

**ALASKA LEGISLATURE**

**HOUSE and SENATE FINANCE COMMITTEE FILES,**

**1993-1994**

**1217**

**291**

AMENDMENT

*NAKARRE*

OFFERED IN THE HOUSE

BY REPRESENTATIVE

TO: HCS CSSB 310(RES)

Page 5, line 2:

Delete all material.

Insert "(3) commitments of the proposer to hire Alaskans;"

AMENDMENT

TO HOUSE CS CSSB 310(RES)

BY REPRESENTATIVE

*NAVARRE*

Page 3, Lines 6-12

Delete all material

AMENDMENT

*Therriault*

OFFERED IN THE HOUSE

TO: HCS CSSB 310(RES)

Page 2, line 12:

Delete "and"

Page 2, line 14, following "characteristics;":

Insert "and

(D) the use of silvicultural practices, commercial timber harvest, and related activities to maintain and enhance the quantity and quality of fish and wildlife habitat;"

Page 4, line 18:

Delete "and"

Page 4, line 20, following "characteristics;":

Insert and

(iv) the use of silvicultural practices, commercial timber harvest, and related activities to maintain and enhance the quantity and quality of fish and wildlife habitat;"

A M E N D M E N T

*Therriault*

OFFERED IN THE HOUSE

TO: HCS CSSB 310(RES)

Page 3, lines 4 - 5:

Delete "document the finding with sound scientific or economic data that clearly proves"

Insert "describe the data used to justify"

A M E N D M E N T

*Therriault*

OFFERED IN THE HOUSE

TO: HCS CSSB 310(RES)

Page 5, line 28:

Delete "and"

Page 5, following line 28:

Insert a new paragraph to read:

"(2) the tentatively successful proposed agreement covers no more land or timber than is necessary to make the proposed agreement economically sustainable over the life of the proposed agreement; and"

Renumber the following paragraph accordingly.

AMENDMENT

*Thevriault*

OFFERED IN THE HOUSE

TO: HCS CSSB 310(RES)

Page 5, line 28:

Delete "and"

Page 5, following line 28:

Insert a new paragraph to read:

"(2) the revenue to be received from the tentatively successful proposed agreement will exceed the direct costs of the proposed agreement to the state and that the sale of timber under the proposed agreement is not for less than fair market value; and"

Renumber the following paragraph accordingly.

A M E N D M E N T

*Therriault*

OFFERED IN THE HOUSE

TO: HCS CSSB 310(RES)

Page 6, line 5, following "agreement":

Insert "for at least 90 days after the provision of notice under this section"

A M E N D M E N T

OFFERED IN THE HOUSE  
TO: HCS CSSB 310(RES)

*Therviault*

Page 6, line 9:

Following "A":

Insert "tentatively successful proposed agreement, a"

Following "final agreement":

Insert ", "

A M E N D M E N T

*Therriault*

OFFERED IN THE HOUSE

TO: HCS CSSB 310(RES)

Page 6, line 16:

Delete all material and insert:

"(B) provisions requiring sale of the timber for at least fair market value as evidenced by an appraisal and provisions requiring periodic reappraisal of the value of the timber;"

A M E N D M E N T

*Therivault*

OFFERED IN THE HOUSE

TO: HCS CSSB 310(RES)

Page 6, after line 23:

insert:

"(F) provisions requiring that, at the discretion of the state, the access roads will be put to bed and reforested with the costs paid by the operator;"

renumber the following sections accordingly

A M E N D M E N T

*Therriault*

OFFERED IN THE HOUSE

TO: HCS CSSB 310(RES)

Page 7, line 15:

Delete "may"

Insert "shall"

Page 7, line 15, following "bonding":

Insert ", letter of credit or standby letter of credit, or other security that the commissioner determines to be adequate to protect the public interest"

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE MACLEAN

TO: HCS CSSB 46( ); Version S, Dated 5/3/94

Page 4, line 10:

Delete "mammal species or"

Page 4, line 21:

Delete "mammal species or"

Page 4, line 27:

Delete "mammal species or"

Page 5, line 2:

Delete "mammal species or"

Page 10, line 11:

Delete "mammal species or"

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE MACLEAN

TO: HCS CSSB 46( ); Version S, Dated 5/3/94

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Page 10, line 11:

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A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE GRUSSENDORF

TO: HCS CSSB 310(RES)

Page 7, following line 15:

Insert a new subsection to read:

"(h) The commissioner shall submit the proposed final agreement to the commissioner of fish and game for review and approval. The commissioner of fish and game shall review the proposed final agreement to ensure that the agreement adequately protects and provides for the fish and game resources of the state."

Reletter the following subsections accordingly.

Page 7, line 20, following "subsection":

Insert "and approval by the commissioner of fish and game under (h) of this section"

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE GRUSSENDORF

TO: HCS CSSB 310(RES)

Page 7, following line 15:

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Reletter the following subsections accordingly.

Page 7, line 20, following "subsection":

Insert "and approval by the commissioner of fish and game under (h) of this section"

A M E N D M E N T

OFFERED IN THE HOUSE

BY REPRESENTATIVE GRUSSENDORF

TO: CSSB 310(RES)

Page 1, line 4, through page 3, line 12:

Delete all material.

Page 3, line 13:

Delete "\* Sec. 3."

Insert "\* Section 1."

Page 8, line 29, through page 10, line 13:

Delete all material.

Renumber the following bill sections accordingly.

Page 10, line 18:

Delete all material.



# Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

Phone: 907-463-3366

Fax: 907-463-3312

## Long-Term Contracts and Forest Management Agreements Would Cost Alaska Money and Lock Up Natural Resources

SB 310 mandates long-term contracts for up to 20 years, with an option to renew for another 20 years. Long-term contracts, also called Forest Management Agreements (FMA's), would make timber harvest the priority on state forested lands, elevating timber over fisheries, wildlife, subsistence, tourism, and recreation values.

Long-term timber contracts are likely to have negative impacts on Alaska's economy and natural resources. **The Alaska Environmental Lobby opposes SB 310** and the long-term contracts authorized in this legislation.

### Long-Term contracts are unhealthy for Alaska's pocket book

\*If new markets offer higher economic gain in future years, Alaska would be locked into "yesterday's market." Long-term contracts prevent Alaska's timber industry from adapting and competing in world markets.

\*The state could lose huge amounts of money on infrastructure such as terminals, transportation facilities and logging roads. For example, the state lost more than eight million dollars in road credits, facility loans, management costs and other subsidies for a Haines long-term contract. The contract was canceled in less than seven years.

### Long-term contracts lock out future knowledge

\*Facts change: Often there is less timber available than originally calculated. Inventories that appear scientifically correct have been found to be in error 10 or 20 years later.

\*The state may have to honor original contract levels even if it is found that a company is harvesting above sustainable yield levels or harming fish and wildlife habitat or other uses.

\*Public values change over time and generations. 20-year contracts prevent future Alaskans from deciding how lands should be used.

### Timber supply problems to fulfill long-term contracts may occur

\*Hunting, fishing, subsistence, tourism and recreational uses may be sacrificed to meet harvest targets outlined in a legal contract.

\*Because of new information, specific areas may be needed for critical habitat, subsistence, or recreational uses. But this may be ignored because of timber supply obligations.

\*Forest fires decrease available timber, but contract volume would still need to be met.

OVER



## **Long-term contracts and mills may endanger Alaskan communities economically and environmentally**

- \*Statistics show that about 40% of Alaska's wood industry workers are out-of-state residents. Their use of municipal services is expensive and not recovered through taxes.
- \*Small timber operators who often supply local lumber very often cannot compete with holders of long term contracts.
- \*Commercial hunting, fishing and tourism industries as well as subsistence and recreational pursuits may be damaged by prioritizing timber.
- \*There are many serious environmental hazards associated with lumber and pulp plants including air and water pollution. Sound and smell pollution can be irritating to residents.
- \*Costs to the state and municipalities can be high for monitoring, waste disposal, and pollution clean-up.
- \*In the Interior, a large mill's air emissions would add to already serious air pollution caused by winter temperature inversions.

## **The fox should not be in charge of the hen house.**

### **Industry should not manage state lands.**

- \*Forest Management Agreements (FMA's) would allow industry to manage forest areas where they are contracted to cut.
- \*While private industry's bottom line goal is profit, DNR's mandated goal is to manage lands for the public interest and for multiple uses. DNR must manage our public lands.

## **What are the alternatives to long-term contracts?**

### **Maintain current timber sale length of three to five years.**

- \* This length allows DNR to update contracts as social values, economic situations, and biological information change.
- \*With accurate field data and an assessment of all multiple uses, DNR can ascertain a reliable sustained yield harvest and make timber available for competitive bid.
- \*Then there can be reasonable certainty that interested purchasers will have a steady supply of timber to bid on at fair market value, without locking up resources for 20 years and without locking out other interested timber purchasers.
- \*Short-term sales mean that companies must compete regularly with other operators, and may encourage them to be better "corporate neighbors." Long-term contracts insulate companies from community concerns, while short-term sales mean businesses must maintain high quality relationships with regulatory agencies and the public.

### **Encourage locally owned, value-added forest industries.**

- \*Value-added timber industries produce the most worker hours and higher wages.
- \*Numerous small companies making diverse products create a stronger economy by spreading resources among locals committed to the community. Diverse products help buffer the community from changes in specific markets.
- \*In our free market society, industries often must compete openly for resources and market shares. Long-term timber contracts eliminate this competition.

3/14/94

# *The Canadian Experience With Forest Management Agreements*

- **FMA**s do not produce the volume of jobs expected. Timber harvests greatly increased under **FMA**s, but timber industry employment declined. The average **FMA** holder in Alberta creates 0.4 jobs per cubic meter of wood cut. The U.S. gets over twice as many jobs as Canada from the same unit of wood.
- **Local residents** usually do not get the jobs created by **FMA** holders. Logging machinery needed for large volume clearcuts replaces many men with chainsaws, but require skills most local operators do not have. Highly automated plants employ robots and computers, not people. The remaining jobs require degrees in chemistry or computer science.
- Administrators anxious to make the **FMA** concept work committed large areas of forest land to multi-national companies at stumpage rates 1/5 to 1/7 those of adjacent areas in the U.S. and 1/4 the rate derived from competitive sales. **These allocations effectively deprived local small-scale operators of their timber supply areas.**
- **FMA** holders get 80% of their timber needs at low, fixed prices. The lack of competitive bidding and "soft" pulp prices, due to foreign control of the market, make stumpage fee increases impossible.
- **Large lumber and pulp mills were built when FMA**s were let, but few became the multi-product, high utilization mills that the provinces had hoped for. Companies with their own assured timber supplies and mills have little incentive to upgrade or diversify their operations. Value-added projects have been delayed or mothballed. Once the contract is signed, what you have is all you get.
- **Forest management under FMA**s are often "facility driven." The threat of plant closure is used by industry to "blackmail" government into providing more timber. Plants are sometimes intentionally overbuilt by industry, which then demands additional timber volume to operate the expanded facility.
- **Nation-wide, FMA** holders have received taxpayer subsidies totaling \$300 million dollars in grants and \$1.1 billion in loans. Yet, despite massive subsidies and increased timber supplies, some companies are unable to make payments on their loans.
- **Most FMA**s return little public revenue to the provinces for their investment in timber and industry loans. Alberta receives only \$1.13 per cubic metric ton for pulp produced by the giant Alpac mill. The corporation owning the mill makes \$625 to over \$2,000 per cubic metric ton for the same pulp when it was converted to paper in Japan.
- **Inventories often proved inaccurate.** Timber resources were sometimes insufficient to meet contractual obligations, forcing provincial governments to provide additional timber lands to **FMA** holders.

- Local loggers who survived government's switch to FMAs usually became contract loggers, dependent on the FMA licensees for their livelihood. With timber undervalued (low stumpage fees), contract loggers were often underpaid
- Local loggers who remained independent had to compete among themselves for the scarce remaining timber parcels, further reducing their profit margins.
- Local small-scale logging operators had difficulty obtaining financial assistance, yet provincial governments provided massive subsidies for FMA holders.
- FMA derived revenues were frequently not reinvested in the forestry resource which spawned them. Direct revenues are more likely to be reinvested in management of the resources.
- **Reforestation has not been successful in 38% of the areas clearcut in Alberta under FMA tenure.** Some areas have been planted 4 or more times.
- **Native lifestyles have been severely impacted in some areas.** For example, the Alberta government negotiated an FMA with Daishowa that resulted in clearcutting on traditional native lands without informing them or considering subsistence needs.
- **Tourism related businesses have been negatively impacted** in communities near large-scale clearcuts. Remote lodges and guiding operations have likewise been impacted by clearcutting and its attendant road construction.
- Where public access was permitted by FMA holders, large clearcuts and the intensive network of new logging roads resulted in increased poaching of wildlife and changes in big game distribution and abundance. Woodland caribou are now a threatened species in Alberta.
- **Large-scale clearcutting negatively affected trapping** by changing species distribution and abundance. Furbearers in general declined sharply following clearcut logging in spruce, pine and mixedwood stands, and remained that way for 17 years. Species that thrive in old growth forest, like Marten, were effected most.
- **FMAs have increased the work load on Fish and Wildlife staff.** Funding and staffing have not been adequate to monitor logging and conduct needed research.
- The few successful FMAs from an ecological and community viewpoint were those that had smaller mills, smaller timber volume needs, a commitment to "even flow" harvesting, and used selective harvesting. These provided higher levels of local employment, used less damaging equipment, and practiced sustainable forestry.

