

SB

175

HFIN

FILE

(11)

HOUSE COMMITTEE REPORT

Date Referred to Committee: March 27, 2000

FURTHER REFERRALS:

Date of Committee Action: 4/10/00

The FINANCE Committee considered:

SB 175

SENATE BILL NO. 175

STATE MINING LAW

"An Act relating to state mining law, to methods of locating mining claims, to the granting of larger mining claims using a legal subdivision based on rectangular survey descriptions, and to mandatory rental payments for prospecting rights."

recommends it be replaced with the following committee substitute SB 175 the same title a new title

additional referral to _____ Committee
 attached amendment(s)

ADOPTS: _____ Letter of Intent

ATTACHES NEW FISCAL NOTE(S): (Dept) _____

APPROVES PREVIOUS: (Dept/Date) _____

fiscal note(s) _____

fiscal note(s) DNR 2/29/00

zero fiscal note(s) _____

zero fiscal note(s) _____

SIGNING WITH RECOMMENDATIONS		DP	DNP	NR	AM
<i>Carrie Therrault</i>	Therrault	X			
<i>Alan Rusten</i>	Aushman	X			
<i>J. Gaby Perry</i>	J. Davis			X	
<i>John J. Davis</i>	G. Davis	X			
<i>W.R. Williams</i>	Williams	X			
<i>Gail Phillips</i>	Phillips	X			
<i>[Signature]</i>	Forster			X	

CO CHAIR'S SIGNATURE *Carrie Therrault*
Therrault

FISCAL NOTE

STATE OF ALASKA
2000 LEGISLATIVE SESSION

No. 2
 Bill Version: SB 175
 (S) Publish Date: 2-29-00

Revision Date/Tim 28-Feb-00
 Title: STATE MINING LAW
 Sponsor: S RES
 Requestor: S FIN

Dept Affected: Natural Resources
 BRU: Minerals, Land & Water Development
 Component: Claims, Permits and Leases
 Component No 2460

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

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

FUND SOURCE (Thousands of Dollars)

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

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

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

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

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

Prepared by: Robert M. Loeffler *[Signature]* Phone: 907-269-8625
 Division: Mining, Land and Water Date: 28-Feb-00
 Approved by Commissioner: John Shively *[Signature]* Date: 28-Feb-00
 Agency: Natural Resources

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office

FISCAL NOTE

No. 2

STATE OF ALASKA 2000 LEGISLATIVE SESSION

Bill Version: SB 175

(S) Publish Date: 2-29-00

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

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

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

FUND SOURCE (Thousands of Dollars)

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

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

POSITIONS

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

ANALYSIS: (Attach a separate page if necessary)

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

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

Prepared by: Robert M. Loeffler Phone: 907-269-8625
 Division: Mining, Land and Water Date: 28-Feb-00
 Approved by Commissioner: John Shively Date: 28-Feb-00
 Agency: Natural Resources

PREPARER TO PROVIDE ALL DISTRIBUTION COPIES TO GOVERNOR'S LEGISLATIVE OFFICE
 For further distribution information call the Governor's Legislative Office



Official Business

ALASKA STATE LEGISLATURE

SENATE RESOURCES COMMITTEE

State Capitol
Juneau, AK 99801

Chairman: Senator Rick Halford
Vice Chair: Senator Robin Taylor
Senator Lyda Green
Senator Pete Kelly
Senator Jerry Mackie
Senator Sean Parnell
Senator Georgianna Lincoln

Sectional Analysis

Senate Bill 175

"Amendments to State Mining Law"

Section 1. Establishes an additional method for locating (staking) mining claims called "MTRSC" (Meridian, Township, Range, Section, Claim); allows claims to be located as 160 acres each, in addition to the current size of 40 acres per claim; specifies a grid system for placing claim corners; and reduces the period of time allowed for a person staking a claim to record the certificate of location from 90 days to 45 days.

