

State of Alaska FY2006 Governor's Operating Budget

Department of Natural Resources

Department of Natural Resources

Mission

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

Core Services

- Oil & Gas Development
- Geological and Geophysical Development
- Petroleum Pipeline Right-of-Way Leases and Coordination
- Land Title Acquisition and Defense
- Land Sales and Municipal Entitlement
- Land Uses - Claims, Permits, and Leases (includes Mine Development)
- Water Development
- Large Project Management & Permitting
- Habitat Management & Permitting
- Alaska Coastal Management Program Coordination and Administration
- Forest Management and Development
- Wildland Fire Preparedness and Suppression
- Parks Management and Development
- State Historic Preservation Program Administration
- Agricultural Development
- Agricultural Revolving Loan Program Administration
- Recordation and UCC Indexing
- Information Resource Management & Access

End Results	Strategies to Achieve Results
A: Encourage resource development that creates Alaskan jobs and ensures economic growth in all regions of the State.	A1: The strategies to achieve these results are all listed in the individual components. Target #1: See component write-ups. Measure #1: See component write-ups
End Results	Strategies to Achieve Results
B: Ensure resource development planning, management, and new project approvals are based on 1) sound science, 2) prudent management, and 3) responsive, meaningful public involvement.	
End Results	Strategies to Achieve Results
C: Ensure resource sustainability and multiple use, including recreational enjoyment of the resource base.	
End Results	Strategies to Achieve Results
D: Streamline natural resource leasing, sales, and	

permitting processes.

Major Activities to Advance Strategies

- See individual components

FY2006 Resources Allocated to Achieve Results

FY2006 Department Budget: \$112,159,100

Personnel:

Full time	740
Part time	264
Total	1,004

Performance Measure Detail

A: Result - Encourage resource development that creates Alaskan jobs and ensures economic growth in all regions of the State.

A1: Strategy - The strategies to achieve these results are all listed in the individual components.

Target #1: See component write-ups.

Measure #1: See component write-ups

B: Result - Ensure resource development planning, management, and new project approvals are based on 1) sound science, 2) prudent management, and 3) responsive, meaningful public involvement.

C: Result - Ensure resource sustainability and multiple use, including recreational enjoyment of the resource base.

D: Result - Streamline natural resource leasing, sales, and permitting processes.

Key Department Challenges

- Developing an adequate commercial structure to accelerate the gasoline.
- Continue to attract independents to Alaska.
- Promote oil & gas leasing on the Alaska Peninsula and the North Slope foothills by researching and obtaining geophysical and geological data, and improving access to information for companies looking at investing in Alaska.
- Ongoing Royalty Settlement Reopeners and arbitration.
- Commercial analysis of oil and gas pipeline tariffs.
- Oversee the Trans-Alaska Pipeline System (TAPS) reconfiguration.
- Deliver Geo-Technical and land status information for existing North Slope Wells to promote new production.
- Deliver on Dept. of Energy federal grant in partnership with the Alaska Oil and Gas Conservation Commission (AOGCC).
- Provide geologic information to facilitate industry interest in Alaska.
- Geographic opening of the North Slope Tundra to winter travel.
- Mining Projects. An important challenge for Alaska is completing the permitting to enable the development, or

continued development, of Alaska's large mines:

- **Pogo Project.** Construction in FY05.
 - **Red Dog.** Revise permits and re-establish reclamation bond in FY05.
 - **Kensington.** Finish EIS and permit evaluation in FY05.
 - **Green's Creek.** Finalize tailings expansion EIS and permit evaluation in FY05.
 - **Illinois Creek.** Finish reclamation in FY06.
 - **Usibelli Coal Mine.** Maintain requirements of federal primacy program in a manner consistent with Alaskan needs.
 - **Rock Creek.** Begin permitting in FY05.
 - **Donlin Creek.** Begin permitting in FY05
 - **Pebble Copper.** Provide appropriate support to permitting development plans
 - **Gil Project.** Provide appropriate support to permitting development plans
 - **Trans-boundary mines.** Provide technical review for Canadian mines potentially affecting Alaskan waters.
- Land Sales to Alaskans - Initiate a comprehensive review of how to revise current practices in order to better meet the public's demand for State Land. Land sales plans for FY06 are to identify and offer new areas for sale under the Subdivision and Remote Recreational Cabin programs, and to find methods to increase revenues from the already profitable program.
 - Increase the rate of transferring state lands to municipalities under Municipal Entitlement Program and starting up new Land Use Plans.
 - University Land - Conveyance of 250,000 acres of State Land to the University of Alaska to supplement the University's federal land grant is expected to be proposed to the Alaska Legislature. If passed by the Legislature, implementing this grant will be an important challenge for the staff.
 - BLM Accelerated Land Conveyance Plan (BLM 2009). The U.S. Bureau of Land Management (BLM) began the process to increase the rate of land transfers to the state in 2004, with an ambitious goal of largely fulfilling land transfers to ANCSA Corporations, Native Allottees and the state by 2009.
 - Administration and recordation of RS2477 rights-of-way.
 - Settlement of the School Trust Lands valuation issue to determine the appropriate amount to be deposited into the School Trust Fund annually.
 - Management, review, and termination of Sec. 17(b) of ANCSA easements to Alaska Native corporations.
 - NOAA/OCRM approval of programmatic changes to ACMP (statutes, regulations, and coastal district plans).
 - Review and approval of 27 amended coastal district plans by deadline mandated under HB191.
 - Improve timeliness of Permit/Lease Processing. Methods to increase efficiency and improve the quality of the Department's land management include making better use of technology through such techniques as allowing on-line payment and applications, and through streamlining procedures and processes.
 - Managing fire suppression costs in spite of increased length of fire season, continued below normal precipitation in fire prone areas, increased wildland-urban interface fires, increased demand for all-risk response, and difficulty in hiring qualified, experienced personnel.
 - Stimulating interest in timber in interior Alaska in a period of poor global timber markets, especially in areas with trees damaged by fire or insects.
 - Providing sufficient timber to sustain southeast mills within the limits of the small state timber base.
 - Review of Region II (south-central Alaska) forest practices standards for riparian management.
 - Outsourcing of park units when we have a ~\$40 million in deferred maintenance backlog.
 - Park operations sufficient to provide safe, clean, and well-maintained facilities for ~4.0 million visits with declining budgets.
 - Develop and implement a long term business plan for the Division of Agriculture.
 - Mt. McKinley Meat and Sausage continued operations through a private contractor or a coop by 2006.
 - Long term solvency of the Agricultural Revolving Loan Fund.
 - Making workforce development a priority with declining budgets and increased cost is a significant challenge to retain and recruit quality staff.
 - Sharing of Federal, Borough, Municipal and Native Group data bases and Information.
 - Overseeing Alyeska's major reconfiguration of the Trans-Alaska Pipeline System to a highly automated pipeline system.
 - Improve timeliness and efficiencies of recorded document handling by use of technology.
 - Expediting of large development projects: NW-NPRA, Western North Slope, BLM's "Ring-of-Fire" regional plan.
 - Upgrading of our legacy database systems such as the Royalty Accounting, Land Administration System, and the Land Status Geographic Information System.
 - Build a multi-agency information portal for a wide collection of mineral, geologic, and mining property rights sources. Demonstrate Alaska opportunity for exploration and development investment.

