

ALASKA LEGISLATURE COMMITTEE FILES, 2003-2004 8672

11292 SENATE RESOURCES

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Eric Pyne (timber industry)  
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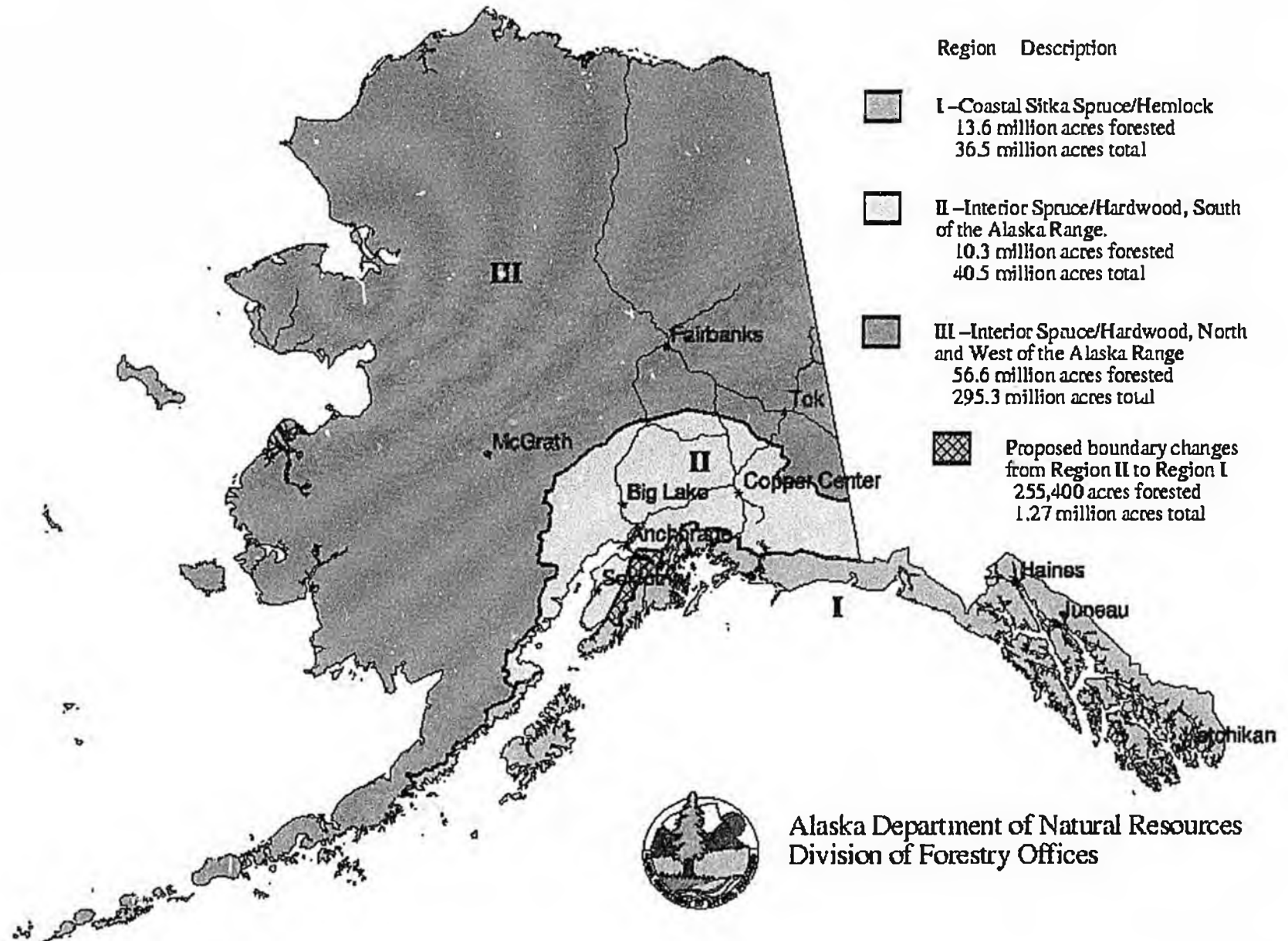
*Doug Bowers*

*Steve McGroarty*

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# Alaska Forest Resources & Practices Regions


Proposed Boundary changes - Spring 2003



Alaska Department of Natural Resources  
Division of Forestry Offices

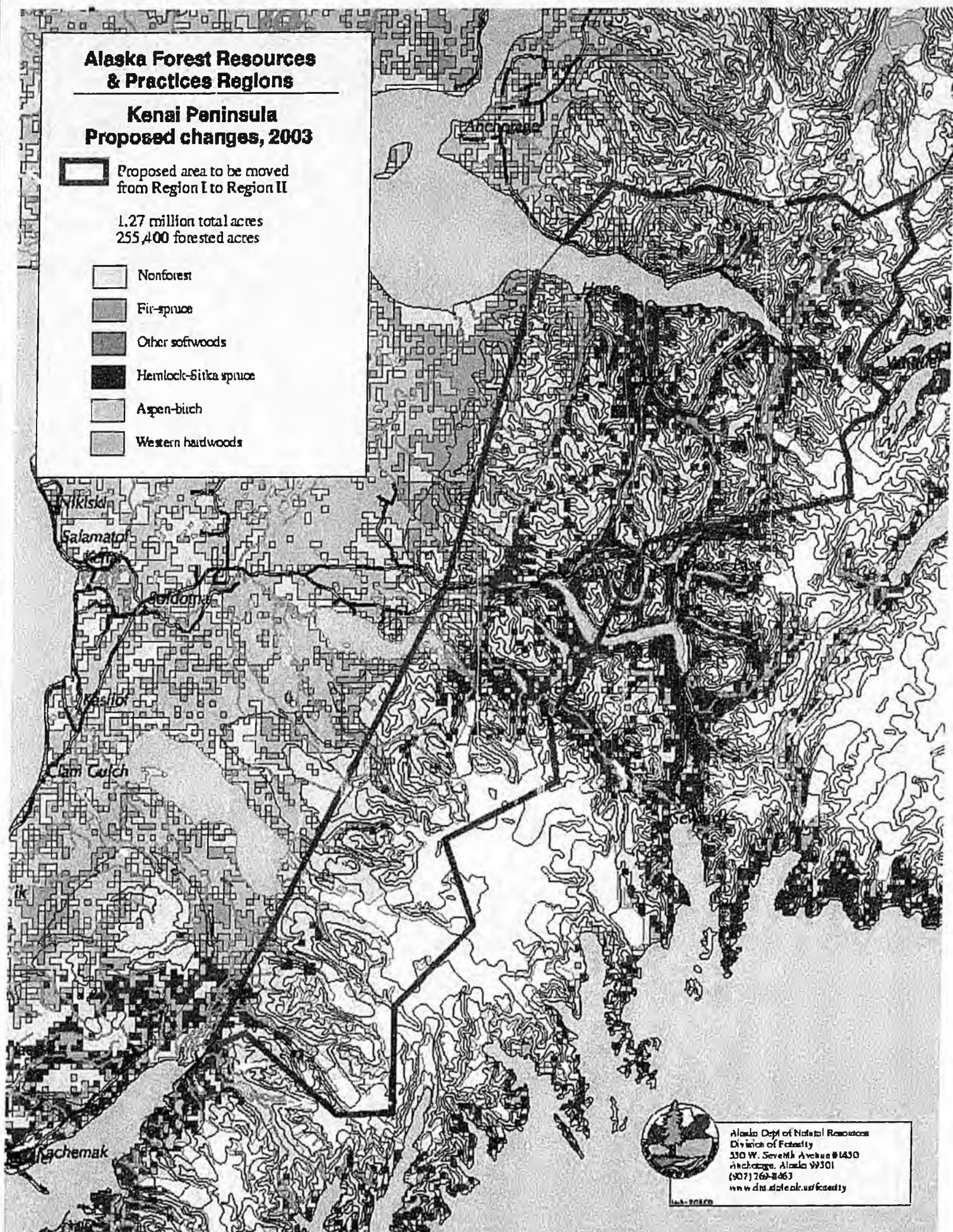
# Alaska Forest Resources & Practices Regions

## Kenai Peninsula Proposed changes, 2003

 Proposed area to be moved  
from Region I to Region II

1.27 million total acres  
255,400 forested acres

-  Nonforest
-  Fir-spruce
-  Other softwoods
-  Hemlock-Sitka spruce
-  Aspen-birch
-  Western hardwoods



Alaska Dept of Natural Resources  
Division of Forestry  
330 W. Seventh Avenue #1430  
Anchorage, Alaska 99501  
(907) 269-8463  
[www.dnr.state.ak.us/forestry](http://www.dnr.state.ak.us/forestry)

HOUSE BILL NO. 131 February 26, 2001

"An Act relating to standards for forest resources and practices; and providing for an effective date."

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

Section 1. AS 41.17.087(b) is amended to read:

(b) The commissioner shall adopt regulations that specify the standards under which a variation will be granted for harvesting timber within the riparian area of

(1) a low gradient Type I-A [TYPE A] water body with a width of five feet or less; and

(2) other appropriate water body types.

Sec. 2. AS 41.17.116 is repealed and reenacted to read:

Sec. 41.17.116. Riparian standards for private land. (a) Private forest land adjacent to the following types of waters and located in Region I is subject to the riparian protection standards established in this subsection:

(1) along a Type I-A water body,

(A) operations within 100 feet of the water body or to the break of the slope, whichever area is smaller, shall be conducted in compliance with slope stability standards established in regulations adopted under this chapter; and

(B) harvest of timber may not be undertaken within 66 feet of the water body;

(2) along a Type I-B water body,

(A) operations within 100 feet of the water body or to the break of the slope, whichever area is smaller, shall be conducted in compliance with slope stability standards established in regulations adopted under this chapter; and

(B) harvest of timber may not be undertaken within 66 feet of the water body or to the break of the slope, whichever area is smaller;

(3) along a Type I-C water body,

(A) operations within 100 feet of the water body or to the break of the slope, whichever area is smaller, shall be conducted in compliance with slope stability standards established in regulations adopted under this chapter; and

(B) the operator shall, where prudent, retain low value timber within 25 feet of the water body or to the limit of the area described in (A) of this paragraph, whichever area is greater, where the width of the water body is

(i) greater than 13 feet at the ordinary high water mark; or

(ii) greater than eight feet at the ordinary high water mark if the channel is incised;

(4) along a Type I-D water body,

(A) operations within 50 feet of the water body or to the break of the slope, whichever area is smaller, shall be conducted in compliance with slope stability standards established in regulations adopted under this chapter; and

(B) the operator shall, where prudent, retain low value timber within 25 feet of the water body or to the limit of the area described in (A) of this paragraph, whichever area is greater, where the width of the water body is

(i) greater than 13 feet at the ordinary high water mark; or

(ii) greater than eight feet at the ordinary high water mark if the channel is incised.

(b) Private forest land adjacent to the following types of waters and located in Region III is subject to the riparian protection standards established in this subsection:

(1) along a Type III-A water body, harvest of timber may not be undertaken within 66 feet of the water body;

(2) along a Type III-B water body, harvest of timber may not be undertaken within 33 feet of the water body; between 33 feet and 66 feet from the water body, up to 50 percent of standing white spruce trees having at least a nine-inch diameter at breast height may be harvested without requiring a variation;

(3) along a Type III-C water body, harvest of timber within 100 feet of the water body must be located and designed primarily to protect fish habitat and surface water quality as determined by the department with due deference to the Department of Fish and Game.

(c) The commissioner shall adopt regulations for private land in Region II that designate the areas that are subject to riparian protection standards, and the restrictions on timber harvesting operations within those areas that are necessary for their protection under the management goals established in AS 41.17.115.

(d) In this section,

(1) "low value timber" means timber that the owner or operator determines, at the time of harvest, to be uneconomic to harvest and market;

(2) "prudent" means that the requirement can be met using reasonably available means or technology, that complying with the requirement is not likely to create significant impairment of the productivity of the land and water, and that the cost of achieving the requirement is not out of proportion to the benefits that can reasonably be expected to be achieved in the particular situation.

Sec. 3. AS 41.17.118(a) is repealed and reenacted to read:

(a) The riparian standards for state land are as follows:

(1) on state forest land managed by the department that is located in Region III,

(A) along a Type III-A water body, harvest of timber may not be undertaken within 100 feet of the water body, except that between 66 feet and 100 feet from the water body harvest of timber may be undertaken where consistent with the maintenance of important fish and wildlife habitat as determined by the department with the concurrence of the Department of Fish and Game;

(B) along a Type III-B water body, harvest of timber may not be undertaken within 50 feet of the water body; between 50 feet and 100 feet from the water body, up to 50 percent of standing white spruce trees having at least a nine-inch diameter at breast height may be harvested;

(C) along a Type III-C water body, harvest of timber within 100 feet of the water body must be consistent with the maintenance of important fish and wildlife habitat as determined by the department with due deference to the Department of Fish and Game.

(2) on state forest land managed by the department that is in Region I or Region II,

(A) harvest of timber may not be undertaken within 100 feet immediately adjacent to an anadromous or high value resident fish water body;

(B) between 100 and 300 feet from the water body, harvest of timber may occur but must be consistent with the maintenance of important fish and wildlife habitat as determined by the department with due deference to the Department of Fish and Game.

Sec. 4. AS 41.17.119 is repealed and reenacted to read:

body," means a water body that, under normal conditions, does not receive significant surface flow from a glacier;

(26) "ordinary high water mark" or "OHWM" means the mark along the bank or shore up to which the presence and action of the tidal or nontidal water are so common and usual, and so long continued in all ordinary years, as to leave a natural line impressed on the bank or shore and indicated by erosion, shelving, changes in soil characteristics, destruction of terrestrial vegetation, or other distinctive physical characteristics;

(27) "Region I" means all land in Southeast Alaska, plus all land that is south of the crest of the Chugach and St. Elias Mountains and east of a line running from the crest of the Chugach Mountains to O'Malley Peak, then southerly to Gull Rock, then southwesterly to the eastern junction of Skilak Lake Road and the Sterling Highway, then southwesterly to the mouth of the Fox River, then southwesterly through Kachemak Bay to Mt. Douglas, plus all land on the Alaska Peninsula between Mt. Douglas and Cape Kumliun that is east of the crest of the Aleutian Range, plus all islands in the Gulf of Alaska north of 56° 23' North latitude;

(28) "Region II" means all land in the state south of the Nutzotin and Mentasta Mountains, south of the Alaska Range, and east of the Aleutian Range, except for the area within Region I and peninsular and island land south of Cape Kumliun;

(29) "Region III" means all land in the state outside of Regions I and II;

(30) "Type III-A water body" means in Region III, a  
(A) non-glacial high value resident fish water body greater than three feet in width at the ordinary high water mark;

(B) non-glacial anadromous water body; or

(C) backwater slough;

(31) "Type III-B water body" means in Region III, a glacial high value resident fish water body or a glacial anadromous water body; "Type III-B water body" does not include glacial backwater sloughs;

(32) "Type III-C water body" means in Region III, a non-glacial high value resident fish water body that is less than or equal to three feet in width at the ordinary high water mark (OHWM) and that does not contain anadromous fish.

Sec. 11. The uncodified law of the State of Alaska is amended by adding a new section to read:

TRANSITION: REGULATIONS. (a) To the extent that the regulations are not inconsistent with the language and purposes of this Act, regulations relating to forest resources and practices adopted by the Department of Natural Resources under AS 41.17 and in effect before the effective date of secs. 1 - 10 of this Act remain in effect and may be administered and enforced by the Department of Natural Resources.

(b) Notwithstanding sec. 13 of this Act, the Department of Natural Resources may proceed to adopt regulations to implement this Act. The regulations take effect under AS 44.62 (Administrative Procedure Act), but not before the effective date of the statutory change.

Sec. 12. Section 11(b) of this Act takes effect immediately under AS 01.10.070(c).

Sec. 13. Except as provided in sec. 12 of this Act, this Act takes effect September 1, 2001.

Sec. 41.17.119. Minimum riparian standards for other public land. The riparian standards for other public land are as follows:

(1) in Regions I and II, harvest of timber may not be undertaken within 100 feet of an anadromous or high value resident fish water body;

(2) in Region III, the standards are the same as for state land under AS 41.17.118 and regulations adopted under this chapter.

