DEPARTMENT
OF
NATURAL
RESOURCES
2-23-81

Alaska State Legislature

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Senate

Committee on Resources

February 23, 1981
1:30 p.m.

Beltz Room
211 - Capitol

MEMBERS PRESENT

SENATOR FAHRENKAMP
SENATOR FISCHER
SENATOR MULCAHY
SENATOR ELIASON
SENATOR GILMAN

The Committee was briefed by Jeff Haynes, Deputy Commissioner, Department of Natural Resources, Reed Stoops, Director, Division of Research and Development, Tom Bergstrom, Director, Division of Administration and Management, Ross Schaff, State Geologist, Division of Geological and Geophysical Surveys, Dr. Wyatt Gilbert, Deputy State Geologist, Nick Carney, Director, Division of Agriculture, and Art Davidson, Special Agricultural Consultant. Jeff Haynes stated that the Department's mission is the conveyance of land and resources to private owners through leasing and disposal methods. The Department of Natural Resources is production oriented. The indicator of what they plan to produce during a particular year can be seen in their annual budget. He stated that because the State does not know what there is on or under the land they conduct resource inventories. In order to have development, a land base is needed and the Department has tried to help through land allocation.

Reed Stoops stated that last year they conducted work shops and asked resource industries to identify those lands they were most interested in. When these were completed they came up with a draft set of goals, objectives, identified land of interest, put the information into a computer which printed out a map. Then the Department worked on determining the designation of the lands to best achieve the objectives which resulted in the various land allocations. The map shows surface allocation and potential subsurface resources. With this map they can see subsurface resources prior to surface land disposals and potential conflicts. He cautioned the Committee that the planning map is based upon the best available information at the time it was produced. Its

scale is in 1000 acre grids making it difficult to be site specific. It was drawn before d-2 but will be updated this year. And, it shows only state land resources. He stated that an example of how the map can be used is that on a statewide basis you can see that the state can provide the needed timber, but looking at the map can see the specific areas where supply and demand are out of balance.

Ross Schaff stated that the state is limited in its resource data base. Only 7% of the state is mapped in an usable scale. He is proposing a five year long range data collection process. He stated that the resource inventory process consists of: compulation of existing data and automation, collection of new information in the field, resource inventory inorder to have a statistical approach for management, and the production of reports, maps and interpertive maps.

Jeff Haynes stated that the Department's goal is to have continuous land disposals in excess of demand. The purpose of the Municipal Land Selection was to provide residental land near road systems because most of the state land is remote. Presently the municipalities have working titles to the land but inorder for it to be patented, the land has to be surveyed and this is where a problem develops because some municipalities do not have the front end money to do the surveying.

Nick Carney delineated the cost and schedule of State investment in agricultural development through 1990. (copy attached)

Lawmakers want plan for state's agriculture

By MICHAEL MULNIX
Empire Staff Reporter

While state agriculture specialists want the legislative go-ahead for additional money for the Nenana-Totchaket Farm Project, lawmakers Friday said more information about the state's total agricultural plan is needed before any more money is doled out.

Agriculture officials asked lawmakers for an immediate $500,000 for continuation of a bridge design program at the Nenana project south of Fairbanks. The Senate Resources Committee, however, indicated it would not support such an appropriation until some sort of long-range agricultural plan is formulated.

"My main concern is tying in all the agricultural concerns in the state," Sen. Arliss Sturgulewski, R-Anchorage, told agriculture officials. "I'm really concerned. It seems like we have huge holes in our (agriculture) plan. Tell me, who's minding the store? Who gives us the total plan? Who ties together the elements? We just seem to be lurching into it."

ALASKA NEWS

Sen. Vic Fischer, R-Anchorage, said he wanted to see "an overall, integrated plan" for the next decade before giving more money to the state's major agriculture projects at Nenana, Delta and Point MacKenzie.

"We're putting people out there, and doggone it, let's don't put them out there to fail," Sturgulewski said, indicating support for a comprehensive plan for agriculture. "Let's not supply them with a whole lot of promises and commitments and then tell them we've gotten tired of it and are going to cut them off. Nobody wants that."

The Legislature has already poured about $80 million into the three agriculture projects and will likely shell out more this session. The $500,000 asked for on Friday "is needed to keep the project (at Nenana) alive," according to Nenana Mayor Jack Coghill.

Phase one of the Nenana project calls for $17 million more to be spent by spring of 1982 for a road and bridge system to get into the area.

The Nenana project was funded for $500,000 last session for feasibility studies. Coghill said the money was spent to determine if vegetables or c or both, could be raised on the land.

Coghill said th industry "is a very viable one," but the vegetable industry a real question" because of the short season.

"But we're just on the tip of the iceberg (with the project). We've got a long way to go," Coghill said.

Most critical of the project was Sen. John Sackett, R-Galena, who said he has seen no indication any long-range planning for state agriculture exists. Sackett is not on the Resources Committee but sat in for the hearing.

"I doubt very much you even know what you need next," Sackett told Bob Palmer, state coordinator of special projects, and Nick Carney, director of the Division of Agriculture.

Palmer said he would have more answers if more money was provided for additional feasibility studies.

"As far as developing a long-term plan ... there was more than enough for us to have to accomplish with the short-term projects before worrying about any long-term plan," Palmer said. "Important questions need to be answered, but we've been tight-fisted about money. If we get more money, then we'll be able to answer more questions."

Carney agreed with the need to establish a long-term, statewide plan for agriculture, saying the current program "lacks coordination." He argued, however, that the Division of Agriculture is suffering "growing pains" due to huge expansion of state agricultural lands.

The state had 17,000 acres of agricultural land two years ago compared to 50,000 now, Carney said.

Carney said the $500,000 for access into the Nenana area is crucial if the project is to continue on schedule. The actual lottery disposal of the area is scheduled to take place about a year from now.

Terry Gardiner, D-Ketchikan, co-chairman of the House Resources Committee, indicated he would support more money for a long-range plan for the state's agricultural projects.

"It's no small wonder we don't have any plan because the dollars we've spent have been for the projects themselves and not on organizational plans. We have advocated very little for administration," Gardiner said.

Lawmakers gave agriculture officials two weeks to come up with some sort of comprehensive plan for agriculture.

T-H puts more residents to work

By MARK BAUMGARTNER
Empire Staff Reporter

Apparently undaunted by the grim economic forecasts, the Tlingit and Haida Private Industry Council is forging ahead under title sevens, by and large, escaped the ax.

Within CETA title seven is a special job-creation program for Natives.

"The Department of Labor propriate $6.6 million this year for title seven's Native American programs.

Parr expected between $1—1.5 million to come to programs sponsored by the PIC.

until they learn the job," Parr said of the program.

He expects the jobs to be permanent, so that after the trainee becomes competent he or she will stay on in an unsub-

Committee File 2/23/84

RESOURCE EVALUATION AND MAPPING PROGRAM

Information about natural resources in various parts of the State of Alaska is critically needed as the basis for land use and land classification decisions, land disposals, land trades, and general resource planning. Resource information permits decisions affecting natural resource development to be based on an estimate of the importance of those resources at a national, state, and local level. Geologic factors, such as the magnitude of geologic hazards and the engineering geology conditions affecting potential development are also an important part of such decisions.

The amount of information about natural resources in most of Alaska is woefully inadequate for many of the decisions about land classification that are currently being made. Geologic investigation in the State is still in its infancy compared to the contiguous 48 states. Much of hte work that has been done in Alaska, to date, has been either very broad and general in scope, and not suited to even regional needs, or has been focused on matters of federal concern, such as the D2 issue.

The resource inventory program is a comprehensive and systematic method of assessing the potential of various resources within areas of State concern. The inventory includes an assessment of the industrial materials, metallic minerals, geothermal, coal, uranium, oil and gas, soils, water, forestry, and agricultural potential of an area, along with an analysis of the geologic hazards and engineering geology conditions. The purpose of the inventory program is to provide the public, the

administration, the legislature, and local governments with meaningful estimates and descriptions of resources in advance of the time when major resource and land management decisions are made.

The proposed resource inventory program is not intended to duplicate or ignore resource assessment work being done within the State under existing projects. The results from ongoing projects, such as the DGGS geothermal energy investigations, will be included with data gathered by the resource inventory program.

Resource inventory studies have been conducted at various levels of detail and sophisticaton in Alaska for over 75 years, but most of this work has been very general and broad in scope. Although much information gathered by earlier programs is informative, most of it has not been specific enough for truly-informed decision-making. Much of it has been presented in a format that is not useful to the general public or those outside of the resource sciences. Many resource studies were planned to answer some immediate crisis, and have proved to be of limited value, because resource investigations generally require a number of years to produce really useful, high quality results. In addition, some major efforts at resource inventory have attempted to compile existing data rather than to expand the resource data base. The existing data base is clearly inadequate for determining land classification and use, providing resource information for use by the public and local governments, or for assessing the economic effects of many land-related decisions.

Resource inventory assessments require systematic and protracted effort over a period of several years, if high quality results are to be

realized. A comprehensive resource inventory program has the advantage of coordinating and pooling a broad range of knowledge, logistics, and investigative techniques. For these reasons, the DGGS Resource Inventory Program is being proposed as a Capital Improvement Project.

SCOPE

The proposed resource inventory program will investigate areas where increased public or industrial use is expected to lead to development in the foreseeable future, or where pending decisions and potential conflicts over various types of land use hinge on resource information. The program is designed to produce resource data within these areas of sufficient detail to be useful at a local as well as at a State level. The type of work to be done will be more detailed than most of the work currently being planned and done by U.S. Geological Survey, and will focus on areas where State concerns, usually on State-owned or selected land, are paramount.

Obviously, all State lands should eventually be investigated in this manner, but a program to cover all State land in the planned detail will take several decades to accomplish. This program proposes to investigate about 15% to 20% of State-controlled lands within the next 5 years, a level of effort that is reasonably within the resources of State government to accomplish. Eventually, all State-owned land should be studied in this manner, and a systematic approach of meeting that objective would be simply an extension of this initial resource inventory program into areas that appear to need such information when the extension is planned.

METHODS

The resource inventory program consists of several distinct steps or phases. The program is proposed on an area by area basis as a series of essentially independent projects, except for the computer derived resource estimates, which would be essential for all projects. However, the process of resource inventory is essentially the same for all areas. The scope and cost of each step in a given area depends on the existing data base and the type of information needed in that area.

Because the resource inventory process is much the same for all areas, a general description of the process is given below which will apply to all the areas being proposed for such investigation.

Phase I: Compilation and Program Design

The first step in a resource inventory program is the compilation of existing data. From the compilation, the need for additional data can be determined, and the field investigations and remote-sensing projects can be planned. For the areas which have been proposed in this program, the status of the existing data base is known to various investigators within the DGGS, and the formal compilation of such data would not be a particularly complex or difficult process. The compilation will largely be an internal process in the project for planning purposes, and publication of the compilations is not anticipated. Information on oil and gas, coal, vegetation, agricultural lands, minerals and recreation has been digitized through DNR's ALAR's computer system and the Division of

Research and Development's Regional Resource Planning project. This data base, which utilized compilations by the Land Use Planning Commission and information provided by a series of meetings with researchers from industry forms the basis for preliminary classifications, conflict identification, and identification of more specific resource evaluation. Results of the compilation phase will periodically be added to this preliminary automated data base.

Phase II: Data Collection and Analysis

The next step of the resource evaluation program is the acquisition of additional data to provide the coverage and detail necessary to make resource estimates and maps in the detail that is required for decision making. Field investigations over a period of several years are planned for each area to acquire the data. Logistics for field investigations and remote-sensing needs within areas will take advantage of multiple-use of equipment, transportation, and personnel. Some considerable cost savings should be possible using this program.