Significant Changes in Results to be Delivered in FY2006

- Professional and support staff will participate in more royalty and net profit share audits, evaluate Cook Inlet oil and North Slope gas royalty reduction requests and rulings, analyze Cook Inlet gas valuation proposals and options for storage of Cook Inlet gas, and work with lessees to commercialize oil on the North Slope.
- Assuming that a contract is approved under the Stranded Gas Development Act in FY05, considerable effort is still required to draft the detailed accounting and commercial structure agreements that will be annexes to the contract.
- Extending the North Slope winter oil exploration season. Over the last three decades, the winter oil exploration season on the North Slope has decreased by half. Extending the winter exploration season in an environmentally responsible manner is an important challenge for the Department, for the oil industry, and for Alaska. In FY05, the Division of Mining, Land and Water (DMLW) intends to implement new standards based on research conducted in FY04. (For more information, see description in the Claims, Permits, and Leases Component.)
- The Division of Geological & Geophysical Surveys will expand its energy-related geologic work to accelerate development of geologic reports and maps that will support exploration for commercial oil & gas as well as new energy sources for communities. Specifically, they will expand geologic studies in the Bristol Bay and Alaska Peninsula region in support of new oil & gas leasing and exploration efforts in those regions, while maintaining a strong energy program in the Brooks Range foothills region of the North Slope.
- Increased level of land sales: In FY05 we began a process of increasing the level of pre-surveyed lots offered to from 100 to 300. There is a two-year development process before pre-surveyed lots are offered. Therefore, FY05 funding will increase the offerings from 100 in FY05 to 200 lots in FY06 and 300 lots in FY07 and future years.
- The Division of Mining, Land & Water is implementing new policies and automation changes that it expects to provide much greater predictability in processing land use permits and possibly leases.
- Accelerated Land Conveyance from BLM (BLM 2009). As BLM receives funding to accelerate their conveyance process, the Department expects that 2 to 3 million acres of federal land could be conveyed to Alaska in FY05. This process will continue through FY2009.
- The Division of Mining Land & Water will focus its efforts on assertions of state ownership of navigable waters through use of the new Federal Recordable Disclaimer of Interest process.
- Executive Order 106 (eff. April 15, 2003), legislative changes contained in House Bills (HB) 69 (CH 45 SLA 2003, effective June 6, 2003), HB 86 (CH 81 SLA 2003, effective June 12, 2003), and HB 191 (CH 24 SLA 2003, effective May 21, 2003) have modified the goals, strategies, and required services to implement the ACMP. The revised ACMP regulations at 11 AAC 110, 112, and 114 and revised coastal district plans will provide resource developers, permit reviewers, and ACMP participants with more predictable consistency reviews and streamlined permitting processes.
- DNR has completed the design phase of the "Resource Authorization System" (RAS). This project is funded by the Office of Project Management and Permitting in partnership with the Division of Mining Land and Water. RAS will streamline permit review and processing, and will achieve a high degree of integration with existing DNR systems. RAS is expected to provide the foundation for automation of other permitting processes within the department.
- Due to the reduced buying power of the budgets the Timber Sale offerings will be reduced as follows: Decreases in the amount of commercial timber offered by 235.0 thousand board feet and the number of commercial sales offered by 2-3 sales per year in FY 05 in the Copper River area; Provides timber to 2-3 fewer Alaskan businesses in FY 05 (Copper River); Decreases in personal use house log and sawlog permits by 18-20 per year for Copper River and Fairbanks; Eliminates the personal use wood program in the Fairbanks Area, and greatly reduces it in the Copper River area. Overall, fuelwood permits will decrease by 225-235 per year and personal use house log and sawlog permits will decrease by 28-32 per year.
- The Office of Project Management and Permitting Large Projects Office (LPO) expects to receive applications and initiate permitting for the Gil and Pebble projects, and expects to complete permitting for the Rock Creek and Gil projects. The LPO will also provide permitting coordination for construction of the Pogo and Kensington mines, and permitting review for trans-boundary Canadian mines.
- Agricultural Development - Reviewing the options to transfer the Meat Plant operations from an in-house operation to a Cooperative.

Major Department Accomplishments in 2004

- Collected and accounted for \$1.42 billion in oil and gas royalty, settlement, rental, federal share and bonus revenues, and other DNR revenues.
- Provided commercial, technical and policy support to the Governor's gas pipeline team and the Legislature's gas pipeline committee.
- Negotiated a long term ANS royalty oil sales contract. The contract was approved by the Alaska Royalty Oil and

Gas Development Board and the Legislature. This has resulted in the State receiving an additional \$17.4 million.

- Geographic opening of the North Slope Tundra to Winter Travel.
- Commenced a multi-million dollar royalty settlement agreement reopener arbitration with ExxonMobil.
- Land Sales - sold 576 parcels or 4,324 acres for a total value of \$6.3 million in over-the-counter and auction sales. DNR offered over 100 entirely new parcels, including two subdivisions where DNR constructed internal subdivision roads to increase the value of the land and to meet borough platting requirements. Additionally, we initiated 44 new leases on remote recreational cabin sites in FY04 and prepared an additional 45 surveyed remote parcels.
- The Office of Project Management and Permitting Large Projects Office coordinated the issuance of state permits for the Pogo Gold Mine and initiated permitting activities for the DEC Waste Management Permit and Reclamation Plan for the Red Dog Mine.
- Completed the state review and approval of the ACMP regulations in compliance with HB 191.
- Achieved federal approval of six of the remaining eleven coastal nonpoint source pollution control program management measures.
- Participated in the Alaska Clean Water Actions (ACWA) joint grant program with the Department of Fish and Game and the Department of Environmental Conservation to award grants to several communities, state agencies, industry, and nongovernmental organizations.
- Completed a long sought after cooperative agreement with BLM that allows miners on BLM administered land to use the Alaska statewide bonding pool.
- Filed application with US BLM for a Recordable Disclaimer of Interest (RDI) for 16 rivers and 10 lakes in FY04. As of November 2004, the BLM had issued disclaimers for six rivers and two lakes, including Lake Iliamna, the largest lake in Alaska.

For other department accomplishments, see individual components.

