

HB

69

STATE OF ALASKA

THE LEGISLATURE

BUDGET AND AUDIT COMMITTEE

FINANCE DIVISION
POUCH WF-STATE CAPITOL
JUNEAU, ALASKA 99811
PHONE: (907) 465-3795

MEMORANDUM

Date: November 28, 1986

TO: Senator Jay Kerttula, Chairman
Legislative Budget and Audit Committee

FROM: W. Tom Maher, Fiscal Analyst
Division of Legislative Finance

The attached report, prepared at your request, provides an assessment of the management of State owned sand and gravel resources. Your concern that additional efforts need to be applied towards the management of sand and gravel resources is well founded. The need for improving the overall management of these resources has been recognized by members of the Legislature, the Department of Natural Resources, and Governor Sheffield. Nevertheless, at this date no significant improvements can be noted.

Employees of the Department of Natural Resources and the Department of Transportation and Public Facilities were very helpful during the preparation of this report. These are the people who deal with the problems of sand and gravel management on a daily basis, but lack the direction, high-level priority, and funding commitment necessary to make improvements.

The report offers recommendations for the consideration of the Legislative Budget and Audit Committee. There are no doubt other options available that can be considered. If I can be of further assistance in drafting items called for in the recommendations, or you wish to discuss this report in general, please let me know.

Attachments

A REPORT ON THE MANAGEMENT OF STATE OWNED SAND AND GRAVEL RESOURCES

This report, prepared at the request of the Chairman of the Legislative Budget and Audit Committee, provides a brief assessment of the management of state owned sand and gravel resources. The prudent management of sand and gravel requires the state to actively pursue the process of identifying and setting aside the long-term reserves needed for transportation systems, urban areas, and potential large-scale developments. These sand and gravel reserves, necessary for construction as well as maintenance, must be identified prior to the commitment of land for other uses. In many areas of the state, lands have been classified, developed, or simply traded without the adequate appraisal of sand and gravel potential. As a result, sand and gravel must be shipped longer distances with increased costs for both state and private users. In some instances, potential state revenue can be lost and certain development projects may be made less feasible.

BACKGROUND

Concern over the state's management of sand and gravel resources is not new. SCR 44, introduced in 1984, identified numerous shortcomings in the management of these resources and generated a fiscal note which requested a three year project for sand and gravel resource management. This resolution failed to pass the Senate Finance Committee and first year funding of \$140,000 was not provided. In 1983, Governor Sheffield's statement of goals provided that "increasing demand for sand and gravel resources compel adequate inventory and active management of those materials", however these priorities have failed to be addressed at the departmental level.

By statute, the Department of Natural Resources (DNR) is charged with all matters affecting the exploration and development of sand and gravel resources. Within the DNR, the Division of Geology and Mining (formerly the Divisions of Mining and Geological and Geophysical Surveys) is empowered to determine the potential of these resources. The Division of Land and Water

Management is responsible for the actual permitting and sale. The Department of Transportation and Public Facilities (DOTPF) is the primary state agency using sand and gravel, while the Alaska Railroad depends mostly on deposits obtained through transfer from the Federal government.

Revenue from the sale of sand and gravel fluctuates largely in response to the development needs of the oil industry. DNR reports the following net revenues (less the 5% to public schools) for sand and gravel sales:

FY 83	\$3,614,130
FY 84	\$2,477,417
FY 85	\$2,587,722
FY 86	\$2,222,294
FY 87 to date	\$4,830,638 (1)

(1) Revenue for FY 87 to date reflects the accounting spread of FY 86 revenue from Kuparuk.

In addition, it is estimated that DOTPF uses between three to six million dollars a year of sand and gravel for construction and maintenance obtained by permit or interagency land management agreement from the Division of Land and Water Management.

THE STATUS OF SAND AND GRAVEL RESOURCE MANAGEMENT.

The state has inadequate knowledge of the actual location or quantity of sand and gravel available for use on state lands. Further, there is no coordinated, long-term analysis of the future availability of sand and gravel resources needed for transportation systems, urban areas, or large-scale development.

Through large-scale mapping projects, the Division of Geology and Mining has identified areas that may contain the potential for sand and gravel resource development. The amount of funding actually spent in earlier fiscal years on sand and gravel development is difficult to determine because this funding is budgeted within other projects. The Division of Geology and Mining has been requested to provide a summary of these past expenditures. For FY 87, \$1,180,700 was appropriated for state-wide Mineral and Material Development, including sand and gravel resources. However, there are many other priorities competing for this funding and therefore the division does not plan to spend any funding directly on sand and gravel development. DNR's approach has been to provide a detailed analysis of sand and gravel potential only when an actual need for the material occurs. A program has never been implemented for a long-term needs assessment. According to department officials, much of the baseline data has not been collected that is essential for future management of sand and gravel resources. Early in the FY 88 budget process, the Division of Mining and Geology proposed a new, three-year project to fill

these data voids. However, this project, requiring first year funding of \$131,200 was not brought forward when rated with other divisional priorities.

