

**Value-added Timber Initiatives and Forest Practices****FY2007 Request:****\$325,000****Reference No:****41437****AP/AL:** Appropriation**Project Type:** Planning**Category:** Natural Resources**Location:** Southeast Alaska**Contact:** Nico Bus**House District:** Southeast Areawide (HD 1-5)**Contact Phone:** (907)465-2406**Estimated Project Dates:** 07/01/2006 - 06/30/2009**Brief Summary and Statement of Need:**

This CIP will accelerate timber sales on state land in Southern Southeast Alaska and the Mat-Su Valley, and ensure adequate implementation of the Forest Resources & Practices Act on state and private timber sales.

This initiative will support jobs in timber harvesting, processing, and transportation by

- Providing timber to mills in Southern Southeast to help sustain operations until USFS sales can increase;

- Providing hardwood and spruce timber, and needed road and bridge access, for chipping operations in the Mat-Su valley;

- It will also implement the Forest Resources and Practices Act, including coverage of increased harvest activity on private and state land.

<b>Funding:</b>	<b>FY2007</b>	<b>FY2008</b>	<b>FY2009</b>	<b>FY2010</b>	<b>FY2011</b>	<b>FY2012</b>	<b>Total</b>
Timber Rcp	\$325,000						\$325,000
<b>Total:</b>	<b>\$325,000</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$325,000</b>

<input type="checkbox"/> State Match Required	<input checked="" type="checkbox"/> One-Time Project	<input type="checkbox"/> Phased - new	<input type="checkbox"/> Phased - underway	<input type="checkbox"/> On-Going
0% = Minimum State Match % Required		<input type="checkbox"/> Amendment	<input type="checkbox"/> Mental Health Bill	

**Operating & Maintenance Costs:**

	<u>Amount</u>	<u>Staff</u>
Project Development:	0	0
Ongoing Operating:	0	0
One-Time Startup:	0	
<b>Totals:</b>	<b>0</b>	<b>0</b>

**Additional Information / Prior Funding History:**

This is a new project request.

**Project Description/Justification:**

The state has a key role in supporting the value-added timber industry and providing jobs in Alaska. Initiatives are currently underway that are above and beyond the ongoing state timber sale programs in Southern Southeast Alaska and the Mat-Su Valley. In Southern Southeast Alaska, the precipitous decline in forest service timber sales has undermined existing businesses. DNR is committed to providing timber to the maximum sustainable level to help provide a "bridge" for local mills until USFS timber sales can increase. In the Mat-Su Valley, new chipping operations have for the first time provided a significant market for hardwoods. Most of the Mat-Su forests are aging hardwood stands which are declining in timber value. As the largest forest owner in the Mat-Su, the state has a key role in supporting forest enterprises.

DNR is committed to continuing the supply of state timber to existing local businesses while providing additional timber for new businesses. The two initiatives covered by this request require us to accelerate timber sale layout in multiple areas, and repair, replace, or construct roads and bridges to timber sale areas. These simultaneous efforts exceed the division's capacity under current budgets. To successfully sustain these initiatives, additional funding is needed for contractual

work on sale layout and access; agency staff for sale preparation, contracting, and administration; and transportation. Without CIP funding, DNR cannot address these opportunities. These initiatives help fulfill DNR's statutory responsibility to support economic enterprises that depend on forest resources (AS 41.17.010, .060), and contribute to the Department's mission by supporting jobs in timber sale layout, harvesting, transportation, and processing.

DNR also has a statutory mandate to implement the Forest Resources and Practices Act (FRPA) on timber operations on all non-federal land. FRPA is designed to protect water quality and fish habitat from adverse impacts of forest operations in a manner that is practical for the timber industry. Federal funding for FRPA implementation in Alaska is declining sharply, due to national cuts in Clean Water Act and coastal management funds. Federal funds for FRPA will be \$77.5 less in FY07 than in FY05.

The federal cuts coincide with an increase in FRPA activity. Forest practices activity in SE and Southcentral Alaska is expected to peak in FY07-08 due to increases in harvest operations at Icy Bay, Revillagigedo Island, and in the Mat-Su and Copper River valleys. Operations are continuing on Afognak Island. In other parts of southeast, there is a mix of continuing and closing operations. Close-outs require FRPA inspections to ensure that road systems and stream crossings are properly put-to-bed before road maintenance equipment is removed from the site. Failure to conduct timely closeout inspections results in higher costs for agencies and operators, and increases the risk of sedimentation into fish streams. The timber and fishing industries count on timely review of operations and adequate field presence by agency staff. Potential problems can be averted through timely review of Detailed Plans of Operation (DPOs) and by consultation between agencies and operators on –the-ground.

