

SB

32

<TARGET><BILL>SB 32</BILL><SUBJECT>SB
32</SUBJECT><COMM>HF IN29</COMM></TARGET>

Fiscal Note

State of Alaska
2016 Legislative Session

Bill Version:	HCS CSSB 32(RES)
Fiscal Note Number:	2
(H) Publish Date:	4/5/2016

Identifier: SB032HCSCS(RES)-DNR-FOR-4-5-16
 Title: TIMBER SALES
 Sponsor: RLS BY REQUEST OF THE GOVERNOR
 Requester: House Resources

Department: Department of Natural Resources
 Appropriation: Fire Suppression, Land & Water Resources
 Allocation: Forest Management & Development
 OMB Component Number: 435

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2017 Appropriation Requested	Included in Governor's FY2017 Request	Out-Year Cost Estimates					
			FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
OPERATING EXPENDITURES								
Personal Services								
Travel								
Services								
Commodities								
Capital Outlay								
Grants & Benefits								
Miscellaneous								
Total Operating	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Fund Source (Operating Only)

None								
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Positions

Full-time								
Part-time								
Temporary								

Change in Revenues								
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Estimated SUPPLEMENTAL (FY2016) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2017) cost: 0.0 *(separate capital appropriation required)*
(discuss reasons and fund source(s) in analysis section)

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No
 If yes, by what date are the regulations to be adopted, amended or repealed? N/A

Why this fiscal note differs from previous version:

Revised to include committee substitute review.

Prepared By:	John 'Chris' Maisch, Director	Phone:	(907)451-2660
Division:	Division of Forestry	Date:	04/05/2016 12:00 AM
Approved By:	Marty Rutherford, Acting Commissioner	Date:	04/05/16
Agency:	Department of Natural Resources		

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Analysis

This bill would expand the conditions under which the state could offer negotiated timber sales under AS 38.05.110 and .118. Under the existing statutes, the Department of Natural Resources (DNR) may not offer negotiated timber greater than 500,000 board feet unless the sale area has high unemployment, underutilized manufacturing capacity, and an underutilized timber supply that will lose value due to insects, disease, fire, or conversion to nonforest uses. These criteria prohibit larger negotiated timber sales in many areas of the state that are actively managed for forestry, and where there is high demand for wood for timber products and biomass energy. This bill would allow DNR to offer negotiated sales statewide within the limits of the sustained yield supply, and subject to a best interest finding under AS 38.05.035.

While it is anticipated that for most timber sales, a competitive bid process will continue to be in the best interest of the state, this bill would enable DNR to better respond to the economic realities and geographic variability in the forest products sector in Alaska.

There are no short-term impacts on revenue, but over time, revenues should increase as the industry diversifies to address energy needs and demand for locally sourced wood products for communities. This legislation will not place any additional demands on the current operating budget and thus the zero fiscal note.

The new committee substitute language puts into statute what the Division of Forestry and Department of Natural Resources have done by policy and practice with regard to how timber sale receipts are allocated within the division. Currently areas that produce timber sales have at least 25% of their forest management staff funded by timber sale receipts, so the division currently meets the goal of this language and there will be no fiscal impact.

Statement in Opposition to SB 32 - Timber Sales on State Forests
Written Testimony

Rebecca Knight
PO Box 1331
Petersburg, AK 99833
April 4, 2016

To: Chairperson and Members of the Committee:

I represent myself today. I have previously provided testimony in opposition to the proposed SB32 and it's companion - HB87 and continue to oppose the legislation based on those concerns with expanded testimony today:

- The legislation is largely intended to guarantee a long term supply of timber to two timber operators in SE Alaska¹ and would result in monopolistic control of the State timber resources in Southeast *for up to 25 years*. This situation would repeat the devastating mistakes of the past that resulted in decades of controversy related to the Ketchikan Pulp Corporation and Alaska Pulp Corporation long-term contracts.²
- The current budgetary crisis of the State of Alaska (SoA) is projected to continue, impacting the Department of Forestry's (DoF) ability to adequately administer unforeseen, long term contract implementation.
- SB32 represents a monumental transfer of authority to the Commissioner of DNR - a politically appointed position in the timber extraction arm of State government.
- It does not include substantive prohibitions on unprocessed (round log) export of timber along with the jobs and value associated with that timber.³
- It severely impacts multiple uses of other resources on SoA lands that contribute significantly to regional economies.

¹ Viking Lumber and Alcan which both operate in Southeast. Viking operates out of Klawock on Prince of Wales Island. Alcan does not have a mill in Southeast and is mostly an "in the round" timber exporter. Alcan has offices in Ketchikan, Terrace BC, and Aberdeen WA and their parent company is TransPac.: <http://www.grouptranspac.com/web2/page/forestry.htm>

² This period of controversy is exemplified by the 1983 Reid Brothers lawsuit that resulted in a district court's award of \$1,489,881 to the Reids: <http://openjurist.org/699/f2d/1292/reid-brothers-logging-company-v-ketchikan-pulp-company>

³ In the absence of a prohibition, when the smaller operators are unable to handle larger volumes (an inevitable situation), the negotiated purchaser will export as much as possible. In reality, it will be business as usual, with the added benefit to the negotiated purchaser of having a guaranteed 25 year corner on the market.