For FY 87, the Division of Land and Water Management was appropriated \$354,400 for Material Sales, which is the project under which sand and gravel sales are conducted and the public need for these resources is addressed.

Not enough effort is directed towards sand and gravel programs and coordination between state agencies is poor.

The Division Land and Water Management, due to lack of funding, is unable to adequately monitor the private sale of sand and gravel in order to assure that the state is getting paid for all resources extracted. Additionally, the Division of Land and Water Management does not have the staffing to provide DOTPF with the level of service necessary to provide a reasonable turn-around time for permit processing, yet DOTPF uses an estimated six million dollars of these resources a year (FY 86 estimate).

In 1981 DOTPF received a capital appropriation of \$1,665,000 for the development of a Material Information System (MINS). On a statewide basis, MINS supplies all available and pertinent data on over 1200 of DOTPF's existing sand and gravel sites and provides easy access to this information on the state's mainframe computer. This system, developed independently from DNR, was tailored to fit DOTPF's operational needs. It is not presently designed to anticipate the long-term needs for sand and gravel. However, MINS represents a major achievement in DOTPF's ability to manage sand and gravel resources which have become increasingly difficult to obtain within project time frames. MINS is also capable of assimilating data for material sites under private ownership, including sites managed by other local, state, or federal agencies. The capabilities of this system to improve DNR's management of sand and gravel resources appear to have been unexplored. It is possible that MINS could be redesigned to provide the DNR with a computerized base to begin the inventory of current sand and gravel reserves. Unfortunately, the MINS system is now being shut down because the balance of this project's funding was reappropriated during the 1986 legislative session. For DOTPF'S needs, this system could be continued for a one-time cost of approximately \$100,000 with \$75,000 per year thereafter in maintenance/support.

RECOMMENDATIONS

Necessary improvements in the management of Alaska's sand and gravel resources will require a reassessment of budgetary priorities by both the Governor and the Legislature. Additional funding within DNR may not be needed. If increased funding is necessary, the use of program receipts could be considered. Cooperation and communication between DNR, DOTPF, and the Alaska Railroad will be essential.

Alaska Statute 24.20.201 (6) empowers the Legislative Budget and Audit Committee to "make recommendations concerning appropriations, their expenditure and the fiscal policies and procedures of state government to the governor when appropriate, and to the legislature".

Specific options available to the Legislative Budget and Audit Committee follow:

(1.) prepare a letter to the Governor expressing the concerns of the Committee on the management of sand and gravel resources and requesting the development of a long-term plan to identify, inventory, and set aside the resources necessary for transportation systems, urban areas, and large-scale developments. A draft motion for Committee use has been prepared and is attached to this report.

(2.) prepare a resolution/joint resolution for introduction to the Fifteenth Legislature. A copy of the resolution introduced in 1984 is attached.

(3.) draft legislation amending A.S. 44.37.020., *Duties of the Department of Natural Resources*, to specifically address the department's responsibilities for the management of sand and gravel resources.

DRAFT

Fourteenth Legislature - Second Session Legislative Budget and Audit Committee

Motion # _____

Alaska Statute 24.20.201 (6) empowers the Legislative Budget and Audit Committee to "make recommendations concerning appropriations, their expenditure and the fiscal policies and procedures of state government to the governor when appropriate, and to the legislature".

The Legislative Budget and Audit Committee therefore finds:

the state has inadequate knowledge of the actual location or quantity of sand and gravel resources available for use on state lands;

there is no coordinated, long-term analysis of the future availability of sand and gravel resources needed for transportation systems, urban areas, or potential large-scale developments;

not enough effort is directed towards sand and gravel programs and coordination between state agencies is poor;

for Fiscal Year 1986, revenues generated from the sell of state sand and gravel resources contributed over two million dollars to the general fund and for Fiscal Year 1987, revenues are estimated at over five million dollars. In addition, for Fiscal Year 1986, the estimated value of these materials used by the Department of Transportation and Public Facilities was more than six million dollars;

sand and gravel represent critical resources needed for the development of the state.

The Legislative Budget and Audit Committee requests the Governor to address the concerns of the Committee relating to current and future status of sand and gravel resource management. Further, the Legislative Budget and Audit Committee requests the Governor and the Commissioner of the Department of Natural Resources to prepare for submittal to the Legislature, a plan for Fiscal Year 1988, including costs, which provides for the systematic identification, inventory and reserve of sand and gravel resources with particular emphasis on the needs of transportation systems, urban areas and large-scale developments. This plan, is intended to include the administration of sand and gravel resources used by the Department of Transportation and Public Facilities and the Alaska Railroad.

