

State of Alaska FY2010 Governor's Operating Budget

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

Component: Claims, Permits & Leases

Contribution to Department's Mission

Provide opportunities for commercial and private use of state land

Core Services

- Issue permits for use of state land, including commercial, recreation and upland and tideland permits
- Issue leases for use of state land
- Administer contracts related to use of state land
- Permit large mine projects
- Ensure permit compliance
- Manage abandoned mine lands
- Conduct appraisals and surveys necessary for permitting and leasing of state land for commercial and private use and resource development; and for state land sales.
- Manage mineral properties
- Manage public use of state land
- Resolve illegal use of state land
- Collect revenue for resource extraction
- Issue and manage easements for access through state land

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>Status #1:</u> In FY08 the Division processed 103% of applications received, showing that some of the backlog was eliminated.</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>Status #1:</u> The Division processes land use permits with a median cycle time of 12 weeks, not meeting the target.</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>Status #2:</u> The backlog continues to increase as the division can not process as many applications as it receives for easements.</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>Status #3:</u> The division is taking longer to get the mining data in the Land Administration System.</p> <p><u>Target #4:</u> Process 100% of easement vacation requests received. <u>Status #4:</u> The Division almost met the target, but this does not address the backlog of vacation requests.</p>

	<p><u>Target #5:</u> Process upland and tideland leases within 2.5 years of receiving a complete application.</p> <p><u>Status #5:</u> The division has a growing backlog of lease applications and is taking longer to process them.</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>Status #1:</u> The division exceeded its target revenue in FY08.</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>Status #1:</u> The division met its target of having 5 of 19 programs generate more revenue than they cost.</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>Status #2:</u> The division did not meet the target of \$3.7 million in net revenues for mining.</p> <p><u>Target #3:</u> Generate \$1.5 million net revenue through processing of material sale applications in FY09.</p> <p><u>Status #3:</u> The Division generated almost double the FY08 material sale revenue target.</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>Status #1:</u> The Division authorized 247 miles of ice road construction in an environmentally responsible manner during FY08.</p>	<p>C1: 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>Status #1:</u> Only 12% of the compliance directives were unabated at the end of FY08, but mostly these were due to the timing of the fiscal year.</p> <p><u>Target #2:</u> Conduct site inspections of 20% of active land use permits.</p> <p><u>Status #2:</u> While the division came close to meeting its target, the target was already lowered to the absolute minimum that should be inspected.</p> <p>C2: 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>Status #1:</u> Backlog of trespass continues to grow. There is a blatant misuse and illegal use of state land by some individuals and businesses.</p> <p>C3: 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>Status #1:</u> The Division exceeded its target.</p> <p><u>Target #2:</u> Remove 8 shipwrecks and abandoned vessels that restrict the use of state tidelands, shore lands, and submerged lands.</p> <p><u>Status #2:</u> The division exceeded the target but the backlog grew.</p>
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Major Activities to Advance Strategies	
<ul style="list-style-type: none"> • Process 200 new Upland and Tideland Permits and administer 1,200. • Process an estimated 60 new Commercial Recreation Permits. • Process 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. 	<ul style="list-style-type: none"> • Issue 50 Plat Approvals. • Process 15 new ILMA applications and administer 1,000. • 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 5,537 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.

