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which were known to be mineral in character at the time for vesting.[19] Andrus v. Utah, 446 U.S. 500, 508, 64 L. Ed. 2d 458, 465 (1980); see also 3 American Law of Mining § 60.06[2], at 60-11-13. Second, if lands vested which were in fact of mineral character, but whose mineral character was not known at the time of vesting, the state owned the lands and minerals contained therein. United States v. Wyoming, 331 U.S. at 443, 91 L. Ed. at 1593. Third, in United States v. Sweet, 245 U.S. 563, 572-73, 62 L. Ed. 473, 481 (1918), the Supreme Court held that congressional grants of school lands to a state conveyed no title to lands known to be of mineral character, even if the grant did not expressly reserve such mineral lands to the federal government. In other words, states received title to lands of known mineral character only when Congress expressly granted "mineral lands." Finally, the School Lands Act of 1927 served as an express congressional grant of school lands of known mineral character. Most importantly, the term "mineral lands" as used in the School Lands Act[20] is a term of art, and refers to the time that the mineral character of the lands was appreciated, not to the

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19. Title to surveyed sections vested at statehood; title to unsurveyed sections vested upon completion of an official survey. United States v. Wyoming, 331 U.S. 440, 443, 91 L. Ed. 1590, 1593 (1947).

20. And as used in the Alaska Statehood Act § 6(i). See part IIIE of this opinion, infra p. 37.

ultimately discovered nature of the lands.[21] See also Slaughter Memorandum infra p. 39.

C. Alaska Constitutional Response to Section 6(i)'s Restrictions

The School Lands Act restrictions had already been incorporated into the Alaska statehood bills pending in the 84th Congress when the delegates for the Alaska Constitutional Convention met in the winter of 1955-56. The restrictions were controversial because they signalled a change from the existing location-patent system to a leasing system. Ultimately, however, the benefits of statehood were seen to outweigh the doubts of some of the delegates concerning the section 6(i) restrictions. The state constitution was adopted containing a provision expressly consenting to the section 6(i) restrictions.[22]

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21. The School Lands Act did not completely eliminate litigation of the question whether lands were of known mineral character at the time of survey, however, because the state's interest in lands of known mineral character vested on the effective date of the School Lands Act, rather than at the time of survey. See, e.g., Rogers, 130 P.2d 268.

22. Alaska Const., art. XII, § 13 states:

> All provisions of the act admitting Alaska to the Union which reserve rights or powers to the United States, as well as those prescribing the terms or conditions of the grants of lands or other property, are consented to fully by the State and its people.

However, the framers also sought to preserve key elements of the existing location-patent system should Congress permit. Thus, they adopted Article VIII, § 11, which provides:

> Discovery and appropriation shall be the basis for establishing a right in those minerals reserved to the State which, upon the date of ratification of this constitution by the people of Alaska, were subject to location under the federal mining laws. Prior discovery, location, and filing, as prescribed by law, shall establish a prior right to these minerals and also a prior right to permits, leases, and transferable licenses for their extraction. Continuation of these rights shall depend upon the performance of annual labor, or the payment of fees, rents, or royalties, or upon other requirements as may be prescribed by law. Surface uses of land by a mineral claimant shall be limited to those necessary for the extraction or basic processing of the mineral deposits, or for both. Discovery and appropriation shall initiate a right, subject to further requirements of law, to patent of mineral lands if authorized by the State and not prohibited by Congress. The provisions of this section shall apply to all other minerals reserved to the State which by law are declared subject to appropriation.

According to one commentator (also a delegate to the Constitutional Convention):

> In part, this provision was inserted in the hope that Congress might recede from its restriction. On the other hand, delegates who concurred in the policy limiting permanent disposal of minerals went along with the proposal because they assumed Congress would stand firm. Most also saw the provision as a demonstration to miners, who might otherwise object to the constitution, that any restrictions applicable to alienation of mineral lands were being imposed from outside and were not the convention's doing.

V. Fischer, Alaska's Constitutional Convention 134 (1975).

Congress did not recede from the section 6(i) restrictions. The people of Alaska ratified the constitution in 1956. The Statehood Act was passed by Congress and signed into law on July 7, 1958. Section 8(b) of the Act required the voters to vote in favor of three propositions, one of which was that:

> (3) All provisions of the Act of Congress approved [July 7, 1958] reserving rights or powers to the United States, as well as those prescribing the terms or conditions of the grants of lands or other property therein made to the State of Alaska, are consented to fully by said State and its people.

