

State of Alaska FY2002 Governor's Operating Budget

Department of Natural Resources
Director's Office/Mining, Land, & Water
Component

Component: Director's Office/Mining, Land, & Water

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Component Mission

Encourage the settlement of state land and the development of state resources by making them available for maximum use consistent with the public interest. (Constitution; Article VIII, Sec 1).

Component Services Provided

The primary service provided by this component is the effective management of Alaska's minerals, land and resource assets to produce revenues, create jobs, and to promote economic vitality. The quality of that management depends on a motivated and well directed professional workforce committed to sound development. This work force must have a clear direction, and the support and investment from the public and private sectors to carry out the mission. This component serves all of the Division, provides the direct interface with the rest of the Department of Natural Resources, other federal, state and local agencies, the legislature, and the public and private sectors.

The Director's Office component provides the management and administrative functions for the six other components within the Division of Mining, Land and Water. These are:

- Claims, Permits and Leases
- Land Sales and Municipal Entitlements
- Water Development
- Title, Acquisition and Defense
- RS2477/ Navigability Assertions and Litigation Support
- Development Special Projects

The Division of Mining, Land and Water promotes the use of state minerals, land and resources and recognizes the public benefits derived from use and development. The Division has and will continue to streamline processes and maximize economic opportunity working with the public and private sectors to stimulate and promote sound development.

The Division has structured its budget to reflect the expectation that developing the state's land and resources should, in general, pay for itself. Thus, functions that develop Alaska by granting authorizing or granting resources to the private sector are funded primarily on program receipts. That is, developing the land and resources of Alaska will pay for the cost of administration and provide some return to the permanent fund and the general fund. These development functions are primarily within the Division's first two components: Claims, Permits and Leases; and Land Sales and Municipal Entitlements. The Division also undertakes some functions that are basic responsibilities of the state and for which there is no revenue source. These functions are mostly concentrated within Title Acquisition and Defense. This component secures Alaska's full land entitlement under the Statehood Act, and defends access to public land and state's where needed.

This Director's Office has taken over the functions that were formerly performed by three separate Director's offices. Two of them, the Division of Water and Division of Mining merged in 1996, and part of the two Director's Offices were eliminated. On July 1, 1999, DNR's Division of Land merged with its Division of Mining and Water Management to form the Division of Mining, Land and Water.

The Claims, Permits and Leases component provides the authorizations necessary to develop Alaska's Land. There are few, if any, industries that use State land that do not require an authorization provided by this component. The component costs approximately \$6.9 million (including \$5.7 million of general fund and program receipt income). However, the direct revenue collected by this component is expected to be almost \$9.4 million, \$2.4 million of which will go into the permanent fund. These revenues do not include all revenues generated by the development of state land, only the fees, rents, and royalties collected directly by this component. That is, the figures do not include oil and gas royalty, forestry stumpage fees, mining license tax, etc.

The Land Sales and Municipal Entitlements component provides land sales to individuals and transfers land to municipalities. The \$2.7 million expected in principal and interest from current and past land sales is greater than the \$2.4 million funded by the Land Disposal Fund, in this component.

The Title Acquisition and Defense Component acquires land and defend its title. The outcomes of this component are basic mandates of any state in the Union. The component includes the work necessary to acquire land from the federal government, and defend access to land through ANCSA 17(b) easements, RS2477 assertions, etc.

The Water Development component includes administration of water rights, Alaska Hydrologic Survey and a small dam safety project. It provides the water rights and hydrologic data necessary for development that appropriates and makes beneficial use of the state's water resources. The Water Development component does not pay for itself. It is separated, in part for that reason, and to facilitate discussion of water-related issues that the department expects to occur this legislative session.

The remaining two components are small specialty components, found in different BRU's, that are continued from previous budget years. These are: RS2477/ Navigability Assertions and Litigation Support and Development Special Projects.

Component Goals and Strategies

The component goals and strategies of Division of Mining, Land and Water are outlined in each of the six components managed by the Director's Office. For additional detail on the outcome, measures, and outputs of the other components, contact DNR Admin Services Manager (Nico Bus 465-2406).