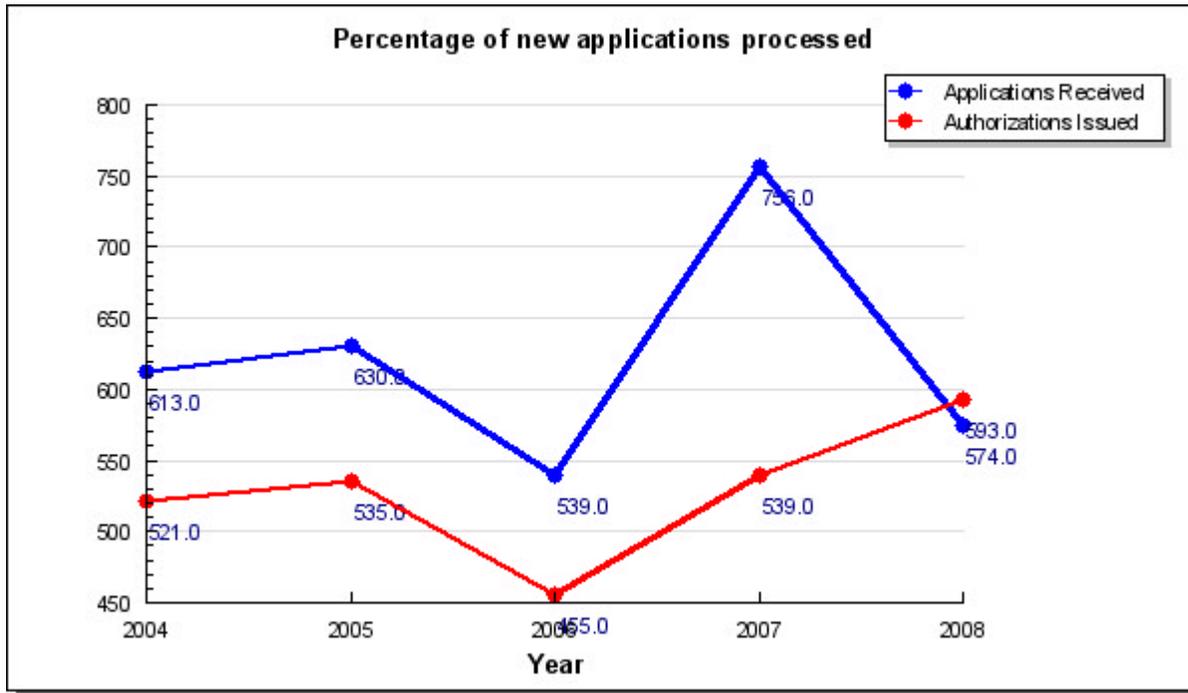
FY2010 Resources Allocated to Achieve Results									
FY2010 Component Budget: \$10,754,600	<table style="width: 100%; border-collapse: collapse;"> <tr> <td colspan="2">Personnel:</td> </tr> <tr> <td style="padding: 2px 10px;">Full time</td> <td style="text-align: right; padding: 2px 10px;">110</td> </tr> <tr> <td style="padding: 2px 10px;">Part time</td> <td style="text-align: right; padding: 2px 10px;">0</td> </tr> <tr> <td style="padding: 2px 10px;">Total</td> <td style="text-align: right; padding: 2px 10px;">110</td> </tr> </table>	Personnel:		Full time	110	Part time	0	Total	110
Personnel:									
Full time	110								
Part time	0								
Total	110								

Performance

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.

Status #1: In FY08 the Division processed 103% of applications received, showing that some of the backlog was eliminated.



Percentage of new applications processed

Year	Applications Received	Authorizations Issued	YTD Total
2008	574	593	103 %
2007	756	539	71%
2006	539	455	84%
2005	630	535	85%
2004	613	521	85%

Analysis of results and challenges: * The division saw a 24% decrease in applications from the previous year.

* The division was able to process 10% more authorizations than in the previous year.

* Although the division was able to process more this year, this has barely made a dent in the backlog from previous years. For example, there are still 660 easement and 321 lease applications in backlog.

* While some areas the division is exceeding the new application workload, thus delving into the backlog, other programs are still falling behind. The division only processed 23% of the upland and tideland lease applications and 47% of the easement applications received this fiscal year.

* Each new authorization issued creates a new workload of contract administration, billing, monitoring, and compliance, and close out, all of which is not reflected in these numbers.

* The division expects there to be more applications in future years as the economy turns up and because the state

is receiving an additional two million acres per year of state owned land.

* The many requests from the public and legislators for active land management that does not involve issuing an authorization are increasing rapidly. The substantial amount of time staff spends on these issues takes them away from their duties to process authorizations.

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.

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.

Status #1: The Division processes land use permits with a median cycle time of 12 weeks, not meeting the target.

Median Cycle time

Year	Applications Received	Applications Processed	Cycle Time
2008	205	222	12 Weeks
2007	278	184	10 Weeks
2006	174	194	10 Weeks
2005	175	229	8 Weeks
2004	237	180	8 Weeks

Analysis of results and challenges: 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. This increase in cycle times is partially reflective of that variability.

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 and management of existing land use permits or the other related land use management.

This cycle time does not include some of the land use permits that remain in backlogged status for various reasons.

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.

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.

