

**HB**

**99**

<TARGET><BILL>HB 99</BILL><SUBJECT>HB  
99</SUBJECT><COMM>SF IN28</COMM></TARGET>

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/6/13

FURTHER:

DATE TURNED  
IN TO OFFICE: \_\_\_\_\_

**Finance Committee** considered CS FOR HOUSE BILL NO. 99(RES)

HB 99-EXTEND ALASKA MINERALS COMMISSION

"An Act relating to the membership of the Alaska Minerals Commission; and extending the termination date of the Alaska Minerals Commission."

and recommends:

- be replaced with SCS \_\_\_\_\_ (\_\_\_\_\_)  Same Title  Technical Title Change  
 New Title/SCR No. \_\_\_\_\_
- adopt previous SCS \_\_\_\_\_ (\_\_\_\_\_)  Same Title  Technical Title Change  
 New Title/SCR No. \_\_\_\_\_
- attached amendment(s)
- adopt \_\_\_\_\_ Letter of Intent
- further referral to \_\_\_\_\_ Committee

| Dept Abbr. |     |
|------------|-----|
| ADM        | LWF |
| CED        | LAW |
| COR        | LEG |
| CRT        | MVA |
| EED        | DNR |
| DEC        | DPS |
| DFG        | REV |
| GOV        | DOT |
| DHS        | UA  |

| NEW FISCAL NOTE(S) |        |        |      |      |
|--------------------|--------|--------|------|------|
| Dept.              | Fiscal | Indet. | Zero | FN # |
|                    |        |        |      |      |
|                    |        |        |      |      |
|                    |        |        |      |      |
|                    |        |        |      |      |
|                    |        |        |      |      |
|                    |        |        |      |      |

| PREVIOUS FISCAL NOTE(S) |        |        |      |      |
|-------------------------|--------|--------|------|------|
| Dept.                   | Fiscal | Indet. | Zero | FN # |
| CED                     | ✓      |        |      | 2    |
|                         |        |        |      |      |
|                         |        |        |      |      |
|                         |        |        |      |      |
|                         |        |        |      |      |
|                         |        |        |      |      |

APPROPRIATION - no fiscal note

| SIGNATURES AND RECOMMENDATIONS: | PRINTED LAST NAME | DO PASS | DO NOT PASS | NO REC | AMEND |
|---------------------------------|-------------------|---------|-------------|--------|-------|
|                                 | Hoffman           | ✓       |             |        |       |
|                                 | Orson             | ✓       |             |        |       |
|                                 | Bishop            | ✓       |             |        |       |
|                                 | FAIRCLOUGH        | ✓       |             |        |       |
|                                 | Dunleavy          | ✓       |             |        |       |
| CO-CHAIR:                       | Kelly             |         |             |        |       |
| CO-CHAIR:                       | Meyer             | ✓       |             |        |       |

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: CSHB 99(RES)  
Fiscal Note Number: 2  
(H) Publish Date: 3/22/13

Identifier: CSHB099(RES)-DCCED-DED-02-22-13  
Title: EXTEND ALASKA MINERALS COMMISSION  
Sponsor: SADDLER  
Requester: House Finance

Department: Department of Commerce, Community and  
Economic Development  
Appropriation: Economic Development  
Allocation: Economic Development  
OMB Component Number: 2743

**Expenditures/Revenues**

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

|                               | FY2014                  | Included in               | Out-Year Cost Estimates |             |             |             |             |
|-------------------------------|-------------------------|---------------------------|-------------------------|-------------|-------------|-------------|-------------|
|                               | Appropriation Requested | Governor's FY2014 Request | FY 2015                 | FY 2016     | FY 2017     | FY 2018     | FY 2019     |
| <b>OPERATING EXPENDITURES</b> | <b>FY 2014</b>          | <b>FY 2014</b>            |                         |             |             |             |             |
| Personal Services             |                         |                           |                         |             |             |             |             |
| Travel                        |                         | 11.0                      | 11.0                    | 11.0        | 11.0        | 11.0        | 11.0        |
| Services                      |                         | 2.0                       | 2.0                     | 2.0         | 2.0         | 2.0         | 2.0         |
| Commodities                   |                         |                           |                         |             |             |             |             |
| Capital Outlay                |                         |                           |                         |             |             |             |             |
| Grants & Benefits             |                         |                           |                         |             |             |             |             |
| Miscellaneous                 |                         |                           |                         |             |             |             |             |
| <b>Total Operating</b>        | <b>0.0</b>              | <b>13.0</b>               | <b>13.0</b>             | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> |

**Fund Source (Operating Only)**

|               |            |             |             |             |             |             |             |
|---------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1004 Gen Fund |            | 13.0        | 13.0        | 13.0        | 13.0        | 13.0        | 13.0        |
| <b>Total</b>  | <b>0.0</b> | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> |

**Positions**

|           |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |

|                           |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|
| <b>Change in Revenues</b> |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|

Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No  
If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

This version updates the analysis section to reflect the changes made in House Resources that would allow for the members to be appointed to staggered terms, and addresses the election of a chair and vice-chair.

|   |                           |
|---|---------------------------|
| Prepared By: Lorene Palmer, Director    | Phone: (907)465-2625      |
| Division: Economic Development          | Date: 03/16/2013 11:30 AM |
| Approved By: JoEllen Hanrahan, Director | Date: 03/16/13            |
| Administrative Services Division        |                           |

FISCAL NOTE ANALYSIS #2

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. CSHB 99(RES)

**Analysis**

This bill extends the Alaska Minerals Commission from its current expiration date of February 2014 to February 2024 and would allow for the members to be appointed to staggered terms, and addresses the election of a chair and vice-chair.

The Commission, consisting of eleven members, holds public meetings in Fairbanks and Anchorage and travels to Juneau to meet with the Legislature during session. Travel costs vary depending on where commission members live and most seek reimbursement from the Department. Travel costs are estimated at 11.0.

Service costs are estimated at 2.0 for publication and report printing, room rentals, and meeting incidentals.

# ALASKA STATE LEGISLATURE

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## REPRESENTATIVE DAN SADDLER

### Sponsor Statement

#### **House Bill 99 – “An Act extending the termination date of the Alaska Minerals Commission”**

House Bill 99 extends the Alaska Minerals Commission until February 1, 2024 and provides for terms and term limits for those who serve on the Commission. The Commission is currently set to expire on February 1, 2014, and commissioners are not currently subject to terms or term limits.

The Commission was created in 1986 and charged with making recommendations to the Governor and the Legislature on ways to mitigate constraints on the development of minerals in Alaska.