Introduced: 3/29/84
Referred: Resources and
Finance

1 IN THE SENATE

BY THE RESOURCES COMMITTEE

2

SENATE CONCURRENT RESOLUTION NO. 44

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

THIRTEENTH LEGISLATURE - SECOND SESSION

5

Relating to management of state con-

6

struction materials.

7

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

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WHEREAS sand, gravel, quarry rock, and other construction materials

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represent some of the critical resources needed for the development of the

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state; and

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WHEREAS \$120,000,000 worth of sand and gravel aggregate was sold in

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the state in 1983, a 36 percent increase over 1982, and sand and gravel

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aggregate are second only to oil and gas in dollar value among the state's

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nonrenewable resources; and

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WHEREAS the state is minimally aware of the distribution and reserves

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of sand, gravel, quarry rock, and other construction materials in Alaska;

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and

18

WHEREAS the state has inadequate knowledge of the value of the con-

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struction materials on state land and receives less revenue than it should

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receive for material sales; and

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WHEREAS the governor's July 23, 1983, statement of goals provided that

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"increasing demand for sand and gravel compel adequate inventory and active

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management of those materials;" and

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WHEREAS in many areas of Alaska no state reserves of construction

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materials have been set aside and the Department of Transportation and

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Public Facilities is paying exorbitant prices for materials, greatly and

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unnecessarily increasing construction and maintenance costs; and

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~~WHEREAS~~ ^{large amounts} ^{min} ^{new} WHEREAS large amounts of sand and gravel are needed on the North Slope

29

for gravel islands, roads, airstrips, and causeways; and

1 WHEREAS sand and gravel needed in Bethel is presently shipped over
2 distances of 40 - 100 miles; and

3 WHEREAS in Anchorage, local sand and gravel supplies have been ex-
4 hausted and materials are presently being hauled from the Matanuska-Susitna
5 Valley; and

6 WHEREAS material reserves along the Alaska Railroad corridor are
7 unknown; and

8 WHEREAS sand and gravel reserves will be needed to meet development
9 needs throughout the state for proposed projects, including the Seward
10 Port, support facilities for the U.S. Borax Mine near Ketchikan, a road to
11 the Red Dog Mine, and on-shore oil-related facilities in the Bering
12 Sea/Norton Sound;

13 BE IT RESOLVED that the Alaska State Legislature requests the Depart-
14 ment of Natural Resources to carry out a program to identify, inventory,
15 and set aside long-term reserves of construction materials on a statewide
16 basis and to establish a state management methodology for the utilization
17 of those identified reserves.

STATE OF ALASKA

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

STEVE COWPER, GOVERNOR

400 WILLOUGHBY AVE.
JUNEAU, ALASKA 99801-1796
PHONE: (907) 465-2400

February 19, 1987

The Honorable Adelheid Herrmann, Co-Chair
The Honorable Sam Cotten, Co-Chair
House Resources Committee
Alaska State Legislature
P.O. Box V
Juneau, AK 99811

Dear Representatives Herrmann and Cotten:

Subject: House Bill 69, relating to the management of sand and gravel resources.

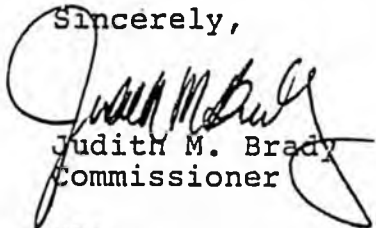
Position: The Department of natural Resources supports the establishment of a systematic program to identify and inventory sand and gravel resources as described in HB 69.

Recommendation: Because the meaning of "reserve" in line 12 of the bill is unclear, the department recommends that a definition or clarifying language be added.

There may be cases in which the land containing the sand and gravel deposit is better suited for purposes other than sand and gravel extraction. Also, the term "reserve" could be interpreted to mean that sand and gravel deposits could not be included in land exchanges or even sold to private parties.

If you would like additional information or have any questions, please contact my office.

Sincerely,


Judith M. Brady
Commissioner

cc: Members of the Committee
Sponsor
Governor's Legislative Liaison

STATE OF ALASKA 1987 LEGISLATIVE SESSION
FISCAL NOTE

HB 69

REQUEST: _____

Bill Version : _____
Publish Date : _____

Revision Date: 2/19/87
Title: Management of Sand and Gravel

Agency Affected: Natural Resources
BRU: Geology, Energy and Mining

Sponsor: Rules Committee (LB&A)
Requestor: House Resources

Components : _____

EXPENDITURES/REVENUES: (Thousands of Dollars)