Status #2: The backlog continues to increase as the division can not process as many applications as it receives for easements.

Median Processing Cycle Time

Year	Private Exclusive Issued	Private Cycle Time	Public Issued	Public Cycle Time
2008	6	8 Years	29	18.5 Months
2007	7	1.67 Years	46	28 Months
2006	9	3.75 Years	45	14.5 Months
2005	11	8 Years	48	7 Months
2004	11	4 Years	50	24 Months
2003	6	2 Years	10	32 Months

Methodology: Cycle times are derived from those cases authorized each FY.

Analysis of results and challenges: The reason for the excessive swing in processing times is because very few of the easements are processed the same year they are received. Therefore depending on when easements are developed and surveyed, many years or months may pass.

Staff has issued access authorizations for approximately half the number of easements that were applied for in FY08.

Relatively few private exclusive easements are issued because most individuals and businesses do not want to pay for the yearly rental, and 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, 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.

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.

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.

Status #3: The division is taking longer to get the mining data in the Land Administration System.

Year	YTD Total
2008	4 wks
2007	3 wks
2006	2 wks
2005	2 wks
2004	2 wks
2003	2 wks
2002	4 wks

Analysis of results and challenges: With the high mineral prices, there have been a lot of mineral claim staking, increasing the workload.

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 (LAS) in order to prevent overstaking. Additionally miners want to see the claims on the DNR mapping records at the same time, but the tabular data entry in LAS is required first.

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

Status #4: The Division almost met the target, but this does not address the backlog of vacation requests.

Percentage of Vacation Requests Processed

Year	# Requests Received	# Processed	YTD Total
2008	25	23	92%
2007	23	18	78%
2006	42	32	76%
2005	40	28	70%
2004	41	20	49%
2003	41	18	44%

Analysis of results and challenges: The percentage increase is reflective of the drop in number of applications. In 2007 when the fees increased to reflect the work being done, the number of applications dropped by half.

The Division has 86 files that are pending (backlog), 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.

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.

Status #5: The division has a growing backlog of lease applications and is taking longer to process them.

Processing Cycle Time

Year	Applications Received	Applications Processed	Processing Cycle Time
2008	13	3	2.9 Years
2007	22	10	3.6 Years
2006	27	9	2.1 Years
2005	30	6	7 Years
2004	21	19	2 Years

Methodology: 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. 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.

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).

Status #1: The division exceeded its target revenue in FY08.

CPL Revenues

Year	YTD Total
2008	\$11.4 M
2007	\$13 M
2006	\$9.4 M
2005	\$9.9 M
2004	\$8.5 M
2003	\$8.5 M
2002	\$8.5 M
2001	\$9.8 M

Analysis of results and challenges: 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.

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.

Status #1: The division met its target of having 5 of 19 programs generate more revenue than they cost.

Number of profitable programs

Year	YTD Total
2008	5
2007	6
2006	5
2005	5
2004	6
2003	5

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, 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.

Status #2: The division did not meet the target of \$3.7 million in net revenues for mining.

Net revenue

Year	YTD Total
2008	\$2.1 M
2007	\$4.0 M
2006	\$4.9 M
2005	\$3.7 M
2004	\$3.7 M
2003	\$3.2 M
0	0

Analysis of results and challenges: The net revenue shown is the gross revenue (\$3.5 M) minus the operating costs (\$1.4 M). Mineral prices have fluctuated some from the previous year and claim activity has remained similar to the previous year.

Target #3: Generate \$1.5 million net revenue through processing of material sale applications in FY09.

Status #3: The Division generated almost double the FY08 material sale revenue target.

Net revenue

Year	YTD Total
2008	\$2,917.4
2007	\$2,235.7
2006	\$765.9
2005	\$532.4
2004	\$148.2
2003	\$718.3

Analysis of results and challenges: Material sales program cost \$632.6 and generated \$3,550.0 in 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 brought in increased revenues in FY08 and similar results are expected in FY09.

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.

Status #1: The Division authorized 247 miles of ice road construction in an environmentally responsible manner during FY08.

Miles of Ice Roads Constructed

Year	# of Roads Authorized	Miles Constructed
2008	29	247
2007	24	204
2006	16	113
2005	11	99
2004	16	117

Methodology: 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. ML&W staff reviews conditions before work begins, monitors progress, and often does site inspections the following summer to inspect for damage. ML&W is evaluating various procedures used to construct ice roads in order to determine the method that causes the least impact. ML&W 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 - Monitor authorized activities to insure that regulations and stipulations are followed.

