

State of Alaska FY2003 Governor's Operating Budget

Department of Natural Resources

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Department Mission

Develop, conserve, and maximize the use of Alaska's natural resources consistent with the public interest.

Department Goals and Strategies

1. Encourage resource development that creates Alaska jobs and ensures economic growth in all regions of the state.
 - Convey oil and gas rights by conducting four competitive oil and gas lease sales and issuing oil and gas exploration licenses and shallow gas leases.
 - Provide management and oversight for three new oil and gas units, four new participating areas, three unit or participating area expansion/contractions, and 43 plans of development.
 - Sustain Alaska's mineral industry investments by completing geophysical/geological mineral inventory survey of 1,000 square miles of Alaska lands and publish the associated maps.
 - Identify new areas capable of hosting major oil and gas discoveries.
 - Increase Alaska's market share of world exploration dollars and increase mining employment, by continued encouragement and providing services that facilitate development of the mining industry.
 - Transfer title for the Denali Block from BLM to the State to allow for mining activity.
 - Complete the Northern Southeast Area plan that identifies approximately a million acres for timber and other resources development as well as for recreational, habitat and settlement purposes.
 - Facilitate special interagency project reviews through an interagency project team process for such projects as: Pogo Mine, Green's Creek, True North, and Red Dog expansions.
 - Process new mining claims within three weeks of filing; and efficiently administer the existing 50,000 claims; efficiently process 10 new mining leases and 1,000 new mineral prospecting sites.
 - Process over 600 permit applications for commercial and guided recreation use on state park lands.
 - Seek a concession contract operator for adaptive re-use of the historic buildings at Independence Mine State Historic Park as a year around visitor destination.
 - Convey up to 12,000 acres of land to qualifying municipalities, and prepare the process to convey another 60,000 acres in FY04.
 - Generate state revenues and local economic development by offering up to 45.9 million board feet of timber with emphasis on value added products.
 - Increase revenues generated from Alaska Mental Health Trust Lands over time in a manner consistent with trust management principles.
 - Provide an expanded agriculture base by preparing 14 land disposal parcels with 4,200 acres, and continue management of 17 grazing leases opportunities on grassland areas.
 - Process 500 land use permit applications, including commercial guides permits, access to mining claims and logging areas, cross-country travel, placer mining permits, exploration permits, trapping cabin permits, and tideland permits.
 - Process approximately 150 applications for material sales, shore fishery leases, upland and tideland leases, lease renewals, rights-of-way, and interagency land management assignments.
 - Respond to all Native allotment and ANCSA conveyance decisions by the federal government to reserve access to state land.
 - Create employment opportunities in rural Alaska by conducting enhanced geological surveys of Alaska's historical placer mining districts incorporating remote sensing technologies to identify new prospective areas.
 - Process the typical new water right applications within 60 days, the typical new temporary water use authorization within 20 days. Process roughly one-fifth of the priority water right backlog.
 - Utilize local construction contractors to complete 12 park construction projects valued at \$14 million.
 - Continue contracting for private operation of 12 state park facilities and for large concession contracts at three additional sites.

- Continue to diligently audit oil and gas royalty payers.
 - Complete 20 trail projects associated through federally funded National Recreation Trail Grant program.
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2. "Doing it Right": Ensure resource development planning, management and new project approvals are based on 1) sound science, 2) prudent management, and 3) responsive, meaningful public involvement.
- Oversee the construction of three new, and operation of ten existing common carrier petroleum pipelines on the North Slope, and report on the oversight.
 - Collect data and information for land status, hydrology, and geological hazards along the most probable route of a gas pipeline.
 - Protect popular trails of regional significance by securing trail easements from willing private property owners and dedicating those trails on land status plats.
 - Develop draft ground-motion site-response maps and a draft seismic soil-class map for Anchorage for use with building codes to design more earthquake-resistant buildings.
 - Coordinate state oversight of TAPS with the U.S. Bureau of Land Management, to ensure safe, efficient transportation of North Slope oil to market so that TAPS remains available to bring North Slope crude to market.
 - Supervise the safety inspection of approximately 15 dams and test emergency action plans for three high-risk dams.
 - Evaluate areas subject to major hazards like floods, earthquakes, volcanic eruptions, and landslides to help predict likelihood and severity of future major events.
 - Conduct 1,400 produce inspections, including local field inspections, military and commercial; seed certification, and issue certificates for export products.
 - Maintain inventory of historic and archaeological sites for use by developers, land managers and planners.
 - Implement recommendations from the Spruce Bark Beetle Strategy Task Force with other landowners on the Kenai.
 - Coordinate, through the Natural Resource Conservation and Development Board, programs to obtain federal funding for agriculture related conservation and erosion control in Alaska.
 - Complete the master plan revisions for Wood-Tikchik State Park, the Alaska Chilkat Bald Eagle Preserve, and add Chena River State Recreation Area.
 - Provide overall logistical coordination and management for a major expansion of the Alaska Volcano Observatory volcano eruption monitoring capabilities that will improve safety in Alaska's air routes.
 - Support regular meetings of 14 park advisory boards.
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3. Ensure resource sustainability and multiple use, including recreational enjoyment of the resource base.
- Operate 121 state park units and maintain park access for 4.0 million visits.
 - Manage 500-600 wildfires of varying sizes.
 - Reforest all state land harvested for timber.
 - Provide management oversight to 2.6 million acres of legislatively designated public use, recreation areas, trails, and 15 special use areas; and provide co-management oversight of 5.4 million acres of legislatively designated game refuges, critical habitat areas, sanctuaries, and wildlife ranges.
 - Offer 2,500 subdivision parcels of land for sale to Alaskans by lottery and maintain the unsold parcels for sale over-the counter; maintain the existing 2,500 parcel inventory of subdivision parcels for sale to Alaskans; and offer 250 parcels for sale under the remote recreational cabin program ("the stake-it-yourself program").
 - Cooperate with local, state and federal agencies, private and public organizations and individuals to develop and deliver nationally approved, effective, and relevant boating safety education programs, with a focus on children and high-risk boaters.
 - In cooperation with the Alaska State Snowmobile Association, develop and implement a statewide snowmobile & avalanche safety education program.
 - Provide 10 snowmobile trail grants and five safety and education grants to local snowmobile clubs and agencies.
4. Streamline natural resource leasing, sales, and permitting processes.
- Identify information, requirements and time frames necessary for a right-of-way and permits for a gasline from the North Slope to market.
 - Streamline and improve the Recorder's Office operations to better meet the workload and user demand by incorporating current technology, such as the imaging of documents.
 - Consolidate related business operations so that customers can complete all the needed transactions in one

