

State of Alaska FY2006 Governor's Operating Budget

Department of Natural Resources Claims, Permits & Leases Component Budget Summary

Component: Claims, Permits & Leases

Contribution to Department's 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 by industry and the public. 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 also provides authorizations necessary for oil and gas, mining, forestry, fishing, mariculture, commercial recreation, road-building, and other uses. 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 \$9.1 million. However, the direct revenue collected by this component is expected to be almost \$10.1 million. This revenue does not include all of the revenue generated by the development of state land, only the fees, rents, and royalties collected directly by this component. The figure does not include oil and gas royalties, forestry stumpage fees, mining license taxes, and other additional revenue.

Core Services

This component provides the land use authorizations necessary for the development of Alaska's state land. Almost all industries require authorizations provided by this component to operate on state land. Examples include:

- Oil and Gas: ice roads, support facility leases, exploration camps;
- Mining: claims, leases, access, land use permits, plans of operations, reclamation plans,, technical review of major projects, compliance inspections;
- Forestry: log-transfer sites, access, support camps;
- Commercial Fishing: mariculture sites; shore fishery leases; leases for processors;
- Tourism: lodge sites, recreation access, and related permits.

The Division of Mining, Land and Water is the steward of the state's land. Most authorizations for the use of state land are granted through this component. The division works with industry and the public to develop state land in a way that is efficient for industry, protects public resources, provides a return to the state and appropriately involves the public in decisions that affect them.

The division also provides much assistance through this component to private citizens by issuing permits and leases as needed, whether for a trapping cabin on a remote site or a utility line to bring services to a family. The division provides for personal use material sales to individuals and competitive material sales for those requiring larger quantities. Driveways, roads, trails, or waterlines are just a few of the rights-of-way issued to individuals. Working with private citizens to provide for their needs is an important service of the division.

Twenty separate programs are funded through this component, most of which involve a permit, lease, or other authorization. The division reports specific performance measures for each program. Detailed spreadsheets that describe the performance for each program are available upon request from the DNR Administrative Services Manager (Nico Bus 465-2406). A brief description of each program is provided below.

UPLAND AND TIDELAND PERMITS. Land permits are authorizations issued to use state land, on a temporary basis, for a variety of purposes. The permits range in duration from one or two days to five years. They are intended for temporary, non-permanent uses such as floating lodges, log storage, scientific research, guide camps, equipment

storage, public or private events, and commercial recreation. Beginning in 2003, permittees authorized under this program that conduct commercial recreation activities are required to register their commercial recreation day-use activities and pay a \$2 per visitor-use-day in addition to permit fees. The same requirement applies to commercial recreation permits.

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. Field visits are performed only when there are complaints that a cabin is being used for other than trapping purposes, such as for guiding or personal recreation.

COMMERCIAL RECREATION PERMITS. Commercial guides, outfitters, and other purveyors of commercial recreational services that remain 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. In general no permit is required for most day-use activities, only registration.

UPLAND AND TIDELAND LEASES. Leases are long-term authorizations for a wide variety of purposes. Examples of land uses authorized by lease include support facilities on the North Slope and community docks or marinas on state tidelands. Because leases are either awarded by bid or require payment of fair market value for the land, they provide significant return to the state. A variety of factors, such as the number of years needed to amortize a project or whether it is negotiated or competitive, determine the lease duration. Leases convey an interest in state land and may, upon approval, be assigned or sublet.

COMMERCIAL RECREATION FACILITIES DEVELOPMENT LEASES. This program is authorized by a specific statute, AS 38.05.073, to provide DNR with a modern set of "tools" to appropriately design and authorize a large commercial recreation development. At the present time we manage only one lease, Alyeska Resort. The Hatcher Pass lease, also developed under this statute, has been assigned to the Matanuska-Susitna Borough.

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. 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. This occurred in 1999. Regulations require the Department to hold an opening every two years. An opening was held in 2003, and another is scheduled for 2005.