FRPA provides one-stop shopping to the timber industry – compliance with FRPA is the standard for compliance with federal Clean Water Act and Coastal Zone Management Act requirements for forest operations. Adequate implementation of FRPA is necessary for continued certification of the Act as meeting federal requirements. Because of the state and federal mandates to implement FRPA, forest practices work takes precedence over other forest management activities. Without CIP funding to ensure adequate FRPA field presence in FY07-08, DNR will have to reprogram timber sale funding to pay for essential forest practices work.

This CIP will provide \$50.0/year in FY07-08 to offset losses in federal funding during peak FRPA activity. Forest practices activity is expected to decline after FY08, therefore we are looking at two-year CIP funding rather than a permanent increment to FRPA operating funds.

This project does not reduce state operating costs, nor does it leverage private or local funds. However, it will generate revenue and create jobs. Increased timber sales will generate approximately \$254.0 in revenue and support 24-36 jobs directly associated with expanded harvesting and processing, plus additional indirect jobs. This project will be funded out of timber sale receipts. Revenue in excess of the receipts will contribute to the General Fund. Actual revenue will depend on bid prices for the timber sales. The CIP funding supplements the operating budget and makes it possible to expand the state timber program. It doesn't change operating expenses. Personnel funding will extend existing seasonal positions during the period of the initiatives, but will not add new positions. Much of the timber sale layout work will be done under contract to private firms.

The timber sale portion of this CIP is not directly a life, health or safety issue. However, expanded harvesting will help reduce wildfire hazards by breaking up fuel types, especially near communities where it is difficult to use other tools, such as prescribed burning. The forest practices work under the CIP helps ensure that forest operations do not cause sedimentation or other pollution that would exceed water quality standards.

**Why is this Project Needed Now:** The USFS has slashed the amount of timber offered in SE Alaska. State timber is now essential to the survival of small and mid-sized mills throughout the region. State land ownership is too small to be the sole support of these operations, but DNR is committed to using timber to the full extent of our allowable cut. In the Mat-Su, two-thirds of the timber is hardwood, and much of it is in aging trees that have limited commercial value. Until this year, there was no significant market for the hardwood timber. In 2005, wood chips were exported across the Port McKenzie dock for the first time. Chip markets provide an opportunity for harvest of hardwoods, and regeneration of younger forests, which benefits wildlife as well as timber. The state cannot supply all the timber needed for sustained chipping operations, but as the largest landowner in the area, we are an essential part of the supply. Without this CIP, the Division of Forestry cannot continue these initiatives while maintaining statewide sale to existing mills.

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FY07 decreases in federal funding coincide with increases in FRPA activity. This CIP is necessary to offset declines in federal funding during peak activity in FY07-FY08. FRPA activity is expected to decline after FY08. Without additional funding for required forest practices implementation, DNR would have to reprogram timber sale funds, which would undermine the timber initiative.

**Specific Spending Detail:**Line Item Expenditures:

Personal Services	\$178.0	Personnel in SSE and Mat-Su for sale preparation, contracting, and administration, and in southeast and southcentral for Forest Practices DPO reviews, field inspections, compliance monitoring, and enforcement.
Travel	\$22.0	Travel from area offices to field for timber and road design and layout, contract administration, and field inspections of harvest operations, road construction, and road maintenance on state timber sales and FRPA operations on non-state land.
Contractual	\$90.0	Contractual money for repair, replacement, and construction of access in the Mat-Su, and timber sale layout in SSE and Mat-Su
Commodities	\$0.0	
Capital Outlay	\$35.0	Truck for timber sale program; initial use is for timber sale layout and administration in Mat-Su, but the vehicle can be moved to different areas depending on the greatest need.

**Project Support:** Alaska Forest Association; Alaska Moose Federation; Dept. of Commerce, Community, and Economic Development; NPI, Inc.; SSE mills. For FRPA implementation, support also includes the Board of Forestry and timber, fishing, and environmental organizations.