

State of Alaska FY2005 Governor's Operating Budget

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

Contents

<i>Component: Director's Office/Mining, Land, & Water</i>	3
Component Financial Summary.....	9
Summary of Component Budget Changes.....	10
Personal Services Information.....	11

Component: Director's Office/Mining, Land, & Water**Contribution to Department's 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).

Core Services

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 Director's Office component provides the management and administrative oversight for the five 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

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. Functions that develop Alaska by 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 school fund, 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 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 state land and water where needed. The Water component is a partially regulatory component. It does not provide the revenue necessary to fund its function. The 2001 legislature provided a fee methodology for the water management part of the component to use in raising revenue for that function.

Revenue and Cost. In FY 03, revenue for the division was \$13.5 million (from all sources), and costs were \$12.7 million. The revenue is almost all generated by two components: Claims, Permits, and Leases; and Land Sales and Municipal Entitlements. The revenue from those two components more than carried the costs for the entire Division. In FY05 the Division expects to bring in \$15.0 million in Revenue, and cost approximately \$14.7 million.

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. 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. As a result of consolidation, 2 director positions and a portion of three Director's Offices were eliminated.

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 \$7.9 million (including \$5.3 million of general fund and program receipt income). However, the direct revenue collected by this component is expected to be almost \$9.5 million, \$1.6 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 \$4.7 million expected in principal and interest from current and past land sales and other income is greater than the \$3.6 million funded by the Land Disposal Income Fund in this component.

The **Title Acquisition and Defense** component acquires land and defend the state's interest in land. The outcomes of this component are basic mandates of any state in the Union. The component includes the work necessary to acquire land (including more than 103 million acres as the state's entitlement) from the federal government, and defend access to land through ANCSA 17(b) easements, RS2477 assertions, navigability determinations, etc.

The **Water Development** component includes administration of water rights, Alaska Hydrologic Survey and Dam Safety. It provides the water rights and hydrologic data necessary for development that appropriates and makes beneficial use of the state's water resources.

The **RS2477/ Navigability Assertions and Litigation Support** component is a small specialty component that is continued from previous budget years.

FY2005 Resources Allocated to Achieve Results		
FY2005 Component Budget: \$403,100	Personnel:	
	Full time	5
	Part time	0
	Total	5

Key Component Challenges

This section summarizes the key challenges for the remaining five components within the Division of Mining, Land and Water. For more information see the discussion within individual components.

LAND ISSUES

- **Extending the North Slope Oil Exploration Season.** Over the last three decades, the winter oil exploration season on the North Slope has decreased by half. Extending the winter exploration season in an environmentally responsible manner is an important challenge for the Division, for the oil industry, and for Alaska. (For more information, see description in Claims, Permits, and Leases Component.)
- **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 under-funded.
- **Permit/Lease Processing.** In many cases, it takes too long for the Division to process 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. 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.
- **Land Sales to Alaskans.** The key issue for land sales for FY 05 is to identify and offer new areas for sale under the Subdivision and Remote Recreational Cabin programs, and to find methods to increase revenues from the already profitable program. In FY 05, the Department is proposing an increment to increase the level of land sales: to begin a process of increasing the level of pre-surveyed lots offered to 300. There is a two-year development process before pre-surveyed lots are offered. Therefore, FY 05 funding will increase the offerings from 100 in FY 05 to 200 lots in FY 06 and 300 lots in FY 07 and future years. (For more information, see description in Land Sales and Municipal Entitlements Component.)
- **Land Transfers to Municipalities Under Municipal Entitlements.** The challenge is to meet the accelerated schedule and performance measures for municipal entitlements: 40,000 acres in FY 05 and 60,000 acres in FY 06. (For more information, see description in Land Sales and Municipal Entitlements Component.)
- **BLM Accelerated Land Conveyance Plan (BLM 2009).** The US Bureau of Land Management (BLM) intends to increase the rate of land transfers to the state starting in 2004, with an ambitious goal of largely fulfilling land transfers to ANCSA Corporations, Native Allottees and the state by 2009. The federal government has recognized

that state funding is necessary to meet this goal. If increased state funding is provided by BLM, an amendment to the budget will be necessary. If so, and BLM vastly increases its rate of transfer, the challenge will be for the Division to provide its review in a manner that protects state interests but does not slow (or even accelerates) BLM's transfer process. (For more information, see description in Title, Acquisition and Defense Component.)