Alaska Statehood Act § 8(c)(1). The voters accepted each proposition at the election held on August 26, 1958, and Alaska subsequently became a state on January 3, 1959. See generally Lewis, 559 P.2d at 636-39.

Having examined the origin of section 6(i) and the unsuccessful efforts of Alaska's Constitutional Convention to avoid its restrictions, we now turn to the legislative history for an understanding of Congress's intent underlying section 6(i)'s grant of mineral lands and leasing restrictions.

D. Congress Intended that Alaska Receive Rents and Royalties from Section 6(i) Mineral Leases to Ensure the New State's Economic Viability

The primary purpose of the statehood land grants contained in section 6(a) and (b) of the Statehood Act was to ensure the economic and social well-being of the new state. Udall v. Kalerak, 396 F.2d 746, 749 (9th Cir. 1968), cert. denied, 393 U.S. 1118, 22 L. Ed. 2d 123 (1969); United States v.

Atlantic Richfield Co., 435 F. Supp. 1009, 1016, 1021 n.47 (D. Alaska 1977), aff'd, 612 F.2d 1132 (9th Cir.), cert. denied, 449 U.S. 888, 66 L. Ed. 2d 113 (1980). One of the principal objections to Alaska's admittance into the Union was the fear that the territory was economically immature and would be unable to support a state government. For example, opponents of statehood claimed that "Alaska is not capable of sustaining statehood unless it is heavily subsidized by the other 48 States of the Union." 104 Cong. Rec. 9498 (1958) (statement of Rep. Smith). Similarly, another opponent to statehood argued that "The prevailing doubt of Alaska's ability to support itself is evidenced by the generous special considerations which are made for it in this statehood act." 104 Cong. Rec. 12,297 (1958) (statement of Senator Talmadge).

The congressmen who favored statehood conceded that it would impose an additional financial burden on the territory, but they maintained that the Statehood Act sufficiently provided for Alaska's financial well-being. The land grant of 103,350,000 acres was perceived by these congressmen as an endowment which would yield the income that Alaska needed to meet the costs of statehood. Representative Dawson said that:

> All grants include the mineral rights, but these rights must be retained by the State if the lands pass into private ownership. In other words, the mineral rights will always belong to the people of Alaska, and never to private individuals . . . .
>
> These provisions are the foundation upon which Alaska can and will build to the enormous benefit of the national economy

> shared by her sister States. We cannot make Alaska a "full and equal" State in name and then deny her the wherewithal to realize that status in fact.

104 Cong. Rec. 9361 (1958). The importance of mineral revenue to the new state is also highlighted by the following colloquy between Representative Miller and Alaska Territorial Senator William Egan:

> Miller: Do you see where you would get much income out of this 103 million acres you might select around, bearing in mind most of the forests and good land has been set aside by the Government now, or by the military? How much income would you derive from that to begin with?
>
> Egan: As to how much income would be derived, that would be entirely problematical, depending on the values that would be found there. . . . There are known deposits of almost every type of mineral.
>
> . . . .
>
> . . . I feel there would be development . . . .

Statehood for Alaska: Hearings Before the Subcomm. on Territorial and Insular Affairs of the House Comm. on Interior and Insular Affairs, 85th Cong., 1st Sess. 201-02 (1957) (remarks of Rep. Miller and William Egan, Alaska Territorial Senator and President of the Alaska Constitutional Convention).[23]

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23. See also 104 Cong. Rec. 9360-61 (1958) (further remarks of Rep. Dawson; remarks of Rep. O'Brien); 104 Cong. Rec. 12,012 (1958) (remarks of Sen. Jackson).