Drastic budget cuts have reduced the ability of the State to adequately fund administration of its current timber sale program.⁴ Adequate funding for administration of **new** long term timber contracts is highly questionable despite “assurances” from DoF personnel and the bill’s zero fiscal note.

As noted during the recent Board of Forestry (BoF) meeting by Kevin Hanley of the DEC, “In 2015, due to budget reductions and travel restrictions, DEC participated in only one trip with three [compliance] inspections. Next year, they are budgeted for six inspections, which is still below the 18 inspections conducted in prior years.”[BoF⁵ at 13]. Moreover, “Most of the 2015 decline in the number of inspections is due to reduced staffing.” [BoF at 13]. State Forester Chris Maisch said, “This is an impact of the budget cuts.”[BoF at 11]. **One** annual statewide inspection does not equate to satisfactory oversight and exemplifies the lack of adequate funding for forestry programs.

It is also questionable whether SB32 can actually generate significant positive revenue to the State. According to the Alaska Department of Natural Resources Division of Forestry 2013 Annual Report⁶, statewide Forest Management and Development cost \$5.9 million, however, only \$293,000 in receipts were earned for the 2013 fiscal year. [DNR 2013 at 55]. The 2014 budget anticipated \$851,000 in timber receipts from an anticipated \$6.9 million budget. [DNR 2013 at 56]. Revenue from timber sales to the State for the period from 2009 – 2013 averaged less than \$600,000 annually with only 2% of timber revenue generated from other sources such as log brands, seedlings, retained damages and document fees. [DNR 2013 at 8]. It appears that that the timber program operates at a considerable deficit regarding the administrative cost of the timber program in comparison to the low value of timber receipts.

In fact, according to the latest BoF meeting minutes, shortfalls to DoF’s budget are so severe that a tourism head tax was suggested [BoF at 2] — as well as a raid on the proceeds of fishing industry licensing fees [BoF at 3] to “help protect fisheries habitat”. This obtuse logic is especially troubling when these in-

⁴ Tanana Valley State Forest Citizens’ Advisory Committee Meeting. April 23, 2015; http://forestry.alaska.gov/Assets/uploads/DNRPublic/forestry/pdfs/tvsf_committee/tvsf_cac_draft_minutes_april_23_2015.pdf

“Chris Maisch gave an update on House Bill 87 and Senate Bill 32. The governor reduced Division of Forestry \$1.2 million and 18 positions, and 16 of those positions are starting July 1 from McGrath. A good majority have found positions. The other two were resource positions from Palmer and Southeast. During the legislative session 4 positions were reestablished, but 18 more positions were lost (10 interns and 8 Foresters across the state including one in Fairbanks). Overall this was a 40% reduction from forest management personnel. Overall the Division of Forestry was reduced \$2.3 million and 30 positions statewide. McGrath and the Southeast were hit the hardest. The Division is trying to help find positions for those affected. The Northern and Coastal regions are combining with Tim Dabney as the acting for now. There is still some money left in FY14 to repair road damages. In FY17 and FY18 the Division of Forestry will need to reduce another 16%.”

⁵ Board of Forestry Draft Meeting Minutes. March 1, 2016. <http://forestry.alaska.gov/alaskaboardforestry>

⁶ Alaska Department of Natural Resources Division of Forestry 2013 Annual Report. http://forestry.alaska.gov/Assets/uploads/DNRPublic/forestry/pdfs/overview/2013_Annual_Report_v4.pdf

dustries contribute significantly — without harm — to regional economies, especially in SE Alaska where they contribute far more than the timber industry.⁷ Moreover, DoF is in such budgetary dire straits that it was suggested that the DoF budget be supplemented through “grants” from non governmental organizations [BoF at 3]. Any expectation that these sources of funding can be assured, especially while entering into a new era of long term timber sale contracts is reckless at best.

Overall, SB 32 (and HB87) represent a considerable expansion of the already underfunded timber sale program. The current budget crises is predicted to only worsen. If passed, it would result in an irresponsible abdication of State oversight to the industry — quite simply there would be inadequate funds to do otherwise.

I respectfully request that you do not allow SB32 bill to advance.

Sincerely,

Rebecca Knight

Rebecca Knight
Petersburg

Link to Alaska Board of Forestry draft Meeting Minutes, March 1, 2016s (“draft” as of April 4, 2016): <http://forestry.alaska.gov/alaskaboardforestry>

⁷ Southeast Conference. Southeast Alaska by the Numbers - 2014 Southeast Conference. p. 10. http://www.seconference.org/sites/default/files/Southeast%20Alaska%20by%20the%20numbers%202014%20FINAL_0.pdf “Over the last decade, timber employment has shrunk by another 89%, and in 2013, timber accounted for less than one percent of jobs and wages in the region.”