The analysis of the data and samples acquired by the field investigations is a major step in the program. Many of the sample analyses will be handled through the DGGS geotechnical laboratory, and certain special analyses will be submitted to commercial and university laboratories. Analysis and presentation of the remote-sensing data will be done mostly on a contract basis.

The following types of data by resource will constitute the primary objectives of the resource evaluation program.

Water

Water data collected will include surface and subsurface water quality determinations, aquifer location and characteristics, minimum stream flow determinations, compilation of well log data, identification of permafrost location and characteristics, lake level histories, ground water characteristics, meteorlogical information, and flood plain delineation. The water resource inventory program will be a cooperative with the Water Resources Divison of the USGS through which the State dollars are matched by federal on a 1:1 ratio. The primary objective of the water inventory program is an understanding of the natural water systems so that appropriation can be made on an informed basis.

Geothermal

A on-going statewide hot springs inventory, partially funded by DOE and state operating funds will provide the basis for selecting site specific work within the regions outlined in this proposal. The purpose of the geothermal resource inventory program will be to evaluate the energy resource potential of geothermal anomalous areas including hot springs, deep sedimentary horizons, and volcanoes. Much of the inventory work will be done in cooperation with the Geophysical Institute and the USGS with partial funding anticipated from DOE. The primary objectives are to identify anomalous areas and provide an estimate of the energy resource.

Minerals

The resource potential of metallic, industrial (limestone, phosphate, etc.), and energy minerals (uranium, oil shale) will be defined through detailed geologic bedrock mapping and probabilistic trend analyses. Useful geologic maps are now available for only an estimated 7% of the state. Most states have 100% coverage at an 1 inch to a mile scale and therefore are at a distinct advantage in their ability to provide mineral and energy resource information. Geologic maps represent the most frequent request from industry (coal, oil and gas, and mineral) and are the basis for information supplied by DGGS to management agencies.

Coal

The location of Alaska's coal fields are roughly known but very little detailed information has been collected. The extent and volumes of coal will be defined through geologic mapping. Samples will be anlaysed for rank, inpurities, water and ash content, and energy potential.

Oil and Gas

The DGGS oil and gas resource evaluation program is tied directly to the State's leasing schedule and is funded through a separate CIP and DNR operating budget. Basin-wide resource estimates, however, are not and constitute the main contribution of this proposed CIP. The methodology for oil and gas estimates as welll as minerals is described in Phase III.

Vegetation

Data to be collected will include distribution and type of vegetation, timber volumes, mortality rations, growth per acre per species, range conditions, and browse type.

Surficial Geology

Surficial geology is a study of unconsolidated materials at the Earth's surface including the distribution and volume of construction materials (sand and gravel), engineering characteristics, wetlands, geologic hazards, soils, and type and importance of these materials few studies detailed enough for quality decision making have been made. Data collected will be through remote sensing techniques, especially aerial photointerpretation and field mapping. Detailed soils inventory will be done in cooperation with the U.S. Soils Conservation Service.

Phase III: Resource Estimates and Computer Modelling

The application of computer simulation models where quantitative resource estimates are desired is a technique not often used by DNR agencies, although a major effort was made in the case of the 1979 Beaufort Sea Lease Sale, using the facilities of the USGS. In that instance, estimates were made of oil and gas resources on acreage offerred for lease for the purpose of estimating the value of various tracts. Analogous computer models exist for estimating oil and gas resources on a regional basis (i.e., basin and sub-basin) and for estimating mineral potential. The DNR

resource inventory program will include such modelling as an integral part of the inventory process, so that users of the products of the program will have included an estimate of the resource potential of an area along with a measure of the statistical certainty of that resource estimate. This type of computer modelling or simulation is generally accepted as the best method for deriving meaningful resource estimates.

Resource estimates can be used as the basis for economic studies of the potential value of any given resource. Obviously, an economic analysis would be highly desirable for specific resources in many reas. Such economic studies, however, are based on a great many factors, including market forecasts, the cost of production and transportation facilities, supply forecasts on a world-wide basis, and so forth, information beyond the scope of a resource inventory CIP. If the need arises, such economic studies could be carried out and accomplished expeditiously, because resource estimates would be available as the basis for the economic estimates, along with a knowledge of other factors, such as engineering conditions, and geologic hazards that affect the potential economic value of a resource.

Phase IV: Reports and Publications

The remainder of the resource inventory program will be devoted to publication of the results in a number of different user-oriented formats. The initial reports will be the technical reports and maps that are the documented record of the data and results of various technical analyses and computer modelling studies. Such technical reports constitute the

permanent scientific record of the investigations, and are widely used by industry, government, and the academic world. The final products will include resource estimates, location and derivative maps, and descriptive reports written for general use by the public, the legislature, the administration, and local governments. A list of products or results is given below:

Technical Reports and Maps

Geologic bedrock maps . . . . . scale 1:63,360 or larger

Geochemical maps . . . . . scale 1:63,360

Soils maps . . . . . scale 1:31,680 or larger

Vegetation maps . . . . . scale 1:31,680 or larger

Surficial geology maps . . . . . scale 1:31,680 or larger

Hydrologic maps . . . . . scale 1:63,360 or larger

Isopach maps (unconsolidated materials)

Technical Reports (soils, hydrology, vegetation, geology)

Subsurface sections (consolidated and unconsolidated)

Derivative Maps

Slope and slope stability maps

Mineral potential maps

Depth to ground water maps

Water quality suitability maps

Sand a gravel location, quality and production maps

Geologic hazards (flood plain, permafrost, unstable soils, seismicity) maps

Oil and Gas potential

Coal Distribution/quality maps

Water table maps

Water decline maps

Agricultural suitability maps

Erosion susceptibility maps

Land use maps

Archaeology location maps

Other

STUDY AREAS

The resource evaluation program is subdivided into a series of projects focusing on specific areas. Nine different areas each have conditions that will require detailed resource information either immediately or in the very foreseeable future. The information needs in these areas have been determined by studies done under the Regional Resource Plans within DNR, expressions of information needs by industry, and consultation with other State and Federal departments.

The program therefore is a combination of the nine different area projects offerred in the following descriptions. The funding of the program is broken down by area as well as by resource. The program should be considered as incremental on an area by area basis. The only exception is the component designed to produce the computer simulation models for the resource estimates. The nucleus of personnel and the computer time to develop the models is listed as a separate function, and should be regarded as essential to the project as a whole.

The North Slope is included in the list for this program although the foremost resource interest on the North Slope is the oil and gas, which is being evaluated on a sale area basis by a previous CIP and a number of operating program projects. Surface materials and water resources information on the North Slope are integral aspects of oil and gas development which are included in this resource evaluation and mapping CIP.

Table 1 summarizes the status of resource evaluation for each project area as well as the significant primary products of the investigation.

Seward Peninsula

Mineral resources have been a primary interest in the Seward Peninsula since the days of the gold rush. Recent increases in the market price of certain metallic minerals and the increase in the price of gold have led to renewed exploration and evaluation of the area by private industry. Interest exists for both hardrock and placer type deposits. In addition, a modest potential for coal for local use and geothermal energy exist in the area. Interest in the agricultural potential of reindeer grazing is also important. The land ownership pattern on the Seward Peninsula is very complex, and will probably lead to efforts by State, federal, and private (native) agencies to trade and consolidate holdings on the peninsula into some sort of coherent pattern. Also, the proximity of the scheduled oil lease sales on the offshore continental shelf by the federal government could lead to an accelerated increase in population and to the

siting of industrial facilities on the peninsula. Resources and other geologic factors affecting development will be very important in deciding how, where, and if many of these activities will be carried out.

Upper Kuskokwim Area

The Kuskikwim region encompasses a number of different resource values, including both hardrock and placer mineral deposits, coal, and oil and gas. A potential for agriculture and forestry also exist in the area, and will depend on the quality and character of the water and soil resources.

DNR has already initiated some field investigations related to mineral resources in parts of the area, and this proposal would integrate and expand the scope of present investigations. Soils studies in the area would be done on a matching fund basis by the Soils Conservation Service of the federal government.

Copper River Basin, Chugach Mountains, Matanuska Valley Area

Resources in the area include metallic minerals, oil and gas, coal, agriculture and forestry. Proximity to the central transportation facilities make this a likely area for population expansion, and will increase interest in the mineral and petroleum resources. The coal resources have some potential for local or in-state use.

DNR has begun a very modest mineral investigaiton in the Chugach Mountains, and the present proposal would expand this study to encompass a greater area, and provide for remote-sensing and additional investigations to cover the sols, forest, water, and coa resources of the area.

A USGS proposal to start a reconnaissance study of the Anchorage quadrangle under their AMRAP program will be helpful in producing some of the required information, and cooperation between the two agencies will be worked out so that the data necessary for State use will become available from both projects.

Western Susitna Valley

The coal resources of the area are likely to cause major development in the foreseeable future. The mineral resources of the bordering mountains of the Alaska Range are also an important potential value in the area. Recreaional activity in the area is already high, and will probably increase substantially when development of the coal resources takes place. A very significant potential for agriculture and forestry also exist, and investigation of this resource is pending. The geologic factors and hazards affecting the development of industrial and other types of acitvity in the area will be important consideration in the planning that will be necessary to minimize the conflicts of use in the area, both at a State the local level.

At this time, only minor investigations of the geology of the area have been undertaken, and the start of a resource inventory program in the area will provide needed information in an area that is almost certainly going to experience a significant increase in the demands on the resource.

The investigation of the agriculture potential of the area will be done on a matching fund basis with the Soils Conservation Service of the federal government.

Southeastern Alaska

Because of the state ownership pattern in southeastern Alaska, a regional resource inventory project is not planned. However, some local studies are required to investigate the mineral and forestry resources on state-owned land and in areas where State interests are affected. Southeastern Alaska is one of the most highly mineralized regions in the State, and current exploration interest is extremely high, in spite of the large amounts of wilderness proposed in the current D2 legislation. Water resource data is especially lacking for hydroelectric power sites.

Tanana Basin and Fairbanks Area

The mineral potential of parts of the area is high, as in interest in the water, forest, and agricultrual potential. The development of housing and industry will also lead to increased interest in the geologic factors limiting sugh activities.

A number of resource investigations have been funded for portions of this area and are currently in progress. The main objectives of this proposal are to coordinate and compile the results of those investigations, and evaluate in detail the soil, forest, and mineral resources. Additional field investigations will be conducted to fill in gaps between existing projects and to fill out the resource inventory of the entire area.

Upper Koyukuk and Southern Brooks Range

The potential for metallic minerals in this area is extremely high. Tens of billions of dollars of proven reserves exist in parts of the southern and western Brooks Range. Critical questions now exist about the development of transportation and production facilities, and conflicts over land use and ownership in the area are extremely serious. The mineral potential of the area is high enough to be important on a statewide and national scale.

For these reasons, a knowledge of the location and potential of the mineral resources, the engineering and geologic constraints on development of transportation and production facilities, and the potential for other uses, such as recreation, forestry, and agriculture, will be useful for decision and policy makers on State, regional, and local levels.

Bristol Bay

A large amount of land will be turned over to the State in this area when pending D2 legislation passes. The State would be committed to a cooperative management program with the federal government, if this occurs. Resource interests in the area include minerals, oil and gas, water, coal, geothermal, soils and forests. Resource development will be in possible conflict with habitat and recreational interests in the area. The area has been identified by Regional Resource Plans as one where major amounts of resource information are needed. Information about the importance of various resources will be critical to land management decisions.

