

HB 181: Mining License Revenue Tax



REP NEAL FOSTER

Bill Language



“An Act relating to the accounting for money received by the state from the mining license tax, mining lease payments, and royalties¹ from mining on state tide and submerged land² within a municipality, and the availability of that money for appropriation to certain boroughs and municipalities outside of a borough.”

Language Clarification



- Two types of revenue:
 - Mining lease payments & royalties = Competitive bids for tracts of off-shore mining areas
 - Mining license tax = Tax on profits
- “State tide and submerged land” = Off-shore

Bill in Laymen's Terms



- **By request of:**
 - Commissioner of Commerce, Community, and Economic Development, or
 - Commissioner of Department of Natural Resources
- **Legislature may appropriate funds:**
 - From mining leases & taxes
 - To municipalities
 - If the mining occurs off-shore and in municipal boundaries

Reason for Legislation



- State revenue associated with mineral lease sales:
 - Off-shore and within Nome's municipal boundaries
 - Have brought in over \$700,000 in recent years to the State
- Caused increased traffic in Nome's port & harbor
- Need more infrastructure and personnel

Current Funding



Revenue



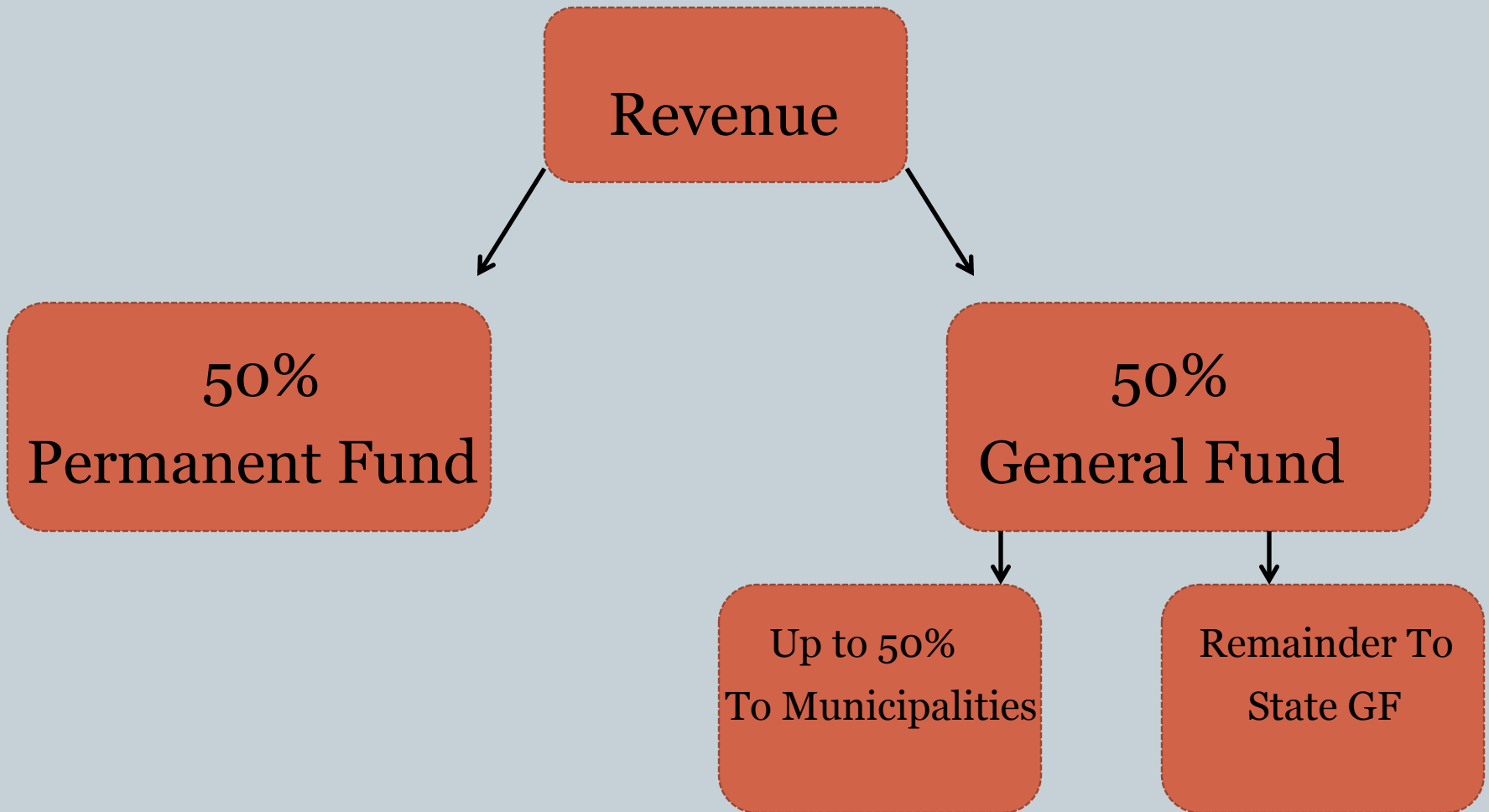
50%

Permanent Fund

50%

General Fund

Proposed Funding



Mineral lease rental, royalties, and royalty sale proceeds in the Nome area for 2011-2013

Information provided by the Division of Mining, Land, and Water, Department of Natural Resources

All Claims Within the Municipality of Nome*										
	CY2011				CY2012			CY2013		
	Rent	Royalties	Lease Sale	Total	Rent	Royalties	Total	Rent	Royalties	Total
Totals	\$11,655.93	\$6,478.07	\$686,542.72	\$704,676.72	\$11,589.71	\$8,771.06	\$20,360.77	\$11,611.51	\$5,726.70	\$17,338.21

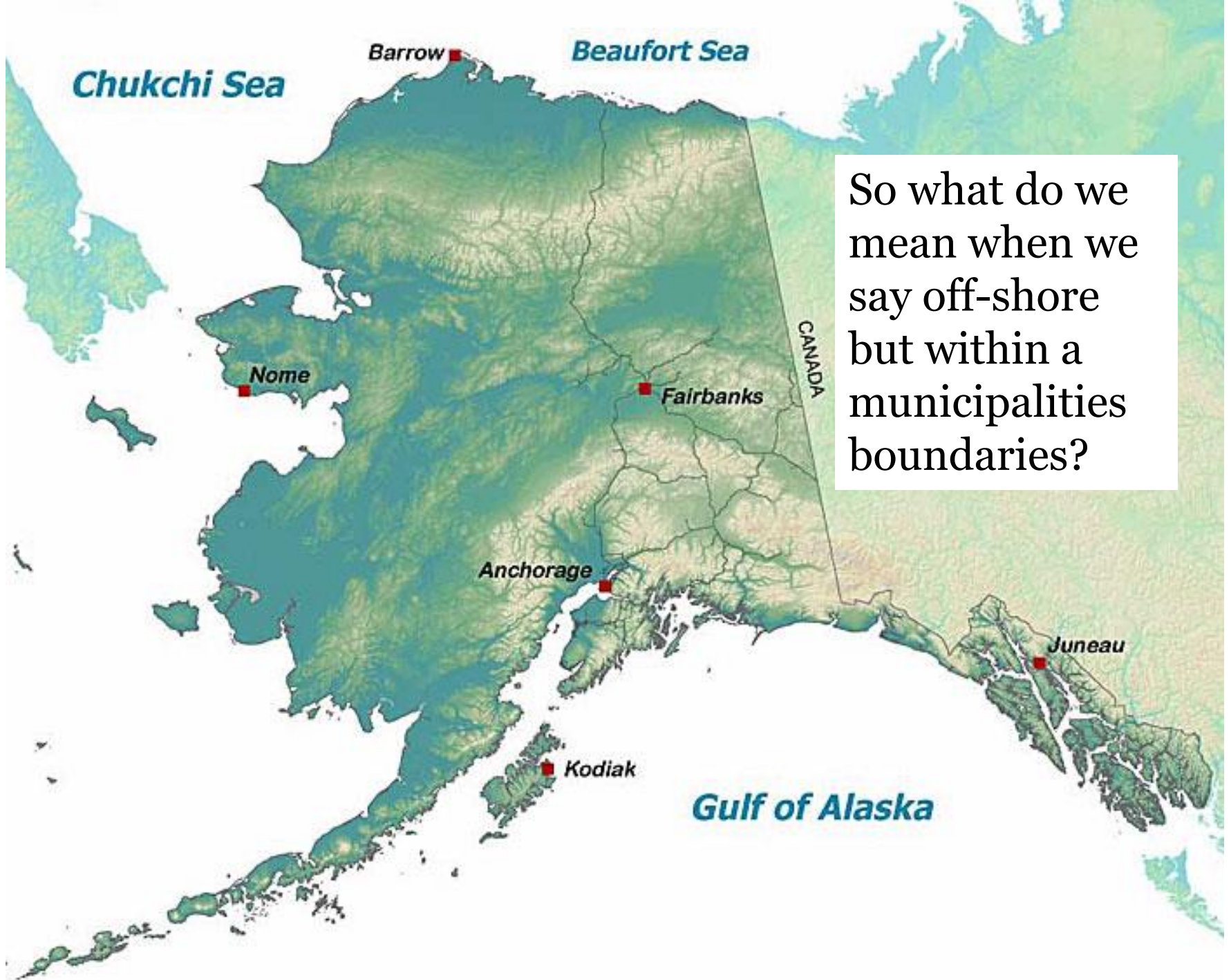
* Estimated income calculated based on the percentage of lease within the boundaries of the Municipality of Nome.