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Governor Bill Walker
STATE OF ALASKA

January 28, 2015

The Honorable Kevin Meyer
President of the Senate
Alaska State Legislature
State Capitol, Room 111
Juneau, AK 99801-1182

Dear President Meyer:

Under the authority of Article III, Section 18 of the Alaska Constitution, I am transmitting a bill relating to the sale of timber on State land. The bill would amend AS 38.05.110 and 38.05.118 to expand the authority of the Commissioner of Natural Resources to negotiate the sale of timber at appraised value.

The Department of Natural Resources (DNR) may offer timber sales either through competitive bid or through negotiation. Currently under AS 38.05.118, the Commissioner of Natural Resources may negotiate the sale of timber to a local manufacturer at appraised value. However, negotiated sales larger than 500,000 board feet may only be offered in areas of high unemployment, excess manufacturing capacity, and an underutilized allowable cut of timber. These criteria prohibit larger negotiated timber sales in many areas of the state that are actively managed for forestry, and where there is high demand for wood for timber products and biomass energy. The proposed bill would provide that, in addition to sales to local manufacturers of wood products, sales may also be negotiated with users of wood fiber. This change clarifies that negotiated sales may be used to support wood energy production as well as traditional products. In addition, the bill would eliminate the current limitations that negotiated timber sales be based on a finding that in the area of the sale there is a high level of unemployment, an underutilized manufacturing capacity, and an underutilized supply of timber that will lose value if not cut. The requirement that all three conditions be met substantially limits the Commissioner of Natural Resources' authority and flexibility to approve negotiated sales that would be in the best interest of the State.

Competitively bid timber sales are the preferred sale method under most conditions. However, negotiated sales provide the ability to tailor some sales to the needs of local processors in areas that lack competitive interest or where there is competition from round log export markets in a region with a constrained timber supply. The latter situation exists in Southern Southeast Alaska where the State of Alaska is a small landowner compared to the Tongass National Forest, and the State of Alaska's full allowable cut is a critical source of logs for the remaining sawmills.

The Honorable Kevin Meyer
Bill Transmittal
January 28, 2015
Page 2

The provisions in the bill would enable the Commissioner of Natural Resources to better respond to the economic and geographic realities of the forest products sector in our state's economy. All timber sales, including negotiated sales, must comply with the constitutional requirement to manage State timber for sustained yield.

I urge prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Bill Walker".

Bill Walker
Governor

Enclosure



Sectional Analysis

SB 32

“An Act relating to the sale of timber on state land; and providing for an effective date.”

Sectional Analysis: Prepared by Chris Maisch, Director of Forestry

Section 1 amends: AS 38.05.110 to clarify that the commissioner determines which of the applicable sale methods is in the best interest of the state for each timber sale.

Section 2 amends: AS 38.05.118 to clarify that negotiated timber sales under this section do not have to comply with the restrictions on negotiated sales in AS 38.05.115 and the timber sale procedures for competitive sales in AS 38.05.120, but they do have to comply with the requirements for Forest Land Use Plans (AS 38.05.112) and Five-year Schedules of Timber Sales (AS 38.05.113). This exempts sales under .118 from limits on size and duration up to 25 years, but ensures that large negotiated sales are developed with adequate notice to the industry and general public, and necessary site-specific design. This section also clarifies that DNR may negotiate sales to wood fiber users, including biomass energy producers, in addition to wood product manufacturers.

Section 3 repeals: AS 38.05.118(c) which restricted negotiated timber sales under .118 to areas with high unemployment, underutilized manufacturing capacity, and either an underutilized allowable cut, damaged trees, or land to be converted to nonforest use. This change enables DNR to negotiate timber sales in all areas of the state. All timber sales are still subject to the constitutional requirement for sustained yield management.

Section 4 adds: a new section to the uncodified state law clarifying that the negotiated timber sale provisions (Sections 1, 2, and 3) apply to sales that occur after the effective date of the bill. Section 5 establishes an immediate effective date for the negotiated timber sale provisions (Sections 1, 2, and 3).

Briefing Paper: HCS CSSB32(RES)

Negotiated Timber Sales

April 5, 2016



DEPARTMENT OF NATURAL RESOURCES - DIVISION OF FORESTRY

OVERVIEW: This bill would expand Department of Natural Resources (DNR) authority to offer negotiated timber sales statewide.

Background: The Department of Natural Resources (DNR) may offer timber sales either competitively or through negotiation. However, negotiated sales larger than 500 thousand board feet may only be offered in areas with high unemployment, excess manufacturing capacity, and an underutilized allowable cut of timber. These criteria prohibit larger negotiated timber sales in many areas of the state that are actively managed for forestry, and where there is high demand for wood for timber products and biomass energy. This bill authorizes DNR to offer negotiated timber sales statewide within the limits of the sustained yield supply, and subject to a best interest finding.