- **Review of Easements under Sec. 17(b) of ANCSA.** The Division is actively involved in the identification of easements that are reserved in federal conveyances to Native corporations, and to helping resolve management issues affecting state these easements and state land. The challenge is to defend state's rights in ANCSA decisions and during BLM's termination process, and to help resolve management issues. (For more information, see description in Title, Acquisition and Defense Component.)
- **University Land Conveyance.** Conveyance of 250,000 acres of State Land to the University of Alaska to supplement the University's federal land grant is expected to be proposed to the Alaska Legislature. If passed by the Legislature, implementing this grant will be an important challenge for the staff in this component.
- **The School Trust Lands** valuation and litigation is part of the Title Defense Project. Resolution requires significant staff work, in a manner acceptable to the court. (For more information, see description in Title, Acquisition and Defense Component.)
- **Navigability.** The issue of navigability determines who owns and manages the land under waterbodies in Alaska. The Division is working with BLM to use a new, Recordable Disclaimer process to clearly establish the state's legal right to the land under these waters. (For more information, see description in the RS 2477/Navigability Assertions and Litigation Support Component.)
- **RS 2477 Management and Assertion.** The RS 2477 program in general is an ever-increasing and inadequately funded workload. Managing this workload and finding methods to assert RS 2477 claims with the federal government is an important challenge for the Division. (For more information, see description in the RS 2477/Navigability Assertions and Litigation Support Component.)

WATER ISSUES

- **Performance Measures for Service.** In legislative discussion in 2001, the Division committed to ensuring that a typical new water right be adjudicated within 60 days and a typical new temporary water use authorization within 20 days. Continuing to meet these performance measures is an important challenge for the Division.
- **Funding.** The 2001 legislature passed HB 185 which established a fee methodology to pay for the water management program. The bill's fiscal note anticipated that the program would raise fees, and that the new revenue would support the program. This year, the program expects to promulgate regulations that will raise the fees to provide the necessary revenue to fund the water rights and temporary water use program.

MINING ISSUES

- **Mining Reclamation.** The existing mining reclamation laws and regulations were written when Alaska held only a Placer industry. The law and regulations need to be changed to reflect the large mines that are now developing in the state.
- **Mining Projects.** An important challenge for Alaska is completing the permitting to enable the development (or continued development of Alaska's Large Mines):
 - **Pogo Project.** Permitting in FY 04; Construction in FY 04 and 05.
 - **Red Dog.** Revise permits and re-establish reclamation bond in FY 05.
 - **Kensington.** Finish EIS and permit evaluation in FY 05.
 - **Green's Creek.** Finalize tailings expansion EIS and permit evaluation in FY 05.
 - **Illinois Creek.** Finish Reclamation in FY 05.
 - **Usibelli Coal Mine.** Maintain requirements of federal primacy program in a manner consistent with Alaskan needs.
 - **Rock Creek.** Begin permitting in FY 05
 - **Donlin Creek.** Provide appropriate support to permitting and development plans in FY 05.

Significant Changes in Results to be Delivered in FY2005

- **A longer Winter Oil Exploration Season for the North Slope.** See Key Component Challenges, above.
- **Mining Reclamation Laws and Regulations that Reflect Needs of Large Mines.** See Key Component Challenges, above.
- **Permit/Lease Processing.** The Division is implementing new policies and automation changes that it expects to provide much greater predictability in processing land use permits and possibly leases in FY 05.
- **Expanded Land Sale Program.** The Division is proposing an increment to the land sale program to increase

- the number of pre-surveyed lots offered to Alaskans. See discussion under "Major Component Challenges."
- **Accelerated Land Conveyance from BLM (BLM 2009).** If BLM receives funding to accelerate their conveyance process, the Division is expected to receive significant federal funds to work with BLM. If so, we expect that up to 2 to 3 million acres of federal land could be conveyed to Alaska in FY 05. For more information, see description under "Key Component Challenges."
- **University Land Conveyance.** The Division expects to be implementing the University Land Conveyance in FY 05. Until a bill is passed by the legislature, the exact method of implementation will not be clear.
- **Navigability and RS 2477.** DMLW will focus its efforts on assertions of state ownership of navigable waters and RS 2477. For discussion, see the RS 2477/Navigability Assertions and Litigation Support component.

Major Component Accomplishments in 2003

This section summarizes the major component accomplishments for the remaining five components within the Division of Mining, Land and Water. For more information see the discussion within individual components.

REVENUE TO ALASKA. IN FY 03, the division brought in 800,000 more than it cost to operate. Revenue was \$13.5 million in revenue (from all sources), and cost were \$12.7 million. The revenue is almost all generated by two components: Claims, Permits, and Leases; and Land Sales and Municipal Entitlements. The revenue from those to components more than carried the costs for the entire Division. This year, the Division expects to bring in \$15.0 million in Revenue, and cost approximately \$14.7 million. Of the revenues, the Claims, Leases and Permits component is expected to bring in \$9.5 million, of which \$1.6 million will go to the permanent fund. The Land Disposal program will bring in another \$4.7 million. None of these revenues include revenues dependent on the Division's actions if those revenues are not directly collected by the Division; that is, they do not include oil and gas royalty, forestry stumpage fees, mining license tax, etc. In FY03 the Division contributed \$1.5 million to the permanent fund.