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

Status #1: Only 12% of the compliance directives were unabated at the end of FY08, but mostly these were due to the timing of the fiscal year.

Percentage of unabated compliance actions

Year	YTD Total
2008	12%
2007	25%
2006	17%
2005	20%
2004	0%
2003	0%

Analysis of results and challenges: FY08 Results

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

Cessation Order: 0 Issued, 0 Abated

Directive: 16 Issued, 25 Abated, 3 Outstanding

The coal program staff closely monitors 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 abated directives were outstanding at the end of FY07.

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

Status #2: While the division came close to meeting its target, the target was already lowered to the absolute minimum that should be inspected.

Percentage of LUPs inspected

Year	YTD Total
2008	18%
2007	20%
2006	10%
2005	15%
2004	15%
2003	25%
2002	14%

Analysis of results and challenges: Although the division almost met its statewide target, the percentages are not spread evenly over the regions. In Southeast Alaska, the division only inspected about 5% of the Land Use Permits. It is unfortunate to note that about three additional trespass uses were revealed for every authorization inspection trip. This just highlights the growing need to not only inspect current authorizations, but also to regularly inspect state lands.

Periodic inspections of a portion of the businesses authorized under land use permits insure 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 are a bare minimum that should be done. 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 and travel budget. 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, fewer permits are processed.

C2: 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.

Status #1: Backlog of trespass continues to grow. There is a blatant misuse and illegal use of state land by some individuals and businesses.

Number of new trespass cases

Year	New Cases Initiated	Cases Resolved	Backlog	% of Backlog Resolved
2008	28	24	544	0%
2007	30	16	522	0%
2006	30	28	508	0%
2005	21	11	506	0%
2004	21	22	496	.2%
2003	14	10	497	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 does both the land and resource stewardship functions as well as issue authorizations. The focus has been on legally authorizing individuals and businesses, forcing the division to ignore much of the blatant trespass activity.

Trespassing 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 trespassing include unauthorized cabins, road, and utility building without easements, long term equipment storage, dumps, abandoned cars, abandoned vessels, and airstrip creation. Trespass also includes businesses that conduct business on state land for financial gain without getting appropriate

authorizations and paying applicable fees.

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.

C3: Strategy - Restore, reclaim, or rehabilitate damaged, polluted or abandoned sites.

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

Status #1: The Division exceeded its target.

Number of hazardous sites reclaimed

Year	YTD Total
2008	11
2007	34
2006	12
2005	9
2004	14
2003	3
2002	10

Analysis of results and challenges: ML&W 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. Some of the projects are from the efforts of the Abandoned Mine Land Program. This includes the clean up and rehabilitation of coal and 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 Copper Center School that is an attractive nuisance where people break in and vandalize an asbestos laden site.

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

Status #2: The division exceeded the target but the backlog grew.

Shipwrecks and abandoned vessels removed

Year	Number of new reported	YTD Total
2008	28	20
2007	28	21
2006	10	10
2005	8	7
2004	8	8

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 70 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 - It is increasingly difficult to recruit and retain qualified people to work for the Division of Mining Land & Water (ML&W), especially surveyors and upper-level managers. Hiring managers and supervisors report that pay and benefits for these types of positions is not competitive when compared to federal, municipal and private agencies. Many 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 (latest data available from Department of Administration). The division invests time in training entry-level employees, who then often move on to higher paying jobs in other sectors. As a result of staffing shortages, some basic services are not being provided to the public and turnaround times for other services are exceptionally long.

2. Compliance and Enforcement - With increased use and development of state land, combined with limited DNR field presence, we are seeing increased trespass and other unauthorized use of state land including: dumping of trash and junked vehicles; party sites; unauthorized structures and roads; gravel removal; encroachment; and blocked easements. In some cases, this illegal use adversely affects fish and wildlife habitat. In most cases, the only remedy available to the state for enforcement is through the slow and expensive process of civil action. Overall, the division does not have the resources available to address this issue. Lack of enforcement, and public awareness of such, contributes to the increase in unauthorized use. The division currently has a backlog of 544 unaddressed trespass cases.