Competitive bid timber sales are the preferred sale method under most conditions. However, negotiated sales provide the ability to tailor some sales to the needs of local processors in areas that lack competitive interest, or where there is competition from round log export markets in a region with a constrained timber supply. The latter situation exists in Southern Southeast Alaska where the state is a small landowner compared to the Tongass National Forest and the state's full allowable cut is a critical source of logs for the remaining sawmills. The state has long had a policy of balancing local jobs and manufacturing against the higher monetary returns of export timber sales. Local milling jobs and round log export businesses are both important segments of the forest products sector to the region. All timber sales, including negotiated sales, must comply with the Constitutional requirement to manage state timber for sustained yield.

Proposed changes to Title 38 timber sale provisions: This bill would...

- Amend AS 38.05.110 to clarify that the commissioner determines which of the applicable sale methods is the most appropriate authority to use for each timber sale. While additional language ensures, subject to appropriation, that 25 percent of timber sale revenue shall be allocated back to programs the Department (Division) operates in the jurisdiction where the timber sale occurred.
- Requires that a Best Interest Finding be completed and specifies that negotiated sales must comply with the requirements for Forest Land Use Plans (AS 38.05.112) and Five-year Schedules of Timber Sales (AS 38.05.113). This ensures that large negotiated sales are developed with adequate notice to the industry and general public, and necessary site-specific design. Sales may be up to 25 years in length.
- Clarify that DNR may negotiate sales to wood fiber users, including biomass energy producers, in addition to wood product manufacturers.

Review to date: The proposed changes implement recommendations from the final report of the Alaska Timber Jobs Task Force. The Board of Forestry unanimously endorsed the Task Force report with the caveat that any changes in forest management must continue to provide adequate protection for fish habitat and water quality, ensure reforestation of harvested land, and fully comply with the Alaska Forest Resources and Practices Act. The proposed bill complies with the Board's caveat.

REVIEW OF 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)

- Less than or 500 thousand board feet (This is roughly equivalent to 20 acres in SE, 125 acres in SC and 80 acres in the Interior)
- Less than or 1 year in 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 10 million board feet per year (100 million board feet 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. Therefore, sales to supply a chip operation would not qualify for this type of sale.
- 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 this authority.
- 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 $\geq 135\%$ of statewide average.
 - ❖ This sale type does not apply in the Mat-Su Borough or Fairbanks North Star Borough 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).

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

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



THE STATE
of **ALASKA**

GOVERNOR BILL WALKER

Department of Natural Resources

DIVISION/OFF FORESTRY

550 W. 7th Avenue
Anchorage, AK 99501
Main: 907.269-8463
Fax: 907.269-8931

March 24, 2015

Senator Cathy Giessel, Chair
Senate Resources Committee
State Capitol Room 427
Juneau AK, 99801

Dear Senator Giessel

The Alaska Board of Forestry is pleased to convey its support for CSSB 32 (RES) to broaden the Department of Natural Resources (DNR) authority for negotiated timber sales. The Board of Forestry provides a forum to discuss and resolve issues on forest practices and management of forests on state land (AS 41.17.047(b)). Board members represent diverse constituencies – the timber, fishing, and mining industries, Native corporations, professional foresters and fish and wildlife biologists, and environmental and recreational organizations.

The Board has repeatedly discussed the DNR authorities for timber sales in the context of timber industry needs in southeast Alaska, as well as the demand for long-term sales for biomass energy in the interior. In general, we strongly support use of competitive timber sales to ensure equal access to resources by all parts of the timber industry. However, we recognize that negotiated sales may be a valuable tool in specific cases, particularly to retain wood processing jobs in local communities under economic stress. The Board unanimously supports the proposed changes that provide DNR with the flexibility to use negotiated sales statewide when appropriate, subject to a best interest finding, and the requirements for Forest Land Use Plans and Five-year Schedules for Timber Sales.

Sincerely,

Handwritten signature of John C. Maisch in black ink.

John "Chris" Maisch, State Forester
Chair, Alaska Board of Forestry

Cc:

Senate Resources Committee

Vice Chair	Senator Mia Costello
Member	Senator John Coghill
Member	Senator Peter Micciche
Member	Senator Bert Stedman
Member	Senator Bill Stoltze
Member	Senator Bill Wielechowski

House Resources Committee

Co-Chair	Representative Benjamin Nageak
Co-Chair	Representative David Talerico
Vice Chair	Representative Mike Hawker
Member	Representative Bob Herron
Member	Representative Craig Johnson
Member	Representative Kurt Olson
Member	Representative Paul Seaton
Member	Representative Andy Josephson
Member	Representative Geran Tarr

Alaska Board of Forestry

Ron Wolfe, Alaska Native Corporations
Eric Nichols, Forest Industry Trade Association
Wayne Nicolls, Non-governmental Professional Forester
Chris Stark, Environmental Organization
Erin McLarnon, Recreation Organization
Mark Vinsel, Commercial Fisherman's Organization
Denise Herzog, Mining Organization
Matt Cronin, Non-governmental Professional Fish/Wildlife Biologist

