

State of Alaska FY2009 Governor's Operating Budget

Department of Natural Resources Forest Management and Development Component Budget Summary

Component: Forest Management and Development

Contribution to Department's Mission

This component supports jobs in timber and fishing, manages sustainable forests on state land, and provides technical forestry assistance to communities and private landowners.

Core Services

This component:

- Delivers forest resource management and forest practices services.
- Provides a sustained yield of forest resources and uses on legislatively designated State Forests and other forested state land.
- Sells timber to the private sector which creates jobs through local value-added processing, harvesting, transportation, and reforestation.
- Reforests harvested areas on state land.
- Inspects harvest operations on state land for compliance with state laws and contracts. Involves the public and other agencies in forest management decisions on state land.
- Maintains and enhances wildlife habitat on state forest lands to support personal and guided hunting, and provides sites for commercial tourism and private recreation.
- Administers the Forest Resources and Practices Act (FRPA) to protect fish habitat and water quality on state, municipal, trust, and private lands in an economically feasible manner.
- Provides one-stop shopping for compliance with the federal Clean Water Act and coastal zone management requirements.
- Reviews Detailed Plans of Operation, works with operators during on-site inspections, trains operators and landowners, conducts implementation monitoring, and when necessary, enforces the FRPA's provisions.
- Assists the Tongass National Forest in designing and offering economically feasible timber sales from federal land.
- Provides forestry assistance and education to private landowners, Native corporations, communities, and teachers.
- Provides statewide leadership and policy direction, and administrative direction, to the division's wildland fire and forest management programs.

The Forest Resources and Practices Act (FRPA) and program are designed to provide for a healthy timber industry, protect fish habitat and water quality, and ensure prompt reforestation. The FRPA sustains the forest and fish resources that support jobs in the timber and commercial fishing industries. The FRPA program also improves efficiency for the forest industry by providing one-stop shopping for compliance with federal Clean Water Act and coastal zone management requirements. Staff review Detailed Plans of Operation, work with operators during on-site inspections, train operators and landowners, conduct implementation monitoring, and when necessary, take enforcement actions to ensure protection of water quality and fish habitat.

The cooperative forestry programs use funds from the US Forest Service and other grantors to provide forestry assistance to private landowners, Native corporations, communities, and teachers. The Division of Forestry (DOF) delivers these services through its community forestry, forest health, Firewise, conservation education, and forest stewardship staff. These funds provide specialized professional expertise and technical assistance for communities and landowners that are not available through state General Funds.

The Forest Management and Development component also houses the Director's Office for the Division of Forestry, its four PCNs, and operating funds.

The component shares costs of the division's field office managers (Area Foresters) with the Fire Suppression Preparedness component. These positions, responsible for directing field implementation of the division's forest management and wildland fire programs, are split-funded between these two components. Their PCNs and position classes are counted in the Forest Management and Development component.

End Result	Strategies to Achieve End Result
<p>A: Support the timber and fishing industries, manage sustainable forests on state land, and provide technical forestry assistance to communities and private landowners.</p> <p><u>Target #1:</u> 30+ Alaskan businesses supported by State timber.</p> <p><u>Measure #1:</u> Number of Alaskan businesses directly supported through state timber sales (# of purchasers of state sales)</p> <p><u>Target #2:</u> Annual Certification</p> <p><u>Measure #2:</u> Certification of the Forest Resources & Practices Act program as the clean water and coastal zone standards for forest operations. This protects fish habitat and water quality in a manner that is efficient for the timber industry.</p> <p><u>Target #3:</u> Provide forest management services, information, and grants to Alaskan municipalities, private businesses, Native corporations and other private landowners, and educators to expand the public benefits from municipal and private forest land.</p> <p><u>Measure #3:</u> Entities provided with forestry services through Community Forestry, Conservation Education, Forest Stewardship, and Forest Health programs. (Note: Contacts with individuals are not included here. See A6 and A8 for examples.)</p>	<p>A1: Provide jobs in Southern Southeast Alaska through sale of state timber.</p> <p><u>Target #1:</u> In Southern Southeast Alaska (SSE), sell the maximum amount of state timber available on a sustained yield basis (average = 12.8 MMBF/year).</p> <p><u>Measure #1:</u> Amount of state timber purchased/year in SSE Alaska.</p> <p>A2: Support the timber industry in Northern Southeast, Southcentral, and Interior Alaska through sale of state timber.</p> <p><u>Target #1:</u> Outside southern southeast, sell timber to the limit of market demand by ensuring that sale offerings exceed demand.</p> <p><u>Measure #1:</u> Volume (MMBF) of timber purchased relative to the volume offered for sale.</p> <p><u>Target #2:</u> Increase demand for state timber for in-state processing in Interior Alaska</p> <p><u>Measure #2:</u> Volume of state timber purchased in interior Alaska relative to prior years.</p> <p>A3: Ensure that private and non-federal public forest landowners comply with the FRPA best management practices.</p> <p><u>Target #1:</u> 100% compliance with FRPA best management practices</p> <p><u>Measure #1:</u> Percent compliance with BMPs as measured by routine compliance score sheets and periodic compliance audits.</p> <p>A4: Ensure that the FRPA effectively and efficiently protects fish habitat and water quality.</p> <p><u>Target #1:</u> Ensure that the FRPA is based on best available scientific information.</p> <p><u>Measure #1:</u> Complete review and update of FRPA best management practices.</p> <p><u>Target #2:</u> In cooperation with timber industry and resource agencies, conduct high priority FRPA effectiveness monitoring studies.</p> <p><u>Measure #2:</u> Publication of credible research and monitoring to assess the effectiveness of the FRPA.</p> <p>A5: Enable municipalities to assess their forest resources and manage their forest lands for sustainable resources.</p> <p><u>Target #1:</u> Through technical assistance to communities, foster establishment of self-sustaining urban/community forestry programs recognized as Tree City USA programs (7 for FY06).</p>

