

State of Alaska FY2009 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 public and industries' use of almost 90 million acres of State land and 60 million acres of state tidelands and submerged lands. 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 \$10.8 million. However, the direct revenue collected by this component is expected to be almost \$14.7 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 use and 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, hunting and fishing guide camps, and related permits.

Construction: easements, material sales.

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. Much assistance provided to individuals and businesses regarding use of state land and resources does not lead to authorizations or revenue, but is required to manage state land.

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. A brief description of each program is provided below. In addition, a small Information Technology unit supports this component with website, mapping, and database development.

UPLAND AND TIDELAND PERMITS. Land use 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. 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 along with a \$2 per person visitor day use 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 and per visitor-use-day fees, 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. Because they convey an interest in land, the process to issue leases is more complex and lengthy, requiring survey and appraisal.

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. These lease arrangements are much more complex than the normal leases and often are tied to borough ordinances and other investment negotiations.

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 re-established in 1999 with a new statute and regulations. Regulations require the Department to hold an opening every two years. An opening was held in 2007, and another is scheduled for 2009.

In these openings, an individual applies for a specific location. the Division of Mining, land and Water (DMLW), the Department of Fish and Game, and the Office of Project Management and Permitting work together to approve, reject, or approve the application with modifications. This can often be a 9-month process and is expensive for the state and the applicant.

An additional 123 pre-permitted sites currently are available for lease over the counter on a first-come first served basis.

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 public facilities requested by municipalities. 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 complexity of each proposed leasing action increases as land status, social issues and competition for land increases. Also more municipalities and non-profits are applying for authorizations under this authority.

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 the Department of Environmental Conservation's 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 U.S. Forest Service timber program.

MATERIAL SALES. Sale contracts for materials such as pit-run gravel, peat, ornamental stone and sand are issued to meet private and public needs. Rock, sand and gravel sales to private companies support industrial, mineral, and oil and gas development including the construction of roads and building pads. Public sales are provided to Department of Transportation and Public Facilities 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 quickly. 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. These actions require best interest findings and public notice, requiring a more lengthy process. Except for public sales, materials are sold at fair market value. New fee schedule implemented in January 2007 resulted in significant increase in revenue from material sales.

EASEMENT ASSERTION, MANAGEMENT AND 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. The division also adjudicates easement vacations where equal or better access exists.

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 requesting easement management rather than requesting new authorizations. The staff is asked to resolve access and use conflicts, lack of access, and stop or mitigate 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 coordination with the Department of Law and frequently court action to resolve. Because of this time consuming process, many easement problems go unabated.

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 result in lack of access, 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 state 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 \$740/ounce. The division currently has 3.92 million acres under location.

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. Two new FY2006 staff positions have increased the Mineral Property Management's ability to address these issues.

By the end of FY2007, the division expects to have received \$3.8 million in revenue from mining. In FY2008, the division anticipates receiving \$4.5 million in revenue with the increase due mostly to a growing number of mineral properties maintained by the division. As a result of increased mining activity and higher metal prices, revenue from the Mining License Tax increased six-fold to \$80 million in FY2007, and is expected to increase to \$120 million in FY2008.

LARGE MINE PERMITTING. Large hardrock mines that involve approval of Plans of Operation or Reclamation and Closure Plans are adjudicated under this program. The program provides technical review of mine applications. In FY2008 applications were approved for a major expansion and heap leach facility at the Fort Knox Mine in Fairbanks and an advanced stage exploration project at the Niblack property on Prince of Wales Island that involves 5,000 feet of underground workings and potentially acid generating rock issues. This program also conducts compliance inspections of operating hardrock mines, periodic review and updates to mine reclamation and operating plans, and reviews the bonds or financial assurance packages to ensure that sufficient funds are available should the state have to assume reclamation and closure operations in an unplanned mine shut down. Bonding for large hardrock mining projects in Alaska currently totals approximately \$263 million.

GENERAL MINE PERMITTING. Placer mines and mineral exploration activities involving heavy equipment and discharge of water require permits from a variety of state and federal agencies. The Annual Placer Mine Application permitting program processed approximately 366 permit applications, including those for land use permits, plan of operations approvals, and mine reclamation plan approvals, in FY2007. This is expected to increase in step with the increased location filings and increased metal prices. Approximately 76 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 placer mine projects and conducts compliance inspections. This program also operates the statewide reclamation bond pool for placer mines and exploration projects.

With the new staff positions, average permitting time decreased back to 2-3 weeks and staff was able to devote more time to field inspections. The new staff positions are also enabling the Division to address industry concerns re: the lack of adequate inspections and documentation that might leave the industry vulnerable to unwarranted challenges and criticism. Increased inspections have been constrained by a limited travel budget combined with increased travel costs.

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. In FY2008 a major revision to the ASCMCRA regulations was noticed. Monthly compliance inspections are conducted at all operating coal mines and active exploration licenses are inspected annually. The program is also responsible for review of new coal mine applications under ASCMCRA and considerable time and effort have been devoted to draft applications being received from the proposed Chuitna Coal Project.

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 from taxes paid by today's coal mines nation-wide. Alaska's program is funded 100% by the federal Office of Surface Mining. Alaska receives more grant money than in-state coal producers pay into the national fund pool. No state funds are involved. In FY2008 significant projects include the suppression of an underground coal fire at the old Jonesville property; that work is largely completed with recently completed capping and revegetation. In addition physical hazards were mitigated in southeast Alaska, in the Eska Creek area, Ester Dome, and the Suntrana Tiple. The program manager represents the State of Alaska on the Interstate Mining Compact Commission.

GENERAL PUBLIC CONTACT. This project provides the majority of funding to DNR's Public Information Center, which expects to handle approximately 20,000 customers in FY09. 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: Providing land ownership information, 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.

INFORMATION TECHNOLOGY SUPPORT. A small unit supports all of these programs and other components in the division with IT support. Websites are developed and maintained to relay information to the public and DMLW staff and to help staff conduct business processes. The division maintains mapping software and query tools that serve statewide land data to adjudicators. Small to medium size applications are developed and maintained to help improve case management, data tracking and retrieval, and work productivity.