Prioritization of Agency Programs

(Statutory Reference AS 37.07.050(a)(13))

The "Programs" are prioritized in our Results Delivery Unit (RDU) groupings.

The rationale for keeping the Resource Development RDU together as one priority is that the programs within this RDU are inter-dependent. We cannot have an oil & gas lease sale without doing title work, recording, geology, water rights etc. The Resource Development RDU is the one where most of the state's revenues and jobs are created. Within the RDU the components are listed in a relative order of priority.

Our Wildland Fire Protection program is a critical health & safety program and is prioritized before the Parks & Recreation RDU as protecting life and property is a higher priority than recreation.

The Parks & Recreation RDU is a critical function and it does play a significant role in the economy of the State. Most Alaskans use our Park Units and the tourism and recreational industries depend heavily on the services provided by State Parks.

This prioritization is an attempt to comply with the legislative requirement for prioritization of "programs".

1. Resource Development
2. Fire Suppression
3. Parks & Recreation

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Department Budget Summary by RDU

All dollars shown in thousands

	FY2004 Actuals				FY2005 Management Plan				FY2006 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
<u>Formula Expenditures</u>												
None.												
<u>Non-Formula Expenditures</u>												
Management and Administration	8,156.4	3,102.5	7,737.0	18,995.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Resource Development	16,928.3	3,115.9	14,530.2	34,574.4	31,766.6	9,782.2	35,493.6	77,042.4	31,112.5	9,111.5	36,301.7	76,525.7
Statewide Fire Suppression	19,383.4	7,736.2	1,003.1	28,122.7	18,056.5	6,003.5	1,976.4	26,036.4	18,270.8	6,030.2	1,990.4	26,291.4
Parks & Recreation Mgmt	3,829.5	84.2	5,003.5	8,917.2	3,781.5	420.6	5,195.3	9,397.4	3,873.8	431.5	5,036.7	9,342.0
Agricultural Development	12.4	1,065.6	2,170.2	3,248.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Facilities Maintenance	1,349.5	0.0	301.4	1,650.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Totals	49,659.5	15,104.4	30,745.4	95,509.3	53,604.6	16,206.3	42,665.3	112,476.2	53,257.1	15,573.2	43,328.8	112,159.1

Funding Source Summary

All dollars in thousands

Funding Sources	FY2004 Actuals	FY2005 Management Plan	FY2006 Governor
1002 Federal Receipts	15,104.4	16,206.3	15,573.2
1003 General Fund Match	1,394.5	1,581.7	1,801.8
1004 General Fund Receipts	45,621.2	49,025.3	48,357.3
1005 General Fund/Program Receipts	2,643.8	2,997.6	3,098.0
1007 Inter-Agency Receipts	5,300.6	7,426.8	8,464.9
1018 Exxon Valdez Oil Spill Settlement	475.1	616.0	470.8
1021 Agricultural Loan Fund	1,751.7	3,375.6	3,412.8
1055 Inter-agency/Oil & Hazardous Waste	21.6	67.0	67.4
1061 Capital Improvement Project Receipts	5,029.2	4,374.8	5,372.0
1066 Public School Fund	16.9	582.7	
1092 Mental Health Trust Authority Authorized Receipts	1,057.4	1,186.0	1,218.7
1105 Alaska Permanent Fund Corporation Receipts	2,816.4	5,357.4	4,086.7
1108 Statutory Designated Program Receipts	4,572.4	8,005.4	7,910.5
1153 State Land Disposal Income Fund	3,948.3	4,759.3	5,268.7
1154 Shore Fisheries Development Lease Program	306.3	341.7	343.9
1155 Timber Sale Receipts	422.2	712.5	733.6
1156 Receipt Supported Services	5,027.3	5,860.1	5,978.8
Totals	95,509.3	112,476.2	112,159.1

Position Summary

Funding Sources	FY2005 Management Plan	FY2006 Governor
Permanent Full Time	722	740
Permanent Part Time	266	264
Non Permanent	105	91
Totals	1,093	1,095