The Commission consists of 11 members: five appointed by the Governor, three by the Speaker of the House, and three by the President of the Senate. Each member must have at least five years of experience in the minerals industry. At least one member must reside in a rural community. Current commissioners represent the placer, hard rock, and coal mining industries across the state.

The Commission annually reports its recommendations to the Governor and the Legislature during the first ten days of the legislative session.

Key recommendations made by the Commission and implemented by the Legislature since the Commission’s last reauthorization in 2003 include:

- Funding infrastructure development under the Roads to Resources program
- Reforming state permitting processes to make them timelier and more efficient
- Gathering and publishing geological and geophysical data on Alaska’s mineral potential
- Assuming state primacy of the National Pollutant Discharge Elimination System
- Accelerating state land entitlement conveyances in accordance with the Statehood Act
- Reestablishing the Citizens Advisory Commission on Federal Areas
- Asserting and defending public access to roads, trails, and navigable waterways
- Funding University of Alaska mineral engineering and geology programs

I urge you to allow the Commission to continue its important work and to help ensure the growth and sustainability of a vital sector of the Alaskan economy by supporting HB 99.

BIRCHWOOD • CHUGIAK • EAGLE RIVER • FIRE LAKE • JBER

Rep.Dan.Saddler@akleg.gov

# ALASKA STATE LEGISLATURE

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## REPRESENTATIVE DAN SADDLER

### Explanation of Changes & Sectional Analysis

#### **House Bill 99 – “An Act extending the termination date of the Alaska Minerals Commission”**

##### **CS (RES) Explanation of Changes**

The CS(RES) for HB 99 makes three changes:

1. Adds 3-year staggered terms;
2. Adds term limits for commissioners; and
3. Provides for the election of a commission chair and vice-chair.

##### **CS (RES) Sectional Analysis**

###### Section 1

(e) Imposes staggered terms of three years and institutes a two-term limit.

(f) Requires the Commission to elect a chair and vice-chair and sets a two-term limit to those offices.

###### Section 2

Extends the sunset date of the Commission from 2014 to 2024.

###### Section 3

Under uncodified law, provides a means to transition from a termless Commission to a Commission with terms:

- all current commissioner seats expire on February 1, 2014
- appointing bodies have the discretion to fill those seats with either reappointments or new appointments
- appointing bodies decide whether appointees are named to one-, two-, or three-year seats (the one- and two-year transitional terms being necessary to get the commission to the point where all seats are on three-year staggered terms)

# Report of the 2013 Alaska Minerals Commission



Drill rig on Millrock's Estelle Project  
Millrock Resources

The Alaska Minerals Commission (Commission) serves in an advisory capacity to the Governor and the Alaska State Legislature (Legislature). Its role is to recommend ways to mitigate constraints on mineral development in Alaska. This annual report fulfills that mandate.

Commission members are appointed by the Governor, the President of the Senate, and the Speaker of the House. Current members represent the placer, hard rock, and coal mining industries across the state. Created by the Legislature in 1986, the Commission's authorization continues through 2014.

## Appointed by the Governor

Chairman  
William (Bill) Jeffress  
bjeffress@srk.com

Bartly Kleven  
bartlykleven@lincenergy.com

Karl Hanneman  
khanneman@ithmines.com

Charlotte MacCay  
cmaccay@aol.com

Larry Westlake, Sr.  
westlakel@inutek.net

## Appointed by the House

Vice-Chairman, Mark Robinson  
mark.robinson1950@gmail.com

Leo Mark Anthony

Gregory Beischer  
gbeischer@millrockresources.com

## Appointed by the Senate

Dr. Lance D. Miller  
lance.miller@nana.com

Robert Retherford  
rretherford@alaskaearthsciences.com

Stephen T. Trimble  
stephen.trimble@urs.com

## Introduction

The State of Alaska continues to take positive steps to attract mining industry investment. It aggressively defends the state's right to develop its resources, reforms and streamlines regulation, and works with industry to develop transportation and energy infrastructure. Overall, the actions by the state this past year continue

to send the message that Alaska is open for business investment. These actions signal that responsible mineral resource developers are welcome and will be treated fairly. The state is on the right course and the Commission encourages the administration and Legislature to continue these initiatives.

The Commission specifically recommends the following actions on five major issues:

| ISSUE:   | ACTION ITEM:  |
|--|---|
| 1. Tax Climate / Resource Revenue Sharing                      | Reform tax policy for revenue sharing   |
| 2. Transportation Infrastructure                               | Support administration's initiative   |
| 3. Education   | Support K-12 and college level resource education   |
| 4. Federal Intervention  | Encourage legislative funding to continue legal relief  |
| 5. Division of Geological & Geophysical Surveys Funding (DGGS) | Encourage administrative and legislative funding of DGGS and the Alaska Geologic Materials Center |



Developed wetlands at Fort Knox.  
Bill Jeffress, SRK

## Improve Tax Climate for Mineral Investment and Resource Revenue Sharing

Local communities should benefit when a resource-based investment is made in rural Alaska. Whether related to long-term large-scale mining or short-term seasonal prospecting, the economic boost to local economies from mining development is sometimes accompanied by increasing challenges for communities to provide local government services.

Affected communities should be assisted by a reallocation of the State of Alaska Mining License Tax (AS 43.65). The State of Alaska Mining License Tax applies to all mining operations, regardless of land status, size, or location. Presently there is no uniform mechanism to allocate a portion of the tax revenues back to communities associated with mineral resource development. Such a revenue sharing model is effective in the Alaska fishing industry and the Gulf of Mexico oil and gas industry.

Sharing portions of state revenues from mineral resource development with local communities in a predictable fashion reduces the need for local governments to impose

their own industry targeted taxes, such as severance taxes. With uncertainty of the timing and size of a local tax, the threat alone can discourage the very investment needed to advance projects. Moreover, allowing local governments to impose potentially onerous severance taxes inappropriately shifts control of development decisions away from the state. This precludes the state from fulfilling its mandate to manage state-owned resources in a way that maximizes benefits to all Alaskans.

### Recommendation:

- Portions of the existing statewide mining license tax collected from mining operations, regardless of land ownership, should be allocated to communities near mining developments. Simultaneously, the municipal tax code should be revised to preclude local municipal severance taxes on mineral resources.



NANA Upper Kobuk Mineral Project  
NANA/Chris Arend Photography



Pogo mine pours two-millionth ounce of gold  
Judy Patrick Photography

## Transportation Infrastructure

The Commission thanks the Governor and the Legislature for supporting the Roads to Resources program, and encourages ongoing support for infrastructure in rural Alaska.