End Result	Strategies to Achieve End Result
<p>A: Industry and individuals obtain authorizations necessary for the environmentally sound use and development of state land and resources.</p> <p><u>Target #1:</u> Process 90% of new applications received. <u>Measure #1:</u> Percentage of new applications processed compared with the number received.</p>	<p>A1: Provide a good business environment in Alaska by processing authorizations within expected cycle times.</p> <p><u>Target #1:</u> Issue or deny land use permits within 8 weeks of receiving a complete application. <u>Measure #1:</u> Median number of weeks to process new land use permits.</p> <p><u>Target #2:</u> Process private exclusive easement applications for new sites within 2.0 years and public easements within 12 months of receiving a complete application. <u>Measure #2:</u> Median time to process private exclusive and public easement applications.</p> <p><u>Target #3:</u> Enter new mineral location notices into the Land Administration System within 2 weeks of receiving appropriate documentation and payment. <u>Measure #3:</u> Median number of weeks to enter new mineral location notices into the Land Administration System.</p> <p><u>Target #4:</u> Process 100% of easement vacation requests received. <u>Measure #4:</u> Percentage of new easement vacation requests processed.</p> <p><u>Target #5:</u> Process upland and tideland leases within 2.5 years of receiving a complete application. <u>Measure #5:</u> Cycle time to process upland and tideland leases.</p> <p>A2: Monitor authorized activities to insure that regulations and stipulations are followed.</p> <p><u>Target #1:</u> 100% of required mineral reclamation is accomplished without significant environmental problems.</p>

	<p><u>Measure #1:</u> Percentage of mineral reclamation projects with uncorrected significant environmental compliance issues.</p> <p><u>Target #2:</u> Conduct site inspections of 20% of active land use permits.</p> <p><u>Measure #2:</u> Percentage of active land use permits inspected.</p>
End Result	Strategies to Achieve End Result
<p>B: The use of state land provides either direct or indirect economic benefit to the state.</p> <p><u>Target #1:</u> Generate \$10 million in revenue (\$3 million more than the General Fund cost to this component).</p> <p><u>Measure #1:</u> Amount of revenue generated by this component.</p>	<p>B1: Generate more revenue than the component costs.</p> <p><u>Target #1:</u> 5 out of 19 programs (authorization types) will generate more revenue than they cost to run.</p> <p><u>Measure #1:</u> Number of programs that generate more revenue than they cost to run.</p> <p><u>Target #2:</u> Generate \$3.7 million net revenue through processing of mining claims, mineral leases, and annual placer mining applications.</p> <p><u>Measure #2:</u> Net revenue generated by mining authorizations.</p> <p><u>Target #3:</u> Generate \$186,000 net revenue through processing of material sale applications in FY07.</p> <p><u>Measure #3:</u> Net revenue generated by material sale authorizations.</p>
End Result	Strategies to Achieve End Result
<p>C: Manage state land and resources in an environmentally sound manner that sustains current and future use.</p> <p><u>Target #1:</u> Authorize 100 miles of ice road construction on the North Slope.</p> <p><u>Measure #1:</u> Miles of ice roads authorized and constructed on the North Slope to allow oil and gas exploration and development to be conducted with minimal impact to the tundra.</p>	<p>C1: Identify unauthorized activities and either bring activity into compliance or start trespass case.</p> <p><u>Target #1:</u> Resolve trespass cases for all identified illegal activities that are not brought into compliance.</p> <p><u>Measure #1:</u> Number of trespass cases resolved.</p> <p>C2: Restore, reclaim, or rehabilitate damaged, polluted or abandoned sites.</p> <p><u>Target #1:</u> Remove four identified hazardous sites through reclamation efforts.</p> <p><u>Measure #1:</u> Number of identified hazardous sites reclaimed.</p> <p><u>Target #2:</u> Remove 8 shipwrecks and abandoned vessels that restrict the use of state tidelands, shorelands, and submerged lands.</p> <p><u>Measure #2:</u> Number of shipwrecks or abandoned vessels removed.</p>

Major Activities to Advance Strategies

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| <ul style="list-style-type: none"> • Process 200 new Upland and Tideland Permits and administer 1,200. • Process an estimated 60 new Commercial Recreation | <ul style="list-style-type: none"> • Issue 50 Plat Approvals. • Process 15 new ILMA applications and administer 1,000. |
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Major Activities to Advance Strategies

- Permits.
- Process 5 new Upland and Tideland Leases and administer 400.
- Administer existing Alyeska Commercial Recreation Lease in Girdwood.
- Process 15 new Set Net Leases and administer 1,050.
- Process 4 Public and Charitable Use Leases or Sales and administer 150.
- Process 2 permits and one long term lease on Log Transfer Facilities; administer 85; complete 30 bark monitoring analyses.
- Process 60 new contracts and administer an estimated 650 contracts in Material Sales.
- Process 30 Easements; administer 2,400 Easements.
- Coal Regulatory: Process 4 new mine permits, administer 11 existing mine permits, and 7-9 exploration permits.
- AML: Haz-Mat removal Healy Cr wash plant; Slipper Lk hill removal & phase I reveg; drill & map Jonesville coal fire extents; misc non-coal hazrd remov
- AML: Administer \$1,700,000 in capital projects.
- MPM: Process 45,400 new and exist'g locations represent'g 4,068,016 acres under location; process 250 claim conversions and administer 40 coal leases.
- APMA: Administer an est. 372 mine permits; accomplish reclamation with less than 5537 acres of cumulative disturbance for the industry.
- LMP: process new reclamation & closure plan & bond review for Red Dog; inspection and regulatory compliance of existing hardrock mines.

FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: \$10,833,600

Personnel:

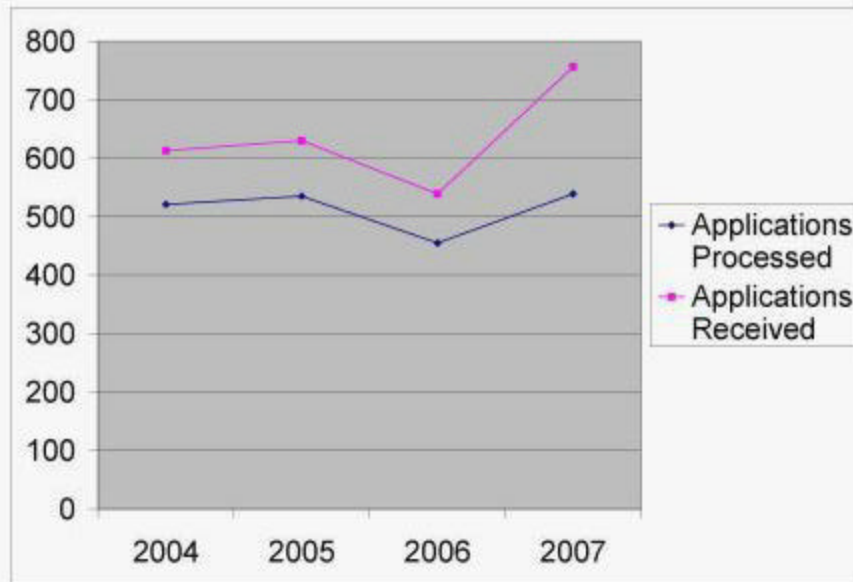
Full time	115
Part time	0
Total	115

Performance Measure Detail

A: Result - Industry and individuals obtain authorizations necessary for the environmentally sound use and development of state land and resources.

Target #1: Process 90% of new applications received.

Measure #1: Percentage of new applications processed compared with the number received.



