

Mineral Commission 2023 Report Summary

State Priorities 1. Predictability of the State of Alaska Permitting Timeframes Processing of permit applications from DNR and the Alaska Department of Environmental Conservation (ADEC) are often delayed due to a shortage of personnel resources to handle the volume of applications. Mineral resource operators must have predictability in the timeframes associated with review, processing, and adjudication of permits to ensure uninterrupted work and encourage investment in the State of Alaska's mineral resources. Further aggravation to this issue may result from the Biden Administration's increase in construction funding to Alaska over the next five years through infrastructure projects for roads, airports, ports, ferries, broadband, climate resiliency, green energy, and community improvement projects. These projects will require decisions and permits from State of Alaska regulatory agencies; the same agencies that are currently engaged in permitting mineral projects in Alaska. Current Alaska demand has permitting agencies operating at capacity to issue decisions and permits. The State of Alaska needs the capability to issue additional decisions and permits in a predictable manner for projects. This action will show investors that the State of Alaska's permitting system is robust and able to adapt to priorities and demand.

- Support the development of tools to track the processing of permit applications with transparency for the application progress and accountability for the State of Alaska in meeting required timeframes.
- Support funding of additional State of Alaska personnel positions for timely processing of permit applications.
- Seek ways to minimize employee turnover in State of Alaska departments. The State must be able to retain and attract qualified, experienced personnel to the permitting and regulatory agencies. The AMC believes that communities should benefit when natural resource exploration and development occurs nearby. Whether related to large scale long-term mining or short-term seasonal prospecting, the economic boost to local economies from mining and mineral development may generate increased demand in providing local government services. Communities could benefit from a reallocation of the State of Alaska Mining License Tax (AS 43.65). Presently, there is no uniform mechanism to allocate a portion of the tax revenue back to communities associated with mineral development. Such a revenue-sharing model could provide needed assistance to communities³.

Sharing portions of State of Alaska revenue from mineral resource development with local communities in a predictable fashion reduces the need for local governments to impose their own industry targeted taxes, such as severance taxes. The uncertainty of the timing, stability, and size of a local tax could discourage mineral development. Moreover, allowing local governments to impose potentially onerous severance taxes shifts control of development decisions away from the State of Alaska.

2. Reallocate portions of the State of Alaska mining license tax to communities, while precluding targeted local severance taxes

Recommendations:

- Allocate portions of the statewide mining license tax to communities located near mining operations in order to create a stable economic regime that can provide an attractive investment climate in Alaska.
- Revise the municipal tax code to preclude local municipal severance taxes on mineral resources. This revision would not prevent a local government's ability to utilize a broad-based tax⁴, such as a property tax or sales tax. [3] The fishing industry has an informal means to split taxes between the state and the local communities. This approach would adopt the concept but be more specific in the division of revenues. [4] Both the Fairbanks North Star Borough and the City and Borough of Juneau benefit from broad-based taxes that include local mine operations.

Report of the Alaska Minerals Commission, January 2023 8 3. Support the Division of Geological & Geophysical Surveys The Alaska Division of Geologic and Geophysical Surveys (DGGS) within DNR plays an integral role in identifying Alaska mineral resources, mineral potential, and attracting investment to the State of Alaska. Their work includes collecting new geologic data, quickly publishing that data, and

maintaining an extensive publicly available database. This database is commonly a first stop for explorers looking to invest exploration funding within the State of Alaska. In November of 2021, the U.S. Geological Survey (USGS) released a draft list of 50 minerals which are deemed critical to the development of the country's economy⁵. The United States is dependent on unpredictable foreign producers such as China, Russia, and the Democratic Republic of the Congo for many of its critical mineral supplies, which results in an unacceptable risk to the national and economic security of the United States. Many of these minerals (especially zinc, graphite, and cobalt) are hosted within established mineral belts across Alaska. DGGGS' publicly available data provides explorers an advantage when selecting areas to claim on State of Alaska land, and therefore makes that investment more attractive when compared to other states or countries that lack such information. Much of Alaska's 663,000 square miles of land (more than a sixth of the total area of the United States) "has not been systematically studied or sampled for mineral resource potential"⁶. Now tasked by both Alaska's Legislature and the USGS, DGGGS must be well supported in its further efforts to identify where critical minerals are to be found. Federal funding is vital and currently available, but State of Alaska matching funds are necessary to maximize federal support. The State of Alaska has previously supported these efforts through the Airborne Geophysical/Geological Mineral Inventory (AGGMI) program. The AMC recommends the State of Alaska continue to provide matching funds for grants and funding opportunities available through the federal government. The data produced by such efforts will have a longterm positive impact on attracting exploration dollars to State of Alaska land. Another critical support for DGGGS is the continuation and growth of the Geologic Materials Center (GMC). The GMC hosts the State of Alaska's archives for geologic samples collected by mineral, oil, and gas exploration companies, as well as state and federal agencies. Core repositories such as the GMC are commonplace in states that host significant mineral resources. Samples in the State of Alaska archives date back to the early 1900s and contain a wealth of information that can lead to additional discoveries based on information collected by modern analysis. The GMC archives contain over 18 million feet of core samples and cuttings from oil and gas exploration and 565,000 linear feet of drill core samples from mineral companies. They also contain 507,000 surface samples and over 35,000 thin sections⁷. Finally, DGGGS' role in promoting the State of Alaska at international mining conferences – where local experts can showcase our mineral potential, investment climate, and interact with investors – needs ongoing support. Roughly 80 percent of the funding for mineral exploration in Alaska is from companies housed outside of Alaska, most recently from Canada and Australia. These outreach activities are how the State lets the world know that Alaska welcomes mineral and mining investment. [5] USGS Seeks Public Comment on Draft List of 50 Minerals Deemed Critical to US National Security and the Economy, accessed November 2021, <https://www.usgs.gov/news/national-news-release/usgs-seeks-public-comment-draft-list-50-minerals-deemed-critical-us-0> [6] U.S. Geological Services, 2017, Geospatial Analysis Identifies Critical Mineral-Resource Potential in Alaska Fact Sheet [7] GMC Curator Kurt Johnson, personal communication, November 2021. Recommendations: • The Governor and Legislature should continue to support assessment of Alaska's critical minerals. Airborne geophysical surveys, geological mapping, and mineral inventories are activities that can be funded through annual capital appropriations to the operating budget. Investing in these state-funded programs will, in turn, ensure federal funds are maximized. • Support for the GMC to host and maintain a core repository and ability to conduct analysis on samples should continue. • Funding should continue to support attendance by DGGGS and DNR at international and national mining conferences to promote Alaska's mining industry