Alaska can leverage private development with statewide transportation plans through partnerships. Transportation investment that supports mineral development expands rural infrastructure, reduces the cost of living, and plays a critical role in lowering energy costs. State participation in the Alaska Industrial Development and Export Authority's (AIDEA) Delong Mountain Transportation System was a key factor in developing the Red Dog Mine. This multi-user haul road and port remains available for other mineral development in the region. Further use of this type of partnership can help advance mine projects and provide benefits to the rural regions hard hit by the high cost of energy.

The increase in activity in the Arctic for shipping, energy, and mineral development necessitates additional supporting infrastructure and an increased presence by the U.S. Coast Guard. The need for deep water ports in the Arctic associated with this increased activity provides an opportunity to coordinate roads to potential ports with mineral development projects.

Critical and strategic minerals, including those bearing rare earth elements, are essential to future Alaska resource development. These elements are crucial to the production of advanced weaponry and a wide array of electronic, automotive, and alternative energy products. China

produces most of the world's rare earth elements, controls the market, and retains the bulk of these elements for its own needs. This poses an unacceptable risk to the national and economic security of the United States. Infrastructure planning in Alaska should take into account access to these critical and strategic minerals.

Transportation plans must stem from regional and project specific needs in concert with statewide planning. Local support is critical for projects to advance. A good example is the growing interest from local levels for roads in Northwest Alaska and the coordination between the Alaska Department of Transportation and Public Facilities, AIDEA, industry, and communities on viable projects.

### Recommendations:

- Continue public outreach, environmental studies, and engineering studies for roads in Northwest Alaska (i.e., the Ambler Mining District Access) through the Roads to Resources Initiative.
- Support financing options, including public-private partnerships that lead to restricted use roads that facilitate industrial use while recognizing local residents' concern for limited access to traditional subsistence areas.
- Investigate transportation corridors throughout prospective areas of Alaska that facilitate mineral development and access to critical and strategic metals, thereby lowering the cost of living including more affordable energy.



Red Dog Mine  
NANA/Chris Arend Photography

## Education

Science and engineering education within grades K-12 and at the university level is vitally important to prepare students for careers in the mining industry. The Commission recommends support for two important initiatives in 2013: The University of Alaska (UA) Consolidated Alaska Minerals Initiative (CAMI); and, the Alaska Resource Education (ARE) Google Earth minerals curriculum.

### *The University of Alaska*

UA is uniquely positioned to support the education, training, and research needs of the mining industry. In 2012, the Commission recommended UA further analyze ways to respond to industry needs. UA responded by establishing the University-wide CAMI. The CAMI is an internal committee formed to develop guiding recommendations that shape the University's response to the mining industry. The Commission recommends regular dialogue between the University and industry during this process.

The Commission applauds the effort by UA to create CAMI, but stresses the need for a unified approach that utilizes the strengths and regional connections of each campus to achieve meaningful and lasting results. A single site, center, or campus does not have breadth or reach to address all of the needs of the mining industry, but through cooperation the individual campuses can achieve this goal. The Commission hopes UA also comes to this conclusion and establishes a state-wide Mineral Resource Network with centers of mining excellence at each campus to promote collaboration, resource sharing, and cooperation within the mining, geology, and mine training programs. The Commission recommends support from the state for UA to bring together the mining-related components of its campuses through the CAMI.



### *Alaska Resource Education*

ARE provides an invaluable resource to help teachers and parents educate K-12 students in the state about Alaska's natural resources. In 2012, ARE put 66 teachers through its 500 level graduate "Rock & Roll Around Alaska" course. Individually, these teachers educated an average of 60 students on the importance of resources in Alaska.

A new and exciting development is a Google Earth minerals curriculum where teachers and students will be provided an unbiased, scientific, and career centered experience presenting the minerals industry in a cutting edge geospatial format. This curriculum, when developed, will provide virtual quests for students (grades 7-12) to explore the history, economics, environment, safety, property, infrastructure, site life, regional culture and traditions, and possible careers from eight mineral resource locations throughout Alaska.

Directly aligned with the national and state focus on science, technology, engineering, and mathematics (STEM) education, this project launches Alaskan classrooms into applied and relevant academic experiences. Specific STEM centered skills enhanced through this curriculum include 21st century research skills, technologic proficiency, and scientific literacy rooted in real-world contexts. The Commission recommends appropriating an additional \$100,000 towards developing a pilot location for ARE's new Google Earth high school curriculum in addition to maintaining its current annual funding of \$100,000.

### **Recommendations:**

- Support the University's effort to address the needs of the mining industry through the CAMI.
  - Encourage collaboration and regular dialogue between the mining industry and University through the CAMI and its development of recommendations to the University.
  - Establish a state-wide Mineral Resource Network with centers of mining excellence at each of the UA campuses.
- Preserve ARE's current funding level of \$100,000 and appropriate an additional \$100,000 to the Google Earth minerals curriculum.

## Legislative Funding to Oppose Federal Intervention on Mining Projects

Complex environmental issues require regulations that are broad, all-encompassing, and adjustable as new information is made available. Regional or national environmental issues are often reflected in regulation. Certain issues are regulated at the federal level, others at the state level, and others still at both the state and federal levels. Federal regulations are generally developed around issues and criteria relevant to the lower 48 states. These same criteria and concerns are often not directly applicable to Alaska.

Alaskan resource development projects face increasing federal intervention that prevents the State of Alaska from developing its natural resources. Alaska is facing federal intervention from legally unprecedented regional assessments targeted at stopping development of large world-class deposits. The most current example of this type of federal intervention concerns the Pebble Deposit, where an entire watershed, larger than some states, is under evaluation by the U.S. Environmental Protection Agency for potential closure to natural resource development. This action, which could significantly impede economic development and stability in an economically

depressed area, hinges on a report based on outdated mining methods without consideration for current technology, regulations, and/or mitigation practices. Federal intervention is also occurring to small mine operations through federal takings that prevent small mine owners and operators from accessing or developing their claims.

Federal intervention also extends to the recent regulatory act to implement Emission Control Areas (ECA), which imposes the use of more expensive fuel for all shipping activity within all U.S. coastal waters. These control areas are not supported by scientific research and do not consider the economic impact on our state where the shoreline is so extensive and shipping is a crucial form of transporting goods.

### Recommendation:

- To maintain Alaska's right to develop its resources (large and small) and to fend off precedent-setting court cases, the State of Alaska must have funding available for expert witnesses, attorney fees, court costs, and staff resources.