	<p>Measure #1: Number of active urban/community forestry programs approved by Tree City USA</p> <p>A6: Help private landowners manage their forestlands for sustainable resources by providing planning services and cost-share funding.</p> <p>Target #1: Provide forest planning assistance to private landowners.</p> <p>Measure #1: Number of forest management plans prepared for ANCSA corporations and for individual forest owners; and number of grants for wildfire risk reduction.</p> <p>A7: Provide timely information on forest insect and disease problems to maximize opportunities for treatment of forest pests on public and private land.</p> <p>Target #1: Post and publish an annual report on forest insect and disease conditions in Alaska.</p> <p>Measure #1: Publication of insect and disease conditions report.</p> <p>A8: Develop a public that is well-informed about forest resources and management.</p> <p>Target #1: Provide forestry education to teachers, students, private landowners, public land managers, and others.</p> <p>Measure #1: Number of teachers who attend DOF sponsored forestry, fire, and conservation education classes or training.</p> <p>A9: Deliver FRPA services timely.</p> <p>Target #1: 100% of Detailed Plans of Operation reviewed timely</p> <p>Measure #1: Percent of DPOs reviewed within deadlines set by FRPA.</p>
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Major Activities to Advance Strategies

- Develop Requests for Proposals (RFPs) for sale layout by private contractors. Score proposals, award contracts, and inspect completed layout.
- Prepare timber sales -- including layout, Forest Land Use Plans, Five-Year Schedules of Timber Sales, and ads -- in Southern Southeast Alaska.
- Conduct timber sale auctions, negotiated timber sales, RFPs, and contracts in Southern Southeast.
- Use available funding to remove barriers to value-added timber sales, including development and maintenance of roads and bridges.
- Assess opportunities to provide wood to new businesses within the limits of available supply while accounting for the demand from existing businesses.
- Conduct thinning in dense forest stands on productive forest land to maximize volume available from state land in southeast Alaska.
- Identify potential funding sources and seek funding for effectiveness monitoring.
- Participate in industry/interagency conduct and technical review of effectiveness monitoring projects.
- Distribute Detailed Plans of Operation (DPOs) and coordinate timely interagency review.
- Respond to operators and landowners on DPOs.
- Work with communities to establish municipal forestry programs.
- Foster Tree City USA and Tree Line USA Communities.
- Train Tree Stewards for volunteer work on municipal trees.
- Provide technical assistance to local governments, private industry, and agencies.
- Develop forest stewardship plans for individual private forest owners.

Major Activities to Advance Strategies

- Provide technical assistance to the Tongass National Forest to improve the economic feasibility of federal timber sales.
- Prepare timber sales, layout, and ads for sales in Northern Southeast, Southcentral, and Interior Alaska.
- Conduct timber sale auctions, negotiated timber sales, and contracts in Northern Southeast, Southcentral, and Interior Alaska.
- Conduct state timber sale inspections and contract administration statewide.
- Disseminate information on state timber in the Interior. Assist interested purchasers to assess feasibility of wood processing facility development.
- Provide additional timber sales to meet increased demand in Interior Alaska.
- Conduct field inspections of forestry operations on state, private, municipal, and Trust land.
- Prepare compliance score sheets on forestry operations.
- Conduct periodic audits of forestry operations.
- Complete audit of closed operations and roads in southeast Alaska.
- Review regeneration reports and field verification of private land regeneration surveys.
- Review reforestation exemption requests.
- Conduct regeneration surveys on state land.
- Adopt regulations to implement changes to the Forest Resources & Practices Act.
- Coordinate interagency prioritization of Forest Resources & Practices Act (FRPA) effectiveness monitoring information needs.
- Pass through federal grants to develop forest stewardship plans for ANCSA corporations.
- Provide federal cost-share funding for forest land management activities on private land.
- Provide technical assistance to forest landowners for detection and treatment of forest pests.
- Conduct annual aerial survey of forest insect and disease conditions.
- Publish GIS and printed maps and reports on insect and disease conditions.
- Conduct special research and assessment projects on specific insect and disease problems.
- Identify introductions of exotic pests that could affect Alaskan forests and wood products.
- Train teachers in Fire in Alaska, Project Learning Tree, and Tapping into Spring curriculum.
- Conduct classes on forestry for schools, scout troops, civic groups, etc.
- Form education partnerships with other agencies.
- Encourage service learning opportunities through state and national Project Learning Tree.

FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: \$5,800,600

Personnel:

Full time	44
Part time	5
Total	49

Performance Measure Detail

A: Result - Support the timber and fishing industries, manage sustainable forests on state land, and provide technical forestry assistance to communities and private landowners.

Target #1: 30+ Alaskan businesses supported by State timber.

Measure #1: Number of Alaskan businesses directly supported through state timber sales (# of purchasers of state sales)

Number of Alaskan businesses directly supported through state timber sales (# of different purchasers of state sales) by fiscal year.

Year	YTD
FY 2001	44
FY 2002	42
FY 2003	42
FY 2004	34
FY 2005	40
FY 2006	34
FY 2007	39

Analysis of results and challenges: The number of businesses that purchase state timber sales is a measure of the effect of the timber sale program on the local economy. Purchases reflect a number of factors, including the number of sales available and market demand. The number of purchasers in FY07 increased slightly from FY06 primarily because of new purchasers in the Kenai and Fairbanks areas.

Target #2: Annual Certification

Measure #2: Certification of the Forest Resources & Practices Act program as the clean water and coastal zone standards for forest operations. This protects fish habitat and water quality in a manner that is efficient for the timber industry.

Certification of the Alaska FRPA as the means of ensuring compliance with federal Clean Water Act (CWA) and ACMP standards for forestry operations.

Year	YTD
2001	YES
2002	YES
2003	YES
2004	YES
2005	YES
2006	YES
2007	YES

Analysis of results and challenges: The FRPA continues to be certified as the means of complying with Section 319 (non-point source pollution) and coastal zone standards. This means that the timber industry has one consistent set of standards for compliance with both state and federal law for water quality and coastal zone management. This "one-stop shopping" has been very important to the timber industry in keeping regulatory compliance efficient. It also confirms that Alaska's state forest practices standards meet the federal tests for protecting these public resources. NOAA had raised concerns about the riparian standards for private land in Region II (Southcentral Alaska) with respect to coastal non-point source pollution. These were addressed in 2006 through updates to the FRPA Region II riparian standards recommended by the Board of Forestry and user groups, and in 2007 by the adoption of new Region II BMP regulations.

Target #3: Provide forest management services, information, and grants to Alaskan municipalities, private businesses, Native corporations and other private landowners, and educators to expand the public benefits from municipal and private forest land.

Measure #3: Entities provided with forestry services through Community Forestry, Conservation Education, Forest Stewardship, and Forest Health programs. (Note: Contacts with individuals are not included here. See A6 and A8 for examples.)

Entities provided with forestry services through the DOF cooperative forestry programs.

Year	Muni, City, & Military	Private, Native & Media	School Dist & University	Agencies & Nonprofits
FY 2005	16	47	13	22
FY 2006	22	72	17	63
FY 2007	27	46	26	75

Analysis of results and challenges: The federally-funded cooperative forestry programs in the Division of Forestry provide technical assistance to a wide variety of private and public entities. Well-managed private, Native, and municipal lands provide public benefits as well as value to the landowners. These lands are often the closest forests to population centers in both rural and urban Alaska. Through active management, owners reap financial benefit from wood and non-timber forest products, while protecting residential watersheds, reducing stormwater treatment costs, reducing risks from wildland fire, providing wildlife habitat, increasing property values, and where appropriate, supporting public recreation.

The list of entities that received assistance through cooperative forestry programs is too long to include in detail. It covers a broad list of institutions, including:

- 5 municipalities/boroughs and 11 cities,
- 5 military bases,
- 3 regional Native corporations, 12 Native village corporations,
- 4 utilities,
- 21 private businesses,
- 10 media outlets,
- 20 state agencies, 12 federal agencies, 2 international agencies, 3 soil & water conservation districts, 7 fire departments, and 30 non-profit groups
- 7 Alaska school districts, 12 universities and colleges, and
- Many individuals.

A1: Strategy - Provide jobs in Southern Southeast Alaska through sale of state timber.

Target #1: In Southern Southeast Alaska (SSE), sell the maximum amount of state timber available on a sustained yield basis (average = 12.8 MMBF/year).

Measure #1: Amount of state timber purchased/year in SSE Alaska.