Sec. 5. AS 41.17.950(13) is amended to read:

(13) "riparian area" means

(A) the areas subject to riparian protection standards [SPECIFIED] in AS 41.17.116(a) and (b) on private land in Regions I and III [THE COASTAL FOREST OF SPRUCE OR HEMLOCK];

(B) the areas subject to riparian protection standards [SPECIFIED] in regulations adopted by the commissioner under AS 41.17.116(c) [AS 41.17.116(b)] on private land in Region II [OUTSIDE THE COASTAL FOREST OF SPRUCE OR HEMLOCK];

(C) the area 100 feet from the shore or bank of [OR] an anadromous or high value resident fish water body on state land managed by the department and on other public land;

Sec. 6. AS 41.17.950(19) is amended to read:

(19) "Type I-A [TYPE A] water body" means in Region I, an anadromous water body that is

(A) a stream or river of any size having an average gradient of eight percent or less, with banks held in place by vegetation, channels that are not incised, and a substrate composed of rubble, gravel, sand, or silt;

(B) wetlands and lakes, including their outlets; [AND]

(C) an estuarine area delimited by the presence of salt-tolerant vegetation;

Sec. 7. AS 41.17.950(20) is amended to read:

(20) "Type I-B [TYPE B] water body" means in Region I, an anadromous water body that does not meet the definition of a Type I-A [TYPE A] water body; [AND]

Sec. 8. AS 41.17.950(21) is amended to read:

(21) "Type I-C [TYPE C] water body" means in Region I, a water body that is not anadromous, that is a tributary to a Type I-A [TYPE A] or Type I-B [TYPE B] water body, and that has a gradient of 12 percent or less;

Sec. 9. AS 41.17.950(22) is amended to read:

(22) "Type I-D [TYPE D] water body" means in Region I, a water body that is not anadromous, that is tributary to a Type I-A [TYPE A] or Type I-B [TYPE B] water body, and that has a gradient greater than 12 percent.

Sec. 10. AS 41.17.950 is amended by adding new paragraphs to read:

(23) "backwater slough" means a water body that

(A) has sluggish flow, is warm in summer, and is typically only connected to the main stem or a side channel at one end of the water body;

(B) carries river current only under high water conditions; and

(C) may have only a seasonal connection to the main stem or side channel;

(24) "glacial water body," as used in the phrases "glacial high value resident fish water body" and "glacial anadromous water body," means a water body that, under normal conditions, receives significant surface flow from a glacier; "glacial water body" includes water bodies that receive a mix of glacial water and water from other sources;

(25) "non-glacial water body," as used in the phrases "non-glacial high value resident fish water body" and "non-glacial anadromous water

## Journal Text



02-16-2001

House Journal

0346

HB 131

HOUSE BILL NO. 131 by the House Rules Committee by request of the Governor, entitled:

"An Act relating to standards for forest resources and practices; and providing for an effective date."

was read the first time and referred to the House Special Committee on Fisheries and the Resources Committee.

The following fiscal note(s) apply:

1. Zero, Dept. of Natural Resources

The Governor's transmittal letter dated February 15, 2001, appears below:

"Dear Speaker Porter:

Alaska is recognized as a world leader in protecting the habitat and spawning capacity of anadromous and resident fish in our streams and rivers. Our Forest Resources and Practices Act establishes high standards of protection while promoting timber development.

Two years ago, the Legislature amended Alaska's Forest Resources and Practices Act (FRPA) as it applies to the Southeast region of our state. That legislation reflected consensus between the timber and fishing industries and state land management agencies. This bill I transmit today continues to improve the FRPA and its ability to protect fish habitat and water quality in a manner that supports both the timber and fishing industries. This current phase of the FRPA revision addresses management standards in interior Alaska (Region III) and, once again, represents a consensus of interested constituents.

This bill is the result of hard work by many people over the last two years. It is founded on the best science available, including an extensive review of existing research, and recommendations of an interdisciplinary science and technical committee. The committee included experienced field staff from the state resource agencies, and University of Alaska, private, and federal scientists. Their recommendations were passed on to a group that included representatives of the timber and fishing industries, Native corporations, and environmental groups. Together, they crafted language to implement the scientists' recommendations in a practical manner that will work in the field. Finally, the Board of Forestry unanimously endorsed this legislation. The result of this public effort is an amended FRPA that has support from a broad array of interest groups.

The current interim standards for Region III were adopted in 1990. Under these standards, harvesting can occur up to the bank of anadromous waters on both public and private land under certain conditions. Under this bill, all anadromous and high-value resident

fish waters are classified and riparian standards are established for each water body type. The requirements are tailored to the characteristics and fish habitat needs of each stream type. On most anadromous and high-value resident fish waters, a no-harvest buffer will be required. However, along glacial rivers where some of the most valuable timber occurs, the standards allow harvest of up to half the large white spruce in the landward half of the buffer. This lets landowners capture some of the economic value within the riparian areas while keeping enough large trees to provide appropriate habitat for fish and wildlife.

This bill has substantive changes only for riparian management standards in Region III. Other revisions are technical in nature, such as changes to the statewide nomenclature for waterbody classes to prevent confusion between waterbody types in different regions. The bill also moves definitions of regional boundaries from the regulations to the Act, and makes a minor change to the regional boundary on the Kenai Peninsula to better match the difference between forest types. Most forest land in the affected area is in federal ownership, so the change will have little impact on private landowners.

This bill helps ensure that the FRPA continues to be certified for compliance with federal Clean Water Act and coastal zone management requirements. This means that the Act keeps providing "one-stop shopping" for the timber industry with respect to state, federal and coastal management standards.

I look forward to working with you on the passage and implementation of this bill.

Sincerely,  
/s/  
Tony Knowles  
Governor"

Bill Root:  Display Bill Root



TO REPORT PROBLEMS WITH BASIS INQUIRY

**Tanana Valley State Forest  
Unit 2 Planning Team**  
3700 Airport Way  
Fairbanks, AK 99709

February 10, 2003

Jeff Jahnke, State Forester  
Alaska Division of Forestry  
550 West 7<sup>th</sup> Avenue, Suite 1450  
Anchorage, AK 99501-3566

Dear Mr. Jahnke:

The members of the Unit 2 Tanana Valley State Forest Planning Team are working to determine how to manage the lands and resources in Unit 2. We understand the efforts of the many scientists and natural resource professionals that worked together to revise the riparian standards and stream classification system for Region III (Interior Alaska) of the Forest Resources and Practices Act. During our meeting on December 16<sup>th</sup>, the Planning Team unanimously resolved to support the Region III riparian standards agreement by passing the following:

*The Tanana Valley State Forest Unit 2 Planning Team commends the interdisciplinary Science and Technical Committee and the Implementation Group for their work in developing the Region III riparian standards and stream classification system. These agreements are the result of effective consensus building among diverse user groups and are based on the best available scientific information. The Unit 2 Planning Team recommends prompt passage of legislation containing these agreements as written.*

Our stakeholder planning team has been convened to advise the Division of Forestry on how Unit 2 should be managed. We represent the diverse interests of the people who use the State Forest. We hope that you will endorse our recommendation by forwarding this letter to the various heads of legislative committees who will consider legislation on these agreements.

Sincerely,

Members of the Tanana Valley State Forest Unit 2 Planning Team

Doug Bowers (Tolovana Lodge)  
Tom Bucceri (DNR Division of Oil and Gas)  
Jim Durst (Department of Fish and Game)  
Chris Foley (Department of Environmental Conservation)  
Nancy Fresco (Northern Alaska Environmental Center)  
Victor Joseph (Tanana Chiefs Conference)  
Edna Hancock (Toghotthele Corporation)  
Paul Maki (DNR Division of Forestry)  
Steve McGroarty (DNR Division of Mining, Land and Water)  
Tom Paragi (Department of Fish and Game)  
Eric Pyne (timber industry)  
Ron Silas (Minto resident, member of the Fish and Game Advisory Council)  
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*Roselynn Ressa Smith*

*James W Durst*

*Eric Pyne*

*Nancy Fresco*

*Doug Bowers*

*Steve for Steve McGroarty*



Alaska Society of American Foresters

Cook Inlet Chapter  
Dixon Entrance Chapter  
Juneau Chapter  
Sitka Chapter  
Sukine River Chapter  
Yukon River Chapter

December 05, 2001

1520 Scenic Loop  
Fairbanks, AK 99709

Tony Knowles  
Governor of the State of Alaska  
P.O. Box 110001  
Juneau, AK 99811-0001

Rick Halford  
President of the Senate, The Alaska State Legislature  
P.O. Box 190  
Chugiak, AK 99567-0190

Brian Porter  
Speaker of the House, The Alaska State Legislature  
716 W 4<sup>th</sup> Suite 300  
Anchorage, AK 99501-2133

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RECEIVED  
DIVISION OF FORESTRY  
CENTRAL OFFICE

Dear Governor Knowles and Legislative Leaders:

The Alaska Society of American Foresters (AKSAF) would like to thank this Administration and Legislature for their support of responsible forest management on state, federal and private lands. Many Alaskan and other US communities rely on a multiple-use policy and appropriate access to public resources to provide the much needed diversity to their economies in both good times and in bad.

We also wish to reiterate our support for the proposed changes to the Alaska Forest Resources and Practices Act as put forth last year in the Legislature. Many of our members were involved on the science and technology advisory panel that worked diligently to summarize the state of our knowledge on riparian practices and stream classification. Others were involved in the subsequent administrative and political

negotiations and some local SAF chapters have written letters of support for the proposed changes. This is consistent with our view that professional managers need to respond to new knowledge, changing conditions, and community values.

It is from this background of support and within the context of the challenge to continually improve our decision-making process, that the AKSAF passed a motion at our 2001 annual meeting in May. The motion was to recommend to Alaskan officials that the professional forester seat on the Alaska Board of Forestry (BOF) be officially designated to be filled by a member of the Society of American Foresters. We recognize that the Governor appoints individuals to the Board of Forestry. However, we feel that specifying that the appointee be a member of and represent the Society of American Foresters, makes it clear that he or she is representing the professional perspective and not that of the individual's current employer or other affiliation.

The Society of American Foresters (SAF) is the national scientific and educational organization representing the forestry profession in the United States. Founded in 1900 by Gifford Pinchot, it is the largest professional society for foresters in the world. The mission of the Society of American Foresters is to advance the science, education, technology, and practice of forestry; to enhance the competency of its members; to establish professional excellence; and, to use the knowledge, skills, and conservation ethic of the profession to ensure the continued health and use of forest ecosystems and the present and future availability of forest resources to benefit society. SAF is a nonprofit organization meeting the requirements of 501 (c) (3). SAF members include natural resource professionals in public and private settings, researchers, CEOs, administrators, educators, and students. The SAF is not a lobbying organization. It is the sole academic accrediting body for forestry degree programs in the United States and like all true professional bodies, the SAF has a detailed Code of Ethics. It is subscription to the aforementioned mission and code of ethics, supported with SAF's continuing education and certification programs, that separates its members from non-members.

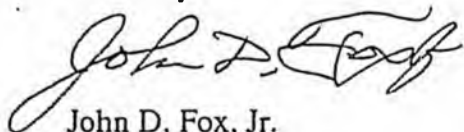
The AKSAF wishes to be very clear that this recommendation does not reflect any complaints or dissatisfaction with current members of the BOF. This recommendation is solely a feeling on our part, that it would be most appropriate and beneficial in a long-range sense, to identify the "professional forester" seat as an "SAF seat", thereby explicitly invoking the mission and code of ethics and making it clear to the individual, the board, and the public, that he or she is representing professional forestry in an institutional sense, not in an employment sense. Accordingly, we also recommend that the employment restrictions on the person filling this seat be dropped with the exception of the restriction that the individual not be a current, non-university,

employee of the State of Alaska. The latter is to avoid any appearance of conflict of interest or any opportunity for, or threat of, retribution.

The SAF charter does not allow political lobbying. Yet, we have a mission to inform the public and decision-makers on the scientific and technical aspects of managing our forest resources. Accordingly, we do not presume to recommend a mechanism whereby our recommendation should be implemented. We also do not wish to jeopardize any existing legislation such as the proposed changes to the Forest Resources and Practices Act. However, we hope that this recommendation is seriously considered. The Alaska SAF and its chapters and members remain willing and able to provide information and expertise with the full backing and resources of the national SAF organization. It is in this spirit that we put forth this recommendation. While many BOF members may be, or may have been SAF members, it has not been explicit that the mission, code of ethics and professional perspective be the mandate of their appointments. We think our recommendation will make the mandate of the professional forester seat very clear.

The Alaska Society of American Foresters offers its services to the Governor, legislators and the Board of Forestry to assist in this process from a professional perspective. We appreciate your favorable consideration of this recommendation and would be happy to answer any questions you may have.

Sincerely,



John D. Fox, Jr.

Chair, Alaska Society of American Foresters  
(907) 479-6522 <sjfox@gci.net>

cc/ ✓ Jeff Jahnke, State Forester, State of Alaska  
Lawrence L. Hartig, Board of Forestry  
William R. Jeffress, Board of Forestry  
Adrian LeCornu, Board of Forestry  
Craig Lindh, Board of Forestry  
Richard Smeriglio, Board of Forestry  
Chris Stark, Board of Forestry  
Gayle Ramey Stevens, Board of Forestry  
John Sturgeon, Board of Forestry  
Cindy Smith, Coordinator, Boards & Commissions, State of Alaska

From: John D. Fox, Jr. [mailto:sjfox@gci.net]  
Sent: Monday, March 18, 2002 5:43 AM  
To: Senator\_John\_Torgerson@legis.state.ak.us;  
Senator\_Gary\_Wilken@legis.state.ak.us;  
Senator\_Rick\_Halford@legis.state.ak.us;  
Senator\_Robin\_Taylor@legis.state.ak.us;  
Senator\_Ben\_Stevens@legis.state.ak.us;  
Senator\_Kim\_Elton@legis.state.ak.us;  
Senator\_Georgianna\_Lincoln@legis.state.ak.us; jjahnke@dnr.state.ak.us  
Subject: HB 131 Support

March 18, 2002

Members of the Alaskan State Legislature  
Senate Resources Committee

RE: HB 131

Dear Alaskan Legislator:

The Alaska Society of American Foresters represents nearly 200 professional foresters in Alaska. We appreciate the work that you and your staff have done to be informed, fair and balanced representatives of the people of Alaska. This letter is to give our statewide support for passage of HB 131 dealing with modifications to the Alaska Forest Resources and Practices Act riparian regulations for Region III.

Many of our members were among those who worked hard on the Science and Technology committee to provide a sound scientific base for these recommendations. Subsequently, there was wide representation in negotiations among stakeholders to work out a viable approach to riparian zone management in Region III. We think it is in the best interest of Alaska and its people to pass this broadly supported legislation during the current legislative session.

As members of the national scientific and educational organization representing the forestry profession in the United States, our mission is to advance the science, education, technology, and practice of forestry; to enhance the competency of our members; to establish professional excellence; and, to use the knowledge, skills, and conservation ethic of the profession to ensure the continued health and use of forest ecosystems and the present and future availability of forest resources to benefit society.

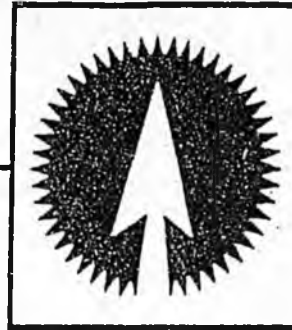
Again, we thank you for your service and continue to offer ours as needed and consistent with our mission and code of ethics.

Sincerely,

John D. Fox, Jr., Chair  
Alaska Society of American Foresters  
(907) 479-6533  
sjfox@gci.net

cc/ Jeff Jahnke, Alaska State Forester

# Alaska Forest Association, Inc.



111 STEDMAN STREET, SUITE 200  
KETCHIKAN, ALASKA 99901-6599  
Phone 907-225-6114  
FAX 907-225-5920  
Web Site [www.akforest.org](http://www.akforest.org)

March 6, 2001

The Honorable Drue Pearce  
Alaska State Senate  
State Capitol, Room 119  
Juneau, AK 99801

DIVISION OF FORESTRY  
Central Office

Dear Senator Pearce,

Thank you for introducing Senate Bill 98 in the Senate Rules Committee. SB 98 proposes changing the state's Forest Resources and Practices Act (AS 41.17). This measure is a top legislative priority for AFA in 2001.

SB 98 is a direct result of a proposal presented to the Alaska Board of Forestry last year, after a collaborative process involving the timber industry, the fishing industry and the resource agencies of the state. Both the process and the substance of this effort were based upon sound science and a balancing of interests commensurate with the Forest Resources and Practices Act of 1990.