Linc Energy's core operations on the West Side of Cook Inlet  
Mike Hagen, Linc Energy

## Division of Geological & Geophysical Surveys Funding

### *Impacts of Retention and Recruitment Difficulties in State Government*

Heightened activity in natural resource exploration and development is welcome news for the state and nation. A healthy economy, creation of high-paying jobs, and maintaining state revenues are the clear results of an active and healthy resource industry.

There are challenges created by an active industry, including much greater demand for baseline scientific information, increased need for timely permitting, and access to the resource base. These critical links of the development chain can only be maintained by experienced, dedicated staff within state government. Large vacancy rates and inexperienced or inadequately trained state personnel can significantly dampen economic activity when it is needed the most.

Jobs within the resource industry historically pay more than government. Until recently, somewhat less cyclical job security, greater benefits packages, and more stable work environment within state service leveled the competitive playing field for employees. However, recent increases in industry salary scales, combined with the reduction in benefits within the state, significantly impact this balance. An example of this is observed in recent staff changes at the Alaska Department of Natural Resources (ADNR) Division of Geological & Geophysical Surveys (DGGS), which provides scientific data for resource exploration and management.

During January 2012, seven DGGS employees resigned from its geologic research staff. That accounted for 35 percent of the research staff leaving the division in one month. Six of those employees left for much higher paying jobs in industry, including two who more than doubled their salaries. Current salaries for minerals geologists in the private sector average 35 percent more than similar jobs at DGGS.

The most concerning shift in vacancies are three positions within the DGGS Mineral Resources section, which is the source of geologic data critical to facilitating industry exploration activity.

The importance of maintaining experienced qualified staff within state government cannot be overstated. The data that is generated from the work links directly to attracting industry investment and ensuring economic success. The state needs to actively address this retention issue through improving salary competitiveness for state geologists within the DGGS. A number of actions can be taken to actively address this issue.

#### **Recommendations:**

- Explore means to increase salaries within DGGS to improve competitiveness with industry.
- Implement a more flexible pay system by providing exempt status for minerals section geologists similar to the state's oil and gas geologists.

### *Alaska Geologic Materials Center*

The Alaska Geologic Materials Center (GMC) is the state's archive of geologic samples collected by mineral and oil and gas exploration companies and state and federal agencies since the early 1900s. The facility is used heavily (400-500 visits per year) by industry, government, and academia to support resource exploration, land-use management, and research. The archive contains core samples and cuttings of 12 million feet of oil and gas exploration and production drilling. The collection also includes a quarter million feet of diamond-drill mineral exploration core samples, as well as collections from U.S. Geological Survey, Bureau of Land Management, Minerals Management Service, and the former U.S. Bureau of Mines. New collections are added every year.

For years these materials, occupying roughly 30,000 square feet of storage area, exceeded the capacity of an aging former state fish hatchery in Eagle River. Due to a lack of heated space, approximately half the collection is currently stored outdoors in 60 unheated, unlit portable shipping containers. The facility lacks sufficient space and equipment for proper sample processing, layout, and viewing. Quoting the 2006 GMC Concept Study, "The lack of additional storage capacity coupled with inadequate processing and scientific examination space has resulted in a crisis situation – if a new repository is not developed soon, the State of Alaska, federal agencies, private industry, and the public will be at risk of losing irreplaceable scientific resources."

The sample collection stored at the GMC is an invaluable geologic library – a first stop for nearly all geologic resource exploration projects in Alaska. Replacing the collection, if even feasible, would likely cost hundreds of millions of dollars. A modern facility with proper environmental controls, examination space, and equipment is critical to the state's resource development and will pay for itself many times over in future revenues. The ADNR completed initial scoping and feasibility analysis for facility upgrades and replacement. ADNR also secured partial funding for architectural and engineering design. ADNR must stay diligent in pursuit of the remaining funding in order to mitigate this critical situation as soon as possible.

#### **Recommendation:**

- Continue to support and upgrade the Alaska Geologic Materials Center.



The Alaska Department of Commerce, Community, and Economic Development (DCCED) is tasked with facilitating the Commission's work. This publication was released by DCCED as required by AS 44.33.431 (d). This report does not constitute an official position or opinion by DCCED.

The purpose of this publication is to report the findings and recommendations of the Alaska Minerals Commission to the Governor and to the Legislature of Alaska. It was produced at a cost of \$2.75 per copy and printed in Fairbanks, Alaska. This publication is required by Chapter 98, Session Laws of Alaska, as amended by Chapter 4, Session Laws of Alaska, 1993.

# The Economic Benefits of Alaska's Mining Industry

January 2012



*Mining is a growing force in Alaska's economy providing jobs for thousands of Alaskans and millions of dollars of personal income throughout Alaska. Alaska's mining industry includes exploration, mine development, and mineral production. Alaska's mines produce zinc, lead, gold, silver, coal, as well as construction materials, such as sand, gravel, and rock.*

## In 2011, Alaska's mining industry provided:

- ▶ **4,500 direct mining jobs** in Alaska.
- ▶ **9,000 total direct and indirect jobs** attributed to Alaska mining industry.
- ▶ **\$620 million** in total direct and indirect **payroll**.
- ▶ Some of Alaska's highest paying jobs with an estimated **average annual wage of \$100,000**, over twice the state average for all sectors of the economy.
- ▶ **\$17 million in local government revenue** through property taxes and payments in lieu of taxes.
- ▶ **\$148 million in state government revenue** through rents, royalties, fees, and taxes, up 170% from 2010.
- ▶ **\$172 million** in payments to **Alaska Native corporations**.
- ▶ **Mostly year-round jobs for residents** of more than **120 communities** throughout Alaska, half of which are found in rural Alaska where few other jobs are available.

## Largest Producing Mines and Selected Advanced Exploration Projects State and Local Government Tax Obligations

|  | Land Status                                   | Mining License Tax | State Royalty Payments | Local Govt. Tax Payments |
|--|---|--------------------|------------------------|--------------------------|
| <b>Producing Mines</b>                                       |   |                    |                        |                          |
| Usibelli Coal  | State   | X                  | X                      | X                        |
| Greens Creek   | Private                                       | X                  |                        | X                        |
| Red Dog  | Private                                       | X                  |                        | X                        |
| Fort Knox  | State/Mental Health Trust                     | X                  | X                      | X                        |
| Nixon Fork   | Federal                                       | X                  |                        |                          |
| Pogo   | State   | X                  | X                      |                          |
| Kensington   | Private/Federal                               | X                  | X                      | X                        |
| <b>Advanced Exploration Projects</b><br>(Projected Payments) |   |                    |                        |                          |
| Chuitna Coal Project   | State/Mental Health Trust/<br>Private/Borough | X                  | X                      | X                        |
| Wishbone Hill  | State/Mental Health Trust/<br>Private         | X                  | X                      | X                        |
| Donlin Gold  | Private                                       | X                  |                        |                          |
| Livengood  | State/Mental Health Trust                     | X                  | X                      |                          |
| Niblack  | State/Federal                                 | X                  | X                      |                          |
| Pebble Project   | State   | X                  | X                      | X                        |

## 2011 Economic Benefits *estimated*

### Exploration

- ▶ **\$300 million** spent on exploration, up 13% from 2010.
- ▶ **60 exploration projects** spending more than \$100,000, of which **30 projects spent more than \$1 million**.
- ▶ **\$2.8 billion** spent on exploration since 1981.

