

State of Alaska FY2002 Governor's Operating Budget

Department of Natural Resources
Claims, Permits & Leases
Component

Component: Claims, Permits & Leases

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Component Mission

Encourage environmentally sound use and development of state land and resources for public and private purposes.

This component provides most of the state authorizations necessary for the use of state land. For that reason, the major outcomes for which this component is responsible are:

- I. Provide Revenue to the State Treasury
- II. Facilitate Job Creation from the Use of State Land
- III. Assure Environmentally Responsible Use of State Land

This component provides the authorizations necessary for the development of Alaska's state land. This component also provides authorizations necessary for oil and gas, mining, forestry, fishing, mariculture, trapping, commercial recreation, road-building, etc. There are few, if any, industries in Alaska that use state land that do not require an authorization provided by this component.

This component is budgeted based on the assumption that revenue generated by the development of state land should not only pay for its cost, but also provide a return to the state. Thus, the services provided by this component require 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 \$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 figure does not include oil and gas royalty, forestry stumpage fees, mining license tax, etc.

The Claims, Permits, and Leases Component was a new component for FY01 in the Division of Mining, Land and Water. This component integrated similar services within the former Division of Land, and the former Division of Mining and Water Management that dealt with processing and authorizing activities for mining, materials extraction, use of uplands and tidelands, and access on state land.

Component Services Provided

For economic growth to take place this organization is one which is the starting point for the private sector in maximizing Alaska's natural resources. Our involvement in the various private sectors using the resources is widespread and varied. We impact the following industries: Mining, Oil & Gas, Timber, Fisheries, Tourism, Transportation and Manufacturing as well as the private citizens.

The Division of Mining, Land and Water is the steward of the state's land and resource assets. We work with industry and the public sector to develop state land in a way that is efficient for industry, protects public resources, provides a return to the state, and involves the public in decisions that affect them. The actions of this component stimulate and encourage resource-based economic activities as all industries that rely on state land or resources rely on this division. If the state is to accommodate expansion of industry in Alaska, the Division must be able maintain a level of service that supports needs of industry and the public. An investment to improve service is an investment in Alaska's economic well being. Our budget request recognizes this division's commitment to be responsive and in tune with the economic trends and needs of commercial activities throughout the state and to form linkages with other departments, local communities, and industry to create the infrastructure necessary to further development of mining, oil and gas, timber, fisheries, tourism, transportation and manufacturing industries as well as the needs of the private citizen.

The level of service that we have been able to provide in spite of significant budget reductions over the previous five years and the methods in which we support the industries of Alaska is described below. They are the major accomplishment of this component. In addition, the Division had two other very important accomplishments. Following changes to the mining law passed by the 2000 Legislature, the Division promised to decrease processing

time of new mineral locations from over 3 months (essentially a mining season), to less than two weeks. The Division expects to accomplish this increase in service by January 1, 2001.

It is important to understand how our involvement funded by this component impacts these industries. The Division of Mining, Land and Water supports the mining industry through surface leases for support facilities, leases for mineral extraction, authorizing exploration and prospecting activities, administering mining claims, providing leases and rights-of-way for roads and docks, protecting water rights and providing water use authorizations, assisting prospectors with determining land status information, selecting access routes, interpreting land use plans or designations, and various land use permits necessary to conduct operations. Plans of operations are worked out as are reclamation plans and on the ground problems encountered in the field. Major mining projects continue to move forward through the major projects review efforts headed by the division. Industry and the division understand and work together to resolve issues and foster an environment for industry to utilize Alaska's abundant mineral resources. The major accomplishment with respect to mining is the maintenance of an industry worth more than \$1 billion despite declining metal prices.

Oil and gas has long served as Alaska's greatest revenue generator. The oil and gas industry, its development and expansion continues to be supported through the efforts of the Division of Mining, Land and Water. This support, through the Claims, Permits and Leases Component, includes much of what is necessary for the development of any large industrial undertaking: material such as gravel for roads, drill pads, causeways, development and service pads upon which facilities can be constructed, and a multitude of other uses. Material sales alone may be for millions of cubic yards of gravel. Surface leases are issued for support activities associated with oil and gas support services as on the North Slope where large support service tracts are leased. Permits are used to authorize many oil and gas activities from temporary storage of exploration equipment to winter ice road construction. Rights-of-way are issued for oilfield gathering lines, docks, pipelines, communication lines and many other similar needs, as well as issuance of survey instructions when surveys are required. Water rights are issued for use of water for drilling, processing, and ice roads. A close working relationship has been developed with the oil and gas industry and other divisions and departments to allow issues to be addressed in development of the industry. The Division of Mining, Land and Water works closely with the Division of Oil and Gas.

