

# FISCAL NOTE

STATE OF ALASKA  
2012 LEGISLATIVE SESSION

Bill Version CSHB 361(FIN)  
Fiscal Note Number 4  
(H) Publish Date 4/3/12

Identifier (file name) HB361CS(FIN)-DNR-MLW -03-31-12 Dept. Affected Department of Natural Resources  
Title Disposal of State Resources Appropriation Land & Water Resources  
Allocation Mining Land & Water  
Sponsor Rules by Request of the Governor  
Requester (H)FIN OMB Component Number 3002

**Expenditures/Revenues** (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	FY13 Appropriation Requested	Included in Governor's FY13 Request	Out-Year Cost Estimates				
			FY14	FY15	FY16	FY17	FY18
<b>OPERATING EXPENDITURES</b>	<b>FY13</b>	<b>FY13</b>	<b>FY14</b>	<b>FY15</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants, Benefits							
Miscellaneous							
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**FUND SOURCE** (Thousands of Dollars)

1002	Federal Receipts							
1003	GF Match							
1004	GF							
1005	GF/Prgm (DGF)							
1037	GF/MH (UGF)							
1178	temp code (UGF)							
<b>TOTAL</b>		<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**POSITIONS**

Full-time							
Part-time							
Temporary							

<b>CHANGE IN REVENUES</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>	<b>***</b>
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Estimated SUPPLEMENTAL (FY12) operating costs 0.0 (separate supplemental appropriation required)  
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY13) costs 0.0 (separate capital appropriation required)  
(discuss reasons and fund source(s) in analysis section)

**Why this fiscal note differs from previous version (if initial version, please note as such)**

In the bill analysis section, this fiscal note reflects the changes made in the House Finance Committee. Sections were added in order to further clarify sections that were previously not included on auction procedures.

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Approved by Daniel S. Sullivan, Commissioner  
Department of Natural Resources

Phone 269-8600  
Date/Time 3/31/12 2:00 PM  
Date 3/31/2012

**Analysis**

CSHB361(FIN) proposes to make changes to the Alaska Land Act that are intended to increase efficiency, certainty and timeliness of DNR's land permitting, leasing, mining and land sales programs to permitting applicants.

These proposed changes are not anticipated to have a fiscal impact on the department or the State with the exception of the proposed revision to AS 38.05.212(a), Section 16 of the bill. Under that proposed revision the department would have the authority to exempt, by regulation, small operations from the production royalty. While the definition and threshold level for consideration would need to be established through regulation, DNR anticipates that the net reduction in actual royalties paid to the state under this exemption would be **less than \$10,000 per year**. This is because mining operations are allowed to deduct certain operating costs against any royalty due to the state and it is anticipated that the deductions allowed most small operations would equal or exceed any royalty due. Most small operations actually pay no royalty but are still required to go through the accounting and filing operations. The primary benefit of this proposed statute change would come from the cost savings of both DNR and the small operators' administrative efforts to track, calculate and report minimal royalty payments. DNR would then be able to apply this savings in staff time to other, more pressing mining issues.

Because the number of small operations and the threshold level for this exemption must be established through the regulatory process, and because of the variability of the price of metals, DNR cannot provide an estimate of the actual reduction in royalty income at this time. As such the actual reduction to the state's revenue is indeterminate.

Under AS 35.05.555(f) in Section 18, the state would provide incentives for the development of peat as a source of heat or power. Currently, peat is not being sold by the state and thus the sale of peat is bringing in no revenue. However, with this additional subsection, assuming that the sale of peat is negotiated, the state would lose the potential for revenue up to the thresholds stated in the bill. For personal use, up to 200 cubic yards/yr would be provided for free; for commercial use not more than 30,000 cubic yards during a single 10-year period would be provided for free; and if more than 30,000 cubic yards is sold for commercial use, the user would pay 20% of the representative regional sales price or 20% of the fair market value as determined by an appraisal for which the applicant pays for up to 10 years. Assuming peat is successfully used as an energy source, the state **stands to gain revenues in the future but currently would not gain or lose revenues in incentivizing the use of peat**.

The other sections of the bill will either create efficiencies or prevent inefficiencies. The revisions will benefit both the applicant and the State. The applicant will be saved time and cost by the changes.