The 103,350,000 acre grant ultimately provided in

(Footnote Continued)

That Congress recognized the financial burden awaiting the new state is clear from its debates. It is equally clear

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(Footnote Continued)

section 6(a) and (b) of the Statehood Act was one of unprecedented size whether considered either absolutely or as a percentage of the total land area of the state. H.R. Rep. No. 624, 85th Cong., 1st Sess. (1957), reprinted in vol. 1 Alaska Statutes "History of Alaska Statehood," at 20. As the colloquy between Representative Miller and William Egan suggests, another rationale for the unprecedented size was that the federal government had already reserved the most valuable land and the new state would, in effect, have second choice. In the House, Representative Saylor said that "the choice areas, more than 95 million acres, have been reserved for Federal agencies." 104 Cong. Rec. 9340 (1958). In Senate discussion of the federal reservations, Senator Robertson read a portion of the House report on the Act: "[T]his tremendous acreage of [federal] withdrawals might well embrace a preponderance of the more valuable resources needed by the new State to develop flourishing industries with which to support itself and its people." 104 Cong. Rec. 12,019 (1958). Thus, the large grant of 103 million acres was deemed necessary because the lands available for state selection were perceived to be only marginally productive.

Furthermore, Congress recognized that the agricultural potential of the statehood grant land was limited. In debate, Senator Byrd commented: "In all of the more than 365 million acres of land in Alaska, only 2 million or about one-half of 1 percent, are arable." 104 Cong. Rec. 12,336 (1958). Because Congress realized that agricultural development would not yield the revenue that Alaska would need to support statehood, the Act contained the provision granting the new state title to the mineral estate underlying the land grants. Senator Kuchel said in debate:

> I believe, however, on the basis of the values of property in Alaska as they have been estimated, the tremendous wealth in the ground in minerals . . . , the State of Alaska will be able to make maximum use of the property which it will obtain under the bill from the Federal Government. This provision constitutes one additional assurance. I feel sure that economically the new government will succeed.

104 Cong. Rec. 12,035 (1958).

that the large statehood land grant and the grant of the underlying mineral estate were seen as important means by which the new state could meet that burden. Congress, then, granted Alaska the mineral estate with the intention that the revenue generated therefrom would help fund the new state's government.

The leasing restriction[24] in section 6(i) was intended to further the goal of state revenue production. As we have

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24. Appellants and the state agree that the third sentence of section 6(i) requires that mineral deposits be disposed of only by lease. Intervenor Alaska Miners Association argues that the "shall be subject to lease" language is merely permissive: "[A]ll that this sentence requires is that 'leasing' be one of the mechanisms through which these lands would be made available for mining development. It does not require that leasing be the only disposal mechanism." (Emphasis in original.)

The Miners' position on this point is contradicted by the structure of section 6(i). If the third sentence was not meant to express the exclusive method of mineral disposition, it need not have been set forth at all. Further, the legislative history demonstrates a uniform belief that section 6(i) required leasing. For example, the Senate Committee Report concerning language that eventually became section 6(i) states:

> Subsection (k) [of S. 50, 83d Cong., 2d Sess. (1954)] provides that all grants made or confirmed under the act shall include mineral deposits. Thus, the fact that the lands desired by the State are known or believed to be valuable for minerals will not preclude the State from exercising its right of selection with respect to them under the several grants. However, in order to give an added measure of protection to the new State government, which inevitably will be inexperienced and untried, the committee amendment provides for certain restrictions upon the disposition by the State of mineral lands which it may select under the 100-million acre grant provided in subsection (b) or the

(Footnote Continued)

discussed, the restriction was taken from the 1927 School Lands

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(Footnote Continued)

> 2,550,000-acre grant made in subsection (c). The restrictions are that the State must retain title to all the minerals in these lands, whenever any of them are sold or granted. The State may dispose of the minerals in these lands only by lease in such manner as the State legislature may direct.

S. Rep. No. 1028, 83d Cong., 2d Sess. 32 (1954) (emphasis added).

The Miners' argument that Congress intended the "shall be subject to lease" provision to be permissive is belied by the Miners' testimony objecting to this provision before the House Subcommittee on Territorial and Insular Affairs on March 15, 1957:

> Following is the statement of the Alaska Miners Association relative to mandatory leasing of mineral rights on all lands reserved to the new State of Alaska.
>
> . . . .
>
> We . . . believe that the grant of mineral rights on all these lands was done to aid the new State in meeting the added expense of statehood . . . .
>
> We believe that the well-intended actions contained in the enabling legislation will have an adverse effect and the mandatory leasing of mineral rights by the new State of Alaska under the conditions imposed would irreparably damage the development of Alaska's mineral resources . . . .
>
> We believe that the Legislature of the State of Alaska should be allowed to determine the disposition of the mineral rights on all State lands except those specifically reserved for schools . . . .
>
> All lands so claimed [by the state] shall have the mineral deposits reserved to the State and it shall be mandatory that the

(Footnote Continued)

Act. That language was copied advisedly so that Alaska would be on an equal but not a favored footing with other public land states with respect to the disposition of mineral lands.[25] The School Lands Act leasing requirement was expressly intended to be productive of proceeds, rents, and royalties, and congressional history indicates that the same result was intended in Alaska.[26]

(Footnote Continued)

> State lease the mineral rights; forfeiture of rights could result if disposed of contrary to provisions in the bills.