Section 2. Establishes that the annual rent for the new 40 acre MTRSC claims will be the same as existing 40 acre non-MTRSC claims and that the annual rent for 160 acre MTRSC claims will be equal to four (4) times that of the 40 acre claims.

Section 3. Establishes a rental rate for prospecting sites and clarifies the rental rates for MTRSC claims.

Section 4. Provides an incentive to use the MTRSC method and to convert existing non-MTRSC claims into the MTRSC format.

Section 5. Defines "MTRSC system."

Section 6. Requires that all new prospecting sites be located by the MTRSC system and reduces the period of time allowed for a person establishing a prospecting site to record the certificate of location from 90 days to 45 days.

Section 7. Repeals the limitation on the number of prospecting sites that can be held in a township, increases from one year to two years the term of a prospecting site, removes the extension procedure for prospecting sites, and specifies that the rent must be paid within 45 days for a prospecting site to be valid.

Section 8. Removes the requirement that claim lines be marked and clarifies the terms of abandonment of a prospecting site.

SB 175
#2

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

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

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

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

4. MTRSC Claim Position Notation

The concept of MTRSC claim position notation was developed after reviewing the simplicity of land area designations by UTM coordinates as in Labrador, and the graticule or graticular section (latitude-longitude) system used in Australia. The present system of describing the location of a mining claim by Meridian, Township, Range, Section, and quarter section or quarter of a quarter section is a cumbersome method of describing small portions of a section, and does not lend itself readily to computerized data base management systems. It is very prone to error, is tedious to use in describing property locations, and is at its worst when a single mining claim is located in several different sections or even as many as four different townships. The current State Mining Claim Location Notice/Certificate form provides four lines on which to record the location of a single mining claim. The answer seems to be a system that predetermines the position of a claim, and then to develop a simple notation system to identify that claim position.

4.1. Pre-Determined Positions for Mining Claims

This method would have mining claims positioned in pre-determined locations, just as sections are in predetermined positions in a township. A 640 acre section can contain 16 forty acre mining claims, each 1,320 feet on a side (See Figure 1). Under MTRSC, no claim could straddle the boundary between two sections. Even now, large claim blocks are often staked so that the description of each claim is the simplest possible, (using only one line on the State Mining Claim Location Notice/Certificate) which means 16 full size state claims per section. Using the current description terminology, a claim would occupy the exact space describable as "the certain quarter of a certain quarter of a section."

All claim lines must be oriented in the cardinal directions with no exceptions. Where a claim staked under this system overlapped onto preexisting federal or state claims, it would be made clear that the senior locator prevails.

The western-most tier of sections in a township actually have less than 640 acres each because that is where the adjustment occurs to compensate for the fact that parallel north-south lines at the equator get closer together northward and southward as they converge at the geographic poles. Thus the western-most tier of claims in the western-most sections will similarly be smaller than 40 acres and in a few townships the northern-most tier of claims would also be less than 40 acres.

4.2. MTRSC = Meridian, Township, Range, Section, Claim

MTRSC stands for Meridian, Township, Range, Section, and Claim. The addition of the Claim designator is what makes this system work in describing the location of mining claims when combined with predetermined claim positions. Under the present system, mining claims can be physically positioned without respect to any of the land description boundaries. Thus it is possible to have a single 40 acre mining claim that is situated in portions of 4 different townships, which is a descriptive nightmare and a problem for accurate maintenance of status plats and data base management records.

4.3. Claim Designation Procedure

If these claim positions are numbered in the same pattern as sections are numbered in a township describing the location of any claim is easy. Using the established pattern for

numbering sections in a township, claim number 1 would be located in the northeast corner of the section. Claim number 2 would be the next claim position to the west, etc. with the "snaking" pattern similar to the sequence used in numbering the sections in a township. Claim number 16 would be in the southeast corner of the section. See Figure 1.

