

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

No. 2
 Bill Version: SB 175
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Revision Date/Time: 28-Feb-00 Dept Affected: Natural Resources
 Title: STATE MINING LAW BRU: Minerals, Land & Water Development
 Component: Claims, Permits and Leases
 Sponsor: S RES
 Requestor: S FIN Component No: 2460

Expenditures/Revenues (Thousands of Dollars)
 Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
PERSONAL SERVICES	75.0	75.0	75.0	75.0	75.0	75.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS & CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING	75.0	75.0	75.0	75.0	75.0	75.0
CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
CHANGE IN REVENUES (fund code)	150.0	150.0	150.0	150.0	150.0	150.0

(Thousands of Dollars)

FUND SOURCE	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
1002 Federal Receipts						
1003 GF Match						
1004 GF						
1005 GF/Program Receipts	75.0	75.0	75.0	75.0	75.0	75.0
1037 GF/Mental Health						
Other (Specify Type)						
TOTAL	75.0	75.0	75.0	75.0	75.0	75.0

Estimate of any current year (FY2000) cost: \$ n/a

POSITIONS

	FY2001	FY2002	FY2003	FY2004	FY2005	FY2006
FULL-TIME	0	0	0	0	0	0
PART-TIME	0	0	0	0	0	0
TEMPORARY	0	0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary)

Conclusion. This bill makes the mineral location process more efficient for the state and for the locator. Thus, it may, especially in the longer run, actually lower costs for the state. Currently, the state does not provide a reasonable level of service for the mineral industry: a four to six month backlog before mineral locations are processed. That level of service creates confusion in land tenure. This can be a significant problem for the industry.

The bill also creates a new revenue source that the state estimates will be at least \$150K. That is, the industry will pay the state an additional \$150K as a result of this bill. The funds requested in the fiscal note would allow the state to lower processing times to 4-6 weeks --a much more reasonable level of service for the industry.

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 Division: Mining, Land and Water Date: 28-Feb-00
 Approved by Commissioner: John Shively Date: 28-Feb-00
 Agency: Natural Resources

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SB 175
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Background. Alaska is experiencing a boom in mineral locations. The number of new claims has increased from 3,000-4,000 per year in the early 1990s to over 15,000 last year. Because of this increase, each year it takes longer and longer for DNR to process all the new locations. DNR is currently experiencing a 4-6 month lag time, more than a full mining season, for DNR to process new claims. (DNR expects the lag time to decrease to 12 weeks as a result of automation efforts this summer -- but this lag time is still longer than the industry has ever experienced and is approaching the length of the mining season).

What the Bill Does. The major change is that the bill allows locators to stake claims according to aliquot parts (referred to as Meridian, Township, Range, Section Claims, or MTRSC, in the bill). It also allows miners to stake 160-acre rather than 40-acre claims. These changes will reduce DNR's processing requirements, though there may be some additional work the first year to set the process up. In addition, it would allow locators to stake their locations in a manner that allows DNR to automate a significant part of the process. Thus, the bill is necessary to ensure that DNR's level of service does not deteriorate further if, as expected, 10,000 new claims are staked in the next few years. Finally, the bill would also save the mineral locator money in being able to locate fewer mineral locations to cover the same area, which will result in less staking and recording.

New Revenue Source. Despite a one-time discount in rent for new or converted MTRSC locations, this bill will result in industry paying an additional \$150K to the state. That is, this bill provides a one-time 50% reduction in rental for new MTRSC mineral locations and previous mineral locations converted to MTRSC as an incentive to locate the new MTRSC locations provided in this bill. The one-time incentive-induced reduction in rental will cost the State an estimated \$50K in reduced rentals. This bill also provides a new, previously untapped source of rental revenue from requiring rental for prospecting site locations at the same rental amount as for new mining locations. Requiring rental for prospecting site locations, which had no rental requirement previously, will result in fewer prospecting site locations (estimated 75% reduction) and more mining claims or leasehold locations being staked in their place. This "switching" by the mining industry will result in an estimated net rental increase of \$200K annually. Thus, the net effect of the bill is to increase revenues from the mineral industry by approximately \$150K annually, approximately half of which would go to the permanent fund.

Effect on DNR Workload and Processing Time. Currently, DNR puts prospecting site locations in the state's computerized public land records, but not on the status plats. DNR does, however, put new mining claims and leasehold locations in the public land records as well as on the status plats. Thus, the "new rental revenue" needs to be used to process the additional locations, set up the new system, and to reduce the processing time of new locations expected. Without the bill, the claim processing time will, in future years, climb to 14 or 16 weeks or longer (i.e., it would take longer than a full mining season to process the claims). This is a much lower level of service than the mining industry deserves. This bill, without the fiscal note, will allow the processing time to stay at the relatively poor service level of approximately 12 weeks. The bill plus the funds in the fiscal note would allow DNR to lower processing times to approximately 6 weeks.