Percentage of new applications processed

Year	Applications Received	Authorizations Issued	YTD
2004	613	521	85%
2005	630	535	85%
2006	539	455	84%
2007	756	539	71%

Analysis of results and challenges: In general, many types of businesses received authorizations that allowed use of state land for financial gain. Authorizations in this component benefit utility, oil and gas, mining, commercial recreation, tourism, fishing, construction, and other development industries by giving them legal access to the state owned land and resources. If the division is not able to issue these authorizations in a timely manner, these same industries are adversely affected. Often businesses cannot plan their operations, get investment capital, insurance or loans if they do not have required land authorizations. The risk of proceeding with just an application in place, besides being in trespass, is that the division may later deny the authorization, put special stipulations, or there may be a conflict with other uses of the land; all of which will take substantially more effort, time and cost to correct.

In FY07 the division fell further behind in its processing capability due to staff shortages, increased number of applications, increased land being transferred into state ownership and other conflicting priorities with land stewardship responsibilities.

* The staff shortages in the division are due to inadequate funding, the inability to fill some positions, high turnover, and the inability to retain employees. The salaries are not competitive with other agencies, the federal government, boroughs and private market.

* The division received a 40% increase (from FY06) in requests to use state land and resources. More

applications take more time and staff to process.

* Access concerns and the variety of trespass issues grows incrementally with the increase in population and development on state land and adjacent private land. The public and legislative requests for active land management that does not involve issuing an authorization is increasing rapidly. The substantial amount of time staff spend on these issues takes them away from their duties to process authorizations.

The division fell further behind because it could not process as many applications as it received. The division only processed 40% of the uplands and tidelands lease applications, 58% of the easement applications, and 53% of the newly identified trespass cases. With commercial recreation permits (109%), easement vacations (74%), and material sales (95%), we were able avoid falling as far behind.

It is interesting to note that the division is becoming more efficient yet still falling behind. In permits and material sales, the division processed 36% more authorizations than the previous year with the same level of staffing. But at the same time there was a 40% increase in public requests for use of state land and resources. For all authorizations combined, the ratio is 40% increase in applications and an 18% increase in productivity.

The Division fell behind in areas where the number of applications being submitted to DNR exceeds the staff's capacity to process them. As a result, there is an increasing backlog of leases and easements, in many cases preventing the legal use of state land for businesses. This can prevent some development projects and is a loss of revenue to the state. This is particularly true regarding applications for easements and upland leases where there are 696 easement and 375 lease applications in backlog. In part, this is because these programs require title reports, surveys and appraisals - and these support function staff are dedicated to other higher priority department work. Because the workload associated with other priority programs that require title, survey, and appraisal support, such as land sales and oil and gas lease sales, continue to grow, it is expected that this backlog will only worsen in these specific case types. On the other hand, there are many leases that have not been issued, but the applicants have gained the use of state land through issuance of early entry authorizations that allow use of land prior to completion of surveys and appraisals.

A1: Strategy - Provide a good business environment in Alaska by processing authorizations within expected cycle times.

Target #1: Issue or deny land use permits within 8 weeks of receiving a complete application.

Measure #1: Median number of weeks to process new land use permits.

Median Cycle time

Year	Applications Received	Applications Processed	Cycle Time
2004	237	180	8 Weeks
2005	175	229	8 Weeks
2006	174	194	10 Weeks
2007	278	184	10 Weeks

Analysis of results and challenges: Land use permits are often used by businesses that rely on building short term (5 years or less) infrastructure such as temporary housing structures, camps, docks, temporary cross country travel, or temporary construction efforts on roads. These are issued to businesses in the oil industry, commercial recreation, transportation, fisheries, and mining.

In FY 07, the median cycle time to issue 184 Land Use Permits remains at 10 weeks. We had the same number of staff as previous years. Although we had turn over and vacancies, other newer staff are becoming more productive with further training investment. The high turnover rate requires extensive training to bring new employees up to full efficiency. This cycle time does not include some of the land use permits that remain in backlogged status for various reasons. The division receive a 59% increase in the number of land use permit applications received.

The division seeks to allow commercial use of state land authorized by Land Use Permits where it can be done in an environmentally responsible manner and land use conflicts can be mitigated. Land use permits are the primary authorizations that allow commercial businesses to operate or use state land for non-permanent improvements that last 5 years or less. Land use permits vary in complexity and demand on staff time. In some

cases, the division must deal with extensive public comment and considerable use conflicts. This variable is very difficult to control. In addition, much staff time is spent dealing with customer requests that are related to land use but may or may not result in a land use permit but are directly related to evaluating and insuring the appropriate use of state land. The current staffing level does not allow adequate field inspections or management of existing land use permits.

Target #2: Process private exclusive easement applications for new sites within 2.0 years and public easements within 12 months of receiving a complete application.

Measure #2: Median time to process private exclusive and public easement applications.

Median Processing Cycle Time

Year	Private Exclusive Issued	Private Cycle Time	Public Issued	Public Cycle Time
2003	6	2 Years	10	32 Months
2004	11	4 Years	50	24 Months
2005	11	8 Years	48	7 Months
2006	9	3.75 Years	45	14.5 Months
2007	7	1.67 Years	46	28 Months

Cycle times are derived from those cases authorized each FY.

Analysis of results and challenges: Staff have issued access authorizations for approximately half the number of easements that were applied for in FY07.

Relatively few private exclusive easements are issued (7 in FY07) because most individuals and businesses do not want to pay for the yearly rental, but they are more challenging to adjudicate because they prohibit other uses. These are generally for mining roads, oil and gas development, entrances to hotels and other specific commercial purposes. Depending on location and nature of proposed use, these can engender substantial public comment and controversy. They require title report, survey and in some instances an appraisal.

The majority of the easements issued are public or non-exclusive easements (46 in FY07), but not necessarily less complex. The majority are more routine and can be processed in less time than private easements. They often require public notice, title research and survey. These can include easements for road and trail access, utilities, waterlines, and other purposes.

In both of these cases the division issues early entry authorizations, often within 1-2 months, that allows some construction to begin, followed by a survey after construction. The easements are often issued once the construction and the survey requirements are fulfilled by the applicant. This can cause delays in issuance even though the use and enjoyment of the land has been obtained. The division has created some easier survey standards for trail easements in order to speed up the processing times. Some of the most routine and non-complex easements can be issued in 2 months.

The cycle time improvement in private easements is only reflective of which applications were processed in FY 07. They are not necessarily processed in a first come first served basis. The public easement cycle times are increasing. Growing demands for legal access and active easement management mixed with increasing complexity of land ownership have exceeded the staff capacity. Encroachments, misuse of easements, blockage of access, and a wide assortment of requests are received weekly by the easement management staff. Another contributor to the increasing backlog is the substantial bottlenecks in the required support functions of title reporting and surveys. New regulations are required to help streamline processing by resolving some of the time consuming work that does not have clear policy. Without additional staff and new regulations, we expect that the cycle times will continue to increase.