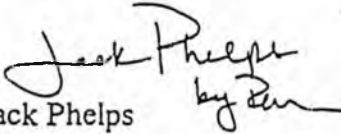
Alaska's current forest practices law is based on good science and is very effective in protecting important fish habitat while recognizing the unique relationship between private land rights and related public resources. The law, which was developed through a cooperative process in 1989 and 1990, involves the Division of Forestry, the Division of Habitat and Restoration, and the Division of Air and Water Quality in monitoring and enforcing standards governing forestry practices. In 1999, as you may recall, changes to the laws' riparian standards for Alaska's coastal forests were approved by the legislature. The Forest Resources and Practices Act enables timber operators in Alaska who conduct their harvest activities according to best management practices to have the assurance that they are operating in compliance with a variety of laws under which they would otherwise be individually scrutinized. That alternative would cost both the industry and the state more time and money than is necessary under the present system.

Current law also provides for ongoing examination of the effectiveness of Alaska's forest practices standards, so that the law and regulations can be adjusted to reflect new scientific knowledge as it is developed. Throughout 2000, the timber industry participated in a thorough review of the science related to logging near anadromous fish rivers, streams, and tributaries in Alaska's Interior forests. The review was conducted under the rubric of the Science and Technical Committee appointed by the Board of Forestry with the support of Governor Knowles. The proposed changes will mandate forested buffers along Alaska's Interior fish streams after harvest. The Committee's report and the

subsequent stakeholders' meeting led to the introduction of SB 98. Your willingness to introduce SB 98 through the Rules Committee is greatly appreciated and enjoys broad support.

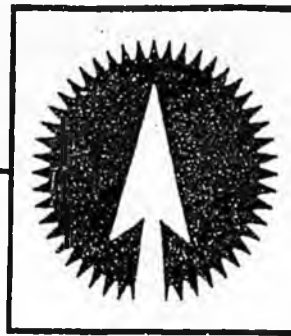
In summary, SB 98 addresses a real need and represents a balanced approach to resolving an important issue affecting Alaska's forest products sector. This is a bill that can and should enjoy full, bi-partisan support. Thank you again for allowing SB 98 to be introduced in the Senate Rules Committee.

Sincerely,

  
Jack Phelps  
Executive Director

cc: Governor Knowles

# Alaska Forest Association, Inc.



111 STEDMAN STREET, SUITE 200  
KETCHIKAN, ALASKA 99901-6599  
Phone 907-225-6114  
FAX 907-225-5920  
Web Site [www.akforest.org](http://www.akforest.org)

March 6, 2001

The Honorable Pete Kott  
Alaska House of Representatives  
State Capitol, Room 204  
Juneau, AK 99801

Dear Representative Kott,

Thank you for introducing House Bill 131 in the House Rules Committee. HB 131 proposes changing the state's Forest Resources and Practices Act (AS 41.17). This measure is a top legislative priority for AFA in 2001.

HB 131 is a direct result of a proposal presented to the Alaska Board of Forestry last year, after a collaborative process involving the timber industry, the fishing industry and the resource agencies of the state. Both the process and the substance of this effort were based upon sound science and a balancing of interests commensurate with the Forest Resources and Practices Act of 1990.


Alaska's current forest practices law is based on good science and is very effective in protecting important fish habitat while recognizing the unique relationship between private land rights and related public resources. The law, which was developed through a cooperative process in 1989 and 1990, involves the Division of Forestry, the Division of Habitat and Restoration, and the Division of Air and Water Quality in monitoring and enforcing standards governing forestry practices. In 1999, as you may recall, changes to the laws' riparian standards for Alaska's coastal forests were approved by the legislature. The Forest Resources and Practices Act enables timber operators in Alaska who conduct their harvest activities according to best management practices to have the assurance that they are operating in compliance with a variety of laws under which they would otherwise be individually scrutinized. That alternative would cost both the industry and the state more time and money than is necessary under the present system.

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subsequent stakeholders' meeting led to the introduction of HB 131. Your willingness to introduce HB 131 through the Rules Committee is greatly appreciated and enjoys broad support.

In summary, HB 131 addresses a real need and represents a balanced approach to resolving an important issue affecting Alaska's forest products sector. This is a bill that can and should enjoy full, bi-partisan support. Thank you again for allowing HB 131 to be introduced in the House Rules Committee.

Sincerely,

  
Jack Phelps *by Ben*  
Executive Director

cc: Governor Knowles

**WHITE SPRUCE ENTERPRISES, INC.**

10293 Old Valdez Trail - Salcha, AK 99714

Telephone 907-488-3004

Fax 907-488-2551

[whitespruce@mosquitonet.com](mailto:whitespruce@mosquitonet.com)

March 20, 2002

Senator Gary Wiken  
State Capitol, Room 514  
Juneau, AK 99801-1182  
Fax: 907-465-4714

Dear Gary,

RE: HB 131

We would like to request your support for HB 131 (the bill establishing a stream classification system and stream protection measure in Interior Alaska). This is a bill that many groups can live with—loggers, environmental interests, and personal land holders. It was an interdisciplinary effort of scientists and technical experts and members of many user groups who came to a consensus solution (not an easy task!).

We would appreciate your support to move this bill forward. We have been to many meetings to work this to an acceptable ruling for the timber industry.

Sincerely,



Jerry and Leslie Gustafson  
White Spruce Enterprises, Inc.

**WHITE SPRUCE ENTERPRISES, INC.**

10293 Old Valdez Trall - Salcha, AK 99714

Telephone 907-488-3004

Fax 907-488-2551

[white@spruce@mosquiltonet.com](mailto:white@spruce@mosquiltonet.com)

March 20, 2002

Senator John Torgerson  
State Capitol, Room 427  
Juneau, AK 99801-1182  
Fax: 907-456-4779

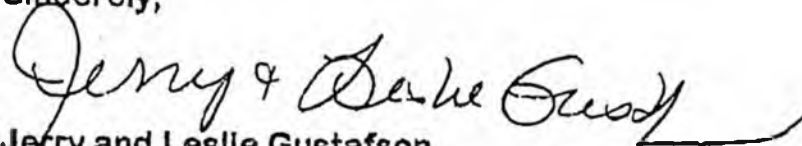
Dear Senator Torgerson,

RE: HB 131

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Sincerely,



Jerry and Leslie Gustafson  
White Spruce Enterprises, Inc.

Tanana Valley State Forest  
Citizens' Advisory Committee

3700 Airport Way  
Fairbanks, AK 99709

March 18, 2002

Senator John Torgerson, Chair  
Senate Resources Committee  
State Capitol, Room 427  
Juneau, AK 99801-1182  
Fax: (907) 465-4779

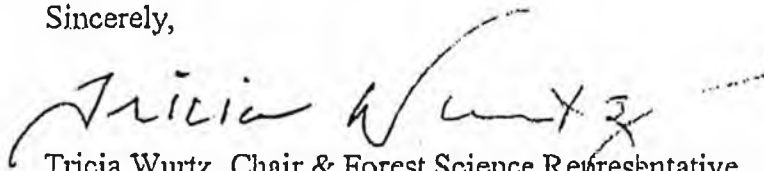
Dear Senator Torgerson,:

As you know, the Tanana Valley State Forest Citizens' Advisory Committee advises the State Forester on matters regarding the management of the Tanana Valley State Forest. We have been tracking the efforts of the many scientists and natural resource professionals working to revise the riparian standards and stream classification system for Region III (Interior Alaska) of the Forest Resources and Practices Act. On March 19, 2001, the Citizens' Advisory Committee unanimously resolved to support the language of HB131 by passing the following:

*The TVSF CAC commends the interdisciplinary Science & Technical Committee and the Implementation Group for their work in developing the provisions of HB13. This bill is the result of effective consensus-building among diverse user groups and is based on the best available scientific information. The TVSF CAC recommends prompt passage of this bill as written.*

During our meeting on December 5, 2001, we voted to re-issue this letter. We still support prompt passage of these bills as written.

Sincerely,



Tricia Wurtz, Chair & Forest Science Representative  
Tanana Valley State Forest Citizens' Advisory Committee

CC: Marty Welbourn Freeman

1702 02/02

-----

Tanana Valley State Forest  
Citizens' Advisory Committee

3700 Airport Way  
Fairbanks, AK 99709

March 18, 2002

Senator Gary Wilken, Co-Chair  
Senate Resources Committee  
State Capitol, Room 514  
Juneau, AK 99801-1182  
Fax: (907) 465-4714

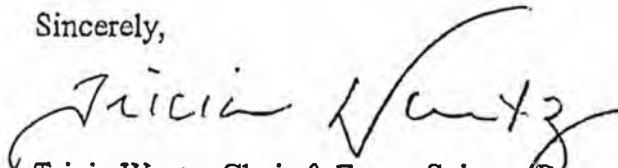
Dear Senator Wilken:

As you know, the Tanana Valley State Forest Citizens' Advisory Committee advises the State Forester on matters regarding the management of the Tanana Valley State Forest. We have been tracking the efforts of the many scientists and natural resource professionals working to revise the riparian standards and stream classification system for Region III (Interior Alaska) of the Forest Resources and Practices Act. On March 19, 2001, the Citizens' Advisory Committee unanimously resolved to support the language of HB131 by passing the following:

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Sincerely,



Tricia Wurtz, Chair & Forest Science Representative  
Tanana Valley State Forest Citizens' Advisory Committee

CC: Marty Welbourn Freeman

Tanana Valley State Forest  
Citizens' Advisory Committee

3700 Airport Way  
Fairbanks, AK 99709

December 6, 2001

Jeff Jahnke, State Forester  
Alaska Division of Forestry  
550 West 7th Avenue, Suite 1450  
Anchorage, AK 99501-3566

Dear Mr. Jahnke:

As you know, the members of the Tanana Valley State Forest Citizens' Advisory Committee have been tracking the efforts of the many scientists and natural resource professionals working to revise the riparian standards and stream classification system for Region III (Interior Alaska) of the Forest Resources and Practices Act. During our regular meeting on March 19, 2001, the Citizens' Advisory Committee unanimously resolved to support the language of HB131 and SB98 by passing the following:

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During our meeting on December 5, 2001, we voted to re-issue this letter. We still support prompt passage of these bills as written.

As an advisory committee to the State Forester on matters regarding the management of the Tanana Valley State Forest, the members of the Citizens' Advisory Committee hope you will endorse our recommendation by forwarding this letter to the various heads of legislative committees that will be considering HB131 and SB98.

Sincerely,



Tricia Wurtz, Chair & Forest Science Representative  
Tanana Valley State Forest Citizens' Advisory Committee

RECEIVED  
DIVISION OF FORESTRY  
CENTRAL OFFICE

2001 DEC 10 PM 12 59

CC: John C. "Chris" Maisch

*Tanana Valley State Forest  
Citizens' Advisory Committee*

*3700 Airport Way  
Fairbanks, AK 99709*

RECEIVED  
MAY 0 1 2001

Division of Forestry  
Central Office

May 29, 2001

Jeff Jahnke, State Forester  
Alaska Division of Forestry  
550 West 7th Avenue, Suite 1450  
Anchorage, AK 99501-3566

Dear Mr. Jahnke:

As you know, the members of the Tanana Valley State Forest Citizens' Advisory Committee have been tracking the efforts of the many scientists and natural resource professionals working to revise the riparian standards and stream classification system for Region III (Interior Alaska) of the Forest Resources and Practices Act. During our regular meeting on March 19, 2001, the Citizens' Advisory Committee unanimously resolved to support the language of HB131 and SB98 by passing the following:

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Sincerely,



Tricia Wurtz, Chair & Forest Science Representative  
Tanana Valley State Forest Citizens' Advisory Committee

CC: John C. "Chris" Maisch

**Subject:** RE: HB 131-Forest practices

**Date:** Wed, 5 Dec 2001 13:22:50 -0900

**From:** "James B. Reynolds" <ffjbr@uaf.edu>

**To:** Marty Welbourn <marty\_welbourn@dnr.state.ak.us>

Hi Marty,

Thanks for the briefing document on HB 131. I noticed a confusing phrase in the third item under "Summary of key provisions"; it says "...area in which harvesting may occur where harvesting may occur,..." and appears to be a typo. As you request, I'll send some letters to Interior legislators in support.

Best wishes for the holidays,

--jim

Dr. James B. Reynolds  
Emeritus Professor of Fisheries  
School of Fisheries and Ocean Sciences  
University of Alaska Fairbanks  
P.O. Box 757220  
Fairbanks, Alaska 99775

Carol - I don't know if  
Jim sent letters - I haven't  
seen copies - Marty

Subject: HB 131

Date: Mon, 18 Mar 2002 07:31:49 -0900

From: Frederick Dean <deansfs@alaska.net>

To: Senator Gary Wilken <Senator\_Gary\_Wilken@legis.state.ak.us>,  
Senator Georgianna Lincoln <Senator\_Georgianna\_Lincoln@legis.state.ak.us>

Dear Senators Wilken and Lincoln,

Last December I wrote you expressing my strong personal support for HB131 and the Senate counterpart. Now that the House bill has moved to the Senate for hearings, I want to reiterate this very strong support. I sat in as an observer an unofficial contributor to the meetings of the Science and Technical Committee that developed the basis for this bill. I was an official member of the Implementation Group that tried to put the recommendations of the S&TC into a form that could be used to draft legislation. Consequently, I feel well-acquainted with the issues and the outcome.

I hope that you will work very hard to insure passage of HB131 which addresses changes in the Forest Resources and Practices Act. The most critical part of this for the Interior is the set of stipulations for operations within the riparian zone. These have been carefully designed to reduce negative impacts on fish and fish habitat and to also insure a continued supply of large woody debris (LWD) being added to the rivers. LWD has been shown to be an important habitat component; it provides cover, reduces current velocity, and forms good habitat for many food organisms. While there is still much to learn about LWD and its roles in interior Alaska, we do know enough to realize that it is important in many waters. Standing trees along the bank provide shading and thus thermal buffering, especially in slower waters, and visual cover because of the patchy light patterns.

A great deal of time and effort went into crafting a set of practices that would be clear and easily followed on both public and private lands. Provisions have been made to accommodate small-scale operations in rural villages. The final bill, as it passed the House, represents a striking job of getting representatives of all possible interested parties to participate in collecting the underlying information, crafting the proposed standards, and supporting the proposed revisions to the FRPA. If the rest of our government could function this well, we would be way ahead. Please do all you can to insure the passage of HB131, hopefully without any modification.

Sincerely,  
Fred Dean

Frederick C. Dean  
810 Ballaine Rd.  
Fairbanks, AK 99709

907-479-6607

**Subject:** HB131 Forest Resources and Practices Act

**Date:** Mon, 18 Mar 2002 07:30:51 -0900

**From:** Frederick Dean <deansfs@alaska.net>

**To:** Senator John Torgerson <Senator\_John\_Torgerson@legis.state.ak.us>

Dear Senator Torgerson,

I am sending this letter to you as Chair of the Senate Resources Committee. I want to express my strong personal support for HB131 and the Senate counterpart. Now that the House bill has moved to the Senate for hearings, I want to emphasize this very strong support. I sat in as an observer an unofficial contributor to the meetings of the Science and Technical Committee that developed the basis for this bill. I was an official member of the Implementation Group that tried to put the recommendations of the S&TC into a form that could be used to draft legislation. Consequently, I feel well-acquainted with the issues and the outcome.

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Sincerely,  
Fred Dean

Frederick C. Dean  
810 Ballaine Rd.  
Fairbanks, AK 99709

907-479-6607

**Subject: Modifications of the Forest Resources and Practices Act**

**Date:** Tue, 18 Dec 2001 13:57:22 -0900

**From:** Frederick Dean <deansfs@alaska.net>

**To:** Senator Pete Kelly <Senator\_Pete\_Kelly@legis.state.ak.us>,  
Senator Georgianna Lincoln <Senator\_Georgianna\_Lincoln@legis.state.ak.us>,  
Senator Gene Therriault <Senator\_Gene\_Therriault@legis.state.ak.us>,  
Senator Gary Wilken <Senator\_Gary\_Wilken@legis.state.ak.us>,  
Senator John Coghill <Representative\_John\_Coghill@legis.state.ak.us>,  
Representative John Davies <Representative\_John\_Davies@legis.state.ak.us>,  
Representative Hugh Fate <Representative\_Hugh\_Fate@legis.state.ak.us>,  
Joe Hayes <Representative\_Joe\_Hayes@legis.state.ak.us>,  
Representative Jeannette James <Representative\_Jeannette\_James@legis.state.ak.us>,  
Representative Jim Whitaker <Representative\_Jim\_Whitaker@legis.state.ak.us>

Hello to all,

I want to reiterate my personal support for HB 131 and its companion Senate bill. Last year, when these were introduced, I sent you a note in favor of passage of these bills. Some problems developed that related to SE Alaska. My understanding is that these have been resolved. I hope that the bills can be passed without delay this year.