- place; for example, allow new mining claim rental payments at the Recorder's Office.
- Deploy an enterprise Geographic Information System (GIS) based on DNR land records – re-invent the State Status Plat to work as an interactive digital product using relational database. Advance the goal of Enterprise GIS across state agencies.
- Provide DNR staff and the public with a more integrated view of land information by linking the business transactions with the mapping systems on a desktop as much as possible.
- Maintain the state's land database through the notation of 20,000 state resource transactions affecting 6,000 townships; reduce notation cycle time. Make the information available to the public over the Internet.
- Continue efforts to utilize on-line application, notice and receipt of comment for state land sales, land offerings, and permit applications.
- Provide rapid responses to requests for technical assistance or information on engineering geology issues and geologic hazards in Alaska associated with land leases, sales, or permitting processes.
- Move Uniform Commercial Code Filings to a fully electronic and paperless operation; implement new UCC national standards.
- Absorb the three court recording offices into DNR operations and eliminate the dual administration of recording functions in those offices.
- Reduce the cost of interagency reviews by using on-line document access and electronic processing of comments, for example, Annual Placer Mining Applications.

Key Department Issues for FY2002 – 2003

- Making workforce development a priority, to deal with on-going difficulties in recruiting and retention of qualified staff.
- Completion of classification studies of DNR job classes and acquire funding for pay changes.
- Lost and deferred revenues from delayed issuance of oil and gas leases. Delays of up to eight months in issuing oil and gas leases, resulting in equivalent delays in receiving bonus and rental payments -- nearly \$9 million in FY 01.
- Implementation of the Shallow Gas and Exploration Licensing Oil & Gas programs.
- Continue to work with affected owners of property overlying state oil and gas leases proposed for exploration and/or development.
- Transfer of title for the Denali Block from BLM to the State.
- The rate of transferring state lands to municipalities under Municipal Entitlement Program
- Pre-planning for a Natural Gas Pipeline application.
- Parks have \$42 million in deferred maintenance backlog.
- Park operations sufficient to provide safe, clean, and well-maintained facilities for 4.0 million visits.
- Implement HB185: develop a water rights fee system that reflects the reasonable direct cost of processing applications; and ensure that the water rights adjudication system can process typical new water rights within 60 days, and typical temporary water use authorizations within 20 days.
- Strengthen our Water rights administration through changes to legislation, updating of the regulations, information systems, and adjusting staffing to workload.
- Implement the land disposal targets of SB 283, passed in 2000.
- Upgrading of our main database systems such as the Land Administration System and the Land Status Geographic Information System.
- Applying modern information technology to expand, organize, preserve, and disseminate the geologic resource knowledge base of Alaska.
- Expansion of customer service by accepting mining rental payments in the recording office, eliminating an extra stop for the miners.
- Bringing the remaining three court recording offices under DNR administration.
- Limitation of forest management options due to weak markets, especially in bark beetle areas.
- Review of Region II (south-central Alaska) forest practices standards for riparian management.
- Administration and recordation of RS2477 rights-of-way.
- Protect public access to key recreational trails and recreation areas of state and regional significance.
- Implementation of boating and snowmobile/avalanche safety programs to reduce outdoor recreation related fatalities.
- The renewal of the right-of-way lease for TAPS, for a large number of facilities ancillary to TAPS, and for five common carrier pipelines on the North Slope due to expire in less than three years.

- Pending are assignments for the Alpine Oil Pipeline Right-of-Way Lease and Milne Point pipeline right-of-way leases. Also pending are guaranties for the Milne Point pipelines, Northstar pipelines, Badami pipelines, and Endicott Pipeline.
Working with the Lessees on the as-builts for Badami, Alpine and Northstar as required in the AS 38.35 pipeline right-of-way leases.
- Settlement of the School Trust Lands valuation issue to determine the appropriate amount to be deposited into the School Trust Fund annually.
- Erosion of the Agricultural Revolving Loan Fund through funding of non-ARLF functions in the state budget.
- Management, review, and termination of Sec. 17(b) of ANCSA easements to Alaska Native corporations.
- Initiation of the construction at the Plant Material Center of Seed Lab and Post Entry Plant Quarantine Facility funded through USDA.
- Plan for, possibly negotiate and implement a North Slope royalty in-kind natural gas sale in response to proposals for North Slope gas pipelines.
- Begin environmental review, begin trail design, and identify the preferred route for the Upper Copper River Trail.
- Sustaining the Park volunteer/campground host program in light of a national downturn in available campground hosts.

