

# **State of Alaska FY2007 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 and creates jobs through value-added processing, harvesting, transportation, and reforestation.
- 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 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) on state, municipal, trust, and private lands.
- 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.
- Provides forestry assistance to private landowners, Native corporations, and communities.
- 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 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, enforce the Act's provisions to ensure protection of water quality and fish habitat.

The federal cooperative forestry programs use funds from the US Forest Service and other grantors to provide forestry assistance to private landowners, Native corporations, and communities. DOF delivers these services through its community forestry, forest health, Firewise and 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 PCN's 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 Results	Strategies to Achieve Results
<b>A: Support jobs in timber and fishing, manage</b>	<b>A1: Provide jobs in Southern Southeast Alaska</b>

**sustainable forests on state land, and provide technical forestry assistance to communities and private landowners**

Target #1: Alaskan businesses supported by State timber.

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

Target #2: Sustainable timber and fishing industries that can provide long-term jobs from healthy forests, productive fish habitat, and clean water.

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.

Target #3: Provide forest management services, information, and grants to Alaskan municipalities, private businesses, Native corporations and other private landowners, educators, and individuals.

Measure #3: Entities provided with forestry services through Community Forestry, Conservation Education, Forest Stewardship, and Forest Health programs.

**through sale of state timber**

Target #1: In Southern Southeast Alaska, 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.

**A2: Support jobs 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.

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.

**A3: 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.

**A4: 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.

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.

**A5: 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

	<p><b>A6: Help private landowners manage their forestlands for sustainable resources by providing planning services and cost-share funding.</b></p> <p><u>Target #1:</u> Provide forest planning assistance to private landowners.</p> <p><u>Measure #1:</u> Number of forest management plans prepared for ANCSA corporations and for individual forest owners; and number of grants for wildfire risk reduction.</p> <p><b>A7: Provide timely information on forest insect and disease problems to maximize opportunities for treatment of forest pests on public and private land.</b></p> <p><u>Target #1:</u> Post and publish an annual report on forest insect and disease conditions in Alaska.</p> <p><u>Measure #1:</u> and publication of insect and disease conditions report.</p> <p><b>A8: Develop a public that is well-informed about forest resources and management.</b></p> <p><u>Target #1:</u> Provide forestry education to educators, students, private landowners, public land managers, and others.</p> <p><u>Measure #1:</u> Number of people who attend DOF sponsored forestry, fire, and conservation education classes or training.</p> <p><b>A9: Deliver FRPA services timely.</b></p> <p><u>Target #1:</u> 100% of Detailed Plans of Operation reviewed timely</p> <p><u>Measure #1:</u> Percent of DPOs reviewed within deadlines set by FRPA.</p>
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<b>Major Activities to Advance Strategies</b>	
<ul style="list-style-type: none"> <li>• Develop RFPs for sale layout by private contractors; score proposals; award contracts; and inspect completed layout.</li> <li>• Prepare timber sales -- including layout, Forest Land Use Plans, Five-Year Schedules of Timber Sales, and ads -- in Southern Southeast Alaska.</li> <li>• Conduct timber sale auctions, negotiated timber sales, RFPs, and contracts in Southern Southeast.</li> <li>• Use available funding to remove barriers to value-added timber sales, including development and maintenance of roads and bridges.</li> <li>• Assess opportunities to provide wood to new businesses within the limits of available supply and consideration of demand from existing businesses.</li> <li>• Thin dense forest stands on productive forest land to maximize volume available from state land.</li> <li>• Prepare timber sales, layout, and ads for sales in Northern Southeast, Southcentral, and Interior Alaska.</li> </ul>	<ul style="list-style-type: none"> <li>• Identify potential funding sources and seek funding for effectiveness monitoring.</li> <li>• Participate in industry/interagency technical review of effectiveness monitoring projects.</li> <li>• Distribute DPOs for timely interagency review.</li> <li>• Coordinate DOF review of DPOs.</li> <li>• Respond to operators and landowners on DPOs.</li> <li>• Work with communities to establish municipal forestry programs.</li> <li>• Foster Tree City USA and Tree Line USA Communities.</li> <li>• Train Tree Stewards for volunteer work on municipal trees.</li> <li>• Provide technical assistance to local governments, private industry, and agencies.</li> <li>• Develop forest stewardship plans for individual private forest owners.</li> <li>• Pass through federal grants to develop forest stewardship plans for ANCSA corporations.</li> </ul>