I have attached a briefing paper prepared by the Division of Forestry regarding HB131 for your use if you wish to refresh yourself on the matter. Salient points are that the changes are needed, particularly in Region III (the Interior), that the proposed changes in riparian practices were developed by a very well composed scientific committee, that that group's work was translated into recommended provisions by a widely-based implementation group, and that all concerned seem to feel that the proposed modifications should be adopted.


If there are any questions you think I may be able to answer, please feel free to contact me.

I hope that you will take this opportunity to join a broad spectrum of those interested in Interior forests and forest industry by actively helping to get these bills passed this year.

Frederick Dean  
810 Ballaine Rd.  
Fairbanks, AK 99709

907-479-6607  
<deansfs@alaska.net>

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Dear Senator Torgerson:

I ask you to support hearings on SB 98, which amends the Alaska Forest Resources and Practices Act for Interior Alaska (Region III). Several interest groups, including the timber and fishing industries and environmental groups, have worked over the last year with scientific experts in fisheries, forestry, and hydrology to derive riparian standards for timber harvest that make sense for the Interior. The state Board of Forestry reviewed and concurred with the recommendations of this Implementation Group and has endorsed the draft legislation introduced as SB 98. This legislation would clarify standards that allow the timber industry to operate in some of the most productive forest lands north of the Alaska Range while affording the necessary protection to fisheries that provide income and food to many Interior residents year in and year out. Please help our local industries to move forward with sustainable development by supporting this legislation in the current session. Thank you.

Tom Paragi  
P.O. Box 81288  
Fairbanks, AK 99708



# Alaska Conservation Alliance

*Uniting for Alaska's Future*

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## Alaska Conservation Alliance Alaska Conservation Voters

### HB 131 ~ Standards for Forest Resources and Practices

To: House Resources Committee  
Date: February 6, 2002

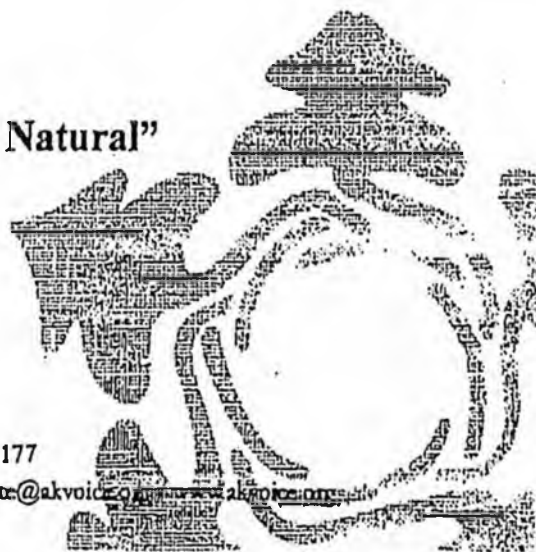
Alaska Conservation Voters is a nonprofit organization dedicated to protecting Alaska's environment through public education and advocacy. Our 32 member organizations represent over 35,000 registered Alaskan voters. Our members support the conservation of Alaska's forests for the long-term protection of habitat values and the benefits our forests provide humans, wildlife and fish.

House Bill 131, which amends the Alaska Forest Resources and Practices Act (FRPA) in Region III for Interior Alaska, improves both the clarity and content of current regulations and practices. HB 131 is based upon an extensive review of existing scientific research, field data, and public comment, and is the result of a consensus-based, public process that encompassed a broad group of stakeholders including fisherman, loggers, scientists, and land managers.

HB 131 would implement buffer zones along lakes and streams in Interior Alaska, for logging on both private and public land. These substantive changes would allow logging activities to continue in a more ecological and sustainable manner in our interior forests. This bill has incorporated open public process throughout every step of the way. Alaska Conservation Voters urges you to support this legislation.

Danielle B. Brown

**"Conserve Alaska: It's Only Natural"**



750 W. 2nd Ave. #109, Anchorage AK 99501 / Ph. 907-258-6171 / Fax 907-258-6177

P.O. Box 22151, Juneau AK 99802 / Ph. 907-463-3366 / Fax 907-463-3312 / [unite@akvoice.org](mailto:unite@akvoice.org) / [www.akvoice.org](http://www.akvoice.org)

April 1, 2002

Senator John Torgerson  
Resources Committee, Chair  
State Capitol, Juneau, AK 99801-1182  
Room 427

Re: HB 131 an act relating to standards for forest resources and practices  
Submission of written testimony

Dear Senator Torgerson:

The Yukon River Drainage Fisheries Association (YRDFA) works with commercial and subsistence salmon fisheries on the Yukon River. We were formed in 1990 when fishermen gathered in Galena to foster communication and cooperation between historically competing fishermen, to promote cooperative management between fishermen and agencies and to increase returns of salmon through habitat restoration and enhancement projects.

YRDFA was invited to join in the implementation group that was created to include various interests when making recommendations to the Forest Resources and Practices Act. Through the participation of Board members and staff, YRDFA was able to be part of the decision-making process and to ensure that the voice of the fishery resource and the fishermen were at the table.

We support the process that took place and the outcome that resulted in recommendations to the classification of stream types and riparian buffers for public and private lands in region III under the Forest Practices and Resources Act. H.B. 131 is good for both fishing and timber because it strengthens protection for interior fish habitat and does it in a manner that is practical for the timber industry to implement.

Thank you for your consideration of my testimony.

Sincerely,

Jill Klein  
Executive Director

Introduced By: Natural Resources  
Date Introduced: March 19, 2001  
Date Passed: March 26, 2001  
Date Transmitted: March 27, 2001

**RESOLUTION 01-0326a**

**A RESOLUTION BY THE GREATER FAIRBANKS CHAMBER OF  
COMMERCE TO SUPPORT THE PASSAGE OF HOUSE BILL (HB)  
131 FOR FOREST PRACTICES AMENDMENTS IN INTERIOR  
ALASKA (REGION III)**

**WHEREAS** Alaska is recognized as a world leader in protecting fish habitat for anadromous and high value resident fish species while promoting timber development; and

**WHEREAS** HB-131 and it's companion bill SB-98 are the result of a two year process that was initiated by the Board of Forestry and involved an interdisciplinary Science and Technical Committee and an Implementation Group that represented affected interests; and

**WHEREAS** the Science and Technical Committee had members with expertise in fisheries, forestry, hydrology, and soils and included scientists and experienced field staff from state resource agencies, the University of Alaska, the U.S. Geological Survey, Tanana Chiefs Conference, and Alaska Biological Research; and

**WHEREAS** the Implementation Group was comprised of private forest owners, the timber and fishing industries, environmental groups, and members from the departments of Natural Resources, Fish and Game and Environmental Conservation; and

**WHEREAS** this legislation is founded on the best science available and is the result of a public effort that has support from a broad array of interest groups, and the Board of Forestry; and

**WHEREAS** under this legislation, all anadromous and high value resident fish waters are classified and riparian standards are established for each water body type based on the unique characteristics and habitat needs of fish for each stream type; and

**WHEREAS** on most anadromous and high value resident fish waters a no-harvest buffer will be required and along glacial rivers where some of the most valuable timber occurs, the standards allow harvest of up to half the large white spruce in the landward half of the buffer, thus capturing some of the economic value within the riparian zone; and

**NOW THEREFORE BE IT RESOLVED** that the Greater Fairbanks Chamber of Commerce Board of Directors joins Alaska's Governor Tony Knowles, the Board of Forestry, state agencies, the timber and fishing industry, environmental groups and members of the public in supporting the passage of this legislation during the current session.

**BE IT FURTHER RESOLVED** that this resolution be distributed to:

Alaska State Legislature  
Governor Tony Knowles  
Board of Forestry  
Commissioner of Natural Resources  
State Forester

**PASSED** in Fairbanks, Alaska this 26<sup>th</sup> day of March, 2001 by the Greater Fairbanks Chamber of Commerce Board of Directors.

---

John Burns  
Board Chair

---

Howard "Buzz" Otis  
Chair Elect

# Fox Sawmill

April 20, 2003

Senator Ralph Seekins  
State Capitol, Room 125  
Juneau, AK 99801-1182  
907-465-2327  
fax: (907) 465-5241  
email: [Senator\\_Ralph\\_Seekins@legis.state.ak.us](mailto:Senator_Ralph_Seekins@legis.state.ak.us)

Regarding: Recommended Additions and Deletions to Senate Bill No. 88

Dear Senator Ralph Seekins:

Attached are the Interior Forest Industry recommendations to the Senate Bill No. 88. These recommendations were developed with the assistance of local professional foresters. The additions are notated with **Bold** font while the recommended deletions are contained within parenthesis ( ).

If any testimony is needed for SB No. 88, the industry strongly feels that the local Interior area forester(s) i.e. Delta or Fairbanks Area Forestry should testify. These are the foresters that work closely with industry and also know the forest practices the best. Regional and above foresters have less direct knowledge of the impact that these proposed regulations have on Interior forest industry.

If you need further information please contact myself, Eric Pyne owner Boreal Forest Products/ co-owner Fox Sawmill or Jerry Gustafson owner White Spruce Enterprises (488-3004).

Sincerely,



Eric Pyne  
P.O. Box 82694  
Fairbanks, Alaska 99708  
907-455-6526

Sec. 38.05.112. Forest land use plans.

(a) The department may not authorize the harvest of timber, except for harvests of 10 acres or less or timber salvaged from land cleared for a nonforest use, until a site-specific forest land use plan has been adopted. A forest land use plan is required whether or not a regional or area land use plan under AS 38.04.065 (a) or a forest management plan under AS 41.17.230 has been adopted.

(b) In adopting a forest land use plan, the commissioner shall consider the best available data, including information provided by other agencies [DESCRIBING THE IMMEDIATE AND LONG-TERM EFFECTS OF INDIVIDUAL AND COLLECTIVE FOREST ACTIVITIES ON THE TIMBER BASE AND ON OTHER RESOURCES AND USES].

Sec. 41.17.030. Responsibilities of division.

(a) The division shall manage state forests and, as directed by the commissioner, shall conduct forest product sales and forest [PROVIDE TECHNICAL ADVICE TO THE DIVISION OF LANDS ON SOUND FOREST] practices necessary to ensure the continuous growing and harvesting of commercial forest species on other state land.

(b) The division shall regulate operations on private forest land as authorized by the provisions of this chapter or state law.

(c) The division shall provide public information and assistance regarding forest practices and timber management generally.

Sec. 41.17.083. Clearing or burning of forest land for non-timber purposes.

The Division of Forestry shall (A STATE AGENCY, MUNICIPALITY, OR PUBLIC UTILITY SHALL) determine whether the timber to be removed or destroyed by a state agency, municipality, or public utility has significant salvage value before approving or conducting clearing or burning of forest land for purposes other than timber harvest. If the timber has significant salvage value, the agency or utility shall salvage the timber as part of the clearing process.

Sec. 41.17.200. State forest purposes and management.

(a) The purpose of AS 41.17.200 - 41.17.230 is to permit the establishment of designated state-owned or acquired land and water areas as state forests. The primary purpose in the establishment of state forests is multiple use management that primarily emphasizes [PROVIDES FOR] the production, utilization, and replenishment of timber resources while perpetuating personal, commercial, and other beneficial uses of resources.

(e) The wildlife management objective of the Tanana Valley State Forest is the production of wildlife for a high level of sustained yield for human consumption [USE] through habitat improvement techniques to the extent consistent with the primary purpose of a state forest under AS 41.17.200

Sec. ~~41.17.230~~. Management plans.

(a) The commissioner shall prepare a management plan consistent with AS 38.04.005 and this chapter for each state forest and for each unit of a state forest to assist in meeting the requirements of this chapter. An operational level forest inventory shall be completed before a management plan for the state forest or the unit of a state forest is adopted. The management plan shall be adopted, implemented, and maintained within three years of the establishment of a state forest by the legislature. The management plan must consider and permit the uses described in AS 38.05.112 (c). If the commissioner finds that a permitted use is incompatible with one or more other uses in a portion of a state forest, the commissioner shall affirmatively state in the management plan that finding of incompatibility for the specific area where the incompatibility is anticipated to exist and the time period when the incompatibility is anticipated to exist together with the reasons and benefits for each finding. Sustained yield timber harvest may not be found incompatible or otherwise restricted unless scientific data can justify the restriction as necessary to achieve the primary purpose of the state forest.

Sec. 41.17.950. Definitions

(7) "high value resident fish water body" means [RESIDENT FISH POPULATIONS OF] a particular stream, pond or lake in which [THEY] resident fish reside that are harvested [USED] for recreational, personal use, commercial, or subsistence purposes.

Senate Bill No. 88

**Bill Text**

**BILL ID: SB 88**

**00 SENATE BILL NO. 88**

**01 "An Act relating to standards for forest resources and practices; and providing for  
02 an  
03 effective date."**

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

**05 \* Section 1. AS 41.17.087(b) is amended to read:**

**06 (b) The commissioner shall adopt regulations that specify the standards  
07 under**

**08 which a variation will be granted for harvesting timber within the riparian area  
09 of**

**10 (1) a low gradient Type I-A [A] water body with a width of five feet or  
11 less; and**

**12 (2) other appropriate water body types.**

**13 \* Sec. 2. AS 41.17.116 is repealed and reenacted to read:**

**14 Sec. 41.17.116. Riparian standards for private land. (a) Private forest land  
15 adjacent to the following types of waters and located in Region I is subject to the  
16 riparian protection standards established in this subsection:**

14 (1) along a Type I-A water body,  
01 (A) operations within 100 feet of the water body or to the break  
02 of the slope, whichever area is smaller, shall be conducted in compliance with  
03 slope stability standards established in regulations adopted under this  
chapter;  
04 and  
05 (B) harvest of timber may not be undertaken within 66 feet of  
06 the water body;  
07 (2) along a Type I-B water body,  
08 (A) operations within 100 feet of the water body or to the break  
09 of the slope, whichever area is smaller, shall be conducted in compliance with  
10 slope stability standards established in regulations adopted under this  
chapter;  
11 and  
12 (B) harvest of timber may not be undertaken within 66 feet of  
13 the water body or to the break of the slope, whichever area is smaller;  
14 (3) along a Type I-C water body,  
15 (A) operations within 100 feet of the water body or to the break  
16 of the slope, whichever area is smaller, shall be conducted in compliance with  
17 slope stability standards established in regulations adopted under this  
chapter;  
18 and  
19 (B) the operator shall, where prudent, retain low value timber  
20 within 25 feet of the water body or to the limit of the area described in (A) of  
21 this paragraph, whichever area is greater, where the width of the water body  
is  
22 (i) greater than 13 feet at the ordinary high water mark;  
23 or  
24 (ii) greater than eight feet at the ordinary high water  
25 mark if the channel is incised;  
26 (4) along a Type I-D water body,  
27 (A) operations within 50 feet of the water body or to the break

28 of the slope, whichever area is smaller, shall be conducted in compliance with  
29 slope stability standards established in regulations adopted under this  
chapter;

30 and

31 (B) the operator shall, where prudent, retain low value timber  
01 within 25 feet of the water body or to the limit of the area described in (A) of  
02 this paragraph, whichever area is greater, where the width of the water body  
is

03 (i) greater than 13 feet at the ordinary high water mark;

04 or

05 (ii) greater than eight feet at the ordinary high water  
06 mark if the channel is incised.