North Slope

The North Slope basin, onshore and offshore, has the highest potential for oil, gas and coal development of any area of North America. Resource evaluation of oil and gas on State lands is conducted under a seperate CIP and coal is located mainly on federal land. The main resource information needs of the North Slope are sand and gravel locations, permafrost, and water. These are addressed in this CIP.

A breakdown of the resource inventory budget is shown for each area under consideration for investigation. The budget for deriving the resource estimation models is shown as a separate section.

RESOURCE ASSESSMENT PROJECT SUMMARY

YEAR	1	2	3	4	5		
(ALL ENTRIES IN THOUSANDS OF DOLLARS; INFLATED AT 10% PER YR.)							
FAIRBANKS							FIVE YEAR TOTALS
						MINERALS	1027.50
						HYDROLOGY	1134.53
						GEOTHERM.	511.27
						SURF.&SOIL	1176.88
						REC.&ARCH.	485.49
						FORESTRY	4505.57
PROJECT SUMMARY							
EQUIP.	170.00	15.40	17.55	15.31	15.37		
OTHER	1335.20	1679.92	1903.58	1775.16	1913.75		
TOTAL	1505.20	1695.32	1921.13	1790.47	1929.12	TOTAL=	8841.23
FED. MATCH	50.00	220.00	242.00	66.55	73.20	FED.MATCH=	651.75
BRISTOL BAY							
						MINERALS	1644.60
						HYDROLOGY	1029.50
						GEOTHERMAL	2352.22
						SURF.&SOIL	997.37
						REC.&ARCH.	437.70
						FORESTRY	200.46
PROJECT SUMMARY							
EQUIP.	166.50	47.85	24.81	25.95	28.35		
OTHER	1124.89	1330.88	1439.76	1176.45	1296.21		
TOTAL	1291.39	1378.73	1464.57	1202.41	1324.76	TOTAL=	6661.85
FED. MATCH	45.00	214.50	235.95	59.90	65.88	FED.MATCH=	621.23

CHUGACH - MATANUSKA

						MINERALS	1458.18
						HYDROLOGY	893.21
						GEOTHERMAL	672.59
						SURF.&SOIL	822.28
						REC.&ARCH.	381.22
						FORESTRY	345.49
PROJECT SUMMARY							
	EQUIP.	155.00	11.55	12.10	13.98	15.37	
	OTHER	677.98	921.78	989.76	867.79	907.66	
	TOTAL	832.98	933.33	1001.86	881.77	923.03	TOTAL= 4572.97
	FED.MATCH	30.00	198.00	217.80	39.93	43.92	FED.MATCH= 529.65

WESTERN SUSITNA

						MINERALS	1585.89
						HYDROLOGY	963.99
						GEOTHERMAL	825.29
						SURF.&SOIL	844.16
						REC.&ARCH.	418.20
						FORESTRY	1354.51
PROJECT SUMMARY							
	EQUIP.	320.00	16.50	18.15	15.97	17.57	
	OTHER	985.37	1230.21	1337.50	980.78	1069.99	
	TOTAL	1305.37	1246.71	1355.65	996.75	1087.56	TOTAL= 5992.04
	FED. MATCH	30.00	198.00	217.80	39.93	43.92	FED.MATCH= 529.65

KUSKOKWIM

MINERALS	1435.67
HYDROLOLGY	1120.11
SURF.&SOIL	758.75
REC.&ARCH.	336.43
FORESTRY	2897.63

PROJECT SUMMARY

EQUIP.	95.50	10.45	10.29	11.31	11.71		
OTHER	1038.36	1329.20	1440.33	1245.63	1355.82		
TOTAL	1133.86	1339.65	1450.62	1256.94	1367.53	TOTAL=	6548.60
FED. MATCH	40.00	209.00	229.90	53.24	58.56	FED.MATCH=	590.70

SOUTHEASTERN ALASKA

MINERALS	1157.71
HYDROLOGY	1275.79
GEOTHERMAL	709.47
SURF.&SOIL	371.80
REC.&ARCH.	416.15
FORESTRY	2032.11

OJECT SUMMARY

EQUIP.	154.00	15.40	15.73	17.97	22.69		
OTHER	670.33	2382.41	909.71	884.22	890.59		
TOTAL	824.33	2397.81	925.44	902.19	913.28	TOTAL=	5963.05
FED. MATCH	50.00	57.00	60.50	66.55	73.20	FED.MATCH=	305.25

BROOKS RANGE

MINERALS	1299.17
HYDROLOGY	965.20
SURF.&SOIL	661.17
REC.&ARCH.	264.71
FORESTRY	630.84

PROJECT SUMMARY

EQUIP.	109.00	11.55	12.71	12.64	13.18		
OTHER	654.77	741.75	791.19	710.45	763.87		
TOTAL	763.77	753.30	803.90	723.09	777.05	TOTAL=	3821.11
FED. MATCH	30.00	33.00	36.30	39.93	43.92	FED.MATCH=	183.15

SEWARD PENINSULA

MINERALS	1398.23
HYDROLOGY	1085.77
SURF.&SOIL	980.43
REC.&ARCH.	251.34
FORESTRY	62.53

PROJECT SUMMARY

EQUIP.	123.50	15.95	11.50	11.31	12.44		
OTHER	604.14	848.26	908.83	595.81	646.57		
TOTAL	727.64	864.21	920.38	607.13	659.01	TOTAL=	3778.37
FED. MATCH	50.00	220.00	242.00	66.55	73.20	FED.MATCH=	651.75

NORTH SLOPE

HYDROLOGY 1943.19

PROJECT SUMMARY

EQUIP.	125.00	16.50	12.10	13.31	14.64		
OTHER	291.66	318.62	344.43	382.87	424.06		
TOTAL	416.66	335.12	356.53	396.18	438.70	TOTAL=	1943.19
FED. MATCH	100.00	110.00	121.00	133.10	146.40	FED.MATCH=	610.50

COMPUTER MODELING

COMPUTER 1346.92

PROJECT TOTALS

EQUIP.	75.00	82.50	12.10	13.31	7.32		
OTHER	182.14	199.25	213.13	267.71	294.46		
TOTAL	257.14	281.75	225.23	281.02	301.78	TOTAL=	1346.92

CIP SUMMARY

MINERALS	11007.00
HYDROLOGY	10411.29
GEOTHERMAL	5070.84
SURF.&SOIL	6612.84
REC.&ARCH.	2991.24
FORESTRY	12029.14
COMPUTER	1346.92
TOTAL=	49469.27

YEAR	1	2	3	4	5
EQUIP.	1493.50	243.65	147.04	151.06	158.83
OTHER	7564.84	10982.28	10278.27	8886.87	9562.99
TOTAL	9058.34	11225.93	10425.30	9037.93	9721.81
FED. MATCH	425.00	1457.50	1603.25	565.68	622.20

CIP TOTAL= 49469.31
FED.MATCH= 4673.63

FEB 3 1981

Alaska State Legislature

Senate

JUNEAU, ALASKA

M E M O R A N D U M 30 January 1981

TO: Chairman Bettye Fahrenkamp
Senate Resources Committee

FROM: Senator Arliss Sturgulewski

RE: Agriculture

You may recall that at our briefing session I had several questions regarding the nature of our investment in agriculture. I would like to share with you some information collected for me by Legislative Finance.

Although the total of our investment to date in agriculture has been roughly $88,224,500.00, this figure does not include operating budget items attributable to agricultural development. In checking through the Governor's six year capital plan, little appears regarding needed future committments of funds for agricultural development in the state - nothing on Nenana, Point MacKenzie, transportation systems or price supports. If agriculture is to succeed in Alaska as a viable industry, it appears to me it is going to take consistent, timely committment of major amounts of public funds. It seems important that the appropriate agency of the state develops a detailed six year capital plan so that appropriations can be considered at the most beneficial time.

Senate Resources
File Copy

AGRICULTURAL BRIEFING
TO THE
COMMITTEE ON NATURAL RESOURCES

February 23, 1981
by the Department of
Natural Resources

The purpose of this briefing is to delineate the cost and schedule of State investment in agricultural development through 1990. Three reports detail these costs and timetables:

1. Production Estimates for Planned Agricultural Development Projects

This report estimates agricultural production, development costs, employment generation, and other benefits.

2. Estimated Required State Funding for Ag Development Through 1990 by Task and Year.

3. Estimated Cash Flow for Various Infrastructure Investments

The Nenana Livestock Report, produced by Featherstone, Corporation on contract from the Alaska Agricultural Action Council, was heavily used to detail costs, production, and benefits for the Nenana barley-cattle industry project. Because of its length, it is not reproduced here.

The reports included in this briefing are based on the goal of developing an economy of scale agricultural industry, in which each component is self-sustaining and subsidy-free, that will produce, at equal or lower prices than those currently available:

1. The majority of milk consumed in the railbelt area;
2. The majority of red meat consumed in the railbelt area;
3. All feed gains needed to satisfy local demand;

4. Sufficient surplus feed grain to competitively enter the export grain trade.

In order to fulfill these goals by 1990, the following actions will be required:

1. Development of basic government programs to provide plant and animal inspection, research, extension services, and market assistance;

2. Disposals of net farmable acres, and construction of roads for the

A. Delta II disposal of 40,000 acres in 1981;
B. Nenana I disposal of 46,000 acres in 1982;
C. Nenana-Susitna disposal of 129,000 acres in 1983;
D. Nenana-Susitna II disposal of 45,000 acres in 1984;
E. Nenana-Susitna III disposal of 25,000 acres in 1985.

3. Completion of handling processing facilities by 1983.

4. Commitment to provide farm financing, capital costs for facilities, and facility operating subsidies as identified for specific periods of time.

This schedule is predicated on the majority of financing originating with the State and all costs are given in 1981 dollars. The disposal and developement projections include the Point MacKenzie agricultural sale, but do not include small scale agricultural disposals scheduled by the Department of Natural Resources as part of the Land Disposal Program. These small disposals will total approximately 19,600 acres in 1981-82.

In summary the costs which will be incurred by the State to accomplish economy of scale agricultural development are:

1. Loans to individual farmers and for agricultural infrastructure capital projects such as grain elevators and processing plants:

A.	Farm Development	$195,448.6
B.	Infrastructure Development	14,706.2
	TOTAL	$210,194,800

2. Subsidy payments for the market organization, for infrastructure developers, for rural agricultural grants, for small farm clearing, and for the loss of opportunity costs, reflect the difference between the loan rates offered and prevailing market interest rates:

A.	Farm Development	$19,811,500
B.	Infrastructure Development	4,506,400
C.	Market Subsidy	300,000
	TOTAL	$24,617,900

3. Non-recoverable government costs for plant and animal inspection, research, extension services, market assistance, administration, data collection and land disposal.

Cost $141,090,300

Total Loans Subsidies & Government Costs $375,903,000

4. Multi-industry capital infrastructure, such as roads, rail spurs and railroad cars, which may be used for a wide variety of extractive and renewable resource development.