Key Component Issues for FY2001 – 2002

This section provides a summary of the major issues facing the Division of Mining, Land and Water. More detailed discussion is found in individual component write-ups.

1. Water Rights

The system of administering water rights is broken. Due to budget cuts over the past 10 years, and culminating in FY 00, the Division cannot process all of the water right applications received each year. The consequence of this failure is that Alaska's citizens and industry cannot receive the water rights that the law requires they obtain before withdrawing water. Some development is stalled, some cannot get financing, and other development proceeds in violation of the law. The Division proposes to fix the problem by a three-part solution. First, the Division is proposing regulations to streamline the water rights program; to decrease the amount of work required by eliminating the need for some less significant water withdrawals to obtain water rights. Second, this budget proposes a \$300,000 increment to increase the water rights staff so that it can process the remaining applications. Third, the Administration may propose a bill to establish a water use fee. This fee would provide a stable funding source for the program. That is, those that obtain water rights would pay the cost of maintaining the program.

2. RS 2477

The Division is proposing legislation that would address certain problems that have made it difficult to comply with the law mandating the recording of RS 2477 rights-of-way.

3. Permit/Lease Processing

The Division continues to look for methods of increasing its ability to process permit and lease applications in a way that is efficient for the applicant, protects public resources, and appropriately involves the public. Methods to increase efficiency and improve the quality of the Division's land management include making better use of technology through such techniques as allowing on-line payment and applications, and through streamlining procedures and processes.

Major Component Accomplishments for FY2000

This section provides a summary of the major FY 2000 accomplishments of the Division of Mining, Land and Water. More detailed discussion is found in individual component write-ups.

1. Worked with the legislature for passage of the following legislation:

Land Disposal (SB 283)

The 2000 legislature, as part of SB 283, provided funds for the Division to increase the level of land sale offerings to Alaskans. The legislation also provided a funding mechanism to make the land sale program self-sustaining and to provide a return to the state general fund. The Division must meet the expectations it laid out in last year's legislative discussion.

Mining Law Changes (SB 175)

Last year, the 2000 legislature revised the mining law in SB 175 to allow more efficient processing of new mining locations. As a result of the new law, fiscal note, and a concerted effort to automate processing of locations, the division decreased processing time for new locations from over 3 months (essentially a mining season), to less than two weeks.

Shore Fisheries Lease. (SB 283)

Last year, the 2000 legislature as part of SB 283 provided a funding source to restore the Division's shore fisheries lease program that had previously been cut. In FY 2001, the Division has staffed up to restore the services to former levels.

Providing a Uniform Appeals Process (SB 257)

Last year, the 2000 legislature in SB 257 provided the statutory basis for a uniform appeals program for DNR. Prior to that law, the Department because of different laws passed at different times, had different schedules, requirements, and procedures that applied to seemingly similar Department decisions. A uniform system with standard procedures and timelines will be easier for staff, applicants, and the public. In September 2000, the Department released regulations to complete the streamlining process. The regulations are expected to be final in early 2001.

2. Large Mine Reviews

* Illinois Creek Gold Mine resumes mining

The Division re-leased the bankrupt Illinois Creek Gold Mine in a innovative leasing process that allowed the lessee to mine to generate funds for reclamation. During summer of 2000, the mine resumed production employing many villagers from the hard-hit Yukon-area villages.

* Pogo Advanced Exploration

The Division coordinated permitting of advanced exploration at the Pogo Mine Project northeast of Delta. The full mine is now in permitting and the Division is coordinating state permitting and participation in the federally required EIS.

* True North

The Division is coordinating the permitting of the True North deposit that is proposed to be trucked to Fort Knox, near Fairbanks. The permitting is expected to be completed in FY 2001.

* Green's Creek Environmental Review

At the invitation of the US Forest Service and Green's Creek Silver Mine, the Division coordinated a federal-state environmental review of operations at the site near Juneau.