The Division of Mining, Land and Water supports the timber industry through state forest planning assistance, land use plan designations, leases for dock and other facilities including land for mills, log storage and log transfer sites, and rights-of-way for access to timber sales. The Division of Mining, Land and Water also has entered into agreements with the Division of Forestry to issue permits within specific state forests. In support of forestry, the division also participates in forest fire management by supplying land use information during suppression activities and assisting in pre-suppression decisions determining various protection levels for fighting fires.

The fishing industry continues to grow in Alaska and continues to be supported through specific programs in this component as well as through the general permitting and leasing activities carried out in many of the southcentral and southeastern parts of the state. The Division of Mining, Land and Water working closely with the Department of Fish and Game leases shellfish farm sites. This is an industry that will continue to expand in Alaskan waters. Setnet leases are also administered through this component. Seafood processing facilities, which include docks, upland sites for storage, and processing facilities, are authorized by permit or tideland or upland lease as necessary. The division also authorizes seafood processing plants on state land and authorize their large use of water. Other authorizations and assistance is also provided to assist the industry including survey instructions when required to locate facilities, tideland and upland classifications recognizing the importance and needs of the fishing industry.

Rights-of-way and material availability are only some of the ways the division supports the transportation industry. Rights-of-way are issued to the private sector as well as to other state or federal agencies. The Alaska Department of Transportation and Public Facilities receives many rights-of-way and material contracts from this division through the support provided by this component. Also through land use plans and designations transportation needs are recognized and routes/corridors identified. Airport needs are addressed, and lands are transferred to DOTPF, rights-of-way and other authorizations are provided for materials, location and construction of public facilities, parking areas, pullouts, and many other uses. The division works with municipalities on road rights-of-way, pipelines, dams, and much more. There are few communities that the division has not had some request for use of state tidelands or uplands for transportation related use or for other purposes if there is state land located there.

The state continues to see an increase in the development of its tourism industry. The tourism and recreation industry is growing rapidly. Authorizations for use of state land continues to be on the upswing and in certain areas have

become controversial pitting local use against eco-tourism against large-group tour operators. The division supports tourism through the issuance of permits for tourism operations, leases for lodge and other facilities, rights-of-way both public and private for access, whether it is for a trail, an airstrip, or road access. We also issue commercial recreation permits for guides and land use permits for temporary use and storage. Leases are issued for ski areas and marinas. Public recreation areas are administered under this component, as are recreational mining activities. Multiple use trails are designated and provide public use. Recreation rivers are an asset of the state that supports many uses. The division also works closely with municipalities to provide land for public purposes. With the Division of Parks the division transfers land to provide for recreation opportunities and continued recreation use. Tourism is important to Alaska and the Division of Mining, Land and Water plays a key role in both authorizing use of state lands for the industry and in recognizing the resources that contribute to the health of the industry through the land use planning efforts and in its land use decisions.

The division provides much assistance to the private citizen by issuing permits and leases as needed whether it is for a trapping cabin on some remote site or for a utility line to bring services to a family. The division provides for personal use material sales to individuals, or competitive materials sales for those requiring larger quantities. Driveways, roads, trails, or waterlines are just a few of the rights-of-way issued to individuals. The division through land use plans and its public involvement processes recognizes the importance and value of public input in the decisions it makes in use of state land and resources. Working with private citizens to provide for their needs is important to the division.

A clear understanding of how this component impacts industry is important as the activities and programs are the very foundation for economic growth for any industry using state land as well as for the private citizen in using state land and resources or in simply getting the lights turned at home. Alaska's economy is based on use and development of its land and resource assets as is the public's use and enjoyment of general state lands. The Division of Mining, Land and Water is responsible for making it happen.

Detailed descriptions of the measures for these authorizations are contained in the spreadsheets provided with this budget submission. A description of these services is provided below.

UPLAND AND TIDELAND PERMITS. Land permits are an authorization issued to use state land, on a temporary basis, for a variety of purposes. The permits range in duration from one to five years. They are intended for temporary, non-permanent uses such as floating lodges, log storage, scientific research, guide camps, equipment storage and commercial recreation uses. These permits do not convey any interest to the land and permanent structures are not allowed. Permit applications require an application fee set by regulation. They generally require insurance and bonding for removal of improvements upon termination. As these are short duration permits, most permits are closed upon expiration, with a lower percentage requesting another permit to continue with the project. Beginning in 1996, DNR began using many 5-year permits rather than one-year permits. That is the reason that the number of permits issued annually has been decreasing since that time. The number administered is leveling off because some areas of tidelands are being conveyed to municipalities, eliminating the need for an authorization from the state. The possible implementation of general permits in the future could streamline authorization and further reduce the number issued.