### Major Activities to Advance Strategies

- 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 a prospectus describing available state timber in Interior Alaska, and assist interested purchasers in evaluating feasibility.
- 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 in SE Alaska.
- Review regeneration reports and field verification of private land regeneration surveys.
- Review reforestation exemption requests.
- Conduct regeneration surveys on state land.
- Complete review of Region II riparian management standards.
- Recommend appropriate statutory changes.
- Adopt regulations to implement statutory changes.
- Jointly prioritize effectiveness monitoring information needs.
- 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 curriculum.
- Train teachers in Project Learning Tree 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.

### FY2007 Resources Allocated to Achieve Results

**FY2007 Component Budget: \$5,508,900**

**Personnel:**

Full time	43
Part time	6
<b>Total</b>	<b>49</b>

### Performance Measure Detail

#### A: Result - Support jobs in timber and fishing, manage sustainable forests on state land, and provide technical forestry assistance to communities and private landowners

**Target #1:** 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.**

Fiscal Year	YTD Total
FY 2001	44
FY 2002	42
FY 2003	42
FY 2004	34
FY 2005	40

**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 FY05 increased from FY04 primarily due to increased timber sales in southeast Alaska. The Division accelerated timber sales in southern southeast Alaska to help offset decreases in federal timber sales.

**Target #2:** Sustainable timber and fishing industries that can provide long-term jobs from healthy forests, productive fish habitat, and clean water.

**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	
2001	YES
2002	YES
2003	YES
2004	YES
2005	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. NOAA has raised concerns about the riparian standards for private land in Region II (southcentral Alaska) with respect to coastal non-point source pollution. Adoption of updates to the Region II riparian standards recommended by the Board of Forestry and user groups will address this concern.

**Target #3:** Provide forest management services, information, and grants to Alaskan municipalities, private businesses, Native corporations and other private landowners, educators, and individuals.

**Measure #3:** Entities provided with forestry services through Community Forestry, Conservation Education, Forest Stewardship, and Forest Health programs.

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

Fiscal Year	Muni, city, & military	Private & Native Corp	School Dist & University	Agency & Nonprofit	Individuals assisted
FY 2001	n/a	n/a	n/a	n/a	n/a
FY 2002	n/a	n/a	n/a	n/a	n/a
FY 2003	n/a	n/a	n/a	n/a	n/a
FY 2004	n/a	n/a	n/a	n/a	n/a
FY 2005	16	47	13	22	161

*To avoid duplication, "individuals assisted" in this table does not include participants in forestry-sponsored conservation education classes nor recipients of individual forest stewardship or wildfire risk reduction plans – these are reported in the measures for Strategies A7 and A9 in the Performance Management Measures.*

**Analysis of results and challenges:** This was a new measure for FY05. The federally-funded cooperative forestry programs in the Division of Forestry provide technical assistance to a wide variety of private and public entities. In FY05, these programs provided assistance to the following entities:

Municipalities & Cities: Municipality of Anchorage, City & Borough of Juneau, Kenai Peninsula, Mat-Su, Haines, and Fairbanks North Star boroughs, cities of Homer, Fairbanks, North Pole, Sitka, Wasilla, and Seward; and the Eielson, Elmendorf, Fort Richardson, and Fort Wainwright military bases.

Private Businesses & Native Corporations: Conoco Phillips Petroleum, Matanuska Electric, Golden Valley Electric, Chugach Electric, Knikatnu, Sealaska, Dinyee Corporation, Yak-Tat-Kwaan, Bristol Bay Native Corporation, 26 nurseries and garden centers, 10 arborists/ tree service companies, and two landscape architectural firms.