Amount of state timber purchased/year in SSE Alaska.

Year	YTD
FY 2001	0.6 MMBF
FY 2002	10.7 MMBF
FY 2003	3.7 MMBF
FY 2004	7.4 MMBF
FY 2005	14.4 MMBF
FY 2006	10.1 MMBF
FY 2007	23.8 MMBF

Analysis of results and challenges: State timber sales for SSE in FY 07 were the highest on record. The SSE Area sales exceeded the annual allowable cut because some surplus timber was available from prior years. Demand for SSE timber continues to exceed supply due largely to shortages in the supply of federal timber. Division of Forestry (DOF) strives to maximize the timber provided from state land and works through an MOU to increase the supply of economically feasible timber from the Tongass National Forest.

A2: Strategy - Support the timber industry in Northern Southeast, Southcentral, and Interior Alaska through sale of state timber.

Target #1: Outside southern southeast, sell timber to the limit of market demand by ensuring that sale offerings exceed demand.

Measure #1: Volume (MMBF) of timber purchased relative to the volume offered for sale.

Volume of timber (MMBF) offered and purchased in areas of the state outside southern SE by fiscal year.

Year	MMBF Offered	MMBF Purchased
FY 2001	31.9	8.3
FY 2002	27.5	6.2
FY 2003	33.2	15.0
FY 2004	35.0	4.4
FY 2005	63.4	10.1
FY 2006	73.8	14.9
FY 2007	59.1	37.2

Analysis of results and challenges: Outside SSE Alaska, timber sales are primarily limited by demand. Our goal is to offer enough timber volume to meet or exceed local demand, and to support an increase in that demand over time (see measure 2 below). Timber sales more than doubled in FY07 due primarily to the sale of a large volume of timber in the Kenai area. A prospective pellet producer purchased all available Kenai timber, including over-the-counter sales.

Much of the excess volume offered is beetle-killed salvage timber from the Northern SE and Copper River areas along with green timber sales in the Fairbanks area. The Division will continue to reoffer unsold timber as long as there is some economic potential for the wood.

Target #2: Increase demand for state timber for in-state processing in Interior Alaska

Measure #2: Volume of state timber purchased in interior Alaska relative to prior years.

Ratio of the volume of state timber purchased in the interior Alaska (Fairbanks, Delta, and Tok areas) in successive years (i.e., ratio of FY06 sales to FY05 sales, FY05 to FY04, etc.).

Year	YTD
FY 2001	0.91
FY 2002	0.66
FY 2003	0.97
FY 2004	0.65
FY 2005	2.31
FY 2006	2.16
FY 2007	0.53

Numbers greater than 1.0 indicate an increase in sales. A figure of 2.0 indicates that sales have doubled relative to the prior year.

Analysis of results and challenges: Outside SSE Alaska, timber sales are primarily limited by demand. The Division's goal is to offer enough timber volume to meet or exceed existing demand, and to support an increase in that demand over time (see measure 1 above). Sale volume in interior Alaska decreased in FY07. Sales were down in both Fairbanks and Delta. Delta sales in FY06 included relatively large purchases of salvage timber within areas burned in the 2004 fires. One interior mill closed in FY07.

A3: Strategy - Ensure that private and non-federal public forest landowners comply with the FRPA best management practices.

Target #1: 100% compliance with FRPA best management practices

Measure #1: Percent compliance with BMPs as measured by routine compliance score sheets and periodic compliance audits.

Percent compliance with BMPs as measured by routine compliance score sheets and periodic compliance audits.

Year	Region I	Region II	Region III	Statewide
0	% Compliance / Average Score	% Compliance / Average Score	% Compliance / Average Score	% Compliance / Average Score
2001	n/a / n/a	n/a / n/a	n/a / n/a	n/a / n/a
2002	n/a / n/a	n/a / n/a	n/a / n/a	n/a / n/a
2003	n/a / n/a	n/a / n/a	n/a / n/a	n/a / n/a
2004	93% / 4.6	70% / 4.2	n/a / n/a	n/a / n/a
2005	95% / 4.7	80% / 4.3	n/a / n/a	n/a / n/a
2006	89% / 4.6	91% / 4.4	83% / 4.4	88% / 4.5

Analysis of results and challenges: FRPA compliance is measured through routine monitoring with score sheets. Implementation of best management practices is rated on a scale of 1 to 5. For this analysis, scores of 4 and 5 are considered compliant. Overall, compliance is high, with a statewide average score of 4.5 out of 5. Average scores for Region I decreased slightly in 2006, along with sample size, while the overall percentage of compliant scores increased considerably in Region II. Data are compiled by calendar year – the most recent data is for 2006. 2006 is the first year for which a sufficient sample size is available for all three regions. Training will be targeted to BMPs rated less than 4, which are primarily road maintenance BMPs, and to new operators.

