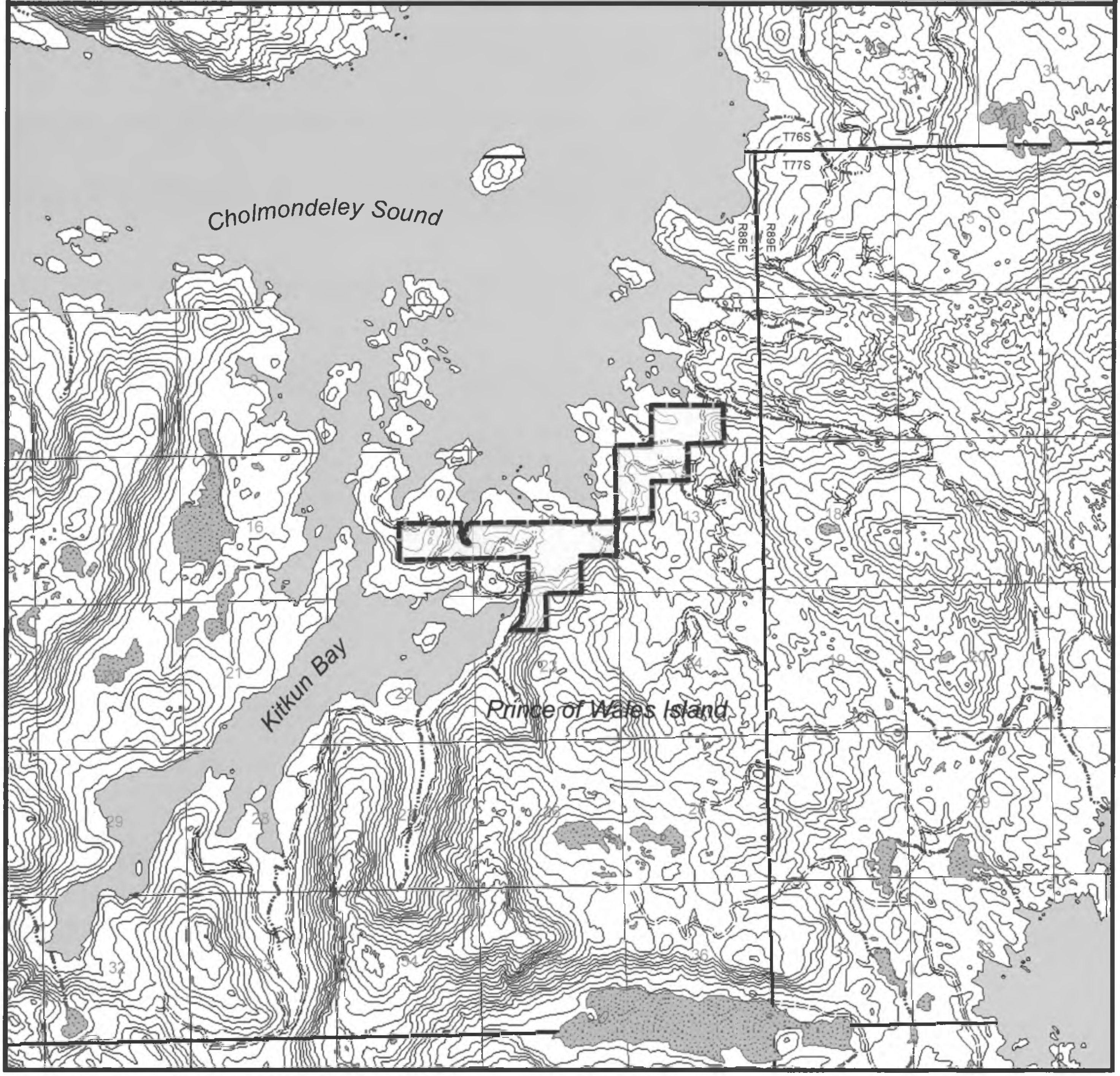
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Kitkun Bay Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 13b

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

Miles
0 1 2

1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Kosciusko Island/ Edna Bay Parcel

NAD 83, Contour Interval 100'

Area Planning Unit 8b

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

Miles
0 1 2

1 inch = 1 miles

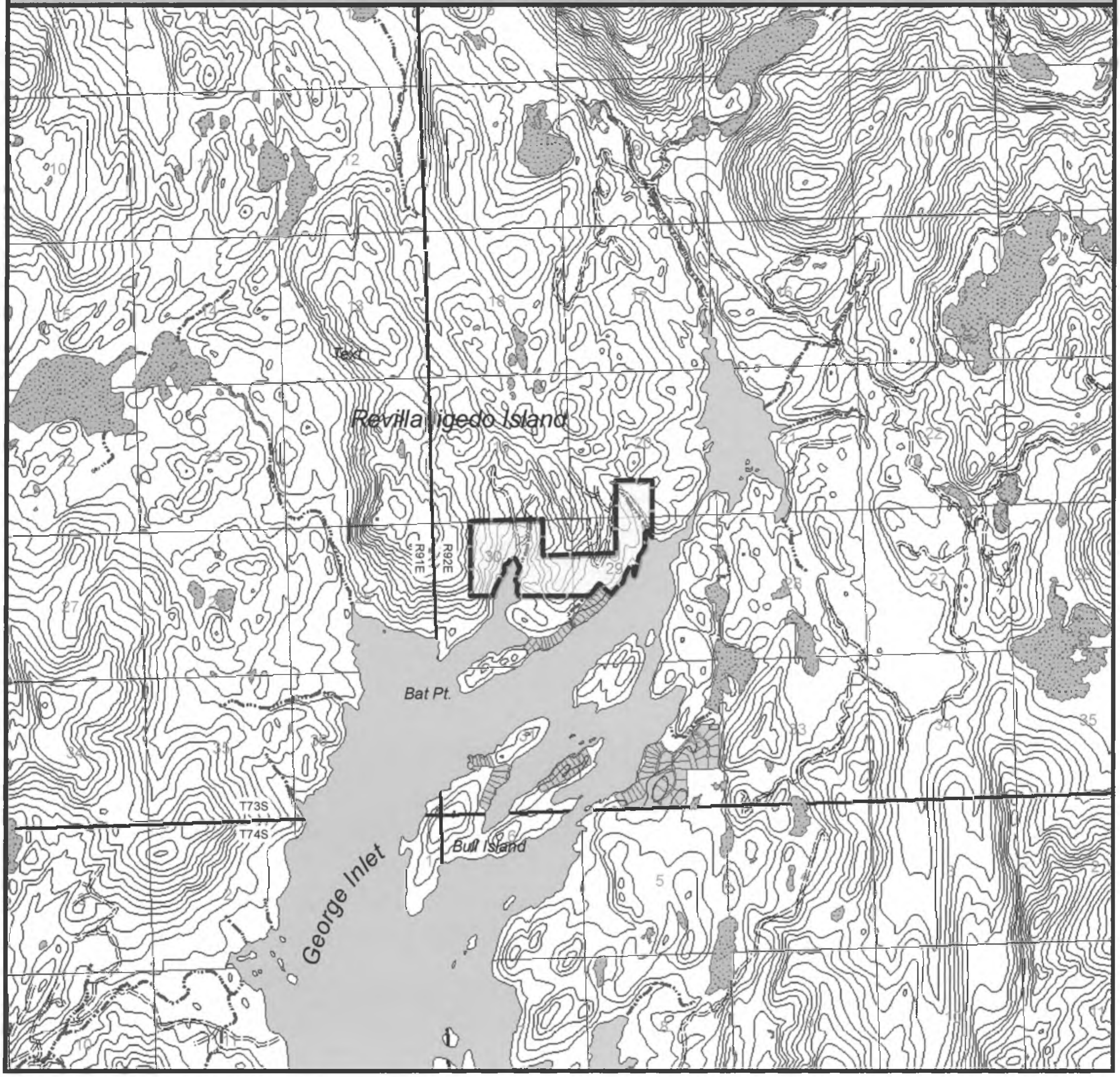
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Leask Cove Parcel



NAD 83, Contour Interval 100'

Area Planning Unit K11

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

Miles

0 1 2

1 inch = 1 miles

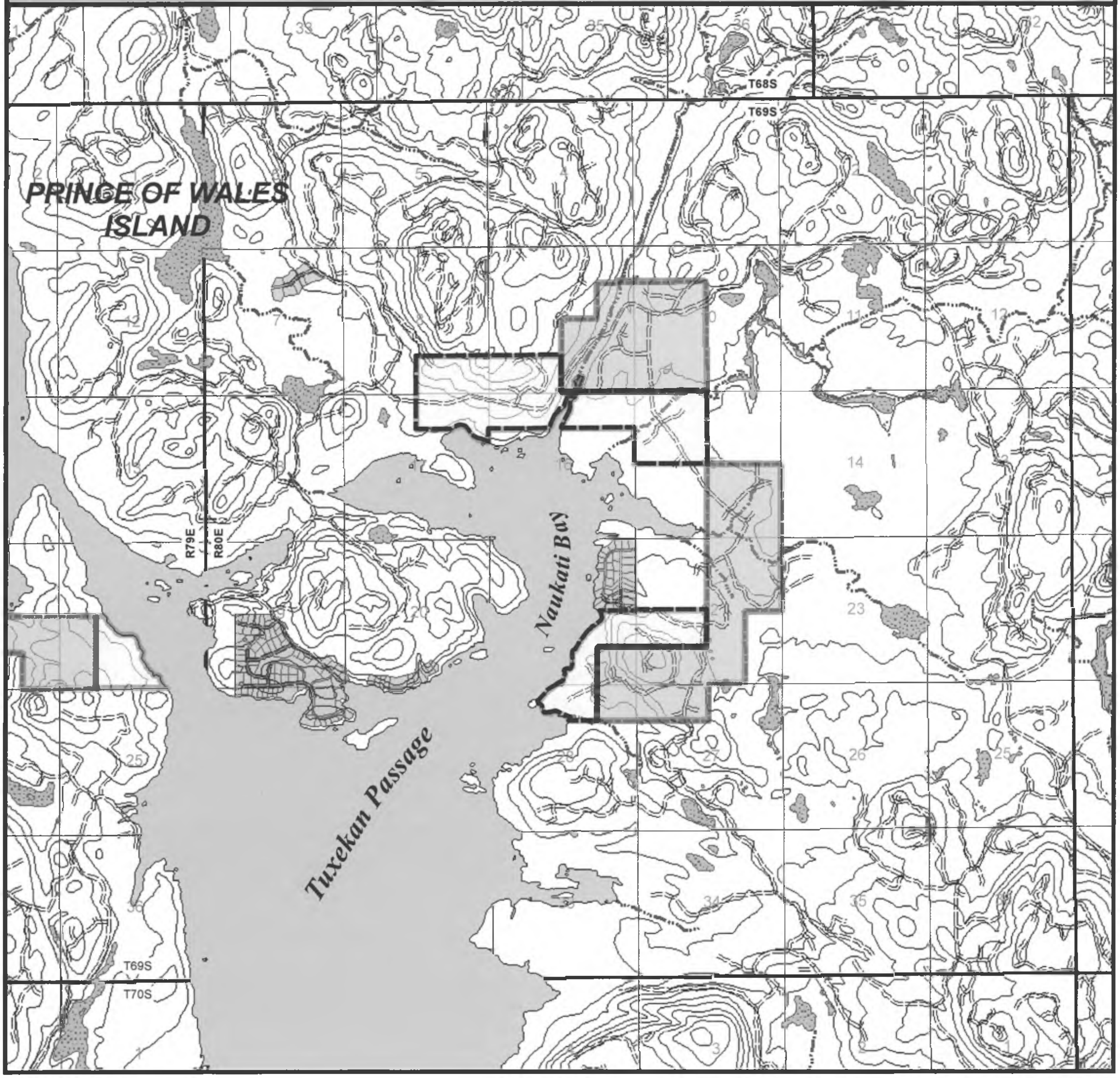
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Naukati Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 7c