### Development

- ▶ **\$175 million** spent on **mine construction**, down 40% from 2010.

### Production

- ▶ **\$3.8 billion in gross mineral production value** from Red Dog, Greens Creek, Fort Knox, Pogo, Kensington, and Usibelli Coal mines, placer mines, and rock, sand, and gravel operations, up 16% from 2010.
- ▶ More than **200 placer mines** produced **70,000 ounces** of gold, as well as platinum.
- ▶ **\$80 million in production value** from more than 120 active rock quarries, and sand and gravel operations.
- ▶ Export value of **\$1.3 billion**, or **31%** of Alaska's **total exports** (2010).



## Usibelli Coal Mine

### Coal

- Alaska's only operating coal mine, exporting half of its production in 2011
- Fuels 40% of Interior Alaska's electricity
- Founded in 1943
- 138 employees in 2011

## Greens Creek Mine

### Silver, zinc, gold, and lead

- Among the world's top 10 silver producers
- Largest Southeast Alaska for-profit employer, in terms of payroll
- Largest payer of property tax in the City & Borough of Juneau
- Discovered in 1975, producing from 1989 to 1993, and continuously since 1996
- 355 employees in 2011

## Red Dog Operations

### Zinc, lead, and silver

- One of the world's largest zinc concentrate producers
- Only taxpayer in the Northwest Arctic Borough
- Discovered in 1968, producing since 1989
- 620 employees (including 130 contractors) in 2011

## Fort Knox Mine

### Gold

- Alaska's largest surface gold mine
- Largest single property taxpayer in the Fairbanks North Star Borough
- Discovered in 1984, producing since 1996
- 500 employees in 2011

## Pogo Mine

### Gold

- Discovered in 1994, producing since 2006
- 312 full-time employees and 150 full-time contractors in 2011
- Paid more than \$51 million in wages in 2011
- Capital spending exceeded \$11 million in 2011

## Kensington

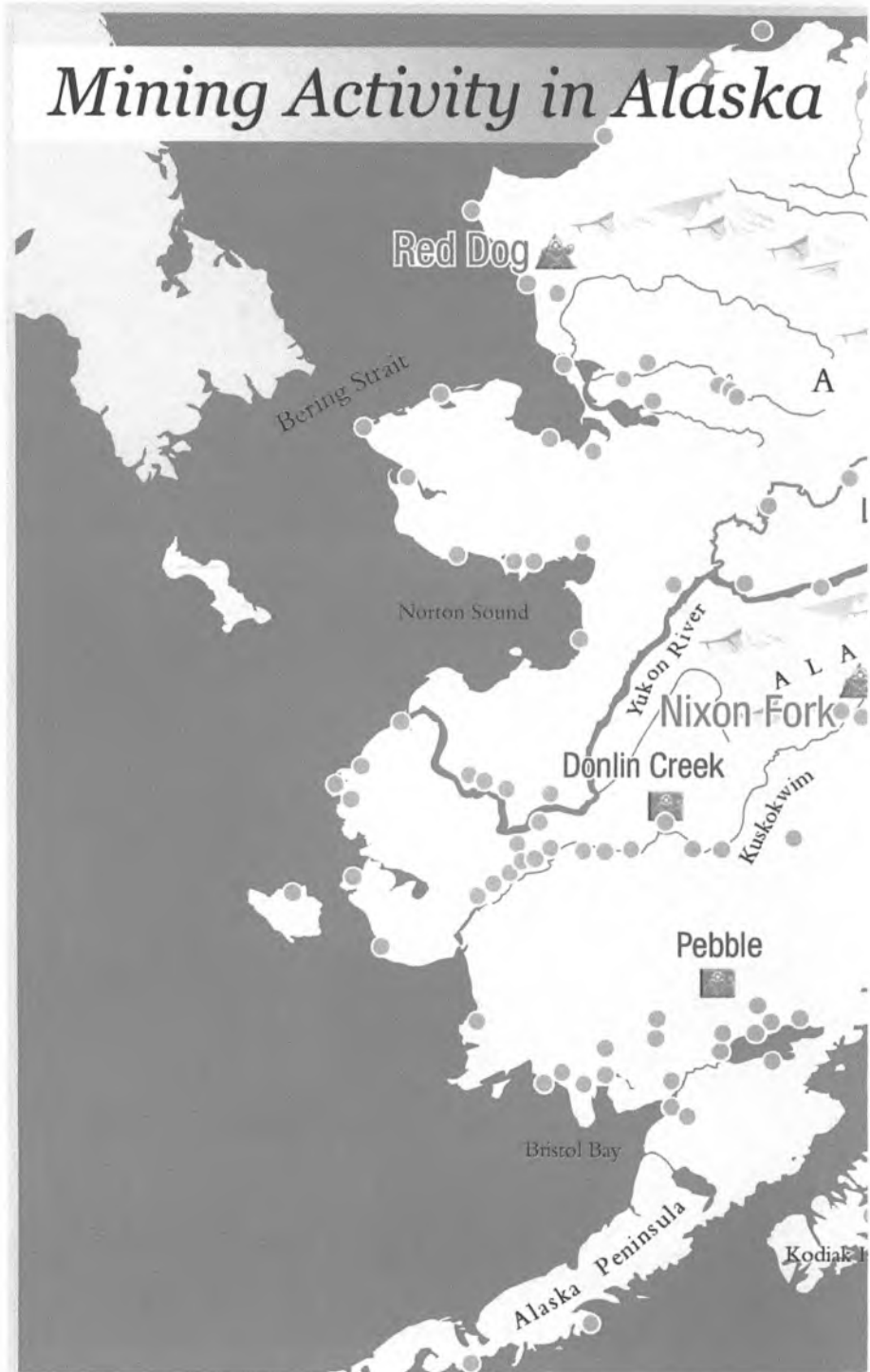
### Gold

- 2011 marked the first full year of production
- Expect nearly 90,000 ounces of gold in 2011
- Adding infrastructure to provide long-term, sustainable production
- 230 employees in 2011