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#### References

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- "A New Leaf" (video), Gray Jones and Karen Baltgailis, co-producers, W. Canada Wilderness Committee.
- "B. C. Forest Industry Job Loses," compiled by Valhalla Society, in: Brazil of the North, January 1993.
- "Forest Management in Alberta, Report of the Expert Review Panel," Alberta Forestry, Lands and Wildlife.
- "Lubicon Struggle," Anne Champagne, in: Brazil of the North, January 1993.
- "Martin Populations in Uncut and Logged Boreal Forests in Ontario," Ian Thompson, J. Wild. Mgmt., 1994.
- "Testimony on CSSB 112," Rep. Niilo Koponen, May 6, 1987.
- "The Great Alberta Giveaway," David J. Parker, Prof. Eng., in: Brazil of the North, January 1993.

Document (L)

# STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

BILL SHEFFIELD, GOVERNOR

400 WILLOUGHBY AVENUE  
JUNEAU, ALASKA 99801  
PHONE: (907) 465-2491

January 24, 1985



The Honorable Peter Goll  
Alaska House of Representatives  
Pouch V  
Juneau, Alaska 99811

Dear Representative Goll:

I am sorry I have not yet responded to the questions in your earlier letter. But before doing so, I would like to give you an update concerning the removal of the stored logs near Mile 34. I spoke to Bill Oliver of Pacific Forest Products last week and he told me that they expected to begin moving the wood from Mile 34 on January 21st, so we should be receiving more information about the volume of wood removed from Unit 1 in the near future. I will update you with more information as it becomes available.

To date, we have received from Pacific Forest Products and its predecessor \$33,563.95 in stumpage payments from the Long Term Timber Sale; in addition, we have on deposit an additional \$9,000.00 for timber cut but not yet scaled. We also have on deposit an additional \$200.00 for log branding hammers loaned to Pacific Forest Products. Also, we have a claim against Pacific Forest Products filed through the United States Bankruptcy Court in the amount of \$5,486.87 for timber removed and scaled last summer, and an additional \$8,585.00 as a deposit for additional timber cut but not yet removed from the timber sale area.

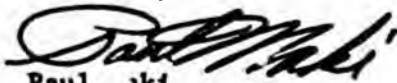
★ The additional stumpage due the State as a result of the rate redetermination which increased the stumpage rate from \$3.00 to \$52.75 was satisfied through the application of purchaser credits for roads. Roads constructed prior to March 31, 1982 were valued at \$461,605.54. The application of those road credits to pay the additional stumpage resulted in \$36,000.17 still owed to Pacific Forest Products, Inc. To that figure can be added the additional value of roads constructed during the 1984 operation season; though we have not yet determined the exact amount, we currently estimate the amount to be approximately \$396,000. By a provision of the contract, the additional road credits can be rolled over into subsequent operating periods when, hopefully, new reappraisals will indicate a stumpage rate something above the current base rates. With the exception of cottonwood, Pacific Forest Products paid \$52.75 per thousand board feet for timber removed from the beginning of the contract through March 31, 1982. As a result of an emergency rate redetermination authorized by a provision of the timber sale contract, the new rate was determined to be \$3.00 per thousand board feet for sawlogs and \$2.00 per thousand board feet for pulp beginning April 1, 1982. A rate redetermination due this year will establish another new rate.

The Haines State Forest project not only is the funding source for our timber sale preparation and administration work for the Haines Long Term Timber Sale, but it also provides a source of funds for preparation and administration of the smaller timber sales that we make at Haines. In addition, this project has provided funds for preparation of the management plan for the Haines State Forest. The Haines area staff is responsible for suppression of forest fires on approximately 680,000 acres of state, private and federal lands in the Haines-Skagway area. Although the region receives no forest fire suppression funds to maintain a staff for the suppression of forest fires, personal services funding in the Haines State Forest project does provide us the manpower to meet our occasional responsibilities for fire suppression. Also, our Haines area staff spends a considerable amount of time providing information to the local public not only on forestry matters, but also on land and water management matters which are primarily a function of a sister division. Our providing this service for the Division of Land and Water Management relieves them of the responsibility for stationing a person in Haines to provide that service. On occasion, as requested, we also provide forestry assistance information to landowners when they have questions concerning forest management on their own private lands.

I mentioned in my January 24th letter that we were several years ahead on our layout responsibilities under the Haines Long Term Timber Sale. As a result, and in keeping with good fiscal responsibility, we have not filled certain vacant positions. When a seasonal forest technician terminated employment last August and moved out of state, the position was not filled. When Mr. Tweiten terminated employment last November, his position was not filled, and in fact will not be filled in Haines. In addition, one of our seasonal foresters has announced his resignation effective in just a few days; he will be moving out of state and his position will not be filled in Haines. Even with these reductions in staff, we feel that we can still meet the responsibilities of our various forestry activities at Haines.

I am pleased to provide you this information, and if you have any questions about it, I would be pleased to answer them for you.

Sincerely,



Paul Maki  
Regional Forester

CALCULATION OF STUMPAGE ADJUSTMENT AND EXCESS PURCHASER CREDIT  
FOR THE EMERGENCY RATE REDETERMINATION

The following information is based on Cutting Report #018 dated April 30, 1982 which reports the volume cut through March 31, 1982:

Volume of all species			
except cottonwood:	8,498.39 Mbf	x \$52.75/Mbf	= \$448,290.07
Volume of cottonwood:	1,024.91 Mbf	x \$2.00/Mbf	= <u>2,049.82</u>
			<u>\$450,339.89</u>
Less amount already paid:			-24,734.52
			<u>\$425,605.37</u>
Less purchaser credit:			-461,605.54
Value of <u>excess</u> purchaser credit:			<u>\$36,000.17</u>



Base rate 3.00 mbf  
2.00

*he must pay this cost +  
CAN use the purchaser  
credit*

Emergency Rate period      April 1, 1982  
Dec 31, 1984

(B)

Document

# STATE OF ALASKA

(Site)

BILL SHEFFIELD, GOVERNOR

## DEPARTMENT OF NATURAL RESOURCES

SOUTHEAST DISTRICT OFFICE

230 S. FRANKLIN STREET  
ROOM 407  
JUNEAU, ALASKA 99801  
PHONE: (907) 465-3400

March 1, 1983

Re: SE-205

(B)

John Schnabel  
Schnabel Lumber Company  
P.O. Box 595  
Haines, Alaska 99827

Dear Mr. Schnabel:

We have completed our calculations concerning the purchaser credit allowances for the SE-205 timber sale. The following is a tabulation of those credits:

Value of purchaser credit to date by compartment:

Little Salmon compartment:	\$204,637.20
Klehini compartment:	164,697.93
Kelsall compartment:	<u>92,270.41</u>
TOTAL	\$461,605.54

(★)

It is my understanding that the three-person review board will meet soon concerning a review of the \$52.75 per Mbf appraised figure. Since a final decision will likely occur soon, this is being presented to you now for your information, and a bill will follow after the stumpage rate is either confirmed or changed.

Sincerely,  
*Paul Maki*  
Paul Maki  
District Forester

cc: State Forester

# STATE OF ALASKA

BILL SHEFFIELD, GOVERNOR

## DEPARTMENT OF NATURAL RESOURCES

SOUTHEAST DISTRICT OFFICE

230 S. FRANKLIN STREET  
ROOM 407  
JUNEAU, ALASKA 99801  
PHONE: (907) 485-3400

September 11, 1984

Re: SE-205

Michael Chittick  
Pacific Forest Products, Inc.  
P.O. Box 595  
Haines, Alaska 99827

Dear Mr. Chittick:

This letter is meant to document my telephone conversation with Bill Oliver a few weeks ago concerning your emergency rate redetermination request.

The base rates as shown in Section 2b2 of the timber sale contract will remain in effect for the duration of the current appraisal period. The effective date of this emergency rate will be April 1, 1982. For all volume removed and scaled through March 31, 1982, payment has been calculated at the rate of \$52.75 per Mbf. The enclosed sheet shows the calculation of this stumpage rate adjustment and its application against earned purchaser credit. As you can see, the purchaser credit for roads was not exhausted, and there remains an excess (unused) purchaser credit of \$36,000.17. According to Section 2g5 of the contract, this may be applied to later operating periods. It is necessary that base rates be actually paid for the remainder of this emergency rate period. ~~2~~

Do not hesitate to call or write if you have any questions.

Sincerely,



Paul Maki  
District Forester

Enclosure

See p. 2  
document (C)

**DEPARTMENT OF NATURAL RESOURCES**

P. O. BOX 107005  
ANCHORAGE, AK 99510-7005  
PHONE: (907) 762-2501

*DIVISION OF FORESTRY*

March 31, 1994

The Honorable Mike Miller  
Chairman, Senate Resources Committee  
Alaska Senate  
Room 403, State Capitol  
Juneau, Alaska 99801

Dear Senator Miller:

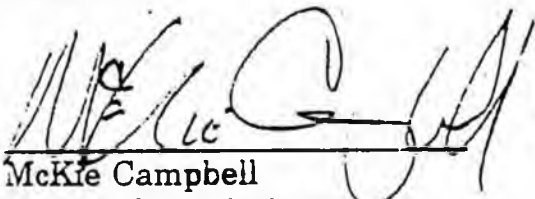
Representatives from the Governor's Office, the Department of Fish and Game, the Department of Commerce and Economic Development and the Department of Natural Resources have thoroughly reviewed Senate Bill 310 and the committee substitute for that bill. While there were a number of acute concerns identified when reviewing the original bill, the committee substitute answers those concerns and, in some instances, does a better job of answering those concerns than did the draft language offered to you after the review of the original bill.

We want to thank the Senate Resources Committee for its hearings on this resource issue. The process which resulted in the committee substitute was a useful one and the resulting committee substitute meets the objectives and concerns of the departments represented here.


Forest management agreements require adequate public involvement as a part of the process. Good public process involves the public at the very beginning and gives assurance that the public will affect the outcomes. Our belief is that the committee substitute for Senate Bill 310 does that. The two distinct public comment periods, together comprising not less than 120 days, are necessary for a process that could result in a contract that might last as long as 20 years. Separate from requirements for forest management agreements, we believe that the cap on the amount of timber that can be offered without having been in the 5 year harvest schedule, as provided in section 2 of the committee substitute, is important.

The Alaska Forest Resources and Practices Act and other state law apply to any state timber sale, with the tighter restrictions for state land than for other types of ownerships, including a timber sale using a forest management agreement. However, enforcement requires maintenance of adequate funding. Finally, using the AS38.04.910 definition of sustained yield for forest management agreements is proper.

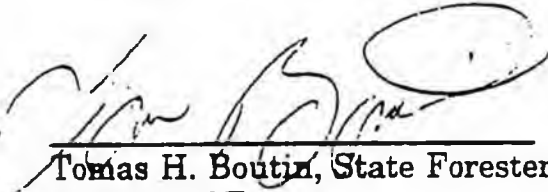
Sincerely,



McKie Campbell  
Deputy Commissioner  
Department of Fish and Game



Chris Gates, Director  
Division of Economic Development  
Department of Commerce and  
Economic Development



Thomas H. Boutin, State Forester  
Division of Forestry  
Department of Natural Resources



Alaska Department of  
**NATURAL  
RESOURCES**

## BRIEFING:

### Long Term Timber Sales / Agreements

April 2, 1994

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

**Past long term timber sales.** The DNR Division of Forestry (DOF) has had favorable experience with long term timber sales. The long term timber sales in Haines and Icy Bay produced General Fund revenue and jobs in the private and public sectors. Transportation infrastructure built on state land by timber purchasers in the course of these contracts is used by DOF to increase stumpage prices paid to the General Fund for recent timber sales as well as by recreationists. The lands have been reforested with spruce which will be of marketable sawlog size within the lifetime of people in grade-school today. DOF reforestation surveys have shown that in some cases growth rates rival what can be found in any forest in the Lower 48.

The Haines long term timber sale started in 1979 and was concluded in 1985. The total volume harvested was about 17 million board feet of predominately spruce. The General Fund received \$168,623. An additional \$388,428 in road construction that would have been used by the contractor to reduce stumpage payments was lapsed to the benefit of the state for a total amount of \$857,051. The DOF ongoing timber sale program uses these main haulroads today as do other users of the Haines State Forest. While there is no record of costs attributable only to the long term sale, the forest management costs for the Haines DOF office, which now offers the annual allowable cut of 8 to 10 million board feet, is \$63,600 per year.

The Icy Cape I, Icy Cape II and Extension sales began in 1983 and were completed in 1993. The total volume harvested was about 92.9 million board feet of spruce. Over \$2 million was paid to the General Fund. These contracts required the contractor to build between 10 and 20 miles of road and construct 10 steel bridges which are still in use today. The costs for the Yakutat and Icy Bay offices operated by DOF at that time plus Juneau regional office costs attributable to those sales over that period of time was \$894,000.

All of these sales brought basic high-wage jobs to the economy of Alaska, increasing the service sector economies in local communities and impacting suppliers state-wide.

**Forest management agreements.** DOF has looked at a variety of long term timber sale contracts, communicated with the Province of Alberta on the experience there and read published material critical of long term timber contracts in Canada. Management agreements have allowed more economic stabilization than have shorter term contracts made available to the round log export market. Conceptually, the management agreement contractor becomes a partner in protecting the long term productivity of the forest. Management agreements can give the assurance of wood supply that is necessary to attract timber processing investment to Alaska without requiring the state to make the initial investment in timber sale design that a long term sale under existing law would require.

Management agreements cannot exempt any land management activity from the Forest Resources and Practices Act and sustained yield requirements. Restriction of public access does not appear to be a feature of any known long term timber sale or management agreement.

Management agreements would need to be self-supporting under existing law and under proposed legislation. However, some costs are usually associated with ownership of land-based resources even where those resources are renewable but not harvested. Management agreements have been used to meet those costs in Canada. Deficit timber sales have not been desired or proposed by anyone.