TRAPPING CABIN PERMITS. The division issues 10-year non-exclusive permits to licensed trappers for construction and use of "shelter" cabins along established trap lines. Because of the program's narrow scope, only a few new permits are issued each year. Under this program, each trapper is allowed up to three cabins per permit for a one-time use fee of \$100. Controversial locations require a large amount of staff time to resolve. Similarly, field visits are performed only when there are complaints that the cabins are being used for more than trapping purposes, such as guiding, or personal recreation.

COMMERCIAL RECREATION PERMITS. Commercial guides and outfitters, and other purveyors of commercial recreational services that overnight on state land are required to obtain a permit under this program. Essentially a general permit, this authorization is obtained over the counter upon application and payment of the fee. DNR collects valuable data concerning land use patterns and type of activities. The number of authorizations granted under this program has steadily increased in the recent years and are expected to continue to increase sharply in the future. This is a very efficient permit for the department and for the applicant.

UPLAND AND TIDELAND LEASES. Leases are long-term authorizations for a wide variety of purposes. Leases are a basic tool for the long-term development of state land. Examples of facilities authorized by lease include support facilities on the north slope, or docks and marinas on state tidelands for communities. Because leases typically are

either bid or require payment of fair market value for the land, they provide significant return to the state. Leases can be categorized into two types, short term (less than 10 years) and long term (10 to 55 years). A variety of factors, such as years to amortize a business project and whether the project can be negotiated or competitive, determine the lease duration. Leases convey an interest in state land and may, upon approval, be assigned or sublet. A wide variety of projects can be leased and may include such uses as upland commercial lodges, tideland log transfer and log storage facilities, docks supporting private upland lodges, seafood processing facilities and marinas. Length of time to issue a lease is partially driven by whether the annual rental can be established by a fee schedule or whether an appraiser is required and also whether a lease diagram or a monumented survey is necessary. These authorizations are issued with annual fees or another method of compensation, (including five year reappraisal), and insurance and bonding for removal of improvements upon termination. Legislation enacted in 1995, allowing for the conveyance of developed tidelands to municipalities, has caused a decrease in the number of administered leases because revenue-generating tideland leases are being conveyed out of state ownership.

COMMERCIAL RECREATION FACILITIES DEVELOPMENT LEASES. Major commercial lease facilities are authorized under this program. Two examples are the state lands at Alyeska Resort in Girdwood, Alaska and the Hatcher Pass Development Company lease at Hatcher Pass. This program allows DNR to approach the task of large recreational program development with a "modernized" set of "tools" to design and develop a project that fairly achieves the objectives of all the parties involved. At the present time we manage only one lease, Alyeska Resort. The Hatcher Pass lease was recently assigned to the Matanuska-Susitna Borough. There are many ideas floating around in Alaska for major project development. If economic conditions remain stable, or become more favorable to the recreation community we expect additional applications.

AQUATIC FARM LEASE. Alaskans wishing to grow and harvest shellfish and other ocean species may do so with an authorization under this program. Alaskan oysters are sold nationally and mussels are sold locally and used in many restaurants. This growing program is currently expanding into the farming of bottom shellfish such as geoducks and clams. In FY 95, this program was shut down by a court decision. The program was not re-established until a new statute was passed and new regulations were promulgated. Last year's opening, which will result in leases issued this fiscal year, is the first opening since 1995. Regulations require DNR to hold an opening every two years.

SET NET LEASE. This long-standing program allows limited entry permit holders for gill net fishing from shore to obtain a lease to their fishing sites. Although it is not a requirement to fish, a lease gives the fishers a control over the location where they habitually fish. The leaseholder may use the location for a set-net fishing to the exclusion of others. The legislature reduced the funding for the program in FY 00, cutting it by two-thirds, and reallocating the program receipts to other programs. Funding was restored in FY 01, and the Division expects to return to the service levels it previously provided.