The format for a typical description of a mining claim using MTRSC would be:

- M Meridian: choices are K, F, S, or C for Kateel River, Fairbanks, Seward, or Copper River;
- T Township: need 3 digits followed by N or S;
- R Range: need 3 digits followed by E or W;
- S Section: a number from 1 through 36;
- C Claim: a number from 1 through 16.

A blank space should be placed between each of these location descriptors. A claim location could thus be F 002N 005E 30 10. This notation gives the exact position of the mining claim located there. It is a unique description describing only one Alaska claim site.

If the 160 acre claim size, discussed later in this report, were adopted, there would be only four claims per section. These claims could be numbered in the same pattern, 1 through 4. The Claim designator for MTRSC position notation would then be only one digit.

4.4. Advantages

The MTRSC notation and layout of claims has the following benefits:

- The exact description of the location of a claim would never take more than one line of text on a document;
- The notation for each claim is very easy to handle in computerized data base management systems and would make claim location recording and research much easier, both at the Recording Office and with the DMWM Land Administration System.
- The predetermined position for claims would make accurate land status plats much faster to produce;
- The MTRSC notation could be used as the serial numbers for mining claims since each such location is unique and the notation is easy to decode. This would eliminate one step for DMWM when mining claims are filed. The MTRSC notation could also be the name and number of mining claims. The MTRSC notation also provides the location of the claim. Thus three pieces of information required on every location certificate (name, serial number, and location) could be provided by the MTRSC notation.
- MTRSC notation could reduce the number of conflicts between rival claimants because of the increase in the accuracy of the description of the position of a claim.
- MTRSC claim positioning makes it much easier to locate claim posts in the field. With GPS or a topographic map you know about where the claim post is supposed to be

- MTRSC notation can be easily implemented with a change in the regulations.
- MTRSC would make indexing of the important historic Kardex file data easier.

4.5. Disadvantages

The MTRSC notation and positioning of claims would have the following disadvantages:

- Placer locations would probably require more claims than the present system because the streams meander while the claim positions are fixed. Similarly along a coastline not oriented in the cardinal directions, additional claims may be required to hold the same area.
- The physical staking of claims has to start from a known point in the field. This is not a trivial matter sometimes. The ground location of section lines or section corners would have to be known, either by inspection of physical features on the topographic map, by location of the section corner marker or other survey control point, or by differential GPS methods or any other low cost surveying method where the level of accuracy is sufficient to allow reasonably accurate location of the section corners and lines.
- The predetermined position of a claim means that you could not adjust the claim position to avoid or capitalize on topographic features. This could cause a situation where the #1 post position was inaccessible.
- Since the MTRSC notation pre-determines the physical location of mining claims, the descriptive location would have legal precedence over the field location if there were a conflict between the two.

The MTRSC claim position notation appears to offer significant benefits that can be easily implemented with changes in the regulations. For this reason, and because this notation could be used with all the alternatives presented below, it was presented as a separate topic and not included in the Alternatives.

Fairbanks Meridian

			T5N				
			T4N				
			T3N				
			T2N				
			T1N				
R3W	R2W	R1W	R1E	R2E	R3E	R4E	R5E
			T1S				
			T2S				
			T3S				

Notation by Township and Range

	6	5	4	3	2	1	
	7	8	9	10	11	12	
	18	17	16	15	14	13	
	19	20	21	22	23	24	
	30	29	28	27	26	25	
	31	32	33	34	35	36	

Notation of sections in a Township

	4	3	2	1	
	5	6	7	8	
	12	11	10	9	
	13	14	15	16	

Notation for claims in a section under MTRSC

MTRSC Position Notation for shaded section and claim = F 002N 005E 30 10

Figure 1: Explanation of MTRSC claim position notation



ALASKA MINERS ASSOCIATION, INC.