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

0 1 2 Miles

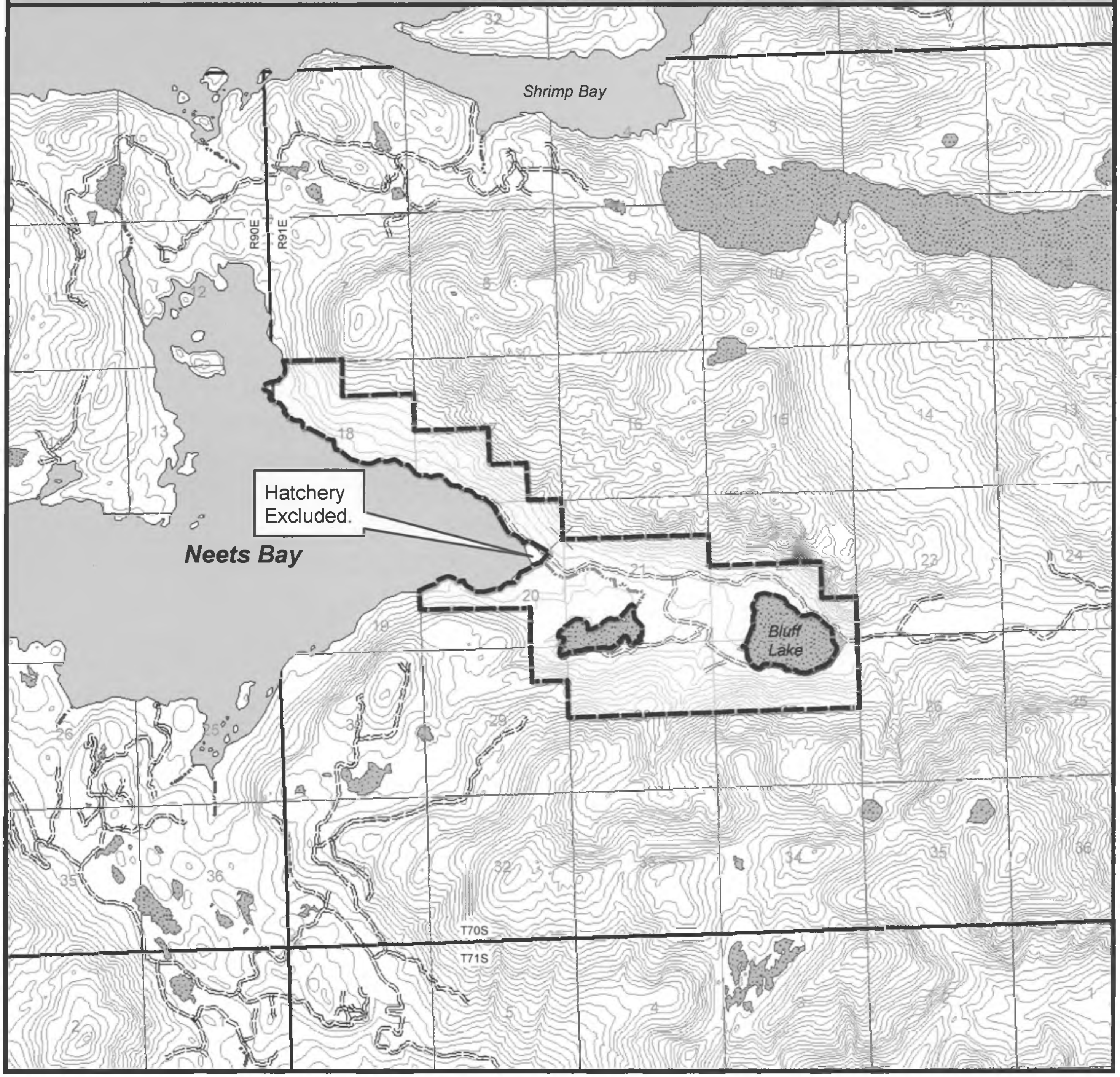
1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

DIVISION OF FORESTRY

Oct 27, 2010

Neets Bay Parcel



NAD 83, Contour Interval 100'

Area Planning Unit K01/02

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Cataloged Streams

Miles

0 1 2

1 inch = 1 miles

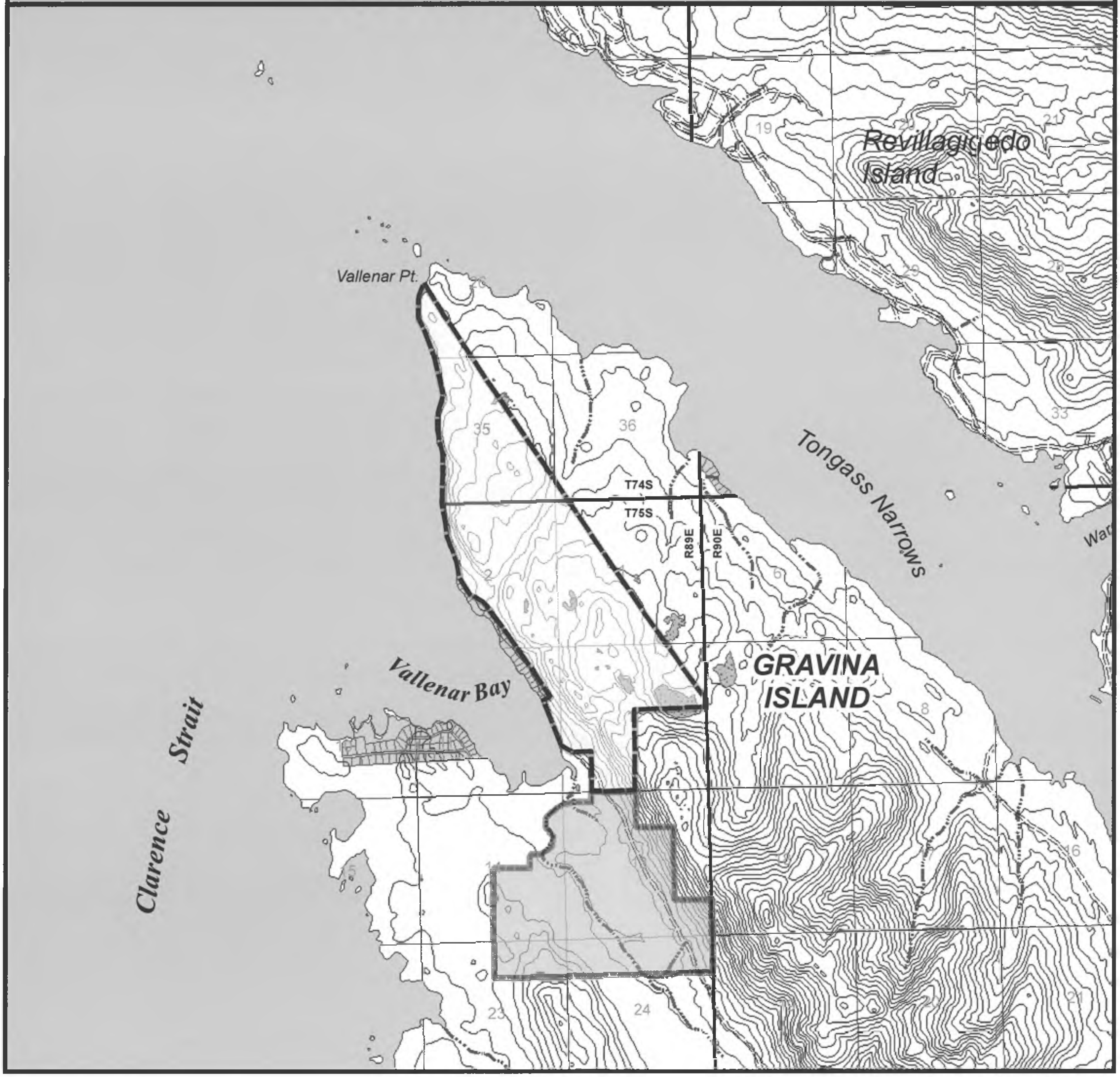
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 15, 2010

North Gravina Island Parcel



NAD 83, Contour Interval 100'

Area Planning Unit K25

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

0 1 2 Miles

1 inch = 1 miles

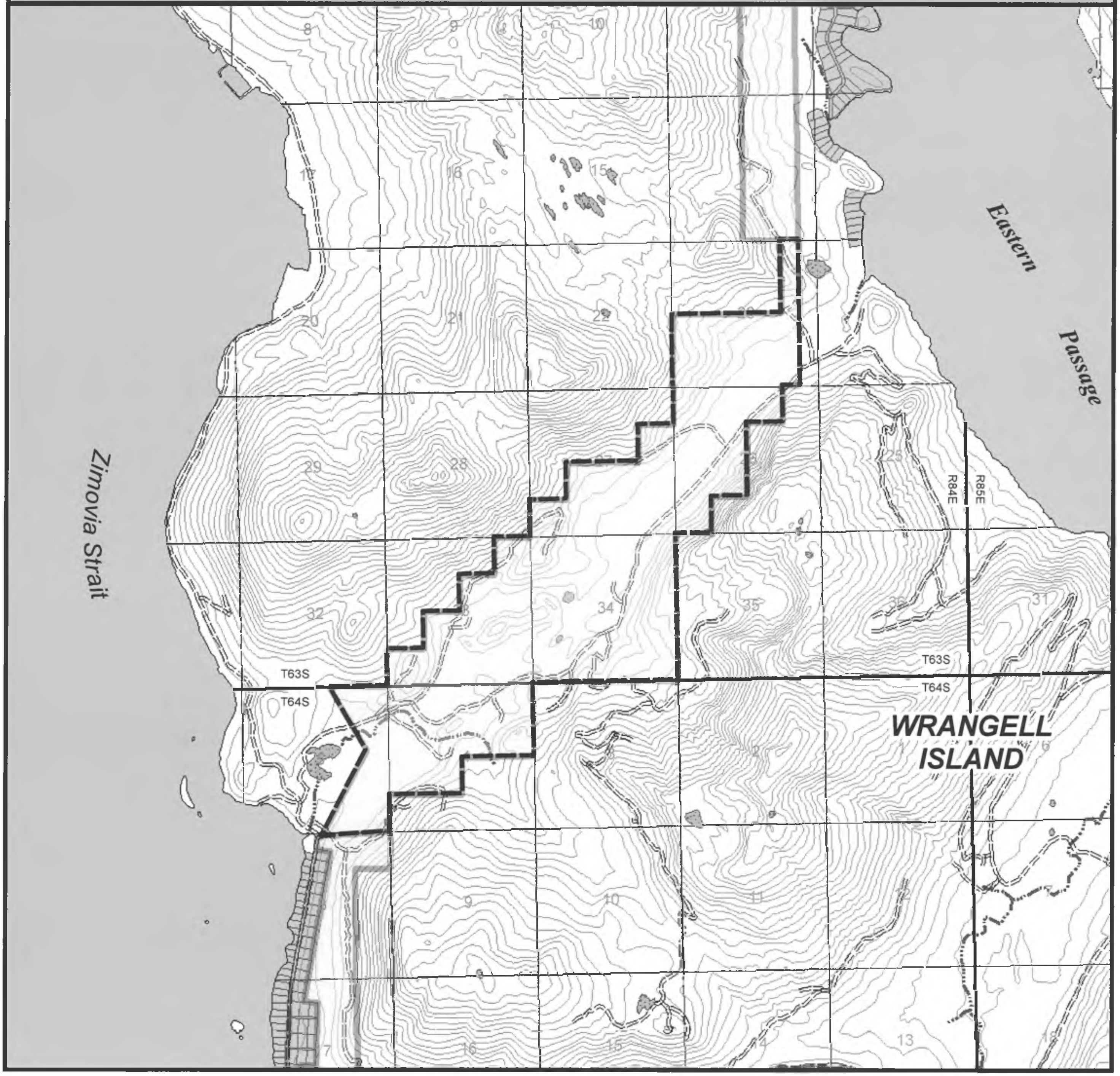
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Pat Creek Parcel



NAD 83, Contour Interval 100'

Area Planning Unit W10

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

0 1 2 Miles

1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

DIVISION OF FORESTRY

Dec 15, 2010

Pat Creek Uplands Parcel

NAD 83, Contour Interval 100'

Area Planning Unit W27

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

0 1 2 Miles

1 inch = 1 miles

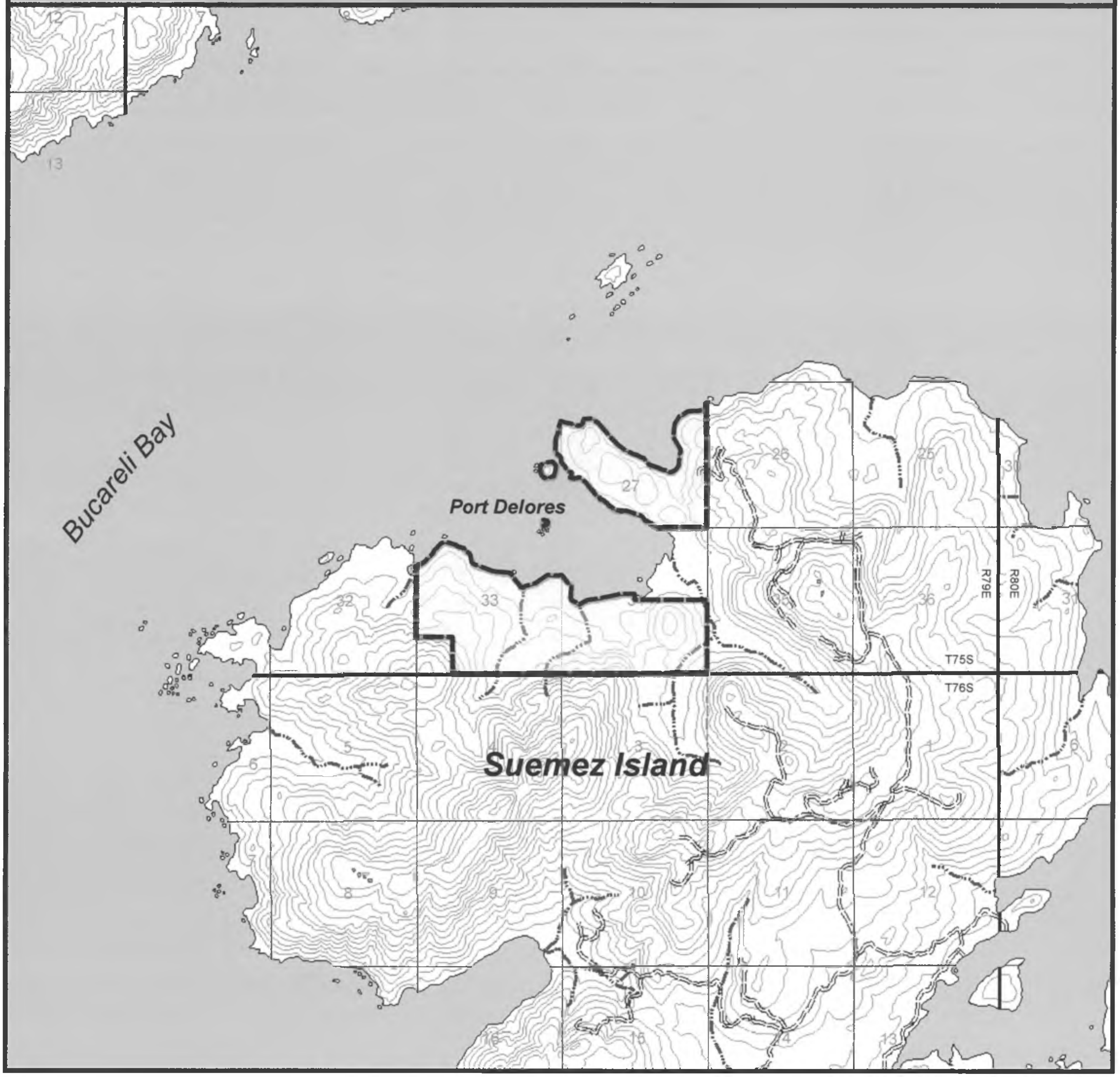
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Port Delores Parcel