As public access is one of the fastest growing and controversial issues the division faces, a substantial amount of effort is required to respond to both applications and the public requests for resolving access conflicts. Without the appropriate legal access preserved, Alaskans can be prevented from accessing private and state land when land ownership patterns change. This has led some that did not have legal access established, to be cut off from their own land or require that they purchase access at a much higher price from subsequent land owners.

Target #3: Enter new mineral location notices into the Land Administration System within 2 weeks of receiving appropriate documentation and payment.

Measure #3: Median number of weeks to enter new mineral location notices into the Land Administration System.

Year	YTD
2002	4 wks
2003	2 wks
2004	2 wks
2005	2 wks
2006	2 wks
2007	3 wks

Analysis of results and challenges: It is very important to mining businesses to quickly get the mineral location notices entered into the case management system called the Land Administration System in order to prevent overstaking. Additionally miners want to see the claims show on the plats at the same time but the LAS entry is required first. The Department made substantial improvements to the processing procedure, customer service options, and information availability in 2002. This has enabled the division to consistently process mining claims.

Target #4: Process 100% of easement vacation requests received.

Measure #4: Percentage of new easement vacation requests processed.

Percentage of Vacation Requests Processed

Year	# Requests Received	# Processed	YTD
2003	41	17	41%
2004	41	11	27%
2005	22	15	68%
2006	30	15	50%
2007	23	17	74%

Analysis of results and challenges: The Division has 83 files that are pending, meaning we are waiting for them to go into agency review, we need more information from the petitioner, we are waiting for a petitioner response, or the plats need to be recorded. Vacation decisions have to gain concurrence from DOT/PF. With the more complex land ownership, receiving a vacation that provides equal or better access is becoming more difficult. After repeated and extended recruitment attempts, we have not been able to fill the vacated position that has the primary responsibility for processing the decisions whether to vacate. This has seriously impeded our ability to process easement vacation requests.

When the division does not process an easement request, private land owners are sometimes prevented from selling or subdividing their land the way they desire. In some cases, vacating an easement can mean the difference between a buildable parcel and one that does not have suitable building space. Under current statutes, there is no reimbursement to the state for the loss of the access right if an easement is vacated even though the land value usually increases from removing the encumbrance.

Target #5: Process upland and tideland leases within 2.5 years of receiving a complete application.

Measure #5: Cycle time to process upland and tideland leases.

Processing Cycle Time

Year	Applications Received	Applications Processed	Processing Cycle Time
2004	21	19	2 Years
2005	30	6	7 Years
2006	27	9	2.1 Years
2007	22	10	3.6 Years

Cycle times derived from those cases processed each FY.

Analysis of results and challenges: Leases require title research, survey and appraisal before issuance of a lease. Occasionally some use can be approved through an early entry authorization while the lease is being adjudicated. Leases vary in complexity and time to complete. Only 10 leases were issued in FY07. We are experiencing a growing backlog of leases that can not be completed with existing staff. As with easements, we also have a bottleneck to reach completion without adequate staffing in surveys and title. We do not expect cycle times to improve without additional staffing. This lengthy cycle time is unacceptable for businesses to make any sort of investment decisions with that type of uncertainty.

A2: Strategy - Monitor authorized activities to insure that regulations and stipulations are followed.

Target #1: 100% of required mineral reclamation is accomplished without significant environmental problems.

Measure #1: Percentage of mineral reclamation projects with uncorrected significant environmental compliance issues.

Percentage of unabated compliance actions

Year	YTD
2003	0%
2004	0%
2005	20%
2006	17%
2007	25%

Analysis of results and challenges: FY07 Results

Notice of Violation: 3 Issued, 3 Abated, 0 Outstanding

Cessation Order: 1 Issued, 1 Abated

Directive: 36 Issued, 27 Abated, 9 Outstanding

The coal program staff closely monitor coal reclamation projects to insure that they meet strict stipulations and standards designed to protect the environment. 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.

Some of the outstanding directives are only because of the timing of the fiscal year. The directives were issued at the end of FY07 and will or have been abated in early FY08.

Target #2: Conduct site inspections of 20% of active land use permits.

Measure #2: Percentage of active land use permits inspected.

Percentage of LUPs inspected

Year	YTD
2002	14%
2003	25%
2004	15%
2005	15%
2006	10%
2007	20%

Analysis of results and challenges: Periodic inspections of a portion of the businesses authorized under land use permits insures better compliance of the stipulations and conditions. Correcting non-compliant actions protects the environment, reduces the state's potential liability, prevents trespass, and prevents social conflicts. Inspecting 20% of the authorized activities is a bare minimum that should be done. In FY07 the division inspected 254 of 1274 land use permits. In some cases, such as when the division permits cross country travel to get equipment to a mining development, it is very important to assess impacts both to protect the environment, and also to refute or confirm accusations about the impact of mining operations. The division currently gets more complaints about non-compliant permittees than we can investigate. Therefore, we need to increase site visits but are unable to do so with current staffing levels. In the highly competitive world of commercial recreation guide services, it is important to insure the legitimate businesses that we will investigate the businesses that are going beyond the authorized use, like putting up structures or staying in camps longer than authorized. Because the same staff conduct field inspections and processes the land use permits, if more time is spent in field inspections, less permits are processed.

B: Result - The use of state land provides either direct or indirect economic benefit to the state.

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

Measure #1: Amount of revenue generated by this component.

CPL Revenues

Year	YTD
2001	\$9.8 M
2002	\$8.5 M
2003	\$8.5 M
2004	\$8.5 M
2005	\$9.9 M
2006	\$9.4 M
2007	\$13 M

Analysis of results and challenges: The Claims, Permits and Leases component brought in more revenue than it costs to operate the component. Most of these revenues go to the general fund with some program receipt authority funding the component. These revenues come from a variety of sources and industries. The figures shown do not include Federal Receipts, Statutory Designated Program Receipts, and Interagency Receipts. It is difficult to capture this data, so it is not shown on a quarterly basis.

B1: Strategy - Generate more revenue than the component costs.

Target #1: 5 out of 19 programs (authorization types) will generate more revenue than they cost to run.

Measure #1: Number of programs that generate more revenue than they cost to run.

Number of profitable programs

Year	YTD
2003	5
2004	6
2005	5
2006	5
2007	6

Analysis of results and challenges: Although profitable as a whole, not every program in this component earns a profit. Some of the programs are very effective and provide sought after services to industry in Alaska yet are not high revenue producers. This shows that less than half of the programs actually carry some of the other programs financially.

The programs that cost less than the revenue produced include Commercial Recreation Permits, Log Transfer Facilities, Set-Net Leases, Mineral Property Management, Placer Mining Applications and Material Sales.