Agencies and Nonprofits: Ted Stevens International Airport, Bristol Bay Native Association, Homer Soil & Water Conservation District, Alaska State Fairgrounds (Palmer), Alaska Natural Resources & Outdoor Education Assn., Habitat for Humanity, Nordic Ski Club, Fairbanks Arbor Day Committee, Juneau Urban Forestry Partnership, Alaska Boreal Forest Council, Anchorage TREErific, U.S. Fish & Wildlife Service, U.S. Forest Service, BLM, National Park Service, US Animal & Plant Health Inspection Service, BIA, ADF&G, ADOTPF, and DNR Divisions of Agriculture, Forestry, and Parks & Outdoor Recreation

School Districts & Universities: Educational institutions assisted included schools in the Anchorage, Matanuska-Susitna Borough, Kenai Peninsula Borough, Glennallen, Gateway, Delta/Greely, Fairbanks North Star Borough, Galena, and Island districts, and UAF, UAA, APU, and the UAF Cooperative Extension Service.

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

**Target #1:** In Southern Southeast Alaska, 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.**

Fiscal Year	YTD Total
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

**Analysis of results and challenges:** State timber sales for SSE in FY 05 were the highest during the period of record (since FY97). This is the first year the state sold its full annual allowable cut in SSE. Because prior year sales were less than the allowable cut (12.8 MMBF), DNR was able to offer sales above the annual allowable cut level this year. Accelerated sales can continue until the surplus is used up (estimated at one to two more years).

**A2: Strategy - Support jobs 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.**

Fiscal 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

**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 increased in most areas of the state in FY05, reflecting increased demand in the Mat-Su valley and stronger sales in the Fairbanks and Delta areas.

Timber sale offerings were up due to reoffers of a large volume of salvage timber, and the volume available exceeds current demand. Much of the excess volume is beetle-killed salvage timber from the Kenai Peninsula and Copper River area. The Division will continue to reoffer this timber as long as there is some economic potential for the wood. Future offerings of beetle-killed salvage timber are likely to decrease sharply because the wood is decaying rapidly, but offerings of salvage timber in areas burned by the 2004-2005 fires will increase.

**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.

**Volume of state timber purchased in interior Alaska (Fairbanks, Delta, and Tok areas) FY 01-05**

Fiscal Year	YTD Total
FY 2001	0.91
FY 2002	0.66
FY 2003	0.97
FY 2004	0.65
FY 2005	2.31

**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 increased in FY05 after several years of decline. Sales were up in both Fairbanks and Delta, and were level in Tok. Delta sales included purchases of salvage timber within areas burned in the 2004 fires. Additional salvage timber will be offered in FY06.

**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	
0	% Compliance	Average Score	% Compliance	Average score	% Compliance	Average Score	
2001	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
2003	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
2005	95%	4.7	81%	4.3	n/a	n/a	n/a

**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. Data for 2005 are based on the first three-quarters of the year. Annual data is not shown for Region III because of the inaccuracy inherent in the small sample size in this region. Sample size reflects the relatively small extent of harvesting in Region III (less than 10% of the statewide acreage harvested is in Region III), particularly on private land.

Average scores for Regions I and II increased slightly in FY05, and the overall percentage of compliant scores increased considerably in Region II. Region II scores were lower than those for Region I, due to the adverse impacts of a few problem operations on the overall ratings. The Division of Forestry is targeting training to improve compliance in Region II and increase sample size in Region III.

Combined data for 2004-2005 for Region III showed an 87% compliance rate and an average score of 4.5.

**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. Recommendations will be submitted to amend the FRPA. The Region II review completes a statewide scientific and technical review of the FRPA riparian standards that was started in 1996.

**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 FY05, DNR published an extensive annotated bibliography of research relevant to the FRPA. Sealaska published reports on studies of Fish Habitat Status and Trends in SE Alaska forest operations, and on buffer effectiveness. The Division of Forestry, Office of Habitat Management & Permitting, and ADF&G cooperated on road condition surveys on private forest operations in SE Alaska. 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 and the Fish Habitat Status and Trends studies will continue in FY06, and the final report on the buffer effectiveness study will be completed.