## Nixon Fork

### Gold and copper

- Discovered in 1917, intermittent production since 1920s
- Production suspended in 2007, re-opened in 2011
- 100 jobs in 2011





### Chuitna

#### Coal

- Currently in the permitting process
- 300-350 expected production jobs

### Wishbone Hill

#### Coal

- First mined in 1916
- Project feasibility study completed in November 2011
- 75-125 potential production jobs

### Donlin Gold

#### Gold

- Discovered in 1988, continued exploration since 1995
- Permitting process expected to start in 2012
- 87% Calista shareholder hire at its camp operation
- Up to 1,400 potential production jobs, depending on the production timeline

### Livengood

#### Gold

- Placer mining began in 1914, lode deposit discovered in 2007
- Pre-feasibility Study expected by June 2012
- Approximately 500 potential production jobs

### Niblack

#### Gold, silver, copper, and zinc

- Ongoing exploration for more than 10 years
- \$26 million invested since 2009
- 200-300 potential production jobs

### Pebble Project

#### Copper, gold, and molybdenum

- Discovered in 1987, ongoing exploration and environmental studies since 2002
- Over \$400 million invested through 2010
- 800-1,000 potential production jobs



## ▶ Strengthening Local Economies and Communities

Mining companies strengthen Alaska's local economies by employing Alaska residents from more than 120 Alaska communities located in 26 out of 29 Alaska boroughs or census areas. The industry also purchases supplies and services from hundreds of Alaska businesses.

These mining companies are also a significant source of stable revenue for local governments, as well as significant state government revenue. In 2011, Alaska's mining industry paid:

An estimated total of **\$17.2 million to local governments**, including:

- ▶ \$8.9 million in payment in lieu of taxes (PILT) by Red Dog to the Northwest Arctic Borough.
- ▶ \$5.6 million in property taxes paid by Fort Knox to the Fairbanks North Star Borough.
- ▶ \$1.4 million in property taxes paid by Greens Creek to the City and Borough of Juneau.
- ▶ \$1.2 million in property taxes paid by Kensington to the City and Borough of Juneau.
- ▶ Tax payments to other local governments, including Denali Borough, City of Nome and others.
- ▶ Mining industry employees also pay local property and sales taxes.

Mining companies paid an estimated **\$148 million to state government** in royalties, rents, fees, and taxes, up 170% from 2010.

The mining industry also paid **\$70.1 million in other state government-related revenues**, including:

- ▶ \$28 million to the Alaska Railroad Corporation – \$21 million for moving coal and \$7 million for moving sand and gravel.
- ▶ \$41.1 million to Alaska Industrial Development & Export Authority for the use of state-owned facilities (DeLong Mountain Regional Transportation System and Skagway Ore Terminal).



- ▶ \$1.0 million to the Alaska Mental Health Trust for rents and royalty payments, and construction material sales.

## ▶ Partnering with Alaska Native Corporations

**All Alaska Native corporations benefited from mining industry activity – in 7(i) and (j) royalty sharing payments, in jobs for shareholders, or through business partnerships.**

- ▶ \$169.9 million in net proceeds from Red Dog Operations to NANA and distributed \$82.0 million to other Alaska Native regional and village corporations.
- ▶ 56% of the 550 year-round jobs at Red Dog are filled by NANA shareholders, including Teck Cominco, NANA Lynden and NANA Management Services jobs.
- ▶ Calista Corporation anticipates \$2 million in royalties and other revenue for mineral agreements, including lode exploration, placer gold production, and construction material sales.
- ▶ Calista shareholders, descendants and spouses predominantly fill the exploration camp jobs at Donlin Gold.

**Many Alaska Native corporations have taken the opportunity to develop businesses that serve the mining sector**, including: NANA Regional Corporation, Calista Corporation, The Kuskokwim Corporation, Central Council Tlingit & Haida Indian Tribes of Alaska, Goldbelt, Inc., Kake Tribal Corporation, Klukwan, Inc., Prince of Wales Tribal Enterprise Consortium, Iliamna Development Corporation, Pedro Bay Corporation, Alaska Peninsula Corporation, Kijik Corporation, Igiugig Native Corporation, Tenalian Incorporated, and Tyonek Native Corporation.

**Every Alaska Native region has some form of mining potential**, ranging from gravel operations to gold, silver, copper, nickel, lead, zinc, platinum, tungsten, manganese, rare earth minerals, jade, limestone, and coal deposits. Several Alaska Native corporations, such as NANA Regional Corporation, Calista Corporation, The Aleut Corporation, Sealaska Corporation, CIRI, Doyon Ltd., Ahtna Inc. and Arctic Slope Regional Corporation, are actively evaluating the mining potential in their regions.



THE STATE  
of **ALASKA**

GOVERNOR SEAN PARNELL

**Department of Commerce, Community,  
and Economic Development**

OFFICE OF THE COMMISSIONER

P.O. Box 110800  
Juneau, Alaska 99811-0800  
Main: 907.465.2500  
Programs fax: 907.465.5442

February 11, 2013

Representative Dan Saddler  
State Capitol Room 104  
Juneau, AK 99801-1182

Representative Saddler,

Thank you for sponsoring House Bill 99 to reauthorize the Alaska Minerals Commission until 2024. The Legislature established the Alaska Minerals Commission (Commission) in 1986. The Commission recommends to the Governor and the Legislature ways to mitigate constraints, including governmental constraints, on the development of minerals.

The Governor, President of the Senate, and Speaker of the House appoint Commission members. Current membership is representative of placer, hard rock, and coal mining industries from diverse areas of the state. In addition, at least one member appointed by the Governor must reside in a rural community. The Commission holds public meetings in Fairbanks and Anchorage to develop recommendations for their annual report.