Target #2: Generate \$3.7 million net revenue through processing of mining claims, mineral leases, and annual placer mining applications.

Measure #2: Net revenue generated by mining authorizations.

Net revenue

Year	YTD
2003	\$3.2 M
2004	\$3.7 M
2005	\$3.7 M
2006	\$4.9 M
2007	\$4.0 M

Analysis of results and challenges: The net revenue shown is the gross revenue (\$5.4 M) minus the operating costs (\$1.4 M). Mineral prices continue to be high, encouraging mining activity. Therefore, rentals, royalties, and fees have created increased revenues. The division has begun to collect some of the first royalties from large mines. It is forecasted that mineral activity will remain high.

Target #3: Generate \$186,000 net revenue through processing of material sale applications in FY07.

Measure #3: Net revenue generated by material sale authorizations.

Net revenue

Year	YTD
2003	\$718.3
2004	\$148.2
2005	\$532.4
2006	\$765.9
2007	\$2,235.7

Analysis of results and challenges: Material sales continue to bring in increased revenue. The majority of the revenue is generated by gravel extraction used for construction projects. Oil and gas projects on the North Slope have generally been the largest construction projects using gravel. As exploration and development increase on the North Slope, it is expected to bring in more material sale revenues.

During FY07 the division reassessed the material sale prices statewide and published a new fee schedule as required by statute. This was based on reviews of market costs for materials. All the fees increased. This will

bring in increased revenues in FY08.

C: Result - Manage state land and resources in an environmentally sound manner that sustains current and future use.

Target #1: Authorize 100 miles of ice road construction on the North Slope.

Measure #1: Miles of ice roads authorized and constructed on the North Slope to allow oil and gas exploration and development to be conducted with minimal impact to the tundra.

Miles of Ice Roads Constructed

Year	# of Roads Authorized	Miles Constructed
2004	16	117
2005	11	99
2006	16	113
2007	24	204

Does not include some of the smaller projects.

Analysis of results and challenges: In order to allow heavy machinery to repetitively cross the tundra on the North Slope during the winter for oil and gas development, ice roads must be constructed, distributing the weight of the equipment and protecting the tundra. DMLW staff review conditions before work begins, monitors progress, and often does site inspections the following summer to inspect for damage. DMLW is evaluating various procedures used to construct ice roads in order to determine the method that causes the least impact. DMLW will halt ice road construction if damage is occurring during the construction. Therefore, appropriate ice road construction is essential to not delay oil and gas development and exploration.

C1: Strategy - Identify unauthorized activities and either bring activity into compliance or start trespass case.

Target #1: Resolve trespass cases for all identified illegal activities that are not brought into compliance.

Measure #1: Number of trespass cases resolved.

Number of new trespass cases

Year	New Cases Initiated	Cases Resolved	Backlog	% of Backlog Resolved
2003	14	10	497	0%
2004	21	22	496	.2%
2005	21	11	506	0%
2006	30	28	508	0%
2007	30	16	522	0%

Analysis of results and challenges: The backlog of trespass cases continues to grow as the division does not have sufficient staff or funding to resolve these cases. The same staff do both the land and resource stewardship functions as well as issue authorizations.

Trespass often results in damage to state land and resources, prevention of lawful use of state land, delays land disposals, and is inequitable to Alaskans who legally use state land and resources. In many cases this results in lost revenues to the state. Typical examples of trespass include, unauthorized cabins, road and utility building without easements, long term equipment storage, dumps, abandoned cars, abandoned vessels and airstrip creation.

There are many cases of trespass on state land, often unreported. Even when reported, the cases often are not documented as a case cannot be placed on the land records until there is substantiation with a field visit. Therefore the current inventory of 522 trespass cases is a significant understatement of the amount of unauthorized use of and damage to state land. When reported with enough substantiated information, a trespass file is created to document the illegal use. This information is noted to the plats and public record. Future decisions about use of that land will consider the effects of the trespass. Unfortunately, there is not enough staff or resources to adequately address the majority of the trespass issues. The same staff that process applications for legal use of state land are also responsible for addressing trespass cases. Any work done on

trespass usually delays some form of an authorization from being adjudicated. Therefore, typically the more egregious cases are prosecuted or resolved. This is a very expensive and time consuming process. Trespass cases are closed when the use has been brought into compliance or the damage or use has been removed.

Unaddressed trespass typically encourages further additional trespass by others. Ideally, the division should work through all existing backlog and other non-reported cases to keep the state land and resources in prime condition for use. Unfortunately, the magnitude of the problem is intensifying with the increased population and use of state lands and the existing staff will not be able to get ahead of the growing backlog.

C2: Strategy - Restore, reclaim, or rehabilitate damaged, polluted or abandoned sites.

Target #1: Remove four identified hazardous sites through reclamation efforts.

Measure #1: Number of identified hazardous sites reclaimed.

Number of hazardous sites reclaimed

Year	YTD
2002	10
2003	3
2004	14
2005	9
2006	12
2007	34

Analysis of results and challenges: DMLW has an obligation to manage the state land for sustained use. Hazardous materials contaminating the state land prevents future development and disposals, is a health and safety risk, and a liability. There is a substantial workload associated with cleaning up sites, whether through contractors or by cooperation with other agencies. 15 of the projects are from the efforts of the Abandoned Mine Land Program. This includes the clean up and rehabilitation of non-coal mining properties, often abandoned. This could be hazardous equipment, containers, open adits or pits, and other hazardous remains left by miners. Current mining programs have much tighter regulation of reclamation when mines close.

In addition these figures include sites on state land that had hazardous materials such as petroleum products, batteries, or asbestos. Some are large projects and some are small clean ups that prepare land to be sold. In some cases, the division coordinates with other agencies and funding sources (when available) to clean up sites. The division often inherits from other agencies problem properties with hazards that are returned to DNR as the state land owner. An example would be the old Goose Bay corrections facility (previously a NIKE missile site) that has been cleaned up in FY05/06 at a cost of over \$300.0.

Target #2: Remove 8 shipwrecks and abandoned vessels that restrict the use of state tidelands, shorelands, and submerged lands.

Measure #2: Number of shipwrecks or abandoned vessels removed.

Shipwrecks and abandoned vessels removed

Year	Number of new reported	YTD
2004	8	8
2005	8	7
2006	10	10
2007	28	21

Analysis of results and challenges: Shipwrecks and abandoned vessels encumber the state tidelands, shorelands and submerged lands. Sometimes these vessels also present a hazardous materials risk. Other times contaminants have been removed but the vessel remains because of the high cost for removal. Depending on location, these vessels can prevent other legitimate use of state lands because of their occupancy of state land. They can also pose hazards to navigation. They can have an effect on private property values, block public access along tidelands, and tie up key anchorage locations.