In these openings, an individual applies for a specific location. DNR, DFG, and the Office of Project Management and Permitting work together to approve, reject, or approve the application with stipulations. This can often be a 9-month process and is expensive for the state and the applicant.

The 2002 legislature through HB 208, directed the agencies to try an additional, experimental method to authorize aquatic farm operations. DNR was to pre-permit 90 sites and offer them for competitive lease in February 2004. Those not taken were to be available over-the-counter to Alaskans. In February 2004, DNR offered 158 sites for sealed-bid auction. Thirty-five sites were taken and 123 sites currently remain available for lease, first-come first serviced, at DNR offices.

SET NET LEASE. This long-standing program allows limited entry permit holders for gill net fishing from shore to obtain a lease for their fishing sites. The authorization does not allow any upland development. Although it is not a requirement to fish, a lease gives the fishers control over the location where they traditionally fish. The leaseholder may use the location for set-net fishing to the exclusion of others.

PUBLIC AND CHARITABLE LEASES AND CONVEYANCES. This long-standing program is designed to facilitate public uses of state land which are permanent in nature and require site control. This is accomplished by official land survey and conveyance of an interest in the land. Examples of leases or conveyances processed under this program include sites for local fire stations and community centers, cemeteries, land fills, Girl Scout camping facilities, public works maintenance facilities; and a public aquarium. The processing of a lease under this authority is similar to that of a regular lease and involves a written decision, public notice and survey. The statute allows the payment by the lessee or purchaser to be less than fair market value. An appraisal may be required to establish the actual lease rate or purchase amount. 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 proposed leasing action increases as land status, social issues and competition for land increases.

LOG TRANSFER FACILITY LEASES AND PERMITS. Log transfer and log storage leases and permits authorize the movement of logs from public and private uplands into marine waters. The lease duration is determined by a variety of factors such as the number of years that logging is expected to occur and whether the lease is negotiated or competitive. Permits are issued for authorizations for less than five years. Bark accumulation on the ocean floor for both log transfer and log storage sites is monitored to meet DEC's general permit requirements. This requires multi-agency review of remediation proposals by the lessee. The number of authorizations is expected to decline due to the completion of logging on the majority of private lands 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. Rock, sand and gravel sales to private companies support industrial, mineral, and oil & gas development including the construction of roads and building pads. Public sales are provided to DOTPF and communities for projects such as road construction, bank stabilization, or emergency repairs due to natural disasters. If materials are sold non-competitively from an existing pit, contracts can typically be issued in less than a week. Limited material permits of up to 200 cubic yards (cy) are sold over-the-counter to the public; the division issues approximately 160 such permits annually. Cycle times for new material sources and competitive sales (greater than 25,000 cy per year) are variable based on location and size; the average cycle time is 18 months, since these actions require best interest findings and public notice. Except for public sales, materials are sold at fair market value.

EASEMENT ASSERTION, MANAGEMENT & VACATION. Easements are issued for the construction of roads, trails, driveways, public and private utilities, and communications facilities. They include authorizations for development projects such as ice roads for oil and gas exploration or access to mining claims. A private exclusive use easement is a disposal of state interest and requires a decision, public notice, survey, and appraisal to determine annual rental. Cycle times for processing rights-of-way are highly variable and depend upon the complexity of the competing interests and land status along with timely completion of the necessary survey and appraisal by the applicant.

Easement management is one of the fastest growing and most time consuming issues the division faces. The division is seeing a large increase in requests to assert RS 2477s and other easements, define exact locations for previously asserted easements, resolve use conflicts of asserted easements, and to vacate those previously asserted. The majority of demand on the easement staff comes from the public concerning easement management rather than requesting new authorizations. The staff is asked to resolve access and use conflicts, lack of access, and stop resource damage either on or off established easements. The staff time required to resolve these normally complex issues is large, ever-increasing, and largely unbudgeted.