Major Department Accomplishments in 2001

1. Encourage resource development that creates Alaska jobs and ensures economic growth in all regions of the state.
 - Collected and accounted for \$1.1 billion in O&G royalty, settlement, rental, federal share and bonus revenues.
 - Leased 1.8 million acres in five oil and gas lease sales.
 - Issued the first exploration license, totaling 318,756 acres. Issued the first four shallow natural gas leases totaling 23,040 acres.
 - Provided technical and policy support to the Governor's gas pipeline policy group and the Legislature's gas pipeline review committees.
 - Exploratory drilling from the newly installed Osprey Platform in Cook Inlet resulted in estimated recoverable reserves of up to 50 million bbls.
 - Permitting of 1,465 square miles of 3D seismic lines shot on the North Slope, about 3½ times the amount shot the previous year.
 - First oil from the Alpine Field in December 2000.
 - Six right-of-way leases for pipelines have been executed in the last two years, reducing the number of pending applications and increasing the number of pipeline operations that the department oversees to 18.
 - Offered approximately 3,000 acres of land to individuals in 294 parcels of which 210 parcels were sold.
 - Disposed of 6,445 acres of ARLF agricultural property for \$2.25 million; disposed of 5,080 acres of agricultural interest land for \$1.38 million.
 - Transferred 16,677 acres of land to 10 municipalities under municipal entitlement laws.
 - Local contractors completed \$4.1 million in construction at 16 Parks recreation facilities.
 - Generated \$365.0 from sale of forest products, offered ~ 35.7 million board feet of timber, sold 65 timber sales, administered 156 active sales, issued 458 personal use wood permits, and replanted 1,671 acres.
 - Increased revenues generated from Alaska Mental Health Trust Lands from \$3.7 million to \$7.2 million.
 - Acquired and made available to the public geophysical maps and data for 1,032 square miles of prospective mineral terrains in southwest Alaska.
 - Prudhoe Bay West End development permitted, and two new drill sites and related pipelines constructed.
 - Completed 800 square miles of geologic mapping in prospective mineral and oil and gas terrains.
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2. "Doing it Right": Ensure resource development planning, management and new project approvals are based on 1) sound science, 2) prudent management, and 3) responsive, meaningful public involvement.
 - Provided technical and policy support to the Governor's gas pipeline policy group and the Legislature's gas pipeline review committees.
 - pipeline review committees.
 - Continued legal and permitting activities leading to commencement of drilling and production from the Northstar field. Drilling commenced at the Northstar production island in the Beaufort Sea.
 - field Drilling commenced at the Northstar production island in the Beaufort Sea.
 - Twenty-five winter exploration well approvals issued.
 - Permitted the Meltwater North field development.
 - Conducted a statewide "Firewise" conference to reduce fire dangers around private residences.
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3. Ensure resource sustainability and multiple use, including recreational enjoyment of the resource base.
 Collected \$2.3 million in park user fees and provided recreational opportunities for 4.0 million park visits.
- Completed the first recreational trail easement acquisition for a trail of regional significance with the University of Alaska at Clam Gulch for snowmobile trail access to the Caribou Hills.
 - Working with the Alaska Marine Safety Education Association, developed Alaska's first nationally approved boating safety education training course.
 - Provided 13 Snowmobile and 33 National Recreation Trail grants to local clubs and government agencies.
 - 700 Park volunteers contributed almost 100,000 hours of service.
 - Provided grants to 12 communities for tree planting, conservation education, and program development.
 - Trained 13 tree stewards in Fairbanks to provide volunteer tree care to community trees.
 - Awarded \$131,282 in grants to six ANCSA corporations for forest stewardship plans on 30,022 acres, and completed 37 forest stewardship plans for individual landowners on 2,399 acres.
 - Managed and responded to a total of 299 wildland fire occurrences on 134 million acres.
 - Through collaboration with NASA guided the acquisition of high-resolution digital elevation data for the proposed natural gas pipeline corridor between Fairbanks and the Yukon, Canada border.
 - Utilized the Tazlina Type 1, and Matsu and Kenai EFF Crews for hazard tree removal, firebreak improvement, and other hazard fuel work reducing the potential of a serious wildland fire on the Hillside are in the Municipality of Anchorage and on the Kenai Peninsula.
 - Issued the first four shallow natural gas leases, totaling 23,040 acres.
 - Collaborated with the U. S. Geological Survey and the University of Alaska to expand the Alaska Volcano eruption-monitoring network from 20 to 21 volcanoes with the addition of Great Sitkin Volcano near Adak.
4. Streamline natural resource leasing, sales, and permitting processes.
 The Recorder's Office initiated a digital document imaging and bar-code system; replaced their microfiche document system; and provided public access via the Internet to statewide recording and Uniform Commercial Code index.
- Eliminated the Mining Claim backlog through computerized processing business changes and new information systems.
 - Reinstated platting of State Prospecting Permits using automation.
 - Combined Federal land plats and surveys with state platting and survey system; ~ 100,000 plats available on-line, eliminating the need for aperture card distribution and filings.
 - Made all Division of Geological and Geophysical Surveys geologic maps and reports available on-line, eliminating the need to order printed copies or to be on site to use the documents.

Governor's Key Department-wide Performance Measures for FY2003

Measure:

Commissioner's Office - The revenue generated by the development and sale of natural resources.
 Sec 108(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

In FY01 \$1.1 billion was received in total revenues.