PUBLIC AND CHARITABLE LEASES AND SALES. This long-standing program is designed to facilitate public uses of state land which are permanent in nature and require site control which is accomplished by official land survey and conveyance of an interest in the land. Examples of leases processed under this program include sites for local fire stations and community centers; girl scout camping facilities; public works maintenance facilities. The processing of a lease under this authority is very similar to that of a regular lease under AS 38.05.070 and involves written decision, public notice and survey. The statute allows the payment by the lessee to be less than fair market value. An appraisal may be required to establish the actual lease rate. The workload under this authority has decreased somewhat as local governments receive their land entitlement under the Municipal Entitlement Program. However, the complexity of each leasing action increases as land status, social issues and competition for land increases. There are no identifiable issues in the future except those associated with workload.

LOG TRANSFER FACILITY LEASES AND PERMITS. Log transfer and log storage leases authorize the movement of logs from public and private uplands into the marine waters. Leases can be categorized into two types, short term (less than 10 years) and long term (10 to 55 years). The lease duration is determined by a variety of factors such as the number of years that logging is expected to occur and whether a negotiated or competitive process can lease the site determine the lease duration. Leases convey an interest in state land and may, upon approval, be assigned or sublet. Leases are issued with annual fees, insurance and bonding for removal of improvement upon termination. DEC's recently approved general permit, addresses potential bark accumulation on the ocean floor for both log transfer and log storage sites. It establishes a new workload for the program by requiring greater analysis and review of remediation proposals by the lessee in the next few years, through a joint review by DNR and other state agencies. The number of authorizations is expected to decline due to the majority of private lands being already logged and continuing legal challenges to the USFS timber program.

MATERIAL SALES. Sale contracts for materials such as pit-run gravel, peat, and sand are issued to meet private and public needs. Sand and gravel sales to private companies support economic activities, such as industrial, mineral, and oil & gas development, construction of roads, and building pads. Public sales are provided for DOTPF and community projects, such as road construction, bank stabilization, or emergency projects following natural disasters. If materials are sold non-competitively from an existing pit, contracts can typically be issued in less than a week. Personal use sales of up to 100 cubic yards are sold over-the-counter, same-day service; the division issues approximately 160 personal use contracts annually. Cycle times for new material sources and competitive sales (greater 25,000 cy per year) are variable based on location and size; average cycle time is 18 months since these require best interest findings and public notices. Except for public purpose sales, materials are sold at a competitive price based on private-sector sales.

RIGHTS-OF-WAY. Permits are issued for the construction of roads, trails, driveways, public and private utilities, and communications facilities. Examples of these permits include authorization for ice roads for oil and gas exploration, access to mining claims, etc. Permits are issued for a reasonable term. Fees can be one-time for public uses or annual rental based on regulation. An exclusive use right-of-way is a disposal of state interest and requires a best interest finding, public notice and appraisal to determine annual rental. In all cases, a state-approved location of the right of way must be submitted -- a trail diagram or an as-built survey. Cycle times for processing rights-of-way are highly variable depending upon the applicant's supplying necessary survey and appraisal. Inspections are performed only when there are complaints from third-party users; the number of inspections is approximately 2-5% of the total permits issued annually.

PLAT APPROVAL IN THE UNORGANIZED BOROUGH. This project involves review and approval of survey plats submitted by surveyors for subdivision of lands and right-of-way dedications in the unorganized borough. Before the passage of AS 40.15, subdivisions within the Unorganized Borough were not required to be surveyed, or recorded. This allowed for paper plat subdivisions and subdivision by deed, (without a field survey) which are prone to produce gaps, overlaps, and clouded boundaries, creating survey problems and title problems. These problems tend to be expensive and at times nearly impossible to fix. In 1998, the legislature established DNR as the platting authority where no other platting authority exists. DNR's program began on August 18, 1998, the effective date of the law. Submittals got off to a slow start, because many people made sure that they got plats recorded before the law went into effect. The numbers in the attached spreadsheet represent plats approved and recorded. The FY 99 number is also lower than future estimates because there were no carry over of partially complete projects from the previous year. The FY 01 through FY 04 forecasts reflect a 4% increase per year. Estimated cycle time of two months per project include an average turn around time for surveyors to make corrections and resubmit the plat for final approval.

INTERAGENCY LAND MANAGEMENT ASSIGNMENTS. DNR is the major state agency with authority to hold title to land. Thus, where other agency facilities are needed, DNR holds title to the land but assigns the land management authority to the requesting agency. In some cases where significant public concern is involved, the assignment requires public notice and significant public discussion. The Department of Transportation and Public Facilities and the Division of Parks and Outdoor Recreation are the most frequent assignees.

