

H B

5 6 1

HOUSE COMMITTEE REPORT

(11)

Date referred: 4/21/88

FURTHER REFERRALS:

DATE: 4/30/88

The Finance Committee has considered HB 561

"An Act relating to the termination date, members, and reports of the Alaska Minerals Commission; and providing for an effective date."

RECOMMENDS:

- replace with _____ the same title
- attached amendment(s) _____ a new title
- do pass
- do not pass
- no recommendation
- individual recommendations
- additional referral to the _____ Committee

ADOPTS: _____ letter of intent

ATTACHES NEW FISCAL NOTE(S):

- fiscal impact same as previous fiscal note published _____
- zero fiscal note same as previous zero fiscal note published _____
- zero with analysis

SIGNING DO PASS:

SIGNING OTHER RECOMMENDATIONS:

POURCHOT [Signature]

LARSON [Signature]

RIEGER [Signature]

BOYER [Signature]

SWACK [Signature]

DAVIS [Signature]

ADAMS [Signature] No Rec

GOLL [Signature] No Rec

BROWN [Signature] No Rec

[Signature]
Chairman's signature

STATE OF ALASKA
1988 LEGISLATIVE SESSION

BILL VERSION: HB 561
PUBLISH DATE: 4/21/88

FISCAL NOTE

REQUEST:

Revision Date: _____ Agency Affected: Commerce and Econ. Dev.
Title: An act relating to the termination BRU: Business Development
date, members and reports of the Alaska Minerals Commission
Sponsor: Resources Committee Components: _____
Requester: Finance Committee

EXPENDITURES / REVENUES : (Thousands of Dollars)

OPERATING	FY 88	FY 89	FY 90	FY 91	FY 92	FY 93
PERSONAL SERVICES		0	0	0	0	0
TRAVEL		21.0	21.0	21.0	21.0	21.0
CONTRACTUAL		1.5	1.5	1.5	1.5	1.5
SUPPLIES		0	0	0	0	0
EQUIPMENT		0	0	0	0	0
LAND & STRUCTURES		0	0	0	0	0
GRANTS, CLAIMS		0	0	0	0	0
MISCELLANEOUS		0	0	0	0	0
TOTAL OPERATING		22.5	22.5	22.5	22.5	22.5

CAPITAL		0	0	0	0	0
---------	--	---	---	---	---	---

REVENUE		0	0	0	0	0
---------	--	---	---	---	---	---

FUNDING: (Thousands of dollars)

GENERAL FUND		22.5	22.5	22.5	22.5	22.5
FEDERAL FUNDS		0	0	0	0	0
OTHER		0	0	0	0	0
TOTAL		22.5	22.5	22.5	22.5	22.5

POSITIONS:

FULLTIME		0	0	0	0	0
PARTTIME		0	0	0	0	0
TEMPORARY		0	0	0	0	0

ANALYSIS: (Attach a separate page if necessary.)

SEE ATTACHED

Prepared by: Thyes Shaub, Project Manager Phone: 465-2094
Division: Business Development Date: 4/25/88

Approved by Commissioner: J. Anthony Smith Date: 4/25/88
Agency: Department of Commerce and Economic Development

Distribution (by preparer):
Legislative Finance
Legislative Sponsor
Requestor
Office of Management and Budget
Impacted Agency(ies)
1512D-2/042588a

RECEIVED

APR 26 1988

page 1 of 1

LEGISLATIVE FINANCE

ANALYSIS:

The Alaska Minerals Commission was created by the 14th Legislature with the mandate to make recommendations to the Governor and to the Legislature on ways to mitigate constraints on the development of the minerals in the State. House Bill 561 extends the life of the Minerals Commission from its current sunset date of February 1, 1989 to February 1, 1994.

The travel funds in this fiscal note will cover travel and per diem for the 11-member commission for the purpose of attending commission meetings. The contractual funds will cover the costs of phone, postage and printing of the annual report to the Governor and Legislature.

The first two reports of the Alaska Minerals Commission are attached.

1 IN THE HOUSE

BY THE RESOURCES COMMITTEE

2

HOUSE BILL NO. 561

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - SECOND SESSION

5

A BILL

6

For an Act entitled: "An Act relating to the termination date, members,
7 and reports of the Alaska Minerals Commission; and
8 providing for an effective date."