Cost $86,930,000

Total Development Costs $462,833,000

TABLE A

PROJECTED AGRICULTURAL STATISTICS FOR ALASKA GRAIN AND LIVESTOCK AGRICULTURE, 1981-1987

BARLEY CROP (Tons Sold)	1981	1982	1983	1984	1985	1986	1987
In-State Use	7,000	9,750	14,725	21,200	28,500	36,400	43,500
Export	11,000	24,250	32,275	42,800	92,500	124,600	148,500
Total	18,000	35,000	47,000	64,000	121,000	161,000	192,000
LIVESTOCK (NUMBER)							
Hogs		7,000	17,500	28,000	42,000	56,000	70,000
Cattle (beef)		650	1,300	2,600	3,900	5,400	6,500
Cattle (dairy)	1,500	1,500	2,000	3,000	3,500	4,000	5,000
Reindeer	1,800	2,000	2,200	2,500	2,700	2,900	3,200
LAND (ACRES)							
Delta I	16,000	30,000	36,000	36,000	36,000	36,000	36,000
Delta II	-0-	-0-	5,000	15,000	27,000	27,000	27,000
Nenana I	-0-	-0-	-0-	5,000	27,000	27,000	27,000
Nenana II	-0-	-0-	-0-	-0-	15,000	50,000	77,000
Total	16,000	30,000	46,000	56,000	105,000	140,000	167,000

Table B

SUMMARY OF ESTIMATED STATE AGRICULTURAL DEVELOPMENT COSTS

1982-1990

	82	83	84	85	86	87	88	89	90
Loans									
Farm Development	32,488.0	78,262.0	47,066.0	16,073.8	6158.8				
Infrastructure Dev.	11,532.1	1,807.1	165.0	345.0	857.0			3000.0	
Subtotal	44,020.1	80,069.1	47.271.0	16,418.8	7015.8			3000.0	
Subsidy									
Farm Development	3,441.2	5,604.1	3,636.3	1,785.0	1220.9	800.0	800.0	800.0	800.0
Infrastructure Dev.	440.0	437.8	910.5	778.0	579.1	315.1	334.8	340.2	310.6
Marketing Subsidy	300.0	-	-	-	-	-	-	-	-
Subtotal	4,181.2	6,041.9	4,546.8	2,563.0	1800.0	1,115.1	1,134.8	1140.2	1,110.6
Non-Recoverable Govt. Cost									
Land Base	3,101.8	3,883.4	3,454.6	1,914.7	1352.9	1,302.9	1,202.8	1102.9	902.9
Marketing Assistance	120.0	120.0	120.0	180.0	180.0	180.0	180.0	180.0	180.0
Research & Extension	26,069.5	15,526.5	7,425.0	7,476.9	8246.0	9,077.0	9,682.0	10,287.0	10,892.0
Adm.Ins. & Reg/	975.0	1,350.0	1,670.0	1,890.0	1960.0	1,960.0	2,040.0	2,040.0	2,040.0
Subtotal	30,356.9	18,879.9	12,669.8	12,791.6*	11,738.9	12,519.9	13,104.8	13,609.9	14,014.9
Total Loans, Subsidy & Govt.	78,558.2	105,990.9	64,487.6	31,443.4	20,654.7	13,635.0	14,239.6	17,750.0	12,125.5
Multi-Industry Capital Infrastructure	24,000	24,000	13,980.0	10,450.0	7,500.0	6,000			
Total Development Costs	102,558.2	129,990.9	78,467.6	40,893.4	28,154.7	19,635.0	14,239.6	17,750.0	12,125.5

* Corrected figure - not reflected in totals, adds 530.0 in survey costs.

Prepared by Department of Natural Resources 2/18/81

TABLE C

ESTIMATED EMPLOYMENT AND NUMBER OF BUSINESSES REQUIRED TO SERVE ALASKAN AGRICULTURE FOR EACH YEAR, 1981-1987

EMPLOYMENT (NUMBER OF WORKERS)

		1981	1982	1983	1984	1985	1986	1987
A.	On Farm	266	403	507	689	1,196	1,501	1,859
B.	Secondary Processing & Marketing	5	7	9	12	20	25	31
C.	Tertiary							
	General Business	53	81	101	140	239	300	372
	Government	20	31	39	53	92	115	143
	Total Employment	344	522	656	894	1,547	1,941	2,405

BUSINESSES (NUMBER OF)

A.	Contract Construction	1	2	2	3	6	7	9
B.	Manufacturing	1	1	2	2	4	5	6
C.	Trans., Communications and Public Services	0	1	1	1	2	2	3
D.	Wholesale and Retail Trade	6	9	11	16	28	35	43
E.	Finance and Real Estate	1	1	2	2	4	5	6
F.	Services	2	3	4	5	9	12	14
	Total Businesses	11	17	22	29	53	66	81

ASSUMPTIONS FOR TABLE C

1. Total acreage in Table A was increased by 17,000, which represents current Alaska production without any state agricultural development projects.

2. Starting in 1984 additional acreage was added to total in production. This represents various types of farming from the myriad of smaller state agricultural land sales. The additional acreage is as follows:

   1984 - 5,000 acres, 1985 - 10,000, 1986 - 15,000 acres and 1987 20,000 acres.

3. Method of forecast was to multiply total acreage for each year by estimates of secondary and tertiary employment and businesses per 10,000 acres as suggested in W.C. Thomas, Agriculture in Alaska: 1976-2000 AD. Alaska Review of Business and Economic Conditions. 13(2) June 1976, pp.21.

4. On farm employment was estimated by multiplying acreage per year by .0065 which is a composite of data provided in Thomas, 1976. pp. 20 and 24.

Table D

PROJECTED OPERATING COSTS FOR:

COUNTRY ELEVATORS

		81	82	83	84	85	86	87
Assume:	DELTA	1,182,835	467,165	1,650,000				
$1.65 million construction cost for 40,000 ton facility	NENANA				1,650,000	1,650,000		
Operating cost is for all drying and handling								
	Ownership Costs interest on investment	35,485	49,500	99,000	148,500	198,000	247,500	247,500
	Depreciation	39,033	54.450	108,900	163,350	217,800	272,250	272,250
Total Operating Costs		315,687	546,845	810,669	1,134,420	1,952,975	2,577,940	2,999,833
Total Cost		390,205	650,796	1,018,569	1,446,270	2,368,775	3.097,690	3,519,583
Total Cost Per Person		21.68	18.59	21.67	22.60	19.58	19.24	18.33
FIXED TARIFF		18.33	18.33	18.33	18.33	18.33	18.33	18.33
Deficit per ton		(335)	(26)	(334)	(427)	(125)	(91)	0
Total Deficit		(60300)	(9100)	(156980)	(273280)	(151250)	(146510)	0

Allowing for forgiveness of interest on the total investment of $8.25 million for the initial 2 years on each plant will offset all deficits

i.e. (8,250,000) (1.06)(2years) = $990,000

Table E

Projected Operating Costs, Export Elevator

	Year	81	82	83	84	85	86	87
	Tonnage	11,000	24,250	32,275	42,800	92,500	124,600	148,500
981 EXPORT FACILITY	Ownership Costs:							
5.7 MM construction cost 6 year moratorium on interest & thereafter a 30 year mortgage at 6% interest	Interst on Investment	171,000	171,000	171,000	171,000	171,000	171,000	171,000
	Depreciation	188,100	188,100	188,100	188,100	188,100	188,100	188,100
	Property Insurance	113,000	113,000	113,000	113,000	113,000	113,000	113,000
	General Maintenance	20,000	20,000	20,000	20,000	20,000	20,000	20,000
	Subtotal	492,100	492,100	492,100	492,100	492,100	492,100	492,100
	Operating Costs:							
	Inventory Insurance	2,000	4,000	6,000	8,000	18,000	24,000	30,000
	Management & Labor	52,500	77,000	93,775	113,137	215,958	290,900	346,700
	Utilities	2,000	4,850	6,455	8,560	18,500	24,920	29,700
	Misc.	1,000	2,000	3,000	4,000	9,000	12,000	15,000
	Subtotal	57,500	87,850	109,230	133,697	261,458	351,820	421,400
	Total Cost	549,600	579,450	601,330	625,797	753,558	843,920	913,500
	Total Cost per Ton	49.96	23.92	18.63	14.62	8.15	6.77	6.15
	FIXED TARRIFF (assume deficit portion)	6.15 (43.81)	6.15 (17.77)	6.15 (12.48)	6.15 (8.47)	6.15 (2.00)	6.15 (62)	6.15 -0-
	Total deficit	(481,910)	(430,922)	(402,792)	(362,516)	(185,000)	(77,252)	-0-

NOTE: A six year moratorium on interest reduces ownership costs by:

(5,700,000)(6)(.06)=$2,052,000

Such a moratorium will offset all cumulative deficit associated with low volumes in initial years of operation

TABLE F

LABOR COST ESTIMATES
FOR OPERATION OF GRAIN EXPORT TERMINAL

ASSUMPTIONS:

1. Longshoring costs estimated @ $7,500/approximate 10,000 ton shipment plus 10% incremental increase annually;

2. Foreman and laborers wages increased 10% annually;

3. 1981 - Foreman and 1 part-time casual laborer;
   1982 - Foreman and 1 full time laborer;
   1983 - Foreman and 1 full time laborer;
   1984 - Foreman and 1 full time laborer;
   1985 - Foreman and 2 full time laborers;
   1986 - Foreman and 4 full time laborers;
   1987 - Foreman and 4 full time laborers.

	1981	1982	1983	1984	1985	1986	1987
Tons exported	11,000	24,250	32,275	42,800	92,500	124,600	148,500
Warehouse foreman	$ 30,000	33,000	36,300	39,930	43,923	48,315	53,146
Laborer	$ 15,000	27,500	30,250	33,275	36,603	40,263	40,263
"					$ 36,603	40,263	40,263
"						$ 40,263	40,263
"						$ 40,263	40,263
Longshoreman	$ 7,500	16,500	27,225	39,933	98,829	144,498	199,305
Total labor	$ 52,500	77,000	93,775	113,137	215,958	353,865	429,608
Labor cost/ton	$ 4.77	3.18	2.91	2.64	2.33	2.84	2.89

TABLE G

PROJECTED GROWTH OF LIVESTOCK PRODUCTION
AND CORRESPONDING INCREASE IN GRAIN CONSUMPTION

YEAR	HOGS % OF TOTAL	# OF HEAD	TONS OF FEED GRAIN	CATTLE %	# OF HEAD	TONS OF FEED GRAIN
1982	10%	7,000	2,450	2.5%	650	1,300
1983	25%	17,500	6,125	5 %	1,300	2,600
1984	40%	28,000	9,800	10 %	2,600	5,400
1985	60%	42,000	14,700	15 %	3,900	7,800
1986	80%	56,000	19,600	20 %	5,400	10,800
1987	100%	70,000	24,500	25 %	6,500	13,000

IN-STATE CONSUMPTION OF FEED GRAINS

ANTICIPATED INCREASE

YEAR	CURRENT USAGE LEVEL	HOGS	CATTLE	TOTAL
1982	6,000	2,450	1,300	9,750
1983	6,000	6,125	2,600	14,725
1984	6,000	9,800	5,400	21,200
1985	6,000	14,700	7,800	28,500
1986	6,000	19,600	10,800	36,400
1987	6,000	24,500	13,000	43,500

PROJECTED VALUE OF AGRICULTURAL PRODUCED 1981-1987

	81	82	83	84	85	86	87
Product							
Barley	2200.0	4600.0	6100.0	8800.0	19100.0	27,400.0	34,300.0
Hogs	-	800.0	2200.0	3800.0	6100.0	8,800.0	11,800.0
Cattle (Beef)	-	400.0	900.0	2000.0	3300.0	4,900.0	6,200.0
Dairy	4000.0	4200.0	5900.0	9200.0	11200.0	13,300.0	1,730.0
Raindeer (Angler & Meat)	400.0	450.0	600.0	1000.0	1100.0	1,300.0	1,800.0
Vegetables	2127.7	*	*	*	*	*	*
Misc. Ag	2129.8	*	*	*	*	*	*
Village & Subsistence	232.1	464.2	696.3	928.4	1160.5	1,392.6	1,624.7
Employees(#)	344	522	656	894	1547	1941	2405
TOTAL	11,089.5	10,914.2	16,396.3	25,728.4	41,960.5	57,092.6	73,024.7