3. Renewable Energy Projects - HB 152 provided \$150 million in available funds for renewable energy projects in the state, to be administered by the Alaska Energy Authority. Many of the projects under consideration will need to utilize state land, water and other resources managed by the Department of Natural Resources. The Division of Mining, Land and Water has already received applications or is in pre-application consultation for wind, biomass, hydro and hydrokinetic projects throughout the state. This presents a challenge in moving these types of projects forward through the permitting and leasing processes, as they further tax the resources of the division and add to an increasing backlog of applications.

4. Large Project Permitting - There will be many large projects that must be authorized over the next several years. Several large mines, seeking to extract large deposits of coal, copper, gold and other minerals, are on the verge of submitting applications. Each major gas line proposal must go through rigorous review before authorization. Although the State Pipeline Coordinator's Office (SPCO) is responsible for authorizing the common carrier pipelines, there is much that this division must do to address the other assorted multiple use issues on state land before SPCO can issue their authorizations. Because of the expected gas pipelines, the division will also have to authorize other related gas infrastructure projects. Two major railroad extensions are proposed and under review at this time. Each of these projects requires an extensive review to address the many considerations that arise on land managed for multiple uses, including, including land title research. Adjudicators must work through many issues to address public concerns, protect the public's rights, realize a fair return to the state, and ensure environmental protection. These projects significantly increase the workload for the division.

5. Easement and Access Management - The Division of Mining, Land, and Water is responsible for authorizing and managing public and private access on and across state lands. This 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, ML&W is not able to process all requests for such access. As indicated in Performance Measure A. Target 1, the division is processing only 47% of all easement applications it receives and is experiencing a growth in the backlog of unprocessed applications. The division currently has a backlog of 660 easement applications.

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.

6. Providing Service to the Mining Industry - As a result of strong metal prices combined with a supportive business climate and regulatory improvements, the state has seen 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 FY08, resulting in more acreage being staked than in any year in the past. Through FY09, we expect to have about 4.6 million acres under mining claims. Today, we have a more active placer industry and an expanding suite of large hard rock and coal mines. In 2008, Red Dog, Greens Creek, Fort Knox, Pogo, Rock Creek, and the Usibelli Coal Mine were in production, while Kensington Mines was in development. The Chuitna Coal project near Tyonek began 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 2009 and the Pebble project is expected to initiate permitting in 2010. 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 was 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. Staff in the Large Mine Permitting program could not keep up with increasing compliance inspection demands.

7. Lease Processing - The division issues land leases to authorize long-term uses of state land for activities such as 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. The lengthy processing time does not meet the needs of commerce and industry. The division currently has a backlog of 321 lease applications.

8. Information Technology and Business Efficiencies - The department is undergoing a major renovation on its IT infrastructure that supports business functions. This renovation requires substantial input from the business units in this division. The division must document its business processes, and evaluate and change some procedural and

policy issues to increase efficiencies or to streamline procedures before programmers can build systems to better support those business processes. This is a substantial workload increase that requires adjudicators and managers to take time away from their other duties to evaluate and provide input into this IT work. Work being done on this departmental effort will produce valuable results in efficiencies but takes time away from processing other authorizations or responding to the public.

Significant Changes in Results to be Delivered in FY2010

The Division expects to see some drop in the number of applications received in FY2010 if the economic recession continues. Companies are having a difficult time getting financing and profit margins are shrinking. Because of the significant backlog, there is no shortage of work, but may allow the division to dip more into the backlog of applications that have not been completed. Although there may be a decrease in numbers of authorizations, productivity will be offset by the increased land base, 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. Over the last two years the state has received almost 4.5 million new acres of land with high potential of development without additional staff to manage that land.

Major Component Accomplishments in 2008

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 FY08 the division completed the following:

- Illinois Creek post-closure water quality monitoring and reclamation success monitoring was conducted by the Department of Natural Resources (DNR) and Department of Environmental Conservation (DEC) staff three times in calendar year 2007 and new monitoring equipment was installed during the two inspections in 2008.
- Compliance inspections were completed in 2008 during construction of the Kensington Gold Mine. Mine construction began in 2006 and was largely complete by late in calendar year 2008.
- Monitored building and startup 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 is scheduled for 2009.
- Completed regular inspections (monthly) of the Pebble exploration project
- Completed environmental audits and bond reviews at the Pogo and Greens Creek mines.
- Conducted compliance inspections at all active hard rock and coal mines.
- Completed compliance inspections for the Nixon Fork Mine which went on care and maintenance in 2008.
- Also made progress on important planning and permitting work on: Chuitna Coal Project, Donlin Creek, and Pebble Copper.