07 (b) Private forest land adjacent to the following types of waters and located in  
08 Region III is subject to the riparian protection standards established in this  
subsection. No riparian protection standards are required when the annual timber  
harvest level is below the threshold of 1/10<sup>th</sup> of one percent (0.1%) of the lineal distance  
along the shore or bank of an anadromous or high value resident fish water body.  
Harvesting of private forest land along water bodies shall be monitored by the State  
Division of Forestry. Private land owners shall have the first right to harvest timber  
along waterbodies that are jointly owned by the State of Alaska. When the annual  
timber harvest level is to exceed this threshold then the following riparian protection  
levels shall be applied to private lands:

09 (1) along a Type III-A water body, harvest of timber may not be  
10 undertaken within 66 feet of the water body;

11 (2) along a Type III-B water body, harvest of timber may not be  
12 undertaken within 33 feet of the water body; between 33 feet and 66 feet from the  
13 water body, up to 50 percent of standing white spruce trees having at least a  
nine-inch

14 diameter at breast height may be harvested without requiring a variation;

15 (3) along a Type III-C water body, harvest of timber within 100 feet of  
16 the water body must be located and designed primarily to protect fish habitat  
and

17 surface water quality as determined by the department with due deference to the  
18 Department of Fish and Game.

19 (c) The commissioner shall adopt regulations for private land in Region II  
20 that

21 designate the areas that are subject to riparian protection standards and the  
22 restrictions

23 on timber harvesting operations within those areas that are necessary for their  
24 protection under the management goals established in AS 41.17.115.

25 (d) In this section,

26 (1) "low value timber" means timber that the owner or operator  
27 determines, at the time of harvest, to be uneconomic to harvest and market;

28 (2) "prudent" means that the requirement can be met using reasonably  
29 available means or technology, that complying with the requirement is not likely  
30 to

31 create significant impairment of the productivity of the land and water, and that  
32 the

33 cost of achieving the requirement is not out of proportion to the benefits that can  
34 reasonably be expected to be achieved in the particular situation.

35 \* Sec. 3. AS 41.17.118(a) is repealed and reenacted to read:

01 (a) The riparian standards for state land are as follows:

02 (1) on state forest land managed by the department that is located in  
03 Region III, no riparian protection standards are required when the annual  
timber harvest level is below the threshold of 1/10<sup>th</sup> of one percent (0.1%) of the lineal  
distance along the shore or bank of an anadromous or high value resident fish water  
body. Harvesting of private forest land along water bodies shall be monitored by the  
State Division of Forestry. Private land owners shall have the first right to harvest  
timber along waterbodies that are jointly owned by the State of Alaska. When the  
annual timber harvest level is to exceed this threshold then the following riparian  
protection levels shall be applied to state lands:

04 (A) along a Type III-A water body, harvest of timber may not  
05 be undertaken within 100 feet of the water body, except that, between 66 feet  
06 and 100 feet from the water body, harvest of timber may be undertaken where

07 consistent with the maintenance of important fish and wildlife habitat as  
08 determined by the department with the concurrence of the Department of  
Fish  
09 and Game;

10 (B) along a Type III-B water body, harvest of timber may not  
11 be undertaken within 50 feet of the water body; between 50 feet and 100 feet  
12 from the water body, up to 50 percent of standing white spruce trees having at  
13 least a nine-inch diameter at breast height may be harvested;

14 (C) along a Type III-C water body, harvest of timber within  
15 100 feet of the water body must be consistent with the maintenance of  
16 important fish and wildlife habitat as determined by the department with due  
17 deference to the Department of Fish and Game;

18 (2) on state forest land managed by the department that is in Region I  
19 or Region II,

20 (A) harvest of timber may not be undertaken within 100 feet  
21 immediately adjacent to an anadromous or high value resident fish water  
body;

22 (B) between 100 and 300 feet from the water body, harvest of  
23 timber may occur but must be consistent with the maintenance of important  
24 fish and wildlife habitat as determined by the department with due deference  
to  
25 the Department of Fish and Game.

26 \* Sec. 4. AS 41.17.119 is repealed and reenacted to read:

27 Sec. 41.17.119. Minimum riparian standards for other public land. The  
28 riparian standards for other public land are as follows:

29 (1) in Regions I and II, harvest of timber may not be undertaken within  
30 100 feet of an anadromous or high value resident fish water body;

31 (2) in Region III, the standards are the same as for state land under  
01 AS 41.17.118 and regulations adopted under this chapter.

02 \* Sec. 5. AS 41.17.950(13) is amended to read:

03 (13) "riparian area" means

04 (A) the areas subject to riparian protection standards

05 [SPECIFIED] in AS 41.17.116(a) and (b) on private land in Regions I and III  
06 [THE COASTAL FOREST OF SPRUCE OR HEMLOCK];

07 (B) the areas subject to riparian protection standards

08 [SPECIFIED] in regulations adopted by the commissioner under

09 AS 41.17.116(c) [AS 41.17.116(b)] on private land in Region II [OUTSIDE  
10 THE COASTAL FOREST OF SPRUCE OR HEMLOCK];

11 (C) the area 100 feet from the shore or bank of an anadromous  
12 or high value resident fish water body on state land managed by the  
department

13 and on other public land;

14 \* Sec. 6. AS 41.17.950(19) is amended to read:

15 (19) "Type I-A [A] water body" means, in Region I, an anadromous  
16 water body that [IS]

17 (A) is a stream or river of any size having an average gradient  
18 of eight percent or less, with banks held in place by vegetation, channels that  
19 are not incised, and a substrate composed of rubble, gravel, sand, or silt;

20 (B) consists of wetlands and lakes, including their outlets; and

21 (C) is an estuarine area delimited by the presence of salt-  
22 tolerant vegetation;

23 \* Sec. 7. AS 41.17.950(20) is amended to read:

## Explanation

38.05.112(b) No other resource use (oil, agriculture etc.) has this requirement. It is impossible long term and cumulative impacts in a site specific plan for an individual timber sale enough to survive litigation. These are better covered in the overall forest management plan.

41.17.30 Clarifies that Division of Forestry can manage the timber resource on state lands, not just state forests.

41.17.83 Adds needed protections against wasting timber by making Div. of Forestry the agency that evaluates salvage value.

41.17.200(a) Makes it clear that timber management is the primary purpose of the state forest, and not wilderness, ecosystem management, or old growth. (b) makes it clear that the forest is to produce huntable game, and not managed for preserved for nonexistent wilderness "old growth" species

41.17.230 Prevents the state forest from following the Tongass into becoming a park where logging is slowly squeezed out for old growth preservation and ecosystem preservation.

41.17.950 Puts the definition in line with the terms used in statute. All of the riparian standards in 41.17.118 and SB88 refer to "high value resident fish water bodies". This term needs a definition. Currently the Habitat division is applying this definition to unproductive rivers that are never fished (eg. Gerstle River)

SB88 We are asking that buffers not be imposed on Interior rivers as long as logging remains a totally insignificant impact. If logging ever effects over 1/1000 of a river bank the buffers will be imposed.

GREATER \* FAIRBANKS  
**CHAMBER**  
OF COMMERCE

250 Cushman St., Suite 2D, Fairbanks, AK 99701-4665  
phone: (907) 452-1105, fax: (907) 456-6960

e-mail: [staff@fairbankschamber.org](mailto:staff@fairbankschamber.org)  
website: [www.fairbankchamber.org](http://www.fairbankchamber.org)

Introduced By: Natural Resources  
Date Introduced: March 19, 2001  
Date Passed: March 26, 2001  
Date Transmitted: March 27, 2001

**RESOLUTION 01-0326a**

**A RESOLUTION BY THE GREATER FAIRBANKS CHAMBER OF  
COMMERCE TO SUPPORT THE PASSAGE OF HOUSE BILL (HB)  
131 FOR FOREST PRACTICES AMENDMENTS IN INTERIOR  
ALASKA (REGION III)**

WHEREAS Alaska is recognized as a world leader in protecting fish habitat for anadromous and high value resident fish species while promoting timber development; and

WHEREAS HB-131 and it's companion bill SB-98 are the result of a two year process that was initiated by the Board of Forestry and involved an interdisciplinary Science and Technical Committee and an Implementation Group that represented affected interests; and

WHEREAS the Science and Technical Committee had members with expertise in fisheries, forestry, hydrology, and soils and included scientists and experienced field staff from state resource agencies, the University of Alaska, the U.S. Geological Survey, Tanana Chiefs Conference, and Alaska Biological Research; and

WHEREAS the Implementation Group was comprised of private forest owners, the timber and fishing industries, environmental groups, and members from the departments of Natural Resources, Fish and Game and Environmental Conservation; and

WHEREAS this legislation is founded on the best science available and is the result of a public effort that has support from a broad array of interest groups, and the Board of Forestry; and

WHEREAS under this legislation, all anadromous and high value resident fish waters are classified and riparian standards are established for each water body type based on the unique characteristics and habitat needs of fish for each stream type; and

GREATER \* FAIRBANKS

# CHAMBER OF COMMERCE

250 Cushman St., Suite 2D, Fairbanks, AK 99701-4665

phone: (907) 452-1105, fax: (907) 456-6968

e-mail: [staff@fairbankschamber.org](mailto:staff@fairbankschamber.org)  
website: [www.fairbankschamber.org](http://www.fairbankschamber.org)

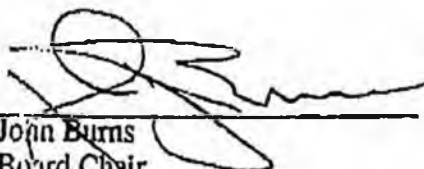
WHEREAS on most anadromous and high value resident fish waters a no-harvest buffer will be required and along glacial rivers where some of the most valuable timber occurs, the standards allow harvest of up to half the large white spruce in the landward half of the buffer, thus capturing some of the economic value within the riparian zone; and


NOW THEREFORE BE IT RESOLVED that the Greater Fairbanks Chamber of Commerce Board of Directors joins Alaska's Governor Tony Knowles, the Board of Forestry, state agencies, the timber and fishing industry, environmental groups and members of the public in supporting the passage of this legislation during the current session.

BE IT FURTHER RESOLVED that this resolution be distributed to:

Alaska State Legislature  
Governor Tony Knowles  
Board of Forestry  
Commissioner of Natural Resources  
State Forester

PASSED in Fairbanks, Alaska this 26<sup>th</sup> day of March, 2001 by the Greater Fairbanks Chamber of Commerce Board of Directors.

  
Joan Burns  
Board Chair

  
Howard "Buzz" Oas  
Chair Elect

**Subject: support for SB 88**

**Date:** Thu, 24 Apr 2003 04:44:00 +0000

**From:** "Thomas Paragi" <tparagi@hotmail.com>

**To:** senator\_scott\_ogan@legis.state.ak.us, senator\_thomas\_wagoner@legis.state.ak.us

23 April 2003

Dear Senators Ogan and Wagoner:

Please support passage of SB 88, which amends the Alaska Forest Resources and Practices Act in Region III for Interior Alaska. Based on guidelines recommended by scientists, these standards for timber buffers along streams and rivers were drafted after consensus among loggers, land managers, fishermen, and environmental interests. They will go a long way to ensuring that logging is compatible with fish habitat in our boreal forest. Thank you.

Sincerely,

Tom Paragi

1271 Lowbush Lane, Fairbanks AK 99709-6039

---

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**Subject: Support SB88**

**Date:** Wed, 23 Apr 2003 14:17:54 -0700 (PDT)

**From:** Don Pendergrast <don\_pendergrast@yahoo.com>

**To:** senator\_kim\_elton@legis.state.ak.us, senator\_ralph\_seekins@legis.state.ak.us,  
senator\_scott\_ogon@legis.state.ak.us

Dear members of the Senate Resources Committee:

I'd like to encourage each of you to support SB88 which amends the Alaska Forest Resources and Practices Act.

I am a member of the Fairbanks Paddlers Association so rivers and streams are important to me; in fact my love of rivers prompted me to earn a masters degree in aquatic ecology. SB88 would impliment buffer zones along rivers and lakes here in the Interior, resulting in better management of aquatic systems and their own important resources.

The work that has proceded this bill has been a model of cooperation in the decision making process. There has been significant scientific input and a heartening level of cooperation between land managers, fishery interests, and conservationists. The bill has the support of the Division of Forestry and the State Board of Forestry and I hope your support as well.

I appreciate the opportunity for my own imput and will be closely following the bill's progress.

Thank you,

=====

Don Pendergrast, Ph.D.  
Alaska Interpretive Services  
1358 Spring Glade Road  
Fairbanks, AK 99709-6828  
907-479-2964

---

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**Northern Alaska Environmental Center**

830 COLLEGE ROAD, FAIRBANKS, ALASKA 99701-2806

PHONE: (907) 452-5021 FAX: (907) 452-3100

<http://www.northern.org> ♦ [info@northern.org](mailto:info@northern.org)

April 28, 2003

To: Members of the Senate Resources  
Re: SB88

The Northern Alaska Environmental Center would like to urge the Senate Rules committee to pass Senate Bill 88, a bill that would alter the Forest Practices Act to provide logging buffers for Interior waterways. This bill has passed the House without opposition. Senate Rules is the last committee in which it is scheduled. If it does not pass now, it will have to be reintroduced next year, and go through the entire process again.

We support this bill not only because it would provide a higher level of protection for riparian habitats and the fish that depend on them here in Interior Alaska – but also because we support the process by which this bill was drafted.

The bill is based on the best available science, as collected by a specially convened scientific committee. It was put together by a consensus-based group of stakeholders that included fishers, loggers, Native interests, conservationists, and state agency representatives. The establishment of buffer zones will help protect salmon spawning areas and other important fisheries resources.

Failure to pass will stall the review and update of the riparian standards for Southcentral Alaska (Region II). The bill has no adverse fiscal impacts. There is a zero fiscal note.

A representative of the Northern Alaska Environmental Center took part in this stakeholder process. Like everyone else who worked together to resolve this issue, she had to make compromises and incorporate the viewpoints and considerations of others. Because of the fine balance struck in this kind of consensus-based compromise, we ask that the Senate Resources Committee pass the bill out of committee without amendment.

Thank you for your attention in this important matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Nancy Fresco". The signature is fluid and cursive, written over a horizontal line.

Nancy Fresco  
Boreal Forest Coordinator

# SB 88 Briefing

April 25, 2003

**JEFF**

## **I. Introduction**

## **II. Process overview**

I am pleased to speak in support of SB 88. This bill is the result of hard work by many people that has led to broad support. The bill responds to the BOF's request that the agencies review the riparian management standards throughout the state. We began with review of the Region I (coastal Alaska) standards which culminated in amendments to the FRPA for Region I in 1999.

We completed the review for Region III in 2001. As in Region I, we began with a Science and Technical committee that recommended changes needed to provide adequate protection for fish habitat and water quality. The next step was to work with an Implementation Group representing affected interests to determine how to implement the recommendations in a manner that works on the ground, and draft legislative changes. Finally, the draft legislation was reviewed with the Board of Forestry.

This legislation was introduced as HB 131 in 2001. In 2001-2002, this bill was heard in the House Special Committee on Fisheries, House Resources Committee, Senate Resources Committee, and Senate Finance Committee, and passed out of all committees without opposition. The House also passed the bill without opposition. The bill was not scheduled for vote on the Senate floor. We appreciate the reintroduction of this bill by Senator Seekins.

At all levels, the process to develop this bill operated by consensus.

- Key points in the bill's development are that
  - The process was based on the best available scientific information.
  - The process was open to the public throughout.
  - The process involved a wide range of interests at each step – scientists, the timber and fishing industries, environmental interests, the BOF, and experienced field staff from state agencies all participated.
- The final package in SB 88 has broad support, including the support of the diverse interests represented by the BOF.

Forest industry	Commercial fishing organization
Native corporation	Environmental organization
Professional forester	Fish & Wildlife biologist
Mining organization	Recreational organization.
- These changes help ensure that the goals of the Act are met -- to provide adequate protection of fish habitat and water quality, and to support the continuation of healthy timber and fishing industries. Importantly, these changes also help ensure that the FRPA continues to satisfy the requirements for non-point source pollution prevention under the federal Clean Water Act, and Coastal Zone Management Act requirements. This means that the Act keeps providing

“one-stop shopping” for the timber industry with respect to state and federal non-point source pollution and coastal management standards.

## **MARTY**

**III. Introduction** -- Thank you Mr. Chairman and members of the committee  
Name/title, co-chair of the Science/Technical Committee and Implementation Group

### **IV. Relation to existing Act.**

- Not a wholesale revision. For many issues, the S/TC and Implementation Group did not recommend changes to the Act or regulations. The changes proposed affect only the part of the Act that addresses stream classification and riparian management in Region III (Interior Alaska), and a minor change to the boundary between Region I and II on the Kenai Peninsula  
**See Map**
- The Interior has been using interim standards since the FRPA was revised in 1990. Under current standards, timber harvesting can occur up to the bank of anadromous waters on both public and private land under some conditions.