Statehood for Alaska: Hearings on H.R. 50, H.R. 628, and H.R. 849 Before the Subcommittee on Territorial and Insular Affairs, 85th Cong., 1st Sess. 217-18 (1957) (statement of Glen D. Franklin, Chairman, Legislative Committee, Alaska Miners Association) (emphasis added) (hereafter "Hearings on H.R. 50"). Thus, it is clear that the Miners Association recognized in 1957 that section 6(i)'s provision requiring that mineral lands be subject to leasing was a mandatory provision. Their argument to the contrary today is without merit.

> 25.
> In other words, the thought was that Alaska should be allowed to obtain mineral lands only if it would administer them in substantially the same manner that States now having mineral land grants are required to administer the lands obtained by them under those grants. This is evident from the close parallelism between the conditions proposed to be imposed upon Alaska and those contained in the 1927 [School Lands] act.

Memorandum from Herbert J. Slaughter, Chief, Branch of Reference, Division of Legislation, Department of the Interior, to the Honorable E.L. Bartlett, at 7-8 (Nov. 7, 1955) (regarding the mineral lands provision of the Alaska Statehood bills) (hereafter "Slaughter Memorandum").

26. S. Rep. No. 1028, supra n.24 (noting the "similar provision for the protection of the mineral school lands," in the School Lands Act); Slaughter Memorandum, supra n. 25. In State

(Footnote Continued)

Further, in congressional hearings, the section 6(i) leasing requirement was equated with the "leasing procedures as provided under the Leasing Act of 1920."[27] As previously noted, the federal Mineral Leasing Act was passed rejecting the location system for certain minerals in order to provide revenue to the United States.

Moreover, although the mineral leasing systems of other states differ from the federal mineral lands leasing system, they are uniform in requiring the payment of rent, or royalties, or both. 3 American Law of Mining § 63.054(d), at 63-28.

> State statutes may be divided into two principal categories describing the manner of payment of consideration for a lease; first, those that require both rents and royalties but credit the former against the latter or cease rental when the payment of royalties begins; second, those that require both rents and royalties as distinct and independent considerations.

(Footnote Continued)

v. Lewis, we explained that

> The lands to be selected by the state included mineral lands so as to be consistent with the rights granted other states as a result of the School Lands Act of 1927 . . . . The restrictions placed by Congress on alienation of Alaska's lands were of the same import as those set forth in that Act and applicable to other states.

559 P.2d at 638.

27. Hearings on H.R. 50, supra n.24, at 220 (Rep. Aspinall); see also id. at 231 (Rep. Abbott).

Id. at 63-29 (footnotes omitted). We therefore conclude that the leasing requirement in section 6(i), considered in the context of the School Lands Act, the Mineral Leasing Act, other statehood mineral grants,[28] and mineral leasing systems in other states, mandates a system under which the state must receive rent or royalties for its mining leases.[29]

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28. See, e.g., Oklahoma Statehood Act, Act of June 16, 1906, 34 Stat. 267, 273 (expressly including mineral lands, but prohibiting state from disposing of such mineral lands except by short-term lease). Statehood mineral grants are to be considered in light of the mining policies in existence at the time the grants are enacted. Utah v. Bradley Estates, 223 F.2d 129, 130 (10th Cir. 1955).