Because of the division's limited enforcement authorities, difficult problems such as trespass, easement encroachments or resource damage caused by public access often require work with the Department of Law and frequently the court to resolve.

PLAT APPROVAL IN THE UNORGANIZED BOROUGH. By law, DNR is the platting authority 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. The purpose of this project is to insure that subdivisions within the unorganized borough are surveyed, recorded and have legal access. Prior to passage of AS 40.15.300, these requirements were not addressed, allowing for paper plat subdivisions and subdivision by deed (without a field survey). These were prone to produce gaps, overlaps, and clouded boundaries, creating survey and title problems.

INTERAGENCY LAND MANAGEMENT ASSIGNMENTS. DNR is the major state agency with authority to hold title to land. In cases where other agency facilities are needed, DNR holds title to the land but assigns the land management authority to the requesting agency. In 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. Almost all assignments to these agencies provide land for roads or developed facilities that are planned and funded.

MINERAL PROPERTY MANAGEMENT. This project processes and maintains the state's mineral location records on state-owned lands. Mineral exploration, development, and production on Alaska's lands is dependent on current and up-to-date mineral title records documenting ownership and status of locations, all of which are maintained by the division. This project also administers the rental billings and royalty audits to assure Statehood Act 6(i) revenues are correctly paid to the state treasury and permanent fund.

There is a resurgence in claim staking activity due to regulatory improvements, improved business climate and increased prices for gold, copper, lead, zinc, silver and platinum. Gold prices are now over \$420/ounce. The division estimates that

approximately 1.4 million acres will be under location by the end of this fiscal year, and that by next year, the acreage will return to FY00 levels of 2.3 million acres.

The increased mining activity has contributed to a growing backlog in processing mining license tax, royalty returns and audits. Timely and accurate processing and auditing is required to maximize mining revenues to the state.

Revisions to Alaska Mining Law in 2004 include amendment of AS 38.05.265 to enable mineral property holders to pay a penalty to have their mineral locations reactivated if they were deemed abandoned under law for failure to meet various filing requirements. This amendment will eliminate breaks in mineral title, will provide for more secure mineral tenure and will provide additional revenue to the state, but will require additional staff to effectively manage.

By the end of 2005, the division expects to receive \$2.5 million in cash revenue. In 2006, the division anticipates receiving \$3.0 + million in cash revenue. Some of the additional cash revenue will be due to penalty payments, but most of the increasing revenue will be due to a growing number of mineral properties maintained by the division.

GENERAL MINE PERMITTING. Large hardrock mines, placer mines and mineral exploration activities involving heavy equipment and discharge of water require permits from a variety of state and federal agencies. The mine permitting section issues between 200 and 350 permits, plan of operations approvals, and mine reclamation plan approvals, but this is expected to increase in step with the increased location filings. Approximately 80 of these authorizations are within the coastal zone. Permits may be issued for up to 5 years. The program provides technical assistance to small miners, performs the technical review for new and existing large mine projects and conducts compliance inspections of both small and large operations. This program also administers individual reclamation bonds and operates the statewide reclamation bond pool for placer mines and exploration projects.

At current staffing levels, with the expected increase in mining permits, the time required to process permit applications is expected to increase from a desired 2-3 weeks to 4-6 weeks or longer. In addition there will be less time spent in the field conducting detailed inspections and providing technical assistance to miners. There are growing concerns from industry that the lack of adequate inspections and documentation may leave the industry vulnerable to unwarranted challenges and criticism, which could have a negative impact on the perception of Alaska as a preferred location for the mining industry's business.

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.

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.

GENERAL PUBLIC CONTACT. This project provides the majority of funding to DNR's Public Information Center, which expects to handle approximately 23,000 customers in FY04 (this figures reflects only direct person-to-person help to the public, and does not include visits to DNR's web site). Approximately another 6,000 people walk into or call the division offices for questions that are unrelated to a particular authorization or are not part of an application or a pre-application discussion. 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. As the land owner, the division is requested to perform a large assortment of activities that do not relate to an authorization. Examples include: resolving use conflicts on easements, working with local government and residents to reduce substantial resource damage from public use, and investigating trespass use of state land.