**V. Summary of key provisions.** The bill defines three types of water bodies, and sets riparian standards for each type as follows:

- On large non-glacial waters and glacial backwater sloughs (Type III-A): a no-cut buffer of 66' on private land, and 100' on public land. Harvesting can occur in the landward 33' of the buffer on public land with the concurrence of ADF&G.
- On other glacial waters (Type III-B): a 66' riparian area on private land and a 100' riparian area on public land. The half closest to the waterbody is a no-cut buffer. In the landward half, up to 50% of the large white spruce may be harvested.
- On small non-glacial waters (Type III-C, <3' wide): a 100' special management area in which harvesting may occur where harvesting may occur, but must be consistent with maintenance of important habitat. ADF&G and DNR will do more research on this stream type to determine the extent of occurrence within commercial forests and to assess needed management measures.

In Region III, the FRPA applies to commercial forestry operations on all land ownerships where the operation borders surface waters or a riparian area, or where the operation is more than 40 acres and the landowner owns more than 160 acres in total.

The bill also

- Changes the statewide nomenclature for waterbody classes, to prevent confusion between waterbody types in different regions.
- Moves definitions of regional boundaries from the regulations to the Act.
- Makes a minor change to the regional boundary on the Kenai Peninsula to better match the difference between forest types. Most forest land in the affected area is in federal ownership, so there will be little impact on landowners. CIRI, Chugach AK, MHTU, and KPB have all reviewed this change and have no concerns.

# ALASKA STATE SENATE

Session:  
State Capitol  
Juneau, Alaska 99801-1182  
(907) 465-2327  
(907) 465-5241 Fax



Interim:  
119 N. Cushman, Suite 201  
Fairbanks, Alaska 99701  
(907) 456-8161  
Senator\_Ralph\_Seekins@legis.state.ak.us

**Senator Ralph Seekins**  
District D

## Senate Bill 88 Request for Hearing

Attached please find Senate Bill 88 along with a corresponding Sponsor Statement and supporting documentation (Fiscal Note to follow upon our receipt of same). This Bill revises the riparian management standards of the Forest Resources Practices Act for Region III by strengthening protection for fish habitat and water quality in a manner that continues to support both the timber and fishing industries.

It is important to note that SB 88 is identical to HB 131 introduced in the 22<sup>nd</sup> Legislature. While HB 131 enjoyed broad support across the political spectrum it was a victim of the end of session rush last year. I respectfully request a hearing before your committee on this Bill at your earliest convenience. Thank you.

*AS for RS*

SB

92

# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: \_\_\_\_\_  
 Bill Version: SB 92  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Natural Resources  
 Title Stranded Gas Development Act Amend. BRU Oil and Gas Development  
 Component Oil and Gas Development  
 Sponsor Senate Resources  
 Requester Senate Resources Component No. 439

**Expenditures/Revenues (Thousands of Dollars)**

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel	10.0	10.0				
Contractual	289.0	289.0				
Supplies	1.0	1.0				
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>300.0</b>	<b>300.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE (Thousands of Dollars)**

FUND SOURCE	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
1002 Federal Receipts						
1003 GF Match						
1004 GF	300.0	300.0				
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>300.0</b>	<b>300.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2003) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)  
 This bill would authorize the executive branch to negotiate a contract with sponsors of proposed projects to develop stranded gas in Alaska. The payments required by the contract would replace some or all of the state royalties and taxes and municipal taxes that would otherwise pertain to major economic activity engendered by the project.  
  
 Given the extended time frame to develop and market the large volumes of stranded gas, revenue impacts expected as a result of the bill are outside the time horizon of this fiscal note.  
  
 Under AS 43.82.220, the state is responsible for evaluating and negotiating contract terms relating to royalties.

Prepared by: Mark D. Myers Phone 269-8800  
 Division Oil and Gas Date/Time 3/3/2003  
 Approved by: Tom Irwin Date 3/3/2003  
 Agency Natural Resources

FISCAL NOTE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

BILL NO. SB 92

ANALYSIS CONTINUATION

Pursuant to these responsibilities, DNR is requesting a total of \$600,000 over a two-year period.

The line item breakdown for the two years is as follows:

Contractual:

\$550,000 is to fund contractual services and advice from experts in technical, fiscal, regulatory, contract negotiation, legal, and financial areas. These technical, evaluative, and negotiation services would be required to assist the state in substantive and complex contract development and negotiation, potentially with multiple sponsors. The state does not have all of this expertise in-house. \$75,000 of these costs will be incurred in preparation for the application process regardless of whether there are applicants.

As per the proposed bill, contract applications may be submitted at any time up until June 30, 2006. Expenditures for contractual services, therefore, may be necessary over a number of years. Furthermore, one North Slope producer has estimated that contract development and negotiations will take two years. Since there is no way of knowing now specifically when expenditures would be required, it may be beneficial to treat this \$550,000 as a continuing appropriation.

The proposed legislation allows reimbursement of the state by the applicant for the expenses of independent contractors used to assist in the evaluation of an application. Consequently, some or all of these expenditures may be recouped.

\$28.0 is for miscellaneous contractual expenditures such as purchase of technical reports and conference participation.

Other:

\$20.0 to fund the travel for negotiations, and \$2.0 for miscellaneous supplies.

# FISCAL NOTE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: SB 92  
( ) Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Revenue  
Title Stranded Gas BRU Administration and Support  
Development Act Amendments Component Commissioner's Office  
Sponsor Senate Resources Committee  
Requester Senate Resources Committee Component No. 123

**Expenditures/Revenues** (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services	89.5	89.5				
Travel	25.0	25.0				
Contractual	150.0	200.0				
Supplies	2.0	2.0				
Equipment	5.0	1.0				
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>271.5</b>	<b>317.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( )</b>						
-------------------------------	--	--	--	--	--	--

**FUND SOURCE** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	121.5	117.5				
1005 GF/Program Receipts						
1037 GF/Mental Health						
1108 Statutorily Designated Receipts	150.0	200.0				
<b>TOTAL</b>	<b>271.5</b>	<b>317.5</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2003) cost: 0.0  
Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time	1	1				
Part-time						
Temporary						

**ANALYSIS:** (Attach a separate page if necessary)

See attached analysis.

Prepared by: Larry Persily, Deputy Commissioner Phone 465-5469  
Division Department of Revenue Date/Time 3/4/03 10:47 AM  
Approved by: Larry Persily, Deputy Commissioner Date 3/4/2003  
Agency Department of Revenue

## FISCAL NOTE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

BILL NO. SB92

### ANALYSIS CONTINUATION

#### BILL DISCUSSION

The intent of the Stranded Gas Development Act, AS 43.82, is to provide a mechanism for achieving the fiscal certainty that potential project sponsors say they need before proceeding with the large investment needed to bring Alaska North Slope natural gas to market. The Act allows the state to negotiate a contract for payments in lieu of taxes with a project sponsor. This contract could cover all state and municipal taxes on a project, including state corporate income taxes, production taxes, state and municipal property taxes, and any special municipal assessments. The Act also allows for negotiation of gas valuation methods for use in determining state royalties.

This bill would amend the 1998 Stranded Gas Development Act to:

- Expand the Act to include a natural gas pipeline to serve the Lower 48 states as an eligible project under the law. The existing statute limits the application of the Act to only liquefied natural gas projects. This amendment also would limit eligible applicants (non-LNG) under the Act to only a natural gas pipeline that would parallel the Trans-Alaska Pipeline System and the Alaska Highway, thereby eliminating from inclusion in the Act the so-called "over-the-top" route.
- Replace the June 30, 2001 deadline in existing statute for project applications with a new deadline of June 30, 2006.
- Add a requirement that only those projects producing gas from north 64 degrees north latitude (roughly Delta Junction) would qualify for the provisions of the Act.

#### OPERATING EXPENSES

The Act allows the Department of Revenue under AS 43.82.240 to recover from a project applicant the costs of contracting with an independent consultant to assist the state in evaluating applications submitted under the Act and in developing contract terms. Those statutorily designated program receipts are shown above.

The Act does not allow the state to seek reimbursement from a project applicant for any other costs. The department would hire a project manager for the estimated two years of contract development, negotiations and approval, and the personnel services, travel and equipment expenses for that position and other commissioner's office expenses are shown in the fiscal note as General Fund money.

The above costs are essentially the same as the Legislature approved for the Department of Revenue in passing the 1998 Stranded Gas Act.

## The Stranded Gas Development Act

The Stranded Gas Development Act, AS 43.82, was passed into law by the Alaska Legislature in 1998. During the session it was House Bill 393. The application deadline for a project application under the Act was June 30, 2001. There were no applications by that date. Legislative action is required to reopen the option for a gas project developer. Such a reopener failed to win legislative approval last session, and has been introduced again this year as SB92, sponsored by the Senate Resources Committee.

The Act's genesis was in HB 250, which in 1997 established a North Slope Gas Commercialization Team in the administration to research and recommend changes to state law to encourage commercialization of North Slope gas. The team issued a report to the Governor in February 1998. The team's conclusions were that the project faced considerable risk, namely construction cost risk and gas price risk, and the state's fiscal system exacerbated those risks. Three of the risks of particular concern were fiscal uncertainty, the state's regressive tax system, and the front-end aspects of the fiscal system. We will discuss these in turn.

Given the high cost of the project, coupled with the volatility of gas prices, the project is financially risky. Given that the project is marginal under the current fiscal system, there is concern among potential project sponsors that if a project is started, the state could later modify the fiscal terms after the project had been built, changing its overall attractiveness to investors after they had invested. This is the fiscal uncertainty risk.

Second, there are two significant elements of the state's fiscal system that make it regressive. Regressivity means that the state's take in terms of share of the profits is high at low prices and low at high prices. Regressive systems exacerbate the risk of low prices to the project developers. First, the property tax is based on cost of the asset. The higher the cost, the higher the tax. Second, the basis of value for the severance tax and royalty is at the wellhead and does not consider capital and operating costs. Thus when capital and operating costs are high, and prices are low, the state's take is a high percentage of the low profits. (Regressive systems also reduce what the state's take could be at high prices, which means the state loses out on a greater slice of revenues during high prices and high profits.)

Third, the property tax makes for a front-end loaded system. The property tax is payable when construction begins, which could be several years before revenues start accruing. On a time value of money basis, this diminishes the rate of return on the project and exacerbates the risk of not recovering the investment.

**Page 4 of 5**  
**Senate Bill 92**  
**Department of Revenue**

After the team issued its report to the Governor, it worked with the major Prudhoe Bay producers to develop legislation to deal with these risks. The producers at the time had been studying commercializing gas through an LNG project to tidewater. The result was HB 393.

The law provided a mechanism for converting the state's fiscal system from a statutory basis to a contractual basis. This would provide for greater fiscal certainty. The fiscal system would be negotiated between the administration and the project sponsors and approved by the Legislature. And per the Act the contract terms could provide for a more progressive (less regressive) system.

The process for developing the contract was as follows: A sponsor would submit a project plan and application to the administration for contract negotiation. The project had to produce 500 billion cubic feet within 20 years and be an LNG export project. (The original bill called for any project. It was changed to only LNG during the legislative process.)

The sponsor group would negotiate fiscal terms with the state. Payments to the state would be made in-lieu of taxes. Fiscal terms would be customized to the specific project structure. The term of the contract could not exceed 35 years.

The commissioner of Revenue would be the primary agent for negotiating and implementing the contract. However, the commissioner of Natural Resources is also responsible for reviewing the project plan for acceptability, and for negotiating any changes in royalty issues. The only royalty provisions subject to negotiation under the Act are the gas valuation method and the timing of royalty in-kind and royalty in-value notices.

The law allowed the commissioner of Revenue to use independent contractors to assist in the evaluation of any project application, and to condition the contract on an agreement with the project applicant that it would fully reimburse the state for the cost of the contractors retained for the state's analysis. The fiscal note for the legislation authorized the Department of Revenue to collect and expend those application fees to cover its contractor costs. The Legislature also approved General Fund money for the Department of Revenue to hire a full-time project coordinator for two years to help manage the application review and negotiations. That position was never filled because there was no project application.

**Page 5 of 5**  
**Senate Bill 92**  
**Department of Revenue**

In addition to replacing state oil and gas production taxes and corporate income taxes with a contract for payments, the Act also allowed the Revenue commissioner to include municipal sales taxes, municipal special assessments, state and municipal property taxes and any other state or municipal taxes in the negotiations. The intent was to wrap up as much as possible into the contract for payments in lieu of taxes.

Once a contract was developed, preliminary findings would be submitted to the governor. If the governor chose to proceed the preliminary findings would be given to the Legislature and the public. There would be a 30-day public review period.

After the review, the commissioner of Revenue would modify the contractual terms as appropriate and if acceptable to the sponsors. The final contract would be submitted to the governor. The governor would transmit the contract to the legislature with a request for authorization to execute the contract. Finally, the legislature would vote on it.

There was great concern by local municipalities that a contract could compromise the property tax revenues they might receive, especially given the concerns about the property tax discussed above. Accordingly, the Act requires that a portion of the payments due under the contract is paid to affected municipalities. Also, the law created a municipal advisory group to participate in developing contract terms.

The law also has provisions intended to help make gas available to communities, to promote local hire, and to deal with confidential information provided by the sponsors.

**Testimony for SB 92**  
**Dan Dickinson, Tax Division Director**  
**Alaska Department of Revenue**  
**March 4, 2003**

My name is Dan Dickinson, Tax Division director at the Department of Revenue. With me is Roger Marks, a Petroleum Economist with the Tax Division, who will speak briefly about the history, intent and mechanics of the Stranded Gas Act. But first I think it is important to introduce ourselves, as the Department of Revenue has many responsibilities under the Stranded Gas Act, and the Tax Division has considerable expertise and experience in oil and gas matters.

Five years ago we were three divisions – the Oil and Gas Audit Division, the Income and Excise Audit Division and the Charitable Gaming Division. We are now merged into a single division.

What we do can be seen from the FY 2002 Comprehensive Annual Financial Report for the State of Alaska. You should have a copy of an excerpt from Table 1.13. Of total governmental fund revenues of \$3.5 billion:

- \$1.6 billion comes from the Feds
- Taxes are \$1 billion
- Royalties are \$0.9 billion
- Interest and investment income, plus all the other ways the government raises money (charges for services, fines and forfeitures and “other”), was more than offset by investment losses in FY 2002.

The Tax Division administers 19 of the 20 tax types that comprise \$1 billion tax figure. Of the billion dollars in taxes, all but a little more than \$100 million were oil and gas taxes. The state's oil and gas take is often characterized as four bites of the apple, and we are experienced at all four bites.

For the first bite: We are charged with auditing royalties and net profit share leases, and work with DNR on those matters.

The other three bites of the apple cover the three areas that we anticipate will be our focus in any Stranded Gas Act negotiation.

The second bite of the apple is the oil and gas property tax. Last Friday, the Tax Division's Oil and Gas Property Tax assessor and his staff mailed out the 2003 tax roll, showing oil and gas property valued at about \$13.5 billion. As petroleum economist Roger Marks will explain later, property taxes play a unique role in determining any natural gas project's profitability.

The third bite of the apple is the oil and gas corporate income tax. Income taxes are focused on taxing profits. As Roger will elaborate later on – the more we focus on taxing profits, the more progressive our system becomes. This is one of the stated goals of the Stranded Gas Act. We have a large experienced group in our division that works these issues and we expect them to be critical.

The last bite of the apple is the production tax. Like royalty, the production tax focuses on the commodity value of the resource at or near the wellhead. We have lots of experience in this area – market pricing, inter-company transfer pricing, how markets work, how energy contracts work, business practices and cost analysis.

Now, let me add a personal observation – but one that I think reflects what many of us in the division believe about what the state should be trying to achieve in any Stranded Gas Act negotiation.

Taxes – and the government take in general that is the subject of the Stranded Gas Act – should not distort commercial realities. The government's take should not be what is red-lighting this project.

As Roger will explain, our current fiscal system intensifies some of the risks faced by the producers. Ironically, not only the producers but the state could be better off changing those same aspects of its fiscal system. Stranded Gas Act negotiations should be about risk sharing, and who among the state and the commercial entities involved can best handle what risks. As soon as SB 92 becomes law we can start discussing how price risk will be shared or how return on the investment in the pipeline will be taxed, or really figure out what each party wants to get from this project – aside from “more.” There are lots of specifics that can be set aside until it is clearer how our gas will fit in with the market mechanisms that will be in place when we are ready to market. The state's role should not be to increase risks. Maybe we can make the project fly by reducing risk.