NAD 83, Contour Interval 100'

Area Planning Unit D01

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

0 1 2 Miles

1 inch = 1 miles

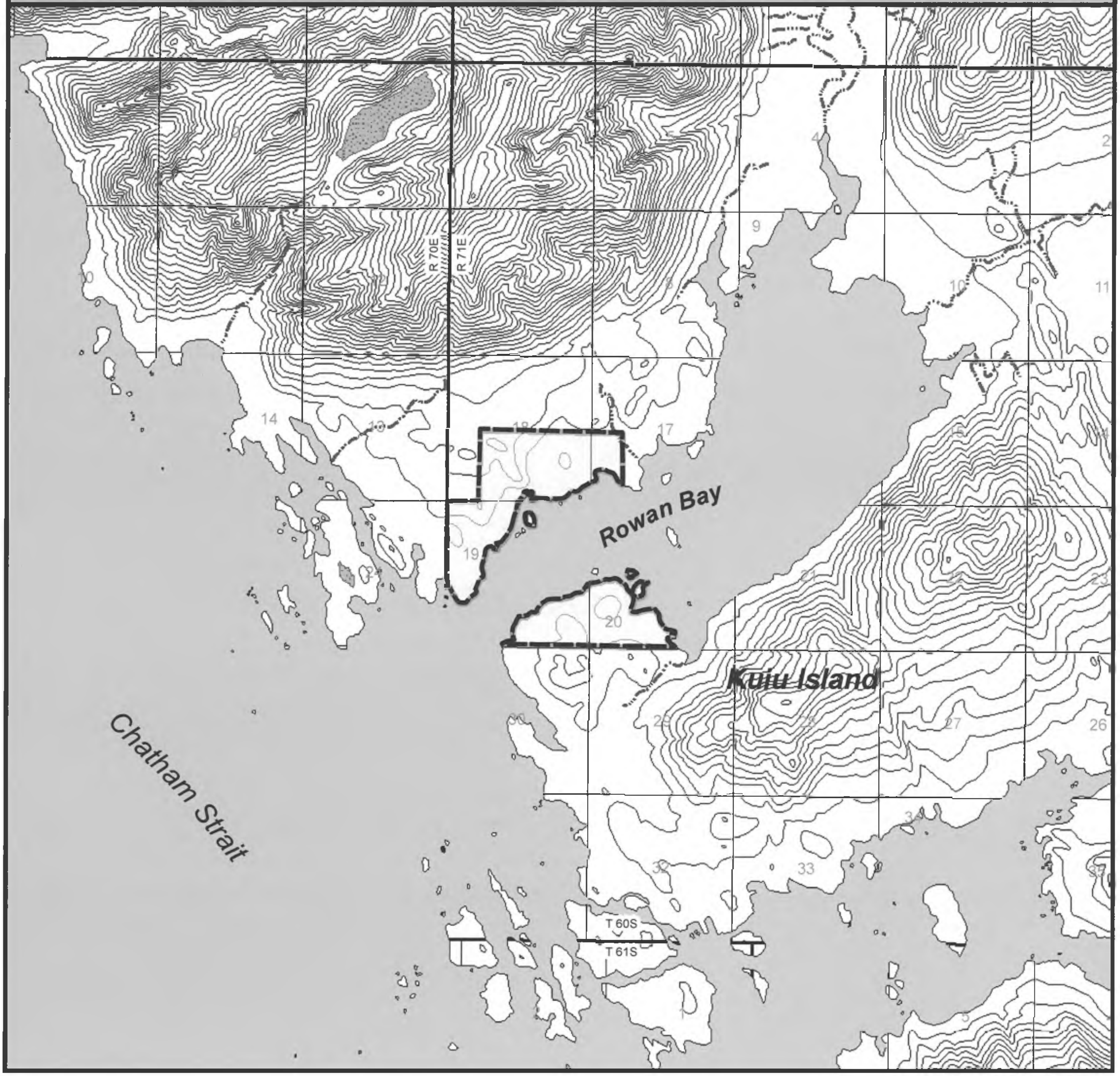
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 13, 2010

Rowan Bay Parcel



NAD 83, Contour Interval 100'

Area Planning Unit U02

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

0 1 2 Miles

1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

South Mitkof Parcel

NAD 83, Contour Interval 100'

Area Planning Unit P25

Parcel Map Focus

Legend
- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

0 1 2 Miles

1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

DIVISION OF FORESTRY

Oct 27, 2010

St. Johns Harbor Parcel

NAD 83, Contour Interval 100'

Area Planning Unit W02

Parcel Map Focus

Legend
- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

N

0 1 2 Miles

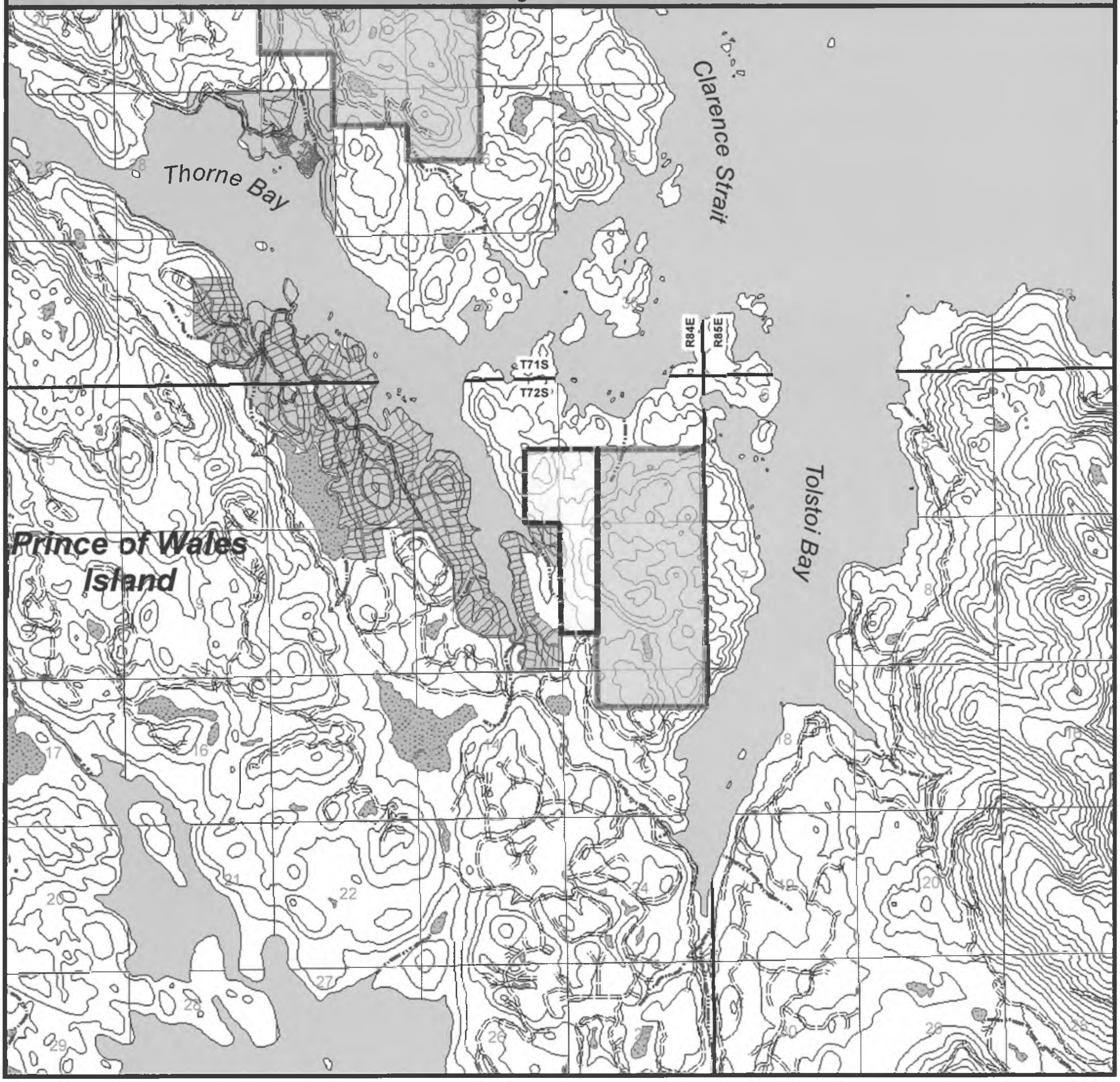
1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

DIVISION OF FORESTRY

Oct 27, 2010

Thorne Bay South Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 11c

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Cataloged Streams

Miles
0 1 2

1 inch = 1 miles

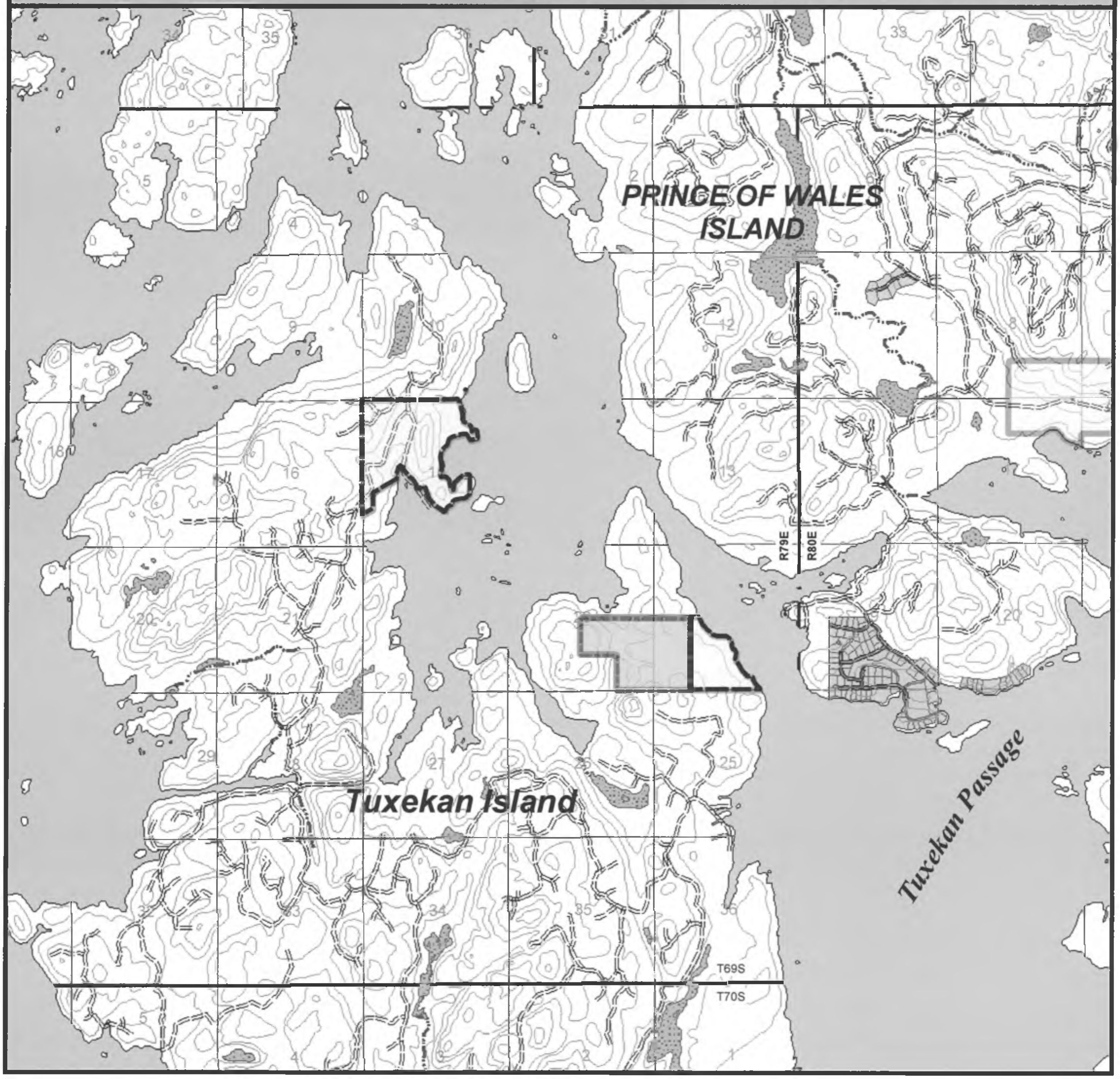
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Oct 27, 2010