FY2006 Capital Budget Request

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Oil and Gas Petroleum Basin Studies for AK Peninsula, Bristol Bay and Cook Inlet	252,000	0	0	252,000
Oil and Gas Seismic, Well and Lease Data Acquisition	285,000	0	0	285,000
Oil and Gas Leasing and Accounting Database and Electronic Signatures	250,000	0	0	250,000
Oil and Gas Geologic Data for New North Slope Exploration Targets	145,000	0	0	145,000
Unified Permitting Process Phase 2	1,200,000	0	0	1,200,000
Airborne Geological and Geophysical Mineral Inventory	700,000	0	0	700,000
National Historic Preservation Fund Federal Grant Program	50,000	950,000	0	1,000,000
State Park Emergency Repairs	0	0	400,000	400,000
Interior Region Timber Marketing Prospectus	55,400	0	0	55,400
Forestry Buildings Repairs to Correct Fire and Life Safety Deficiencies Phase 2	0	0	276,400	276,400
Forestry Area Offices Hazmat Storage Facilities	0	0	90,000	90,000
State Park Deferred Maintenance	0	0	300,000	300,000
Geologic Data Document Conversion and Digital Data Storage	58,000	0	0	58,000
Fire Suppression Engine and Truck Replacements	0	0	400,000	400,000
Replace Forestry Trailers at Copper River and Delta	0	0	233,600	233,600
Rehabilitation of Anchor Point Campgrounds for Private Operations	0	0	150,000	150,000
Byers Lake Campground Rehabilitation	0	0	100,000	100,000
Nancy Lake Campground Rehabilitation	0	0	300,000	300,000
Harding Lake Campground Rehabilitation	0	0	200,000	200,000
BLM 2009 Land Conveyances	0	4,232,000	0	4,232,000
Land Sales for New Subdivision Development	0	0	1,410,000	1,410,000
State Navigable Waters Recordable Disclaimer Research	0	1,500,000	0	1,500,000
Remote Recreational Cabins Survey and Appraisals	0	0	577,500	577,500
Alaska Cadastral Project	0	200,000	0	200,000
Recorder's Office Aperture Card Conversion to Digital Images	0	0	265,000	265,000
Recorder's Office Equipment Upgrades and Records Preservation	0	0	300,000	300,000
Federal and Local Government Funded Forest Resource and Fire Program Projects	0	2,900,000	1,000,000	3,900,000
Alaska Mineral, Energy and Geohazards Inventory Federally Funded Projects	0	1,397,500	0	1,397,500
Cooperative Forestry and Fire Pass Through Federal Grants	0	1,000,000	0	1,000,000
AK Coastal Management Federal Pass Through Grants	0	1,360,000	0	1,360,000
USGS Streamgaging Cooperative Program	0	0	501,000	501,000
Alaska Boating Safety Program	0	800,000	200,000	1,000,000
Abandoned Mine Lands Reclamation Federal Program	0	1,500,000	0	1,500,000
National Recreational Trails Federal Program	0	695,000	0	695,000
Snowmobile Trail Development and Program Grants	0	0	200,000	200,000
Plant Material Center Shop and Equipment Shed	0	1,350,000	0	1,350,000
Land and Water Conservation Fund Federal Grants	0	1,500,000	0	1,500,000
Mental Health Trust Land Development	0	0	650,000	650,000

FY2006 Capital Budget Request				
Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Mental Health Trust Land Facilities Maintenance	0	0	100,000	100,000
Forest Legacy Federal Grant Program	0	2,930,963	0	2,930,963
Coastal Wetlands Grant - Nushagak Bay Watershed Conservation Phase 2	0	1,000,000	0	1,000,000
Department Total	2,995,400	23,315,463	7,653,500	33,964,363

Project Title	General Funds	Federal Funds	Other Funds	Total Funds
Mental Health Trust Land Facilities Maintenance	0	0	100,000	100,000
Forest Legacy Federal Grant Program	0	2,930,963	0	2,930,963
Coastal Wetlands Grant - Nushagak Bay Watershed Conservation Phase 2	0	1,000,000	0	1,000,000
Department Total	2,995,400	23,315,463	7,653,500	33,964,363

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

Summary of Department Budget Changes by RDU

From FY2005 Management Plan to FY2006 Governor

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2005 Management Plan	53,604.6	16,206.3	42,665.3	112,476.2
Adjustments which will continue current level of service:				
-Resource Development	-2,535.6	183.5	-1,767.5	-4,119.6
-Statewide Fire Suppression	214.3	26.7	14.0	255.0
-Parks & Recreation Mgmt	92.3	10.9	165.7	268.9
Proposed budget decreases:				
-Resource Development	-291.6	-1,426.4	-810.8	-2,528.8
-Parks & Recreation Mgmt	0.0	0.0	-630.0	-630.0
Proposed budget increases:				
-Resource Development	2,173.1	572.2	3,386.4	6,131.7
-Parks & Recreation Mgmt	0.0	0.0	305.7	305.7
FY2006 Governor	53,257.1	15,573.2	43,328.8	112,159.1