Private vessel owners are responsible for the removal of the vessels. The division works with vessel owners, other agencies and insurance companies to get the vessels removed and properly disposed. The division does not have funding to remove these vessels but commits a substantial amount of staff time coordinating the removal. The division typically only addresses the ones that are the subject of complaints. Often the division must track down the vessel owner and pressure the owner to remove the vessel under the risk of civil action to recover the cost of removal. Sometimes we are able to work with scrap metal companies to arrange for removal at discounted cost or for free.

The backlog has increased slightly, with 62 identified vessels that have not been removed. There are many other unreported vessels. This will continue to be an obligation well into the future.

Key Component Challenges

1. Hiring and retention challenges. Increasingly, we have found it more difficult to recruit and retain qualified people to work for DMLW. The pay and benefits do not compete with federal, municipal, or private agencies. We are finding it exceptionally difficult to hire some job series like surveyors and upper level managers because of the non-competitive salaries. Often positions are recruited multiple times with no success; some remain open for over a year. In addition, many seasoned employees have retired or moved on leaving an inexperienced majority of staff in the journeyman level positions which in turn reduces efficiency due to the steep learning curve. In FY07 the division had a 37% turnover in positions. As the division invests training into new employees, the employees quickly find other higher paying jobs or advance within the department, creating the ripple effect of more hiring and training. This problem of attracting and retaining employees has reached a critical point where some basic services are not being provided to the public, with no expected improvement within the current budget constraints.

2. Compliance and Enforcement. With increased use and development of state land, combined with limited DNR field presence, we are seeing increased unauthorized use of state land and increased trespass. Use of state land for illegal activities such as dumping of trash and junked vehicles, party sites, unauthorized structures and roads, gravel removal, encroachments, blocked easements and other such activities is also increasing. State statutes in most cases do not allow DNR to fine or penalize people for illegal use and trespass. The division must rely on time consuming and expensive civil action, a very ineffective way to gain compliance. The public is aware that the division does not have the staff or appropriate tools to effectively address this problem. As a result, unauthorized uses are increasing and creating a larger workload of problems the staff is required to address. The state is also losing revenue from those unauthorized activities that should be authorized. New statutory and regulatory changes are needed to properly give division employees the tools to effectively deal with compliance issues. The Knik River Public Use Area legislation passed in FY06 is the first legislation that provides this type of authority, albeit for a small area of the state. In addition to the need for enforcement authority, additional staff is needed to address these many issues. The division currently has a backlog of 522 unaddressed trespass cases.

3. Easement and Access Management. The Division of Mining, Land and Water is responsible for permitting, through issuance of easements and other authorizations, and managing public and private access on and across state lands. In addition, that authority includes the management of easements created or accepted by the state that now cross privately owned lands, such as easements created under RS 2477 or access easements along water bodies reserved during municipal conveyances. Creating an easement is only the first step in the Division's responsibilities when it comes to easements. An easement creates far more important and longer lasting management responsibilities. Due to increasing public and private sector demand for access across state land, DMLW is not able to process all requests for such access. As indicated in Performance Measure A. Target 1, overall the division is processing only 71% of all applications it receives and is experiencing a growth in the backlog of unprocessed applications. Staff have issued access authorizations for approximately half the number of easement applications that have been received in FY07. The division currently has a backlog of 696 easement applications. We would like to briefly explain why this backlog has increased and why it is significant.

The Division issues easements for access that range from major transportation and utility corridors that access mineral or oil and gas development to access (trails) used for recreational dog sledding and snow machining. The division issues easements for public, private exclusive, and private non-exclusive use. The division's workload associated with issuing and managing these easements, and public access in general, has increased substantially in recent years. This is due to a number of factors, including:

- increased access that is needed to reach new economic activities on state lands, particularly mining, natural gas exploration, new subdivisions (both private and state), and commercial recreation;
- increased needs for access across state land for economic activity and increased real estate activity on adjacent

- private land;
- increased public recreational use of state land, including increased use of off road vehicles;
- increased concerns from adjacent land owners about the impact of DNR's access policies on their land;
- increased land transfers into private ownership (by the state and federal governments), such as ANCSA and allotment conveyances that result in restrictions on public access;
- increased access demands as a result of DNR's land sales programs
- increased demand for easements in support of erosion control structures in flood plain hazard areas
- increased attention from the sport hunting and fishing community about access to fish and game

At the same time that demands for access are increasing, the process that DMLW's staff must go through to issue easements and the day to day management problems associated with easements and access are becoming more complex and time consuming. Increased uses and access of all types results in greater real and perceived conflicts that staff must resolve.

The two primary challenges that the division faces regarding easement and access issues are:

- 1) providing for the timely, predictable, and efficient issuance of easements that are needed to allow for construction or use of access across state land resulting from increased demands for access from the public and private sectors;
- 2) resolving the increasingly frequent conflicts and other issues associated with the use of state lands for access, especially recreational activities.

Providing for the timely, predictable, and efficient issuance of easements. In general, the amount of staff time required to process individual easement and similar applications has increased significantly in recent years. Some of the easement applications are fairly routine such as most utility easements, while others that involve use conflicts or open up new areas of state land for access and development take much more time. The scope of our work requires complex conflict resolution between user groups, competing uses of state land and with affected private landowners.

When the division fails to process an easement, either the access or utility is not built, or it is built without proper authorization. While the impact of not developing an easement may be clear, developing without completing an authorization is also problematic and is considered a trespass issue that is much more difficult to resolve. When DNR conveys land to the university, municipalities, or in some cases to private ownership, the legal access right (easement) has not been created or reserved. Therefore the access right is not protected in the conveyance documentation to the new land owner, compelling the affected companies to then purchase a right of way from the new land owner at often a much higher cost than if it was first acquired from the state. The Iditarod Trail is a prime example where the Division is managing a project to authorize legal access for the race routes used for the Iditarod and qualifying races.

Resolving the increasingly frequent conflicts associated with the use of state lands for access. The division is being called upon more frequently to resolve conflicts between trail users and it is seeing an increase in instances where the use of public easements have been blocked by adjacent land owners. Or the landowner otherwise disputes the validity of the state created easement. It is also the case that the public will often assert that a right of access exists, when, in fact, no legal easement exists. In addition, because DMLW lacks staff to be pro-active in managing access and appropriate enforcement authority, the division is spending more staff time defending the state's ownership and management of the easement, addressing use conflicts, encroachments, trespass, trash, junked cars, and damaged trail systems (erosion and siltation). This detracts from other division work, including processing of easement applications. As a result of these issues, the division will only be able to process approximately 60% of easement applications and will see its backlog of unprocessed applications increase in FY08.