Adopted: 03/17/15

**MATANUSKA-SUSITNA BOROUGH
RESOLUTION SERIAL NO. 15-027**

~~A RESOLUTION OF THE MATANUSKA-SUSITNA BOROUGH ASSEMBLY
SUPPORTING HOUSE BILL 87 AND SENATE BILL 32, AN ACT RELATING TO
THE SALE OF TIMBER ON STATE LAND, AND PROVIDING FOR AN EFFECTIVE
DATE.~~

WHEREAS, the Alaska State Department of Natural Resources (DNR) manages over 9.5 million acres of forest land in the Borough and timber harvesting is allowed on 2.1 million acres of this land; and

WHEREAS, House Bill 87 and Senate Bill 32 would clarify that the DNR commissioner may determine which applicable method is in the best interest of the state for each timber sale; and

WHEREAS, the proposed bill would allow the DNR to offer negotiated timber sales for up to 25 years statewide, currently such sales are restricted to areas of high unemployment, excess manufacturing capacity, and excess allowable cut, which limits them to remote areas; and

WHEREAS, it would specify that negotiated sales must comply with the requirements for Forest Land Use Plans (Alaska Statute 38.05.112) and five-year schedules of timber sales (Alaska Statutes 38.05.113), this ensures that large negotiated sales are developed with adequate notice to the industry, the general public and necessary site-specific design; and

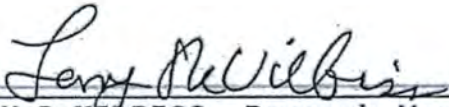
WHEREAS, it would also clarify that DNR may negotiate sales to wood fiber users, including biomass energy producers, in addition to wood product manufacturers; and

WHEREAS, by eliminating some of the criteria, the Division of Forestry would have the ability to use this timber sale authority for future timber sales; and


WHEREAS, the Alaska State Division of Forestry's preferred method of selling timber will be by competitive bids as opposed to negotiation, but sometimes there are good reasons for a negotiated sale and this proposed change would allow them to have that option.

NOW, THEREFORE, BE IT RESOLVED, The Matanuska-Susitna Borough Assembly supports the adoption of House Bill 87 and Senate Bill 32.

ADOPTED by the Matanuska-Susitna Borough Assembly this
17 day of March, 2015.


LARRY DeVULBISS, Borough Mayor

ATTEST:


LONNIE R. McKECHNIE, CMC, Borough Clerk

(SEAL)

PASSED UNANIMOUSLY: Sykes, Beck, Arvin, Colligan, Mayfield,
Doty, and Halter

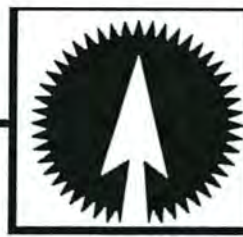
Support Letters CSSB32(RES) and HB87

There has been a broad cross section of business, forestry and civic organizations as well as individuals that have provided oral or written testimony in support of this legislation. Below is a summary of written letters of support for this Bill. It is worth noting that the Matsu Borough Assembly, Tanana Valley Citizen's Advisory Committee and Board of Forestry all supported their respective Resolutions by unanimous consent.

<u>Organization</u>	<u>Representing</u>	<u>Dated Received</u>
Resource Development Council	Statewide	February 6, 2015
Viking Lumber Company, Inc.	Timber Industry Prince of Wales	February 8, 2015
Tanana Valley Citizen's Advisory Committee ¹	Tanana Valley Citizen Committee	February 12, 2015
Southeast Conference	Communities Southeast	February 24, 2015
Matanuska-Susitna Borough Resolution	Elected Officials Matsu Borough	March 17, 2015
Alaska Forest Association	Statewide Timber Industry	March 19, 2015
Alaska Board of Forestry ²	Statewide Citizen Board	March 24, 2015
Superior Pellet Fuels	Timber Industry North Pole	March 24, 2015
Logging and Milling Associates	Timber Industry Tok Area	February 4, 2016
Alaska Forest Association (2 nd ltr.)	Statewide Timber Industry	February 5, 2016
Denali Log & Lumber, LLC	Talkeetna/Matsu	March 28, 2016

¹ Twelve member committee: Value-Added Processing, Mining Industry, Fish and Wildlife Interests, Forest Science, Native Community, Upper Tanana Valley, Lower Tanana Valley (including Tok), Forest Industry, Environmental Interests, Recreation Seat, Tourism Industry, Private Forest User.

² Nine member Board: Wildlife Biologist- Non-governmental, Mining Organization, Recreation, Forester- Non-governmental, Forest Industry Trade Association, Commercial Fishery, Native Corporation, Environmental and State Forester as ex officio Chair.