MINERAL PROPERTY MANAGEMENT. This project processes and maintains the state's mineral location ownership records on state-owned lands. Mineral exploration, development and production in Alaska from state-owned lands is dependent upon current and up-to-date mineral title records documenting ownership and current status of locations, all of which are maintained by the division. The project is expected to process at least 8,000 new mining claims next year. This is a significant increase from the approximately 3,000 thousand claims staked in the early 90s and reflects the current staking boom that Alaska is experiencing. The project also maintains and administers the records and annual filings for close to 60,000 mining claims and leasehold locations, over 3,000 prospecting sites, 65 upland mining leases, 32 offshore mining leases, and 40 coal leases. The project also administers the rental billings and royalty audits to assure 6(i) revenues are correctly paid to the state treasury and the permanent fund.

GENERAL MINE PERMITTING. Placer mines and mineral exploration activities involving heavy equipment require permits from a variety of state and federal agencies. The mine permitting section depending on metal prices issues between 250 to 330 permits and mine reclamation plans of which approximately 70 are within the coastal zone. Depending upon the location and size of a mining operation the permitting process may involve as few as three agencies or as many as 15. The project provides permit applications to industry and the general public. The section is developing electronic applications to help the applicant obtain and submit permit applications more efficiently. Applications can be issued for up to 5 years. For the 2000 mining season the Annual Placer Mining Application were

broken into three separate applications: Annual Placer Mining Application, Suction Dredging Application, and an Application for Hardrock Mineral Exploration. The project also administers the reclamation bond pool which contains approximately \$9,100,000 in financial instruments to cover about 2,800 acres of mined land in Alaska. The bulk of these instruments involve dedicated financial commitments associated with large mine operations such as Fort Knox Gold Mine. Equally important are cash bond payments made by small miners to states reclamation bond pool. Miners on federal land also use the state reclamation bond pool to bond federal placer mines. Budget cuts have reduced staffing levels within the section to the lowest in recent history. Smaller staff numbers may continue to lead to an increase in cycle time to process and issue placer mine permits and process bond applications and bond refunds. During FY00 permitting times averaged between 45 to 90 days unless the project was in the coastal zone where reviews could range up to 120 days. The Division may be forced to slow bond refunds because of the workload caused by a greater number federal placer mines in the reclamation bond pool. This increase is being caused by to new requirements in federal regulations.

COAL SURFACE MINING, REGULATORY. This project administers the Alaska Surface Coal Mining Control and Reclamation Act (ASCMCRA) in a manner that protects the environment, is efficient to the coal companies, and involves the public. This program is funded by a combination of federal funds and state general fund match. To retain state primacy over the program, the coal program statutes and regulations must be administered consistent with federal standards and procedures. If the state program was eliminated, the regulatory function would be taken over the US Department of Interior, Office of Surface Mining. State management enables Alaska to provide a better program more tailored to Alaskan conditions than would a federally managed program administered out of Washington State or Denver Colorado.

ABANDONED MINE LAND PROGRAM. This 100% federally funded program works to reduce or eliminate hazards caused by historic mining (before the advent of modern mining methods and laws) to protect public health, safety, general welfare and property, and to restore the environment where degraded by historic mining. The federal government funds reclamation of mines that were abandoned before the passage of the federal Surface Mining Control and Reclamation Act in 1977. Alaska's program is funded 100% by the federal Office of Surface Mining. No state funds are involved. The federal government will only fund state AML programs for states, like Alaska, that have an approved Surface Coal Mining regulatory program. Alaska's funding level is \$1.5 million annually. The operating budget request of \$525,000 is for AML administrative costs and emergency program costs necessary to operate the program. A small portion, \$25,000, is obligated to the Emergency AML Program to take immediate action to abate mining related situations threatening life or property.

LARGE MINE PROJECT. This project uses funds provided by mining companies in reimbursement agreements to coordinate the permitting of large mines. Under state law DNR is the coordinating agency for large mine projects. Projects that are being coordinated under this program include the Pogo Exploration Project near Delta, Ryan Lode and True North Projects near Fairbanks, and an environmental review of the Greens Creek Mine near Juneau.

GENERAL PUBLIC CONTACT. This is the only project in this component that does not produce an authorization to use state land. The project is included to document the significant workload and public benefit provided by the general public information and contact required of the Division as the manager of State land. This project provides the majority of funding to DNR's Public Information Center, which expects to handle approximately 17,000 customers in FY01 (this figures reflects only direct person-to-person help to the public, and does not include visits to DNR's web site). Approximately 6,000 people walk in to the Division offices for questions that are unrelated to a particular authorization or are not part of an application or a pre-application discussion.