4. Providing Service to the Mining Industry. As a result of strong metal prices combined with a supportive business climate and regulatory improvements, the state continues to see increases in mining claim staking, mineral exploration and mining activities throughout Alaska and on state lands in particular. The division processed over 7,993 claims in FY07, resulting in more acreage being staked than in any year in the past. Through FY08, we expect to have about 4.3 million acres under mining claims. Today, we have a healthier placer industry and an expanding suite of large hardrock and coal mines. In 2007, Red Dog, Greens Creek, Fort Knox, Pogo, Nixon Fork, and the Usibelli Coal Mine were in production, while the Rock Creek and Kensington Mines were in development. The Chuitna Coal project near Tyonek is expected to begin submitting permit applications in 2008. The division has also seen a renewed interest in coal with 3 exploration permits received for the Western Arctic, Eastern Alaska Range, and in the Matanuska Valley. The large Donlin Creek project is expected to initiate permitting in 2008 and the Pebble project is expected to initiate permitting in 2009. The workload of expanded mining activities in 2005 lead to permitting time for placer mining and mineral exploration activities of up to 4-6 weeks, rather than the desired time frame of 2-3 weeks. Additionally, the technical staff

for permit reviews and site inspections were challenged to provide adequate coverage of mining and mineral exploration activities and a backlog in processing and auditing mining license tax and royalty returns delayed revenue owed to the state. Additional staff positions authorized through an FY2006 budget increment were completely filled and retention has been 100%, enabling the Mining Section to achieve its goals of reduced permit processing times and increased field inspections and technical assistance to miners.

5. Permit/Lease Processing. The division issues land leases to authorize long term uses of state land such as for hunting and fishing camps, commercial recreation facilities, ski areas, oil industry support facilities, and other uses. The division is seeing an increase in the demand for such leases at the same time the public process for issuing these leases is becoming more complex, contentious and time consuming. Some complicated leases take over 6 years for processing (including survey, appraisal, etc.) and many cases are backlogged indefinitely. That length of time is too long for most businesses to plan for. To be responsive to the needs of commerce and industry in a way that protects public resources, the division must improve the processing time required for authorizations and on-the-ground management. 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, through streamlining procedures and processes, and creating new regulations that will standardize some processes and fees. This will account for some reduction in processing times, but for many of the same reasons explained above in easements, without adequate staffing the backlog of incomplete lease cases will increase. The division currently has a backlog of 290 permit applications and 375 lease applications.

Significant Changes in Results to be Delivered in FY2009

The Division expects to see a continued decline in percentage of authorizations processed compared to applications received. The Division may drop as low as processing only 60% of applications received. Increased land base, increased numbers of applications, troubles hiring and retaining staff, the competing demand for staff time to address an assortment of stewardship responsibilities, and the lack of appropriate enforcement/management tools will mix forces to increase the backlog of unprocessed applications. Over the last two years the state has received an additional 3.5 million acres of land with high potential of development without additional staff to manage that land.

The Division has requested an increment for Mining that will directly affect this component. If approved, the division will see increased results in that area. The mining increment provides additional travel funds for mining to increase its mine monitoring program. Staff will be able to make more inspections of authorized mining uses to insure compliance with stipulations from the authorizations that are designed to protect the environment. In addition, the increment will provide additional funds for the coal program because of the expected increase in coal permitting applications. This increment also funds some mining related work under the water component.

The Division will begin work on the Guide Services Initiative under a new increment. The intent is to develop a fair and equitable program that evaluates guide services and the benefit to the state in limiting the number of guides operating in certain game management units. This first phase will be to work with the commercial guides, Department of Law, and others to develop the limitation and evaluation process that will be used to decide who receives permits or leases on state land to provide big game guide services.

Major Component Accomplishments in 2007

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 FY07 the division completed the following:

- Illinois Creek post-closure water quality monitoring and reclamation success monitoring was conducted by ADNR & ADEC staff three times in calendar year 2006 and monitoring equipment was installed in 2007.
- Compliance inspections were completed in 2007 during construction of the Kensington Gold Mine. Mine began construction in 2006.
- Monitored the construction of the Rock Creek Mine, which began construction in August 2006.
- 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 2008.
- Completed advanced exploration permitting for the Niblack Project in July 2007.
- Completed compliance inspections for the Nixon Fork Mine.

- Issued draft permits for the Fort Knox Project and final authorizations for expansion of the mine and construction of a 160 million ton heap leach facility in July 2007.
- Also made progress on important planning and permitting work on: *Chuitna Coal Project, Donlin Creek, and Pebble Copper.*

Mining. In its role in permitting and technical review of placer mining and mineral exploration activities, in 2007 the division completed the review and processing of 366 individual applications and conducted field inspections for permit compliance and technical assistance. A baseline environmental water quality study was initiated in conjunction with the USGS for the Denali Block platinum exploration area.

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 FY07, this work resulted in approximately \$13.4 million dollars in revenue to the state including fees, rents, and royalties, primarily from mining activities. This 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. Of this amount, approximately \$75.1 thousand was allocated to the permanent fund and \$72.0 thousand to the school fund. The cost of this component in FY07 was \$9.3 million. For FY09, the revenue is expected to be \$14.7 million.

Revenue Backlog Project. The Division continues to work through revenue-generating backlogged authorizations. Two positions in the Northern and Southcentral region completed detailed audits on over 40 leases, rights-of-way, and permits. 47 were finished where customers paid a total of \$194,371 in fees, current rents, and back rents. An additional \$494,907 has been identified for collection. In addition, the authorizations also represent over \$82,000 in annual rents that will come in for many years in the future.

Examples of Other Land Management Accomplishments.

- 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 20 destroyed vehicles from Jim Creek.
- Created RSAs with the Department of Public Safety to increase enforcement presence in the Knik River Public use Area (PUA).
- Worked with the public, user groups and legislature to establish and initiate increased management of the Knik River PUA.
- Managed public use pressures in and mitigated trail damage in Denali Tangle Lakes Special Use Area.
- In collaboration with OHMP, designed an expansion plan for the Gustavus material site that incorporates reclamation of depleted pits for salmon habitat enhancement.
- Resolved longstanding easement compliance issues with Enstar for the Beluga gas line.
- Completed the first ever comprehensive mapping project of the Iditarod trail with the goal of establishing legal easements for the entire trail system.
- Investigated and resolved 25 unauthorized structures on federal land scheduled for conveyance to the state. BLM will remove the trespass structures prior to the state accepting title.
- Completed the installation of signs on each mile of the designated trail system in the Denali Tangle Lakes Special Use Area in the ongoing effort to manage trail use.
- Resolved and cleaned up structures and debris on 3 major trespass sites in south-central Alaska. As an example, it cost over \$6,000 to remove one remote abandoned structure.
- Completed a trails survey, laid out new trail alignments and prepared a trail prescription program for trails in the Eska area as a means of resolving trail use conflicts.
- Provided legal access to 11 state disposal areas.
- Implemented a new fee schedule for material sales in Alaska that substantially increased state revenues.
- Improved a document tracking system for the Realty Services Section that allows them to track multiple agency comments on thousands of conveyance documents received from BLM.
- Working with owners and other creative solutions, removed 21 abandoned vessels from state tidelands.
- Worked with user groups to remove a trespass bridge in the Caribou Hills.
- Entered into memorandum of understanding between USFS and State (DNR and DOTPF) on reciprocal easements.
- Successfully resolved clean-up of logs and derelict equipment on tidelands and close-out of expired log storage lease at Mud Bight in Ketchikan.
- Completed decision for tideland lease for Niblack mine.
- Issued a land use permit for meteorological data gathering in preparation for a wind energy project.