* Data not yet available

Produced by Dr. Wayne Thomas, U/of A
Experiment Station and Department of Natural Resources

PROJECTED COSTS OF OPERATION

SLAUGHTER FACILITY

Year	81	83	84	85	86	87
Head of Service		7,000	17,500	28,000	42,000	56,000
Head of Beef		650	1,300	2,600	3,900	5,400
Slaughter Plant Investment	3,517,900					
Ownership Costs:						
Interest on Investment		26,384 1/	105,537	105,537	105,537	105,537
Depreciation		43,974	175,895	175,895	175,895	175,895
Operating Costs:						
Management		32,500	65,000	65,000	65,000	65,000
Other D.C. (Pork)		181,712	418,416	612,083	803,359	918,124
Other D.C. (Beef)		48,757	96,279	187,621	274,026	367,588
Total Cost		333,327	861,127	1,146,136	1,423,817	1,632,144
Total Cost/hd. pork		3,331	3,381	2,805	2,325	1,949
Fixed Tarriff/hd.		1,614	1,614	1,614	1,614	1,614
(deficit/hd)		(1,717)	(1,767)	(1,191)	(711)	(335)
Total cost/hd. beef		15,413	20,730	13,878	11,468	10,015
Fixed Tarrif/hd.		4,464	4,464	4,464	4,464	4,464
(deficit/hd.)		(10,949)	(16,266)	(9,414)	(7,004)	(5,551)
Total deficit		(191,359)	(520,683)	(578,244)	(571,776)	(487,354)

1/ Plant used only 3 months, therefore interest and depreciation are 1/4 of annual cost

See following page for 88 - 93

88	89	90	91	92	93
70,000	70,000	70,000	70,000	70,000	70,000
6,500	8,645	11,498	15,292	20,339	26,000
105,537	105,537	105,537	105,537	105,537	105,537
175,895	175,895	175,895	175,895	175,895	175,895
65,000	65,000	65,000	65,000	65,000	65,000
956,379	956,379	956,379	956,379	956,379	956,379
432,023	547,502	680,269	819,986	940,667	987,480
1,734,834	1,850,313	1,983,080	2,122,797	2,243,478	2,290,291
1,614	1,614	1,614	1,614	1,614	1,614
1,614	1,614	1,614	1,614	1,614	1,614
-0-	-0-	-0-	-0-	-0-	-0-
9,311	8,337	7,423	6,495	5,477	4,464
4,464	4,464	4,464	4,464	4,464	4,464
(4,847)	(3,873)	(2,959)	(2,031)	(1,013)	-0-
(315,055)	(334,821)	(340,226)	(310,581)	(206,034)	(-0-)

ADMINISTRATIVE STRUCTURE AND RESPONSIBILITIES

During deliberations of this and other committees our analysis of and suggestions for improvement of the administrative structure and responsibilities for agricultural development has been requested. The Department of Natural Resources feels a redefinition of program responsibilities is needed and possible. At present, factors which will determine the success or failure of an industry such as availability of the base resource, developmental tools (financing, inspections), marketing programs, clearing programs, research, extension, and responsibility for construction of roads and infrastructure facilities are separated into a number of different agencies. We suggest the following realignment of responsibilities.

Agricultural Action Council Objective and Duties

1. To develop the State's overall agricultural development program and to advise the Governor and line agencies as to overall development goals and objectives.

2. Serve as Governor's liaison with the industry and the legislature on the overall ag program.

3. Provide the legislative liaison between the industry and the legislature.

To accomplish objective #1, the council would contract for feasibility studies for new industries and areas, hold public hearings to determine public needs and interests, collect and publish data and materials to "sell" the agricultural story in Alaska, and provide the Governor, the line agencies, and the legislature with a framework upon which to base the detailed operational program.

The Department of Natural Resources, Division of Agriculture, is the line agency with the staff structure and legal authority to be the principal program administrator. Responsibilities would include:

1. Administration of Ag Development Project upon funding by legislature

2. Platting of project and non-project Ag disposals

3. Supervision and inspection of disposed lands for compliance with conservation and development requirements

4. Operation of direct market assistance and inspection and grading programs

5. Administration of village ag and rural ag grant program

6. Develop and maintain plant and seed material

   Farm and processing loan program administration

8. Regulation and inspection for insects, disease, and noxious substances.

The Department of Commerce would be responsibile for

1. International market assistance and sales programs

2. Construction and operation, while State owned, of any infrastructure components such as elevators and processing plants

3. negotiating lease and sale of infrastructure components when desirable

4. Power and Communication network system development

5. Promotion and development of small supporting entrepreneural enterprise in the private sector.

The Department of Transportation and Public Facilities would retain the responsibility for design and construction of access and project roads, under the development schedules and guidelines set by the Council, and on the routes selected by DNR as part of the planning and farm layout process.

The Department of Natural Resources, Division of Forest, Lands and Water Management would continue to be responsible for land disposals and in cooperation with the Department's Research and Development Division for the necessary area and regional plans in the areas to be impacted by agricultural development disposals.

The Department of Natural Resources, Division of Research and Development would continue to be responsible for the land planning that identifies the resource base and coordinates agricultrual development planning with planning and development for other resources such as forestry, parts, minerals, etc.

The Department of Natural Resources, Division of Technical Services would continue to be responsible for the surveying required in agricultural land disposals.

The Department of Natural Resources, DGGS would be responsible for agricultural related data collection such as soil and vegetation surveys and climatic studies.

In effect, the AAAC would function as an advisory and coordinating board to the Departments, and its primary functions would be overall program development, selling that program to the legislature and the public and legislature, and obtaining funding from the legislature and other sources for the various programs. The line agencies would administer, within the framework of the Council's developed game plan, all programs.

The Council would also serve as the preliminary review agency for budgets for the line agencies, as well as for the relevant parts of the University of Alaska's budgets for research and extension. This review would allow total active support of the Council in obtaining funding, as well as providing the mechanism for coordination of programs, insuring that all facets are covered, yet elininating any chance of duplication.

Resource Development Council
for Alaska, Inc.
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November 19, 1980

Robert E. LeResche, Commissioner
Department of Natural Resources
State of Alaska
Pouch M
Juneau, Alaska 99811

Dear Bob:

When you spoke to the Resource Development Council recently, you asked us to let you know the problems we perceived within your department and how they might be resolved. We subsequently put out some feelers to our members, and the following comments are a compilation of those received.

A lot of comment was received and we were asked to delay the submission until everyone had a chance to respond. Some of the statements, or similar versions, were made several times but are included only once to keep the report as short as possible.

Our intention in providing these comments is constructive. The major goal of RDC is to create the climate in which orderly resource development can take place, and the problem areas identified primarily relate to attaining that "climate."

We sincerely hope you will discuss these matters with the appropriate personnel and inform us of changes in policies and procedures that will solve the problems we have set forth.

Sincerely,

RESOURCE DEVELOPMENT COUNCIL
for Alaska, Inc.

Paula Easley

Paula P. Easley
Executive Director

cc: Jay S. Hammond, Governor
Terry Miller, Lt. Governor

FORESTRY ISSUES

Forest Resources and Practices Act

The recently passed, and still to be fully-implemented Act states:

(1) The forest resources of Alaska are among the most valuable natural resources of the state, and furnish timber and wood products, fish and wildlife, tourism, outdoor recreation, water, soil, air, minerals, and general health and welfare;

(2) economic enterprises and other activities and pursuits derived from forest resources warrant the continuing recognition and support of the state;

(3) the state has a fundamental obligation to insure that management of forest resources guarantees perpetual supplies of renewable resources, provides nonrenewable resources in a manner consistent with that obligation, and serves the needs of all Alaska for the many products, benefits and services obtained from them;

(4) government administration for forest resources should combine professional management services, regulatory measures, and economic incentives in a complementary fashion, and should draw upon the expertise of professional foresters in conjunction with other disciplines; etc.

In our opinion this administration--not just the Department of Natural Resources--does not even pretend to meet the tenets set forth in the Forest Practices Act. It has, rather than meet the intent of "forestry" for human benefit, placed animals and inanimate objects above humans.

This has been done by selecting only those parts of the laws and regulations administrators find important, and putting all their effort and interpretation of the laws and regulations behind selected--and out of context--premises. By operating out of context, the priorities have been placed on the "restrictive" portions of the acts and regulations rather than the positive "development and management" aspects.

This does not mean forestry, and particularly that branch of forestry dealing with harvesting and marketing timber products, is insensitive to fish and wildlife, soil, water and scenic values. However, those persons and companies involved in harvesting (which by definition is an integral part of silviculture, or the growing and management of forests) are treated as if the only goal for those individuals and companies is money, above all else.

As a result there is an unnecessary antagonism between state officials and the private sector, an antagonism which we believe is created and fostered by people in and outside your department, along with their closely allied non-profit preservationist pressure groups.

The end result, to date, has been that during the past six years (and the Governor is not above reproach for this), there has not been one large-scale timber sale on state land, laid out, sold and managed by your department.

There has not been one state forest created for the perpetuation of raw material and other public amenities. There has been wholesale discouragement, interference and downright roadblocks put in the way of managers and developers from the private sector. There is not one new sawmill or other manufacturing plant, and many that were in existence or planned six years ago are not in operation today.

Timber Sales

We have evidenced "lip-service" concerning timber sales and development. The recently advertised Icy Bay #2 Timber Sale is a good example. After thousands of man hours of work, bureaucratic delay, priority shifting and the expenditure of a great deal of public money, this 46-million board foot sale was offered at a price which, if not stopped by a court suit, would have driven private industry away. Also, to qualify for bidding, the bidder was required to offer almost a million dollars cash or equivalent to be considered a legitimate bidder. COMPETITIVE BIDDING!

The result of sales such as this is negative and gives the state the "excuse" that there was no interest in the sale. In other words, "Why should industry gripe; the state has put up timber," and "Where are the takers?"

The Haines timber situation, where RDC played a strong advocacy role to generate employment and income to the community through management of the resource, is another example of negative rather than positive support of timber development. As a result of personnel's attitudes and close alliances with preservationists, nearly two-thirds of the timber resources on state lands were removed from potential harvesting in that area.

Fairbanks as well has been shortchanged. State lands in the Tanana Valley could produce a sizeable amount of the lumber/wood needs of that area; yet the calculated annual cut, which has never yet been met, is a small percentage of the potential.

Staff Activities

The forestry bureaucracy in the Division of Forest, Land and Water Management (created by the Forest Practices Act) has grown by leaps and bounds the past two years. Yet in talks with individual foresters, we find a great deal of dissatisfaction, because only a small percentage of their time (some as low as 15%) is devoted to timber sales, forest improvement or management. The remainder is spent on fire control contingency (not fire fighting) and other activities not related to production.

What all this amounts to is that, despite more funding, more manpower, greater responsibility, more power, etc., less and less is being positively accomplished concerning Alaska's forests, and particularly the actual and potential forest products industry.

There is little, if any, extension work of a positive nature (mostly it has been negative, discouraging landowners--particularly native corporations) being done. There is less timber being sold. There is little if any forest improvement work. There are as yet no dedicated state forests to be managed. under the multiple-use concept.

DNR's Role

We cannot in good conscious lay all of this "negative forestry" responsibility on the Department of Natural Resources. The anti-development, anti-management attitude begins with the Governor who, by authority of the Alaska Constitution, wields a great deal of power. The buck stops there. We have also seen other agencies usurp responsibilities from DNR, among these ADF&G, DPDP, DEC.