A4: Strategy - Ensure that the FRPA effectively and efficiently protects fish habitat and water quality.

Target #1: Ensure that the FRPA is based on best available scientific information.

Measure #1: Complete review and update of FRPA best management practices.

Analysis of results and challenges: Chart not applicable. A scientific and technical review of the FRPA in Region II was completed in FY04, and recommendations for changes were completed and reviewed with the Board of Forestry and affected interests in FY05. The Region II review completes a statewide scientific and technical review of the FRPA riparian standards that was started in 1996. Recommendations from the review were incorporated into the FRPA in a bill signed in 2006 and into FRPA regulations in 2007.

Target #2: In cooperation with timber industry and resource agencies, conduct high priority FRPA effectiveness monitoring studies.

Measure #2: Publication of credible research and monitoring to assess the effectiveness of the FRPA.

Analysis of results and challenges: Chart not applicable. In FY07, Sealaska published an update on a study of Fish Habitat Status and Trends in SE Alaska forest operations. The Division of Forestry, Office of Habitat Management & Permitting, and ADF&G cooperated on road condition surveys on private and state forest operations in SE Alaska, and on water quality monitoring in a Mat-Su timber sale area. DNR also organized the annual interagency process to determine FRPA research and monitoring priorities, and supported grant applications to accomplish the top priority work. The road condition surveys, Fish Habitat Status and Trends study, and Mat-Su water quality monitoring will continue in FY08.

A5: Strategy - Enable municipalities to assess their forest resources and manage their forest lands for sustainable resources.

Target #1: Through technical assistance to communities, foster establishment of self-sustaining urban/community forestry programs recognized as Tree City USA programs (7 for FY06).

Measure #1: Number of active urban/community forestry programs approved by Tree City USA

Number of urban/community forestry programs recognized as Tree City USA programs by fiscal year.

Year	YTD
FY 2001	4
FY 2002	4
FY 2003	4
FY 2004	7
FY 2005	6
FY 2006	6
FY 2007	7

Analysis of results and challenges: Seven communities have active programs that are recognized through the Tree City USA program: They include Wasilla, Sitka, Juneau, Fort Wainwright, Anchorage, Elmendorf AFB, and Eielson AFB. Homer and the Fairbanks North Star Borough are developing programs. This is the first year that Anchorage qualified as a Tree City USA. More than half of Alaska's population now lives in Tree Cities USA.

A6: Strategy - Help private landowners manage their forestlands for sustainable resources by providing planning services and cost-share funding.

Target #1: Provide forest planning assistance to private landowners.

Measure #1: Number of forest management plans prepared for ANCSA corporations and for individual forest owners; and number of grants for wildfire risk reduction.

Number of plans and grants for forest management on private land.

Year	ANCSA Corporation Plans	Forest Landowner Plans	Cost-Share Grants
FY 2001	1	45	0
FY 2002	0	29	0
FY 2003	2	28	28
FY 2004	3	58	83
FY 2005	3	58	79
FY 2006	0	60	127
FY 2007	1	65	119

Analysis of results and challenges: Most private forest lands are owned by Alaska Native Corporations, and planning assistance for Alaska Native Corporations has been a priority under the Forest Stewardship Program. One new ANCSA corporation plan was completed in FY07, and more are in preparation. Requests for private forest landowner assistance fluctuate with the amount of federal cost-share funding available to implement practices recommended by the plans. Both federal Forest Land Enhancement Program (FLEP) and Western States Wildland Urban Interface (WUI) funding was available for cost-share projects in FY07. FLEP funding will close out in FY08.

A7: Strategy - Provide timely information on forest insect and disease problems to maximize opportunities for treatment of forest pests on public and private land.

Target #1: Post and publish an annual report on forest insect and disease conditions in Alaska.

Measure #1: Publication of insect and disease conditions report.

Analysis of results and challenges: Chart not applicable. One report is published and posted annually;

information is also disseminated through various technical assistance projects. Almost 33 million acres of forest land were surveyed in FY07. The Division of Forestry continues to develop new techniques to accelerate dissemination of annual survey results.

A8: Strategy - Develop a public that is well-informed about forest resources and management.

Target #1: Provide forestry education to teachers, students, private landowners, public land managers, and others.

Measure #1: Number of teachers who attend DOF sponsored forestry, fire, and conservation education classes or training.

Number of educators, students, private landowners, public land managers, and others who attend DOF sponsored forestry, fire, and conservation education classes or training by fiscal year.

Year	YTD
FY 2001	n/a
FY 2002	1,040
FY 2003	1,735
FY 2004	1,317
FY 2005	1,366
FY 2006	1,132
FY 2007	1,898

Analysis of results and challenges: The coop programs increased outreach in FY07. In addition to its traditional roles, the conservation education program is an important part of efforts to reduce risks from wildfire in the wildland-urban interface. Contact numbers increased because a key vacancy in the Community Forestry program was filled and data was incorporated for all coop programs.

