

Fact sheet:

AS 38.05.123: NEGOTIATED TIMBER SALES FOR VALUE-ADDED PROCESSING

Division of Forestry • October 2005

What is the “Value-added Processing Bill”? In 1996, SB 180 was passed and codified as AS 38.05.123. This bill allows the Division of Forestry (DOF) to offer negotiated sales of up to 10 MMBF of state timber per year for up to 10 years to in-state wood processors. The goal of the bill is to increase Alaskan jobs from timber harvested off state land by encouraging in-state wood processing.

Is this program the only way to buy state timber for value-added processing? No. The Division offers sales under four programs, and wood for local processing can come from any of the programs. The options are:

- ◆ Competitive sales offered by sealed bid or oral auction (AS 38.05.120),
- ◆ Negotiated sales of up to 500 MBF for one year (AS 38.05.115),
- ◆ Negotiated sales in areas with high unemployment, under-utilized mill capacity, and under-utilized allowable cut (AS 38.05.118).
- ◆ Negotiated sales of up to 10 MMBF per year for up to 10 years specifically for value-added processing.

From FY 98 to FY 05, the DNR Division of Forestry sold a total of 421 sales totaling 129.7 million board feet (MMBF) of timber to Alaskan processors. For more information on sales in your area, contact the Division of Forestry Area Office nearest you.

How are sales under the AS 38.05.123 different from other timber sales? The new law allows DOF to negotiate large timber sales with stronger requirements for in-state value-added processing than other timber sale programs. Under draft regulations to implement the law, processing facilities must be operational before timber sold under the value-added law can be harvested. Like all state timber sales, however, sales under this law are designed for multiple use as part of a sustainable forestry program. All state timber sales also must be consistent with adopted state land use plans.

What are the requirements for a sale under this law? Sales under AS 38.05.123 must:

- ◆ Be in a location designated for forestry purposes by a valid existing area plan adopted under AS 38.04;
- ◆ Be in the best interest of the state as determined by a written finding (AS 38.05.035(e)),
- ◆ Be noticed in accordance with AS 38.05.945 (notice of intent to negotiate contract),
- ◆ Be on the Five-Year Schedule of Timber Sales (AS 38.05.113), and
- ◆ Have a Forest Land Use Plan (AS 38.05.112).

The Department must also evaluate all proposals for

- ◆ Economic benefits to the state,
- ◆ Likelihood of commercial success,
- ◆ Protection measures of fish and wildlife habitat and populations,
- ◆ Continuation of other uses of the area,
- ◆ Stumpage return (revenue to the state from the sale), and
- ◆ Other benefits to the state and local economy.

The Division can require a purchaser to submit financial and technical data that demonstrates that the requirements of the value-added law will be met. DOF may also require the purchaser to retain and pay for a contractor to help evaluate the proposed sale and related financial and technical data.

The division may negotiate a sale with a particular applicant, or may offer the timber under a Request for Proposals (RFP). Where there is competitive interest in state timber, we will typically issue an RFP and select the best proposal from the qualified applicants. The RFP process will help ensure that Alaskans will receive the greatest possible benefits from the sale of state timber.

Is the Division offering sales under this law? Yes. Sales have been offered in the Southern Southeast Area and work is underway for additional sales in this area and in Interior Alaska. We will work with other requesters to determine wood needs, potential supply, and additional information needed.

Are there regulations for this law? Yes. Regulations to implement the value-added law were adopted in 1998 and 2005. The regulations

- ◆ Set the number of value-added sales that can be offered annually in each region;
- ◆ Add shakes to the list of products that qualify as high value-added products;
- ◆ Establish the procedures for setting a base price for timber sold under this law; and
- ◆ Require that processing facilities be operational before timber sold under the value-added law can be harvested.

FOR MORE INFORMATION on timber sale Schedules and plans, contact the Division of Forestry Area Office in your area.

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