

SB

32

<TARGET><BILL>SB 32</BILL><SUBJECT>SB
32</SUBJECT><COMM>HRES29</COMM></TARGET>



**Sectional Analysis
SB32 CS(RES)**

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

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 thousand 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 non-forest 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.

Section 1 – New Subsection

Amends 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.

Section 2 – Amendment to (a).

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 (c).

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 non-forest 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 – Applicability.

The uncodified state law of the State of Alaska is amended to clarify 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- Effective Date.

This section establishes an immediate effective date for the negotiated timber sale provisions (Sections 1, 2, and 3).

FISCAL NOTE

STATE OF ALASKA
2016 LEGISLATIVE SESSION

Bill Version SB32CS(RES)
 Fiscal Note Number _____
 () Publish Date _____

Identifier (file name) SB32CS(RES)-DNR-FOR-1-19-16 Dept. Affected Natural Resources
 Title Sale of timber on state land Appropriation Fire Suppression, Land & Water Resources
 Allocation Forest Management & Development
 Sponsor Rules by Request of Governor
 Requester Governor OMB Component Number 435

Expenditures/Revenues (Thousands of Dollars)

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

	FY17 Appropriation Requested	Included in Governor's FY17 Request	Out-Year Cost Estimates				
			FY18	FY19	FY20	FY21	FY22
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

FUND SOURCE		(Thousands of Dollars)					
		FY17	FY18	FY19	FY20	FY21	FY22
1002	Federal Receipts						
1003	GF Match						
1004	GF						
1005	GF/Prgm (DGF)						
1007	I/A Rcpts (Other)						
1178	temp code (UGF)						
		0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS							
		FY17	FY18	FY19	FY20	FY21	FY22
Full-time							
Part-time							
Temporary							

CHANGE IN REVENUES

Estimated SUPPLEMENTAL (FY16) operating costs 0.0 (separate supplemental appropriation required)
 (discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY17) costs 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? _____ Discuss details in analysis section.

Why this fiscal note differs from previous version (if initial version, please note as such)

Not applicable, initial version.

Prepared by John "Chris" Maisch, Director
 Division Division of Forestry
 Approved by Mark Myers, Commissioner
 Agency Department of Natural Resources

Phone 907-451-2660
 Date/Time 1/19/16 12:00 AM
 Date 1/19/2016

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2016 LEGISLATIVE SESSION

BILL NO. SB32CS(RES)

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.

29-GS1022\N
Bullard
3/29/16

HOUSE CS FOR CS FOR SENATE BILL NO. 32()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-NINTH LEGISLATURE - SECOND SESSION

BY

Offered:

Referred:

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

A BILL

FOR AN ACT ENTITLED

1 **"An Act relating to the sale of timber on state land; and providing for an effective date."**

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

3 *** Section 1.** AS 38.05.110(b) is amended to read:

4 (b) The timber receipts account is established in the state treasury. The
5 revenue from the sale of timber from state land [LANDS] shall be deposited in the
6 timber receipts account. Subject to appropriation, the commissioner shall provide
7 25 percent of the revenue from a sale of timber under this section to forestry
8 programs operated by the department in the municipality, reserve, or community
9 in which the timber was harvested or, if the timber was not harvested in a
10 municipality, reserve, or community, the municipality, reserve, or community
11 closest to the area where the timber was harvested. The legislature may also
12 appropriate money deposited into the timber receipts account for implementation of
13 the state timber disposal program by the department or for any other public purpose.

14 *** Sec. 2.** AS 38.05.110 is amended by adding a new subsection to read:

15 (c) If a sale of timber may be offered under multiple provisions of

1 AS 38.05.110 - 38.05.123, the commissioner shall determine the applicable provisions
2 under which to offer the timber.

3 * **Sec. 3.** AS 38.05.118(a) is amended to read:

4 (a) Notwithstanding AS 38.05.115 and 38.05.120, and upon a finding that
5 the sale is in the best interest of the state [ANY OTHER PROVISION OF
6 AS 38.05.110 - 38.05.120], the commissioner may negotiate a sale of timber to a local
7 manufacturer of wood products or a user of wood fiber at appraised value. The
8 period of a contract for a sale of timber negotiated under this section may not exceed
9 25 years. The contract shall provide that the appraised value of timber remaining to be
10 harvested under the provisions of the contract shall be redetermined at least once every
11 five years.