Recommendations have ranged from those that come from family-owned placer mines to recommendations impacting international mining operations. A sampling of successful Commission recommendations includes:

- Infrastructure development under the Roads to Resources program
- Streamlining the state permitting process
- Intervention in the Kensington wetlands lawsuit
- Transfer of the federal National Pollutant Discharge Elimination System (NPDES) authority from Environmental Protection Agency to the Alaska Department of Environmental Conservation
- Accelerated conveyance of state land entitlement in accordance with the Statehood Act
- Re-establishment and staffing of the Citizens Advisory Commission on federal areas
- Evaluation of state anti-degradation implementation guidance
- Funding for UA Mineral Resource Engineering and Geology Programs
- Funding for Division of Geological & Geophysical Surveys staff, Geologic Materials Center, and airborne geophysical surveys

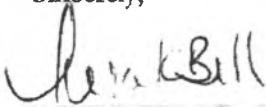
Significant constraints remain to be addressed in order for Alaska's mining industry to reach its growth potential. The Commission has demonstrated itself to be an effective body in making

Representative Saddler  
February 11, 2013  
Page 2

positive changes to support on-going mineral development in Alaska. Commission recommendations have helped to increase access, reduce permitting time, lower development costs, and encourage value-added processing.

We look forward to continuing our partnership with the Alaska Minerals Commission.

Sincerely,

A handwritten signature in cursive script that reads "Susan K. Bell". The signature is written in dark ink and is positioned above the typed name.

Susan K. Bell  
Commissioner



# RESOURCE DEVELOPMENT COUNCIL

Growing Alaska Through Responsible Resource Development

Founded 1975  
Executive Director  
Rick Rogers  
2012-2013 Executive Committee  
Phil Cochrane, President  
L.F. "Len" Horst, Sr. Vice President  
Ralph Samuels, Vice President  
Eric Fjelstad, Treasurer  
Lorna Shaw, Secretary  
Tom Maloney, Past President  
Bob Berto  
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Pat Carter  
Steve Denton  
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Bill Jeffress  
Scott Jepsen  
Wendy Lindskoog  
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Denise Michels  
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Judy Patrick  
Charlie Powers  
Glenn Reed  
Mike Satre  
Keith Silver  
Loralie Simon  
John Sturgeon  
Jan Trigg  
Ex-Officio Members  
Senator Mark Begich  
Senator Lisa Murkowski  
Congressman Don Young  
Governor Sean Parnell

February 7, 2013

The Honorable Eric Feige, Co-Chair  
The Honorable Dan Saddler, Co-Chair  
House Resources Committee  
State Capitol Room 124  
Juneau, AK 99801

Re: Support of HB 99, an act extending the termination date of the Alaska Minerals Commission

Dear Representative Feige and Representative Saddler:

The Resource Development Council for Alaska (RDC) is writing to support HB 99, an act extending the termination date of the Alaska Minerals Commission (Commission) to 2024.

RDC is a statewide, non-profit, membership-funded organization founded in 1975. The RDC membership is comprised of individuals and companies from Alaska's oil and gas, mining, timber, tourism, and fisheries industries, as well as Alaska Native corporations, local communities, organized labor, and industry support firms. RDC's purpose is to link these diverse interests together to encourage a strong, diversified private sector in Alaska and expand the state's economic base through the responsible development of our natural resources.

Historically, the mining industry has been a cornerstone of Alaska's economy. Many roads, docks and other infrastructure throughout Alaska were originally constructed to serve the mining industry. RDC believes the Commission provides a necessary voice on issues, as well as providing recommendations for the betterment of the State of Alaska's mineral industry.

This appointed group makes recommendations to the legislature and the governor in an effort to promote Alaska's minerals and mineral exploration and development industry. The Commission continues to be an effective means of ensuring policy makers have the benefit of the collective input of lead practitioners in the industry.

This mining industry, consisting of exploration, development, and production, in Alaska provides for 9,000 direct and indirect jobs with a payroll of \$620 million.

Representatives Eric Feige and Dan Saddler

February 7, 2013

These are some of Alaska's highest paying jobs with an average annual wage of \$100,000, significantly higher than the state average for all sectors of the economy. As the commission continues to effectively make recommendations in support of this important industry, it should be allowed to continue to do this work for the benefit of Alaskans.

RDC urges you to move HB 99 out of House Resources in a timely manner. Thank you for your consideration of these comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Rogers", with a long horizontal flourish extending to the right.

Rick Rogers  
Executive Director



# ALASKA MINERS ASSOCIATION, INC.

3305 Arctic Blvd., Ste. 105, Anchorage, Alaska 99503 (907) 563-9229 [www.alaskaminers.org](http://www.alaskaminers.org)

February 26, 2013

Representative Eric Feige, Co-Chair  
Representative Dan Saddler, Co-Chair  
House Resources Committee  
State Capitol Room 124  
Juneau, AK 99801

Dear Representative Feige and Representative Saddler:

The Alaska Miners Association (AMA) writes to express its support for HB99, an Act to extend the Alaska Minerals Commission by ten years, until 2024.

AMA is a non-profit membership organization established in 1939 to represent the mining industry in Alaska. We are composed of more than 1,500 individual prospectors, geologists, engineers, vendors, suction dredge miners, small family mines, junior mining companies, and major mining companies. Our members look for and produce gold, silver, platinum, molybdenum, lead, zinc, copper, coal, limestone, sand and gravel, crushed stone, armor rock, and other materials.

AMA strongly supports HB99 and believes the Alaska Minerals Commission, comprised of leaders in the mining industry, fills a valuable role in educating lawmakers on how to responsibly develop the vast mineral deposits in our state. This group is diverse in geographic location as well as area of expertise, and is able to independently advise the Legislature and Governor on ways to eliminate barriers on mineral development in Alaska. We encourage you to review the list of the Commission's accomplishments reflected in the letter submitted by the Department of Commerce, Community, and Economic Development.

Mining is Alaska's second largest industry, with seven large-scale producing mines, hundreds of placer mines, and numerous exploration projects around the state. Our mines provide approximately 5,000 direct jobs, the average wage of which is \$100,000, with a total payroll of \$650 million each year. Mining pays millions in revenues to local governments, the state government through rents, royalties, and taxes, and Alaska Native Corporations. It is important to realize the contributions of the mining industry in Alaska as well as enact laws that promote its growth. AMA believes HB99 does just that.

AMA thanks this committee for its support of the mining industry in Alaska and encourages you to pass this bill in a timely manner.

Thank you for your consideration,

Deantha Crockett  
Executive Director



**Comments on HB99: Extend Alaska Minerals  
Commission**

Council of  
**Alaska Producers**

February 18, 2013

The Honorable Representative Dan Saddler  
House of Representatives  
Alaska State Capitol  
Juneau, AK 99801-1182

Dear Representative Saddler

The Council of Alaska Producers (CAP) would like to thank you for introducing HB99, the act that would extend the termination date of the Alaska Minerals Commission.