9

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

10

* Section 1. Section 2(b), ch. 98, SLA 1986, is amended to read:

11

(b) The commission is composed of 11 members. The commission

12

shall be composed of individuals who have at least five years' experi-

13

ence in the various aspects of the minerals industries in the state.

14

The governor shall appoint five members of the commission. The presi-

15

dent of the Senate shall appoint three members of the commission. The

16

speaker of the House of Representatives shall appoint three members of

17

the commission. Each member serves at the pleasure of the appointing

18

authority.

19

* Sec. 2. Section 2(d), ch. 98, SLA 1986, is repealed and reenacted to

20

read:

21

(d) The commission shall report its recommendations each year to

22

the governor and the legislature during the first 10 days of the

23

regular session of the legislature.

24

* Sec. 3. Section 3, ch. 98, SLA 1986, is amended to read:

25

Sec. 3. This Act is repealed February 1, 1994 [1989].

26

* Sec. 4. This Act takes effect immediately under AS 01.10.070(c).

HB 561: "An Act relating to the termination date, members, and reports of the Alaska Minerals Commission; and providing for an effective date."

Background: The Minerals Commission was created by the 1986 Legislature and established in the Department of Commerce and Economic Development. Administrative support for the commission is provided by the Division of Business Development.

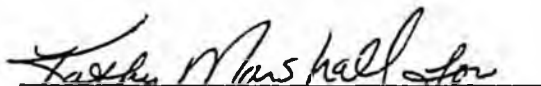
The commission was charged under statute to make recommendations to the Legislature and the Governor on ways to mitigate constraints on the development of minerals in the state. The commission has complied with that legislative mandate by drafting and submitting two reports to the Governor and the Legislature.

Many of the commission's legislative recommendations have been introduced in bills during the 1987 and 1988 legislative sessions and many of the commission's administrative recommendations have been the subject of review and adoption by state agencies. The legislative and administrative response to the commission's recommendations is strong evidence that the commission has taken its statutory directive seriously and responded effectively.

Alaska's mineral industry has begun a recovery and there is enormous potential for the emergence of a dramatically expanded and productive mining sector over the next five to ten years: a time when the state's economy critically needs growth in its nonpetroleum sectors. The advisory role of the Alaska Minerals Commission will continue to be valuable to the Legislature and the administration during this period.

Position: While the department has provided support through personal services, it is not capable of supporting travel and contractual services for commission members and staff. A Fiscal Note for \$22.5 for contractual and travel has been submitted. It is also noteworthy that the commission has been partially supported by the private sector as individual commission members and their companies have often funded travel and per diem of members.

The Department of Commerce and Economic Development feels the Minerals Commission has served the state well and supports HB 561 to extend the commission's time of service.



J. Anthony Smith, Commissioner
Department of Commerce and
Economic Development

4/25/88

Date

FOREWORD

The Alaska Minerals Commission was created by the 14th Legislature through the enactment of Chapter 98 of the 1986 Session Laws of Alaska. The source of the Act was Senate Bill 418 (Appendix B) which was passed by the Legislature and signed into law on June 6, 1986.

The enabling legislation instructs the Commission to make recommendations to the Governor and Legislature on ways to mitigate the constraints, including governmental constraints, on the development of minerals, including coal, in the state.

The Commission presented its initial report to the Governor and the Legislature in January 1987 at the outset of the first session of the 15th Legislature. The Commission is also charged with making a final report to the first session of the 16th Legislature in January 1989 after which the Commission will expire.

This interim report contains recommendations for the consideration of the Governor and the Legislature during the 1988 legislative session.

Commission members are appointed by the Governor, the President of the Senate and the Speaker of the House. The current members include representatives of the placer, hard rock and coal mining industries and come from diverse areas of the state. Administrative and staff support to the Commission is provided by the Division of Business Development, Department of Commerce and Economic Development.

I would like to thank all members of the Commission, staff and those members of the public who have provided their comments and worked on committees for their contributions in preparing this report. I would also like to thank Governor Cowper for the support his office has provided the Commission.