End Results	Strategies to Achieve Results
<p>A: An authorization system that creates revenue to the state, jobs and income to Alaskans and does so in an environmentally responsible manner.</p> <p><u>Target #1:</u> \$10 million in revenue (\$3 million more than the General Fund cost to this component). <u>Measure #1:</u> Amount of revenue to the state.</p> <p><u>Target #2:</u> Create jobs and income for Alaskans by processing 100% of new applications for permits, claims and leases. <u>Measure #2:</u> Number of applications processed compared with number received.</p> <p><u>Target #3:</u> Assure environmental responsible use of state land by assuring 100% of required mineral reclamation is accomplished with 0 significant environmental compliance actions. <u>Measure #3:</u> Number of significant environmental compliance actions in the Coal Program.</p>	<p>A1: Generate Mining revenue by processing authorizations.</p> <p><u>Target #1:</u> Generate \$3,600,000 through processing of mining claims, mineral leases, and APMA's. <u>Measure #1:</u> Revenue generated by mining authorizations.</p> <p>A2: Create jobs by processing authorizations.</p> <p><u>Target #1:</u> Support commercial recreation businesses growth by authorizing 60 new commercial recreation permits and 200 new land use permits. <u>Measure #1:</u> Number of commercial recreation permits and land use permits authorized.</p> <p>A3: Assure environmentally responsible use of State land.</p> <p><u>Target #1:</u> Insure that all coal mining is conducted in an environmentally responsible manner. <u>Measure #1:</u> Number of significant environmental compliance actions issued.</p>

Major Activities to Advance Strategies	
<ul style="list-style-type: none"> • Process 200 new Upland and Tideland Permits and administer 1,200. • Process an estimated 60 new Commercial Recreation Permits. • Process 15 new Upland and Tideland Leases and administer 1,000. • Work to create plans for Commercial Recreation Lease in Girdwood, administer existing Alyeska Lease. • Process 15 new Set Net Leases and administer 1,050. • Process 6 Public and Charitable Use Leases and administer 175. • Process 3 permits and 2 leases on Log Transfer Facilities; administer 124; complete 30 bark monitoring analyses. • Process 60 new contracts and administer an estimated 450 contracts in Material Sales. • RS2477: Process two casefile summaries; support AG office quiet title actions; resolve 30 private conflict, relocation, or vacation requests. 	<ul style="list-style-type: none"> • Process 50 and administer 2,220 Rights-of Ways. • Issue 45 Plat Approvals. • Process 7 new ILMA applications and administer 945. • Coal Regulatory: Process 1 new mine permit, and administer 4 existing mine permits. • AML: Eliminate 12 acres of coal fires and public safety hazards at 16 facilities. • AML: Administer \$1,200 capital projects and create 35 private sector jobs. • MPM: Process 40,500 new and exist'g locations represent'g 2,460,000 acres under location; process 250 claim conversions and administer 40 coal leases. • GMP: Administer an est. 335 mine permits; accomplish reclamation with less than 2000 acres of cumulative disturbance for the industry.

FY2006 Resources Allocated to Achieve Results

FY2006 Component Budget: \$8,854,000	Personnel:	
	Full time	104
	Part time	1
	Total	105

Performance Measure Detail

A: Result - An authorization system that creates revenue to the state, jobs and income to Alaskans and does so in an environmentally responsible manner.

Target #1: \$10 million in revenue (\$3 million more than the General Fund cost to this component).

Measure #1: Amount of revenue to the state.

CPL Revenues

Year	YTD
2001	9,788,300
2002	8,490,900
2003	7,728,500
2004	8,457,100
2005	1,795,543

Analysis of results and challenges: \$8,457,100 revenue through June 30, 2004

The division brought in \$3.2 million more in FY04 than the General Fund costs to this component.