Tuxekan Parcel



Area Planning Unit 7b

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

0 1 2 Miles

1 inch = 1 miles

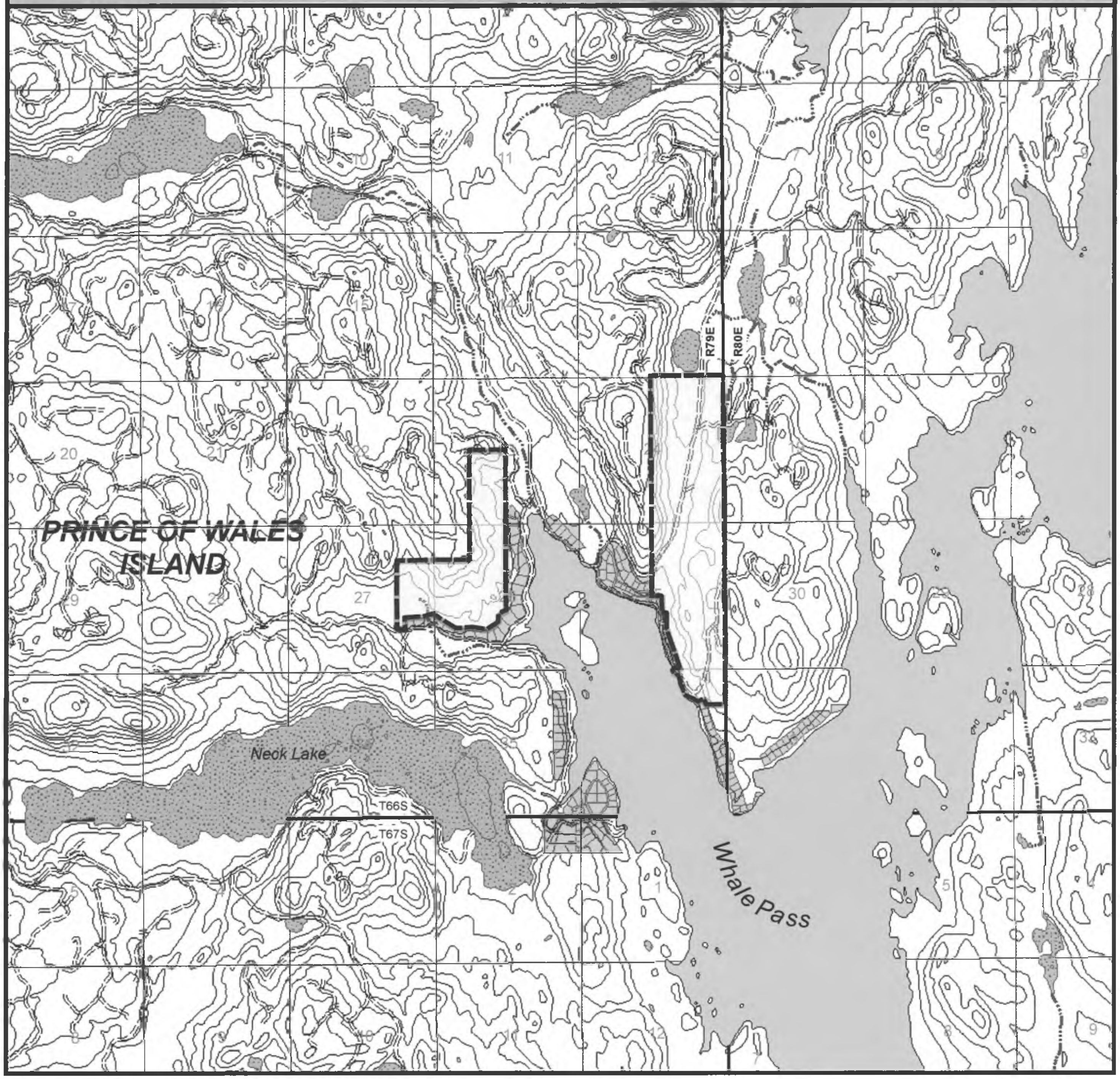
SOUTHEAST STATE FOREST PROPOSED ADDITIONS

ALASKA DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

Dec 15, 2010

Whale Pass Parcel



NAD 83, Contour Interval 100'

Area Planning Unit 5a

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Catologed Streams

Miles 0 1 2

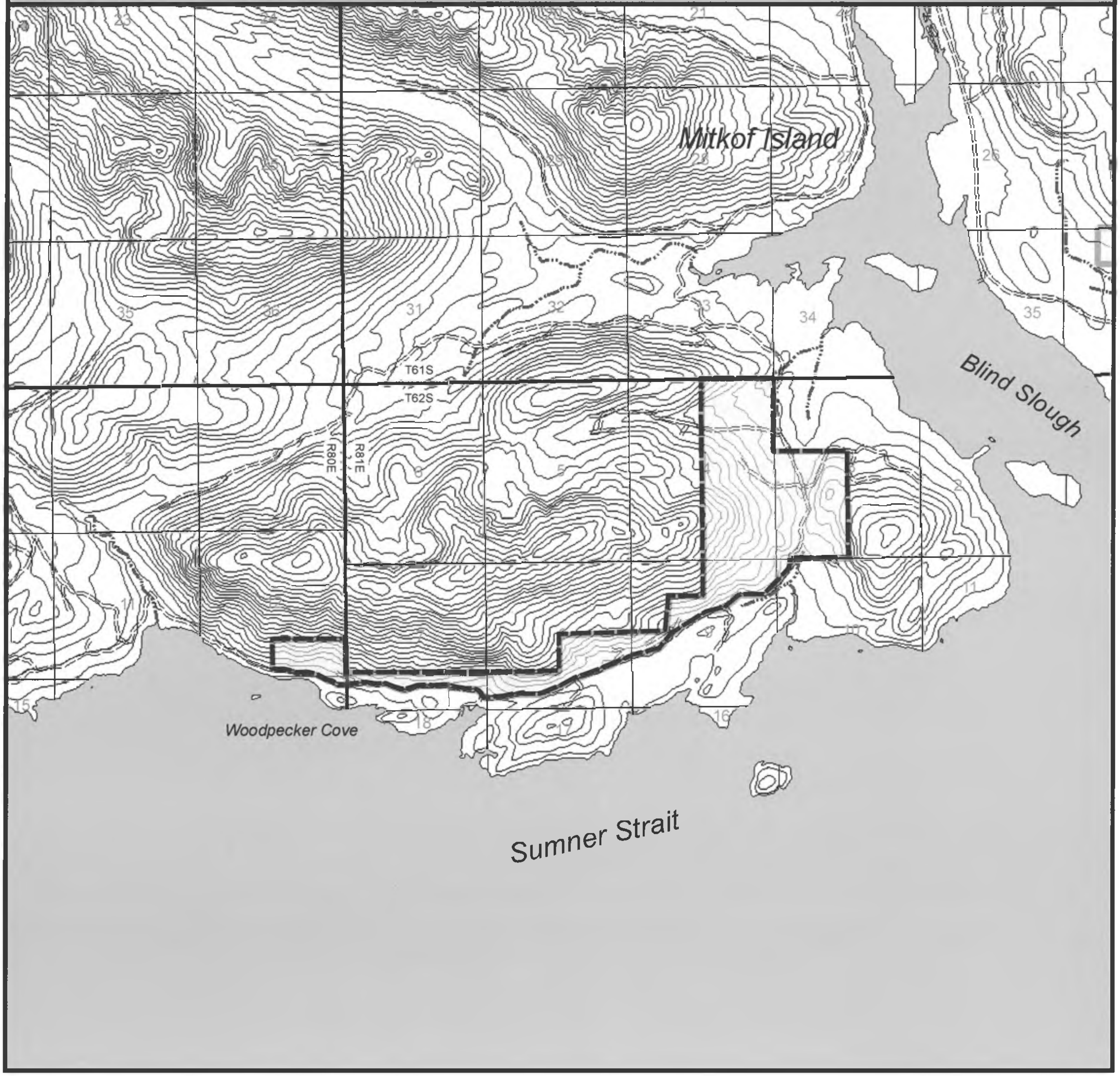
1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

DIVISION OF FORESTRY

Oct 27, 2010

Woodpecker Parcel



NAD 83, Contour Interval 100'

Area Planning Unit P27

Parcel Map Focus

Legend

- Proposed State Forest
- State Forest
- State Park
- Subdivision
- Lakes
- Cataloged Streams

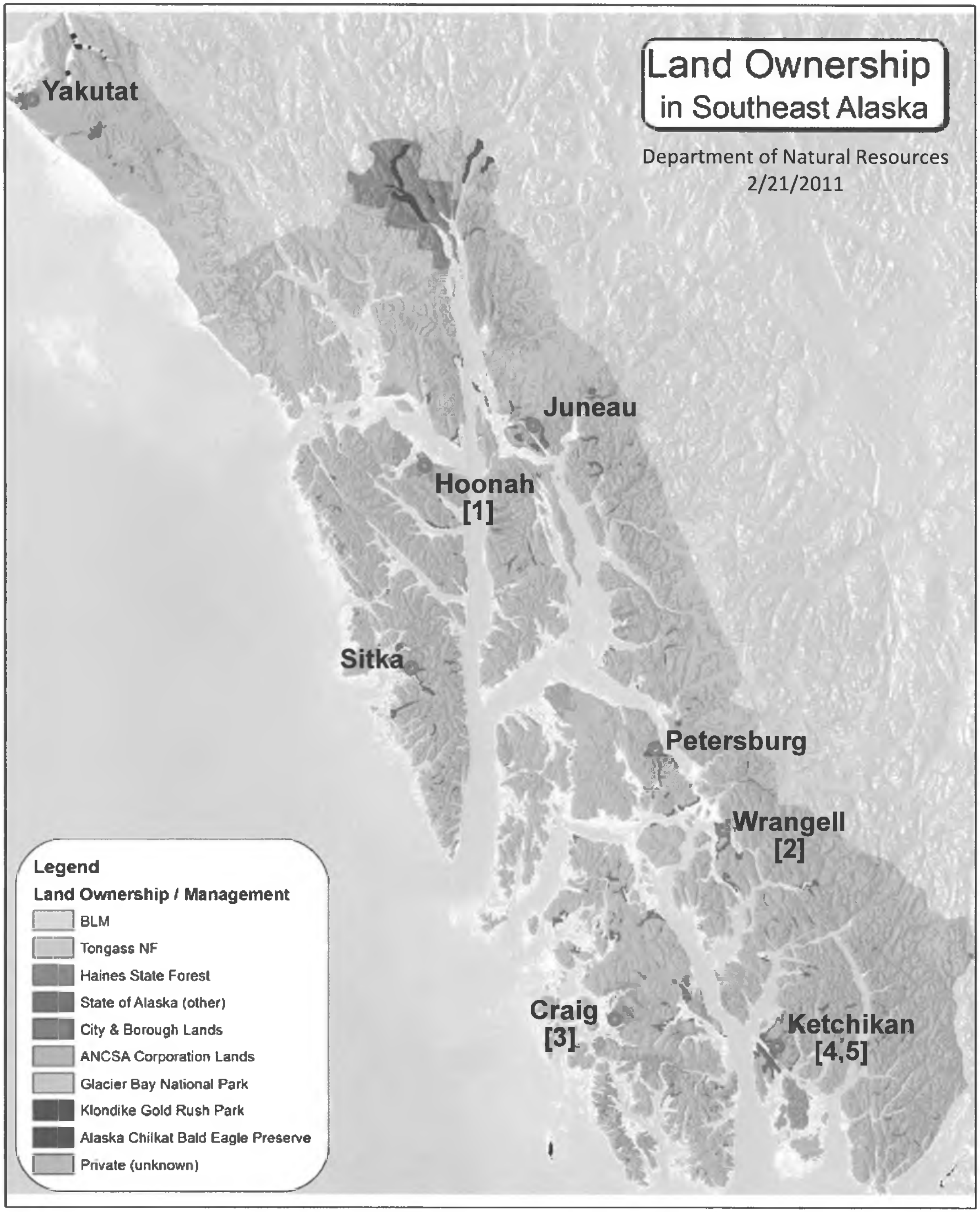
0 1 2 Miles

1 inch = 1 miles

SOUTHEAST STATE FOREST PROPOSED ADDITIONS

DIVISION OF FORESTRY

Oct 27, 2010



SE Mills

1. **Icy Strait Lumber (Operating, but recovering from fire)**
2. **Silver Bay Logging (Closed)**
3. **Viking Lumber Co. (Operating)**
4. **Pacific Log & Lumber (Closed)**
5. **Ketchikan Veneer Mill (Closed)**

Summary Six Year Sale History SSE Area Office, FY05 - FY10
In thousands of board feet (Mbf) and number of sales

Domestic Sales	54	90.0%
Domestic Volume	54,525	89.7%
Export Sales	6	10.0%
Export Volume	6,262	10.3%
Export Volume by Mills [1]	1,806	3.0%
Total sales [2]	60	
Total Volume	60,777	

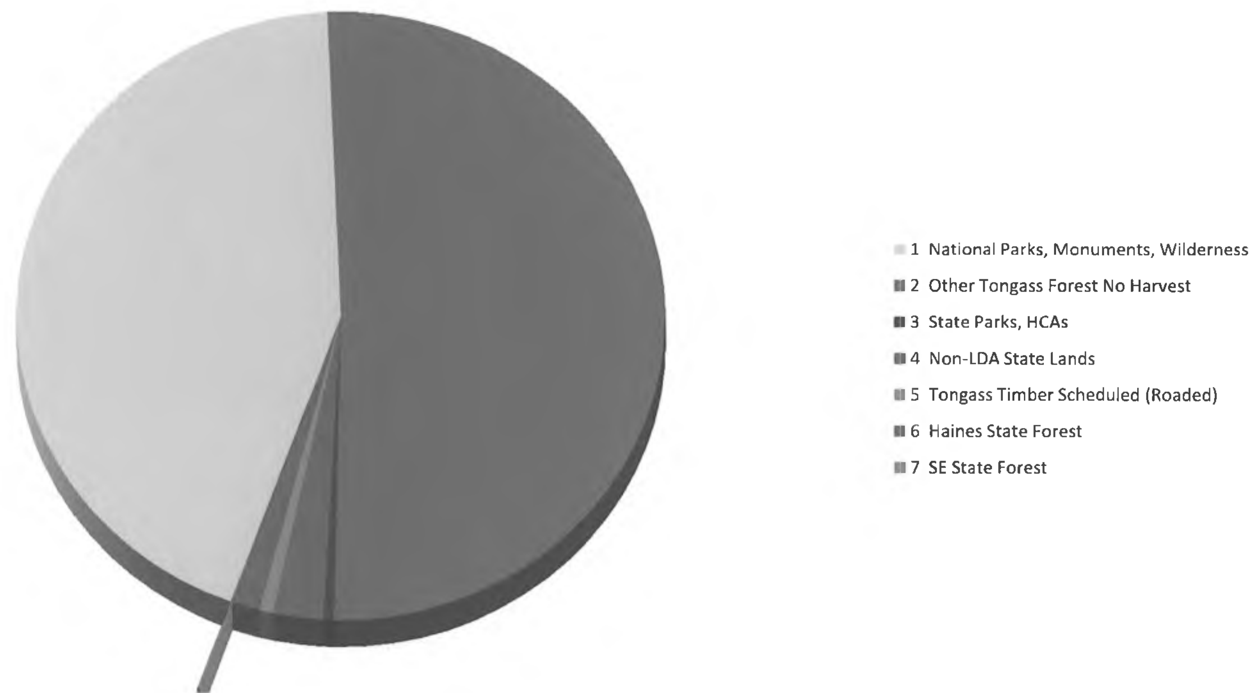
1 Note: Export by AK mills in eight transactions as follows:
Viking Lumber, 6 export transactions
Icy Straights, 1 Export Transaction
Western Gold, 1 Export transaction