Benchmark Comparisons:

There is no specific benchmark as we try to maximize the revenues to the state given the price of the commodity.

Background and Strategies:

The department's mission is to develop, conserve, and enhance natural resources for present and future Alaskans. This means that we try to meet the demand of the resource development in a responsible way and optimize our return in today's market but also by keeping an eye out for the future.

Measure:

Recorder's Office - The percentage of maintained daily entry and weekly verification of the on-line grantor/grantee and location indexing process for all documents accepted in the recorder's offices.
Sec 108(b)(2) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Current status: During FY01 the mission and measures for the Recorder's Office were changed by the legislature to reflect the fact that it is unrealistic to achieve full input and verification functions in all offices on the same day that documents are recorded due to the number of remote office locations. Because the new measure (shown above) differs substantially from the indexing measure utilized in the prior three quarters of FY01, the following percentages are provided based only on fourth quarter compliance with the revised indexing measure.

During the fourth quarter of FY01 **the objective of daily input was performed** as follows against a target of 100%:

UCC Central 97%; Fairbanks 95%; Ketchikan 92%; Bethel 92%; Sitka 98%; Anchorage 27%; Palmer 86%; Kenai 97%; and Homer 97%;

Meeting the target were: Juneau 100%; Nome 100%; and Kodiak 100%.

During the fourth quarter of FY01 **the objective of weekly verification completion** was performed as follows against a target of 100%:

Bethel 98%; Nome 97%; and Anchorage 98%;

Meeting the target were: UCC Central 100%; Fairbanks 100%; Juneau 100%; Ketchikan 100%; Sitka 100%; Palmer 100%; Kenai 100%; Homer 100%; and Kodiak 100%.

Benchmark Comparisons:

Many recording facilities in other jurisdictions are able to meet this daily indexing goal as a result of implementing imaging technology.

Background and Strategies:

In order to provide the greatest service to the public, indexing of the public record information needs to be fully complete at the end of each business day. Many recording facilities in other jurisdictions are able to meet this daily indexing goal as a result of implementing imaging technology. Our new indexing system implemented in 1999 allows indexing information to be made available to the public upon input (our prior system did not contain this feature). The Anchorage office has had the most difficulty meeting the daily input standard due to near record high recording volumes.

A new indexing system implemented in 1999 enabled the component to resolve the massive indexing backlogs that had accrued under the prior system while still processing incoming work at peak levels. Throughout FY00 and FY01, significant improvement occurred in meeting this performance objective. Factors preventing 100 percent compliance in all locations included near record recording volumes, staff shortages, late day recordings, lengthy legal descriptions, communication line problems, heavy customer traffic, and late mail deliveries. While the component has no control over the volume of incoming work, it will continue to strive for improvements in this area.

Measure:

The annual volume of state timber offered for in-state companies and converted to value-added products.
Sec 110(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:Target:

32.5 MMBF offered for in-state companies and converted value-added products.

Progress:

From FY97 through FY01, DNR sold over 240 timber sales to more than 120 different in-state purchasers to be processed wholly or partially in-state. These sales totaled over 80 MMBF of timber (see table).

Area	Number of state timber sales to Alaskan businesses					Total FY97-01	# Different Purchasers
	FY 97	FY 98	FY 99	FY 00	FY 01		
Southern SE	17	25	14	13	6	75	36
Northern SE	1	7	1	5	13	27	15
Kenai-Kodiak	0	0	1	4	0	5	4
MatSu/SW	4	2	1	4	6	17	10
Fairbanks	21	10	10	19	21	81	46
Delta	7	7	4	10	8	36	14
Tok	0	0	1	4	2	7	6
Statewide Total	50	51	32	59	56	248	128

Note: Some purchasers bought timber from more than one area, therefore the statewide total for the number of different purchasers is less than the sum of the areas.

Benchmark Comparisons:

There is no standard for this measure.

Background and Strategies:

The DNR timber sale program focuses on supporting Alaskan jobs by making timber available for local processors. Competitive and negotiated sales are offered in sizes and locations needed by local processors throughout the state. In Southern Southeast Alaska, all offerings were sold. In most other areas, more timber was offered than was sold. Unsold timber remains available over-the-counter or is re-offered.

Some state timber is exported. Salvaged wood in spruce bark beetle areas will mostly go to export chip markets. A portion of the timber in Southern Southeast value-added sales is pulp or utility wood with no local market. The pulp and utility wood may be exported, while the higher-grade wood is processed in-state.

Measure:

The percentage of fires in full and critical protection categories that are held to less than 10 acres. Sec 110(b)(7) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

Target:

Contain 90% of fires in full and critical protection categories at 10 acres or less.

Progress:

First quarter FY02 on track. In fire season 2001, 271 of 277 fires (99%) of fires in full and critical protection were kept to 10 acres or less. In fire season 2000, 236 of 241 fires (98%) reached the target.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

The Division of Forestry responds to an average of 423 wildland fires annually in its protection area with the exact number and location being unknowns. The most cost-effective response requires adequate preparedness and

coordination with the Division's numerous cooperators. The occurrence of wildland/urban interface fires will continue to increase as the population moves to the wooded areas of the state, climatic changes result in longer fire seasons, and serious insect/disease infestations add to the hazardous fuels problem.

Strategies include providing immediate, aggressive initial attack in coordination with cooperating local government, structure fire departments and federal agencies. This strategy includes creating and maintaining cooperative agreements to enhance initial attack response effectiveness. Additional strategies include media coverage of fires to expand public awareness of the impact of human caused fires, support of fire prevention activities, and increased public education on how to create survivable space around private property.