Target #2: Create jobs and income for Alaskans by processing 100% of new applications for permits, claims and leases.

Measure #2: Number of applications processed compared with number received.

Analysis of results and challenges: FY04 Results

Leases/Permits: 387 Received, 342 Processed Mining Claim (Mineral Location Notices): 4669 Active Claims
 Mining Leases (case type 714): 2 Initiated, 2 Issued; 42 currently administered
 APMA (case type 715): 234 Initiated, 119 Issued; 2057 currently administered
 Surveys: 172 Received, 81 Processed

FY05 First Quarter Results

Leases/Permits: 116 Received, 88 Processed
 Mining Claims (Mineral Location Notices): 35872 Active Claims
 Mining Leases (case type 714): 0 Initiated, 0 Issued; 42 currently administered
 APMA (case type 715): 26 Initiated, 19 Issued; 2038 currently administered
 Surveys: 42 Received, 20 Processed

The ratio of received to processed applications is rarely 1:1 because new applications are from the reporting period but the processed or issued authorizations may come from backlog from previous fiscal years or new applications. The processed applications do not reflect the number of files worked where adjudicators continue work from other fiscal years. It also does not speak to the other case activities such as assignments, defaults, survey reviews, closures, and more.

Target #3: Assure environmental responsible use of state land by assuring 100% of required mineral reclamation is accomplished with 0 significant environmental compliance actions.

Measure #3: Number of significant environmental compliance actions in the Coal Program.

Analysis of results and challenges: FY04 Results
 Notice of Violation: 3 (1 from FY03) Issued,3 Abated
 Cessation Order: 2 Issued, 2 Abated
 Directive: 19 Issued, 19 Abated

FY05 First Quarter Results
 Notice of Violations: 2 Issued, 1 Abated
 Cessation Order: 0 Issued, 0 Abated
 Directive: 17 Issued, 10 Abated

DNR inspects coal mining operations and can perform various levels of compliance actions. In severity from least severe to most, a Directive is an informal warning that tells the company how to fix the problem but allows operations to continue; a Notice of Violation is a monetary fine given when a company fails to meet the directive or there is immediate harm to the environment or public safety; and a Cessation Order stops operations and assesses a daily fine until the issue is resolved. DNR has taken actions to mitigate or stop environmental damage in a way to least impact the commercial ventures, and most have been successfully abated.

A1: Strategy - Generate Mining revenue by processing authorizations.

Target #1: Generate \$3,600,000 through processing of mining claims, mineral leases, and APMA's.
Measure #1: Revenue generated by mining authorizations.

Year	YTD
2002	\$3,076,300
2003	\$3,175,100
2004	\$4,037,470
2005	\$880,814

A2: Strategy - Create jobs by processing authorizations.

Target #1: Support commercial recreation businesses growth by authorizing 60 new commercial recreation permits and 200 new land use permits.
Measure #1: Number of commercial recreation permits and land use permits authorized.

Analysis of results and challenges: FY04 Results
 32 Commercial Recreation Permits issued
 180 Land Use Permits issued

FY05 First Quarter Results
 17 Commercial Recreation Permits issued
 54 Land Use Permits issued

A3: Strategy - Assure environmentally responsible use of State land.

Target #1: Insure that all coal mining is conducted in an environmentally responsible manner.
Measure #1: Number of significant environmental compliance actions issued.

Analysis of results and challenges: FY04 Results
 Notice of Violation: 3 (1 from FY03) Issued,3 Abated
 Cessation Order: 2 Issued, 2 Abated
 Directive: 19 Issued, 19 Abated

FY05 First Quarter Results
 Notice of Violations: 2 Issued, 1 Abated

Cessation Order: 0 Issued, 0 Abated
Directive: 17 Issued, 10 Abated

DNR inspects coal mining operations and can perform various levels of compliance actions. In severity from least severe to most, a Directive is an informal warning that tells the company how to fix the problem but allows operations to continue; a Notice of Violation is a monetary fine given when a company fails to meet the directive or there is immediate harm to the environment or public safety; and a Cessation Order stops operations and assesses a daily fine until the issue is resolved. DNR has taken actions to mitigate or stop environmental damage in a way to least impact the commercial ventures, and most have been successfully abated.