February 5, 2016

Representative David Talerico
120 4th Street Room 104
Juneau, AK 99801

Re: CSSB32, State Timber Sales

Dear Representative Talerico,

The Alaska Forest Association (AFA) continues to support CSSB32

The AFA is a non-profit business association that was formed in 1957 to represent the interests of the timber industry in Southeast Alaska. The AFA currently manages a pension program, a group health insurance program, a scholarship program for the timber industry and also sponsors the Sustainable Forestry Initiative program for Alaska. Our members businesses and their employee's lives are dependent upon a reliable supply of timber.

We are supporting efforts to significantly increase the size of the State Forests in Southeast Alaska because we have confidence in the States forestry program but meanwhile, our need for State timber sales has never been greater. Over the last twenty years the Forest Service has downsized the federal timber sale program in Southeast Alaska by about 90% and although the State currently manages only about 1% of the timberland in the region, the State timber sale program is very well managed and the State timber sales have allowed at least a few small, and one mid-size sawmill to survive.

Now the Forest Service is working to eliminate virtually all sales of mature (old-growth) timber and replace some of the lost volume with immature trees that are too small to be profitable to manufacture into lumber. The federal agency has redirected much of its timber sale staff to work on these peewee-log timber sales and thus has worsened the outlook for our last sawmill.

The AFA served on the State's Timber Task Force in 2011-2012. The Task Force report included a number of recommendations to enhance the timber industry across the State, including both the 2-million acre State Forest we seek for Southeast Alaska and the changes to the state timber sales authority that are the subject of CSSB 32 (RES).

Those changes will allow the State Division of Forestry additional flexibility to manage their timberlands more strategically. The changes will enable the Division of Forestry to negotiate a wider range of timber sales to address specific operator needs. The changes will help not only operators who are at risk from the decline in federal timber sales, but will provide more options for timber supply for operators across the State.

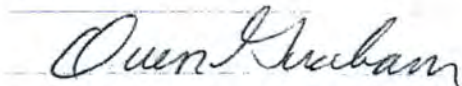
The proposed changes will not result in any reduction in protections for fish or wildlife habitat, access for recreation and subsistence nor will the changes result in negative financial impacts for the State. For instance, the changes will remove the current requirement that State timber sales can only be negotiated in areas that have:

- (1) a high level of local unemployment;
- (2) an underutilized timber manufacturing capacity; and
- (3) an underutilized allowable cut of state timber, timber that will lose substantial economic value due to insects, disease, or fire, or timber to be cleared for the conversion of land to nonforest uses.”

A more flexible timber sale program is better for the State regardless of whether there is high-unemployment, underutilized mills or excess allowable cut, particularly now when the need for additional State revenue has increased.

Please approve this legislation in your committee so that it can be enacted by the full legislature this year.

Thank you,



Owen Graham
Executive Director
Alaska Forest Association

DENALI LOG & LUMBER, LLC

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Milepost 100 Parks Highway
Talkeetna, AK 99676

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Fax: 907-733-5833
Email: denalinorthwest@yahoo.com

March 28, 2016

Representative David Talerico, Co-Chair
Representative Benjamin Nageak, Co-Chair
House Resources Committee
State Capital Room 124
Juneau, Alaska 99801

RE: CSSB32(Res) Timber Sales

Dear Representatives Talerico and Nageak,

I am writing to urge the House Resources Committee to hear and pass this important piece of legislation.

My company, Denali Log & Lumber, LLC relies on local timber resources to produce the products that residents of the upper Susitna valley desire to use when building their homes, cabins and farms. Timber sales offered by the Division of Forestry play an important role in my business and the businesses of others in south-central Alaska.

Having a stable, reliable source of raw materials is critical for the success of a manufacturing company. With such a large proportion of the land base in Alaska owned by government those of us in the natural resources development industries look to these public agencies as one of the most reliable sources for these raw materials. However, certain parts of the state, particularly the outlying areas, cannot fully benefit from the negotiated sales programs allowed under current law. Passing CSSB32 would solve this problem and allow DNR/DOF the ability to fit its sales programs to the needs of growing businesses. In these times of shrinking oil revenues, supporting the growth and diversification of all of Alaska's industries will be needed for the long health of our economy.

I appreciate the opportunity to provide these comments and urge you to pass this legislation out of committee as soon as possible.

Mark Stahl, Owner
Denali Log & Lumber, LLC



Logging And Milling Associates L.L.C.

Hc 62 Box 5220 Delta Jct. AK 99737. Ph.(907)323- 4127. email-sales@loggingandmilling.com

To: Dave Talerico

State of Alaska Representative District 6

From: Brad Cox

Co-owner/ manager Logging and Milling Associates

Dave,

Thank you for your public service in our district and the opportunity to lend my support for HB87.

A little about myself and about the company that I founded with my partner Thomas Nerbonne back in 1989. We grew up in the small community of Dry Creek. After our schooling , we chose to start a business in the community to give back to the citizens there, that sought to be self sufficient and rely as little on the state as possible.

Yet, we found that the State indeed had resources that made our remote community able to thrive and prosper with the smallest amount of state funding possible.