Rents are paid for the upcoming year (i.e. 2013 rent monies are for the 2014 mining season, and are due by November 30th, 2013). Royalties paid are for the preceding year (i.e. royalties received in 2013 are for the 2012 mining season, and are due by May 1st, 2013).

Municipality of Nome's Share by Year**						
	CY2011		CY2012		CY2013	
Total	\$176,169.18		\$5,090.19		\$4,334.55	

** Computed by multiplying by 50% (Permanent Fund Share), then by 50% for "designated for distribution".

- Compiled by DNR
- Calculates revenue based on leases within Nome's boundaries
- Nome's share based on maximum allocation



Chukchi Sea

Barrow *Beaufort Sea*

Nome

Fairbanks

CANADA

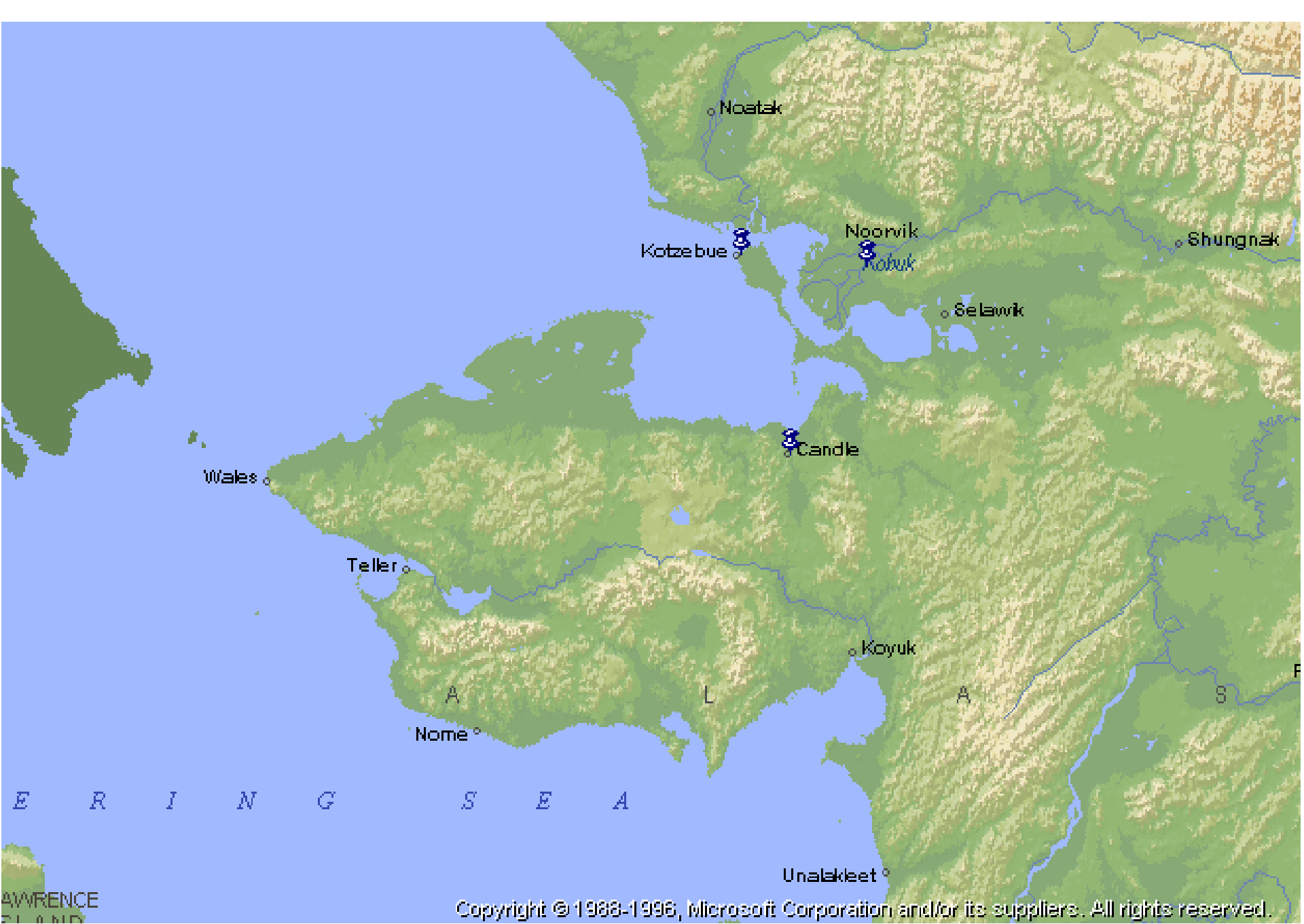
Anchorage

Juneau

Kodiak

Gulf of Alaska

So what do we mean when we say off-shore but within a municipalities boundaries?



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2011 NOME OFFSHORE LEASE SALE TRACT LOCATION MAP

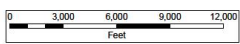
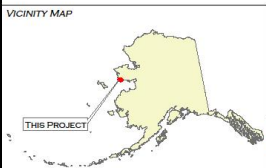
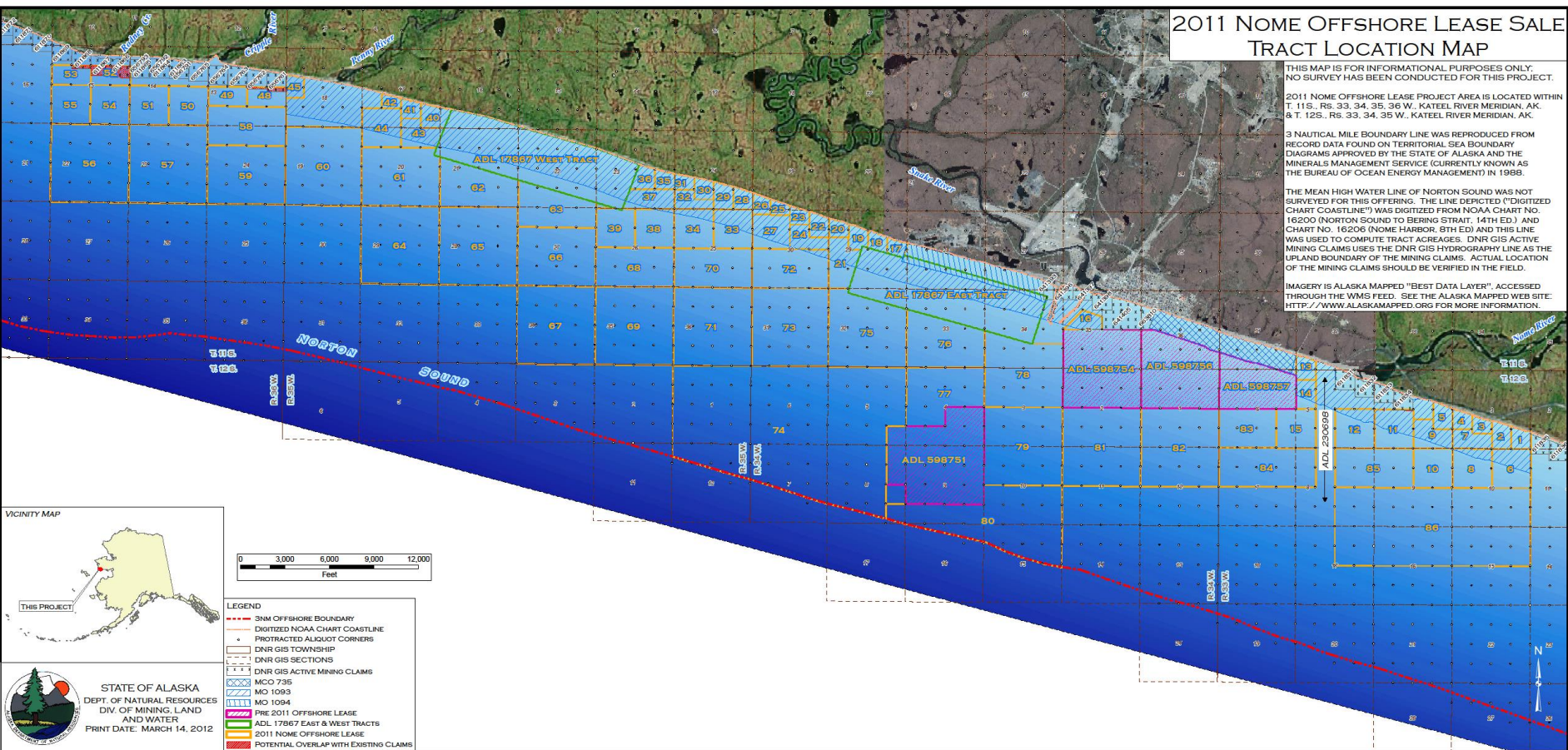
THIS MAP IS FOR INFORMATIONAL PURPOSES ONLY. NO SURVEY HAS BEEN CONDUCTED FOR THIS PROJECT.