Key Component Challenges

- 1. 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.

The division is responsible for authorizing oil exploration outside of the oil lease areas. On the North Slope, long-established policy has been to open the tundra to off-road travel once there is 12 inches of frost and six inches of snow on the ground. In the 1970s, this policy provided for an exploration season up to 208 days long. Weather patterns and measurement techniques have gradually changed, and the 2002 exploration season was only 103 days long. The shortness of the exploration season is now a serious impediment to oil exploration. In FY 03, the division began a scientific peer-reviewed study designed to extend the winter exploration season in an environmentally responsible manner. The Alaska Oil and Gas Association, member companies, and exploration companies have donated equipment for use in the study, which will be completed and be implemented in FY05. With new scientific backing, there may be modified management decisions concerning cross country travel in FY06. Additional follow-up studies may be conducted to verify long term impacts from the study.

- 2. Providing Service to the Mining Industry.** The resurgence in metal prices combined with an improved business climate and regulatory improvements has led to a significant rise in mineral claim staking, mineral exploration and mining activities. The division processed over 4,000 claims in FY04, the most number of claims in a year since 1999. Most of these claims staked were the large 1/4 section MRTSC claims, so more acreage is being staked than in any year in the past. Through FY05, we expect to have almost 2.5 million acres under mining claim: larger acreage than in any time in recent history. During this time, Mining Section staffing levels have remained relatively unchanged since 1992 levels, when a much smaller industry existed in Alaska. At that time, staff monitored only the placer industry. Today, we have a healthier pacer industry and that same staff level must provide service to an expanding suite of large mines: Red Dog, Greens Creek, Fort Knox, True North, Pogo and Donlin Creek, Gill, and perhaps sometime Pebble Copper in permitting. As a result, permits for placer mining and mineral exploration activities are taking much longer, up to 4-6 weeks, rather than the desired time frame of 2-3 weeks. In addition, the technical staff available for permit reviews, site inspections and for providing technical assistance is challenged to provide adequate coverage of the additional acreage affected by mining and mineral exploration activities on an annual basis. This is resulting in decreased service to the mining industry, which reflects poorly on the state's capacity to serve the industry and to validate that activities are occurring in a responsible manner. In addition, a backlog in processing mining license tax and royalty returns and in auditing these returns will delay revenue owed to the state. An increment is proposed to bring staffing to the level that will continue to serve the placer and large mine industries, and to maintain currency on royalty audits.
- 3. Easement Management.** Including management of RS 2477s, easement management 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, vacate those previously asserted, and resolve use conflicts. Assertion of easements is a slow and time consuming process that often requires much staff time and often court actions to resolve. As more land is sold and population densities increase, the easement management issues are expected to escalate. The easement management staff continues to process easements but is insufficient to meet public expectations and demands. The division has created an easement management unit to help craft new policies and regulations as well as work on many assertion issues.
- 4. 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. 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.

Significant Changes in Results to be Delivered in FY2006

1. **A longer Winter Oil Exploration Season for the North Slope.** See Key Component Challenges, above.
2. **Permit/Lease Processing.** The division is implementing new policies and automation changes that it expects will provide much greater predictability in processing land use permits and possibly leases in FY06.
3. **Service to the Mine Industry.** The division is proposing adding additional staff (3 technical staff and 2 accounting/administrative staff positions) to the Mining Section to improve turnaround time for placer mining and mineral exploration permits to the targeted 2-3 weeks, to provide adequate capacity to process mining license tax, royalty returns and audits so that mining revenues to the state are timely and accurate, and to provide additional technical personnel for inspections, technical reviews of permits and for providing technical assistance to miners so that adequate coverage can be provide to the rapidly expanding mining industry in Alaska.