3. Permit/Lease/Claim Processing

The Division processed approximately 326 land use permits; 28 land leases; 73 rights of way, 64 material sales, and 12,763 mining claims in FY 2000. This work resulted in approximately \$9.1 million dollars of revenue to the state, including \$2.3 to the permanent fund and \$24.3 thousand to the school fund.

Statutory and Regulatory Authority

AS 27; AS 29; AS 38; AS 41; AS 46; 11AAC;

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Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	431.4	392.9
72000 Travel	0.0	17.7	17.7
73000 Contractual	0.0	45.5	40.0
74000 Supplies	0.0	23.3	18.8
75000 Equipment	0.0	0.0	0.0
76000 Land/Buildings	0.0	0.0	0.0
77000 Grants, Claims	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	0.0	517.9	469.4
Funding Sources:			
1004 General Fund Receipts	0.0	368.0	372.1
1007 Inter-Agency Receipts	0.0	148.0	97.3
1053 Investment Loss Trust Fund	0.0	1.4	0.0
1108 Statutory Designated Program Receipts	0.0	0.5	0.0
Funding Totals	0.0	517.9	469.4

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
None.		0.0	0.0	0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0	0.0	0.0
Restricted Revenues						
Interagency Receipts	51015	0.0	148.0	148.0	97.3	97.3
Statutory Designated Program Receipts	51063	0.0	0.5	0.5	0.0	0.0
Investment Loss Trust Fund	51393	0.0	1.4	1.4	0.0	0.0
Restricted Total		0.0	149.9	149.9	97.3	97.3
Total Estimated Revenues		0.0	149.9	149.9	97.3	97.3

Director's Office/Mining, Land, & Water**Proposed Changes in Levels of Service for FY2002**

This component will have a decrement in IA receipts to alleviate the need for RSA's from the Water Development component and the Claims, Permits and Leases component. Two positions in this component will be split with each of the above mentioned components, and funded directly, instead of through IA receipts. The following are the key issues the Director's Office will be focussing on in FY2002.

Water Rights:

At the FY 2000 and FY 2001 budget levels, the Division was unable to adjudicate all water right applications. As a result of budget reductions, approximately 100 of the 225 water right applications submitted in FY 2000 were adjudicated. In FY 2002, as a result of proposed revisions to our regulations and a proposed budget increment, the Division will be able to process all new water applications and other required actions (such as amendments and extensions) submitted during the year.

Land Disposals:

The Division expects to offer approximately 55,000 acres (5,000 parcels) for sale in FY 02 and 03. In FY 02, the offering will include approximately 2,500 parcels of existing subdivision lots (these are re-offerings of parcels not previously sold, sold but foreclosed upon, etc.); and approximately 250 lots under the first remote recreation cabin program (a new stake-it-yourself land disposal program).

Summary of Component Budget Changes**From FY2001 Authorized to FY2002 Governor***All dollars in thousands*

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2001 Authorized	369.4	0.0	148.5	517.9
Adjustments which will continue current level of service:				
-Convert Special FY2001 Labor Cost Fund Sources to GF	0.5	0.0	-0.5	0.0
-Year 2 Labor Costs - Net Change from FY2001	2.2	0.0	0.7	2.9
Proposed budget decreases:				
-Decrease Interagency Receipts Authorization to Level Anticipated for FY2002	0.0	0.0	-51.4	-51.4
FY2002 Governor	372.1	0.0	97.3	469.4

Director's Office/Mining, Land, & Water

Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	6	6	Annual Salaries	298,465
Part-time	0	0	COLA	5,792
Nonpermanent	0	0	Premium Pay	0
			Annual Benefits	100,696
			<i>Less 2.98% Vacancy Factor</i>	(12,053)
			Lump Sum Premium Pay	0
Totals	6	6	Total Personal Services	392,900

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	1	0	0	0	1
Administrative Manager II	1	0	0	0	1
Division Director	1	0	0	0	1
Large Mine Project Manager	1	0	0	0	1
Natural Resource Mgr IV	1	0	0	0	1
Secretary	1	0	0	0	1
Totals	6	0	0	0	6