LAND ACCOMPLISHMENTS

- **New Aquatic Farm Program: HB 208.** The 2002 legislature passed HB 200I, which directed and funded the Division, in cooperation with the Department of Fish and Game and the Alaska Coastal Management Program to develop a new method for authorizing aquatic farms. This method is analogous to the method the Division uses for land disposal. The Division is more than meeting the strict performance standards by getting ready to offer more than the required 90 sites for lease by February 2004.
- **Land Sales to Individual Alaskans.** In FY 03, the department sold 618 parcels or 5,000 acres for a total value of \$6,623,670. This is the largest amount of land sold and revenue earned since the 1980's. By comparison, last year's gross sale for both over the counter and auction parcels was \$4,388,501.00. This is an increase of 150%! In addition, acreage sold in FY 03 exceeded FY 02 by over 1200 acres!
- **Land Transfers to Municipalities Under Municipal Entitlements.** In FY 03, DNR approved for conveyance municipal entitlement selections totaling 9,250 acres.
- **Land Planning for Disposal and Development.** In FY 03 DNR completed and adopted the Northern Southeast Area Plan that designates over 644,000 acres of uplands as available for development uses and available for municipal selection, and identifies 10,000 acres for new land disposals. There are approximately 673,000 upland acres of state owned land in the planning area. The plan also establishes land use designations and classifications for 2.5 million acres of tidelands.

In FY 03, DNR completed the Upper Yukon Area Plan. This plan encompasses 4.2 million acres of state land. This plan designates over 100,000 acres as potential settlement areas. DNR completed revision of the Haines State Forest Plan in FY 03. The Haines Forest Plan allows timber harvest on 42,000 acres of state land. DNR also completed land use plans for the Wood Tikchik State Park (1.5 million acres of state land) and Chilkat Bald Eagle Preserve (49,000 acres). These park plans will guide commercial recreational use of these two state park units.

- **Title Issues.** Land Transferred into state ownership – in FY 03, the state received 473,625 acres of land from the federal government under its land grants. Land Transferred out of state ownership – in FY 03, DNR issued 457 deeds to transfer 42,597 acres from state to private, municipal, and other ownerships.
- **Colville River.** Staff reviewed and edited draft federal conveyance documents, and then accepted title to approximately 15,800 acres of the bed of the Colville River. This acquisition ensured that scheduled Oil and Gas leasing operations could occur on schedule and without ownership conflict.
- **Denali Block.** Selections staff reviewed and edited draft federal conveyance documents in order to accept title to approximately 96,000 acres of lands with high mineral extraction potential. This ensured that mineral exploration and extraction operations could occur without ownership conflict while interest in the area is high.

- **Claim to Quiet Title of Submerged Lands within the Tongass National Forest.** The state made significant gains in its assertion to ownership of the submerged lands within the Tongass. Special Master Report 128, Original details the concession by the United States that the State of Alaska's claim has merit. The Master has postponed final resolution until the state and the federal government can develop stipulations aimed at identifying the submerged land to which Alaska possesses title.
- **RS 2477**
 1. Worked with the Attorney General's Office, the Governor's Office and the Department of Fish and Game to develop a draft of an MOU with the Department of Interior to process applications for 14 RS 2477s. The Governor submitted the Draft MOU to the Secretary of Interior in July, where it is under consideration
 2. Extensively researched the McCarthy-Green Butte RS 2477 in Wrangell-St. Elias National Park in response to a controversy regarding use of this trail. Conducted public meeting on this issue in McCarthy.
 3. Reviewed all land conveyances for RS2477 conflicts.
 4. Updated mapped and tabular data on RS 2477. Made revised data available for public and agency use.
 5. Reviewed requests for easement vacations to ensure viable alternative access is provided.
- **Navigability**
 1. Filed application with US BLM for a Recordable Disclaimer of Interest (RDI) on the Black River (in NE Alaska). This was the first application filed in the nation under revised federal regulations that allowed states to file for Recordable Disclaimers on navigable waters and RS 2477 trails. The RDI for most of what the state applied for was issued in October 2003.
 2. Prepared RDI applications for an additional 10 rivers and 8 lakes, all but one of these was filed with BLM in July 2003.
 3. Issued navigability determinations for various bridge, road, and other development projects and made navigability determinations for state land conveyances to municipalities and private parties.
 4. Reviewed and responded to BLM navigability determinations and proposed BLM land conveyances.
 5. Assisted the Attorney General's Office in research related to administrative appeals and litigation regarding navigable waters
 6. Provided information to agencies and the public on the navigability of waterbodies. Responded to requests submitted by phone, e-mail, navigability website, letters, etc.