Mining - The long-abandoned Suntrana tipple was demolished and removed, ameliorating a dangerous and attractive nuisance.

Placer Mining - In its role in permitting and technical review of placer mining and mineral exploration activities, in 2008 the division completed the review and processing of a record 481 individual applications and conducted field inspections for permit compliance and technical assistance. A baseline environmental water quality study and report was completed in conjunction with the U.S. Geological Survey (USGS) for the Denali Block nickel-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 FY08, this work resulted in approximately \$11.4 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 \$1.6 million was allocated to the permanent fund and \$83.0 thousand to the school fund. The cost of this component in FY08 was \$9.9 million. For

FY09, the revenue is expected to be \$11.8 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 60 leases, rights-of-way, and permits. 31 were finished where customers paid a total of \$586,600 in fees, current rents, and back rents. An additional \$414,500 has been identified for collection. In addition, the authorizations also represent over \$78,100 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 10 destroyed vehicles from Jim Creek.
- Continuation of Reimbursable Service Agreements (RSA's) with the Department of Public Safety to increase enforcement presence in the Knik River PUA.
- Worked with the public, user groups, and legislature to establish and initiate increased management of the Knik River PUA. Worked toward the completion of the management plan for this area. This included the issuance of Phase I regulations that address the most egregious violations and those that affect public safety.
- Managed public use pressures in and mitigated trail damage by improving or rerouting new or existing trails in Denali Tangle Lakes Special Use Area.
- Issued easements for defined segments of the Iditarod Trail. Worked with native corporations and local communities to mitigate trail location issues and impacts.
- Assist over 26,000 people with information and assistance through the Public Information Centers and Division Staff.
- Provided legal access to 15 state disposal areas.
- 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.
- Created new web sites to inform the public and gather comments regarding the Knik River Public Use Area and the Rex Trail.
- Working with owners and other creative solutions, removed 20 abandoned vessels from state tidelands.
- Worked with user groups regarding trail issues in the Caribou Hills.
- NRO Guide Sites: Inspected 15 sites related to commercial guiding, trapping cabins, and trespass in the Wood River/Gold King/Alaska Range/Chandalar River areas.
- Alternative Energy: Continue to discuss alternative energy projects with potential applicants and issue land use permits for the collection of meteorological/weather and other data related to alternative energy projects.
- Ongoing Tundra Travel Monitoring/Data Collection: Collected vegetation disturbance data associated with Chevron's White Hill project, Anadarko's Gubik and Chandler projects, Brooks Range's North Shore ice road, and the Renaissance's snow road.
- Material Sales: Issued a 1,000,000 yd sale to BP for NS oil and gas development. Issued 3 contracts for DOT projects totaling 900,000 yards and 1 contract to the City of Nenana for 250,000 yards.
- Trail management: Implemented Rex Trail decision seasonally restricting certain types of use in response to resource damage. Working towards a long-term solution.

Statutory and Regulatory Authority

AS 38, AS 29, 11 AAC

Contact Information
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**Claims, Permits & Leases
Component Financial Summary**

All dollars shown in thousands

	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	8,189.7	9,049.7	9,002.5
72000 Travel	213.6	219.5	219.5
73000 Services	1,208.7	1,363.3	1,338.0
74000 Commodities	247.2	194.6	194.6
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	9,859.2	10,827.1	10,754.6
Funding Sources:			
1002 Federal Receipts	584.2	931.5	946.3
1003 General Fund Match	225.5	224.9	228.1
1004 General Fund Receipts	3,788.3	3,805.1	3,870.5
1005 General Fund/Program Receipts	2,755.8	2,942.9	2,994.4
1007 Inter-Agency Receipts	208.0	499.5	382.8
1055 Inter-agency/Oil & Hazardous Waste	0.0	20.3	20.7
1061 Capital Improvement Project Receipts	302.4	0.0	0.0
1105 Alaska Permanent Fund Corporation Receipts	1,562.7	1,635.5	1,661.7
1108 Statutory Designated Program Receipts	107.2	401.6	234.3
1154 Shore Fisheries Development Lease Program	325.1	365.8	365.8
1192 Mine Reclamation Trust Fund	0.0	0.0	50.0
Funding Totals	9,859.2	10,827.1	10,754.6