However, while all cannot be laid on DNR, certainly a large portion can be. DNR has, in our opinion, never been a strong advocate of "forestry for human benefit." It has consistently downplayed the social and economic potential of the state's forest lands, both those in state and private ownership. It has not hustled the legislature for personnel and funding that could result in positive activities.

DNR has worked to discourage entrepreneurship in the forest-based industries through selective and narrow interpretation of laws and regulations. It has abdicated its role as a strong management agency in favor of a passive, which becomes a negative, role concerning forest management.

It has, in our opinion, misplaced priorities, if forestry is truly the "science, art and practice of managing and using for human benefit the natural resources that occur on and in association with forest lands."*

*Definition of forestry adopted by the Society of American Foresters, the professional forestry organization representing more than 20,000 foresters in our nation.

JH

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

JAY S. HAMMOND, GOVERNOR

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Paula P. Easley
Executive Director
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Dear Ms. Easley:

Your letter of November 19, in which you outline in detail your perceptions of deficiencies in the Department of Natural Resources, is very much appreciated.

Please find attached the Department's reply to your letter. My remarks are organized using the headings employed in your letter so that you can easily determine our response to each of your points.

I understand that we have agreed on Thursday morning, January 22, as the date for our joint meeting. I am looking forward to discussing the matters raised in your letter as well as anything else of interest involving DNR. The deputy commissioner and all nine division directors will be present along with myself. I hope that as many RDC members as possible can attend.

Thank you again for taking the time and effort to set forth your views in such detail.

Sincerely

Robert E. LeResche
Commissioner

10-39LH

OIL, GAS AND MINING ISSUES

Non-Utilization of Technically Trained Personnel

There has been no harrassment of employees by the Commissioner's Office other than our continuing insistence that the projects assigned to the Department by the Legislature through the Budget be completed. During this fiscal year, we have been assigned close to 150 operating budget projects and are responsible for an approximately equivalent number of capital projects. Nearly all of these projects involve resource development, such as oil and gas lease sales and land disposals. Since the State's economy revolves around natural resources, we cannot fail to produce on these projects, and we are therefore extremely demanding of our employees in this respect. I can only conclude that those professionals that feel they are being harrassed are philosphically-oriented rather than performance-oriented and do not belong in the bureaucracy in the first place.

With respect to advocacy by employees, any administrator is foolish if he or she does not hear all possible points of view before going public with a decision. As a result, I have always encouraged all of our employees to make their views known within the Department in advance of any decision, and I have altered my thinking more than once as a result of facts provided by the Department's professionals. However, any employee advancing a point of view must (1) present his views in a usable format within the time frame available for a decision, and (2) live with the final decision regardless of whether or not he agrees fully with it. I suspect the complaints you refer to are from employees who cannot live by those rules. These rules are common to any business, public or private.

We have never transferred responsibility away from any individual unless that individual has had difficulty producing the assignments made to him consonant with the rules of the organization. The only philosophy we demand of our employees is that they be open minded, willing to listen to and consider the views of the public that employs them, and capable of second guessing their own work.

I have difficulty with your distinction between "professionals" and "lay people". I hope, and I am sure you do as well, that all of our employees are professional. The credentials

required of an employee to perform a given task are simply a function of the division of labor within the organization. Surely you would not suggest that we employ a Petroleum Geophysicist to attend to the bureaucratic paperwork details of an oil and gas lease sale, such as writing legal notices; we can accomplish this type of work more efficiently with someone trained in such work at less expense to the public.

The oversight regarding withdrawal of a tract at the most recent oil and gas lease sale was a simple mistake, attributable at least partially to ambiguity in a law that is only two years old. Someone with twenty years experience in handling oil and gas lease sales would have been just as likely to make that mistake as someone with only two years experience. In any event, the party responsible for the omission was a fine, highly-trained professional oil and gas expert. If this is the only serious procedural flaw you have noticed in the last three oil and gas lease sales we have held, then I feel that our inexperienced personnel are doing a rather remarkable job.

One of the common misconceptions about DMEM is that most of its work is technical in nature rather than bureaucratic or managerial. In fact, the opposite is true. The largest amount of work precedent to any lease sale concerns compliance with various notice, finding, and documentation provisions of the law. Were we to employ only technical personnel at DMEM, the result would be excellent professional advice on proposed lease sales that would never happen, because no one would properly carry out all the ministerial duties required by law.

I would mention also that we have a continuing problem in attracting qualified personnel to State government. We are a natural resources agency, and we are competing for personnel with private businesses which comprise most of the economy of the State. Often, a private business can offer more attractive salary and working conditions to a qualified individual without the delays attendant with our personnel system. As a result, we often lose out in this competition, despite our continual efforts to increase the rewards we can offer professionals.

The Mineral Closing Order regarding the Alaska Gas Pipeline route which you refer to was issued originally to prevent bad faith claims which could be subsequently used to block construction of the gas pipeline without a large payment from the pipeline's sponsor out of proportion to the value of the claim. Since that time, the route of the pipeline has become much more certain, and the Mineral Closing Order was determined to be over broad in its scope. This was

originally brought to our attention by members of the public who were interested in that land for one purpose or another. We are in the process of reducing the area closed.

Concern About Attitudes

I cannot agree with your opinion that the Department has a "block everything" attitude. A review of our budget will demonstrate that we asked for, and received, funds for projects to develop resources in every resource field under our jurisdiction, including oil and gas, coal, minerals, geothermal energy, agriculture, lands, water resources, timber, plant materials, pipeline systems, grazing, and parks.

There are, I believe, two things that lead you to your perception. The first concerns the numerous and complex procedures set up by law which we must follow prior to any disposal of resources. Most of these procedures are in the form of alleged "safeguards" originally suggested by a member of the public or legislature to prevent a potential abuse by the department. However, when you add up the literally hundreds of "safeguards", which we are required by law to follow, the cumulative results are perceived as "roadblocks". A good example is the notice provisions contained in AS 38.05.305 and 345 which we must comply with prior to the disposition of any interest in State land. The complexity and length of these notice provisions means that we cannot legally dispose of any interest in land in less than four months. While this notice provision was formulated with the good intention of informing the public of what we are doing, we feel that is excessively complex and obstructive, and will recommend its amendment during this legislative session as we did during the last session without success. Simplifying and reducing the length of time required for notice would make a tremendous difference in the speed which we can act on dispositions of interest in land. I might add, as we discussed at your meeting, that each new batch of procedures we are required to comply with inevitably requires additional personnel to achieve that compliance. That is one of the reasons government continues to get larger.

The second source of your perception might be the fact that many of our decisions on dispositions of interests necessitate resolving conflicts between competing interests. For example, on page 8 of your letter, you complain that we have not classified enough land containing class II and class III soils as agriculture so that it can be devoted to agricultural

use. On page 6, you object that we have not put enough land containing commercial timber in a forestry classification. It should not surprise you that a substantial portion of the lands containing class II and III soils in the State also contain commercial timber, placing agricultural and timber squarely at odds with each other in many locations. The dispute over timber salvage at the Pt. McKenzie project (which will undoubtedly be repeated in future agricultural projects) is an example of this type of conflict.

Permit Review

We agree that the agency review process for permits is presently much too slow and cumbersome. Once again, the prime cause is an accumulation of too many 'safeguards" in the statutes, each of which must be complied with before a permit is issued. We supported the amended version of SB 548 introduced in the last legislature relating to permit reform and establishing deadlines provisions for permits. Although that legislation did not pass, we have participated in the Governor's permit reform project which would implement the concept of SB 548 by regulation, establishing deadlines on permits and creating uniform standard procedures for their issuance. We are also reviewing all of our existing procedures, regulations, and statutes for the purpose of eliminating unnecessary obstacles to the issuance of permits or other authorizations relating to the use or disposition of land. Revisions to the regulations will be published shortly and legislation will be introduced this session to eliminate unwarranted obstacles presently contained in Title 38.

I am not aware of any instances where a permit application has been affected by an employee going on vacation, although we have complained about this to other agencies. Permit reform regulations will establish deadlines on all permits. When this is implemented, all permit applications going to the Department of Natural Resources will be date stamped with the applicable deadline. This should eliminate any instances of this problem.

You claim that permit approvals are delayed by lack of delegation of authority to personnel in the field. However, elsewhere in the letter, you have emphasized the necessity of close supervision of employees by the Commissioner's Office so that they could not undertake unintended activities. I think the answer is to place more employees in the field (rather than in central offices) but insure that they know explicitly the results they are to produce during the year.

It should interest you to know that as a result of our new result oriented budget, employees in most cases have numerical quotas of case files which they must process. Checking within the Department indicates that employees are very much aware of these quotas and are complying with them, with a result of substantial increase in the efficiency of production by the Department. Consequently, I absolutely disagree with your claim that there is a greater lack of accountability in the Department than before. One of the major benefits of the reorganization and the other parts of the management system we instituted is that there is no longer substantial question about the responsibilities of each Division or its employees. This was previously a serious problem and led to the necessity for the Commissioner to have to establish procedures and jurisdiction over every new project, with considerable delay, confusion and conflicts.

It is correct that some of the tri-agency placer mining permits applied for during the summer of 1980 remain unprocessed. The overall performance of State government regarding the tri-agency placer mining permit program during 1980 was less than satisfactory. We were aware of the extremely important nature of this program, and we will redouble our efforts to insure a success during the coming season.

If the Commissioner of Fish and Game utilized any permit program for purely punitive purposes, I would obviously attempt to resolve the matter with him and if that were unsuccessful, take it up with the Governor, if anyone informed me this was happening.

Protection of Confidentiality

This Department has the highest respect for confidential data in our possession. While it might have been better handled, I do not believe the recent disclosure of reserve data which generated a misunderstanding on Wall Street constituted a leak of confidential data. All the information contained in the reserves report was from public sources; DMEM simply put the data together under one cover, something which I would have expected competent Wall Street brokers to have done long ago.

Our employees are subject to both fines and imprisonment under current State statute protecting confidential information. In addition, procedures to preserve the confidentiality of all classified data in one of DMEM's highest priorities. That includes adoption of regulations, if necessary, and the further training of personnel in the handling of confidential data. We will be happy to discuss this in detail with you at our upcoming meeting.

The rationale for requiring geophysical data in conjunction with land use permits is one which we have discussed often in recent years. The State has an obligation and a responsibility to provide for the development and use of its natural resources for the maximum benefit of its people. Seismic information gained through the permit procedure will be one more tool used by the State to assign an appropriate value to its resources, a step necessary to prudent and common sense management.

Staffing

I could not agree more that the Division of Minerals and Energy Management has been understaffed, particularly considering the vast increase of work load created by the oil and gas leasing program and a 400% increase in the number of mining claims filed within the last year. I devoutly hope that this will be rectified in our next Budget in which our request places DMEM as the highest priority for additional staffing.

Additional positions are also warranted in district offices as a result of numerous projects involving the disposition of resources; however, I would not characterize them as chronically understaffed. Part of the problem will be solved by moving central office employees into the field (including additional ones in the Fairbanks area), which will be completed during this fiscal year. The remainder of the staffing problem is a philosophical one. We can, of course, add numerous positions to insure faster compliance with the multitude of procedural requirements presently contained in regulations and statutes. However, our present emphasis is on reducing the total number of procedural requirements through amendments, regulation simplification and statute revision because, for the reasons cited above we believe that they are excessive. This will allow us to eliminate those requirements which do not yield a substantial public benefit, and be much more selective about adding new positions in district offices or elsewhere in the Department.