Component Goals and Strategies

1. Encourage resource development that creates Alaska jobs and ensures economic growth in all regions of the state
 - a. Administer, process and adjudicate new mining claims and leases, which include:
 - new mining claims and leases
 - updated claims and leases after annual requirements are met
 - issue 1-year and 5-year permits

- administer the reclamation bond pool.
- b. Administer and process land use applications, which include:
 - upland and tideland permits,
 - trapping cabins permits,
 - commercial recreational permits,
 - upland and tideland leases,
 - recreational facilities development,
 - aquatic farm leases,
 - set net sites,
 - public and charitable uses leases and sales,
 - log transfer facilities,
 - material sales,
 - plat approvals in unorganized boroughs,
 - and interagency land management assignments.
- c. Easement Management, including RS 2477s. This includes easement assertion, creation, location, and vacation requests.
- d. Perform regulatory reviews of Coal Surface Mining permits
- e. Eliminate public hazards at abandoned mines
- f. Participate in Large Mine Projects development through the initial scoping or feasibility discussions, getting through the permitting phase, and performing compliance visits.
- 2. Streamline natural resource leasing, sales, and permitting processes.
 - a) Continue efforts to utilize on-line application, notice and receipt of comment for permit applications.
 - b) Offer business transaction service over the Internet (payments, cabin rentals, etc.).

Key Component Issues for FY2001 – 2002

1. Easement Management, including management of RS 2477s, is becoming an increasingly significant issue with the public. The Division is seeing an increase in requests to assert RS 2477s and other easements or rights-of-way, define exact locations for previously asserted easements, and to vacate those previously asserted. The staff time required to resolve these issues is large, ever-increasing, and unbudgeted. In addition, the Division is only now working out procedures to efficiently accomplish these tasks.
2. Complete Revenue-based Budget. Last year, the Division began the transformation to a revenue-based budget. The transformation requires managers and line-level staff to look at each program with respect to what it costs, what level of service is provided, and what revenue it brings in for Alaskans. We hope that this approach helps the Director's Office, legislators and managers review programs to continuously improve the cost-effectiveness of the service they provide and review the revenue they bring in to Alaskans. Because of the way the Department records transaction cost, and revenue information, it is difficult for anyone to look continuously or even periodically review the Division's level of services or revenue. Last year and this year, the Division undertook a once-a-year research project to provide revenue-based budget information to the legislature as part of its budget submission. The Division is in progress of transforming the way it captures information so that all managers can periodically review the information: from the Commissioner down to program-level managers. In this way, we hope to, in part, transform how the Division looks at the services it provides Alaskans.
3. Permit/Lease Processing. In many cases, it takes too long for the Division to process a permits or leases. This is in part because of the procedures required and in part because there is not enough staff to do the work required. Some complicated leases take 2-3 years for processing (including survey, appraisal, etc.) That length of time is too long for most businesses to plan for. If we are truly going to be responsive to the needs of commerce and industry in a way that protects public resources, and appropriately involves the public, the Division must improve the cycle time required for authorizations and on-the-ground management. The revenue-based budget approach described above is a method of continuously looking to improve the quality of our service. 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.

Last year the Division embarked on a concerted effort to use automation to increase efficiency. The first success was the mining law changes described below under "Major Component Accomplishments." The cycle time went from 3 months to process new mineral locations, to less than two weeks. We are looking at methods of using technology and streamlining procedures to increase service in processing other claims, leases and permits.

A second example of streamlining Department procedures to decrease the cycle time was the SB 257 passed in 2000 to streamline the Department's appeal procedures.

Major Component Accomplishments for FY2000

This component has contributed greatly to the economic and job growth over the years in the various regions of the state.

1. 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. In addition, the Division received an additional \$75,000 from new revenues paid by the mining industry to increase the level of service to the industry. As a result, the division promised to decrease the processing time of new locations from over 3 months (essentially a mining season), to less than two weeks. The Division is proud to announce that it accomplished this task by November 2000.
2. 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.
3. Large Mine Reviews.
 - * Illinois Creek Gold Mine resumes mining. The operator of the Illinois Creek Gold Mine went bankrupt at the beginning of FY 2000, and left the state with the responsibility of maintaining the site that required active maintenance to ensure that the environment remained protected. The Division re-leased mine in a innovative leasing process that allowed the lessee to mine to generate funds to accomplish reclamation. During summer of 2000, the mine resumed production employing many villagers from the hard-hit Yukon-area villages. The summer payroll (for FY 01) of approximately \$800,000 was an important source of income for the hard-hit villages. The Division also expects that the mine will be fully reclaimed by the new lessee.
 - * Pogo Advanced Exploration. The Division coordinated permitting of advanced exploration at the Pogo Mine Project northeast of Delta. In FY 2000, the mine began construction of a tunnel to the ore body that is now over a mile long. The full mine is now in permitting and the Division is coordinating state permitting and participation in the federally required EIS. A draft EIS will be distributed during the winter of 2001.
 - * 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.
4. 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 million to the permanent fund and \$24.3 thousand to the school fund. Including federal funding and interagency receipts, the total income is almost \$2.0 million greater than the cost to operate the Division. For FY 2002, the revenue is expected to be \$9.4 million.