Earl H. Beistline
Chairman

ALASKA MINERALS COMMISSION

Chairman

Earl Beistline
Mining Consultant
Fairbanks, Alaska

Vice Chairman

Joseph E. Usibelli, Chairman
Usibelli Coal Mine, Inc.
Healy, Alaska

Del Ackels, Owner-Operator
Goldust Mines
Fairbanks, Alaska

Don Finney, Ketchikan Manager
U.S. Borax and Chemical Corp.
Ketchikan, Alaska

G.G. (Jerry) Booth
Manager Alaska Operations
Cominco Alaska, Inc.
Anchorage, Alaska

Karl Hanneman, President
Alaska Placer Development, Inc.
Fairbanks, Alaska

Roger Burggraf, Chairman
Fairbanks Branch
Alaska Miners Association
Fairbanks, Alaska

Jenny Hawley, Vice President
Hawley Resource Group, Inc.
Anchorage, Alaska

Joe Davis
Mining Investment Corp.
Tucson, Arizona
(Resigned, January 1988)

Peter Richardson
Mgr. Project Administration
Greens Creek Mining Company
(Deceased, August 1987)

Ernest N. Wolff
Mining Consultant
Fairbanks, Alaska

Staff

Thyes Shaub
Division of Business Development
Department of Commerce and
Economic Development
P.O. Box D
Juneau, Alaska 99811

Charlie Green
Division of Business Development
Department of Commerce and
Economic Development
1001 Noble, Suite 420
Fairbanks, Alaska 99701

EXECUTIVE SUMMARY

In its initial report to the Governor and the Legislature in January 1987, the Alaska Minerals Commission made 39 recommendations for legislative and administrative actions that would mitigate constraints on the development of minerals. The Commission continues to support those recommendations as the basis for promoting the development of a viable long-term mining industry in the state.

This interim report focuses on some of the original recommendations and several new recommendations which are of the greatest urgency and which, if implemented, will provide the greatest benefits to the industry and to the state in the short-term by enhancing Alaska's business climate and by sending a signal to the international mining community that the state favors continued development of its mineral resources.

Legislative Priorities

As its highest priority, the Commission urges the enactment of a mineral policy act that will provide a clear statutory policy supporting the responsible development of Alaska's mineral resources.

The Commission has also identified as priorities the need for passage of legislation in the following four areas:

- allowing flexible work week schedules;
- extending the number of hours underground miners may work at the face;
- amending the state's workmen's compensation laws; and
- supporting the inventory of sand and gravel resources.

Administrative Priorities

The state must work to preserve the greatest amount of flexibility in the U.S. Corps of Engineers' implementation of wetlands permitting through the state's certification of the Corps' proposed permitting program.

In the management of its lands, the Department of Natural Resources must emphasize multiple use rather than the present system which designates single or primary land uses and closes lands to mineral entry because of incompatibility perceived in the land planning process.

In the management of its waters, the state should pursue the introduction of increased flexibility in the six regulatory areas identified by the Alaska Miners Association/Department of Environmental Conservation Water Committee.

Support for Mining Programs and Services

The Department of Education should budget for teacher training and the implementation of the mineral and energy resource educational kits to match private sector support through AMEREF.

The Division of Geological and Geophysical Surveys should be funded at a level sufficient to allow its existing professional staff to work on a full-time basis and to provide operating funds for field mapping and other essential services provided to the citizens of the state.

Additional recommendations have been made in the legislative, administrative, and mining program and service areas, and are included in the body of the report.

INTRODUCTION

In its initial report to the Governor and Legislature in January 1987, the Alaska Minerals Commission made 39 recommendations for changes in administrative policies and for the enactment of legislation that would encourage and promote the growth of the mining industry in Alaska. During the intervening year, many positive actions have been taken.

The new administration of Governor Steve Cowper has taken many steps to support the state's existing industry and to promote new growth. During the legislative session, the administration supported enactment of a mineral policy act and several other key pieces of legislation addressing mining issues. On March 30, 1987, Governor Cowper issued a directive instructing state agencies to take progressive steps to resolve water quality issues impacting the placer mining industry.