12 * **Sec. 4.** AS 38.05.118(c) is repealed.

13 * **Sec. 5.** The uncodified law of the State of Alaska is amended by adding a new section to
14 read:

15 APPLICABILITY. Sections 1 - 4 of this Act apply to sales of timber on state land
16 made on or after the effective date of this Act.

17 * **Sec. 6.** This Act takes effect immediately under AS 01.10.070(c).

DENALI LOG & LUMBER, LLC

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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



Briefing Paper: SB32CS(RES)

Negotiated Timber Sales

March 2, 2015



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 to the region, but most state timber is currently sold for domestic use. 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.
- Allow 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 limit them to remote areas.
- Specify 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.
- 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).



RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

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Rick Rogers

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Sam Mazzeo

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Mike Satre

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John Sturgeon

Casey Sullivan

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Senator Dan Sullivan

Congressman Don Young

Governor Bill Walker

February 6, 2015

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

RE: SB 32, Timber Sales

Dear Senator Giessel,

I am writing on behalf of the Resource Development Council of Alaska (RDC) to support passage of SB 32 "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

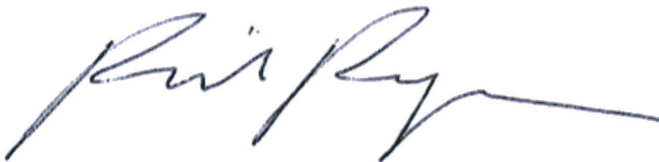
by this surgical statutory revision will provide needed flexibility required by today's realities of timber supply and markets.

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 SB 32 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



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 Senate Resources Committee,

I am writing in support of SB32 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 SB32 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

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



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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.

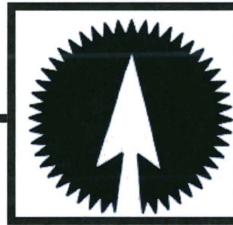
Economic access to timber is one of the major constraints on wood manufacturing and raw material industries and this amendment would open up additional resource options. In an area with extreme air quality issues such as Fairbanks and North Pole our clean-burning and lower cost fuel options provide a 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

Alaska Forest Association



111 Stedman Street
Ketchikan, AK 99901
Phone: 907-225-6114
Fax: 907-225-5920

March 19, 2015

Senator Pete Kelly, Co-chair
Senator Anna MacKinnon, Co-chair
Senate Finance Committee
State Capitol
Juneau, AK 99801

Re: CSSB32 (RES), State Timber Sales

The Alaska Forest Association (AFA) supports Senate Bill CSSB32 (RES)

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.

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



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



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,

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 DeVILBISS, Borough Mayor

ATTEST:


LONNIE R. McKECHNIE, CMC, Borough Clerk
(SEAL)

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

Founded 1975

Executive Director
Marleanna Hall

2015-2016

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RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

April 4, 2016

Representative Dave Talerico, Co-Chair
Representative Ben Nageak, Co-Chair
House Resources Committee
Alaska State Capitol
Juneau, AK 99801

RE: CSSB 32, State Timber Sales

Dear Co-chairs Talerico and Nageak:

I am writing on behalf of the Resource Development Council of Alaska for Alaska, Inc. (RDC) to support passage of CSSB 32, an Act relating to the sale of timber on state land.

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. 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 have been absolutely essential in keeping what is left of our remaining manufacturing capacity operating.

RDC agrees with the administration that competitive timber sales are the preferred means of selling timber under most conditions. However, some circumstances warrant the flexibility of offering negotiated sales in order to ensure a reliable supply of raw material to mills. The State of Alaska 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 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.

In conclusion, the basic premise of the bill is to remove the constraints on negotiated timber sales and to allow longer-term timber sales where it is appropriate. Passage of this bill will help keep our members in the forest products industry in business. The current restrictions limit the DNR to negotiating only with certain sawmills.

RDC urges you to pas CSSB 32 from the committee, and thanks you for the opportunity to provide comments.

Respectfully,

A handwritten signature in blue ink, appearing to read 'Carl Portman', is written above the typed name.

Carl Portman
Deputy Director