## State Timber Sales

April 2, 1994

DEPARTMENT OF NATURAL RESOURCES

DIVISION OF FORESTRY

**Past sales.** The DNR Division of Forestry (DOF) has an active, ongoing program of timber sales on state forest land throughout Alaska. DOF sells most timber competitively through oral auction or sealed bids. Some small sales are negotiated for fair market value. DOF also issues permits to harvest firewood and houselogs or to salvage beach logs.

From 1988 to 1993, the Division sold an average of 22 million board feet (MMBF) of timber annually. About 60% of the sales occurred in Interior Alaska, where the state owns large tracts of white spruce and hardwoods, including the Tanana Valley State Forest. Sitka spruce and hemlock in Southeast Alaska, including the Haines State Forest, accounted for 30% of the sales. The remainder came from white spruce and hardwood stands in southcentral. Forest products from state land contributed \$2.6 million to the General Fund for these years. Currently, 110 sales are under state contract, totaling 139 MMBF. For reference, that volume would supply the Seward Forest Products sawmill for about 4 years on one shift or the Alaska Pulp Corp pulp mill in Sitka for 9 months.

**Proposed sales.** DOF proposes increasing timber sales on state lands for the next five years. For 1994 to 1998, the timber sale schedules offer an average of 84 MMBF annually. With current high timber prices, the sales proposed for FY 95 could generate up to \$12.4 million in General Fund revenue. DOF proposed increase sales in all regions. The largest increase is in the Kenai-Kodiak area, where we propose expanded sales to salvage trees in response to the spruce bark beetle epidemic.

**Timber sale process.** DOF nominates timber sales by placing them on the Five-Year Schedule of Timber Sales. Under AS 38.05.113, most sales must be on the schedule for the two cycles before sale. Small negotiated sales and emergency sales such as beetle salvage sales are exempted from the schedule requirement. The schedules provide an advance overview of the sale program for the timber industry, public, and agencies.

A Forest Land Use Plan is prepared for each sale before offering. The plan describes harvest methods, access routes, and reforestation methods. Plans serve as the preliminary best interest finding for timber sales, and receive public and agency review.

**Revenues and costs.** State timber sales pay the costs of road construction and maintenance, timber harvesting, and site preparation for reforestation. Roads built by commercial operators also provide access to personal use harvest areas. Administrative costs such as timber sale and road layout, contracting, inspections, public meetings and other public process requirements, and replanting costs are paid from DOF operating funds. Because DNR must manage for multiple use, provide for public involvement in timber sale planning, and meet higher standards under the Forest Practices Act, costs of state sales are higher than for private sales. Depending on the value of the wood sold, revenue on individual sales may exceed the administrative and replanting costs, or only cover part of the cost. However, the revenue from the overall timber sale program exceeds program costs. We offer certain sales that do not cover administrative costs to salvage dead timber, accelerate regeneration, and provide jobs and income from harvesting or wood processing. DOF tries to keep sale costs low by coordinating timber sale and fire programs. For example, we use seasonal fire technicians to help lay out timber sales when fire danger is low.

## Timber Sale Volume (MMBF) - 1988 to 1993

REGION	1988	1989	1990	1991	1992	1993	AVERAGE
<b>Southeast</b> - Ketchikan Area - Juneau Area - Haines Area	6.5	5.7	18.1	0.1	0.1	9.7	6.7
<b>Southcentral</b> - Kenai-Kodiak Area - Mat-Su Area - McGrath Area - Copper River Area	4.5	2.0	3.4	0.6	1.5	1.1	2.2
<b>Northern</b> - Fairbanks Area - Tok Area - Delta Area	16.5	13.9	14.3	9.5	9.1	18.6	13.7
<b>TOTAL</b>	27.5	21.6	35.8	10.2	10.8	29.5	22.5

## Proposed Timber Sale Volume (MMBF) - FY 95 to FY 98

REGION	FY 94	FY 95	FY 96	FY 97	FY 98	AVERAGE
<b>Southeast</b>	7.5	34.8	6.0	6.7	37.9	18.6
<b>Southcentral</b>	7.0	80.0	32.0	47.1	72.4	47.7
<b>Northern</b>	11.2	18.0	18.7	20.0*	20.2*	17.6
<b>TOTAL</b>	25.7	132.8	56.7	73.8	130.5	83.9

\* The Tanana Valley State Forest Management Plan update is reviewing potential for additional hardwood sales. If approved, such sales could significantly increase the volume sold in FY 97 and following years.



## Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

Phone: 907-463-3366

Fax: 907-463-3312

### **SB 310: A Timber Mandate for State Lands**

SB 310 significantly changes state forest policy by promoting long-term contracts called Forest Management Agreements, making timber harvest the priority on state lands, and diminishing public participation.

The Alaska Environmental Lobby opposes SB 310. This legislation:

**\*Authorizes the Commissioner of DNR to negotiate long-term contracts (Forest Management Agreements (FMA's)) with big timber companies.** SB 310 mandates DNR to annually solicit FMA's for up to 20-year timber-cutting contracts with possible contract renewals. This is a public resource giveaway which will lock up portions of state lands for years. These contracts are also likely to cost the state money. *(See AEL's position paper on long-term contracts for more information)*

**\*States that "The primary purpose in the establishment of state forests is the development of commercial forest land...".** Existing uses such as subsistence, hunting, fishing, tourism and outdoor recreation would become secondary to large-scale timber development.

**\*Allows two sales under 500,000 board feet to be sold yearly in a region, as well as "emergency sales," without the normally required two year scheduling by DNR.** These sales would be subject only to a 30-day public notice.

4/1/94



Alaska Environmental Lobby, Inc.

P.O. Box 22151 Juneau, Alaska 99802

Phone: 907-463-3366

Fax: 907-463-3312

## The Haines Long Term Timber Sale Lost Millions of Dollars

The State lost more than eight million dollars between 1979 and 1985 in a Haines long term contract. This money was lost in road credits, subsidies, infrastructure, and management costs. After the mill closed several times, the state canceled the contract in 1985.

DNR's briefing paper on long-term timber sales claims that the DNR Division of Forestry made a profit on this sale. However, the attached documents show that the Division of Forestry clearly lost money on the Haines long term timber sale.

**\*DNR spent more than \$1 million dollars for the Haines Forestry Office related to the sale of timber during five years of that sale. Before bankruptcy, DNR owed the contractor more than \$388,000 in purchaser credits due to road construction. In other words, the costs of road construction exceeded the timber stumpage due to the state by \$388,000.**

**\*In addition, the state spent and lost about \$7 million dollars more in mill-related investments, via the Alaska Resource Corporation, which is similar to AIDEA.**

4/25/94



(7)

Document C = 450,339.89 (plus an additional \$ 1E,82E,23 (1982-1984))  
Document B Timber sold; DNR Stumpage: equals \$ 469,176.92  
(to July 14, 1984)

Document B Purchaser Credits \$ 461,605.54  
(to March 31, 1982)

Document D Purchaser Credits \$ 396,000.00  
(DNR estimate to July 14, 1984)

Stumpage Due \$ 388,428.62 DEFICIT  
Less Purchaser Credits  
As Of July 14, 1984

Document A \* Cost of Haines Forestry Office \$1,000,000.00 \$1,097,500.00  
Portion of Costs Related to Sale (1981-1985)  
of Timber

\* ARC Investment to SLC/PPP \$5,600,000.00

Interest on ARC Funds as of \$1,300,000.00  
Filing for Chapter 11 by PPP

Administration Costs to ARC, \$ 100,000.00  
Revenue, Commerce to manage  
ARC investment

Total Revenue/Loss to State \$8,388,428.62 LOSS

Haines sale

# STATE OF ALASKA

## DEPARTMENT OF NATURAL RESOURCES

### DIVISION OF FORESTRY

BILL SHEFFIELD, GOVERNOR

400 WILLOUGHBY AVENUE  
JUNEAU, ALASKA 99801  
PHONE: (907) 465-2491

January 30, 1985

(A)

Honorable Peter Goll  
Alaska House of Representatives  
Pouch V  
Juneau, Alaska 99811

Dear Representative Goll:

The information in this letter is meant to supplement the information I sent to you in my letter of January 24, 1985.

The figures shown below represent the annual budget allocation to the Southeastern Region of the Division of Forestry for the Haines State Forest project (formerly referred to as 'Haines Timber Sale'). The figures represent the budget allocation for the five basic budget segments for fiscal years 1981 through 1985. Prior to fiscal year 1981, our activities at Haines were funded along with all the other activities of the Southeastern Region (including land & water management activities). Therefore, I am not able to determine that portion attributable to Haines operations.

	FY-81	FY-82	FY-83	FY-84	FY-85 <sup>2/</sup>
Allocation (Thousands of Dollars)					
Personal Services <sup>1/</sup>	142.9	179.7	193.7	198.1	252.6 <sup>3/</sup>
Travel and Per Diem	5.5	7.0	8.5	8.5	8.5
Contractual Services	6.8	14.5	14.9	19.8	19.8
Commodities	1.8	3.7	3.8	3.7	3.7
Equipment	-0-	-0-	-0-	-0-	-0-
TOTAL	157.0	204.9	220.9	230.1	284.6

<sup>1/</sup> The allocation for personal services includes partial funding for a few positions located in Juneau due to seasonal or administrative responsibilities related to the Haines work.

<sup>2/</sup> Expenditures for the current fiscal year, FY-85, total \$133,600 for all five categories and represent expenditures current through December 15, 1984 for personal services and expenditures current through January 30, 1985 for other categories.

<sup>3/</sup> The increase over prior year is due to a few positions, formerly partially-funded in other projects, now funded in this project.

---

# Facsimile Cover Sheet

**To: Rep. MacLean & Rep.  
Larson**

**Company: House Finance Committee**

**Phone:**

**Fax: 465-2278**

**From: Terry T. Brady**

**Company: ALASKA HUSKY WOOD**

**Phone: (907) 333-9462**

**Fax: (907) 333-9462**

**Date: 04/30/94**

**Pages including this  
cover page: 2**

**Comments: I sent a telefax indicating that SB 310 (Forest Management Agreements) should not increase state costs, despite some bureaucrats information to the contrary. Now I am sending a telefax to indicate that putting State and Municipal timberlands into production will result in gains to both the public and private sectors of Alaska.**

**I base this on USDA FS research as to the estimated volume and acreage of State of Alaska and Municipal timber as of the end of 1987, and transactional figures as of the end of 1993. .... all based on a 100 year rotation cycle (1/100 of the state and municipal commercial forest land would be harvested each year), and a compounded growth rate for new timber of 1.5% per year (very conservative at this time). This is all based on constant 1993 dollars, and a 2.5 multiplier to indicate impact on the annual economy of the State of Alaska.**

**These figures do not include potential forestry contribution to the State's economy from federal lands, including the two national forests, or Native corporation lands. The State and Municipal lands hold about 18% of the timber resources (volume) within the State of Alaska, so you can compute what the contribution of this replenishable natural resource can be to Alaska, while harvesting only 1% of the State and Municipal commercial forestland land per year. (This would be 0.0004% of all the forested lands of Alaska - and about 0.0001% of the total lands of Alaska - per year, to add \$1 billion yearly to the economy. Hope this is helpful in deciding the fate of SB 310 .... particularly when it is considered we are now losing State spruce forest land at a rate of 10% of the interior spruce forest per year ... which compounds the tragedy of "not utilization" of replenishable resources.**

POTENTIAL CONTRIBUTION FROM FORESTRY

STATE OF ALASKA & MUNICIPAL COMMERCIAL FOREST LANDS ONLY

Constant Dollars over Rotation Period

	Forested	Net Volume	Avg. Harvestable Volume/Acre	
	Acres	cu. ft. (millions)	cu. ft.	bd. ft.
State of Alaska, Municipal Volumes at Start of Period (1987)	4,822,000	7,845	1,627	5,694
Rotation in Years	100			
Avg. Bd. Ft. per Cu. Ft.	3.5			
			<u>Annual Harvest</u>	
			cu. ft.	bd. ft.
Acres per Year Harvest (constant)		48,220		
Volumes at Start of Period (1987)			78,453,000	274,585,500
Compound Annual Tree Growth	1.50%			
Average Annual harvest Over Rotation Period			179,502,852	628,259,980
Value in Constant 1993 dollars				

Values - Year 1 and Over Rotation Period

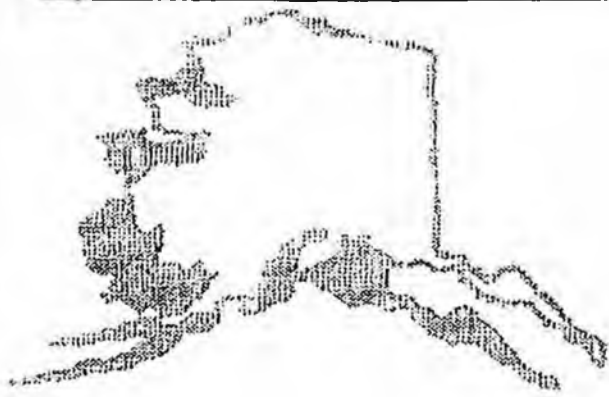
		\$ Per Year
<u>Stumpage per MBF</u>		
\$50	\$ Per Year 1	\$13,729,275
	\$ Per Year Avg.	\$31,412,999
<u>Log Value per MBF</u>		
\$350	\$ Per Year 1	\$96,104,925
	\$ Per Year Avg.	\$219,890,993
<u>As Finished Product</u>		
\$850	\$ Per Year 1	\$233,397,675
	\$ Per Year Avg.	\$534,020,983
<u>Economic Multiplier</u>		
2.5		

Rotational  
Avg. Economic Value to State

	As Logs
\$ Per Year	\$549,727,483
\$ Per Rotation	\$54,972,748,291
	<u>As Finished Product</u>
\$ Per Year	\$1,335,052,458
\$ Per Rotation	\$133,505,245,849

Note: All calculations based on log scale

Sources of Information: USDA FS, Forest Statistics of the U.S., PNW-RB-169, 1987  
and Alaska Husky Wood April 29, 1994



ATTENTION: Rep. Ron Larson, Chair Finance. Comm.