29. The state argues that the language in the third sentence of section 6(i), "as the state legislature may direct," gives the state the discretion not to charge rent or royalties. It cites as authority for this proposition language from the Slaughter Memorandum. The memorandum first discusses earlier Alaska statehood proposals allowing the state to sell lands it selected, including mineral rights, with a reservation of a royalty on all minerals produced therefrom. Concerning these proposals, the memorandum states:

> These earlier proposals, it will be noted, differ in a number of respects from the restrictions contained in the bills now pending. In particular, the current language expressly calls upon Alaska to adopt a mineral leasing system, while the earlier versions permitted the mineral deposits to be disposed of along with the surface, provided a royalty interest was reserved by the State. On the other hand, the current language does not attempt to prescribe maximum or minimum rates of royalty as did the earlier versions, but appears to leave the terms of leasing wholly to the discretion of the State legislature. From a practical standpoint, this second difference may be more important than the first, since if the Alaska legislature is left, as

(Footnote Continued)

Although Alaska law requires mining leases for extracting hardrock minerals on those mineral lands thought to be subject to section 6(i),[30] the statutes do not require the payment of rent or royalties. AS 38.05.205, .210. Alaska Statute 38.05.205(b) speaks of an annual rental of not less than the annual labor requirement which would be imposed if the lease were a location. However, no rent actually needs to be paid, because the lessee may credit the value of annual labor performed against the rental. Annual labor is required to ensure that the claim is worked so that the miner does not locate numerous claims and obtain the right to exclude others. 2 American Law of Mining

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(Footnote Continued)

> H.R. 2535 and S. 49 now intend to provide, with the untrammelled [sic] right to frame its own mineral leasing laws, it can, if it so ch[o]oses, establish priorities that will tend to keep the surface and mineral rights in the same hands and can, in general, fit the provisions of its mineral leasing system to whatever may be its concepts of the public interest.

Slaughter Memorandum, supra n.25, at 9-10.

We are unable to read this language in Slaughter's memorandum as broadly as the state suggests. The memorandum does not suggest that the state was free from the duty to charge rent or royalties. In fact, Slaughter states that "Alaska should not be accorded greater freedom in the administration of mineral lands than that accorded existing States having Congressional land grants." Id. at 2. As noted previously, other states under the School Lands Act were required to lease mineral lands in order to generate rents and royalties.

30. "Hardrock" minerals are those which were subject to location under federal mining laws as of the beginning of statehood, January 3, 1959. A.S. 38.05.185.

§ 7.2, at 102 (1st ed. 1983); Chambers v. Harrington, 111 U.S. 350, 353, 28 L. Ed. 452, 453 (1884) ("Clearly, the purpose was . . . to require every person who asserted an exclusive right to his discovery or claim to expend something of labor or value on it as evidence of his good faith and to show that he was not acting on the principle of the dog in the manger."). It is not a source of revenue to the landowner. Alaska's mineral leases are in substance indistinguishable from state mining locations.[31] Because they do not require rents or royalties, the state hardrock mineral leasing laws do not meet the leasing requirement of section 6(i).

E. The Section 6(i) Leasing Requirement Applies Only to Statehood Grant Lands Whose Mineral Character was Known at the Time of State Selection.

The appellants argue that the section 6(i) leasing requirement applies to all lands granted under section 6(a) and (b) which contain minerals. Their argument may be summarized as follows. Under the first sentence of section 6(i), all mineral deposits in selected lands are conveyed regardless of when the deposit's existence is first known. The term "mineral lands" in

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31. A letter authored by John Sims, Director of State Office of Mineral Development, described the proposed state leasing system which is now reflected in AS 38.05.205 as a system "which allows a miner on State land virtually all the rights and privileges of the 1872 Federal Mining Law with the express exclusion of patent right." Letter from John Sims, Director, Alaska Office of Mineral Development, to Howard J. Grey, Executive Director, Alaska Miners Association (Feb. 23, 1981).

the second sentence of section 6(i), to which "such lands" in the third sentence of section 6(i) relates, refers to the same subject as the "mineral deposits" grant of the first sentence. Thus, all lands containing minerals are subject to the leasing requirement, regardless of when the minerals are discovered.

We agree with appellants that the grant language of the first sentence of section 6(i) contains the key to understanding the scope of the leasing requirement. We do not agree, however, that the grant language was intended to convey mineral deposits in selected lands whose mineral character was unknown at the time of selection. Unknown deposits would be conveyed automatically as a part of the section 6(a) and (b) grants without the use of the section 6(i) grant language. The section 6(i) grant was necessary so that known mineral deposits would be conveyed. See notes 19 - 21 and accompanying text, supra.