We have purchased state timber since 1989 and it has been the resource that sustained us both financially and for the entirety of the community's heat. The Forestry Resource side of DNR is vital to us. The southeast timber industry and wood source is vital to Forestry. Our small industry and shrinking agency must hang onto the heart of what is left. Further legislative hindrance and inability to tailor to very specific industry needs could cripple the fragile existence of what we have.

I understand we are a small cross section of your constituency, yet my partner and I have invested 5 million into our business over the years and we directly and indirectly affect about 80 souls who owe their lively hood to this diverse resource and resource agency that has proven willing to aid us and serve us. Many other citizens rely on our business for their building products and firewood to heat their homes.

I believe the southeast community that this bill affects could use this help and if it is good for our industry it is good for us here at Logging and Milling Associates. We do reside in the Tok

Management area and purchase timber from the Tok office. Please consider giving your support for this HB87.

Thank you for your time

Sincerely

Brad Cox



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Founded 1975
Executive Director

Rick Rogers

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Governor Bill Walker

February 6, 2015

Representative Benjamin Nageak co-chair

Representative David Talerico co-chair

House Resources Committee

State Capitol

Juneau, AK 99801

RE: HB 87, Timber Sales

Dear Co-chairs,

I am writing on behalf of the Resource Development Council of Alaska (RDC) to support passage of HB 87 "An Act relating to the sale of timber on state land; and providing for an effective date."

RDC is a statewide business association representing forestry, oil and gas, mining, tourism, and fishing industries. Our mission is to grow Alaska through responsible resource development. RDC supports policies aimed at ensuring a reliable and economical long-term State and federal timber supply.

In the decades since the State's timber sale authorizing statutes were last amended, the demand for wood fiber from State lands for energy purposes has increased significantly in response to escalating fuel oil costs and State capital investment through the renewable energy capital grant program. As a result wood fiber for biomass energy has grown into an important component of forest products from State timber sales.

What has also changed over the past decades is the dependence of our remaining Southeast Alaska mills on timber sales from State lands. In some circumstances negotiated State timber sales are essential in keeping what is left of our remaining manufacturing capacity operating.

RDC agrees with the administration, as articulated in Governor Walker's transmittal letter, that competitive timber sales are the preferred means of selling timber under most conditions. However some circumstances warrant the flexibility of offering negotiated sales at appraised fair market value in order to ensure a reliable supply of raw material to mills. The Department of Natural Resources (DNR) has a good track record of limiting its negotiated sales to those circumstances where it is clearly in the State's best interest, and the added flexibility afforded to the DNR Commissioner

121 West Fireweed Lane, Suite 250, Anchorage, Alaska 99503

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by this surgical statutory revision will provide needed flexibility required by today's realities of timber supply and markets.

By giving the DNR Commissioner added flexibility in offering negotiated sales and clarifying that users of wood fiber are also eligible for negotiated sales, the State will have tools appropriate to conditions that frankly were not part of the timber supply landscape when State's timber sale statutes were last revised.

These amendments support recommendations of the 2012 Alaska Timber Jobs Task Force. The task force recommendations were developed with input from leaders in the timber industry and have been endorsed by the Alaska Board of Forestry.

RDC encourages the passage of HB 87 from committee.

Respectfully,

A handwritten signature in black ink, appearing to read "Rick Rogers", with a long horizontal flourish extending to the right.

Rick Rogers
Executive Director



February 24, 2015

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

Dear Speaker Chenault:

Southeast Conference supports HB87 and SB32, "An Act relating to the sale of timber on state land". These bills would amend AS 38.05.110 and 38.05.118 to expand the authority of the Commissioner of Natural Resources to negotiate the sale of timber at appraised value.

Southeast Conference is a regional, membership based nonprofit corporation that advances the collective interest of the people, communities and businesses in Southeast Alaska. Members include municipalities, native corporations and village councils, regional and local businesses, civic organizations and individuals throughout the region. Our goal is to support policies that promote strong economies, healthy communities, and a quality environment for Southeast Alaska. We are the State-designated Alaska Regional Development Organization (ARDOR) and the federally-designated Economic Development District (EDD) for Southeast Alaska. Each of these designations requires Southeast Conference to take an active role in regional resource management and economic development planning.

The proposed bill would provide larger negotiated timber sales for more areas of the state, in addition to sales to local manufacturers of wood products, sales may also be negotiated with users of wood fiber. This change clarifies that negotiated sales may be used to support wood energy production as well as traditional products. In addition, the bill would eliminate the current limitations that negotiated timber sales be based on a finding that in the area of the sale there is a high level of unemployment, an underutilized manufacturing capacity, and an underutilized supply of timber that will lose value if not cut. The requirement that all three conditions be met substantially limits the Commissioner of Natural Resources' authority and flexibility to approve negotiated sales that would be in the best interest of the State.