**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.**

Fiscal Year	YTD Total
FY 2001	4
FY 2002	4
FY 2003	4
FY 2004	7
FY 2005	6

**Analysis of results and challenges:** Six communities have active programs that are recognized through the Tree City USA program: They include Wasilla, Sitka, Fort Richardson, Fort Wainwright, Elmendorf AFB, and Eielson AFB. Juneau has been a Tree City in the past and is expected to qualify again in FY 06. Homer and the Fairbanks North Star Borough are developing programs.

**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.**

Fiscal Year	ANCSA Corporation Plans	Forest Landowner Plans	Wildfire Risk Red 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

**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. Significantly, six new ANCSA corporation plans were completed in FY04-05. Requests for private forest landowner assistance fluctuate with the amount of federal cost-share funding available to implement practices recommended by the plans. Federal Forest Land Enhancement Program (FLEP) funds that were available in FY04 and FY05 spurred interest in stewardship plans, but federal cost-share funding is down for FY06. Western States Wildland Urban Interface (WUI) funding has been available for home site wildfire hazard reduction since FY03 and requests for assistance are high.

**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:** and 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. The Division 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 educators, students, private landowners, public land managers, and others.

**Measure #1:** Number of people 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.**

Fiscal Year	YTD Total
FY 2001	n/a
FY 2002	1,040
FY 2003	1,735
FY 2004	1,317
FY 2005	1366

*This includes Project Learning Tree, Fire in Alaska, Community Tree Stewards, and other Community Forestry and Conservation Education training.*

**Analysis of results and challenges:** The coop programs maintained a high level of outreach in FY05 despite a key vacancy in the Community Forestry program in the latter half of FY05 and first half of FY 06. In addition to its traditional roles, the conservation education program has become an important part of efforts to reduce risks from wildfire in the wildland-urban interface. Contact numbers should increase when the staff is again at full strength.

### 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%

**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, we 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 make the existing Tanana Basin inventory out-of-date. In addition, new interest in hardwood manufacturing requires more detailed information on hardwood resources. The Division is pursuing limited updates to the hardwood database, but needs additional funding to rectify the inventory regionwide.

In southern Southeast, 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 most of the parcels on Prince of Wales (POW) Island and are analyzing the data. In December, 2005 we plan to complete inventory of the POW Island parcels and begin work on the outlying islands. The full southern Southeast forest land inventory will not be completed before the summer of 2006. Following completion of the inventory, the Division will update the allowable cut for SSE.

**SSE DEMAND.** Southeast Alaska has the most productive forest land, and demand for wood from state land is strong. Although the state has a small land base in this region, state timber plays an important role in the local economy. Continued low levels of timber sales from the Tongass National Forest create additional pressure for sales from state land. Supplying wood to existing small to mid-size wood processors is the priority for state timber in 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. A contract was awarded in September, 2004 for pre-commercial thinning 137 acres on POW Island. An additional 130 acres of pre-commercial thinning has been laid out and will be awarded in the late fall of 2004. Thinning should occur within the next three years to capture the greatest benefits. The remaining unthinned stands are nearing the end of the period when Sitka spruce and western hemlock can respond rapidly to thinning and be economical to thin.

**SOUTHCENTRAL MARKETS.** In the Mat-Su area, the market for hardwood chips has grown, increasing the demand for hardwoods from state land. The Division is preparing more 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 PROSPECTUS.** In the Interior, demand is primarily from small, local processors. The Division is a major supplier for these operations. DOF is also working to provide opportunities for new processors through the New Growth initiative. Together with the Fairbanks Economic Development Corporation and Tanana Chiefs Conference, DOF issued a prospectus on available timber, and is now providing technical assistance for potential investors. DOF worked with a potential investor to send a test shipment of birch to Washington state to test grade and yield. Another priority for FY06-07 is continued salvage of timber from areas burned in the 2004-2005 fire seasons.

**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 to stability in the state timber sale program and in local value-added processing operations. A portion of the FY06-FY07 timber sale receipts for removing barriers to value-added timber sales will be used to reduce reforestation costs. In spruce bark beetle infestation areas, reforestation also helps reduce wildfire hazards by decreasing grass cover.