2011 NOME OFFSHORE LEASE PROJECT AREA IS LOCATED WITHIN T. 11S., R.S. 33, 34, 35, 36 W., KATEEL RIVER MERIDIAN, AK. & T. 12S., R.S. 33, 34, 35 W., KATEEL RIVER MERIDIAN, AK.

3 NAUTICAL MILE BOUNDARY LINE WAS REPRODUCED FROM RECORD DATA FOUND ON TERRITORIAL SEA BOUNDARY DIAGRAMS APPROVED BY THE STATE OF ALASKA AND THE MINERALS MANAGEMENT SERVICE (CURRENTLY KNOWN AS THE BUREAU OF OCEAN ENERGY MANAGEMENT) IN 1988.

THE MEAN HIGH WATER LINE OF NORTON SOUND WAS NOT SURVEYED FOR THIS OFFERING. THE LINE DEPICTED ("DIGITIZED CHART COASTLINE") WAS DIGITIZED FROM NOAA CHART NO. 16200 (NORTON SOUND TO BERING STRAIT, 14TH ED.) AND CHART NO. 16206 (NOME HARBOR, 8TH ED.) AND THIS LINE WAS USED TO COMPUTE TRACT AREAGES. DNR GIS ACTIVE MINING CLAIMS USES THE DNR GIS HYDROGRAPHY LINE AS THE UPLAND BOUNDARY OF THE MINING CLAIMS. ACTUAL LOCATION OF THE MINING CLAIMS SHOULD BE VERIFIED IN THE FIELD.

IMAGERY IS ALASKA MAPPED "BEST DATA LAYER", ACCESSED THROUGH THE WMS FEED. SEE THE ALASKA MAPPED WEB SITE: [HTTP://WWW.ALASKAMAPPED.ORG](http://www.alaskamapped.org) FOR MORE INFORMATION.



- LEGEND**
- 3NM OFFSHORE BOUNDARY
 - DIGITIZED NOAA CHART COASTLINE
 - PROTRACTED ALIQUOT CORNERS
 - DNR GIS TOWNSHIP
 - DNR GIS SECTIONS
 - DNR GIS ACTIVE MINING CLAIMS
 - MCO 735
 - MCO 1093
 - MCO 1094
 - PRE 2011 OFFSHORE LEASE
 - ADL 17867 EAST & WEST TRACTS
 - 2011 NOME OFFSHORE LEASE
 - POTENTIAL OVERLAP WITH EXISTING CLAIMS