Increases in the Division of Technical Services are primarily related to the land disposal program (which requires administration of dozens of contracts with private surveys annually), the municipal entitlements program and the vast increase in the work load involving land records associated with the land disposals, oil and gas lease sales, municipal entitlements, mining claims, and every type of resource development activity. It should be noted also that the Division of Technical Services' increase in size is substantially attributable to the State Recorder's Office being moved from the Department of Commerce to this department on July 1, 1980.

Increases in the Division of Parks are attributable to two things. First, the number of capital projects with which the Division of Parks is charged has substantially increased in the last year. Most of these requests have come from individual legislators and were included in HB 60 last year. Second, there has been a need for additional personnel simply to operate and maintain the State Park system. The system has experienced a tremendous increase in the number of visitors in the past several years. This demonstrates that the State Park system, unlike federal recreational areas, emphasize use and access by the public in developed and undeveloped recreational activities consonant with its close ties with our tourism and recreation industries. However, a number of our park areas have no rangers at all assigned to them, and since 1975 there has been a 144% decrease in the ratio of Parks personnel to Park System visitors.

Finally, I would note that our Budget is unique in that it ties each position in the Department to a particular project. Consequently, every position we ask for is automatically related to very specific results which will be delivered by that position; it is, therefore, much easier to judge whether the position is justified. If a project is not funded by the legislature, then neither are the positions. One of the major purposes of the project budget system is to insure accountability with respect to each new position we ask for so that we obtain only those positions justifiable to perform approved results.

I would agree with you that the current budgetary and personnel systems lack responsiveness to deal with emergency conditions. However, these systems were all designed to curb perceived abuses and excessive discretion in the administration of funds by government agencies. Since we now operate with little or no margin of error, there is not much budgetary flexibility to handle a situation such as occurred last year when the price of gold increased with the corresponding 400% increase in mining claims. However, the alternative is a contingency fund, and these are viewed with great suspicion by the legislature, often with good reason. Revisions to the Temporary Hire Law of 1979 were again enacted to eliminate perceived abuses, and certainly do not help us administratively.

Jeopardy of Surface Use

I do not think your summation of the surface use problems is accurate. This issue arose at the instigation of the oil companies because of their concern with municipal entitlements granted to the North Slope Borough. They noted that activities

taking place on the surface pursuant to an oil and gas lease were not being serialized and placed on the status plats, because legally they were not a separate encumbrance on the land. In order to make the surface manager, as well as the public, aware of activities taking place, the decision was made to make some kind of notation on the status plats. Procedures decided upon last July were that the companies will submit their lease operations plans for surface activity over the lands covered by the leases. Assuming that said operations are directly related to and necessary for the exploration and development of sub-surface resource (the standard established by the lease itself) the plans will be approved and the facility so noted on State records. Your reference to a 40 year lease apparently originates from the fact that a separate surface lease for oil and gas development facility was one of the alternatives considered to resolve this problem before the final procedure was decided upon.

Freezes

New offshore prospecting permits have not been issued because current laws and regulations which govern their issuance need to be revised to insure diligence and discourage speculation. Currently, there are 300 applications pending; 215 of those applications are by one party for 547,840 (66.6%) or the total 822,298 acres under application. Conversion of permits to to leases continue to be processed when all appropriate terms and conditions are met. In our opinion, it would be a mistake to make long-term commitments for the use of the valuable public resource without first instituting a contemporary system which carefully balances other public interests with the interests of the mining industry. We are now in the process of designing changes which will primarily: (1) require diligent prospecting efforts (2) require production to commence with a reasonable period of time following lease issuance (3) increase rentals and (4) limit the total number of acres which can be permitted or leased by a single operator. Legislation is being prepared for introduction this session. Following consideration by the legislature and adoption of any necessary changes in our regulations, we will proceed to review and process pending applications.

Similarily, the coal leasing program is on hold pending revision and/or clarification of current coal regulations. In November of 1979, the Department was prepared to proceed with nbecessary revisions, but agreed to delay action pending the outcome of legislative deliberations on HB 955. As you know, HB 955 was considered and died in the House Resources Committee. A new draft of regulations, based in large part of the final version of that bill, is being prepared by staff in the Division of Minerals and Energy Management.

It is not true that we are developing these regulations in collusion with Sierra Club representatives. As is normally

the case, first drafts are being prepared "in-house" by employees most familiar with the subject matter including, in this case, an individual with substantial background in the area. Following my review of staff recommendations, draft regulations will be widely circulated and public comment encouraged. No final decisions will be made until we have thoroughly evaluated those comments. We are particularly concerned that the industry and other interested members of the public have adequate opportunity to discuss the implications of any suggested changes to the royalty provisions.

I would like to underscore that proposed regulations will largely be based upon our discussions with industry last session during HB 955 hearings. We are not trying to put coal miners out of business. We are merely trying to develop rules which adequately reflect our responsibilities. Once those rules are in place, we have no intention of changing them. Before new development decisions are made (and we accept that some will be made in the near future) everybody will know where they stand.

Minerals Policy

First, your suggestion that there is not a professional person in DNR who is a proponent of mineral development is grossly wrong. I think that you will find that the entire staff of the Division of Geological and Geophysical Surveys are as interested in mineral development as you and I are. Mr. Pedro Denton is employed by the Division of Minerals and Energy Management to work on surface mining. Moreover, we are currently looking for a Deputy Director for Minerals for the Division of Minerals and Energy Management and we would welcome your suggestions on who might fill this position. We are looking for someone with a strong mining background who is also a first class government manager.

I would be the first to agree with you that the State in the past has given less than adequate attention to the mining industry. However, developments in the last two years demonstrate that this is changing rapidly.

You ask for the minerals policy of the Department: I will make a flat statement on this subject. First, there is a tremendous opportunity to capture a substantial portion of the Pacific Rim market for exports of steam coal from Alaska. Usibelli Coal Mine, Inc. is substantially ahead of its potential competitors in the lower 48 in negotiating export contracts with Pacific Rim purchasers, and we applaud the fact that it is doing so without significant government involvement in the true capitalist tradition. This Department strongly encourages coal development and will take every reasonable measure to assist it. Second, strategic and critical minerals are an extremely important part of the

State's future. I expect in the coming decades this industry will grow and become a part of our economy of the magnitude that oil and gas is now. We are trying to facilitate that growth now by expediting placer mining permits, designing our land permit regulations to except a number of typical mining exploration and development activities, classifying areas with minerals as the primary use (four such areas were reclassifed this year), establishing a one stop mining claims filing system, protecting the prerogatives of the Alaska miner with respect to the Federal Surface Mining Reclamation Act, eliminating the backlog in mining claims, and inaugurating a large scale resource assessment program to assist the development of the minerals industry.

With respect to land exchanges, these must be accomplished and conformance with AS 38.50, the State's land exchange law. The law sets up procedural and substantive requirements which all land exchanges must meet. These include providing public notice and hearings considering alternatives to an exchange and making public written report of findings relating to the exchange proposal. The law also distinguishes between two types of exchanges based upon whether appraised fair market value of exchanged land can be clearly demonstrated to be equal. For equal value exchanges, the Commissioner's approval of the final decision is required. For unequal value exchanges, the legislature must also review the proposal before it can be effected.

The authority to negotiate for equal value exchanges is co-delegated to the directors of DMEM and Forest, Land and Water Management. Equal value exchanges usually involve only the surface estate of lands. The subsurface (minerals) estate is included only if the Division of Geological and Geophysical Surveys determine the mineral value to be negligible. Where mineral values are determined by DGGS to be important, mineralized areas will either be excluded from the exchange or pursued as an unequal value exchange requiring legislative review.

Unequal value exchanges also rely upon the expertise of DGGS and DMEM for mineral evaluations and appraisals and on other divisions, agencies and contractors to provide evaluations and appraisals. All major decisions during the negotiating phase are discussed with Division Directors and approved by the Commissioner.

Exchanges that involve important mineral lands are by their nature almost always treated as unequal value exchanges (reviewed by the legislature) largely because it is not possible to make an explicit fair market value determination of a mineralized area. The Department's best estimate of

mineral values is factored into the Department's recommendations. Moreover, our assessments and considerations of mineral values are made available to the public prior to public hearing.

Unitization Philosophy

I do not understand your reference to operators being unable to get units approved and there being no response back from the Department. Specific examples would help me solve this problem if it exists.

The Department has circulated for informal comment the first draft of proposed unitization regulations. The second draft was issued on the 2nd of January, 1981. The public hearing is scheduled for February 4, 1981. This forum should serve as an opportunity to make your beliefs known regarding unitization and unitization philosophy, The proposed regulatory changes clarify and revise the unitization procedures, requiring public notice of unitization applications, establishing a preliminary and final approval process, prescribing a standard unit form, and specifying requirements for unit Plans of Operation, Plans of Exploration and Plans of Development.

Our general approach to unitization is stated in the criteria outlined in the regulations for unitization approval: protection of the public interest through consideration of such factors as conservation of all natural resources; prevention of economic and physical waste; environmental costs and benefits; economic costs and benefits; geologic and engineering characteristics of the potential hydrocarbon accumulation or reservoir proposed for unitization; and the protection of all parties of interest, including the State.

Input From Other Agencies

It is the Governor's policy that important resource development decisions be referred to other agencies for their views and I certainly concur. It is our policy, however, that their views be substantiated by facts and limited to subjects within their primary area of expertise. If comments do not meet these standards, they are disregarded. Plainly, it makes no sense to issue an oil and gas lease that includes stipulations which make it uneconomic to develop the leases. Consequently, we try to include only those stipulations which are reasonable and for which the public benefits outweigh the costs. However, "reasonable" development is certainly a subjective term.

The "backdoor commenting" problem by State agencies will be solved by the Governor's permit reform program. The regulations contained as part of that program allow DNR to make Coastal Zone consistency determinations on land dispositions (including

oil and gas lease sales and plans of operations) that will bind other agencies to our determination. This will prevent other State agencies from officially making contradictory comments to Federal agencies and having those comments reflected in the Federal agencies permitting action.

FORESTRY ISSUES

Forest Resources and Practices Act

Your complaints regarding administration of the Forest Practices Act are difficult to react to because they are not specific. However, remember first that most of the "practices" adopted under the Forest Practices Act are in the form of "best management practices", which are not mandatory. Only the forest practice standards are contained in the regulations themselves as binding provisions. This approach was used at the suggestion of industry to maximize innovation and the flexibility of the operator, rather than simply impose arbitrary practices which might suit one situation and not another.

Second, the regulations were reviewed in extreme detail by the Board of Forestry, which is made up in anybody's estimation predominantly of industry representatives. Furthermore, as a result of industry comments submitted after the Board had advised the Department on a final set of regulations, further changes were made in the regulations that are even more favorable to industry than what the Board recommended.

It is plainly our policy, therefore, to use the Forest Practices Act in an eminently reasonable manner rather than as a tool to obstruct industry. This does not mean, however, that any operator can do what he pleases. Timber and the other resources on forest land in Alaska are a capital asset, a capital asset that should not be lost or wasted unnecessarily. At its most recent meeting, the Board of Forestry reviewed a number of operations currently underway in Alaska. While the vast majority were favorably viewed by the Board, there were two of which the Board were extremely critical because the practices did not meet industry standards.