Major Component Accomplishments in 2004

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

Mining. In its role in permitting and in the technical review of large mine projects, in FY04 the division completed the following:

- Completed the process initiated in FY2000 in working with EPA on the *Pogo Mine Project*. Federal EIS and all state permits were issued in December 2003;
- Completed with the USFS the *Greens Creek Mine Project* tailings expansion EIS, DEC Waste Management Permit and revised reclamation bond in December 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 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 August 2005;
- Continued process working with USFS towards releasing draft supplemental EIS for the *Kensington Mine Project*. FSEIS scheduled for release in late 2004;
- Also made progress on important permitting work on: *Donlin Creek, Pebble Copper, Rock Creek, Nixon Fork, Gil and Tulsequah Mine Projects*.

Permit/Lease/Claim Processing; Revenues to the State of Alaska. This component of the division processed a wide variety of permits, mining claims, and leases. In FY04, this work resulted in approximately \$8.4 millions of dollars in revenue to the state including fees, rents, and royalties, primarily from mining activities. Of this amount, approximately \$1.1 million permanent fund and \$45.6 thousand to the school fund. The figure also includes federal revenue to the component. It does not include revenues such as taxes, royalties, or timber stumpage that accrue through other divisions or departments. The cost of this component in FY04 was \$7.6 million. For FY05, the revenue is expected to be \$8.6 million.

- The division exceeded requirements of HB 208 (2002 Legislation) by offering 158 aquatic farm sites for auction in February 2004. This far exceeded the legislation's target of 90 sites. 33 sites have been sold, bringing in over \$24,000 in revenues, and 125 farm sites remain available to potential farmers.
- Approved development of the Jacobsen Trust Cruise Ship Dock on state tidelands in Juneau Harbor, generating high lease revenues to the state.
- Continued to work with local residents to clean up parcels of state land that have been used as illegal dumping sites and other illegal uses. Sites include Jim Creek near Palmer and Exit Glacier near Seward. We have removed over 50 destroyed vehicles from Jim Creek.

- Permitted and monitored the construction of the temporary and permanent road to the Pogo Mine near Fairbanks.
- Began collecting information from businesses conducting day use commercial recreation through an online registration system. In addition, the division began collecting additional visitor use fees from commercial recreation businesses.

Statutory and Regulatory Authority

AS 38, AS 29, 11 AAC

Contact Information
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Claims, Permits & Leases Component Financial Summary

All dollars shown in thousands

	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	6,487.5	6,886.8	7,542.5
72000 Travel	227.8	174.5	199.5
73000 Services	705.8	978.9	1,027.4
74000 Commodities	223.2	71.6	84.6
75000 Capital Outlay	2.4	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	7,646.7	8,111.8	8,854.0
Funding Sources:			
1002 Federal Receipts	645.7	903.3	931.2
1003 General Fund Match	126.4	126.5	191.3
1004 General Fund Receipts	3,093.6	2,635.4	3,082.4
1005 General Fund/Program Receipts	2,148.7	2,398.2	2,487.2
1007 Inter-Agency Receipts	255.6	367.7	449.3
1055 Inter-agency/Oil & Hazardous Waste	6.1	35.1	19.2
1061 Capital Improvement Project Receipts	114.5	0.0	0.0
1105 Alaska Permanent Fund Corporation Receipts	949.8	1,243.9	1,286.8
1108 Statutory Designated Program Receipts	0.0	60.0	62.7
1154 Shore Fisheries Development Lease Program	306.3	341.7	343.9
Funding Totals	7,646.7	8,111.8	8,854.0