A9: Strategy - Deliver FRPA services timely.

Target #1: 100% of Detailed Plans of Operation reviewed timely

Measure #1: Percent of DPOs reviewed within deadlines set by FRPA.

Percent of DPOs reviewed within deadlines set by FRPA.

Year	% DPOs Reviewed Timely
2001	100%
2002	100%
2003	100%
2004	100%
2005	100%
2006	100%
2007	100%

Analysis of results and challenges: The FRPA has tight timelines for review of Detailed Plans of Operation (DPOs) submitted by landowners and operators. DOFs practice is to review all DPOs within these timelines.

Key Component Challenges

Forest Management Overview. The forest resource management program supports the long-term goals of a sustainable forest, jobs for Alaskans, in-state value-added processing of wood fiber, and protection of fish habitat and water quality. Strategies and sale volumes vary by geographic area and market demand. The market for forest products directly affects the demand for timber sales. Throughout the state, the Division will offer timber sales in a range of sizes to support local, value-added processors and enhance wildlife habitat.

Inventory. The information base for active management of state forest lands is weak in many parts of the state. In interior Alaska, the severe 2004-2005 fire seasons and changes in land status render the existing Tanana Basin inventory out-of-date. In addition, new interest in hardwood manufacturing requires more detailed information on hardwood resources. The Division received a CIP for Phase 1 of an update to the Tanana timber inventory in FY07 and is actively working on the update. DOF is requesting CIP funding for Phase 2 to complete the update in FY08.

In southern Southeast (SSE), there is no field-based timber inventory for most state timberland in southeast Alaska, and inventory is the cornerstone of sound, sustainable forest management. The Division received a 2002 CIP to address this issue. We have now inventoried the parcels on Prince of Wales (POW) Island and are analyzing the data. In November, 2006 we plan to begin work on the outlying islands and any remaining isolated parcels. The full southern Southeast forest land inventory will not be completed before the summer of 2007. Following completion of the inventory, the Division will update the allowable cut for SSE.

Southeast Timber Industry. Timber sale volume from the Tongass National Forest has plummeted, endangering the remaining mills in Southern Southeast Alaska. The Division of Forestry is committed to finding long-term solutions by participating in cooperative efforts to increase economically feasible federal timber sales, and helping to facilitate the transition from old growth harvesting to harvesting second growth. In FY08, an increment was received for the joint Division of Forestry and USFS Economic Timber initiative. The Division is actively working with the USFS to help them design and offer increased timber volumes in economically feasible sales. The Division is also working with other state agencies to ensure that updates to the Tongass Land Management Plan can support a stronger timber industry. Simultaneously, DOF is trying to maximize sales from the limited state timber base in SSE. Supplying wood to the existing small to mid-size wood processors is the priority for state timber in southeast. The Division of Forestry sold a record-high 23.8 million board feet in southern SE in FY07.

Southeast (SE Thinning. Much of the most productive state land in Southeast was inherited from the USFS with young second-growth stands that need thinning. These stands are over-crowded, reducing their productivity for timber and their benefit for wildlife habitat. The Division received a 2003 CIP to begin to thin key timber stands. Two contracts have been completed for pre-commercial thinning of 267 acres on POW Island. An additional 60 acres of pre-commercial thinning has been laid out and will be awarded in the late fall of 2006. This will complete the major part of this CIP. Thinning should continue to occur on appropriate second growth stands to capture the greatest stand benefits. The completed SSE inventory will allow us to prioritize the remaining second growth stands for pre-commercial thinning. An FY '09 CIP will be requested to continue the pre-commercial thinning program.

Southcentral Markets. In the Mat-Su area, there is continued interest in hardwoods for the existing chipping facility. However, the economic working circle for the facility is limited, and some state timber is too remote to be of interest in current markets. Within accessible areas, the Division is preparing timber sales within the limits of the allowable cut and consistent with land use plans. Salvage sales continue to be a high priority in areas of recent beetle infestation on the Kenai Peninsula to reduce wildfire hazards, accelerate reforestation, and obtain economic benefits from the wood where there are markets for the timber.

Interior Markets. There continues to be interest in expanding timber processing in the interior. Weyerhaeuser has expressed interest in the hardwood component, specifically birch, for the production of cabinetry and dimensional lumber. NPI and others have expressed interest in hardwoods and softwoods to produce wood pellets. Pellet production would help offset the high cost of heating fuel and provide a cleaner, more efficient source of heat. Potential increased demand must be balanced with the ongoing demand for wood from the established processors in the area. The Division of Forestry is working with interior Native corporations and the Fairbanks Economic Development Council in an effort to continue to develop interest in the interior timber market and to provide information to potential investors.