3305 Arctic #202, Anchorage, Alaska 99503 • (907) 563-9229 • FAX: (907) 563-9225 • www.alaskaminers.org

April 10, 2000

Honorable Gene Therriault
Honorable Eldon Mulder
Co-Chairs, House Finance Committee
Alaska State House of Representatives
State Capitol
Juneau, AK 99801

RE: Senate Bill 175, Amendments to the Alaska State Mining Law

Dear Representatives Therriault and Mulder,

Thank you for scheduling a hearing on Senate Bill 175 which will make some amendments to the Alaska State Mining Law. The changes proposed in SB-175 are the result of several years of work between the mining industry and the Alaska Department of Natural Resources. They affect only the process required for locating (staking) mining claims and do not increase or decrease the rights established by mining claims. These changes have been developed very carefully to ensure that they accomplish only what is intended and that they clarify some points in the existing law that could otherwise contribute (and in the past have contributed) to paperwork and records errors.

The current State budget challenges were the primary catalyst for our work to develop these amendments. Also, technological advances in electronic land records, on-line access, and Global Positioning Systems (GPS) have developed to a level where they now provide new ways to address the problems and post data onto the State land status plats in a timely and efficient manner.

The primary issue for DNR is the amount of manpower, time and cost that is now required to process the paperwork for mining claims. SB-175 greatly improves this situation by placing mining claims into a format that can be electronically entered onto (or removed from) the State land status plats. This will decrease the amount of time for DNR to process the claims and at the same time greatly improve the accuracy and accessibility of the dates. DNR now has about six months backlog of claims that have been located and filed with the Department, but are not yet entered on the land status plats.

For the mining industry, the changes will simplify the process of staking mining claims and reduce errors during the staking, recording and filing process. One change will make it simpler and more feasible to utilize Global Positioning Systems (GPS) to establish claim corners in the field. Another change will allow use of a larger size mining claim which will decrease the amount of paperwork by 75%, for both the miner and DNR. The existing claim location system will continue to be available for those situations where the new position method is not practical.

We urge the SB-175 be enacted and become law at the earliest feasible date.

Sincerely,

Steven C. Borell, P.E.
Executive Director



Official Business

ALASKA STATE LEGISLATURE

SENATE RESOURCES COMMITTEE

State Capitol
Juneau, AK 99801

Chairman: Senator Rick Halford
Vice Chair: Senator Robin Taylor
Senator Lyda Green
Senator Pete Kelly
Senator Jerry Mackie
Senator Sean Farnell
Senator Georgianna Lincoln

Sponsor Statement Senate Bill 175

"Amendments to State Mining Law"

Senate Bill 175 proposes changes to the Alaska State Mining Law that reduce the mining claim processing time and cost for the State, while improving the accuracy and accessibility of the claim location data. These changes affect methods of locating mining claims, rental payments and other related items; they have no effect on the rights established by claims.

The Department of Natural Resources currently has a substantial backlog of claims that have been filed but are not yet on the land status plats. Changes proposed by SB 175 will greatly improve this situation by allowing DNR to use a format whereby mining claim corners conform to an aliquot part legal description and can then be electronically entered onto (or removed from) the State land status plats.

The changes proposed by SB 175 incorporate several years of work between the mining industry and the Alaska Department of Natural Resources. The primary concern for DNR is the amount of manpower, time and cost that are now required to process the paperwork for mining claims.

From the viewpoint of the mining industry, the changes will simplify the process of staking mining claims and reduce errors during the staking, recording and filing process. One change will make it simpler and more feasible to utilize Global Positioning Systems (GPS) to establish claim corners in the field. Another change will allow the location of a larger size of mining claim, which will decrease the number of stakes in the field and reduce the amount of paperwork by 75%. The existing claim location system will continue to be available for those situations where the new positioning method is not practical.

Other changes regard prospecting sites, including the establishment of a rental charge, repeal of the limitation of the number of sites that can be held, and clarification of the terms.

Senate Bill 175 is supported by the Alaska Miners Association and the Department of Natural Resources.