Measure:

Oil & Gas - The number of resident and nonresident private sector jobs in the oil and gas industry in the state.
Sec 111(b)(4) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

According to the State Department of Labor, the statistics on employment in Alaska for oil and gas extraction have increased. Below are annual averages since 1998:

2001 (Jan-Aug)	11,200
2000	10,300
1999	9,400
1998	9,300

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

These figures are available at this site:

http://www.labor.state.ak.us/research/emp_ue/ak95prs.htm

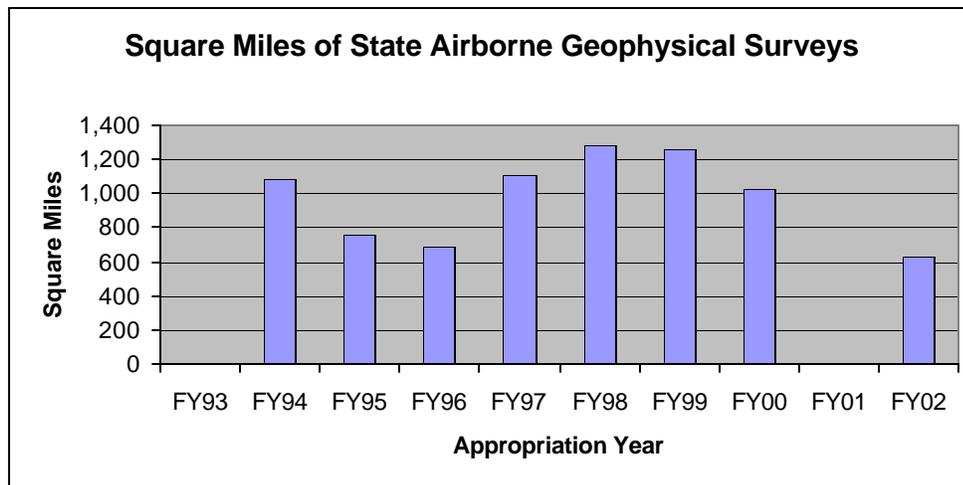
Measure:

Geological Development - The number of completed geophysical/geological mineral surveys of at least 1000 square miles of Alaska land.
Sec 113(b)(3) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

The 1000 square mile is a challenging target given the staff size and funding available to DGGs. In FY2001, DGGs completed 1240 square miles of federally sponsored airborne geophysical surveys and 808 square miles of geological ground-truth mapping.

Because of an approximately 40 percent increase in the cost of airborne geophysical contracts, DGGs will be able to secure only 630 square miles of new airborne geophysical data on state land in 2002. DGGs is on track to release 1000 square miles of combined mineral and energy ground-truth geologic mapping in 2002.

**Benchmark Comparisons:**

There is no benchmark for this measure.

Background and Strategies:

DGGS intends to maintain this performance measure unchanged for FY2003. We are pursuing complementary federal funding and cooperative agreements with federal agencies in an attempt to acquire resources needed to increase the square miles of geologic ground-truth mapping in geophysical survey tracts that can be completed in a fiscal year. The magnitude of the square miles of airborne geophysical surveys that can be completed in one year is a function of CIP appropriations. A tract of 1000 square miles is in good balance with historic funding, public expectations, and a level of commitment that is effective in catalyzing investment in Alaska's mineral industry. Costs of conducting both airborne geophysical surveys and ground-truth geologic surveys have escalated sharply in the last 18 months, in large part because of increased helicopter contract costs. In FY01 the airborne geophysical CIP appropriation was below the threshold needed to conduct a cost efficient survey. Thus no predominantly state-owned mineral tract was surveyed in FY01. DGGS was able to secure a commitment of federal funds to geophysically survey about 1240 square miles of a mixed ownership (federal - Native Corporation - state) land in southwest Alaska. Because of the ownership pattern of that land, however, we do not believe that this airborne geophysical data will have the same impact on exploration investment, as would a survey over predominantly state lands where access is more open and right of tenure is more certain.

Measure:

Parks Management - The level of deferred maintenance in state parks.
Sec 114(b)(5) Ch 90 SLA 2001(HB 250)

Alaska's Target & Progress:

To steadily reduce the identified \$42 million in deferred maintenance and ADA upgrades in the park system.

Inventory of Deferred Maintenance in state parks:

1998 - \$35 million in deferred maintenance identified in division facility summary
2001 - \$42 million in deferred maintenance identified in division facility summary

Funding to address this Deferred Maintenance:

1996 - No funds for maintenance
1997 - \$150.0 in CIP for emergency repairs
1998 - \$200.0 in CIP for emergency repairs
1999 - \$200.0 in CIP for emergency repairs
2000 - \$200.0 in CIP for emergency repairs
2001 - \$286.0 in CIP for emergency repairs
2001 - \$168.0 in CIP for Park upgrades

2002 - \$286.0 in CIP for emergency repairs

At the current rate of funding our inventory of deferred maintenance will continue to grow.

Benchmark Comparisons:

There is no benchmark for this measure.

Background and Strategies:

Parks has been unable to address this growing backlog due to lack of CIP funds. For the years 1996 to 2002, Parks averaged only \$212.0 annually in the capital budget for deferred maintenance and then only for those repairs tied to health and human safety. Some facilities that are along a highway corridor can be upgraded with Federal Highway - TEA 21 funds so long as we fit the TEA 21 criteria. Campgrounds CANNOT be built or upgraded with TEA 21 funds. Parks has been successful in addressing some of its needs through this channel and will continue to do so. Facilities that involve powerboat and angler access can be fixed with our partnership with ADF&G for federal sportfish access funds for boat launch ramps.