On the other hand, we have to make sure that the state is not naively underwriting a risky project. As the only ones who will still be around if things go sour, we don't want to be left holding a bag we didn't quite understand the dimensions of.

That's my quick overview of the Department of Revenue Tax Division. The administration strongly supports reauthorizing the Stranded Gas Development Act. We believe it creates a great mechanism to work these difficult issues we face. The Tax Division looks forward to being able to play our part in that work.

Thank you for the opportunity to testify and to introduce the people who will be doing a lot of the foot slogging in any stranded gas act negotiation.

STATE OF ALASKA  
 Statement of Revenues, Expenditures, and Changes in Fund Balance  
 Governmental Funds  
 For the Year Ended June 30, 2002  
 (Stated in Thousands)

STATEMENT 1.13

REVENUES	Total Governmental Funds
Taxes	\$ 1,019,878
Licenses and Permits	90,049
Charges for Services	157,458
Fines and Forfeitures	11,937
Rents and Royalties	867,100
Premiums and Contributions	19,612
Interest and Investment Income	1,203,336
Net Increase (Decrease) in the Fair Value of Investments	(1,583,223)
Federal Grants in Aid	1,552,694
Nonfederal Grants and Contracts	43
Other Revenues	154,713
Total Revenues	<u>3,493,597</u>

Source:  
 State of Alaska  
 Comprehensive Annual Financial Report  
 For Fiscal Year July 1, 2001 - June 30, 2002  
 (Page 22)

Prepared By:  
 Department of Administration  
 Division of Finance

**Overview of SB 92**  
**Presentation to the Senate Resources Committee**  
**Roger Marks**  
**Alaska Department of Revenue**  
**March 5, 2003**

Good afternoon, Mr. Chairman and members of the committee. My name is Roger Marks. I am a petroleum economist with the Tax Division of the Department of Revenue. I worked on the original Stranded Gas Act in 1998 and am familiar with its history, intent, and mechanics. I would like to provide a very brief overview of the Act at AS 43.82. A more detailed synopsis is with the fiscal note.

The Act originated in HB 250 in 1997 which established a North Slope Gas Commercialization team in the Administration to research and recommend changes to state law to encourage commercialization of North Slope gas. The team concluded that the project faced considerable risk, namely gas price risk and cost overrun risk, and that the state's fiscal system actually exacerbated those risks. Two of the risks of particular concern were fiscal uncertainty and the state's regressive tax system.

(A brief comment on the price risk: The cost of the project is very large: \$20 billion. That is a lot of money to any corporation, even ones the size of Exxon, BP or ConocoPhillips. If this project is built and something goes wrong, such as low prices, the sponsors face very large losses. And even if these are relatively low-probability events, the project may not be built if a company cannot tolerate a loss of that size. That is why the risk-reduction mechanism proposed in Congress, which is currently in place for non-conventional gas in the Lower 48, may be a very necessary linchpin in making this project a reality.)

By fiscal uncertainty we mean the threat of changes in fiscal provisions after a project is built, that may change the project's viability after it is too late to do anything about it. A project may be feasible under one tax system. If it is built under the assumption that the tax system in place will stay in place, but the tax system changes, the changes could cause heavy financial losses.

Second, there are two significant elements of the state's fiscal system that make it regressive. By regressive we mean that the state's take is a high percentage of income at low prices, and a low percentage at high prices. First, the property tax is based on cost. The higher the cost the higher the tax. This is a double whammy to an investor who incurs a cost overrun. Moreover, the property tax is payable when construction begins, years before revenues start accruing. On a time value of money basis this diminishes the rate of return, and increases the risk of not recovering the investment.

The second regressive elements are the severance tax and royalty. They are based on the value at the point where the gas comes out of the ground, and ignore upstream costs such as capital and operating costs. Thus when costs are high and prices are low, the state's take is a high percentage of low income. Again, this intensifies the danger of low prices.

I might add that a regressive system also limits the state's take at high prices. Fixing that could be very important to the state for securing more revenue when prices are high, without threatening the viability of the project.

The Stranded Gas Act was the result of trying to fix these shortcomings. The law provided a mechanism for converting the state's fiscal system from a statutory basis to a contractual basis. This would provide for greater fiscal certainty. The fiscal system would be negotiated between the state and the project sponsors, and approved by the legislature, after a public review period. Payments to the state would be made in-lieu of taxes. And per the Act the contract terms would provide for a more progressive (less regressive) system.

Most of the provisions subject to negotiation are the tax provisions. Given that the royalty represents the state's ownership share, there was not interest in making the royalty rate subject to change. The only royalty provisions subject to negotiation would be the gas valuation method, and the timing of royalty in-kind and in-value notices.

The Commissioner of Revenue would be the primary agent for negotiating and implementing the contract. However, the Commissioner of Natural Resources is also responsible for reviewing the project plan for acceptability, and for negotiating any changes in those royalty issues.

There was concern by municipalities that a contract could compromise their property tax revenues. Accordingly, the Act created a municipal advisory group to participate in developing contract terms, and the Act requires that a fair and reasonable share of the payments due under the contract be paid to affected municipalities with regard to the size of the tax base that may be exempted, and the economic and social burdens imposed by construction and operation.

The Act also has provisions for sponsors to help make gas available to communities, to promote local hire, to deal with confidential information provided by the sponsors, and to reimburse the state for contractors it may use to assist in the negotiation process.

Finally, there were some questions raised as to whether this would surrender or contract away the power to tax, which is forbidden by our constitution. It was the administration's judgment that this would not preclude future legislatures from imposing other taxes, but this contract would represent a solemn pledge, a moral commitment by the state, and a message to future legislatures that once it agrees to the terms it will not change them.

# STATE OF ALASKA

## DEPARTMENT OF REVENUE

OFFICE OF THE COMMISSIONER

FRANK H. MURKOWSKI, GOVERNOR

P.O. BOX 110400  
JUNEAU, ALASKA 99811-0400  
TELEPHONE: (907) 465-2300  
FACSIMILE: (907) 465-2389

March 4, 2003

The Honorable Scott Ogan  
Chair, Senate Resources Committee  
Alaska State Legislature  
State Capitol, Room 103  
Juneau, AK 99801

Dear Senator Ogan:

Thank you for introducing Senate Bill 92 to extend and expand the Stranded Gas Development Act. We share your interest in this project and are optimistic that Alaskans are getting closer to seeing our natural gas move to market.

In reviewing SB92, we have three concerns we would like to share with you:

1. Our first concern is regarding Sec.1, AS 43.82.100, the definition of a qualified project. Although we recognize the intent of the Act — so that only North Slope gas is covered by this legislation and, if carried by pipeline to North America, travels on a route that follows the Trans-Alaska Pipeline System and the Alaska Highway — it is our opinion that other provisions of this bill and existing state law already implicitly achieve that goal.

Specifically, the existing AS 43.82.100(2) limits the provisions of the Act to “stranded gas.” Stranded gas is later defined in AS 43.82.900(13) as gas “that is not being marketed due to prevailing costs or price conditions.” It is our judgment that given the distribution of gas and the markets for gas within the state, this could *only* include North Slope gas. Therefore, we believe it is not necessary to have additional conditions inserted into the bill.

And, existing state statute (AS 38.35.017) prohibits the granting of any right-of-way leases in or adjacent to the Beaufort Sea. This is the legislation that banned any consideration of an “over-the-top” route for North Slope gas.

In addition, we believe the definition proposed in SB92 may be unnecessarily complex and perhaps even self-contradictory. The language references the definition of “North Slope natural gas pipeline” from the state Right-of-Way Leasing Act, AS 38.35.120. That definition then references another definition from the Pipeline Act, AS 42.06.630. The Pipeline Act defines “North Slope natural gas” as gas produced north of 68 degrees North latitude.

However, SB 92 references gas north of 64 degrees North latitude. We believe it would be better to avoid this discrepancy.

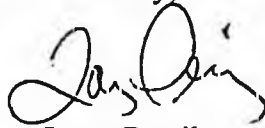
Moreover, the Pipeline Act only addresses the *intrastate* sale of gas. However, most of the gas in this project will be for *interstate* sale, which is not regulated by the Pipeline Act. Therefore, invoking the Pipeline Act to define the project (as in SB92) may have unclear consequences that are best avoided.

We believe the definition of a qualified project in the current committee substitute for CS HB16 (Resources) provides a clear and effective definition, with no material difference from what was crafted in SB 92. The Administration would prefer that definition.

2. Our second concern also regards the definition of a qualified project under the Stranded Gas Development Act. Although SB92 would expand the list of qualified projects under the Act to include a natural gas pipeline to the Lower 48, it does not include a gas-to-liquids (GTL) project. The administration supports any investment that would commercialize North Slope natural gas, and would prefer to include potential GTL technologies in the bill, as does CS HB16 (Resources).
3. Finally, the administration would like to impress upon potential sponsors the urgency of starting work. While the producers are looking for fiscal certainty, the State also wants certainty that a project will move forward in a timely manner. Accordingly, under Sec. 2 of this legislation the administration would prefer an earlier application deadline date of March 31, 2005, as is included in CS HB 16 (Resources).

The Department of Revenue is eager to work with you on this important legislation, and we look forward to a successful outcome of your efforts.

Sincerely,



Larry Persily  
Deputy Commissioner

cc: Mike Tibbles, Office of the Governor  
Mark Myers, Division of Oil and Gas, Department of Natural Resources  
David Marquez, Department of Law

# LEGAL SERVICES

DIVISION OF LEGAL AND RESEARCH SERVICES  
LEGISLATIVE AFFAIRS AGENCY  
STATE OF ALASKA

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

State Capitol  
Juneau, Alaska 99801-1182  
Deliveries to: 129 6th St., Rm. 329

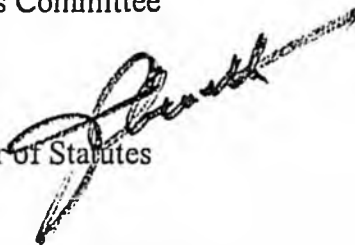
## MEMORANDUM

March 4, 2003

**SUBJECT:** Ch. 104, SLA 1998, the Alaska Stranded Gas Development Act

**TO:** Senator Scott Ogan, Chair  
Senate Resources Committee  
Attn: Linda Hay

**FROM:** Jack Chenoweth  
Assistant Revisor of Statutes



I am unable to provide a sectional analysis for House Bill 393 of the 1998 legislative session (Alaska Stranded Gas Development Act). Instead, of value to you may be the text of each of the two enclosures:

-- Governor Tony Knowles' transmittal letter, photocopied from the House Journal; and

-- the Attorney General's bill analysis for SCS CSHB 393 (Finance), the bill in its final version.

JBC:med  
03-236.med

Enclosures

THE  
FOLLOWING  
DOCUMENT(S)  
ARE  
POOR  
ORIGINAL  
COPIES

Representatives Kelly, Dyson and  
; and amending Rules 54 and 56,  
ure."

ferred to the Judiciary and Finance

Representatives Kelly, Dyson and

relationship between a minor and a person  
custody of the minor, and relating to  
relationship when a minor has run away  
aided by a person having the minor's

and to the Health, Education & Social  
s.

Representatives Austerman and Hudson,

by the Department of Environmental  
Department of Fish and Game to confidential  
resources prepared or kept by the  
AS 43.75; relating to certain salmon  
ing for an effective date."

ferred to the Labor & Commerce

House Rules Committee by request of

HB 393

"An Act relating to contracts with the state establishing payments in lieu of other taxes by a qualified sponsor or qualified sponsor group for projects to develop stranded gas resources in the state; providing for the inclusion in such contracts of terms making certain adjustments regarding royalty value and the timing and notice of the state's right to take royalty in kind or in value from such projects; relating to the effect of such contracts on municipal taxation; and providing for an effective date."

was read the first time and referred to the House Special Committee on Oil & Gas and the Finance Committee.

The following fiscal notes apply:

Fiscal note, Dept. of Natural Resources, 2/11/98

Fiscal note, Dept. of Revenue, 2/11/98

The Governor's transmittal letter dated February 9, 1998, appears below:

"Dear Speaker Phillips:

Today I am transmitting the Alaska Stranded Gas Development Act to advance the development of Alaska's vast supply of North Slope natural gas. This legislation follows the recommendations of the North Slope Gas Commercialization Team which was established by legislation last year to build a framework to improve the economic feasibility and competitiveness of a North Slope gas project.

The bill authorizes the state to negotiate contracts with project sponsors to improve the economic feasibility of developing stranded gas on the North Slope. Contract payments would replace some or all of the state and municipal taxes applicable to the gas project including: 1) state and municipal ad valorem property taxes; 2) production or severance taxes; and 3) state corporate taxes. The state's royalty share of produced gas would not be subject to such a contract. Contract payments would be designed to improve project economics by "back-end loading" tax liabilities to allow project investors to begin to recoup some of their investment before facing a heavy tax burden.

**HB 393**

The contract payments would also be designed to provide the state with an increased share of the project's revenue if energy prices increase or if the sponsors are able to substantially decrease anticipated project construction costs.

Such contract payments were envisioned in both the House Concurrent Resolution relating to North Slope gas and the gas commercialization team bill passed last year. While the bill is unique in many respects, there are precedents for this type of incentive. For example, the LNG project on the Kenai Peninsula, which provides significant jobs and production and property tax revenue, benefited directly from the Alaska Industrial Incentive Act which provided tax advantages critical for development.

There are several major benefits to the approach authorized in the bill. Fiscal arrangements can be tailored to the specific economics of a gas project. Contractual payments are more likely to provide predictability for potential investors in a project. This method also addresses the critical element of local taxes by providing a mechanism for ensuring a steady payment stream to municipalities over the life of the contract.

Local hire and the use of local businesses in any project are also stressed in the legislation. Employers participating in the project are required to advertise locally for available positions, use Alaska job service organizations, and employ qualified Alaska residents and Alaska-owned businesses to the full extent permitted by law.

Any contract negotiated by the Administration would be subject to legislative review and public hearing. Additionally, I would encourage the legislature to require legislative approval of a contract because of the appropriate role of the legislature in such a unique and significant decision. Furthermore, if such a contract in lieu of taxes was considered a tax, the legislature may well be required to approve such action by law.

The bill recognizes that in the process of negotiating a contract it may be necessary to review confidential company data if the state's best interests are to be advanced. The bill strikes a balance between the public's right to review the basis for the contract and the company's right to protect proprietary information from their competitors.

**HB 393**

Confidentiality of proprietary info revealed, would both affect a cc significantly diminish the commer

The Stranded Gas Development Ac efforts to realize the benefits of t North Slope. While it is true a addressed before a North Slope ga project cost reductions, market c favorable federal tax laws, this bill our success. I urge your prompt at

Since  
/s/  
Tony  
Govt

**HB 394**

HOUSE BILL NO. 394 by Repr:

"An Act relating to seafood p fishing operations and to tl collected by the Department o of Environmental Conservatic

was read the first time and referre

**HB 395**

HOUSE BILL NO. 395 by Repr

"An Act relating to civil lia defibrillator in providing eme

was read the first time and referre

**HB 396**

HOUSE BILL NO. 396 by Repr

"An Act relating to renting a

February 11, 1998

be designed to provide the state project's revenue if energy prices substantially decrease anticipated

oned in both the House Concurrent gas and the gas commercialization the bill is unique in many respects, incentive. For example, the LNG which provides significant jobs and revenue, benefited directly from the which provided tax advantages critical

the approach authorized in the bill. l to the specific economics of a gas more likely to provide predictability t. This method also addresses the providing a mechanism for ensuring palities over the life of the contract.

businesses in any project are also yers participating in the project are available positions, use Alaska job y qualified Alaska residents and ill extent permitted by law.

administration would be subject to ng. Additionally, I would encourage e approval of a contract because of re in such a unique and significant n contract in lieu of taxes was ay well be required to approve such

cess of negotiating a contract it may ial company data if the state's best e bill strikes a balance between the for the contract and the company's ormation from their competitors!

February 11, 1998

2283

**HB 393**

Confidentiality of proprietary information is limited to items that, if revealed, would both affect a company's competitive position and significantly diminish the commercial value of the information.