2 Note: These sixty timber sales made to thirty different Alaska businesses

Prepared by Rick Rogers, Alaska DNR, Division of Forestry, February 22, 2011

Southeast Alaska Public Land Summary

(21,004,230 acres)



1 2008 TLMP page 3-2 and Glacier National Park Web Page (9,199,026 acres)
2 2008 TLMP page 3-2, Natural Setting and Development LUD less roaded suitable (10,713,778 acres)
3 Per DNR DMLW records including Chilkat Preserve, State Marine Parks and Critical Habitat Areas (110,032 acres)
4 DNR DMLW, excludes Juneau Area Plan which lumps uplands and tidelands together. Excludes selections. (526,103 acres)
5 2008 TLMP, Roaded Suitable, includes old growth and young growth. Table 2-4, TLMP FEIS (144,000 acres)
6 Per DOF Web page (286,000 acres)
7 SE State Forest not including additional SB44/HB105 acres (25,291 acres)

Prepared by Rick Rogers, Alaska DNR, Division of Forestry, February 22, 2011

New Growth

Prospectus for the Forest Products Industry of Interior Alaska

SARAH PALIN
GOVERNOR
GOVERNOR@GOV.STATE.AK.US

P.O. BOX 110001
JUNEAU, ALASKA 99811-0001
(907) 465-3500
FAX (907) 465-3532
WWW.GOV.STATE.AK.US

STATE OF ALASKA
OFFICE OF THE GOVERNOR
JUNEAU

March 2007

Dear Forest Products Investor:

As Governor of the great State of Alaska, I am pleased to introduce the New Growth prospectus, inviting you to examine an exciting commercial and industrial opportunity in Alaska. The vast commercial timber resources of Alaska's interior constitute a virtually untapped potential for economic development. An abundance of birch, white spruce, and quaking aspen blanket the Interior. My administration looks forward to working with companies like yours to see these resources developed for the benefit of Alaskans and to improve the health of our interior forests.

The state's Division of Forestry, the Office of Economic Development, various Native forest landowners, the Fairbanks North Star Borough, and the Fairbanks Economic Development Corporation have been working together to promote economic development opportunities in the Tanana Valley region. This prospectus reflects that cooperation and provides you with basic information to examine the possibilities for your company to invest in these opportunities. In addition to forest resource data, the prospectus includes basic market and transportation information that we hope will be useful in making a preliminary investment decision.

The State of Alaska is currently performing a stand-level inventory to further define the available timber. We stand ready to assist you in your evaluation of the prospects and develop any additional information you may need to begin making new investments in our state.

Sincerely,

Sarah Palin

Sarah Palin
Governor

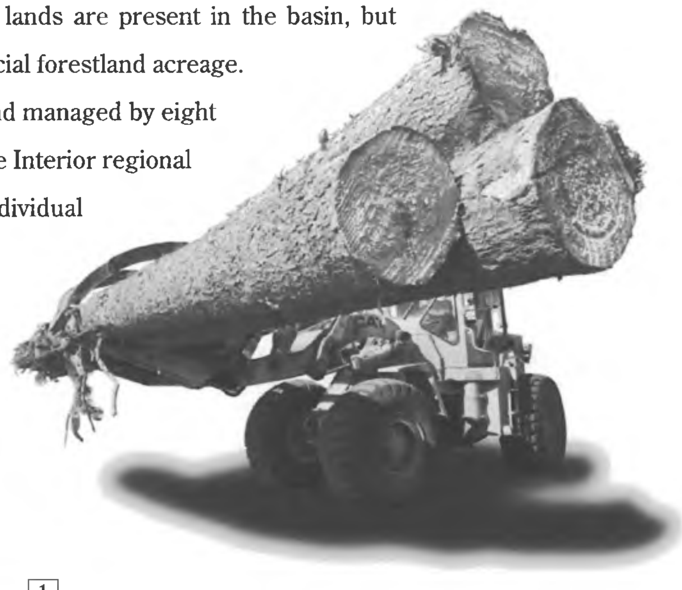
The commercial forests of the Interior are composed of pure stands and mixtures of white spruce, black spruce, paper birch, quaking aspen, and balsam poplar.

Forest and Land Ownership

Large tracts of both public and private lands occur in Interior Alaska. The Interior is a large area of Alaska that occupies the central part of the state. It extends from the Canadian border westward to the Bering Sea and lies between the Alaska and Brooks Ranges. The city of Fairbanks is considered the hub of this vast area. The Tanana Basin is located in the eastern portion of the Interior and contains forests that extend 265 miles from the Canadian border to the village of Tanana on the Yukon River. Within this area, the State of Alaska manages 2.94 million acres[1] of commercial forestlands including the Tanana Valley State Forest (TVSF). The TVSF contains 1.77 million acres[2] of commercial forestlands.

The Fairbanks North Star Borough, the University of Alaska Trust Lands, and the Mental Health Trust Lands are other tracts of public forestland in the basin. Within a 50-mile radius of Fairbanks, these three landowners have a combined acreage of 77,987 acres[3] of commercial forestland. Federal lands are present in the basin, but contribute only small amounts of commercial forestland acreage.

Private lands are chiefly owned and managed by eight individual Alaska Native Corporations. The Interior regional Native corporation, Doyon Limited, and individual village corporations own and manage approximately one-half million acres[4] of commercial forestland in the basin.
See map, p 4-5.



State and Private Commercial Forest Volumes

The Tanana Valley State Forest and lands classified for forest management under the Tanana Basin Area Plan are divided into four management jurisdictions: Kantishna, Fairbanks, Delta and Tok. Overall net standing commercial volume on these lands is 3,869 MMBF. See the annual allowable cut figures for each of the four areas in Table 1 and the net standing volume figures in Table 2.

Volume estimates for these lands are subject to change as a result of the new inventory update now under way. Forest land area to be updated includes state forest and forestry classified lands between Healy Lake and Manley. New volume numbers are scheduled to be produced by the end of 2007. The inventory will also be enhanced by the addition of new imagery and web access for timber stand viewing and querying.

Private lands, represented mainly by Alaska Native Corporations, have annual harvest levels calculated for individual ownerships. Overall net standing commercial volume on these lands is 1,786 MMBF. See the annual allowable cut figures for the individual areas in Table 3, and the net standing volume figures in Table 4.

State Land – Tanana Valley Timber

Table 1
Annual Cut

	Spruce	Birch	Aspen
Kantishna	4.6 mmcf 18.2 mmbf	4.3 mmcf 12.9 mmbf	1.6 mmcf 4.8 mmbf
Fairbanks	6.2 mmcf 24.6 mmbf	4.0 mmcf 12.0 mmbf	2.1 mmcf 6.3 mmbf
Delta	5.2 mmcf 20.6 mmbf	3.6 mmcf 10.8 mmbf	1.2 mmcf 3.7 mmbf
Tok	2.7 mmcf 10.8 mmbf	0.4 mmcf 1.2 mmbf	0.4 mmcf 1.2 mmbf
Total cf	18.6 mmcf	12.3 mmcf	5.4 mmcf
Total bf	74.3 mmbf	36.8 mmbf	16.2 mmbf

note: cut is regulated by cubic ft., spruce converted at 4 bf/cf, hardwood at 3 bf/cf; mm = million

Table 2
Net Standing Volume

	Spruce	Birch	Aspen
Kantishna	233 mmcf 729 mmbf	208 mmcf 50 mmbf	80 mmcf 14 mmbf
Fairbanks	308 mmcf 933 mmbf	193 mmcf 158 mmbf	101 mmcf 82 mmbf
Delta	399 mmcf 1,017 mmbf	227 mmcf 148 mmbf	78 mmcf 38 mmbf
Tok	250 mmcf 645 mmbf	33 mmcf 11 mmbf	36 mmcf 4 mmbf
Total cf	1,190 mmcf	622 mmcf	295 mmcf
Total bf	3,365 mmbf	367 mmbf	137 mmbf

note: Board feet by scribner rule, 16ft. logs, 10 in. minimum tree diameter Cubic feet 6 in. minimum tree diameter. mm=million

Timber Sale Options & Methods

Public Lands

The Division of Forestry can sell timber under the five methods listed in Table 5. Most sales are sold by competitive, sealed bid, but timber sales can be negotiated under certain

aspen

Alaska Native Corporation Land – Tanana Valley Timber

Table 3
Annual Cut

	Spruce	Hardwood
Dot Lake	0.2 mmcf 0.5 mmbf	0.2 mmcf 0.1 mmbf
Healy Lake	0.2 mmcf 0.6 mmbf	0.3 mmcf 0.4 mmbf
Manley	0.2 mmcf 0.4 mmbf	0.3 mmcf 0.6 mmbf
Nenana	0.1 mmcf 0.4 mmbf	0.4 mmcf 0.6 mmbf
Northway	0.1 mmcf 0.1 mmbf	0.1 mmcf 0.1 mmbf
Tanacross	0.1 mmcf 0.1 mmbf	0.1 mmcf 0.1 mmbf
Tetlin	0.5 mmcf 1.8 mmbf	0.1 mmcf 0.1 mmbf
Tanana	1.1 mmcf 3.8 mmbf	0.6 mmcf 1.1 mmbf
Doyon/Katishna River	0.2 mmcf 0.6 mmbf	0.2 mmcf 0.4 mmbf
Doyon/Upper Tanana	0.2 mmcf 0.4 mmbf	0.9 mmcf 0.6 mmbf
Total cf	2.9 mmcf	3.1 mmcf
Total bf	9.1 mmbf	3.6 mmbf