Funds from TEA 21 and ADF&G, however, do not cover the majority of our deferred maintenance needs. Parks needs significant funds dedicated to this problem. The use of federal Land & water Conservation fund moneys can only be used for facility development if the state provides a 50% match. In addition to LWCF, Parks could address these problems through funds raised by bonds.

Department Budget Summary by BRU

All dollars in thousands

Formula Expenditures	FY2001 Actuals				FY2002 Authorized				FY2003 Governor			
	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds	General Funds	Federal Funds	Other Funds	Total Funds
None.												
Non-Formula Expenditures												
Management and Administration	2,035.7	0.0	1,961.4	3,997.1	2,058.1	150.4	2,575.5	4,784.0	2,107.1	151.0	2,168.8	4,426.9
Information/Data Management	4,568.8	58.4	753.1	5,380.3	2,198.7	30.6	3,322.0	5,551.3	2,232.6	230.9	3,934.5	6,398.0
Resource Development	999.7	0.0	1,496.1	2,495.8	294.3	0.0	1,733.2	2,027.5	294.3	0.0	1,733.2	2,027.5
Forestry Management and Develop	6,971.0	867.3	2,227.0	10,065.3	7,020.1	1,161.9	753.7	8,935.7	7,133.2	1,175.4	1,047.4	9,356.0
Oil and Gas Development	4,003.1	27.1	3,655.2	7,685.4	4,235.0	180.5	4,861.8	9,277.3	4,886.7	182.2	7,148.9	12,217.8
Minerals, Land, and Water Dev.	9,761.4	1,858.4	3,448.8	15,068.6	9,447.0	2,294.0	4,684.6	16,425.6	9,887.1	2,326.9	5,090.2	17,304.2
Parks & Recreation Mgmt	5,687.0	122.0	3,535.8	9,344.8	5,750.1	399.9	2,912.9	9,062.9	6,599.6	403.8	3,084.8	10,088.2
Agricultural Development	9.1	1,146.5	1,378.1	2,533.7	16.0	1,676.9	1,670.2	3,363.1	26.0	2,055.9	1,728.4	3,810.3
Agr Revolving Loan Pgm Admin	0.0	0.0	565.0	565.0	0.0	0.0	707.9	707.9	0.0	0.0	743.9	743.9
Statehood Defense	99.4	0.0	0.0	99.4	115.0	0.0	0.0	115.0	415.0	0.0	0.0	415.0
Facilities Maintenance	1,349.8	0.0	192.7	1,542.5	1,372.2	0.0	1,103.2	2,475.4	1,372.2	0.0	1,204.8	2,577.0
Statewide Fire Suppression	14,259.6	10,072.1	18.5	24,350.2	3,195.9	7,321.0	0.0	10,516.9	3,229.6	7,321.8	0.0	10,551.4
Language Section Appropriations	449.9	0.0	15.3	465.2	0.0	0.0	325.4	325.4	0.0	0.0	0.0	0.0
Totals	50,194.5	14,151.8	19,247.0	83,593.3	35,702.4	13,215.2	24,650.4	73,568.0	38,183.4	13,847.9	27,884.9	79,916.2

Funding Source Summary

All dollars in thousands

Funding Sources	FY2001 Actuals	FY2002 Authorized	FY2003 Governor
1002 Federal Receipts	14,151.8	13,215.2	13,847.9
1003 General Fund Match	408.3	415.2	422.1
1004 General Fund Receipts	42,847.8	30,718.3	32,869.1
1005 General Fund/Program Receipts	6,938.4	4,568.9	4,892.2
1007 Inter-Agency Receipts	5,857.8	4,694.5	5,052.6
1018 Exxon Valdez Oil Spill Settlement	811.5	1,596.4	1,075.3
1021 Agricultural Loan Fund	1,576.9	1,846.9	1,906.5
1053 Investment Loss Trust Fund	303.5		
1055 Inter-agency/Oil & Hazardous Waste	29.5	95.8	97.3
1061 Capital Improvement Project Receipts	3,318.6	2,843.2	5,260.7
1066 Public School Fund	15.3	325.4	
1092 Mental Health Trust Authority Authorized Receipts	762.1	983.2	983.2
1105 Alaska Permanent Fund Corporation Receipts	1,065.5	2,129.0	2,153.3
1108 Statutory Designated Program Receipts	3,549.4	4,652.0	4,427.3
1114 Exxon Valdez Oil Spill Restoration Fund	47.9		
1153 State Land Disposal Income Fund	1,909.0	2,601.0	3,022.4
1154 Shore Fisheries Development Lease Program			308.0
1155 Timber Sale Receipts		280.0	330.7
1156 Receipt Supported Services		2,603.0	3,267.6
Totals	83,593.3	73,568.0	79,916.2

Position Summary

Funding Sources	FY2002 Authorized	FY2003 Governor
Permanent Full Time	579	656
Permanent Part Time	237	235
Non Permanent	93	101
Totals	909	992