**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.

**FEDERAL FUNDING FOR FOREST PRACTICES.** Adequate funding of the FRPA depends in part on federal funding. In FY07 there will be a sharp decline in federal funding available in forest practices. Coastal non-point source pollution funding was eliminated in FY06, other non-point source pollution funding is decreasing by 20% in FY07, and ACMP funding for the Division of Forestry has been eliminated for FY07. In total, this is a 26% decrease (\$77.5) in federal funding for forest practices work compared to FY05. This collides with two years (FY07-08) of anticipated high demand for FRPA work in response to projected increases in harvesting in the Mat-Su and Copper River areas, at Icy Bay, and on Revillagigedo and Afognak islands. Closeout of some Sealaska operations will accelerate the need for road closure inspections. Additional funds are needed to meet FRPA requirements in FY07-08 in the face of declining federal funds. Without additional FRPA funding, DOF will need to reprogram funds from the timber sale program to cover FRPA mandates. This would compromise our ability to meet the targets for timber sales to support Alaskan jobs.

## Significant Changes in Results to be Delivered in FY2007

The Division received a CIP for \$55.4 in FY06 to fund marketing efforts in support of the New Growth initiative to increase value-added processing of interior timber, particularly hardwoods. This CIP is funded by timber sale receipts. Lack of a market for interior hardwoods impedes forest management throughout the region. Development of a hardwood processing industry is a key strategy for sustainable forest management and economic development in interior Alaska. The state began efforts to increase investment in local processing by publishing a prospectus for interior timber in 2003. The Division will use the CIP funds in FY06 to more actively market this initiative, develop supporting data, and post information to the prospectus website. This funding has already enabled the Division to work with a prospective processor to send a test shipment of birch to Washington State for grade and yield analysis.

Federal funds for Forest Resources & Practices Act (FRPA) implementation are down by \$57.5 in FY07. Funding to Alaska from federal Clean Water Act and coastal management programs has decreased, and a portion affects the forest practices program. FRPA implementation is a statutory requirement for the Division, and forest practices work load will remain high in FY07 and FY08. Adequate FRPA implementation is essential for support to the timber industry, and for protection of water quality and fish habitat. Unless the loss of federal funds is replaced, the Division will have to meet its legal mandate by reprogramming funds from the timber sale program, and decrease the amount of timber offered from state lands by over a million board feet.

## Major Component Accomplishments in 2005

Forest Resource Management. DNR continued to emphasize support of local value-added processors in its timber sale program. In FY05, DNR:

- Offered 78.0 million board feet of timber for sale, the largest volume in the eight years on record.
- Sold 75 timber sales overall, and all but one right-of-way salvage sale went to local processors.
- Planted trees on 605 acres to ensure that the supply of forest resources is sustained for the future.

Since FY97, this program has sold 494 timber sales totaling over 152 million board feet of state timber to 186 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, FY 97 - FY 05

Region	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	Total # sales	# different purchasers
Coastal Region	22	34	17	27	25	26	45	25	49	270	91
Northern Region	28	17	15	33	31	28	23	25	25	225	95
Total	50	51	32	60	56	54	68	50	74	495	186

**Table 2.** Volume of timber sold in value-added sales by region (million board feet), FY97 – FY05

Region	FY 97	FY 98	FY 99	FY 00	FY 01	FY 02	FY 03	FY 04	FY 05	Total Volume (MMBF)
Coastal Region	5.2	10.5	7.6	14.1	2.8	12.3	13.9	9.0	19.0	94.4
Northern Region	14.5	6.6	6.9	6.6	5.9	4.2	4.8	2.7	5.6	57.8
Total	19.7	17.1	14.5	20.7	8.7	16.5	18.7	11.7	24.6	152.3

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 2003, DNR

- Conducted timely review of 79 new Detailed Plans of Operation covering 49,263 acres and 251 miles of forest road.

- Conducted 88 field inspections on forest operations.
- Under the oversight of the Board of Forestry, and in cooperation with affected industries and interests, developed recommendations for riparian management standards for 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 FY03, these programs

- Provided 10 grants to communities for tree planting, conservation education, and program development,
- Trained 345 individuals in community forestry workshops, and trained 198 educators and 747 students in Project Learning Tree, Firewise, and other forestry curricula.
- Completed 67 stewardship plans and 73 wildfire risk assessments on 2,847 acres of private land owned by individuals, plus stewardship plans for three ANCS corporations.