Statutory and Regulatory Authority

AS 38, AS 41, 11 AAC

Key Performance Measures for FY2002

Measure: Number of leases and permits issued for public and private use of State Land (Developed jointly with Legislature in FY2000.)

Benchmark:

No specific benchmarks are provided as each of the many different types of permits and leases are unique.

Background and Strategies:

Revenue: One specific measure that was achieved for FY 00 and will be achieved this year, is that development should pay for itself and provide a return to the state. That is, this component provides the basic authorizations for the use and development of state land. Overall, the authorizations in this component provided more revenue to the state than the component services cost the state. The component more than pays itself. It provides a return to the general fund and provides over a million dollars to the permanent fund as well.

There are many different types of permits and leases. Additional output and measurement information is available upon request from DNR Admin Services Manager (Nico Bus 465-2406).

Measure: Number of private-sector jobs created by the issuance of new permits for mining. (Developed jointly with Legislature in FY2000.)

Benchmark:

The last year for which data is available for this measure is calendar year 1999. At that time mine employment was 3,166 private sectors jobs.

Background and Strategies:

The Division's role in creating private-sector mining jobs is to provide secure land tenure for the industry, and to maintain a high quality permitting system that is efficient for the industry, protects public resources and appropriately involves the public in decisions that affects them. As described elsewhere in this budget document, the processing time for new mineral locations has gone down six-fold during the last year, which increases the industry's ability to rely on state information to maintain their land tenure.

With respect to permitting, the state is now working on permitting actions at the True North and Pogo mine projects. These and the resumption of mining at Illinois Creek will add significant private sector mining jobs for Alaskans.

Measure: Number of Active placer, lode, and coal mines and the number of mining claims staked and processed. (Developed jointly with Legislature in FY2000.)

Benchmark:

In FY 00, the division granted 346 mining permits: 260 1-year permits and 100 5-year permits. In FY 00, there were 4 large (lode) mines operating in the state: Greens Creek, Red Dog, Illinois Creek, and Fort Knox. In FY 00, the Usibelli complex had three operating coal mines. In 1999 (the most recent statistics), there were 12,793 new mining claims and 1,892 prospecting sites: a new record for Alaska.

Background and Strategies:

With respect to placer mines, the state expects to gain placer mines as federal mines convert to state ownership to escape increasingly complex and difficult federal rules. The Division's role in expediting that process is to maintain its current workable permitting system and to expedite the conveyance (from federal to state). With respect to large lode mines, the state is making permitting decisions on two new mines: True North and Pogo. With respect to coal mines, the state is permitting a new coal mine in Healy Valley and may work on a major revision to Wishbone Hill which will make coal from the Matanuska field more likely to be mined. Finally, the increase in service for claim processing has been discussed extensively elsewhere in this component's budget submission.

Status of FY2001 Performance Measures

	<i>Achieved</i>	<i>On track</i>	<i>Too soon to tell</i>	<i>Not likely to achieve</i>	<i>Needs modification</i>
• Number of leases and permits issued for public and private use of State Land		X			
• Number of private-sector jobs created by the issuance of new permits for mining		X			
• Number of active placer, lode, and coal mines and the number of mining claims staked and processed		X			

Claims, Permits & Leases
Component Financial Summary

All dollars in thousands

	FY2000 Actuals	FY2001 Authorized	FY2002 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	0.0	5,883.6	5,829.2
72000 Travel	0.0	131.9	131.9
73000 Contractual	0.0	775.3	849.3
74000 Supplies	0.0	62.1	62.1
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	6,852.9	6,872.5
Funding Sources:			
1002 Federal Receipts	0.0	711.2	711.2
1003 General Fund Match	0.0	124.4	125.9
1004 General Fund Receipts	0.0	3,489.2	3,527.1
1005 General Fund/Program Receipts	0.0	1,962.9	2,011.7
1007 Inter-Agency Receipts	0.0	163.9	163.1
1053 Investment Loss Trust Fund	0.0	62.2	0.0
1055 Inter-agency/Oil & Hazardous Waste	0.0	30.9	30.7
1108 Statutory Designated Program Receipts	0.0	308.2	302.8
Funding Totals	0.0	6,852.9	6,872.5