To say that there have been no new timber sales on State land in the past six years is plainly wrong. In addition to the dozens of small timber sales that have been held, the Haines Timber Sale was concluded last year amounting to 12 million board feet per year over a fifteen year period. In

addition, at the request of industry, we designed and advertised the Icy Bay #2 Timber Sale in a little more than a year, a period of time substantially less than the average time to prepare a timber sale. The reason was to respond to a shortage of logs in the Southcentral Alaska area. Regarding areas classified forestry, we have recently gone through all our resource inventory data and identified approximately 14 million acres of State land which at the present time warrants a forestry emphasis. Data is not sufficiently specific on all these lands to justify any kind of legislative designation at this point. However, the entire purpose of this project was to identify forest and other lands in the State with reasonable certainty so that industry could make their plans in reliance on that land being made available for timber. We will be pleased to make a more detailed presentation at your meeting if you so wish. The absence of new sawmills and manufacturing facilities for timber products can be attributed primarily to the abysmal market situation and to the lack of timber available on federal lands as a result of D-2 and Rare II deliberations. I can only say that the Haines Timber Sale and the Icy Bay #2 Sale were made available largely because of the absence of adequate timber sales on federal land. To blame the State for this is simply wrong.

Timber Sales

To say that the Icy Bay #2 Timber Sale is a sham is grossly unfair. In response to an emergency request by the industry we immediately began preparations for the sale, obtained a supplemental appropriation, finished all of the preliminary work, advertised and established a sale date for the sale in slightly more than a year. The fact that a lawsuit was filed over the primary manufacturing requirement by Southcentral Timber Co. was completely beyond our control. Kenai Lumber Co., which asked for the sale, was aware that Southcentral would likely file such a lawsuit at the time they made the original request, since Southcentral had made no secret of their intent. I presume that you would not suggest we take no action on a potential disposal any time there is a threat of litigation, since this would result in virtually no project over going ahead.

Our information is that two or three companies were planning to bid on the Icy Bay #2 Sale since the price would be reappraised every year. The bid premium (that which is bid above the appraised value) would have been added to the appraised price. The appraisal system we use is the same that is used by the Forest Service, and it is well established in the industry. Contrary to your information, we have received no complaints on this contract specification.

Regulation requires that a bid deposit of 10% of the appraised value be deposited with the State by interested bidders. This requirement is not unreasonable for a sale of this value and volume. Our inventory of the sale area showed that it contained some of the highest volumes of standing timber anywhere in Alaska, which necessarily results in a relatively high appraised value. Moreover, contract specifications allowed the successful bidder to reduce the bid deposit upon signing the contract.

To say that the Department did not support timber development in Haines is unbelievable.

Of the 84 thousand acres of commercial forest land, only 12,815 acres have been closed to timber harvesting, which is a mere 15 1/2% of commercial quality lands. You may recall that one of the most strongly voiced complaints by preservationist groups regarding the Haines Land Use Plan was that our retention factors were substantially lower than those used by the Forest Service. Moreover, in responding to the lawsuit filed by preservationist groups on the Haines Timber Sale, Department employees up to and including the Deputy Commissioner spent many hours preparing for this suit and testifying in court (the trial lasted nearly 3 weeks) in order that the sale might go ahead. I take considerable satisfaction from the fact that the Superior Court Judge dismissed all of the nearly 90 counts in the complaint filed against the sale.

There is no question of the importance of consolidation of the timber base in the Fairbanks area. That is the purpose of the regional and area inventory and planning projects now underway, which will be the subject of a more detailed presentation at our next meeting. The principal problem in the Fairbanks area is to accommodate the many demands for land and resource disposals (especially subdivision, agriculture projects and commercial forest land) in an area where these inevitably conflict.

Staff Activities

You are correct that some of our foresters have been critical that our timber sales program is not sufficiently aggressive. I might add that these are the same people who complained bitterly when we told them they had to complete the Icy Bay Timber Sale in one year instead of their customary three because of the emergency nature of the sale.

I would be interested in knowing what areas you recommend for future timber sales. The budget is designed in a way

that any legislator can include a project for a new timber sale. If it is funded, we will do it.

The percentage of time spent by foresters on timber sales is strictly a function of the amount of the budget that is allocated by the Legislature for a particular timber sale; we have included in our budget request every major timber sale that has been requested. Remember also that the amount of commercial forest land is somewhat illusory in terms of immediately available timber; a large portion of that timber is presently inaccessible. Until access is developed on an economic basis the timber will not be marketable.

DNR's Role

Your comments are difficult to respond to because they are general. I would only say that we will not hustle the Legislature for additional government personnel and funds unless there is a specific purpose for those funds. As I have mentioned, we have included in our budget a project for each major timber sale that has so far been requested. The laws and regulations are not being selectively and narrowly interpreted unless you feel that the Board of Forestry has adopted this position. If that is so I would encourage you to attend the next meeting and tell them just that. Finally, I have no argument with the definition of Forestry adopted by the Society of American Foresters; it is coincident with ours.

AGRICULTURE

First, the Department vigorously resisted the transfer of inspection functions to another agency. However, we lost that argument, as both the Executive Branch and Legislative Branch felt that consolidation of health inspection functions in one agency was justified. We were especially concerned because persons performing inspection functions also performed extension services and marketing assistance for farmers and persons in the agricultural industry. We did not want to lose these latter functions, and negotiated as part of the transfer deal several replacement positions devoted to agricultural development and promotion to insure that the Division of Agriculture suffered no loss of this capability. We were successful in obtaining these positions.

Planning and Land Classification

It is correct that a 1976 law required that we classify 650,000 acres of lands containing Class II and III soils for agriculture, and that we were unable to locate more than

around 500,000 acres of agriculture land which met these specifications out of our existing inventory of TA'd and patented lands. Remember, however, that the State fell at the tail end of the selection priority list resulting in other entities obtaining some of the best agriculture land. In addition, subsequent to the 1976 law, other laws were passed also establishing mandates for classification and/or disposition of lands including municipal entitlements (867,000 acres) and the land disposal program (100,000 acres per annum). Obviously, some of the best land for both these purposes is agricultural land, and these mandates necessarily created conflicts. As a result, although we were only able to classify about 500,000 acres for agriculture, we identified an additional 300,000 acres on State selected lands as a safeguard to insure that the 650,000 acre total would be met once we received those lands from the federal government. Furthermore, our regional resource inventory and planning program has identified more than 3 million acres of land potentially suitable for agricultural development. As far as soil surveys, they are an integral part of the 5-year, $50 million resource assessment capital budget which we have submitted to the Governor, and which the Governor has approved the first two years of.

The Department's agricultural planning effort includes a long range statewide program to determine the area, type, and process for individual disposals. We have completed a statewide plan which defines the overall goals and objectives for agriculture which we will present to you at our next meeting. All of the Department's agricultural land disposals conform to the principles of that plan. The plan defines the acreages in agricultural land necessary to achieve production goals and incorporates the needs of such diverse interests and subsistence, grazing (including range requirements), part-time farmers and large scale enterprises.

The policy of the Department is that Agricultural land sales will be in economic sized units, and that all Class II and III lands will be classed as agricultural unless there is an overwhelming counter-consideration. The substantial role played by the Division of Agriculture in determining the use and disposal of all State land insures that the values of Class II and III lands are quantified and presented whenever a decision on disposal is sought.

When the Delta project was designed, the principle of basing parcel sizes according to large farm economics was at no time in jeopardy. The small parcel homesite (subdivision), areas located within the Delta project (as well as other Ag sale areas) were the result of the desire of the Department to meet the demand for these types of parcels. Those disposals

are all located on unfarmable soil, and were supported by the agricultural industry and the community and have developed into an asset for farmers by providing nearby homesites for farm labor.

The Department views the grazing industry as a substantial component of the overall Ag development program. We have developed a Department policy concerning classification and use of State grazing lands, and are now incorporating that policy into regulation. The poor record of the Department in classification of grazing lands has been caused by the lack of sound scientific information about vegetation and soils, and subsequent inability to quantify carrying capacities. To rectify that situation, our budget request for FY'82 includes matching funds to increase our soil and vegetation inventory through cooperation with the USDA Soil Conservation Service.

Although the Department does have authority over domestic buffalo, the responsibility for the wild herd such as that of at Delta still rests with the Department of Fish and Game. Naturally, we will cooperate in any way in devising a management plan. We certainly agree managers of wildlife must also concern themselves with carrying capacity.

Land Issues

First, I would like to clear up one misconception about the classification process. The classification law (AS 38.05.300) is for the benefit of the industry and the general public, not the Department. We could, of course, have a classification and land designation system known only to the Department's Land Managers and never subjected to public scrutiny. AS 38.05.300 and the regulations promulgated thereunder require that we go through a formal classification process so that designation of lands is subject to public scrutiny. This enables you and all other citizens of the State to understand for what purposes we intend to use particular lands and to influence our decision on determining that purpose.

Second, designations we place on lands through classifications really are for the purpose of stating the objective which we intend to promote for those lands rather than for the purpose of implementing restrictions. To some extent, the existing classification regulations unfortunately create the latter impression and we will be rewriting them shortly to eliminate that feature. I would like to go into this much more fully at our meeting. Another thing to remember about classification is that it is not a means of eliminating multiple use (except

where the land is being disposed of). Rather it is a means of designating preferences amongst beneficial (multiple) uses so that the resource constituencies in the State have some certainty as to what particular lands will be used for and can make their plans accordingly.

Earlier in your letter, you mention the importance of classifying lands for agriculture and classifying land for forestry in order to consolidate the land basis for those industries as a means of stimulating development; it is for precisely this reason that designating a primary use among multiple uses (i.e. classification) is advantageous to each industry. For that reason I would not want to limit State retained (multiple use) lands in one classification category. This would present no opportunity for resource industries to plan their own future.

I certainly agree that laws governing the Department of Natural Resources are now exceedingly complicated and that constant changes (requiring continuing changes in regulations) presents an unstable environment in which to develop resources and conduct business. In fact, I'll bet you don't know the half of it. The permit reform program (plus the other matters we are doing to streamline and stabilize procedure together with changes we will be proposing regarding the land disposal law and elimination of obstructionist provisions in Title 38 should provide a substantially improved, though not ideal, atmosphere in this respect. I certainly hope that you will support these changes.

I disagree very strongly with your suggestion that we delete the requirement for homeowners associations in conjunction with land disposal. I strongly believe property owners associations have had an excellent record in many areas of the United States as a substitute for government regulations. I have seen this system work just as well among recreational property owners as it has where all of the owners are fulltime permanent residents. The alternative is to include additional regulations or restrictions on land sales contracts which will have to be enforced by "absentee" government bureaucrats.

I do not agree that the State has been involved in any program to lock up lands. All of the State park areas that you mentioned were created by the Legislature through specific State laws, including the provisions relating to mineral resources. I think when I show you at our meeting what our expectations are for various other resources (including Agriculture, Forestry and Subsurface Development) you will withdraw this comment.

It is not true that lands selected by the State for mineral values have necessarily been classified under non-mineral

use categories. We recently classified three high value mineral areas in the Fairbanks area and one in the Mat-Su Valley as minerals lands with that as the primary use. Moreover, the vast majority of State and patented lands are currently open for mineral entry; only where there is a very specific and compelling justification for closing an area to mineral entry is a mineral closing order issued. In fact, mineral exploration and staking are booming on State lands. We received over 13,500 mining claims last year alone.

Obviously, it is sometimes difficult to estimate the mineral value contained in the subsurface where a surface use (such as a disposal) is being considered. The information available to us is never as complete as we would like it to be, and one does not know the content of the subsurface until it has been fully produced. All of the disposal nominations and other surface dispositions involve an analysis of mineral resources prior to a final decision; we have dropped a number of disposal areas in both our Northcentral and Southcentral Districts as a result of estimated potential of mineral resources. It is flatly wrong that specific requests of administrative mining personnel to participate in these decisions has been denied; one employee who was responsible for reviewing proposed disposals for conflicts with subsurface values did have difficulties completing these assignments on time; however, that employee is no longer with us, and I hope his successors provide a much more effective advocacy and competent performance.