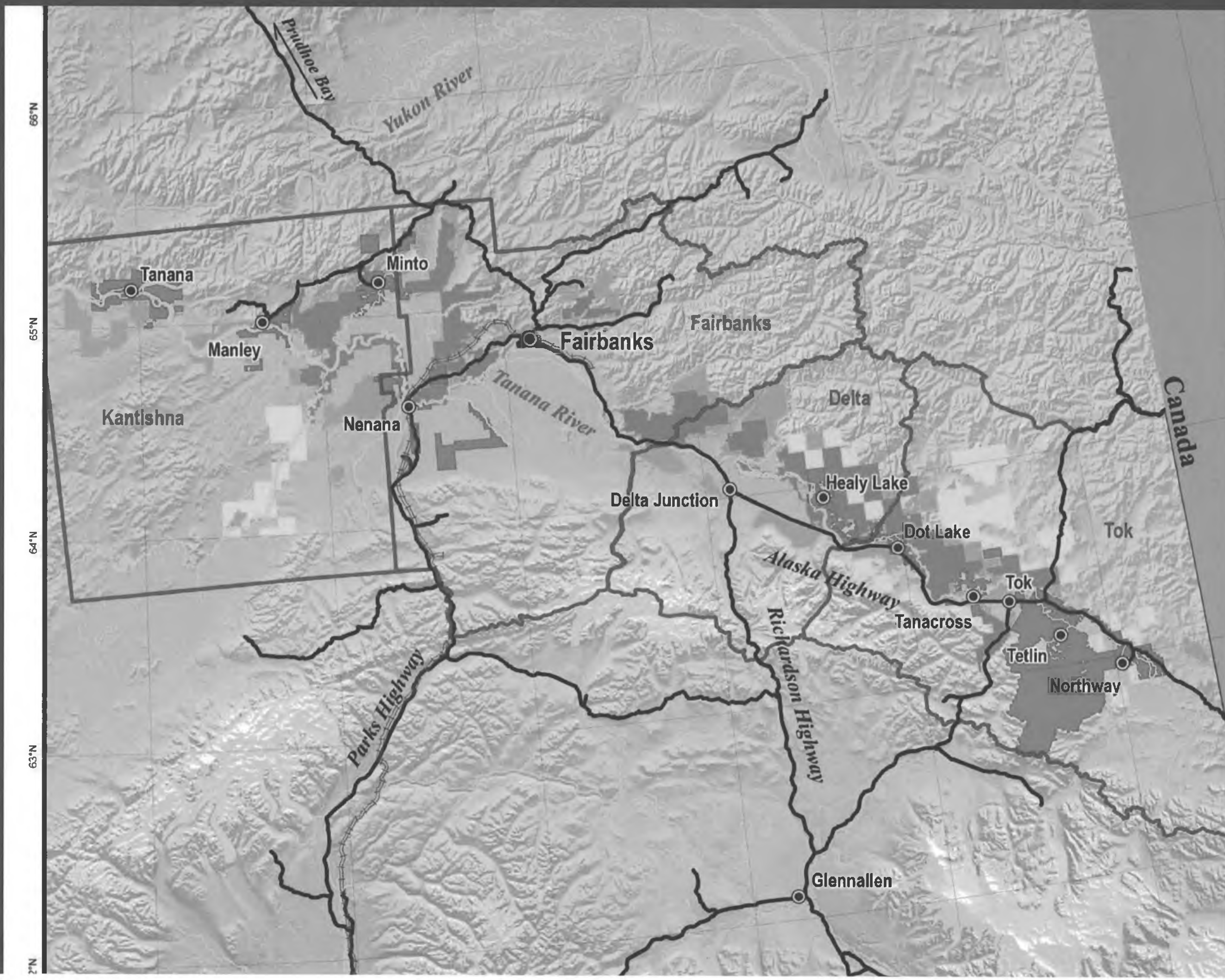
Table 4
Net Standing Volume

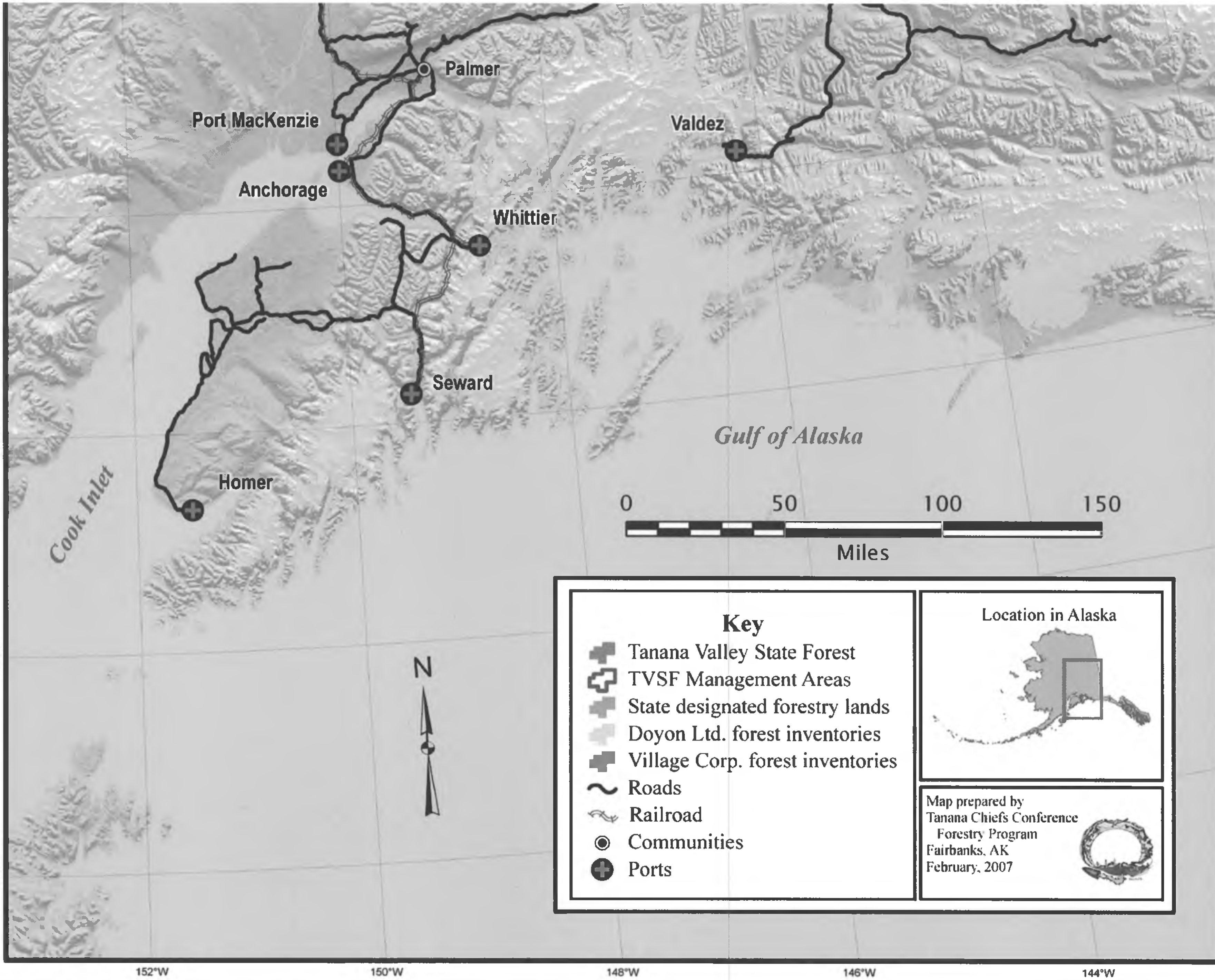
	Spruce	Hardwood
Dot Lake	26 mmcf 65mmbf	208 mmcf 50 mmbf
Healy Lake	39 mmcf 102 mmbf	193 mmcf 158 mmbf
Manley	24 mmcf 73 mmbf	227 mmcf 148 mmbf
Nenana	25 mmcf 81 mmbf	33 mmcf 11 mmbf
Northway	10 mmcf 19 mmbf	9 mmcf 6 mmbf
Tanacross	13 mmcf 14 mmbf	5 mmcf 3 mmbf
Tetlin	75 mmcf 265 mmbf	10 mmcf 2 mmbf
Tanana	152 mmcf 520 mmbf	68 mmcf 123 mmbf
Doyon/Katishna River	33 mmcf 88 mmbf	40 mmcf 54 mmbf
Doyon/Upper Tanana	111 mmcf 216 mmbf	90 mmcf 59 mmbf
Total cf	508 mmcf	325 mmcf
Total bf	1,443 mmbf	343 mmbf

circumstances. Larger sales can be negotiated to foster economic development. The state maintains a regular competitive sale program; most sales over 160 acres are listed in a five-year schedule of timber sales. The schedule provides basic information on the volume, location and sale dates of offerings. If not on the schedule, additional sales may be requested and the schedule can be modified based on comments and requests. The required review process ranges from one month to about eighteen months depending on whether the sale must be listed in the schedule. Current schedules are designed to meet local needs, which account for less than 10 percent of the allowable cut. All state timber harvest is subject to the Alaska Forest Resources and Practices Act (FRPA).

Other public land managers, such as the Fairbanks North Star Borough (FNSB), the University of Alaska Trust Lands, and the Mental Health Trust Lands, use competitive, sealed bid procedures that are standard for the forest products industry. A regular sale schedule is not currently utilized, but landowners respond to market conditions and offer sales during more favorable economic periods. Compliance with the FRPA is a requirement of these timber

Tanana Valley Forest Resources





Palmer
Port MacKenzie
Anchorage
Valdez
Whittier
Seward
Homer
Cook Inlet
Gulf of Alaska
0 50 100 150
Miles
N
Key
Tanana Valley State Forest
TVSF Management Areas
State designated forestry lands
Doyon Ltd. forest inventories
Village Corp. forest inventories
Roads
Railroad
Communities
Ports
Location in Alaska
Map prepared by
Tanana Chiefs Conference
Forestry Program
Fairbanks, AK
February, 2007
61°N
60°N
59°N
58°N
152°W
150°W
148°W
146°W
144°W

Table 5
Timber Sale Options/Methods

Sale Type	Sale Method	Maximum Volume	Maximum Term	Minimum Time Sale Review	Special Requirements
Regular Competitive	Sealed Bid	None	None	1.5 years* if > 160 acres	None
Regular Negotiated	Negotiated	500 mbf	1 year	1 month	Max 500 mbf per yr/individual
Distressed Areas	Negotiated	None	25 years	1 month	Local manufacture in areas of high unemployment unused mill capacity and unused allowable cut
Value-Added	Negotiated or Competitive Proposals	10 mmbf per year	10 years	1.5 years* if > 160 acres	Local manufacture of high value-added products
Salvage	Bid or Negotiated	None	None	3 months	None

* *Sales previously listed on the Five-Year Schedule of Timber Sales may be available immediately without the need for further notice.*

sales, as well. Notification requirements are met through the submission of a Detailed Plan of Operations (DPO).

Private Lands

Private landowners also respond to market conditions and offer sales during more favorable economic periods. Timber sales on private land are reviewed for compliance with the Forest Resources and Practices Act and notification requirements are met through submission of a DPO.

Forest Stewardship

Forest Resources and Practices Act

The Forest Resources and Practices Act is designed to protect fish habitat, water quality and ensure prompt reforestation of forestland while providing for a healthy timber industry. The FRPA ensures that both the timber and commercial fishing industries can continue to provide long-term jobs.

Alaska is divided into three forest practices regions. Region I covers coastal forests from Southeast Alaska through Prince William Sound, the eastern Kenai Peninsula, the Kodiak Archipelago, and parts of the Alaska Peninsula. Region II is the boreal forest south of the Alaska Range. Region III is the boreal forest in Interior Alaska. Standards for riparian management and reforestation vary by region.

The FRPA applies to commercial timber operations on forestland, including harvesting, roading, site preparation, thinning, and slash treatment operations. Operations must comply with the FRPA if they are larger than 10 acres in Region I or larger than 40 acres in Region II. In Region III, it applies to operations larger than 40 acres for forest landowners that own more than 160 acres in total. All commercial harvest operations that encompass or border surface waters or a riparian area also must comply with the Act, regardless of their size. For more information on FRPA, visit: http://www.dnr.state.ak.us/forestry.

Sustainable Forestry Initiative®

The State of Alaska Department of Natural Resources is licensed under the Sustainable Forestry Initiative (SFI). The SFI program is based on the premise that responsible environmental behavior and sound business decisions can co-exist to the benefit of landowners, manufacturers, shareholders, customers, the people they serve, the environment, and future generations. The SFI program integrates the perpetual growing and harvesting of trees with the protection of wildlife, plants, soil, water, and air quality. Two goals of the SFI program are first, SFI program participants practice sustainable forestry on all the lands they manage and second, they influence millions of additional acres through the training of loggers and foresters in best management practices. This unique commitment to sustainable forestry recognizes that all forest landowners, not just SFI program participants, play a critical role in ensuring the long-term health and sustainability of our forests. For more information on SFI, visit: http://www.sfiprogram.org.

Physical Setting

Approximately 85 percent of the Tanana Valley State Forest is located within 20 miles of the state highway system. Eighteen communities adjacent to the State Forest total approximately 90,000 residents, with the majority located in the Fairbanks North Star Borough.

The climate of the Tanana Basin is one of the coldest and warmest areas of the state. Extreme temperatures range from minus 66 degrees to 96 degrees Fahrenheit. Mean temperature in Fairbanks for July is 62 degrees Fahrenheit while mean temperature in January is minus 13 degrees Fahrenheit. Precipitation averages 10.4 inches, with August being the wettest month (1.86 inches). Snowfall averages 65.1 inches with November and December being the months which receive the most snowfall (13.1 and 12 inches). Generally, frost-free


poplar

days occur from the first part of June to the end of August. Sunlight hours reach a maximum of 21 hours and 13 minutes on June 21st, and a minimum of 3 hours and 44 minutes on December 21st.

Harvesting activities can occur year round with winter activities focused in areas that require winter road and ice bridge infrastructure to access. These areas are generally located in river floodplains and in areas of permafrost. Upland sites can be accessed by a more traditional forest road system with main line and spur road development.

Current Industrial Development, Markets and Assets

The Tanana Basin has several regional and local sawmills in operation. Most settlements have a local, private company that produces dimensional lumber and two or three sided house logs and timbers. Often these are part-time operations that saw rough cut lumber which is air dried and sold "green." There are a few regional mills that produce graded dimensional lumber utilizing the new Alaska Spruce grade stamp developed by the Ketchikan Wood Technology Center and administered by the Western Wood Products Association. The largest mill produces approximately 4.5 million board feet of white spruce lumber annually. As of 1998, annual lumber and timber imports to the state were in the 80-90 million board foot range.[5]

Several portable band saw mills produce hardwood lumber, mainly birch, which is utilized in a number of secondary manufacturing processes. These companies are small in scope, yet important to the developing hardwood industry.

Bioenergy has become an area of interest and opportunitiy for residential and commercial pellet manufacturing for both space heating and electrical generation are possible. Local electric utilities use coal as their primary fuel and there is interest in utilizing wood chips or pellets for co-firing applications. The creation of an industry that could use the low quality and small diameter forest material would greatly enhance development opportunities in the hardwood and softwood manufacturing sector.

Transportation System and Ports

The road network in Interior Alaska connects to the seaports of Anchorage and Whittier. The port of Anchorage is 356 miles from Fairbanks via the Parks Highway. This highway is suitable for trucks utilizing tandem trailers year around. A tunnel at Portage, on the Seward Highway, also provides truck access to Whittier, about 48 miles from Anchorage. Both ports are accessed by rail from Fairbanks with service provided by the Alaska Railroad.

In the planning stages is an extension of the Alaska Railroad from its present terminus 20 miles southeast of Fairbanks, to Delta Junction, 80 miles farther southeast. Delta Junction presently connects to these ports by highway through Fairbanks or south to the Glenn Highway and west to Anchorage, a total of 340 miles.

The port of Valdez is 366 miles from Fairbanks and is reached via the Richardson Highway. The highway is suitable for tandem trailer trucks year around and the port loading infrastructure accommodates bulk shipments. Another possibility, as an adjunct to value-added production is to move chips by truck 349 miles to Port MacKenzie (on Cook Inlet) where a chip handling facility allows for stock-piling and transfer to Far East and south-bound vessels. Also, logs can be moved up the Tanana River to a transfer point in Nenana, then either by rail or highway to a Fairbanks mill or directly to a plant in Nenana.

The Port of Whittier has roll-on, roll-off rail shipping service that travels weekly to Prince Rupert, B.C. and Tacoma, Washington. The port of Anchorage has regular service via several shipping companies which operate container and/or roll-on, roll-off services to Tacoma. Two of the principal carriers include Totem Ocean Trailer Express (TOTE) and Horizon Lines, among more than a dozen. For a complete list of carriers, visit www.alaskaforestproducts.com. It is important to note that these are virtually all back-hauls, which can have favorable impact on transportation costs to the West coast.

Wrap-Up

Around the nation, many locations offer forest product development opportunities but few can offer sustainable, high quality timber, developed transportation connections, final consumer markets and a system of industry support. With its substantial timber resources, Interior Alaska is the place to build and expand your forest products industry. Come and take a look at our Interior forest resources. We would be pleased to arrange tours, answer questions, and facilitate appropriate feasibility studies if need be.