The administration has demonstrated a new aggressiveness in several areas affecting the state's authority to manage its resources including negotiations with federal agencies on assertion of RS2477 rights-of-way on federal lands and intervention in legal challenges to the state's mining laws.

The administration has also made several important and positive decisions on specific mining projects including the issuance of two coal mine permits and the favorable resolution of the state's position on mine development plans for the U.S. Borax Quartz Hill project.

During the first session of the 15th Legislature, bills were introduced that addressed nearly all the legislative concerns of the Minerals Commission. While none of these bills have passed, the Commission expects that during the current legislative session, many of the Commission's recommendations will be signed into law.

Continued progress, both in legislative and administrative actions, will be critical to the future of Alaska's mineral industry. The international mining industry has begun to make a strong recovery as commodity prices have strengthened and provided renewed profitability to an industry hit hard by economic recession in the first half of the 1980's.

The mining industry has once again become aware of the enormous geologic potential for the discovery of commercial ore deposits in Alaska. The ongoing construction of the Greens Creek and Red Dog mines has served to focus world attention on Alaska as having potential for world class deposits. Actions to be taken by state government over the next year that demonstrate Alaska's desire to expand its mineral industry and to provide a reasonable, competitive climate for business, will do much to attract exploration and development investment in the short-term. In turn, the discovery and development of new mines will provide widespread economic benefits to the state over the long-term.

RECOMMENDATIONS OF THE ALASKA MINERALS COMMISSION

I. Legislative Priorities

Action on the following five recommendations for passage of needed legislation should be a priority of the 1988 Legislature.

Mineral Policy Act

- Many of the problems facing the mineral industry stem from the lack of a clear statutory policy supporting the responsible development of Alaska's mineral resources. The Commission members remain unanimous in their belief that the greatest immediate need is the enactment of a mineral policy act that will further the economic stability of the state through the development of Alaska's abundant metal, industrial mineral and coal resources.

Flexible Work Week

- The passage of legislation allowing work schedules to be set on the basis of project specific considerations will allow for more efficient use of labor and provide more desirable time off patterns for employees. This will be particularly significant for mines in remote locations with employees who reside in communities distant from the work site.

Work in Underground Mines

- Legislation is required to amend current statutes limiting shifts at the work face of underground mines from eight to ten hours. The antiquated statute presently in effect does not recognize the implementation of modern safety programs and penalizes mine efficiency and employee time off schedules on remote mining projects.

Workmen's Compensation

- Amendments to Alaska's worker's compensation laws are urgently needed to stem rapidly rising costs to Alaska businesses. Alaska mines compete in an international market place for the sale of their products and cannot pass on inflationary workmen's compensation costs to consumers.

Industrial Minerals Inventory

- The Legislature should enact SB 71 (or companion legislation HB 69), Senate Concurrent Resolution 4, and House Concurrent Resolution 5, addressing the need for systematic identification, inventory and reserve of sand and gravel resources by the state with particular emphasis on meeting the present and future needs of transportation systems, populated areas, and large scale developments within the state.

The Commission also recommends that the following actions be taken on a number of other issues before the Legislature during the 1988 session.

Legislation should be passed requiring agencies proposing regulations to estimate the economic impacts of those regulations including probable costs and benefits.

The Alaska Statutes should be amended to grant to department commissioners the power to waive any regulation when that regulation can be shown to be inappropriate for a particular operation or site specific situation.

Alaska Statute 38.05.300(a) should be amended to require legislative concurrence before areas greater than 640 acres can be closed to mineral entry.

The Commission recommends passage of Senate Bill 137, which requires the Department of Natural Resources to annually report on state lands closed to mineral entry.

The Commission does not recommend passage of proposed legislation which closes large acreages of state land to mineral entry (HB 93, Recreational Rivers; SB 55, Minto Flats State Game Refuge; SB 18, Anchorage Coastal Wildlife Refuge) and which ignores present regulatory flexibility to manage those lands and protect special resources and uses without making mineral closures.

The Commission recommends passage of Senate Bill 114 which will provide legislative oversight of Coastal Management Plans and which will ensure that uses of state concern are protected.