THEIR CONTACT #: 465-4797

FAX #: 465-2293

FROM: CRISTINA SCHNEIDER & Gary McQueen

MY PHONE #: 471-3982 (fax 479-2323) 479-3702

DATE: May 4, 1994 NO. PAGES: 8 (Including this sheet)

COMMENTS: Please make this available to your colleagues in Finance. Comm. in the House.


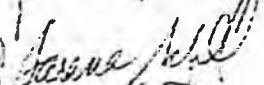

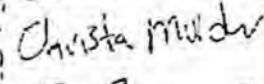
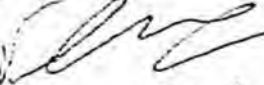
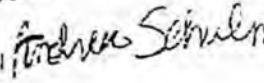
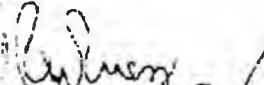
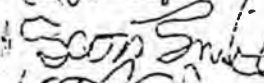


Following are additional signatures to the petition we turned to your office last week. This petition makes a clear statement of opposition to SB310 which was introduced by Senator Steve Frank (R-FBKS). You now hold evidence of nearly 100 people in Alaska who oppose SB310 through this petition. This is in addition to the overwhelming public testimony at teleconferences, via P.O.M.'s & by mail. Please heed these constituent voices. Make us your priority, over alliances to timber lobbyists & your party.

We expect a written reply to the following address:  
P.O. Box 81883 Fairbanks AK 99708

2nd transmission from 479-2323  
to complete petition

- Require cost-benefit analyses to be completed by at least three credible sources who do not have any investment in the development.
- Require environmental impact studies in compliance with all local, state and federal laws prior to, during and subsequent to any contract.
- Disallow long term contracts.

We want the timber industry to provide evidence from its historical record elsewhere that it can practice sustainable, value-added development at a profit before it is permitted to experiment on Alaska's forests, our homes.

<u>Signature</u>	<u>Printed Name</u>	<u>Address</u>	<u>Phone</u>	<u>Affiliation/Interest</u>
	Jon A. Bishop	211 Irving Blvd, UAF Fairbanks 99775	479-2302	5 year resident/biologist/forest user
	Saraana Schell	1657 Old John Tr. Fairbanks 99709	455-6135	lifelong Interior AK resident
	DANIEL ORVASIL	P.O. Box 83394 Fairbanks, AK 99708	479-5616	Biologist
	Christa Mulder	PO Box 83394 Fairbanks, AK 99708	479-5616	Biologist-plant ecologist
	Christopher Larrick	P.O. Box 81324 Fairbanks AK 99708	479-3759	student
	Andrea Schulman	PO Box 81722 Fairbanks, AK 99708	479-9729	Biologist
	RW Ruest	PO Box 84465 Fairbanks AK 99708	479-8336	Biologist
	Scott Smiley	301 81052 " " "	479-0171	Scientist
	Katherine P. Irons	P.O. Box 81052 Fairbanks AK 99708	479-0171	Biologist
	Kelle Drew	PO Box 84002 Fairbanks AK	479-5913	Scientist

MAY-04-94 WED 01:31 PM MAGIC CARPET 987 479 2433 P.01

We the undersigned citizens of Alaska oppose Senate Bill 310.

We recommend that the House of Representatives of the State of Alaska reject Senate Bill 310.

We want the timber industry to provide evidence from its historical record elsewhere that it can practice sustainable, value-added development at a profit before it is permitted to experiment on Alaska's forests, our homes.

Signature	Printed Name	Address	Phone	Affiliation/Interest
(11)	Peggy Shumaker	Box 304 Esler 99725	479-7048	resident since 1988
(12)	Dana Ezran	P.O. Box 35 Esler, AK 99725	474-3537	
(13)	Mary Golden	HC 03 Box 8702A Polunsky, AK	823-3727	resident since 1977
(14)	MARK DEMCHAK	Box 750338 Fairbanks AK	474-3619	
(15)	Peggy D Demchak	Box 750338 Fairbanks AK	474-3619	
(16)	JON PAULSEN	PO Box 83303 FBKS AK	456-2880	
(17)	MARY LUSTON	PO Box 74152 FBKS AK 99707	488-4481	resident 1956
(18)	NANCY P. GELL	PO Box 70454 FBKS AK 99707	474-3807	CONNECTED TO EDUCATION
(19)	Cindy Gell	PO Box 70454 FBKS AK 99707	474-3807	tree hugger.

- Require cost benefit analyses to be completed by at least three credible sources who do not have any investment in the development.
- Require environmental impact studies in compliance with all local, state and federal laws prior to, during and subsequent to any contract.
- Disallow long term contracts.

We want the timber industry to provide evidence from its historical record elsewhere that it can practice sustainable, value-added development at a profit before it is permitted to experiment on Alaska's forests, our homes.

	<u>Signature</u>	<u>Printed Name</u>	<u>Address</u>	<u>Phone</u>	<u>Affiliation/Interest</u>
(20)		Roblyn Dresser	P.O. Box 82745, Fbks, AK	479-7311	Life long Alaska resident; 34 yrs Small timber owner; 18 years
(21)		Michael Dresser	" " " "	"	"
(22)		Julie Filapek	P.O. Box 250419 Fbks, AK	455-4606	tree-hugger
(23)		David Cross	99275		
(24)		Gregory McGuire	600 FAIRBANKS ST. APARTMENT C-14 PO Box 22550 Fbk AK 99708	479 9006 488 3520	Ditto
(25)		Michele R. Robinson	PO Box 83082 Fbks. 99708	479-5609	forest user
(26)		Kristine Ranzet	PO Box 222 Fbks. 99707	456-6314	life long concerned Al't'n.
(27)		SUSAN BLALOCK	P.O. Box 83657 FRBKS 99708	455-6655	need trees + real jobs yrs.
(28)		John Morgan	3240 Rosie G. Rd., Fbks 99709	479-4930	18 yr resident
(29)		DAVID STARK	540 Ben-2not, Fbk 99705	474-6484	23 year re. sett
(30)		Winnie B. Atwood	P.O. Box 1760 FRBKS AK 99707	479-6772	10 yrs born here.

Additional signatures in petition on previous pages

We the undersigned citizens of Alaska oppose Senate Bill 310.

We recommend that the House of Representatives of the State of Alaska reject Senate Bill 310.

We want the timber industry to provide evidence from its historical record elsewhere that it can practice sustainable, value-added development at a profit before it is permitted to experiment on Alaska's forests, our homes.

<u>Signature</u>	<u>Printed Name</u>	<u>Address</u>	<u>Phone#</u>	<u>Affiliation/Interest</u>
30) Phyllis J. Garrett	Phyllis J. GARRETT	730-18 <sup>th</sup> Ave. FAIRBANKS, AK 99701	456 3238	ALASKAN
31) Joan Worley	Joan Worley	1230 26 <sup>th</sup> Ave Fairbanks 99701	452-7495	
32) Jennifer Roberts-Luévano	Jennifer Roberts-Luévano	524 Auburn Fairbanks 99709	458-7251	registered voter
33) Daniel D. Luévano	Daniel D. Luévano	524 Auburn Fbks 99709	458-7251	registered voter
34) Elizabeth McRitchie	Elizabeth McRitchie	Po. Box 341 Ester, AK. 99709	479-7986	ALASKAN
35) Shelly J. Norris	Shelly J. Norris	510 Yak Rd. #854E 99709	479-2198	Alaskan
36) James M. Nageak	JAMES M. Nageak	3936 Birch Ln FAIRBANKS AK 99709	479-4641	Alaskan
37) Marjorie K Cole	Marjorie K. Cole	Box 81816, Fairbanks 99708	457-7078	registered voter
38) Katherine E Stern	Kath E Stern	Br 750-133, UAF, Fairbanks, AK 99775	474-4389	Alaska resident concerned voter

additional signatures to petition on previous pages

We the undersigned citizens of Alaska oppose Senate Bill 310.

We recommend that the House of Representatives of the State of Alaska reject Senate Bill 310.

We want the timber industry to provide evidence from its historical record elsewhere that it can practice sustainable, value-added development at a profit before it is permitted to experiment on Alaska's forests, our homes.

	<u>Signature</u>	<u>Printed Name</u>	<u>Address</u>	<u>Phone#</u>	<u>Affiliation/Interest</u>
(39)	<i>Diedri Scharf</i>	DIEDRI SCHARF	BOX 83948	452-4313	
(40)	<i>Ann Lefavor</i>	Ann Lefavor	PO 347 Ester, AK	479-9387	
(41)	<i>Frank Soos</i>	FRANK SOOS	PO Box 83657 FDL 99708	455-6655	14 yr Resident U of A
(42)	<i>Mary Matthews</i>	MARY MATTHEWS	P.O. Box 80196 Fbk. 91109	457-5701	
(43)	<i>Jean B. Anderson</i>	Jean B. Anderson	509 AGUILA ST.	Fbks. 99712 457-7692	Long-time resident (since 1966)
(44)	<i>Carolyn Sue Kremer</i>	Carolyn Sue Kremer	PO Box 84231 Fbks 99708	479-0920	resident

FAIRBANKS

## Daily News - Miner

"Independent in All Things . . . Neutral in None"

Established in 1903

CHARLES J. GRAY  
PublisherPAUL J. MANN  
EditorBIR HAYTON  
Managing EditorJACK EDWARDS  
Asst. Managing EditorSAM BISHOP  
Editorial Page Editor

## Forest bill needs tempering

If Alaska is going to benefit from the long-term forest agreements proposed by some of our legislators, the agreements must be done right—economically and environmentally.

Some signs in Juneau indicate that goal may not be getting the support it deserves. The bill allowing the state to assign large tracts of forest land to single companies has bypassed the House Finance Committee, ostensibly because it would have no effect on state finances.

The assertion is questionable at best. First, forest management agreements will earn some money for the state through stumpage fees. Second, such agreements will cost the state because they will, if done right, require much more intensive forest inventories and oversight.

Better inventories are necessary both to protect the state and the forest.

Alaska should never find itself in the position faced by Alberta, Canada. It committed to huge forest management agreements years ago without proper inventories. Now it turns out there isn't enough wood on the land they assigned to the agreements, so the province is looking to its park land to meet its commitments.

More important, thorough inventories would be critical to the long-term health of our forest under management agreements. Scientists and our own intuitions tell us that truly sustaining the forest requires corridors of undisturbed land along streams and across watersheds to allow travel of beneficial animals, birds and insects. Old growth nodes must be left to act as "seed" areas for the plants, soil bacteria and fungus essential to healthy forests. Detailed inventories help make such ideas work.

Besides acknowledging the need for complete inventories, legislators ought to consider a few other changes to Senate Bill 310. It should create a public process that would set the maximum amount of acreage to be covered in agreements at one time and the maximum amount to be placed in new leases in any one year. That would address concerns that a pro-industry administration will tie up too much of our best land, leaving local users with the dregs.

The current bill also lets the commissioner of natural resources commit the state to paying for much or all of the industry's roads, scaling services and reforestation. That would be costly work, but the bill only requires the commissioner to evaluate proposed management agreements for economic benefits to the state. We need a statement of liabilities, too.

Knowledge of those liabilities is particularly important given experiences in Canada, where some pulp mills with forest agreements have required outrageous subsidies. Critics of forest agreements suspect such subsidies are the only way Alaska will be able to compete with South American and Southeast Asian pulp mills.

If that's true, the public needs to know so it can hit the kill switch.

## FORUM / LETTERS

# Alaska doesn't need cut-and-run timber industry

By LANE THOMPSON

FAIRBANKS — For an idea of how the large-scale timber harvests allowed under Senate Bill 310 will affect the entire state, it is useful to see what the proponents have in mind for the Tanana Valley. A Fairbanks Daily News-Miner feature on SB 310 on April 3 brings back the words of Benjamin Disraeli, "There are three kinds of lies: lies, damned lies and statistics."

The News-Miner prominently displayed the "fact" that the "Tanana Valley contains about 29 million acres (total) of forest resources." A News-Miner article then quoted state of Alaska forestry economist Frank Seymour: "There are 30 million acres of forest in the general area. The most ambitious plans I've heard would harvest only 10 to 15 percent of that acreage."

Now it is true that there are about 29.1 million acres in the Tanana Valley basin.

But are they really forest? These so-called "forested" acres include the summits of Mount McKinley, Foraker, Deborah, Hess, Hayes and half the Wrangell mountains. They contain all the north-flowing glaciers from these mountains. They contain all the rivers, sloughs, river bars, lakes and swamps in the Tanana Valley. They contain all



of Tanana Valley's bare uplands, all its millions of acres of tussocks and hummocks. Is including these acres as "forest" what the proponents of Senate Bill 310 call straight talk?

Seymour's "10 to 15 percent of that acreage" would harvest 2.9 million to 4.4 million acres. If we leave out the military and U.S. government acres (11.6 million), the total acres remaining in state and private hands are 17.5 million acres.

No accurate inventory exists of forest resources within this area. But we would be lucky if even one-third of that area, 6 million acres, is what foresters call "commercial forest" or what the normal citizen thinks of when someone says "forest" or "forest resources." To harvest "only 10 to 15 percent" is actually between 50 and 75 percent of the forest. Of course, the percentages to be cut would be even higher in the easily accessible areas, the areas people use along the roads and rivers.