STATE OF ALASKA
DEPT. OF NATURAL RESOURCES
DIV. OF MINING, LAND
AND WATER
PRINT DATE: MARCH 14, 2012



NOME BEACH PUBLIC MINING AREAS





Inner Harbor



Port



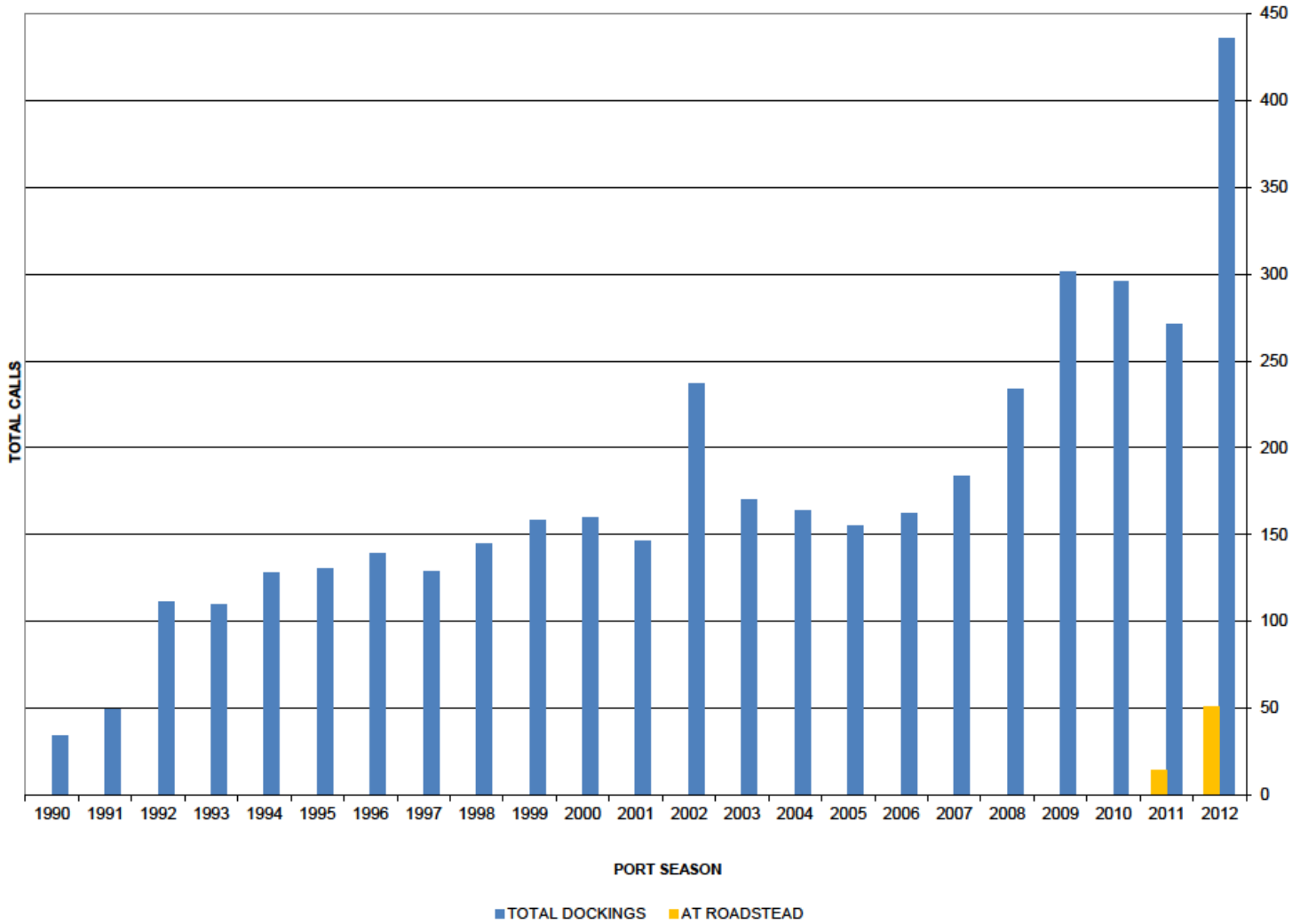
Proposed Middle Dock

Area Within the Municipality



- What makes Nome unique is its municipal boundaries go off-shore.
- Nome cannot impose a property tax on open water.
- Legislation would only capture revenue from the leases that fall within the municipal boundary.
- This area is small compared to the total mining leases that affect Nome's port & harbor.

PORT VESSEL TRAFFIC by Season



Effects Increased Traffic



- Increased traffic of smaller vessels are driving the need for expansion of the inner harbor
- As leases are developed larger vessels (too big for the inner harbor) are competing for already cramped space in the outer port's two docks
- The number of dredges, vehicles and equipment being shipped in for the mining industry is exacerbating the delays and congestion at the port.

Final Message



- HB181 offers one small portion of relief for infrastructure & funding needs
- Yesterday the Department notified us that there are no more lease sales planned within Nome's boundaries
- This means that going forward there would only be about \$4,000 per year in revenue available to the City. The funding request for the planned middle dock alone is \$3 million.
- Solutions:
 - Retroactivity
 - Area Expansion
 - Capital Request