Estimated Revenue Collections

Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Unrestricted Revenues				
General Fund Program Receipts	51060	5,518.5	5,070.0	5,350.0
Unrestricted Total		5,518.5	5,070.0	5,350.0
Restricted Revenues				
Federal Receipts	51010	584.2	931.5	946.3
Interagency Receipts	51015	208.0	499.5	382.8
General Fund Program Receipts	51060	2,755.8	2,942.9	2,994.4
Statutory Designated Program Receipts	51063	107.2	401.6	234.3

Estimated Revenue Collections				
Description	Master Revenue Account	FY2008 Actuals	FY2009 Management Plan	FY2010 Governor
Shore Fisheries Development Lease Prog	51074	325.1	365.8	365.8
Capital Improvement Project Receipts	51200	302.4	0.0	0.0
Mine Reclamation Trust Fund	51211	0.0	0.0	50.0
Permanent Fund Earnings Reserve Account	51373	1,562.7	1,635.5	1,661.7
Interagency Recs./Oil & Hazardous Waste	51395	0.0	20.3	20.7
Restricted Total		5,845.4	6,797.1	6,656.0
Total Estimated Revenues		11,363.9	11,867.1	12,006.0

**Summary of Component Budget Changes
From FY2009 Management Plan to FY2010 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2009 Management Plan	6,972.9	931.5	2,922.7	10,827.1
Adjustments which will continue current level of service:				
-Delete FY2009 Fuel/Utility Cost Increase Funding Distribution from the Office of the Governor	-4.5	0.0	0.0	-4.5
-Reverse one-time item for Guide Services Initiative Phase 1	-50.0	0.0	0.0	-50.0
-Correct Unrealizable Fund Sources in the Salary Adjustment for the Existing Bargaining Unit Agreements	6.7	0.0	-6.7	0.0
-Transfer Interagency Receipts to Director's Office	0.0	0.0	-10.0	-10.0
-Transfer Authorization from Development Special Projects Component for Reclamation Bonds Projects	0.0	0.0	75.0	75.0
-FY2010 Wage and Health Insurance Increases for Bargaining Units with Existing Agreements	117.9	14.8	49.3	182.0
Proposed budget decreases:				
-Reduce Uncollectable Interagency Receipts	0.0	0.0	-115.0	-115.0
-Reduce Uncollectable Statutory Designated Program Receipt Authority	0.0	0.0	-200.0	-200.0
Proposed budget increases:				
-Guide Services Initiative Phase 1 Continued	50.0	0.0	0.0	50.0
FY2010 Governor	7,093.0	946.3	2,715.3	10,754.6

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

Authorized Positions			Personal Services Costs	
	FY2009 Management Plan	FY2010 Governor		
Full-time	110	110	Annual Salaries	6,316,823
Part-time	0	0	COLA	255,291
Nonpermanent	0	0	Premium Pay	8,307
			Annual Benefits	3,445,715
			<i>Less 10.21% Vacancy Factor</i>	<i>(1,023,636)</i>
			Lump Sum Premium Pay	0
Totals	110	110	Total Personal Services	9,002,500

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 II	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
Division Operations Manager	1	0	0	0	1
Engineering Associate	1	0	0	0	1
Geologist II	3	2	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	1	0	0	0	1
Land Survey Manager I	1	0	0	0	1
Land Survey Specialist I	2	0	0	0	2
Land Surveyor I	1	1	0	0	2
Land Surveyor II	1	0	0	0	1
Micro/Network Tech II	0	0	1	0	1
Natural Resource Mgr I	4	2	1	0	7
Natural Resource Mgr II	4	2	1	0	7
Natural Resource Mgr III	3	1	1	0	5
Natural Resource Spec I	10	1	1	0	12
Natural Resource Spec II	17	9	4	0	30
Natural Resource Spec III	3	3	1	0	7
Natural Resource Tech II	5	0	0	0	5
Supply Technician I	0	1	0	0	1
Totals	71	28	11	0	110