Competitively bid timber sales are the preferred sale method under most conditions. However, negotiated sales provide the ability to tailor some sales to the needs of local processors in areas that lack competitive interest or where there is competition from round log export markets in a region with a constrained timber supply. The latter situation exists in Southern Southeast

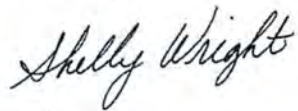


Alaska where the State of Alaska is a small landowner compared to the Tongass National Forest, and the State of Alaska's full allowable cut is a critical source of logs for the remaining sawmills.

The provisions in the bill would enable the Commissioner of Natural Resources to better respond to the economic and geographic realities of the forest products sector in our state's economy. All timber sales, including negotiated sales, must comply with the constitutional requirement to manage State timber for sustained yield.

We urge prompt and favorable action on this measure.

Sincerely,

A handwritten signature in cursive script that reads "Shelly Wright".

Shelly Wright
Executive Director



1595 Wescott Drive, North Pole, AK 99705
P.O. Box 82876, Fairbanks, AK 99708
Phone: (907) 488-6055 Fax: (907) 488-6056
superiorpelletfuels@yahoo.com

March 24, 2015

Senator Pete Kelly
State Capitol Room 516
Juneau AK, 99801

Senator Anna MacKinnon
State Capitol Room 516
Juneau AK, 99801

Dear Senator Kelly & Senator MacKinnon,

Superior Pellet Fuels, LLC supports the proposed amendments to AS 38.05.110 and 38.05.118 in regards to expanding the authority of the Commissioner of Natural Resources to negotiate the sale of timber at appraised value.

Currently under AS 38.05.118 the Commissioner of Natural Resources may negotiate timber sales to local manufactures at appraised value but negotiated sales larger than 500,000 board feet may only be offered in areas of high unemployment, excess manufacturing capacity and underutilized allowable cut of timber. As it is written, AS 38.05.118 excludes Fairbanks, because our lower unemployment rate.

Economic access to timber is one of the major constraints on wood manufacturing and raw material industries and this amendment would open up additional resource options. In an area with extreme air quality issues such as Fairbanks and North Pole our clean-burning and lower cost fuel options provide a fantastic alternative. The proposed amendments would open a door of opportunity for manufacturing companies such as Superior Pellet Fuels, LLC.

We encourage immediate action in favor of Senate Bill 32.

Sincerely,

Chad Schumacher
General Manager
Superior Pellet Fuels, LLC

Tanana Valley State Forest Citizen's Advisory Committee
PO Box 83783
Fairbanks, Alaska 99708

February 12, 2015

House Resource Committee
Senate Resource Committee

The Tanana Valley State Forest Citizen's Advisory Committee (TVSFCAC) supports passage of HB87 / SB32. This legislation will provide the mechanism for the Department of Natural Resources to respond more appropriately to changes and trends in forest products markets without violating our State Constitution regarding management of State lands on a sustained yield basis.

The TVSFCAC agrees with Governor Walker's statement: "Competitively bid timber sales are the preferred sale method under most conditions." However, negotiated sales provide another valuable option for State timber sale program managers. With passage of this bill, the DNR Commissioner will be allowed to offer longer term timber sale contracts and/or develop sales directed at specific clients when the terms of the sale are determined to be in the best interest of the State of Alaska.

This legislation will also eliminate the somewhat ambiguous criteria for high-volume negotiated timber sales. For example, the qualification of terms such as: "high local unemployment", "underutilized manufacturing capacity", and "underutilized timber supply" have been a source of administrative distraction when DNR has attempted to efficiently address the needs and concerns of the forest products industry in Alaska.

The TVSF Citizen's Advisory Committee strongly urges our Legislators to pass HB 87 and SB 32 in this session.

Sincerely,



Thomas Malone
Chair, TVSFCAC
tmalone@ptialaska.net

CC:

Bill Walker, Governor
Kevin Meyers, Senate President
Senate Resource Committee members
Mike Chenault, Speaker of the House
House Resource Committee members
Mark Myers, DNR Commissioner
Edmund Fogel, DNR Deputy Commissioner
John 'Chris' Maisch, State Forester
Marty Freeman, for the Board of Forestry

VIKING LUMBER COMPANY, INC



Mile 6 Craig-Klawock Hwy, P.O. Box 670

Craig, Alaska 99921

P (907) 755-8880 - F (907) 755-8888

vikinglumber@aptalaska.net

February 9, 2015

Dear Members of the House Resources Committee,

I am writing in support of HB87. I have read the DNR briefing paper and the bill and I believe the proposed changes could be very important to the remaining timber industry in Alaska. Viking Lumber Company has been continuously operating on Prince of Wales Island for twenty years.

With the failure of the United States Forest Service to provide an adequate supply of timber, the state DNR has been extremely important in providing timber in critical times, some of which has been through negotiated sales. The passing of HB87 would help ensure that Viking Lumber Company would have a continuous supply of timber to keep the sawmill operating well into the future.

Sincerely,

A handwritten signature in cursive script that reads "Kirk Dahlstrom".

Kirk Dahlstrom
Secretary
Viking Lumber Company