OPERATING	FY 87	FY 88	FY 89	FY 90	FY 91	FY 92
PERSONAL SERVICES		61.2	63.3	65.5	67.8	70.2
TRAVEL		1.0	8.0	8.0	8.0	8.0
CONTRACTUAL		30.0	75.7	72.5	72.2	69.8
SUPPLIES		10.0	5.0	1.0	2.0	2.0
EQUIPMENT		20.0	0	0	0	0
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
TOTAL OPERATING		131.2	150.0	150.0	150.0	150.0

CAPITAL						
---------	--	--	--	--	--	--

REVENUE						
---------	--	--	--	--	--	--

FUNDING: (Thousands of Dollars)

GENERAL FUND		131.2	150.0	150.0	150.0	150.0
FEDERAL FUNDS						
OTHER						
TOTAL		131.2	150.0	150.0	150.0	150.0

POSITIONS:

FULL-TIME		1	1	1	1	1
PART-TIME						
TEMPORARY						

ANALYSIS : (Attach a separate page if necessary)

See attached explanation

Prepared by: Randall Updike
Division: Mining and Geological Surveys

Phone: 688-3555
Date: 2/19/87

Approved by Commissioner: *Thomas D. ...*
Agency: Natural Resources

Date: 2/19/87

Distribution (by preparer):

- Legislative Finance
- Legislative Sponsor
- Requestor
- Office of Management and Budget
- Impacted Agency(ies)
- Senate Secretary

This would be an ongoing project to be administered by the Division of Mining and Geological and Geophysical Surveys.

	FY 88	FY 89	FY 90	FY 91	FY 92
100 - Civil Engineer, PFT	61.2	63.3	65.5	67.8	70.2
Costs for existing PCN 2040					
200 travel to various communities to ascertain needs, currently used sources, methods of acquisition, and management issues. Travel to Fairbanks, Anchorage, and Juneau to administer project and interface with other agencies.	10.0	8.0	8.0	8.0	8.0
300 map and air photo production, printing costs; helicopter and fixed wing aircraft reconnaissance; drilling and excavation contracts.	30.0	73.7	72.5	72.2	69.8
400 laboratory and field supplies (sample bags, samplers, etc.)	10.0	5.0	4.0	2.0	2.0
500 equipment: resistivity meter with dial recorder (15.0); office furniture (5.0)	20.0	0	0	0	0

HOUSE COMMITTEE REPORT

3/6

(9)

Date referred: 1/23/87

FURTHER REFERRALS: Finance

DATE: 3/6/87

The Resources Committee has considered HB 69

"An Act relating to the management of sand and gravel resources."

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:

Jim Galt

John Hoff

John [unclear]

Dick Slant

Heinrich Springer

Cliff Dambler

SIGNING OTHER RECOMMENDATIONS:

Mike Savane (no rec)

Wayne [unclear] (no rec)

Jim Galt
Chairman's signature



Alaska State Legislature

HOUSE OF REPRESENTATIVES
COMMITTEE ON RESOURCES

POUCH V
JUNEAU, ALASKA 99811
(907) 465-3715

aa *sc*
Representative Adelheid Herrmann, co-Chair - 465-4942
Representative Sam Cotten, co-Chair - 465-3715

Committee Schedule February 23 - 27, 1987

Monday, February 23, 1987

8:30 - 10:00 a.m., Capitol 124

- * SSHJR 5 Relating to the reflagging of foreign fish processing vessels.
- * HB 63 "An Act relating to the Board of Fisheries"

Wednesday, February 25, 1987

8:30 - 10:00 a.m., Capitol 124

The Yukon Legislative Delegation;
regarding ANWR, fishery, and other issues

Thursday, February 26, 1987

12:00 p.m., Capitol 124

FISH SUBCOMMITTEE:

Overview: by Ken Parker, Director of
Commercial Fisheries

Friday, February 27, 1987

8:30 - 10:00 a.m., Capitol 124

- * HB 138 An Act regulating the sale and use of TBT-based marine antifouling paints and coatings; and providing for an effective date."
- * HJR 15 Relating to high seas drift nets.

Introduced: 1/23/87
Referred: Resources and
Finance

BY THE RULES COMMITTEE
BY REQUEST OF THE LEGISLATIVE
BUDGET AND AUDIT COMMITTEE

1 IN THE HOUSE

2

HOUSE BILL NO. 69

3

IN THE LEGISLATURE OF THE STATE OF ALASKA

4

FIFTEENTH LEGISLATURE - FIRST SESSION

5

A BILL

6 For an Act entitled: "An Act relating to the management of sand and gravel
7 resources."

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

9 * Section 1. AS 38.04.060 is amended by adding a new subsection to
10 read:

11 (d) The commissioner shall provide for the systematic identi-
12 fication, inventory, and reserve of sand and gravel resources with
13 particular emphasis on the future needs of transportation systems,
14 populated areas, and large-scale developments within the state.

*Meeting
Committee*