FY2003 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Land Use Data Base System Upgrade for Improved Access	390,000	0	0	390,000
Land and Water Conservation Grants for State Parks Upgrades	500,000	500,000	0	1,000,000
State Park Emergency Repairs	250,000	0	0	250,000
Seismic Data Acquisition and Interpretation to Promote Oil Exploration and Leasing	155,000	0	0	155,000
Oil and Gas Electronic Signature for Lease Assignments and Payments	150,000	0	0	150,000
Oil and Gas Leasing and Unit Database and Mapping Upgrade	410,000	0	0	410,000
Fire Truck Replacements	400,000	0	0	400,000
Snowmachine Trail Development and Program Grants	200,000	0	0	200,000
Airborne Geological and Geophysical Mineral Inventory	500,000	0	0	500,000
Alaska Boating Safety	200,000	600,000	0	800,000
Kenai River Boat Wake Erosion Study	200,000	0	0	200,000
Fire Suppression Retardant Equipment Upgrades	250,000	0	0	250,000
Oil & Gas Document Imaging	200,000	0	0	200,000
Forest Inventory for Timber Sale Planning in Southern Southeast Area	100,000	0	0	100,000
Recorder's Office Equipment Upgrades and Records Preservation	0	0	300,000	300,000
Recorder's Office Imaging of Prior Five Years' Index for Customers	0	0	200,000	200,000
Alaska Minerals Information At Risk Program: Mining and Land Records Integration	0	650,000	0	650,000
Aquatic Farming Site Identification	0	0	144,600	144,600
Historic Preservation and Restoration Projects - United States Army Public Works Program	0	600,000	0	600,000
National Historic Preservation Fund Federal Grant Program	50,000	1,200,000	0	1,250,000
Independence Mine Historic Preservation Grant for Building Restoration	0	1,500,000	0	1,500,000
Mental Health Trust Land Development	0	0	800,000	800,000
Abandoned Mine Lands Reclamation Federal Program	0	1,600,000	0	1,600,000
Parcel Purchases by Exxon Valdez Oil Spill Trustees	0	0	291,000	291,000
National Fire Plan Federal Initiative	0	1,200,000	0	1,200,000
Promoting Agriculture in Alaska	0	295,000	0	295,000
Forest Legacy Federal Grant Program	0	500,000	0	500,000
Land and Water Conservation Fund Federal Grants	0	500,000	0	500,000
National Recreational Trails Federal Program	0	695,000	0	695,000
Department Total	3,955,000	9,840,000	1,735,600	15,530,600

This is an appropriation level summary only. For allocations and the full project details see the capital budget.

Overview of Departmental Budget Changes

The following are the key proposed budget increases:

Oil and Gas Development component - \$750.4 GF:

Oil Safety and Development Initiative - \$500.0 GF:

DNR's participation in this initiative are by Oil & Gas and Mining, Land and Water staff for the following activities:

- Due to competitive areawide leasing, the addition of the exploration license program, and the unexpected popularity of the shallow gas-leasing program, it is currently taking the division up to a year to conduct title reviews and issue leases. The division's goal is to be able to issue leases 3-4 months following a lease sale or receipt of application.
- Shallow gas leases are currently being issued in areas where there are dense numbers of surface owners. This could lead to potential conflicts between surface owners and industry, which can be mitigated, in part, through public education and the division taking a more visible role in conducting on-site inspections. With additional staff requested, the division expects to be more proactive in conducting inspections on the Kenai Peninsula and the Mat-Su Valley.

Oil and Gas Royalty Valuation - \$250.4 GF

Over the last year, the division's commercial workload increased substantially as the division initiated renegotiations of existing royalty settlement agreements, delved into gasline issues, and sought to resolve long-standing royalty disputes. Central to these issues are pipeline tariffs. Small differences in the allowed tariffs on state royalty production means millions of dollars differences in the amount of royalty dollars received by the state. For example, a five-cent per barrel change in the TAPS tariff means a difference of \$40 million per year to the state treasury. Understanding and negotiating these tariffs is a very specific professional skill. The division requires pipeline expertise for the potential North Slope gas pipeline and several common carrier pipelines including TAPS, Northstar, Alpine, and the Milne Point products pipeline, as well as new pipelines constructed to carry production from new fields.

Minerals, Land, and Water Development BRU - \$350.0 GF:

Denali Block Mgt - Claims, Permits and Leases Component - \$160.0 GF

The Denali Block is the unofficial name given to about 5 million acres of largely federal land along the Denali Highway between Paxson and Cantwell. Over the last few years there has been a great deal of mineral exploration in the area that indicate the potential for a significant deposit of platinum. The area is also used for recreation and camping and is important for sport hunting and subsistence. The Denali Block also includes the Tangle Lakes Archaeological district, containing more than 400 sites. DNR has placed 235,000 acres (less than 5% of the total area) on its conveyance priority list to accelerate mineral exploration. With ownership of this land, however, comes the responsibility to actively manage the land.

Oil Safety and Development Initiative - Claims, Permits and Leases Component - \$110.0 GF

The Division of Mining, Land & Water is an active participant in the management of oil and gas leases and actively manages the surface activities outside of the lease boundaries. In addition to other O&G activity, DNR received over 300 shallow gas applications last year. Many of these applications are in more urban settings, creating conflicts with use. With the introduction of Shallow Gas Leasing and the expansion of exploration into new and more remote areas of the North Slope, current staffing levels are inadequate to address these programs.

Oil Safety and Development Initiative - Title Acquisition & Defense Component - \$80.0 GF

The state may only lease land where it owns the subsurface rights. Therefore, before a lease may be issued in accordance with AS 38.05.180(f) and (m), DNR must conduct a title search. With current staffing DMLW has a 6-month backlog for O&G lease sale title reports. With the addition of one Natural Resource Officer II, the division will be able to stay on track with DNR's scheduled O&G activities.