Visit the website listings below for additional information. The following are key contacts:

President & CEO
Fairbanks Economic Development Corporation
301 Cushman St., Suite 301
Fairbanks, AK 99701
Toll free: 1-888-476-FEDC
Phone: (907) 452-2185
Fax: (907) 451-9534
Email: FEDC@ak.net
Website: www.alaskaforestproducts.com
Offering: Prospectus, infrastructure, markets

Forestry Program Director
Tanana Chiefs Conference
122 1st Ave., Suite 600
Fairbanks, AK 99701
Phone: (907) 452-8251 ext. 3373
Fax: (907) 459-3852
Email: forestryinfo@tananachiefs.org
Website: http://www.tananachiefs.org
Offering: Interactive online GIS maps: http://gis.tananachiefs.org

Northern Regional Forester
Alaska Division of Forestry
3700 Airport Way
Fairbanks, AK 99709
Phone: (907) 451-2670
Fax: (907) 451-2690
Email: mark_eliot@dnr.state.ak.us
Website: www.dnr.state.ak.us/forestry
Offering: Forest management planning, sustainable yield analysis

Forest Products Specialist
Office of Economic Development
550 W. 7th Ave., Suite 1770
Anchorage, AK 99501
Phone: (907) 269-8115
Fax: (907) 269-8125
Email: jack_phelps@commerce.state.ak.us
Website: http://www.dced.state.ak.us/oed/forest_products/forest_products.htm
Offering: Resource and market information and consulting

[1] Crimp, Peter M., Phillips, Steven J., Worum, Gordon T. 1997 Timber Resources on State Forestry Lands in the Tanana Valley.
[2] *Ibid*, p. 1.
[3] Maisch, John C. 1991 Forest Resources of the Fairbanks Area Tanana Basin.
[4] Hammond, Timothy O. 1996 Mapping Interior Alaska Forest Types with Satellite Imagery.
[5] McDowell Group. 1998 The Alaska Market for Value-Added Lumber Products

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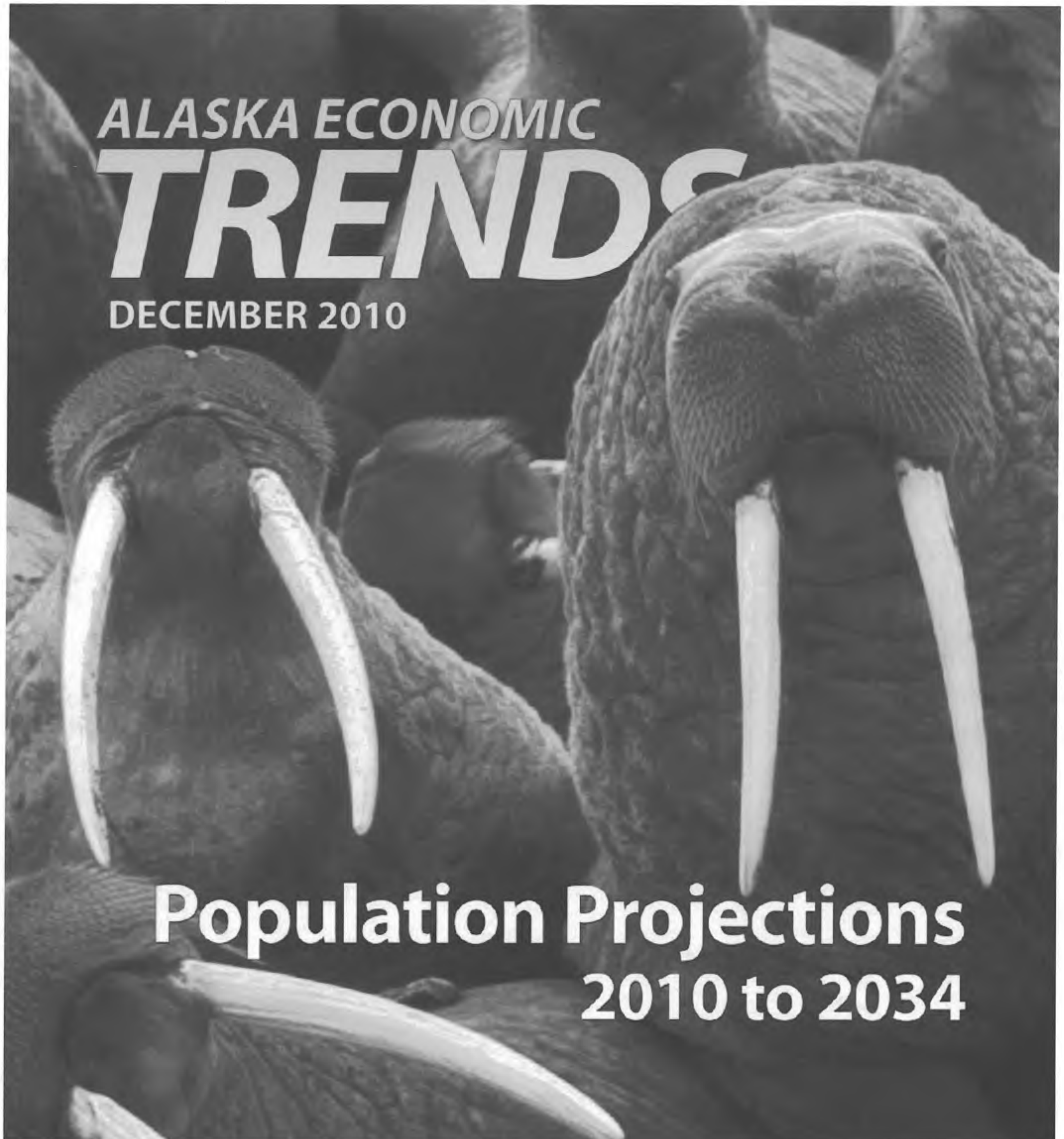
ALASKA ECONOMIC

TRENDS

DECEMBER 2010



Population Projections 2010 to 2034

WHAT'S INSIDE

The Matanuska-Susitna Borough
Growth continues to eclipse rest of Alaska

Employment Scene
Unemployment rate at 7.9 percent in October

jobs
ALASKA DEPARTMENT OF LABOR
& WORKFORCE DEVELOPMENT
Governor Sean Parnell
Commissioner Click Bishop

9 Population By Region and Borough/Census Area
Alaska, 2009-2034[1]

	2009	2014	2019	2024	2029	2034	Percentage Change 2009-2034	Average Annual Growth Rate 2009-2034
State of Alaska	692,314	723,619	758,613	794,975	828,867	862,750	24.6%	0.9%
Anchorage / Mat-Su Region	374,902	399,950	427,814	457,519	487,028	517,429	38.0%	1.5%
Anchorage, Municipality of	290,588	304,555	319,812	335,672	350,569	364,973	25.6%	1.0%
Matanuska-Susitna Borough	84,314	95,395	108,002	121,847	136,459	152,456	80.8%	3.1%
Gulf Coast Region	76,686	78,196	79,885	81,313	81,908	81,925	6.8%	0.3%
Kenai Peninsula Borough	53,578	56,007	58,562	60,921	62,673	64,019	19.5%	0.7%
Kodiak Island Borough	13,860	13,461	13,095	12,705	12,188	11,567	-16.5%	-0.6%
Valdez-Cordova Census Area	9,248	8,728	8,228	7,687	7,047	6,339	-31.5%	-1.2%
Interior Region	108,463	111,723	115,217	118,773	121,822	124,658	14.9%	0.6%
Denali Borough	1,838	1,783	1,715	1,642	1,550	1,451	-21.1%	-0.8%
Fairbanks North Star Borough	93,779	96,997	100,358	103,768	106,774	109,580	16.8%	0.6%
Southeast Fairbanks Census Area	7,243	7,694	8,216	8,751	9,246	9,742	34.5%	1.3%
Yukon Koyukuk Census Area	5,603	5,249	4,928	4,612	4,252	3,885	-30.7%	-1.2%
Northern Region	23,664	24,760	26,037	27,257	28,354	29,572	25.0%	1.0%
Nome Census Area	9,500	9,911	10,391	10,859	11,282	11,744	23.6%	0.9%
North Slope Borough	6,798	7,140	7,517	7,855	8,157	8,517	25.3%	1.0%
Northwest Arctic Borough	7,366	7,709	8,129	8,543	8,915	9,311	26.4%	1.0%
Southeast Region	69,338	67,948	66,480	64,692	62,244	59,472	-14.2%	-0.5%
Haines Borough	2,286	2,133	1,974	1,802	1,619	1,422	-37.8%	-1.5%
Juneau, City and Borough of	30,661	30,884	31,051	31,040	30,710	30,191	-1.5%	-0.1%
Ketchikan Gateway Borough	12,984	12,464	11,934	11,339	10,633	9,878	-23.9%	-0.9%
Prince of Wales-Outer Ketchikan Census Area	5,392	5,052	4,721	4,368	3,966	3,566	-33.9%	-1.3%
Sitka, City and Borough of	8,627	8,578	8,505	8,400	8,215	8,000	-7.3%	-0.3%
Skagway-Hoonah-Angoon Census Area	2,908	2,785	2,642	2,483	2,297	2,100	-27.8%	-1.1%
Wrangell-Petersburg Census Area	5,852	5,445	5,070	4,701	4,276	3,828	-34.6%	-1.3%
Yakutat, City and Borough of	628	607	583	559	528	487	-22.5%	-0.9%
Southwest Region	39,261	41,042	43,180	45,421	47,511	49,694	26.6%	1.0%
Aleutians East Borough	2,778	2,830	2,887	2,945	2,967	2,981	7.3%	0.3%
Aleutians West Census Area	4,549	4,592	4,627	4,638	4,610	4,564	0.3%	0.0%
Bethel Census Area	16,997	18,036	19,224	20,471	21,720	23,019	35.4%	1.4%
Bristol Bay Borough	967	972	977	986	986	974	0.7%	0.0%
Dillingham Census Area	4,729	4,739	4,781	4,798	4,755	4,698	-0.7%	0.0%
Lake and Peninsula Borough	1,547	1,487	1,441	1,393	1,328	1,258	-18.7%	-0.7%
Wade Hampton Census Area	7,694	8,386	9,243	10,190	11,145	12,200	58.6%	2.3%

[1] Middle projection series
Source: Alaska Department of Labor and Workforce Development, Research and Analysis Section

through migration is projected to continue through 2034.

The Department of Labor projects stable growth for the Native population through the projection period, from 125,200 people in 2009 to 171,660 in 2034. (See Exhibits 6 and 11.) Additionally, Natives are expected to increase as a share of the state's population, from 18.1 percent in 2009 to 19.9 percent in 2034.

Historical trends for natural increase and interstate net-migration have been relatively stable, so uncertainty estimates were unnecessary for this group. Therefore, the Alaska Native projections are only comparable to the middle series of the statewide projections and can be subtracted from this series to estimate the non-Native population.

Decreasing fertility rates are reflected in the Native share of the total population under age 20. That proportion is projected to decline over the period from 22.4 percent in 2009 to 21.9 percent in 2034. The median age for the population is expected to rise from 25.8 to 29.8 between 2009 and 2034.

Linda Hay

From: Marian Allen [marianlallen@hotmail.com]
Sent: Tuesday, February 22, 2011 4:05 PM
To: Rep. Eric Feige
Subject: Testimony on HB 105
Attachments: Comments on House Bill.doc

Categories: Linda

Representative Feige

Attached is my testimony on HB 105. Please share it with all members of your committee. Thank you.

Comments on House Resources HB 105 - State Forest expansion

I work during the time of your hearings so I am submitting this testimony in writing. Please share it with all committee members. Thank you.

Before the 50 year contracts that led to the building of the three large mills in SE – in Sitka, Wrangell and Ketchikan – the timber industry in SE consisted of a number of very small mills. They were able to operate in a sustainable way. The three big mills clear cut and processed the cream of the Tongass at a rapid rate, creating a corporate timber industry that, like the gold rushes of an earlier century, were a boom. Booms always lead to busts because resources are not used in a sustainable way. That is what happened with the 50 year contract timber. Sources of wood for the products SE timber was used for were found in places that were less isolated so that transportation costs were not as great at the same time that timber here in SE became more expensive to extract. That in combination with the easiest, best timber having been already harvested led to the demise of corporate timber harvest from the Tongass. For may years the only way companies interested in this type of operation have been able to make a profit is to export the logs in the round. This puts us in the same category as a developing country. It takes our resources away with a minimum of jobs. Some people may have work for a few years, but at the end of that time, not only do the jobs disappear, but the area around the towns has been seriously damaged for important subsistence activities. Examples are Hoonah, Kake and Petersburg where residents have not been able to harvest the deer they need since clear cutting was completed on their islands; food that traditionally has been an important part of their diet. And in the case of taking our timber away to foreign markets, it takes away money in the bank.

Old Growth timber takes hundreds of years to reach its mature state. It is critical for wildlife health in harsh winters because the canopy protects deer and allows browse to grow. That timber is the only source for certain specialized needs, like musical instruments. It also is critical in the health of fisheries, and commercial fisheries are the largest employer in the region. They also bring in the most income into SE Alaska. They are sustainable because they are managed conservatively, not with the boom and bust approach that has characterized the timber industry in SE. Because of this boom and bust approach to management, in 2009 there were only 214 timber industry jobs in the region (according to the JEDC report, p. 52). There are more fishing industry jobs in Sitka alone than that. In 2009 region wide, 2,229 fishermen fished and 2,245 crew fished. This brought in a gross of $181,289,295.00 for fishermen (according to the JEDC Report, p. 56-57).