MINING ACCOMPLISHMENTS. In its role as coordinator for permitting and review of large mine projects, in FY03 the Division completed the following:

- Continued the process initiated in FY2000 in working with EPA on the *Pogo Mine Project*. Federal EIS and state permits to be issued in November 2003;
- Worked with USFS towards completion of *Greens Creek Mine Project* tailings expansion EIS, DEC Waste Management Permit and revised reclamation bond. Completion scheduled for November 2003;
- Continued process to issue DEC Waste Management Permit, DNR Reclamation Plan and revised financial assurances for the *Red Dog Mine Project*. Completion of these efforts scheduled for late 2004-early 2005.
- Continued to monitor progress of the Mine to Reclaim efforts at the *Illinois Creek Mine Project*. Full reclamation and closure of the site is expected by September 2004;
- Continued process working with USFS towards releasing draft supplemental EIS for the *Kensington Mine Project*. DSEIS scheduled for release in early 2004;
- Also initiated important permitting work on: *Donlin Creek, Rock Creek, Nixon Fork, Gil and Tulsequah Mine Projects*.

WATER ACCOMPLISHMENTS.

- **Processing Temporary Water Use Authorizations.** In FY 03, staff processed 292 temporary water use permits without litigation. The lack of litigation is a significant change and increased the reliability of the permits for the applicants.
- **Processing Water Rights.** Staff processed 365 water rights and received 179 new ones. Thus, we eliminated almost an entire year worth of applications — 186 applications — from the backlog.
- **Hydrologic Survey Unit** provided Division staff with hydrologic information, data, and evaluations for 420 water

permits, mining issues and legal issues; provided hydrologic investigations and assistance to 150 customers; provided hydrologic data to 700 customers; and assisted 500 customers with data evaluation and interpretation. Entered 4,050 new hydrologic data points to its existing databases.

- **Dam Safety and Construction Unit** reviewed or performed 5 periodic dam safety inspections; issued 16 Certificates to Construct, Modify or Operate a Jurisdictional Dam; and reviewed and tested 5 Emergency Action Plans for high hazard dams. The unit also provided engineering assistance to the Mining Section and Surface Coal Mining unit for projects at Usibelli Coal Mine, Illinois Creek Gold Mine, and Pogo exploration sites.

Statutory and Regulatory Authority

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

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**Director's Office/Mining, Land, & Water
Component Financial Summary**

All dollars shown in thousands

	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	366.3	408.1	326.6
72000 Travel	11.0	17.7	17.7
73000 Contractual	43.6	40.0	40.0
74000 Supplies	3.4	18.8	18.8
75000 Equipment	1.3	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	425.6	484.6	403.1
Funding Sources:			
1004 General Fund Receipts	379.1	384.1	384.1
1007 Inter-Agency Receipts	46.5	100.5	19.0
Funding Totals	425.6	484.6	403.1

Estimated Revenue Collections

Description	Master Revenue Account	FY2003 Actuals	FY2004 Authorized	FY2005 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Interagency Receipts	51015	46.5	100.5	19.0
Restricted Total		46.5	100.5	19.0
Total Estimated Revenues		46.5	100.5	19.0

**Summary of Component Budget Changes
From FY2004 Authorized to FY2005 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2004 Authorized	384.1	0.0	100.5	484.6
Adjustments which will continue current level of service:				
-Changes to Retirement and Other Personal Services Rates	0.0	0.0	3.5	3.5
Proposed budget decreases:				
-Delete Vacant Position no longer needed	0.0	0.0	-85.0	-85.0
FY2005 Governor	384.1	0.0	19.0	403.1

**Director's Office/Mining, Land, & Water
Personal Services Information**

Authorized Positions		Personal Services Costs		
	FY2004 Authorized	FY2005 Governor		
Full-time	6	5	Annual Salaries	233,429
Part-time	0	0	Premium Pay	0
Nonpermanent	0	0	Annual Benefits	95,624
			<i>Less 0.75% Vacancy Factor</i>	<i>(2,453)</i>
			Lump Sum Premium Pay	0
Totals	6	5	Total Personal Services	326,600

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Administrative Assistant	1	0	0	0	1
Administrative Clerk II	1	0	0	0	1
Administrative Manager III	1	0	0	0	1
Division Director	1	0	0	0	1
Natural Resource Mgr IV	1	0	0	0	1
Totals	5	0	0	0	5