Parks & Recreation Management component - \$760.9 GF:

Parks Improved Maintenance, Safety, and Fee Collection - \$700.0 (450.0 GF, \$250.0 GFPR)

Parks has reached a critical juncture where they can no longer provide adequate staffing and maintenance attention necessary to keep the parks safe and clean. Existing park operations and maintenance staff, 57% of whom work less

than 12 months, are unable to keep up. This has led to a reduced ability to manage volunteers. It creates a challenge for safeguarding user fees. And it forces critical staff to often work alone.

The maintenance needs of park facilities and fee collection will be improved. The maintenance needs that will be addressed include painting of outhouses, picnic tables, and other structures, maintenance on water systems and wells, clearing hiking and ATV trails, and fixing leaking roofs. Additional support is included for collecting, counting, and safe guarding fees in Mat-Su, Kenai, and Fairbanks where existing staff cannot keep up with the increase dollars raised through park user fees.

Parks two-way radio circuit increases - \$40.7 GF

- **Parks fuel cost increases \$20.2 GF**
-

Statehood Defense BRU - RS 2477 Easement Management - \$300.0 GF:

This request is in response to significant public demand for DNR action following passage of AS 19.30.400-.415. Conflicts among users and landowners of the more than 650 known RS 2477 rights-of-way is an increasing problem. Resolution is time-consuming. In addition, the law requires that DNR use great care in vacating an RS 2477 right-of-way. In practice, this often involves lengthy interviews with landowners, surveyors, and other interested parties to determine: 1) Whether an RS 2477 has been asserted or if not, whether evidence indicates that a public right exists; 2) how certain the physical location is and whether a survey needs to be performed (surveys require DNR review and approval); and 3) whether the owners want a realignment of the right-of-way (on their own property) or to vacate the right-of-way altogether.

Other GF changes are:

Agricultural Development component - Increase in Soil & Water Board expenses - \$10.0 GF.

- Switch in Water Development component program from GF(\$84.0) to Receipt Supported Services \$84.0.
-

Key budget decreases are in:

Management and Administration - EVOS Trustee Council Projects - (\$528.2) EVOS Funds.

Resource Development - Mental Health Lands Administration - (\$20.2) MHTAAR Funds.

For all non-general funded budget changes see individual component write-ups for more detail. The summary of key changes are:

Recorder's Office Component:

- Taking over the remaining three Court Offices - \$60.0 Receipt Supported Services.
- Data Base Administration and IT support - \$80.0 Receipt Supported Services.
- Facilities Rent payments - \$266.2 Receipts Supported Services.
- Classification of Recorder's Series - State Internal Alignment - \$120.0 Receipt Supported Services.

Information Resource Management Component:

- BLM's Integrated Data Framework for Electronic Delivery - \$200.0 Federal Funds.

Forest Management Component:

- Overcoming Barriers to Value-Added Timber Sales - \$50.0 Timber Receipts.
- Hazard Fuels Assessment and Mitigation Projects - \$230.0 (\$60.0 I/A, and \$170.0 CIP).

Water Management Component:

- Dam Safety Projects - \$45.0 SDPR reimbursement from applicants.
- Dam Safety - FEMA - \$10.0 Federal Funds.

Land Sales & Municipal Entitlements Component:

- Increase the rate of transfer of state land to Municipalities - \$210.0 Land Disposal Income Fund.

Parks Management Component:

- Increase participation in the F&G Dingle Johnson Grant projects - \$115.0 I/A.

North Latitude Plant Material Center Component:

- Alaska Seed Grower Assistance Program - \$350.0 Federal Receipts.

Summary of Department Budget Changes by BRU

From FY2002 Authorized to FY2003 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2002 Authorized	35,702.4	13,215.2	24,650.4	73,568.0
Adjustments which will continue current level of service:				
-Management and Administration	49.0	0.6	31.5	81.1
-Information/Data Management	33.9	0.3	66.3	100.5
-Resource Development	0.0	0.0	20.2	20.2
-Forestry Management and Develop	113.1	13.5	13.7	140.3
-Oil and Gas Development	-98.7	1.7	96.8	-0.2
-Minerals, Land, and Water Dev.	90.1	22.9	154.8	267.8
-Parks & Recreation Mgmt	88.6	3.9	56.9	149.4
-Agricultural Development	0.0	29.0	32.8	61.8
-Agr Revolving Loan Pgm Admin	0.0	0.0	6.0	6.0
-Statewide Fire Suppression	33.7	0.8	0.0	34.5
-Language Section Appropriations	0.0	0.0	-325.4	-325.4
Proposed budget decreases:				
-Management and Administration	0.0	0.0	-528.2	-528.2
-Resource Development	0.0	0.0	-20.2	-20.2
-Minerals, Land, and Water Dev.	0.0	0.0	-58.0	-58.0
Proposed budget increases:				
-Management and Administration	0.0	0.0	90.0	90.0
-Information/Data Management	0.0	200.0	546.2	746.2
-Forestry Management and Develop	0.0	0.0	280.0	280.0
-Oil and Gas Development	750.4	0.0	2,190.3	2,940.7
-Minerals, Land, and Water Dev.	350.0	10.0	308.8	668.8
-Parks & Recreation Mgmt	760.9	0.0	115.0	875.9
-Agricultural Development	10.0	350.0	25.4	385.4
-Agr Revolving Loan Pgm Admin	0.0	0.0	30.0	30.0
-Statehood Defense	300.0	0.0	0.0	300.0
-Facilities Maintenance	0.0	0.0	101.6	101.6
FY2003 Governor	38,183.4	13,847.9	27,884.9	79,916.2