Estimated Revenue Collections

Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	1,724.6	1,493.6	2,425.1
Shore Fisheries Development Lease Prog	51074	0.0	10.0	5.0
Unrestricted Fund	68515	2,305.8	1,854.4	2,336.9
Unrestricted Total		4,030.4	3,358.0	4,767.0
Restricted Revenues				
Federal Receipts	51010	645.7	903.3	931.2
Interagency Receipts	51015	255.6	367.7	449.3
General Fund Program Receipts	51060	2,148.7	2,398.2	2,487.2
Statutory Designated Program Receipts	51063	0.0	60.0	62.7

Estimated Revenue Collections				
Description	Master Revenue Account	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
Shore Fisheries Development Lease Prog	51074	306.3	341.7	343.9
Capital Improvement Project Receipts	51200	114.5	0.0	0.0
Permanent Fund Earnings Reserve Account	51373	949.8	1,243.9	1,286.8
Interagency Recs./Oil & Hazardous Waste	51395	6.1	35.1	19.2
Restricted Total		4,426.7	5,349.9	5,580.3
Total Estimated Revenues		8,457.1	8,707.9	10,347.3

**Summary of Component Budget Changes
From FY2005 Management Plan to FY2006 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	5,160.1	903.3	2,048.4	8,111.8
Adjustments which will continue current level of service:				
-FY 05 Bargaining Unit Contract Terms: GGU	35.4	4.7	11.8	51.9
-Transfer Oil and Haz IA Authority to Information Resource Management component	0.0	0.0	-16.0	-16.0
-FY06 Cost Increases for Bargaining Units and Non-Covered Employees	152.8	17.5	29.4	199.7
-Adjustments for Personal Services Working Reserve Rates and SBS	0.0	5.7	8.3	14.0
Proposed budget increases:				
-Increases of GF Match to support Coal Program	62.7	0.0	0.0	62.7
-General Mine Permitting and Mineral Property Management Workload Increases	349.9	0.0	0.0	349.9
-New position to support Large Projects Manager and General Mine Permitting	0.0	0.0	80.0	80.0
FY2006 Governor	5,760.9	931.2	2,161.9	8,854.0

**Claims, Permits & Leases
Personal Services Information**

Authorized Positions		Personal Services Costs		
	<u>FY2005</u> <u>Management</u> <u>Plan</u>	<u>FY2006</u> <u>Governor</u>		
Full-time	97	104	Annual Salaries	5,319,055
Part-time	1	1	COLA	71,643
Nonpermanent	4	3	Premium Pay	38,414
			Annual Benefits	2,746,777
			<i>Less 4.77% Vacancy Factor</i>	(390,089)
			Lump Sum Premium Pay	0
Totals	102	108	Total Personal Services	7,785,800

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	2	1	0	0	3
Administrative Clerk II	3	1	1	0	5
Administrative Clerk III	1	0	0	0	1
Analyst/Programmer III	3	0	0	0	3
Appraiser I	1	0	0	0	1
Appraiser II	1	0	0	0	1
Appraiser III	1	0	0	0	1
Cartographer II	1	0	0	0	1
Engineering Assistant III	1	0	0	0	1
Environmental Spec III	1	0	0	0	1
Geologist I	0	1	0	0	1
Geologist II	2	1	0	0	3
Geologist III	2	1	0	0	3
Geologist IV	1	1	0	0	2
Grants Administrator II	1	0	0	0	1
Hydrologist I	1	0	0	0	1
Land Survey Asst II	3	0	0	0	3
Land Surveyor I	2	0	0	0	2
Land Surveyor II	2	0	0	0	2
Micro/Network Tech II	0	0	1	0	1
Mining Engin Assoc	1	1	0	0	2
Natural Resource Mgr I	5	2	2	0	9
Natural Resource Mgr II	3	2	0	0	5
Natural Resource Mgr III	3	1	1	0	5
Natural Resource Mgr IV	1	0	0	0	1
Natural Resource Spec I	11	2	1	0	14
Natural Resource Spec II	13	7	5	0	25
Natural Resource Spec III	2	2	0	0	4
Natural Resource Tech II	4	1	0	0	5
Supply Technician I	0	1	0	0	1
Totals	72	25	11	0	108