The Commission recommends passage of House Bill 212 or Senate Bill 280 which designates the Department of Natural Resources as lead agency for permitting of resource development projects. Furthermore, the agency should be granted authority for stream classification and habitat management.

The Commission recommends passage of Senate Bill 98 which prohibits the state from requiring water users to discharge water of higher quality than background levels.

II. Administrative Priorities

Action by the Governor and the administration in the following three areas should be a priority for 1988.

Wetlands Permitting

- The requirement, beginning in 1988, that placer mines receive "404" wetland permits from U.S. Army Corps of Engineers before conducting operations, poses the potential for shutting down the state's placer mining industry depending upon the degree of complexity and level of requirements imposed. The Governor should direct all state agencies to ensure that the maximum flexibility in the "404" permit is retained by certifying that the general permit and the abbreviated permit processes being proposed by the Corps are in concordance with State Water Quality and Coastal Zone Management programs.

Multiple Use of Alaska Lands

- Restrictive land classifications and closures of lands to mineral entry because of perceived surface use conflicts are contradictory to professional land management practices and are detrimental to the economic well-being of the state. The Department of Natural Resources must return to a system of multiple use land management that uses existing authority and regulatory flexibility to manage state lands for the potential use of all its natural resources.

Flexibility of Water Quality Regulations

- As recommended by the Alaska Miners Association/Department of Environmental Conservation Water Committee, the state should examine the use of mixing zones, the use of start-up variances, the reclassification of drainages, the restructuring of water uses, the revision of water quality criteria and the assumption of the NPDES program as potential areas where increased regulatory flexibility can be introduced into the state's water quality management while complying with the Clean Water Act and protecting downstream users.

The Commission also recommends that the Governor and administration continue to address recommendations in several other areas during 1988.

Actions of state agencies should continue to be guided by the progressive policies and instructions set out in the Governor's March 30, 1987 directive. The water quality regulation changes proposed on October 27, 1987 by the Department of Environmental Conservation addressing mixing zones and start-up variances do not meet the objectives of this directive. The Department of Environmental Conservation should continue to aggressively pursue a workable solution by maintaining communication with the industry.

The Department of Environmental Conservation should aggressively pursue the development of appropriate reclassification procedures and take action on specific streams for which reclassification requests have been submitted.

The state should continue to work toward assuming management of the National Pollutant Discharge Elimination System (NPDES) permit program.

State agencies issuing regulations and permits should base compliance upon attainment of performance standards, rather than requiring operators to use design and engineering specifications which often prove to be inefficient, costly and ineffective.

III. Support for Mineral Programs and Services

The following two priority recommendations are made to both the Governor and the Legislature to ensure continuation of state programs and services critical to the future of the mining industry.

Mineral Resource Education

- The "Alaska Resources Kit: Minerals" is an established and effective educational program that was jointly developed and implemented by industry and the state. The Department of Education should formalize this ongoing cooperative effort by budgeting annually for support of teacher orientation, training, and distribution of educational materials in the schools, to match ongoing industry contributions by the Alaska Mineral and Energy Resource Education Fund (AMEREF) for the production of the teaching kits.

Division of Geological and Geophysical Surveys

- Geological mapping, geologic surveys, mineral assessments and the publication of geologic reports are critical to the state's ability to maintain and expand its mining industry as well as providing for the health and benefit of the residents of the state. The Division of Geological and Geophysical Surveys should be funded at a level sufficient to allow its existing professional staff to work on a full-time basis and to provide operating funds for the performance of field mapping projects and other essential services.

The Commission also recommends appropriate support be provided for as follows:

The basic level of services provided by the Division of Mining be supported, and budgetary increments be provided to reinstitute the coal leasing and prospecting program, and to support research for coal drying technology.

The mineral services and functions within the Department of Commerce and Economic Development, Division of Business Development, be supported and the division further be directed and supported to research and publish a report — in cooperation with the Department of Natural Resources and the Mineral Industry Research Laboratory of the School of Mineral Engineering — on potential export markets for Alaska industrial minerals and products and on the availability of industrial mineral resources in Alaska.

State programs for professional education and for vocational and technical training services should continue to be supported in order that the maximum number of Alaskans are eligible to fill and hold jobs in the mining industry.