The Stranded Gas Development Act is a critically important step in our efforts to realize the benefits of the enormous gas resources on the North Slope. While it is true a number of other factors must be addressed before a North Slope gas project becomes a reality, such as project cost reductions, market conditions, and the need for more favorable federal tax laws, this bill lays the necessary groundwork for our success. I urge your prompt and favorable action on this measure.

Sincerely,

/s/

Tony Knowles  
Governor"

**HB 394**

HOUSE BILL NO. 394 by Representative Williams, entitled:

"An Act relating to seafood processing permits for direct-market fishing operations and to the release of certain information collected by the Department of Fish and Game to the Department of Environmental Conservation."

was read the first time and referred to the Resources Committee.

**HB 395**

HOUSE BILL NO. 395 by Representative Bunde, entitled:

"An Act relating to civil liability resulting from the use of a defibrillator in providing emergency aid."

was read the first time and referred to the Judiciary Committee.

**HB 396**

HOUSE BILL NO. 396 by Representative Bunde, entitled:

"An Act relating to renting a motor vehicle."

OFFICE OF THE ATTORNEY GENERAL OF THE STATE OF ALASKA

883-98-0083

1998 Alas. AG LEXIS 7

May 29, 1998

SYLLABUS:

[\*1]

SCS CSHB 393(FIN)--Alaska Stranded Gas  
Development Act

development of some or all of the approximately 35 trillion cubic feet of gas on the North Slope. Today that gas is stranded there because of the prohibitive cost of getting it to market.

REQUESTBY:

The Honorable Tony Knowles  
Governor  
State of Alaska  
P.O. Box 110001  
Juneau, Alaska 99801-0001

Sections 1 through 9 of the bill would authorize the commissioner of revenue to develop the terms of a fiscal contract with sponsors of projects to develop known gas reserves that currently cannot be marketed economically. Unlike the governor's proposal, the bill is limited to liquefied natural gas ("LNG") projects. In a letter of intent adopted by the Senate, Senator Kelly explains that while the state has studied the economics of a North Slope LNG project, no comparable study has been made of the next most likely alternative, a gas-to-liquids (GTL) project. The letter of intent suggests that the state should continue to explore any method of commercializing its stranded gas resources, and that an economic analysis of GTL may support amending the Stranded Gas Development Act to include it. The North Slope Gas Commercialization Team's Report to the Governor of December 15, 1997, in fact identifies an LNG project as the "most promising" alternative for commercializing North Slope gas [\*3] and focuses its economic analysis exclusively upon it, although the fiscal principles in the Report which are incorporated in the bill, could be applied more broadly.

OPINIONBY:

Bruce M. Botelho, Attorney General

OPINION:

At the request of your legislative director, Pat Pourchot, we have reviewed SCS CSHB 393(FIN), the Alaska Stranded Gas Development Act, which would authorize the commissioner of revenue to develop new fiscal terms for projects that develop stranded natural gas resources in the state.

The bill is identical in most important respects to the bill introduced at the request of the governor. The bill is largely the product of the North Slope Gas Commercialization Team, which was established last year by House Bill 250. The team, which consisted of the attorney general, the commissioner of revenue, and the commissioner of natural resources, was charged with recommending terms for a contract that would improve the economic feasibility and competitiveness of a North Slope gas project. The team also was asked to recommend legislative provisions necessary or appropriate to implement such a contract. The purpose of the team's efforts and of the bill is to enable the state to create a fiscal regime appropriately [\*2] tailored to the

The payments required by the contract would replace some or all of the state and local taxes that would otherwise apply to qualified sponsors as a consequence of their participation in a qualified project. Those taxes might include: (1) the state and local ad valorem property taxes that would be imposed on the project facilities; (2) the production or severance tax that would be imposed on the gas produced and marketed by the project; and (3) the state corporate income tax obligation arising as a consequence of the construction and operation of the project. In addition, the commissioner of natural resources may develop terms, which the commissioner of revenue may include in a contract, addressing timing and

notice of the state's right to take its royalty gas in kind, as well as a method for valuing the state's royalty share of gas. In effect, the bill would permit the commissioner of revenue to develop terms that would replace the state's current fiscal regime--which, if applied to a North Slope gas project today, would [\*4] be relatively regressive and front-end loaded--with a regime that is more progressive and back-end loaded, in an effort to lower the risk of the project and boost the rate of return that investors could expect.

The principal difference between this bill and the version introduced at the governor's request is that the former, though empowering the commissioner of revenue to negotiate fiscal terms, does not authorize the commissioner to actually execute the contract. Instead, sec. 3 of the bill adds AS 43.82.435, which provides that the "governor may transmit a contract developed under this chapter to the legislature together with a request for authorization to execute the contract." The section further provides that the contract is not binding unless the governor is authorized to execute the contract by a subsequent enactment. In the view of legislative counsel, this aspect of the bill may reflect an encroachment by the legislature upon the powers properly reserved to the executive branch under the Alaska Constitution. However, legislative counsel also recognized that the executive is free as a matter of comity to acquiesce in what amounts to the legislature's request for more active [\*5] oversight. In fact, the governor, in the transmittal letter accompanying his proposed legislation, encouraged the legislature to review the contract and approve it before it became effective. The governor made this request because of the importance of North Slope gas development to the state.

We agree with legislative counsel that the governor may acquiesce in the approach adopted by the legislature. We also note that it is far from clear that the legislature's approach would, in fact, violate the separation of powers doctrine. The legislature arguably has not usurped an executive function, but rather has divided its delegation of authority into two steps, rather than the traditional one. It should be noted, moreover, that both the negotiation of the contract and its submission to the legislature are discretionary. Finally, it is relevant that the contract that is to be provided to the legislature involves the state's fiscal regime, a subject substantially within the purview of the legislative branch under art. IX of the Alaska Constitution. Since the contractual payments in lieu of taxes authorized by this bill could be characterized as, in essence, a new tax, the legislature may [\*6] well be required to levy the new tax by law. Viewed in this light, the legislature's approach might not only be permissible, but necessary, under the constitution.

There are a number of other important issues raised by this legislation. First, art. IX, sec. 1 of the Alaska Constitution provides that "the power of taxation shall never be surrendered." The bill raises the "surrender of the taxing power" question because it contemplates development of a long-term contract that reflects the fiscal terms applicable to the sponsors of a stranded gas project. The legislation itself, however, is not unconstitutional under art. IX, because it does not purport to bind future legislatures. Instead, it merely authorizes the commissioners of revenue and natural resources to develop appropriate contract terms. Authorization to execute the contract will not be delegated to the executive branch until the legislature has had an opportunity to review the contract and ascertain whether its terms are in the public interest. Even if that authorization is given, the legislature may expressly provide that the contract's fiscal terms are binding only so long as no future legislature decides to exercise the [\*7] taxing power in a different way. In other words, the "surrender of the taxing power" issue may never arise. A concrete analysis of the issue must be left to the day the legislature decides whether, and if so under what terms, it will allow execution of a contract at all.

The second issue is the bill's provision in sec. 3, adding AS 43.82.500 - 43.82.520, for municipal participation and revenue sharing. Like the former Industrial Incentive Act (AS 43.25, repealed in 1986), the bill recognizes that changes in the state's tax regime will be ineffective to encourage development unless municipal tax changes are also included. Unlike the former Act, the bill includes provisions to ensure that affected municipalities receive a "fair and reasonable" share of the payments from a project that affects them. The bill also creates a municipal advisory group to assist the commissioner in developing the contract terms that may affect municipalities.

Third, the bill recognizes that the commissioners of revenue and natural resources may have to review confidential company data in order to develop fiscal terms that best advance the state's interests. The people of the state, however, have a right to [\*8] know the basis for administrative decisions affecting their welfare. The bill strikes a balance between, on the one hand, the state's interest in encouraging competition and the right of companies to keep proprietary information from their competitors and, on the other hand, the public's right to review their elected and appointed officials' decisions. The bill does this by limiting confidential treatment to proprietary information that, if revealed, would both affect a company's competitive position and significantly diminish the value of the information. In addition, information loses its confidential status as soon as confidentiality is no longer necessary to protect the

company's competitive position or the information's value.

Finally, an important goal of this legislation is to facilitate the hiring of Alaskans in all phases of the construction and operation of a stranded gas project. The bill adds AS 43.82.230, which requires employers participating in a project to advertise locally for available positions and use Alaska job service organizations located throughout the state. Most significantly, the commissioner is directed, "within the constraints of law," to include a provision [\*9] in a contract requiring sponsors to employ qualified Alaska residents and Alaskan-owned businesses. The commissioner of labor will prepare and present to the legislature an annual report compiled from state data bases, particularly quarterly unemployment insurance reports, regarding the residency of employees working in the state on the

project. We see no constitutional problem with these aspects of the bill, because the bill expressly provides that the Alaska hire provisions in the contract must be consistent with "the constraints of law."

Finally, we note that although the bill is unique in many respects, the legislature has passed comparable measures to encourage industrial development in the past. For example, the liquefied gas plant, gas pipeline, and related facilities on the Kenai Peninsula benefitted directly from the Alaska Industrial Incentive Act, former AS 43.25. Without the tax advantages provided by the Act at that time, the Kenai LNG facility might never have been built. Today, that facility is a significant source of jobs and property tax revenues in the Cook Inlet area.

We see no legal problems presented by this bill.

SB

97

## SENATE COMMITTEE REPORT First Committee of Referral

DATE: 3/3/03

FURTHER: Judiciary

Date of 5-Day Notice: \_\_\_\_\_  
(in accordance with Uniform Rule 23)

DATE TURNED  
IN TO OFFICE: 4-8-03

Resources Committee considered      SENATE BILL NO. 97

### SB 97 ATTY FEES: PUBLIC INTEREST LITIGANTS

"An Act relating to public interest litigants and to attorney fees; and amending Rule 82, Alaska Rules of Civil Procedure."

and recommends:

be replaced with \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

adopt previous \_\_\_\_\_ CS \_\_\_\_\_ (\_\_\_\_\_)

attached amendment(s)

adopt Letter of Intent by \_\_\_\_\_ Committee

further referral to \_\_\_\_\_ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical title

new: SCR # \_\_\_\_\_

#### NEW FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#

#### PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Zero	FN#
ADM	3/3/03	**		2
Law	4/27/03		✓	1

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	DO PASS	DO NOT PASS	NO REC	AMEND
<i>Karen Seebus</i>	✓			
<i>Ken Stray</i>				✓
<i>Paul Wagon</i>			✓	
<i>K. J. [unclear]</i>		✓		
<i>[unclear]</i>		✓		
CHAIR: <i>Thomas H. Kogon</i>	✓			

# FISCAL NOTE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

Fiscal Note Number: 1  
Bill Version: SB 97  
(S) Publish Date: 3/03/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Law  
Title "An Act relating to public interest litigants and BRU Civil Division  
to attorneys fees; and amending Rule 82, ...Civil Procedure." Component Deputy Attorney General's Office  
Sponsor Rules Committee  
Requester Governor Component No. 2205

### Expenditures/Revenues (Thousands of Dollars)

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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### FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY2003) cost: 0.0  
Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

### POSITIONS

Full-time						
Part-time						
Temporary						

### ANALYSIS: (Attach a separate page if necessary)

Under Rule 82, Alaska Rules of Civil Procedure, attorney's fees are awarded to the prevailing party. By rule, the attorney's fee awards are limited to a percentage of the actual fees depending on a number of factors, including whether the case is contested or goes to trial, and whether or not a money judgment is received. The complexity of the case and length of trial are among a list of other factors that may be used by the court to vary the size of the award. In contrast, under current Alaska case law public interest litigants may receive full attorney fees when they prevail, with no apportionment by issue, and are not liable for opposing party's fees when they lose their case.

This bill requires that attorney fee awards to or against a public interest litigant follow the same court rule as non-public interest litigants. The bill further requires that if a court increases the award from the percentages set out in (b)(1) or (b)(2) of the rule, it must apportion the attorney's fee by issue, and absent exceptional circumstances, can only award the increased fee for an issue the party prevailed upon.

Prepared by: Joan M. Kasson Phone (907) 465-5370  
Division Attorney General's Office Date/Time 1/27/03 8:28 AM  
Approved by: Kathryn Daughhettee for Gregg D. Renkes, Attorney General Date 1/27/2003  
Agency Department of Law

## FISCAL NOTE

STATE OF ALASKA  
2003 LEGISLATIVE SESSION

BILL NO. SB 97 #1

### ANALYSIS CONTINUATION

Passage of this legislation will have no impact on the Department of Law's operating budget. However, each year the department seeks supplemental funding to pay judgments and claims against the state, including public interest litigant attorney's fee awards. Total attorney's fee awards under the public interest litigant exception to Rule 82 included in judgments against the state for the last five years are as follows: FY98, \$186.4; FY99, \$413.9; FY00, \$34.7; FY01 \$298.4; FY02 \$335.9. (These numbers represent fees only, and do not include costs, pre-judgment or post-judgment interest.)

Passage of this legislation would lower, but not eliminate these awards in the future, thereby reducing the amount of supplemental requests. Public interest litigants would still be allowed to recover fees under Rule 82. Thus, the extent to which the fee awards would be reduced under this legislation would depend on the application of Rule 82 schedules to public interest litigation. In turn, this depends on the nature of the litigation and the extent to which the courts vary the award under the provisions Rule 82(b)(3).

Most public interest litigation does not involve recovery of a money judgment. When there is no money judgment, Rule 82 provides that the prevailing party can receive 30 percent of their reasonable attorney's fees if the case goes to trial, and 20 percent if it does not. This starting amount can be changed by the court after considering a list of eleven factors contained in Rule 82(b)(3), including case complexity, length of trial, reasonableness of the claims and defenses, relationship of the amount of work, the significance of the matters at stake, etc. The Judicial Council study noted in the following paragraph found that variances to the Rule 82 schedule were relatively rare for the types of civil cases the study examined. (See p. 61.) However, we have no way of knowing if the same would be true for public interest cases. At the most, assuming that all cases were non-monetary, did not go to trial, and contained no factors listed under Rule 82(b)(3), the awards would be reduced 80 percent from the amounts that would be granted under existing law. The actual reduction would almost certainly be less.

The Alaska Judicial Council, in its October 1995 report, *Alaska's English Rule: Attorney's Fee Shifting in Civil Cases*, discusses the development in Alaska of Rule 82 and the public interest exception. (<http://www.ajc.state.ak.us/Reports/atyfee.pdf>) The cases cited in the report indicate the Supreme Court intended to encourage public interest litigation by making it more financially feasible for people to litigate questions of general public concern through full reimbursement of their legal costs if they win, and by not making them pay any of the prevailing party's legal costs if they lose. (See pp. 73-77.) We have been unable to find objective data to indicate whether or not the public interest exception is a primary motivation for parties to litigate public interest issues. However, anecdotal evidence found in the Judicial Council report (pp. 129-131) suggests that the public interest exception has the effect of encouraging public interest litigation, and thus there may be fewer public interest litigation cases in the future if this bill passes.

# FISCAL NOTE

**STATE OF ALASKA**  
**2003 LEGISLATIVE SESSION**

Fiscal Note Number: 2  
 Bill Version: SB 97  
 (S) Publish Date: 3/03/03

Revision Date/Time (Note if correction): \_\_\_\_\_ Dept. Affected: Administration  
 Title An Act relating to public BRU Risk Management  
interest litigants..... Component Risk Management  
 Sponsor \_\_\_\_\_  
 Requester \_\_\_\_\_ Component No. 71

**Expenditures/Revenues (Thousands of Dollars)**

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

OPERATING EXPENDITURES	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Personal Services						
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	*	*	*	*	*	*

<b>CAPITAL EXPENDITURES</b>						
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<b>CHANGE IN REVENUES ( )</b>						
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**FUND SOURCE (Thousands of Dollars)**

1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
<b>TOTAL</b>	*	*	*	*	*	*

Estimate of any current year (FY2003) cost: 0.0  
 Check this box (X) if funding for this bill is included in the Governor's FY 2004 budget proposal:

**POSITIONS**

Full-time						
Part-time						
Temporary						

**ANALYSIS:** *(Attach a separate page if necessary)*

Risk Management is not usually involved in public interest cases, as most do not involve recovery of damages that are typical in tort actions.

Prepared by: J. Brad Thompson, Director Phone \_\_\_\_\_  
 Division: Risk Management Date/Time 2/3/03 11:52 AM  
 Approved by: \_\_\_\_\_ Date 2/3/2003  
 Agency: Administration