Seymour is further quoted saying that "a thriving forest industry could create as many as 5,000 to 10,000

*Putting aside their extravagant claims for new jobs, the proponents of SB 310 clearly envision a degree of logging that will result in massive deforestation of the Tanana Valley.*

felling, transporting and processing jobs in the Interior."

Ron Ricketts, of Fairbanks Industrial Development Corp., who is acknowledged as a prime supporter and backer of Senate Bill 310, has stated that logging 100,000 board-feet a day, 4,100 acres per year would employ 100 people per year in felling, transporting and processing.

Using Seymour's low figure of "5,000 jobs" results in a forest cut of 200,000 acres per year. Using the proponents' own figures, this rate of cutting over the 40-year extended life of a forest management agreement would result in a total cut of 8 million acres!

They would have to cut every tree in the Tanana Valley not on the military reservations! And it takes these trees an average not of 40 years,

but of 100 years to grow back.

Putting aside their extravagant claims for new jobs, the proponents of SB 310 clearly envision a degree of logging that will result in massive deforestation of the Tanana Valley. Behind Senate Bill 310 is the idea to use the state forest as a gateway to the adjacent forested lands where cutting regulations are weak or nonexistent, such as the lands selected by the Mental Health Trust, by the university and by the Native corporations.

SB 310 has passed the Senate and is now in the House. The Democrats have offered a number of serious amendments and compromises: To put a limit on massive clear-cuts. To prevent hidden subsidies by state agencies. To require payment of fair market value by timber corporations. To protect multiple use. To protect

small loggers. To inventory the trees on hand before distributing these 20-year contracts to the multinationals. To do a simple cost-benefit analysis showing whether the state gains or loses from this bill.

Each of these amendments offered by the Democrats has been voted down by the Republican majority under the iron hand of the bill's sponsor, Sen. Steve Frank, who controls all bills coming through the Senate Finance Committee.

Should SB 310 pass the House it will provide the legal conditions to create massive clear-cuts in the Tanana Valley within the next 20 years. There is no reason to limit these clear-cuts to the Tanana Valley. Should SB 310 pass, they can happen throughout the state.

The inhabitants of the Tanana Valley and the state do not need another boom industry that cuts and runs in 20 years. We need a long-term, sustainable timber industry for the next 200 years.

We do not need a new law that gives out-of-state timber corporations and loggers the right to rapidly deforest the Tanana Valley and other areas of Alaska.

☐ Lane Thompson is a professional civil engineer who started work in Fairbanks as a surveyor in 1950.

### Stop Humane Society

It is time to use Humane Society tactics! Write to major Idditarod sponsors and say, "Thanks for the support."



the Humane Society, which is against something?

Search me. The last time I looked, a positive plus a negative added up to a zero.

This is not to imply that any of these organizations is better than any other, or that any

DT: 5/3/94                    PLEASE COPY TO ALL COMMITTEE MEMBERS  
FR: Jim Sykes  
TO: Rep. Ron Larson and House Finance Committee Members  
RE: Testimony on SB310

My name is Jim Sykes, my residence is northeast of Talkeetna in the Susitna Forest. I am a candidate for Governor. I believe it is unwise for you to cut-out the public from testifying on SB310, which has enormous financial and natural resource implications. It looks to me like the bill also cuts out the public.

I believe you are headed for dangerous legal territory with SB310, and quite frankly I don't see the need for it. We do Comprehensive plans, coastal zone management plans and community plans to prioritize likely uses. I chaired a long community planning process for the 300 square miles of the Chase Comp Plan. Our forest is one of multiple uses, like most forests. This bill creates an unnecessary conflict with the already established planning process and prioritizes trees for commercial timber harvest. The proposed amendment to Section 5 should be stricken.

You should also be aware that where plans are in conflict, it triggers a higher level of review before industry can proceed. For example, if the federal government wants to do something that goes along with an existing management plan, only an Environmental Assessment may be required. If the project is in conflict with a plan, the National Environmental Policy Act kicks in and a full Environmental Impact Statement is required. This bill could actually create that kind of conflict.

Worse than that SB310 gives the DNR Commissioner almost god-like authority to develop whatever long term forest management agreements she or he feels like. It definitely shuts out the public process, where there is already not enough citizen participation. If you don't have an example of what an FMA is going to look like, you

shouldn't pass legislation giving full authority to the DNR Commissioner to figure it out in the absence of public process.

The worst part of this proposed system is that we are basically paying people to cut down our trees and cart them off. We lose in two ways--getting only 10 cents in return for every dollar spent, and the resource is gone. Former State Forester Ted Smith testified before the Chase Comp Plan committee that the Susitna Forest could not be profitable without subsidies for roads and bridges. It's time for the state to wise up and quit being the sucker for anything that sounds like economic development. We have to ask who benefits while the state pays. The fiscal note could be millions. Round logs could be exported to foreigners without restriction.

Section 2 c is one of those "One-size-fits-all" kinds of laws that won't work. Exempting a sale of a half million board feet in Southeast Alaska might be 20 acres, in my forest it might be 200 acres. Timber sales should be made on an as needed permit basis for sales lasting up to 5 years in length. All timber sales should have extensive public input from communities most affected before they are considered.

Several years ago the values of tourism, recreation and remote uses were figured to have a yearly financial benefit greater than cutting down and selling the entire Susitna Forest. We have a multiple-use forest where recreation is the primary benefit along with local loggers who historically cut from 500-1500 acres a year. Large FMA's cut out small time loggers who are adding value to the local economy instead of creating a few short-term jobs that the FMA's might create.

In summary, I hope you will make a wise decision and NOT PASS this legislation. It's not needed. If it ain't broke don't fix it--and it ain't broke.

**DIVISION OF LEGAL SERVICES**  
**LEGISLATIVE AFFAIRS AGENCY**  
**STATE OF ALASKA**

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105

**MEMORANDUM**

April 30, 1994

**SUBJECT:** Sectional Summary - HCS CSSB 310(RES) (Work Order No. 8-LS1558\D)

**TO:** Senator Steve Frank  
Att: Rick Solie

**FROM:** Jerry Luckhaupt *JL*  
Legislative Counsel

You have requested a sectional summary of the above-described bill. As a preliminary matter, please note that a sectional summary of a bill should not be considered an authoritative interpretation of the bill - the bill itself is the best statement of its contents.

**Section 1 of the bill** amends AS 38.05.112 relating to forest land use plans by allowing isolated sales of 50,000 board feet or less to be sold without the adoption of a site-specific forest land use plan; by limiting the specific information from other agencies the commissioner must base land use plans upon; by limiting when the requirements of AS 38.04.065(b) must be considered in land use plans; and by requiring the commissioner to document any finding that commercial timber harvesting is an incompatible use in plans prepared under AS 41.17.230 and 38.04.065.

**Section 2 of the bill** amends AS 38.05.113(c) by providing that sales of timber under 500,000 board feet and emergency sales are exempt from the requirement of AS 38.05.113 that all sales must be reflected in the two five-year schedules of sales preceding the sale, if public notice of the small or emergency sale is provided. This section also provides a maximum amount of exempt sales for each region.

**Section 3 of the bill** amends AS 38.05 by adding a new section to provide that the commissioner of natural resources may enter into forest management agreements with persons so that the person may enter on state forest land and select, harvest, and regenerate timber. Detailed procedures for these forest management agreements are provided.

Senator Steve Frank  
April 30, 1994  
Page 2

**Section 4 of the bill** amends AS 41.17.060(c) relating to standards for the administration of state and municipal forest land. The addition of new paragraph (8) is merely a continuation of the reforestation requirement previously contained in AS 41.17.060(b)(4) which is repealed in bill sec. 9.

**Section 5 of the bill** amends AS 41.17.060 by adding a new subsection (d) which modifies the reforestation requirement as to private land previously contained in AS 41.17.060(b)(4) which is repealed in bill sec. 9.

**Section 6 of the bill** amends AS 41.17.200 to restate the primary purpose of state forests.

**Section 7 of the bill** amends AS 41.17.200 by adding a new subsection providing the commissioner of natural resources with direction for the management of state forests.

**Section 8 of the bill** provides a severability clause.

**Section 9 of the bill** provides a repealer.

GPL:pl:mi:lmb  
94-136.lmb

# Daily News-Miner

The Voice of Interior Alaska

FAIRBANKS, ALASKA, SUNDAY, APRIL 1, 1994

\$1.25 per copy

A-10

## Opinion

SAM BISHOP, Editorial Page Editor: 456-6661 (Ext. 2741)

FAIRBANKS

### Daily News-Miner

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Assistant Editor      News Manager      Editorial Page Editor

### Back the forest agreements

Proposals to quadruple the rate of timber harvest in the Tanana Valley predictably brought protests during the past few years from a limited community of interested people in Fairbanks. But Sen. Steve Frank's proposal this winter to mandate the leasing of forest land to large corporations drew outrage from a much broader group.

The burgeoning protest reflected concern about specific language in the bill that undermined public comment opportunities, sustained yield principles and multiple-use mandates.

Many of those objections to SB 310 were on target. But when Sen. Frank pruned the bill to address many of the problems, the protests didn't die.

The bill brings up a philosophical debate that tends to evoke strong opinions. Should natural resources be managed in such a way that favors use by individuals and small companies or use by national and multinational corporations? Alaska has seen its share of such debate, dating back to the battles over corporate fish traps on our rivers.

We decided against the fish traps, but that doesn't mean we should decide against corporate use of our timber. It seems the debate should not be over big vs. small, but over costs vs. gains. And the gains from well-designed forest management agreements appear to outweigh the costs.

Shutting down the corporate fish traps helped Alaskans more than it hurt because our individual residents could still tap the full potential of the resource. But the individuals and small companies using the Tanana Valley forest today aren't tapping its potential benefits. And neither are the few big operators that we do attract—they just load the whole logs onto railroad cars in Nenana and ship them to Japan. They have no incentive to invest in the kind of processing plants here that would return value to Alaskans.

Forest management agreements, with the associated processing plants, would help us tap the economic value our forests possess. Such value, which will become more important as our oil wealth declines, not only will be found in jobs and income to the state but also in more stable habitat for some of our more edible wildlife such as moose and hares. The balance should be positive as long as the state charges market-based fees for the timber, refrains from dabbling in subsidies and sets aside plenty of forest land outside the agreements for other users. We can enforce those conditions through the public process.

The quest for economic value cannot eclipse our foresight and responsibility to the land, though. Forest management agreements must be done right and contain a public process to ensure that they are. Frank's original bill didn't meet those standards. It advocated a timber cutting concept called "variable periodic output" that seemed to allow the sustained yield principle to be ignored simply to boost the forest's productivity. That was particularly worrisome because the bill also apparently exempted the state from inventorying trees under forest management agreements. The combined effect could be disastrous for certain forest types and wildlife habitats.

The Tanana Valley's few million acres of commercial-level forest are not the productive gardens of the Pacific Northwest. So we must be extra careful with forest management agreements on them. We need detailed inventories by forest type. Cutting must adhere to the sustained yield ideal within each of those types, with consideration for losses to fire, disease and man's encroachment.

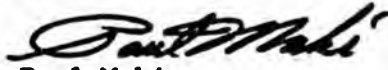
To a certain extent, we must trust that the Division of Forestry personnel will meet those goals. The revised SB 310 shouldn't prevent them from doing so. In fact, it may help them by creating the justification for inventory funding that they can't obtain now. And it offers a way that citizens can object if the goals are not met.

Our Haines Area Office sent me a list of the units cut under the Long Term Timber Sale Contract, and it also shows the acreages harvested within each of those units. It appears as Attachment #1. I've also included as Attachment #2 several hand-tabulated records showing volumes removed from specific units; some of the earlier units were not similarly recorded, however.

And finally you have asked for some information concerning expenditures relative to the Haines area activities. I am attempting to compile that information now and plan to have that information to you early this coming week. I would like to point out, however, that we are several years ahead on our sale layout work for the Long Term Timber Sale. Accordingly, we will not be filling vacant positions in Haines this field season. In fact, several of the positions will be moved to other areas within the State. Although our reorganization has not been finalized yet, we are contemplating operating in Haines with only two full-time and three seasonal positions this season.

I hope that this information answers your questions. And as I stated before, when I have the other information, I will pass it on to you.

Sincerely,



Paul Maki  
Regional Forester

Attachment

**SB**

**311**

**SFIN**

**FILE**

# SENATE FINANCE COMMITTEE REPORT

DATE: 3/30/94

FURTHER:

DATE TURNED INTO OFFICE: 4-9-94

The Finance Committee considered SENATE BILL NO. 311

CREDIT TO FISHERY RESOURCE LANDING TAX

and recommends:

- replace with \_\_\_\_\_ CS SB 311 (FINANCE)
- or  adopt previous \_\_\_\_\_ CS \_\_\_\_\_
- attaches amendment(s)

- same title
- new title
- technical title change (HB only)

- adopts \_\_\_\_\_ Letter of Intent
- further referral to the \_\_\_\_\_

- do pass
- do not pass
- no recommendation
- individual recommendations

**NEW FISCAL NOTES**

Department	Date	Zero	Fiscal

**PREVIOUS FISCAL NOTES**

Department	Date	Zero	Fiscal
Dept of Revenue	3/22/94	<input checked="" type="checkbox"/>	

Appropriation No Fiscal Note

DO PASS:

Tim Kelly  
George Tucker  
   
   
 

OTHER RECOMMENDATIONS:

Bob Noyes N-R

# FISCAL NOTE

No. 1  
 Bill Version: SB 311  
 (S) Publish Date: 3-30-94

STATE OF ALASKA  
 1994 LEGISLATIVE SESSION

BILL N

Revision Date: \_\_\_\_\_ Dept. Affected: Revenue  
 Title: Credit to Fishery Resource Landing Tax BRU: Revenue Operations  
 Component: Income and Excise Audit  
 Sponsor: (S) FIN  
 Requestor: (S) RES COMPONENT SERIAL NO. 113

Expenditures/Revenues: (Thousands of Dollars)

	FY95	FY96	FY97	FY98	FY99	FY00
OPERATING						
PERSONAL SERVICES						
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	0.0	0.0	0.0	0.0	0.0	0.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE FUND SOURCE: General	Up to (587.0)	Up to (587.0)	Up to (587.0)	Up to (587.0)	Up to (587.0)	Up to (587.0)
------------------------------	---------------	---------------	---------------	---------------	---------------	---------------

FUNDING: (Thousands of Dollars)

	FY95	FY96	FY97	FY98	FY99	FY00
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1006 GF/MHTIA						
Other						
<b>TOTAL</b>	0.0	0.0	0.0	0.0	0.0	0.0

POSITIONS:

	FY95	FY96	FY97	FY98	FY99	FY00
FULL-TIME						
PART-TIME						
TEMPORARY						

Estimate of current year (FY94) impact: \$ 0.0

ANALYSIS: (Attach a separate page if necessary.)