### 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*

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
<b>Non-Formula Program:</b>			
<b>Component Expenditures:</b>			
71000 Personal Services	3,756.7	3,700.4	4,007.3
72000 Travel	179.1	167.5	172.5
73000 Services	745.5	930.4	964.0
74000 Commodities	242.3	308.4	314.6
75000 Capital Outlay	75.4	50.5	50.5
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
<b>Expenditure Totals</b>	<b>4,999.0</b>	<b>5,157.2</b>	<b>5,508.9</b>
<b>Funding Sources:</b>			
1002 Federal Receipts	960.3	1,174.4	1,216.2
1004 General Fund Receipts	2,385.9	2,535.5	2,781.4
1007 Inter-Agency Receipts	618.8	338.8	355.5
1061 Capital Improvement Project Receipts	312.8	328.7	344.9
1108 Statutory Designated Program Receipts	5.5	30.0	30.0
1155 Timber Sale Receipts	715.7	749.8	780.9
<b>Funding Totals</b>	<b>4,999.0</b>	<b>5,157.2</b>	<b>5,508.9</b>

**Estimated Revenue Collections**

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
<b>Unrestricted Revenues</b>				
Unrestricted Fund	68515	10.4	0.0	0.0
<b>Unrestricted Total</b>		<b>10.4</b>	<b>0.0</b>	<b>0.0</b>
<b>Restricted Revenues</b>				
Federal Receipts	51010	960.3	1,174.4	1,216.2
Interagency Receipts	51015	618.8	338.8	355.5
Statutory Designated Program Receipts	51063	5.5	30.0	30.0
Timber Sale Receipts	51076	715.7	749.8	780.9
Capital Improvement Project Receipts	51200	312.8	328.7	344.9
<b>Restricted Total</b>		<b>2,613.1</b>	<b>2,621.7</b>	<b>2,727.5</b>
<b>Total Estimated Revenues</b>		<b>2,623.5</b>	<b>2,621.7</b>	<b>2,727.5</b>

**Summary of Component Budget Changes  
From FY2006 Management Plan to FY2007 Governor**

*All dollars shown in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
<b>FY2006 Management Plan</b>	<b>2,535.5</b>	<b>1,174.4</b>	<b>1,447.3</b>	<b>5,157.2</b>
<b>Adjustments which will continue current level of service:</b>				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	37.0	12.5	19.2	68.7
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	4.1	1.6	2.4	8.1
-FY 07 Retirement Systems Cost Increase	68.2	23.3	35.7	127.2
<b>Proposed budget increases:</b>				
-Statewide Forest Inventory Program	120.0	0.0	0.0	120.0
-Risk Management Self-Insurance Funding Increase	16.6	4.4	6.7	27.7
<b>FY2007 Governor</b>	<b>2,781.4</b>	<b>1,216.2</b>	<b>1,511.3</b>	<b>5,508.9</b>

**Forest Management and Development  
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>		
Full-time	42	43	Annual Salaries	2,558,086
Part-time	7	6	COLA	70,432
Nonpermanent	12	12	Premium Pay	0
			Annual Benefits	1,447,771
			<i>Less 1.69% Vacancy Factor</i>	(68,989)
			Lump Sum Premium Pay	0
<b>Totals</b>	<b>61</b>	<b>61</b>	<b>Total Personal Services</b>	<b>4,007,300</b>

**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
Administrative Assistant	0	1	0	0	1
Administrative Clerk III	0	0	0	1	1
Administrative Manager III	1	0	0	0	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
Forest Tech III	0	1	0	1	2
Forester I	0	2	0	0	2
Forester II	1	2	0	10	13
Forester III	0	5	2	8	15
Forester IV	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
Training Specialist I	1	0	0	0	1
<b>Totals</b>	<b>11</b>	<b>15</b>	<b>2</b>	<b>33</b>	<b>61</b>