CAP is a non-profit trade association formed in 1992 and serves as a spokesperson for the large metal mines and major metal developmental projects in the state. The Council brings together mining companies with interest in Alaska to represent and inform members on legislative and regulatory issues, to support and advance the mining industry, to provide education to members, the media, and the general public on mining related issues, and to promote economic opportunity and environmentally sound mining practices.

The Council fully supports HB99 as we believe the Alaska Mineral Commission fulfills a valuable role in advising the Governor and the Alaska State Legislature on ways to mitigate constraints on mineral development in the state.

The members of the Commission are appointed from across the state and reflect the diversity of the modern mining industry in that they have experience in the exploration, permitting, placer, hard rock, and coal mining sectors. This diversity allows them to independently evaluate what is needed to allow the industry to flourish in Alaska and extension of the Commission for another ten years will ensure their important recommendations continue to be heard.

We thank you for longstanding support of the Alaska mining industry and we look forward to providing additional support to this bill as it moves through the legislative process.

Sincerely,

Michael Satre, Executive Director  
PO Box 33499  
Juneau, Alaska 99803  
907-957-2149

# ALASKA STATE LEGISLATURE

*Session:*  
State Capitol  
Juneau, AK 99801-1182  
Phone: (907) 465-3783  
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*Interim:*  
12641 Old Glenn Hwy., Ste. 201  
Eagle River, AK 99577  
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Fax: (907) 694-1015  
Toll Free: (877) 460-3783

## REPRESENTATIVE DAN SADDLER

**To:** Sen. Kevin Meyer, Co-Chair, Senate Finance Committee  
**From:** Rep. Dan Saddler, Co-Chair, House Resources Committee *DRS*  
**Date:** 4/5/2013  
**Re:** Bill Hearing Request: HB 99: Extend Alaska Minerals Commission

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Please consider scheduling HB 99: Extend Alaska Minerals Commission for a hearing in the Senate Finance Committee at your earliest possible convenience.

HB 99 as introduced extends the Alaska Minerals Commission an additional ten years. The House Resources CS adds, at the request of the Commission itself, 3-year staggered terms to the previously termless Commission, imposes term limits on commissioners, and allows for the election of a Commission chair and vice-chair.

The Commission was created in 1986 and charged with making recommendations to the Governor and the Legislature on ways to mitigate constraints on the development of minerals in Alaska.

The Commission is a proven, effective, and affordable voice for an important sector of the state's economy. I appreciate your consideration of HB 99, which would allow the Commission to continue its good work for another ten years.

If you have any questions, please feel free to contact me or my staff assigned to HB 99, Trevor Fulton, at (907) 465-3768.

# Fiscal Note

State of Alaska  
2013 Legislative Session

Bill Version: CSHB 99(RES)  
Fiscal Note Number: 2  
(H) Publish Date: 3/22/13

Identifier: CSHB099(RES)-DCCED-DED-02-22-13  
Title: EXTEND ALASKA MINERALS COMMISSION  
Sponsor: SADDLER  
Requester: House Finance

Department: Department of Commerce, Community and  
Economic Development  
Appropriation: Economic Development  
Allocation: Economic Development  
OMB Component Number: 2743

**Expenditures/Revenues**

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

(Thousands of Dollars)

|                               | FY2014<br>Appropriation<br>Requested | Included in<br>Governor's<br>FY2014<br>Request | Out-Year Cost Estimates |             |             |             |             |             |
|-------------------------------|--------------------------------------|--|-------------------------|-------------|-------------|-------------|-------------|-------------|
|                               |                                      |  | FY 2014                 | FY 2015     | FY 2016     | FY 2017     | FY 2018     | FY 2019     |
| <b>OPERATING EXPENDITURES</b> |                                      |  |                         |             |             |             |             |             |
| Personal Services             |                                      |  |                         |             |             |             |             |             |
| Travel                        |                                      | 11.0   | 11.0                    | 11.0        | 11.0        | 11.0        | 11.0        | 11.0        |
| Services                      |                                      | 2.0  | 2.0                     | 2.0         | 2.0         | 2.0         | 2.0         | 2.0         |
| Commodities                   |                                      |  |                         |             |             |             |             |             |
| Capital Outlay                |                                      |  |                         |             |             |             |             |             |
| Grants & Benefits             |                                      |  |                         |             |             |             |             |             |
| Miscellaneous                 |                                      |  |                         |             |             |             |             |             |
| <b>Total Operating</b>        | <b>0.0</b>                           | <b>13.0</b>                                    | <b>13.0</b>             | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> |

**Fund Source (Operating Only)**

|               |            |             |             |             |             |             |             |             |
|---------------|------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| 1004 Gen Fund |            | 13.0        | 13.0        | 13.0        | 13.0        | 13.0        | 13.0        | 13.0        |
| <b>Total</b>  | <b>0.0</b> | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> | <b>13.0</b> |

**Positions**

|           |  |  |  |  |  |  |  |  |
|-----------|--|--|--|--|--|--|--|--|
| Full-time |  |  |  |  |  |  |  |  |
| Part-time |  |  |  |  |  |  |  |  |
| Temporary |  |  |  |  |  |  |  |  |

|                           |  |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|--|
| <b>Change in Revenues</b> |  |  |  |  |  |  |  |  |
|---------------------------|--|--|--|--|--|--|--|--|

Estimated SUPPLEMENTAL (FY2013) cost: 0.0

Estimated CAPITAL (FY2014) cost: 0.0

**ASSOCIATED REGULATIONS**

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? No

If yes, by what date are the regulations to be adopted, amended or repealed?

**Why this fiscal note differs from previous version:**

This version updates the analysis section to reflect the changes made in House Resources that would allow for the members to be appointed to staggered terms, and addresses the election of a chair and vice-chair.

Prepared By: Lorene Palmer, Director  
Division: Economic Development  
Approved By: JoEllen Hanrahan, Director  
Administrative Services Division

Phone: (907)465-2625  
Date: 03/16/2013 11:30 AM  
Date: 03/16/13

FISCAL NOTE ANALYSIS #2

STATE OF ALASKA  
2013 LEGISLATIVE SESSION

BILL NO. CSHB 99(RES)

**Analysis**

This bill extends the Alaska Minerals Commission from its current expiration date of February 2014 to February 2024 and would allow for the members to be appointed to staggered terms, and addresses the election of a chair and vice-chair.

The Commission, consisting of eleven members, holds public meetings in Fairbanks and Anchorage and travels to Juneau to meet with the Legislature during session. Travel costs vary depending on where commission members live and most seek reimbursement from the Department. Travel costs are estimated at 11.0.

Service costs are estimated at 2.0 for publication and report printing, room rentals, and meeting incidentals.