Not only are fisheries dependent on a healthy forest, but the tourist industry is as well and that has been a rapidly growing source of income for the region. About the same time that the timber industry declined in SE, the tourism industry grew. In Sitka that shift created no negative impact from the closing of the APC mill on our economy. We have a well rounded economy for Alaska; pretty evenly divided between fisheries, tourism and government and health services. There has been a healthy shift in the economic drivers in SE as a whole since the big mills closed; a shift to the sustainable industries of commercial fishing and tourism (which includes charter fishing). These industries support subsistence and cultural uses of the land.

All of this background and these numbers are an effort on my part to show you that establishing a State Forest whose purpose is to supply timber for the timber industry is misguided. Rather, State Forest that sets aside Old Growth forests as State Parks and Reserves is like putting money into the best investment we can make. That designation supports our sustainable industries in SE, allows people to engage in traditional subsistence and cultural activities (and they do provide income to people) and allows the small timber operators to remain in business. Clear cutting the best of the rest will make life very difficult for those operators who are trying to meet SE Alaska's wood needs within the region.

Article 8 of the Alaska Constitution in paragraph 4 states that "Fish, forests, wildlife, grasslands, and all other replenishable resources belonging to the State shall be utilized, developed, and maintained on the sustained yield principle, subject to preferences among beneficial uses." Because we know that it takes hundreds of years for the Old Growth forests to return once cut, cutting them is not maintaining a sustained yield principle. Since we know that a number of other industries in SE depend upon that forest and that diversity of the economy is healthy, I do not see a beneficial use in giving a preference to the medium to large scale timber operators in the region that this bill does. This is another reason not to pass this bill as it now stands.

The last advantage to either not passing this bill or changing it to establish State Parks and Reserves is that Old Growth forests are critical as carbon sinks. In the article, Old-growth forests as global carbon sinks, in Nature (Vol 455 | 11 September 2008 | doi:10.1038/nature07276) the authors make the case that "old-growth forests can continue to accumulate carbon, contrary to the long-standing view that they are carbon neutral... Old-growth forests accumulate carbon for centuries and contain large quantities of it. We expect, however, that much of this carbon, even soil carbon9, will move back
to the atmosphere if these forests are disturbed." (Nature article referenced above p. 1). Whether you believe in climate change or not, you must see that Alaska is suffering from loss of sea ice, rising water levels in Western Alaska and we are in imminent danger of acidification of the oceans because of the loss of sea ice and thawing of tundra. Why not be conservative, protect our most important sustainable industries and our invaluable way of life by either not passing this bill or else changing it to establish State Parks and Reserves? You have a big responsibility.

Thank you for listening.

Marian Allen
617 Katlian, B-12
Sitka AK 99835

Representing myself

TESTIMONY OF RONALD R. WOLFE

HB105 AN ACT RELATING TO THE SOUTHEAST STATE FOREST"

February 15, 2011

Mr. Chairman, members of the House Resources Committee, my name is Ronald Wolfe, I live in Juneau Alaska where I have been a professional forester since 1982. Currently, I am Sealaska Corporation Natural Resource Manager and I wish to offer my testimony in support of HB 105. I witnessed the testimony of Mr. Chris Maisch, Alaska State Forester during the Monday February 14, 2011 hearing and rather than repeat the all of the specifics of the bill that he testified to I offer my concurrence with the information he provided in his testimony. I offered verbal testimony on February 15, 2011 and offer this written testimony to supplement that for the record.

In addition to the information Mr. Maisch provided it is important for the House Resources Committee to understand the precipitous situation of our Southeast region. Virtually every village and community has lost population over the past decade and The Alaska Economic Trends[1] in December forecast ever further declines in the future to the year 2034:

- (-14.2) % decline for Southeast as a region overall
- (- 33.9) % decline for Prince of Wales and outer Ketchikan
- (- 34.6) % decline for Wrangell-Petersburg
- and the discouraging news continues for every Borough and area in our region

Such population declines adversely impact everything, property values, the ability of communities to operate such basic things as schools, some villages may loose their school altogether, utilities, fuel and grocery delivery, transportation and the list goes on.

We need all of our industries in the face of such dire population forecasts, and it's no secret that the timber industry here is a mere shadow of itself and is on the verge of total collapse which if occurs moves Southeast Alaska closer to a catastrophic economic implosion. The industry today is supported metaphorically by a three legged stool; our timber comes from:

1. Sealaska Corporation and other private landowners
2. the Tongass National Forest, and
3. from the State of Alaska

We depend on each other to create enough critical mass to hang on, we use the same logging contractors, fuel suppliers, tug operators and the entire infrastructure that we need and helps to support Southeast Alaska overall.

Timber from these sales will be available for domestic manufacture and round log export. Both markets are important, wood that will go to the few remaining sawmills is important

[1] Alaska Economic Trends December 2010: Table 9, page 10

for their survival, but it is important to note that wood that is round log exported may provide higher revenues that make the timber sale economical to operate. In some instances our local mills actually export the logs themselves; so our local sawmills depend on round log export. Sealaska on the other hand is primarily in the round log export market, but we provide wood to local sawmills as well. So you see our industry is very inter-dependent on markets and infrastructure.

Some have expressed concern over round log export with a claim that we are exporting jobs. This is simply not the case. In addition to the economic contribution discussed earlier Sealaska commissioned an independent third party expert to investigate this in 2005. The McDowell Group[2] found that domestic manufacture creates 4.5 jobs per million board feet of harvest where as round log export creates 4.3 jobs per million board feet of harvest. Those who claim otherwise do not understand the jobs we create our sort yards and perhaps more importantly the stevedoring jobs for our ship loading.

The study further found that stevedoring and other round log export jobs allow the work force to remain in village where their families live, whereas domestic manufacture jobs require people to relocate to the community where the mill is located. Part time jobs such as stevedoring provide crucial income and allow rural village residents to pursue subsistence activities; both of which are necessary for survival. So you see round log export is important to such communities as Hydaburg, Hoonah and Kake for instance, whereas Viking Lumber is important for Craig and Klawock, and all of this is important for what remains of our industry. I offer the most recent report McDowell Group prepared[3] for Sealaska for the year 2008 for further information on the importance of round log export to our region.

It is important for the Committee to understand the land ownership of Southeast Alaska for the contextual setting of the bill. Southeast Alaska is about 23 million acres if one extends the 141st Meridian south and considers all of Alaska to the east to be our Southeast Region. Development is precluded over the vast majority of this region, some 89 %, most of this is owned by the federal government and is in parks, wilderness, national monuments and other classifications which preclude development altogether. Some is in State Parks. Development that occurs on the remaining lands must achieve resource protection first in order to comply with the Tongass Timber Reform Act, de facto roadless rule implementation, the Clean Water Act, the Bald Eagle Protection Act, the Endangered Species Act, the Alaska Forest Resources and Practices Act, Oil Spill laws and the list goes on and on; development can occur only on what's left.

Passage HB 105 will help to stabilize timber supply from state lands and will allow these lands to be managed with a commitment towards forestry that is necessary for the long term planning horizons required for such things as sustainable resource management.

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[2] Southeast Timber Harvest Employment Impact Analysis, October 2005, McDowell Group

[3] The Impact of Sealaska Corporation on the Southeast Economy 2009 Update, McDowell Group

These lands will be managed in accordance with our Alaska Forest Resources and Practices Act which has been demonstrated to be working well to protect water quality, anadromous fish habitat, wildlife and other important public resources.
Thank you, I urge expeditious passage of this bill.

Petersburg Legislative Information Office
State of Alaska
Legislative Affairs Agency

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Petersburg, AK 99833
Petersburg_lio@legis.state.ak.us
907.772.3741 Fax 772.3779

FAX TRANSMISSION

TO: **House Resources**
FAX: **907.465. 3472**
PHONE: **907.465. 3923/ Louie Flora**

DATE: **3.2. 2011**

1 page to follow this cover. Requested Testimony Notes follow up on HB105: Southeast State Forest given on February 14, 2011. Please provide a copy to all HRES Members and enter it into the Bill file.

Thank you,

Ellen Rojcewicz
Petersburg LIO

Testimony Notes on HB105: SE State Forest before House Resource Committee 2/14/2011

My name is Eric Lee and I am representing myself. I thank you for this opportunity to comment on HB 105.

I was born in Petersburg on Mitkof Island in 1951 and subsistence hunted deer on Mitkof Island every year from the time I was a boy until the season on Mitkof Island was closed in 1975 due to the drastic decline in deer population following extensive logging and two hard winters.

When I was young, before logging deforested much of the best habitat on Mitkof, game was plentiful. The deer and wolf populations rose and fell in the same natural cycle they had followed for millennia. The deer season was open from August through the end of the year and the limit was four deer.

Following the deer population crash and season closure in 1975, the deer made only a slow and partial recovery. Because of this, the season remained closed entirely for 16 years. In 1991 it was reopened for just two weeks and one buck. In spite of this very restricted management, the deer population has never recovered, and except for a small archery season, the deer season on Mitkof Island remains just two weeks and one buck

This dramatic reduction in deer-carrying capacity of our island is directly attributable to the deforestation of deer winter range and the extensive system of logging roads on the island which allows poachers access to most of the island for road hunting, and easy traveling for wolf packs that use the logging road system for their migratory hunting.

Much of the low elevation lands on the south side of Mitkof Island that once provided ideal habitat for deer and other animals was roaded and clear-cut in the 1960's, 70's, and 80's. The effect on our subsistence hunting on Mitkof has been dramatic. These lands once were the breadbasket of our community, and now deer are hard to find. A hunter can go out day after day and not see a buck.

The four parcels of land on Mitkof Island, Favor Peak, South Mitkof, Frederick Point, and Woodpecker Cove that are included in this bill are in areas that have already sustained considerable damage from past logging. Of these four parcels, Woodpecker Cove is the most important to our community for subsistence and recreational uses. It has been heavily logged, but is in the process of making a slow recovery. There is hope here that someday that area will again be the breadbasket it once was for our community. More logging in the area of Woodpecker Cove will set that recovery back many decades or even permanently.

The geographic location of the Woodpecker Cove parcel being higher elevation and facing the mouth of the Stikine River would mean a very ugly clear-cut would be visible from the mouth of the Stikine were that parcel ever logged.

For these reasons I urge the removal of the Woodpecker Cove parcel from this bill. The logging of the other three parcels on our island which has already been heavily logged, will result in further damage to the intact habitat that remains on the island. Therefore it is vitally important that the Woodpecker Cove parcel be withdrawn from HB105. It is far too important to our community for subsistence and recreation, and should be spared.

I thank you for your consideration of my comments.

Sincerely,

Eric Lee

Eric Lee P.O. Box858, Petersburg, AK, 99833 (907) 518- 0919

P.O. Box 971
Wrangell, Alaska 99929
February 25, 2011

As a resident of Wrangell, Alaska, I am writing to **urge** you to consider the consequences of clear-cutting our forests. I do think we should consciously save something for our children's children and otherwise act responsibly concerning our planet and its forests.

Remember wildlife needs habitat
Remember salmon need habitat with buffer zones protecting streams

Our planet is our Garden of Eden to be used responsibly.

Thank you for using our forests wisely.

SB 44
HB 105

Cordially,

Jean Petticrew

Jean Petticrew

JUNEAU CHAMBER OF COMMERCE
3100 Channel Drive, Suite 300 • Juneau AK 99801• (907) 463-3488 • Fax (907) 463-3489
E-mail: iuneauchamber@gci.net • icc@alaska.com • Web site: http://www.iuneauchamber.com

A RESOLUTION OF THE JUNEAU CHAMBER OF COMMERCE EXPRESSING SUPPORT FOR THE PROPOSED ADDITIONS TO THE SOUTHEAST STATE FOREST AS PRESENTED IN HB 105

02-11

WHEREAS, the majority of timber in SE Alaska is on federally owned National Forest land, harvest of which has drastically declined and local mills are heavily dependent on sale of state timber, and

WHEREAS, the state is committed to maximizing the sustainable supply of timber from the small state timber land base, and

WHEREAS, there is broad support for shifting timber harvesting in SE Alaska from old growth to young growth stands, which yield higher volumes per acre on shorter rotations, and have less impact on wildlife, and

WHEREAS, much of the state timber land was conveyed from the federal government with young growth stands, the shift from old growth to young growth harvest can be accelerated by thinning these stands, and

WHEREAS, thinning and subsequent young growth management constitutes long-term investment, it is only justified if the land will continue to be available for forest management, and

WHEREAS, land designated as State Forest would ensure that some land will remain available for long-term management for multiple uses including the supply of timber to local processors, and

WHEREAS, the State owns the parcels of land that are listed in HB105 and are suitable for designation and subsequent management as a State Forest,

THEREFORE BE IT RESOLVED, that the Juneau Chamber of Commerce endorses the establishment of a Southeast Alaska State Forest as currently proposed in House Bill 105 "An Act relating to the Southeast State Forest; and providing for an effective date".

BE IT FURTHER RESOLVED, that the Juneau Chamber of Commerce will transmit this resolution to the Governor of Alaska, House and Senate Resource Committee Chair, Alaska State Legislature, the Alaska Congressional Delegation, the U.S. Forest Service Chief, U.S. Forest Service Alaska Regional Forester.

PASSED AND APPROVED, by the Juneau Chamber of Commerce Board of Directors on this date: February 15, 2011

Cathie Roemmich
CEO, Juneau Chamber of Commerce
At the direction of the Board of Directors and
Representing nearly 400 Business Members

Withdrawn #1

27-GH1694\A.1
Bullock
3/8/11

#2 Withdrawn

AMENDMENT

OFFERED IN THE HOUSE BY REPRESENTATIVE ~~PEGGY WILSON~~ Gardner

TO: HB 105

Page 2, lines 11 - 16:

Delete all material.

Renumber the following paragraphs accordingly.

Page 7, line 23:

Delete ";"

Insert "."

Page 7, line 24, through page 8, line 7:

Delete all material.

Rick Rogers

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