(See Attached)

Prepared by: Larry E. Mevers Phone: 465-2320  
 Division: Income and Excise Audit Division Date: March 22, 1994  
 Approved by Commissioner: Darrel J. Rexwinkel Date: March 22, 1994  
 Agency: Department of Revenue

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### **Bill Analysis**

This bill would allow taxpayers to claim credits against fishery resource landing taxes payable for qualified contributions made by taxpayers not harvesting fisheries resources under a community development quota (CDQ). Credits could be claimed on contributions made after July 1, 1994 and be applied to fishery resource landing taxes paid after June 30, 1994

Section 1 requires that taxpayers apply to Department of Revenue to obtain the credit and authorizes the Department to establish procedures for expediting review and approving credits subsequent to public comments.

Section 2 authorizes the Department to revoke a prior approval of a tax credit if the Department determines that the contribution does not qualify for credit or if the taxpayer is in arrears in payment of taxes under AS 43.

Section 3 provides for a credit of 13.65% of the tax due on fishery resources not harvested under a CDQ consistent with the 45.45% CDQ credit. The original 50% CDQ credit was reduced to 45.45% to effectively preclude a credit from being taken against the portion of the tax destined for ASMI. The 13.65% credit is essentially a 15% credit reduced in a similar manner.

Section 4 amends the landing tax revenue sharing provisions so that the state absorbs one-half the amount of tax credits in calculating amounts shared to municipalities. Amounts to be shared are subject to legislative appropriation.

### **Operating Costs**

This bill would not require any additional operating costs. Existing staff will review applications for credits, process fishery resource tax returns which otherwise would be received by the Department and share tax amounts collected. Tax return forms will be modified to specify credits being claimed from fishery resources not harvested under a CDQ.

### **Revenue**

Since the fishery resource landing tax just took effect January 1, 1994, historical data is not available to determine the extent of contributions which would be made and credits which would be claimed under this bill. Based on the Department's fiscal note submitted last year for the landing tax bill (CSHB 264(FIN)), total landing tax revenue after deducting the portion for ASMI was estimated to be \$8.6 million.

**Revenue (Continued)**

Assuming all landing tax revenue above was attributable only to fishery resources not harvested under a CDQ and the maximum amount of credits was claimed (13.65% of the tax), maximum revenue loss under this bill would be \$586,950 as calculated below.

	With SB 311	Without SB 311
Gross Tax	\$8,600,000	\$8,600,000
Maximum Credit (13.65%)	(1,173,900)	0
Net Tax (Gross Tax - Credit)	7,426,100	8,600,000
Amount Shared (50% of Net Tax)	3,713,050	4,300,000

	With SB 311	Without SB 311	Increase (Decrease)
Net Tax	7,426,100	8,600,000	(1,173,900)
Less Amount Shared	(3,713,050)	(4,300,000)	586,950
Net Amount Retained by State	3,713,050	4,300,000	(586,950)

A M E N D M E N T

*Adopted*  
3-1

OFFERED IN THE SENATE  
TO: SB 311

SENATE FINANCE  
COMMITTEE  
Amendment Number: 2  
Bill Number: SB 311  
Sponsor: \_\_\_\_\_ Date: 4/9/94  
Logged In By: [Signature]

Page 1, line 6, after "credit":  
Delete "and"

Page 1, line 7, after "tax":

Insert ", and amending the fishery resource landing tax to eliminate claim of the credit for contributions of capital"

Page 1, following line 9:

Insert "\* Section 1. AS 43.77.040(a) is amended to read:

(a) A taxpayer who harvests a fishery resource under the provisions of a community development quota may claim as a credit, against not more than 45.45 percent of the tax under this chapter that is due on the value of the fishery resource harvested under the community development quota, the taxpayer's contributions made during the tax year to a nonprofit corporation incorporated under the laws of the state that are used by the recipient for one or more of the following purposes:

(1) scholarships for study in the state in the disciplines of fisheries management, fisheries business administration, or another related course or discipline;

(2) training in the state for employment in the seafood industry;

(3) [MAKING CONTRIBUTIONS OF CAPITAL, IN THE FORM OF LOANS OR GRANTS, TO CONSTRUCT OR IMPROVE

(A) TRANSPORTATION FACILITIES IN THE STATE SUCH AS AIRPORTS AND DOCKS THAT ARE USED FOR THE UNLOADING, TRANSFERRING, OR SHIPMENT OF FISHERIES PRODUCTS; OR

(B) FACILITIES IN THE STATE AT WHICH FISHERIES

PRODUCTS ARE CANNED, FROZEN, OR OTHERWISE PROCESSED FOR INVENTORY, INCLUDING FLOATING FACILITIES THAT ARE DOCUMENTED UNDER THE LAWS OF THE UNITED STATES AS DEFINED IN 46 U.S.C. APP. 801;

(4)] awarding grants for research projects relating to Alaska fisheries."

Page 1, line 10:

Delete "Section 1."

Insert "Sec. 2."

Renumber the following bill sections accordingly.

SB 311 PROPOSED AMENDMENT

*Amend #3*  
**ADOPTED**  
4-0

Sec. 1. page 2, line 5, delete all underlined language and replace with the following:

A nonprofit corporation may apply to the department and request a written determination that the intended use of contributions by the nonprofit corporation for a specifically designated program satisfies one or more of the requirements of AS 43.77.040. A written determination issued to the nonprofit corporation is department approval under this section of contributions by taxpayers to the corporation.

**DRAFT**

CS SENATE BILL NO. 311 (Fin)

IN THE LEGISLATURE OF THE STATE OF ALASKA  
EIGHTEENTH LEGISLATURE - SECOND SESSION

BY THE SENATE FINANCE COMMITTEE

Introduced: 2/14/94  
Referred: RES, FIN

A BILL

FOR AN ACT ENTITLED

1 "An Act authorizing a credit against the fishery resource landing tax for certain  
2 contributions made by taxpayers not harvesting fisheries resources under a  
3 community development quota and for contributions based on fishery resources  
4 not harvested under a quota made by taxpayers harvesting fisheries resources  
5 under a community development quota, amending the manner of calculating the  
6 amount available for revenue sharing by operation of this credit, and expediting  
7 agency review of the credit applications under that tax; and providing for an  
8 effective date."

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

10 \* Section 1. AS 43.77.040(b) is amended to read:

11 (b) A taxpayer who makes a contribution that qualifies for the credit  
12 authorized by (a) or (e) of this section must apply to obtain the credit. The taxpayer

1 shall apply to the department in the manner provided by the department by regulation,  
2 and shall provide to the commissioner all information relating to the contribution that  
3 may be required by the department. Upon receipt of a complete application, the  
4 department, in consultation with the Department of Community and Regional Affairs,  
5 shall approve or disapprove the application for the credit within 60 days. On  
6 application by a nonprofit corporation, if, after notice and opportunity for public  
7 comment, the commissioner determines that all contributions to the nonprofit  
8 corporation would be used exclusively for a purpose that qualifies for the credit  
9 under (a) or (e) of this section, the commissioner shall establish a procedure for  
10 expedited review and approval of credit applications relating to contributions to  
11 that corporation.

12 \* Sec. 2. AS 43.77.040(c) is amended to read:

13 (c) The department shall revoke a prior approval of a tax credit and may not  
14 allow a tax credit under this section if (1) the department determines that the  
15 contribution does not qualify under (a) or (e) of this section; or (2) the taxpayer  
16 claiming the credit is in arrears in the payment of a tax levied in this title. For  
17 purposes of this subsection, a taxpayer is not in arrears if the payment is under  
18 administrative or judicial appeal.

19 \* Sec. 3. AS 43.77.040 is amended by adding a new subsection to read:

20 (e) Each of the following may claim a credit, against not more than 13.65  
21 percent of the tax under this chapter that is due on the value of the fishery resource  
22 not harvested under a community development quota, the taxpayer's contributions  
23 made during the tax year to a nonprofit corporation incorporated under the laws of the  
24 state that are used by the recipient for one or more of the purposes set out in (a) of  
25 this section:

26 (1) a taxpayer other than a taxpayer who is eligible for a credit under  
27 (a) of this section;

28 (2) a taxpayer who is eligible for a credit under (a) of this section, but  
29 the credit under this subsection may be claimed only from contributions that are made  
30 from the value of the fishery resource that is not harvested under a community  
31 development quota.

1 \* Sec. 4. AS 43.77.050(b) is amended to read:

2 (b) After payment of the amount determined under (a) of this section, the  
3 balance of the tax collected under this chapter shall be paid into a separate account in  
4 the general fund. The annual balance in the account may be appropriated by the  
5 legislature for revenue sharing under AS 43.77.060. Before making the payments  
6 to municipalities authorized by AS 43.77.060, from amounts payable to  
7 municipalities under AS 43.77.060(a) - (c) the commissioner shall deduct

8 (1) the entire [THE] amount of [ALL] tax credits authorized by  
9 AS 43.77.040(a) that have been approved by the commissioner under  
10 AS 43.77.040(b); and

11 (2) one-half of the amount of tax credits authorized by  
12 AS 43.77.040(e) that have been approved by the commissioner under  
13 AS 43.77.040(b) [SHALL BE DEDUCTED FROM AMOUNTS PAID TO  
14 MUNICIPALITIES UNDER AS 43.77.060(a) - (c)].

15 \* Sec. 5. If this Act takes effect after July 1, 1994, this Act is retroactive to July 1, 1994.

16 \* Sec. 6. This Act takes effect July 1, 1994, and applies to fishery resource landing taxes  
17 paid after June 30, 1994.

## DIVISION OF LEGAL SERVICES

### LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450  
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Juneau, Alaska 99801-2105

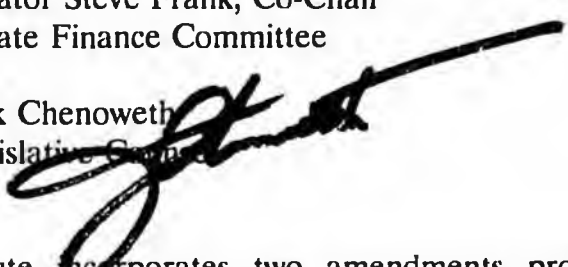
#### MEMORANDUM

April 9, 1994

**SUBJECT:** CSSB 311 (Finance) (Work Order 8-LS13170)

**TO:** Senator Drue Pearce, Co-Chair  
Senator Steve Frank, Co-Chair  
Senate Finance Committee

**FROM:** Jack Chenoweth  
Legislative Counsel



The committee substitute incorporates two amendments provided to me by committee staff.

Please look at my reworking of the amendment set out at the end of bill section 2. Under the language that was provided, the Department of Revenue would be asked to determine "that the intended use of contributions by the nonprofit corporation for a specifically designated program" would satisfy one or more of the requirements of AS 43.77.040. Now I assume that the reference to section 040 is one to the eligible list of uses under AS 43.77.040(a), and have inserted a reference to that specific subsection. More significantly, I have, at the very end of the insert added the following words as a limitation: "for the specifically designated program for which the department's written determination was issued." I assume that you don't want the department to approve contributions "for a specifically designated program" and then be required to give the credit when the contributions are merely given to the nonprofit corporation without also being subject to the requirement that they be applied to the approved program.

The change in language in AS 43.77.040(b) necessitated a modification of one provision of the bill title.

JBC:pl  
94-299.plm

# STATE OF ALASKA

WALTER J. HICKEL, GOVERNOR

## DEPARTMENT OF REVENUE

INCOME AND EXCISE AUDIT  
P. O. BOX 110420  
JUNEAU, AK 99811-0420  
FAX: (907) 465-2375

March 25, 1994

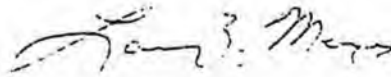
The Honorable Mike Miller  
Alaska State Legislature  
Chairman, Senate Resources Committee  
State Capitol, Room 423  
Juneau, AK 99801-1182

RE: SB 311

Dear Senator Miller:

A listing of current and proposed tax credits and limitations on the availability of the credits is enclosed as requested by the Committee.