Estimated Revenue Collections

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Unrestricted Revenues						
General Fund Program Receipts	51060	0.0	1,729.5	1,729.5	1,706.3	1,706.3
Unrestricted Fund	68515	0.0	4,536.1	4,436.1	4,437.0	4,439.1
Unrestricted Total		0.0	6,265.6	6,165.6	6,143.3	6,145.4
Restricted Revenues						
Federal Receipts	51010	0.0	711.2	687.6	711.2	711.2
Interagency Receipts	51015	0.0	163.9	139.9	163.1	163.9
General Fund Program Receipts	51060	0.0	1,962.9	1,986.1	2,011.7	2,002.9
Statutory Designated Program Receipts	51063	0.0	308.2	308.2	302.8	300.0
Investment Loss Trust Fund	51393	0.0	62.2	62.2	0.0	0.0
Interagency Recs./Oil & Hazardous Waste	51395	0.0	30.9	30.9	30.7	30.0

Description	Master Revenue Account	FY2000 Actuals	FY2001 Authorized	FY2001 Cash Estimate	FY2002 Governor	FY2003 Forecast
Restricted Total		0.0	3,239.3	3,214.9	3,219.5	3,208.0
Total Estimated Revenues		0.0	9,504.9	9,380.5	9,362.8	9,353.4

Claims, Permits & Leases

Proposed Changes in Levels of Service for FY2002

1. Processing Mining Locations. As described earlier, the Division is processing new mining locations within two weeks, rather than the 3 months that were required last year.
2. Processing Shore Fisheries Lease Applications. As described earlier, the Division has staffed up to once-again process shore fishery lease applications. No new leases were issued last year. We expect that in FY 2002, we will issue at least 30-50 new leases to catch up on the backlog (as well as many renewals, amendments, etc.) before the Division returns to the rate of approximately 20-25 lease per year that existed before its budget was cut.

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	5,638.7	711.2	503.0	6,852.9
Adjustments which will continue current level of service:				
-Convert Special FY2001 Labor Cost Fund Sources to GF	8.2	0.0	-8.2	0.0
-Year 2 Labor Costs - Net Change from FY2001	17.8	0.0	1.8	19.6
FY2002 Governor	5,664.7	711.2	496.6	6,872.5

Claims, Permits & Leases

Personal Services Information

Authorized Positions			Personal Services Costs	
	FY2001 Authorized	FY2002 Governor		
Full-time	97	94	Annual Salaries	4,473,213
Part-time	2	1	COLA	60,632
Nonpermanent	0	0	Premium Pay	17,456
			Annual Benefits	1,622,845
			<i>Less 5.59% Vacancy Factor</i>	(344,946)
			Lump Sum Premium Pay	0
Totals	99	95	Total Personal Services	5,829,200

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Clerk II	1	0	0	0	1
Accounting Tech I	0	1	0	0	1
Administrative Clerk I	1	0	0	0	1
Administrative Clerk II	2	1	1	0	4
Administrative Clerk III	2	0	0	0	2
Analyst/Programmer III	1	0	0	0	1
Cartographer II	2	0	0	0	2
Engineering Assistant III	1	0	0	0	1
Environmental Spec III	1	0	0	0	1
Geologist I	2	1	0	0	3
Geologist III	0	1	0	0	1
Geologist IV	2	0	0	0	2
Hydrologist I	1	0	0	0	1
Land Survey Asst II	3	0	0	0	3
Land Surveyor I	3	0	0	0	3
Micro/Network Spec I	1	0	0	0	1
Micro/Network Tech I	1	0	0	0	1
Micro/Network Tech II	0	0	1	0	1
Mining Engin Assoc	0	1	0	0	1
Natural Resource Mgr I	5	2	3	0	10
Natural Resource Mgr II	3	1	0	0	4
Natural Resource Mgr III	3	1	1	0	5
Natural Resource Off I	10	1	0	0	11
Natural Resource Off II	13	9	5	0	27
Natural Resource Tech I	0	0	1	0	1
Natural Resource Tech II	3	2	0	0	5
Supply Technician I	0	1	0	0	1
Totals	61	22	12	0	95