Reforestation Costs. Reforestation costs affect timber demand in Southcentral and Interior Alaska, especially for timber salvage. However, reforestation is essential to maintaining forest resources in these regions. The department reduces reforestation costs to the state by relying on natural regeneration where feasible, and requiring operators to provide site preparation and replanting on some sales. However, small operators rarely have the capital or expertise for effective reforestation. Without state support, reforestation costs can be a barrier to timber purchases for value-added processors. Reforestation funding is essential for stability in the state timber sale program and in local value-added processing operations. In spruce bark beetle infestation areas, reforestation also helps reduce wildfire hazards by decreasing grass cover. A portion of the FY08 timber sale receipts for removing barriers to value-added timber sales will be used to reduce reforestation costs, and DOF is requesting an FY09 CIP for reforestation in high priority sites.

Transportation Infrastructure. Throughout the state, limited transportation infrastructure also hampers forest operations. The state incorporates the cost of road construction and maintenance into timber sale purchases whenever possible. However, costs of bridges and roads that provide long-term access to large forest management areas are often greater than individual sales, especially small sales to local operators, can bear. Timber sale receipts for removing barriers to value-added timber sales are used to help fund key bridges and road segments that expand the area available for forest management and provide secondary benefits for other forest users. In FY 07-08 DOT also provided Roads to Resources funds to support two key access investments – the Bostwick Road to access Gravina Island timber, and an upgrade to the Shirley Towne Bridge and Willer-Kash Road to reach state timber in the Mat-Su Valley. Additional access investment is needed, especially in interior Alaska.

Significant Changes in Results to be Delivered in FY2009

The Forest Resources & Practices Act (FRPA) is designed to protect fish habitat and water quality while supporting economically feasible timber operations. The Board of Forestry emphasizes that effective implementation of the Act is an essential part of the state’s efforts to ensure the survival of the timber industry in SE Alaska. Implementation includes timely reviews of mandatory plans of operation for timber operations, field inspections, training for timber operators, enforcement actions, and compliance monitoring.

Through FY06, \$250.0 in federal Clean Water Act funds provided about a third of the Division’s budget for FRPA implementation. In FY07-08, national reductions in Clean Water Act funding reduced the available funds to \$200.0. This reduction was offset by a one-time CIP authorization funded by timber sale receipts. In FY09, the federal funds will be further reduced to \$115.0. DNR has requested a switch of \$85.0 from federal receipts to the general fund to offset the additional cutback and maintain adequate FRPA implementation. Even with this switch, this is an annual reduction of \$23.6 annually compared to the total FY06 FRPA budget, to recognize the decline in southeast harvesting. The effective reduction is greater due to increased personnel and travel costs from FY06 to FY09.

The Division will continue to tailor the delivery of forest management, forest practices, and service forestry programs to reflect regional changes in markets, forest practices activity, and opportunities to expand forest management on private and municipal land.

Major Component Accomplishments in 2007

Forest Resource Management. DNR continued to emphasize support of local value-added processors in its timber sale program. In FY07, DNR:

- Offered 82.9 million board feet of timber for sale, the second-largest volume in the ten years on record.
- Sold 65 timber sales overall, all but three of which went to local processors.
- Planted trees on 392 acres to ensure that the supply of forest resources is sustained for the future.

In the last ten years, this program has sold 619 timber sales totaling over 218 million board feet of state timber to 205 in-state businesses (see Tables 1 and 2).

Table 1. Number of timber sales sold for value-added processing and number of purchasers by region, FY97-FY07

Region	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	Total # sales	# different purchasers
Coastal Region	34	17	27	25	26	45	25	51	31	39	320	104
Northern Region	17	15	33	31	28	23	24	25	30	23	249	101
Total	51	32	60	56	54	68	49	76	61	62	619	205

Table 2. Volume of timber sold in value-added sales by region (million board feet), FY97 – FY07

Region	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	FY 06	FY 07	Total Volume (MMBF)
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Coastal Region	10.5	7.6	14.1	2.8	12.3	13.9	9.3	20.8	12.4	52.2	155.9
Northern Region	6.6	6.9	6.6	5.9	4.2	4.8	2.7	5.6	12.5	6.4	62.2
Total	17.1	14.5	20.7	8.7	16.5	18.7	12.0	26.4	24.9	58.6	218.1

Forest Practices. DNR continued to ensure that forest resources, clean water, and fish habitat are maintained through implementation of the Forest Resources and Practices Act. In calendar year 2006 DNR:

- Conducted timely review of 70 new Detailed Plans of Operation covering 45,666 acres and 85 miles of forest road.
- Conducted 76 field inspections on private, municipal, and trust land, and 126 on state timber sales.
- Worked with the Board of Forestry, and in cooperation with affected industries and interests, to adopt updated regulations for best management practices on timber harvest operations in Region II (Southcentral AK).
- Assessed FRPA compliance on state, municipal, and private land in all regions.
- Worked with agencies, timber industry, and other interests to identify top priority effectiveness monitoring needs.