Sincerely,



Larry E. Meyers  
Director  
Income and Excise Audit Division

Enclosure

cc: Senate Resources Committee

94-063

## ALASKA TAX CREDITS

CREDIT	STATUTE	LIMITATION
<i>Fisheries Business Education Credit</i>	AS 43.75.018	50% of 1st \$100,000 in contributions 100% from \$100,000-\$200,000
<i>Oil or Gas Producer Education Credit</i>	AS 43.55.019	50% of 1st \$100,000 in contributions 100% from \$100,000-\$200,000
<i>Income Tax Education Credit</i>	AS 43.20.014	50% of 1st \$100,000 in contributions 100% from \$100,000-\$200,000
<i>Oil or Gas Property Education Credit</i>	AS 43.56.018	50% of 1st \$100,000 in contributions 100% from \$100,000-\$200,000
<i>Mining Business Education Credit</i>	AS 43.65.018	50% of 1st \$100,000 in contributions 100% from \$100,000-\$200,000
<p>The sum of the credits allowed for the Education Credit may not exceed \$150,000.</p>		

<i>Tax Credit For Scholarship Contributions</i>	AS 43.75.032	100% of contribution limited to 5% of fisheries business tax liability
<i>Special Industrial Incentive Tax Credit</i>	AS 43.20.042	10% of qualified investment. The qualified investment is also limited to from 100% to 40% of the amount spent. Credit may then not be applied against more than 60% of the tax liability
<i>Federal Income Tax Credits</i>	AS 43.20.021(d)	Limited as provided in federal statute and further limited to 18% for Alaska tax purposes
<i>Fisheries Resource Landing Tax Credit</i>	AS 43.77.010	100% of contributions but limited to 45.45% of the tax on resources harvested under a CDQ
<i>Fisheries Business Tax Credit (pre 1992)</i>	AS 43.75.032	50% of capital expenditures

PROPOSED LEGISLATION

CREDIT	STATUTE	LIMITATION
<i>SSSB 223</i> <i>Public Broadcasting Credit</i>	AS 43.20	50% of 1st \$100,000 in contributions
	AS 43.55	100% from \$100,000-\$200,000
	AS 43.56	
	AS 43.65	
	AS 43.75	Total credit under all chapters not to exceed \$150,000
<i>CSSB 225</i> <i>Insurance Tax Credit</i>	AS 21.89	50% of 1st \$100,000 in contributions
	AS 43.55	100% from \$100,000-\$200,000
	AS 43.56	
	AS 43.65	
	AS 43.75	Total credit under all chapters not to exceed \$150,000
AS 43.20		
<i>HCSSB 151</i> <i>HB 200</i> <i>Exploration Incentive Credit</i>	AS 41.09	Limited to: \$5,000,000 per project \$50,000,000 for all projects 50% of eligible costs on state owned land 25% of eligible costs on land not owned by state
<i>CSHB 498</i> <i>Mineral or Coal Exploration</i> <i>Incentive Credit</i>	AS 27.30	Limited to: 50% of eligible costs 50% of taxes due under AS 43.20, AS 43.65, and AS 38.05

## DIVISION OF LEGAL SERVICES

### LEGISLATIVE AFFAIRS AGENCY STATE OF ALASKA

(907) 465-3867 or 465-2450  
FAX (907) 465-2029  
Mail Stop 3101

130 Seward Street, Suite 409  
Juneau, Alaska 99801-2105


#### MEMORANDUM

March 21, 1994

**SUBJECT:** Senate Bill 311 -- Sectional Analysis (Work Order No. 8-LS1317K)

**TO:** Senator George Jacko  
ATTN: Bryce Edgmon

**FROM:** Jack Chenoweth  
Legislative Counsel



Ch. 67, SLA 1993, imposed the levy of a fishery resource tax of 3.3 percent on fishery resources brought into and first landed in the state, but allowed a credit to be claimed against the tax for contributions made by a taxpayer harvesting under a community development quota. This bill expands that credit to cover contributions by taxpayers not harvesting under a community development quota.

The principal provision of the measure is bill section 3. That section permits the claim of a credit for contributions by a taxpayer other than one harvesting the fishery resource under a community development quota **and** by a taxpayer harvesting under a CDQ if the taxpayer's contributions that are the basis of the claim of credit are made from the value of fishery resources not harvested under a CDQ. The maximum amount of the credit that these taxpayers may claim, as you explained to me, should be equal to 15 percent of the value of the fishery resource not harvested under a CDQ. However, just as last year's proposed 50 percent credit was reduced to 45.45 percent in order to avoid any loss of revenue available to support the Alaska Seafood Marketing Institute, section 3 of the bill proposes a like reduction in the 15 percent maximum, down to 13.65 percent (as set in this bill section) for non-CDQ-supported tax contributions. (The second page of my January 21 memo to you gives more detail as to how the 13.65 percent figure was derived.)

A related provision, bill section 4 splits the burden of the impact of the new non-CDQ based contribution credits evenly between the amount deposited as unrestricted state general fund and the amount separately accounted and available for payment of revenue sharing by the state with its municipalities.

Senator George Jacko  
March 21, 1994  
Page 2

Bill section 1 authorizes the Department of Revenue to expedite the review of contributions to contributions to nonprofit corporations in order to sidestep receipt and review of separate complete applications. For applications for approval of credits for contributions to nonprofit corporations that are once found to qualify under AS 43.77.040(b), the commissioner of revenue may establish an expedited review procedure on a nonprofit corporation-by-nonprofit corporation basis.

Bill section 2 extends the Department of Revenue's authority to revoke previous approval or to disallow a credit for contributions that do not qualify under the expanded provisions of AS 43.77.040(e), added by bill section 1.

Bill sections 5 and 6 give the amendments made by this Act a July 1, 1994, effective date.

JBC:gc  
94-211.glc

# SENATOR GEORGE JACKO

STATE CAPITOL, ROOM 125 JUNEAU, ALASKA 99801-1182 (907) 465-4942 FAX: (907) 465-2997

## COMMITTEE CHAIRMANSHIPS

Rules, Chair  
Finance, Vice-Chair  
Finance Subcommittees  
DC&RA, Chair  
DM&VA, Chair  
Revenue, Chair



## COMMITTEE MEMBERSHIPS

Judiciary  
Legislative Council  
Finance Subcommittees  
Public Safety  
Fish & Game  
University

## MEMORANDUM

TO: Senator <sup>Mike</sup> Miller, Chair  
Senate Resources Committee

FROM: Senator <sup>George</sup> Jacko, Sponsor  
Senate Bill 311

DATE: February 25, 1994

RE: Scheduling request -- SB 311

-----  
This memo is to request a hearing for Senate Bill 311 in the Senate Resources Committee at the earliest opportunity.

SB 311 authorizes a tax credit for non-community Development Quota harvesters for purposes of funding education and training programs. Last session HB 264 was passed creating the Fishery Resource Landing Tax. The landing tax is 3.3% of the ex-vessel harvest value.

SB 311 would allow for a tax credit from the Landing Tax for non-profit organization who contributes to a philanthropic purpose defined by AS 43.77.040. The tax credit would be up to 15% of the total tax of 3.3%.

It is estimated the landing tax will provide approximately ~~\$8-10~~ million annually shared by the state and municipalities impacted. The tax credit in SB 311 will be taken from the landing tax proceeds.

If you need further information please contact Bryce Edgmon at 465-4942.

City of Goodnews Bay  
P.O. Box 70  
Goodnews Bay, Alaska 99589-0070

March 29, 1994

Senate Finance Committee  
Senator George Jacko  
Room 125, State Capitol (MS 3100)  
Juneau, Alaska 99801-1182

Re: Senate Bill 311

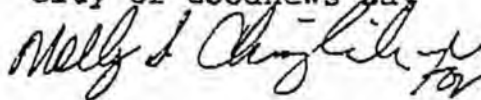
Dear Senator Jacko;

The community of Goodnews Bay give support for the Fishery Resource Landing Tax Bill. Goodnews Bay is a small quiet community with five main job sources during the long winter months. The summer months of May, June, July and August are the months in-which, the unemployment is at it's lowest. Any kind of income is most welcome in the village of Goodnews Bay.

The letter from BERING SEA COMMERCIAL FISHERIES DEVELOPMENT FOUNDATION with news of possible revenues for the communities of Western Alaska has been viewed with open support from the City of Goodnews Bay.

We stand behind Senator George Jacko to help pass SB 311.

City of Goodnews Bay



Mayor Christian Small

cc.  
Senator Mike Miller  
Bering Sea Commercial Fisheries Development Foundation  
file



# CHOGGIUNG LIMITED

VILLAGE CORPORATION

P.O. BOX 330      MAIN STREET      DILLINGHAM, ALASKA      99576  
PHONE (907) 842-5218      FAX (907) 842-5462

March 31, 1994

Senator George Jacko  
Alaska State Legislature  
State Capitol (MS 3100)  
Juneau, Alaska 99801-1182  
Fax 465-2997

Re: SB 311

Dear Senator Jacko:

We would like to take this opportunity to support your efforts toward passage of SB 311. This bill will provide direct benefits to our community and others in western Alaska which in the current economic climate is greatly needed.

Thank you for your efforts.

Sincerely,

A handwritten signature in cursive script that reads "Judith Nelson".

Judith Nelson  
CEO

cc: BBEDC  
BCFDF  
City of Dillingham

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MAR 21 1997

**NATIVE VILLAGE OF MEKORYUK**

Indian Reorganization Act Council

P.O. Box 66

Mekoryuk, AK 99630

TEL. (907) 827-8809

FAX (907) 827-8133

MEMORANDUM

MAR 21 1997

TO: SEN. BILL

Room 115

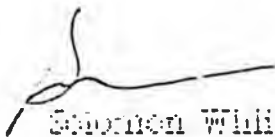
State Capitol (MS 3100)

Juneau, AK 99801-1182

FAX. (907) 465-3997

The Native Village of Mekoryuk is very much in favor and fully support the passage of Senate Bill No. 311 (SB 311), because it will greatly benefit the economic conditions associated with the fisheries in the Western Alaska villages. The generated funds from the Fishery Resource Landing Tax will definitely help resolve the funding difficulties we experience out here in coastal villages.

Sincerely,



Solomon Williams

President

SENATOR GEORGE JACKO D11  
ALASKA STATE SENATE  
STATE CAPITOL, ROOM 125  
JUNEAU AK 99801

FEB 28 1994

■ **Opinion:** Just where are the pavement police when you need them?  
Page 6.

Soup Off fund-raiser.  
Page 6.

old its annual

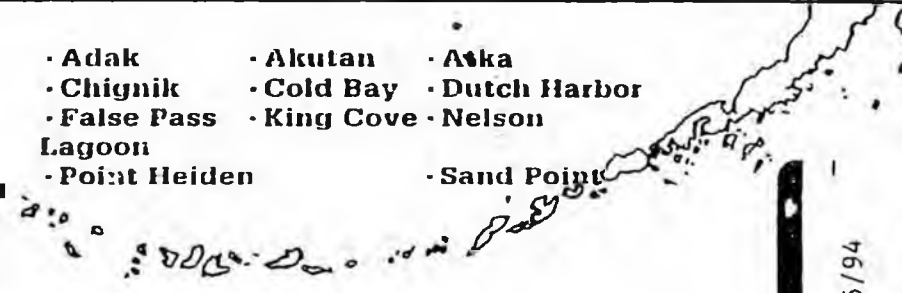
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■ Sports.....page 8  
■ Classified ads ..page 11

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# THE DUTCH HARBOR FISHERMAN

Serving the Aleutians and Pribilofs

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- False Pass
- Lagoon
- Point Heiden
- Akutan
- Cold Bay
- King Cove
- Atka
- Dutch Harbor
- Nelson
- Sand Point



Unalaska, Alaska

Volume 2 Number 10

Friday, February 25, 1994

75 cents

## Offshore processors to pay taxes

By Ann Touza  
For the Fisherman

How much — and in what ways — does the Seattle-based factory trawler fleet contribute to Alaska's economy?

In recent years, the question has been often raised and sometimes argued vehemently in the state Legislature and at North Pacific Fisheries Management Council meetings. Industry representatives and coastal residents have also joined the debate.

Every year offshore processors profit from hundreds of thousands of metric tons of fish harvested in the Bering Sea.

Part of the profits end up in Alaskan coastal

communities through fuel sales, wages, grocery and supply sales, dock fees and ship repair, but opponents of the factory trawlers say most of the profits end up in Seattle.

"They use our facilities and don't pay any tax," said Rep. Carl Moses, author of the bill. The shore-based processors were already paying a similar tax, and this gave the offshore fleet an unfair economic advantage over the shore-based processors, Moses said.

Last year the Alaska Legislature passed a bill, which Mickel signed into law, that assesses a 3.3 percent tax on the offshore fleet based on the value of product landed at Alaskan ports.

Assessments began this year, and the offshore fleet is expected to begin paying the esti-

mated \$7 million to \$9 million next year.

How the money will be spent has not been finalized, but legislators have proposed that about half of it be placed in the state's general fund. Most of the remainder would go to the communities where the product is landed, while 0.3 percent would go to the Alaska Seafood Marketing Institute.

The American Factory Trawler Association recently filed a lawsuit against this tax, which AFTA says is unfair based on the amount of time factory trawlers spend in Alaskan ports. The shore-based processors make use of community water, roads and landfills all year, while

See Foundation, page 2

## Food costs eat away pocketbo

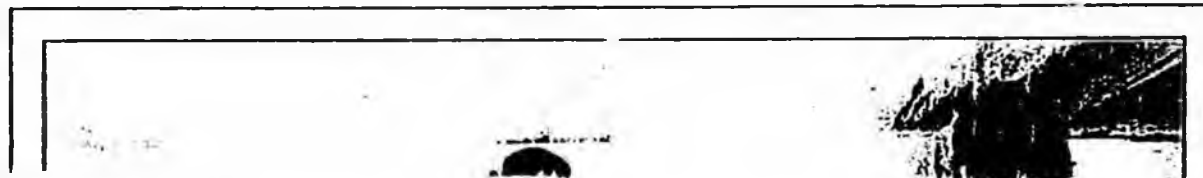
By Debby Ross  
Fisherman Staff

Food costs in Unalaska Harbor are nearly double Anchorage but are less than other rural communities, according to a recent survey by the Alaska Cooperative Extension at the University of Alaska, Fairbanks.