- Wood River/Alaska Range: Inspected 10 sites related to commercial guiding, trapping cabins and trespass in the Wood River/Gold King/Alaska Range with the Alaska State Trooper.
- Wind Energy: Issued a land use permit for the collection of meteorological and weather data related to wind energy in the Alaska Range.
- Trespass: Initiated and entered into a resolution agreement for the Hobbs trespass in the West Fork Remote near Chena Hot Springs.
- Ongoing Tundra Travel Monitoring/Data Collection: Collected vegetation disturbance data associated with Conoco Phillips Demonstration Ice Road, Pioneer's Storm and Cronus projects, and Kerr-McGee's Ataruq project.
- Material Sales: Issued a 500,000 yd sale to Pioneer for NS oil and gas development. Issued 3 contracts for DOT projects totaling 1.6 million yards.
- Stampede Road: Conducted numerous field inspections related to DOT/PF's Stampede Road upgrade project. The Division was adjudicating 2 material sale applications and 1 right-of-way application before project funding was eliminated. Numerous public meetings and contacts were initiated and responded to, related to this project.

Statutory and Regulatory Authority

AS 38, AS 29, 11 AAC

Contact Information
<p>Contact: Richard Mylius, Director Phone: (907) 269-8600 Fax: (907) 269-8904 E-mail: dick.mylius@alaska.gov</p>

Claims, Permits & Leases Component Financial Summary

All dollars shown in thousands

	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	7,866.1	8,714.8	9,182.8
72000 Travel	215.7	219.5	251.0
73000 Services	912.4	1,166.5	1,202.7
74000 Commodities	249.7	196.6	197.1
75000 Capital Outlay	14.5	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	9,258.4	10,297.4	10,833.6
Funding Sources:			
1002 Federal Receipts	588.1	877.7	905.2
1003 General Fund Match	189.6	216.2	284.3
1004 General Fund Receipts	3,632.9	3,593.8	3,820.5
1005 General Fund/Program Receipts	2,697.9	2,759.2	2,919.4
1007 Inter-Agency Receipts	169.4	561.7	561.7
1055 Inter-agency/Oil & Hazardous Waste	18.2	19.2	19.2
1061 Capital Improvement Project Receipts	131.9	0.0	0.0
1105 Alaska Permanent Fund Corporation Receipts	1,394.2	1,548.9	1,602.6
1108 Statutory Designated Program Receipts	129.2	376.8	376.8
1154 Shore Fisheries Development Lease Program	307.0	343.9	343.9
Funding Totals	9,258.4	10,297.4	10,833.6

Estimated Revenue Collections

Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	4,010.5	3,880.9	4,059.4
Unrestricted Fund	68515	4,221.7	3,452.8	3,774.6
Unrestricted Total		8,232.2	7,333.7	7,834.0
Restricted Revenues				
Federal Receipts	51010	588.1	877.7	905.2
Interagency Receipts	51015	169.4	561.7	561.7
General Fund Program Receipts	51060	2,697.9	2,759.2	2,919.4
Statutory Designated Program Receipts	51063	129.2	376.8	376.8
Shore Fisheries Development Lease Prog	51074	307.0	343.9	343.9

Estimated Revenue Collections				
Description	Master Revenue Account	FY2007 Actuals	FY2008 Management Plan	FY2009 Governor
Capital Improvement Project Receipts	51200	131.9	0.0	0.0
Permanent Fund Earnings Reserve Account	51373	1,394.2	1,548.9	1,602.6
Interagency Recs./Oil & Hazardous Waste	51395	18.2	19.2	19.2
Restricted Total		5,435.9	6,487.4	6,728.8
Total Estimated Revenues		13,668.1	13,821.1	14,562.8

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2008 Management Plan	6,569.2	877.7	2,850.5	10,297.4
Adjustments which will continue current level of service:				
-ETS Chargeback Redistribution	5.9	0.0	0.0	5.9
-Correct Unrealizable Fund Sources for Salary Adjustments: GGU	59.8	0.0	-59.8	0.0
-FY 09 Bargaining Unit Contract Terms: General Government Unit	264.9	27.5	113.5	405.9
Proposed budget decreases:				
-Implement Year 3 Fiscal Note - Knik River Public Use Area Ch 83, SLA2006 (HB307)	-60.6	0.0	0.0	-60.6
Proposed budget increases:				
-Increased Mining Activity/Coal Regulatory Program	85.0	0.0	0.0	85.0
-Guide Services Initiative Phase 1	100.0	0.0	0.0	100.0
FY2009 Governor	7,024.2	905.2	2,904.2	10,833.6

Claims, Permits & Leases Personal Services Information				
Authorized Positions			Personal Services Costs	
	FY2008 Management Plan	FY2009 Governor		
Full-time	115	115	Annual Salaries	5,920,051
Part-time	0	0	COLA	387,249
Nonpermanent	0	0	Premium Pay	7,755
			Annual Benefits	3,402,268
			<i>Less 5.50% Vacancy Factor</i>	<i>(534,523)</i>
			Lump Sum Premium Pay	0
Totals	115	115	Total Personal Services	9,182,800

Position Classification Summary					
Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accounting Tech I	2	1	0	0	3
Administrative Clerk II	2	0	1	0	3
Administrative Clerk III	1	1	0	0	2
Analyst/Programmer I	1	0	0	0	1
Analyst/Programmer III	2	0	0	0	2
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
Geologist I	0	1	0	0	1
Geologist II	4	1	0	0	5
Geologist III	0	2	0	0	2
Geologist IV	1	1	0	0	2
Geologist V	1	1	0	0	2
Hydrologist I	1	0	0	0	1
Land Survey Asst II	2	0	0	0	2
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
Microfilm/Imaging Oper I	1	0	0	0	1
Microfilm/Imaging Oper III	1	0	0	0	1
Mining Engin Assoc	1	0	0	0	1
Natural Resource Mgr I	4	2	2	0	8
Natural Resource Mgr II	4	2	0	0	6
Natural Resource Mgr III	3	1	1	0	5
Natural Resource Mgr IV	1	0	0	0	1
Natural Resource Spec I	10	1	1	0	12
Natural Resource Spec II	17	9	4	0	30
Natural Resource Spec III	5	3	1	0	9
Natural Resource Tech II	5	0	0	0	5
Supply Technician I	0	1	0	0	1
Totals	77	27	11	0	115