Cooperative Forestry. The Cooperative Forestry programs used federal funds to assist private forest landowners in developing and implementing plans to manage their forest resources, provided information on insect and disease conditions to agencies and private landowners, assisted communities in assessing and managing their tree resources, and provided conservation education programs to teachers and organizations. In FY06, these programs:

- Provided 18 communities with grants, technical assistance, or training on care of urban trees and forests,
- Trained 946 individuals in community forestry workshops, and trained 353 educators and 747 students in Project Learning Tree, Firewise, and other forestry curricula. and
- Completed 74 stewardship plans on 1550 acres of private land owned by individuals, and one with an ANCSA corporation.

Statutory and Regulatory Authority

Forest Resource Management

AS 38.04.060-065
 AS 38.05.035, .110-.123, .945
 AS 41.15.300-.330
 AS 41.17.020-.030, .060, .200-.400
 AS 45.50.210-.325
 11 AAC 05
 11 AAC 71

Forest Practices

AS 41.17
 11 AAC 95

Cooperative Forestry Programs

AS 41.15.020-.030
 AS 41.17.030-.055

Contact Information

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**Forest Management and Development
Component Financial Summary**

All dollars shown in thousands

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	4,000.3	4,099.0	4,259.7
72000 Travel	223.9	190.5	190.5
73000 Services	646.2	1,020.0	982.3
74000 Commodities	198.8	317.6	317.6
75000 Capital Outlay	121.5	50.5	50.5
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	5,190.7	5,677.6	5,800.6
Funding Sources:			
1002 Federal Receipts	552.8	1,216.2	1,246.5
1004 General Fund Receipts	2,694.1	2,911.0	3,071.6
1007 Inter-Agency Receipts	487.4	391.4	314.8
1053 Investment Loss Trust Fund	120.0	0.0	0.0
1061 Capital Improvement Project Receipts	646.5	347.4	328.6
1108 Statutory Designated Program Receipts	12.8	30.0	30.0
1155 Timber Sale Receipts	677.1	781.6	809.1
Funding Totals	5,190.7	5,677.6	5,800.6

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
Unrestricted Fund	68515	5.0	0.0	0.0
Unrestricted Total		5.0	0.0	0.0
Restricted Revenues				
Federal Receipts	51010	552.8	1,216.2	1,246.5
Interagency Receipts	51015	487.4	391.4	314.8
Statutory Designated Program Receipts	51063	12.8	30.0	30.0
Timber Sale Receipts	51076	677.1	781.6	809.1
Capital Improvement Project Receipts	51200	646.5	347.4	328.6
Investment Loss Trust Fund	51393	120.0	0.0	0.0
Restricted Total		2,496.6	2,766.6	2,729.0
Total Estimated Revenues		2,501.6	2,766.6	2,729.0

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	2,911.0	1,216.2	1,550.4	5,677.6
Adjustments which will continue current level of service:				
-ETS Chargeback Redistribution	2.3	0.0	0.0	2.3
-Forest Practices Fund Change	85.0	0.0	-85.0	0.0
-FY 09 Health Insurance Increases for Exempt Employees	0.2	0.0	0.0	0.2
-FY 09 Bargaining Unit Contract Terms: General Government Unit	73.1	30.3	57.1	160.5
Proposed budget decreases:				
-Delete Excess CIP Authorization	0.0	0.0	-40.0	-40.0
FY2009 Governor	3,071.6	1,246.5	1,482.5	5,800.6

**Forest Management and Development
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2008</u> <u>Management</u> <u>Plan</u>	<u>FY2009</u> <u>Governor</u>		
Full-time	44	44	Annual Salaries	2,709,267
Part-time	5	5	COLA	139,978
Nonpermanent	12	12	Premium Pay	0
			Annual Benefits	1,480,457
			<i>Less 1.62% Vacancy Factor</i>	<i>(70,002)</i>
			Lump Sum Premium Pay	0
Totals	61	61	Total Personal Services	4,259,700

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk II	1	0	0	0	1
Accounting Tech I	1	0	0	0	1
Admin Operations Mgr I	1	0	0	0	1
Administrative Assistant	0	1	0	0	1
Administrative Clerk III	0	0	0	1	1
Cartographer III	1	1	0	0	2
Cartographer IV	0	1	0	0	1
Division Director	0	1	0	0	1
Education Assoc III	1	0	0	0	1
Forester I	0	2	0	0	2
Forester II	2	2	0	9	13
Forester III	0	3	2	6	11
Forester IV	0	2	0	3	5
Forester V	0	1	0	1	2
Natural Resource Mgr I	2	0	0	0	2
Natural Resource Mgr IV	2	0	0	0	2
Student Intern I	0	0	0	12	12
Wildland Fire/Resourc Tech III	0	1	0	1	2
Totals	11	15	2	33	61