Unalaska resident Pam Brantley researched the food and utility cost figures for the quarterly survey completed in December. Past surveys have not included costs from Unalaska/Dutch Harbor.

According to the survey a family of four with elementary school children pays \$166.92 a week for food and utility costs in Dutch Harbor.

## Pollock haul a mixed bag



THE DUTCH HARBOR FISHERMAN 2/25/94

# Foundation

From page 1

factory trawlers come in to offload maybe five or six times a year. Blum said.

AFTA members currently include 14 factory trawler companies with 38 vessels.

AFTA Executive Director Joe Blum emphasizes the amount of money factory trawlers spend yearly in Alaskan ports, such as the \$62 million spent in Dutch Harbor/Unalaska last year.

AFTA also provides economic benefits to Western Alaska communities through the Bering Sea Commercial Fisheries Development Foundation. Blum said.

This Anchorage-based foundation formed in 1991 as debate over the inshore-offshore pollock allocation raged at the NPFMC meetings.

The board of directors includes John Binkley, Harold Samuelsen, Edward Crane, T. Edward Luttrell, Stanley Simonson, Agrafon Krukoff, Timothy Towarak and John White. AFTA members agreed to voluntarily assess themselves 75 cents per metric ton of groundfish caught in the Bering Sea and to use this money for development projects in Western Alaska.

Dewey Schwalenberg, executive director for the foundation, says the 3.3 percent tax could jeopardize the foundation's work.

Factory trawlers companies, already facing financial hard times, may find it hard to contribute to the foundation and pay the 3.3 percent tax. Schwalenberg said.

"When we see 3.3 percent taxes thrown onto the industry it makes it very hard for me to do my job," he said. He said he went to the Legislature last year and told them that this tax may be good for state but will be hard on communities in Western Alaska.

"What it amounts to is the poor get poorer and the rich get richer," he said.

Schwalenberg believes the problem with the tax is that fish-

eries money is used to offset declining revenues and to build up the infrastructure in communities rather than going back into fisheries development.

At the same time, fisheries are "on the verge of collapse," he said.

The way to improve the social welfare of coastal communities is to improve their fisheries. Schwalenberg said.

The focus of the foundation is on education, training and employment. Schwalenberg said. Loans and grants are also made available to fishing groups in small Western Alaska coastal communities.

"We honestly believe the lifeblood of those small communities is their fisheries..." Schwalenberg said. By helping these communities develop their fisheries and by providing employment on factory trawlers, the foundation is "getting very involved in the social welfare of the communities without getting involved in social programs."

Roughly \$1 million has been collected by the foundation so far. About \$246,000 has gone to train people for entry-level positions, usually as processors, on factory trawlers. The training program is held at the Alaska Vocational Technical Center in Seward. Twenty percent of the funding comes from the state Department of Community and Regional Affairs. 80 percent comes from the foundation.

Schwalenberg said 176 people have gone through the program and that 240 people, mostly Natives from 60 Western Alaska communities, have been employed through the foundation.

Contracts are usually for 60 to 90 days at sea, allowing people to also participate in subsistence fishing in their villages. Schwalenberg said.

"The return from salaries alone came in over \$3 million to the communities," he said.

None of the foundation money has been spent in Unalaska/Dutch Harbor, however. Schwalenberg said that is because the foundation "works predominantly in areas

with very limited economic opportunity."

The foundation did provide \$29,000 in start-up grants for the six Community Development Quota groups, including the Central Bering Sea Fisherman's Association based in St. Paul and the Aleutian Pribilof Island Community Development Association based in St. George.

Most of the CDQ groups have factory trawler companies as partners.

A two-year zero-interest loan for \$24,000 was also given to the Atka Fishermen's Association to buy netting equipment to help them participate in the pink salmon fishery.

Most of the loans, around \$40,000, have gone to communities from Bethel to Kotzebue.

About one-third of the money collected is spent on administrative costs.

If the offshore landing tax can't be overturned, Schwalenberg would like to see the factory trawlers be able to get tax credits for contributions to non-profits like the foundation.

The Senate Finance Committee has introduced legislation that would amend the offshore landing tax bill to include a 13.65 percent tax credit option. Sen. George Jacko was the primary sponsor of this amendment.

Moses said this amendment was introduced last year in an effort "to keep the offshore fleet from fighting the offshore landing tax." But with the tight money situation in the state this year, Moses said he is not sure if the amendment will pass.

Schwalenberg said the amendment would allow some of the tax money to continue to go to underdeveloped communities. Otherwise, "the vast majority of the money would go to Dutch Harbor," where most of the fisheries product is landed. Schwalenberg said.

But how much — and in what ways — the offshore fleet will be required to contribute to Alaska's economy remains to be resolved.

**Bristol Bay Economic Development Corporation**

P.O. Box 1484 • Dillingham, Alaska 99576 • (907) 842 4370 • ГЛХ (907) 842-4336 • 1-800-478-4370

March 17, 1994

Senator George Jacko  
Alaska State Senate  
State Capitol, Room 125  
Juneau, Alaska 99801-1182



Dear Senator Jacko:

Thank you for introducing SB 311. The amendment to the Fishery Resource Landing Tax Bill of 1993 makes good sense in these times of declining oil prices and reduced budgets that affect our communities in Western Alaska. The bill is timely and appropriate.

Allowing off-shore processors to gain a tax credit to provide communities with education/training, employment and economic development projects is important to our long-term economic development. I understand that your bill is in Senate Resources at this time. I intend to send a copy of this letter of support to Senator Miller.

As you know, our program is working very well at this time but there is a long way to go. Although the funds from the CDQ program are meeting some of our needs, the dollars needed to bring our area up to parity with the rest of the state are not there. SB 311 will provide the incentive for off-shore processors to increase their financial assistance to help us get more of our people into the work force and off of the welfare rolls. The bill will also assist in providing more funds for vocational and technical training which again will get more Western Alaskans into the work force.

Again, thank you for introducing this bill that will allow our people to become a part of the equitable distribution of fisheries generated revenue to support locally determined fisheries initiatives. This is a creative piece of legislation that is needed.

Sincerely yours,

*Nels A. Anderson, Jr.*  
Nels A. Anderson, Jr.

cc: Senator Miller



**EMMONAK TRIBAL COUNCIL**

P.O. Box 126  
Emmonak, Alaska 99581  
(907) 949-1720  
FAX (907) 949-1926

MAR 21 1994

March 18, 1994

Honorable Senator George Jacko  
Room 125, State Capitol (MS 3100)  
Juneau, Alaska 99801-1182

RE: IN SUPPORT OF SENATE BILL 311.

Dear Senator Jacko,

The Emmonak Tribal Council would like to express its full support of the Senate Bill 311.

Emmonak has been directly impacted as a result of the Western Alaska fisheries situation.

We support programs that will help our people with jobs and alternative means to meet our daily needs.

Please feel free call our office for any questions or comments. reference to our support for Senate Bill #311.

WITH REGARDS,  
*Billy A. Charles (Pres)*  
Billy A. Charles, President  
EMMONAK TRIBAL COUNCIL

ETC/lda  
cc Bering Sea Commercial Fisheries  
Development Foundation  
  
file

Post-It <sup>®</sup> brand fax transmittal memo 7671		# of pages
To	Office of	From
Co.	Sen. George Jacko	Co.
Dept.		Co.
Fax	(907) 465-2997	Phone #
		Fax #



MAR 21 1994

**AKUTAN FISHERIES  
ASSOCIATION, Inc.  
P.O. BOX 89  
AKUTAN, AK. 99553  
PH. (907) 698-2300  
FAX (907) 698-2301**

**JACOB STEPETIN, PRES.  
JOE HERESKIN, V.PRES.  
TERRY COOK, SEC/TREAS  
THOMAS STEPETIN, BOARDMEMBERS  
DEMETRI TCHERIPANOFF  
JENNIE ROBINSON**

Senator George Jacko  
State Capitol (MS 3100)  
Juneau, AK. 99801-1182

BY Fax # 465-2997

March 21, 1994

Dear Senator,

The Akutan Fisheries Association is incorporated under the Non-Profit Laws of the State of Alaska, and as such and representing Akutan's Fishermen, we support and urge the passage of SB 311 amending AS 43.77.040(b).

We are pursuing an economic development project that would involve the processing of our fishermen's catch by adding value such as direct selling and smoking of our products.

We would benefit if this SB 311 is passed by enabling the contributions to help cover some overhead expenses incurred in the development and operations of economic projects that in the end enhance the quality of life for all Akutan residents.

Thank you for your support and please relay this message to Senator Mike Miller.

Sincerely yours,

Terry A. Cook, Sec/Treas.  
Akutan Fisheries Association, Inc.

March 17, 1994

MAR 17 1994

Jerry Ivanoff  
NSEDC EET Coordinator  
Box 193  
Unalakleet, Alaska 99684

Senator George Jacko  
Room 125, State Capitol (MS 3100)  
Juneau, Alaska 99801-1182

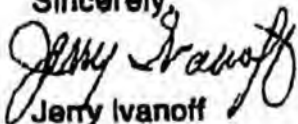
Re: Support of Senate Bill 311

Dear Honorable Jacko,

With this letter, please feel a lot of support from the Norton Sound Economic Development Corporation Education, Employment, and Training office for Senate Bill No. 311 in the Legislature of the State of Alaska Eighteenth Legislature-Second Session. A bill for an act entitled "An Act authorizing a credit against the fishery resource landing tax for certain contributions made by taxpayers not harvesting fisheries resources not harvested under a quota and for contributions based on fishery resources under a community development quota, amending the manner of calculating the amount available for revenue sharing by operation of this credit, and expediting agency review of the credit applications under that tax; and providing for an effective date."

It is my understanding that an amendment to the Fishery Resource Landing Tax of 1993 provides for 13.65 % of the taxes collected from off-shore seafood processors to be available to non-profit entities for support of fisheries related education/training, employment, and economic development projects. If this monies would be available for these particular reasons, the Norton Sound region would be happy for some assistance to train our local (newly-forming) crabbing and halibut fleet in marine crew safety, electronic navigation, and new fishing technology for the harvesting of the crab and halibut in Area 4d North and the whole Norton Sound. As the opportunities continue to expand our fishing and harvesting capabilities for the residents of our region, we have encountered more stringent safety requirements for our vessels and fishermen, which are quite expensive for compliance. To crab and halibut fish, we will be required to have EPIRB's, fire extinguishers, survival suits for each person on board, flares, vhf radio, and GPS or loran capabilities for finding our gear. At our low and depressed salmon prices today, our fishermen are having some difficulty gearing up to harvest a resource right in our back door, so to speak. Thank you for your time and effort to push for this bill this session!!

Sincerely,

  
Jerry Ivanoff



February 4, 1994

Senator Mike Miller  
Alaska State Senate  
Room 423, State Capitol (MS 3100)  
Juneau, Alaska 99801-1182

Dear Senator Miller:

The fishing communities of Western Alaska continue to experience declines in economic revenues, reductions in various salmon runs and problems associated with other fisheries stocks. The impact of these problems surfaces as loss of jobs and loss of self-esteem, but manifests itself through alcohol and drug abuse, domestic violence, teen pregnancies, and the ultimate disaster -- suicide. We cannot overlook the social welfare significance of the desperate situation that is facing Western Alaska fishing communities.

The Bering Sea Commercial Fisheries Development Foundation (Foundation) has recognized this relationship because it is made up of Alaskan people who are experiencing these social and economic realities in their communities and industry representatives who are committed to the betterment of the affected communities.

We are aware of the provisions of the Fishery Resource Landing Tax Bill passed in 1993 and are dismayed by the lack of opportunity for taxpayers to elect a tax credit option for contributions directly to non-profit fisheries development organizations such as the Foundation. Surely, taxes on the fishing industry should be accrued for the benefit of all coastal communities who are experiencing social and economic hardships. In fact, the Bill excludes financial assistance to many of the smaller communities who are the most adversely impacted by this situation. These are the communities and people who stand to benefit from the fisheries development education, training, and employment activities of groups such as the Foundation.



February 4, 1994

Senator Mike Miller  
Alaska State Senate  
Room 423, State Capitol (MS 3100)  
Juneau, Alaska 99801-1182

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We realize that under the current fiscal situation in Alaska, dollars are scarce and must be used effectively where the need may be. This presents you, as a legislator, with the responsibility to appropriate these tax revenues to where it can provide the maximum benefit. I submit that providing tax credits to companies who will contribute through Alaska non-profit corporations such as the Foundation provides the best way for these dollars to be matched by private sector industry, public charitable philanthropic organizations, and community-based funding institutions. For every state dollar that becomes available through this tax credit, we should be able to match three dollars to the community from other sources.

Without an adequate tax credit, the incentives to the private sector, community, and philanthropic organizations does not exist. Philosophically, at the very least, the government responsibilities to its constituents should lead legislators to form working partnerships with private sector to maximize funding and to meet the social well being needs of the communities and members who need it the most.

Please consider supporting the enclosed Amendment to the Fishery Resource Landing Tax Bill to allow organizations such as the Foundation to continue to exist and support rural Alaskan communities. To assist you in your deliberations, I have included the enclosed information which more specifically explains the projects that the Foundation has undertaken during the past two years and the benefits received by people in Western Alaska. I have also included a copy of the draft amendment that Senator George Jacko is planning to introduce in the Senate to accomplish these stated objectives. We have asked Representative Carl Moses to consider introducing a similar bill in the House.

Thank you for your consideration of this most important initiative.

Sincerely,

  
Dewey Schwalenberg  
Executive Director

enc. 3