This interpretation is confirmed by the Senate Report on an early statehood bill (S. 50, 83d Cong., 2d Sess., (1954)) which states:

> By the terms of previous statehood bills, and of S. 50 as introduced, the State was to have been permitted, under the land-grant provisions of those bills, to select large acreages of land, but in all previous bills, the State would have been estopped from choosing . . . those lands known or even believed to be mineral in character. These severe limitations in previous statehood bills on the State's right to select were not always apparent from the bare language of those measures. Yet they existed within the legal and judicial interpretations which have heretofore been given as to the meanings of certain words and

phrases of these previous proposed statehood bills.

> If all the resources of value were withheld from the State's right of selection, such selection rights would be of little value to the new State. As a part of this new approach toward statehood, your committee has felt obligated to broaden the right of selection so as to give the State at least an opportunity to select lands containing real values, instead of millions of acres of barren tundra.
>
> To attain this result, the State is given the right to select lands known or believed to be mineral in character (subsection k of section 5) . . . .[32]

S. Rep. No. 1028, supra n.24, at 6. The Report explains that subsection 5(k), the precursor to section 6(i), "provides that

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32. The report of the Committee on Interior and Insular Affairs on H.R. 7999, which became the Statehood Act, in language reminiscent of the Senate Report makes the same point:

> If the resources of value are withheld from the State's right of selection, such selection rights would be of limited value to the new State. The committee members have, therefore, broadened the right of selection so as to give the State at least an opportunity to select lands containing real values instead of millions of acres of barren tundra.
>
> To attain this result, the State is given the right to select lands known or believed to be mineral in character (sec. 6(i)).

H.R. Rep. No. 624, 85th Cong., 2d Sess. (1957), reprinted in 1958 US Code Cong. & Admin. News 2933, 2939. The Committee thus used the phrase "lands known or believed to be mineral in character" as synonymous with the "mineral deposits" language in the first sentence of section 6(i).

all grants made or confirmed under the act shall include mineral deposits. Thus, the fact that the lands desired by the State are known or believed to be valuable for minerals will not preclude the State from exercising its right of selection with respect to them under the several grants." Id. at 32.

The need for and the meaning of the grant language is also confirmed in the Slaughter Memorandum:

> The bills in the 84th Congress for the admission of Alaska into the Union contain a provision which affirmatively declares that the land grants made or confirmed by those bills shall include mineral deposits, and which then proceeds to impose certain express restrictions upon the manner in which Alaska may administer any mineral lands so obtained by it. . . .
>
> The reasoning which prompted the adoption of the provision in question by the Senate Committee is understood to be (1) that mineral deposits must be expressly mentioned in order for mineral lands to be encompassed by a Congressional land grant to a State; and (2) that Alaska should not be accorded greater freedom in the administration of mineral lands than that accorded existing States having Congressional land grants. . . .
>
> With respect to those situations where, as was true of the Utah grants and the California school section grant, the law making the grant neither affirmatively included nor affirmatively excluded mineral lands, the Supreme Court has held that the failure to mention mineral lands was tantamount to an express exclusion of them from the grant. . . .
>
> The members of the Senate Committee on Interior and Insular Affairs who took an active part in the study of S. 50, 83d Congress, considered that, in the light of the holdings of the Supreme Court, statutory language expressly including mineral deposits within the contemplated land grants to Alaska

> would probably be necessary in order for these grants to encompass mineral lands.

Slaughter Memorandum, supra n.25, at 1-6 (citation omitted). Thus, the grant of mineral deposits in the first sentence of section 6(i) and the term "mineral lands" as used in the second sentence of section 6(i) both relate to mineral deposits in lands of known mineral character.

Appellants cite as support for their interpretation testimony of a representative of the Alaska Miners' Association before the House Subcommittee on Territorial and Insular Affairs on March 15, 1957. The representative, Mr. Franklin, assumed that mandatory leasing applied to all lands selected under what is now section 6(a) and (b) of the Statehood Act. See supra n.24. Several congressmen seemed to join in this assumption. However, the question whether all lands selected under section 6(a) and (b), or merely those lands known to be mineral in character at the time of selection, would be subject to mandatory leasing was not addressed.

Appellants also point out that S. 50, as amended by the Committee on Interior and Insular Affairs (83d Cong., 2d Sess. (1954)), and H.R. 2536 (83d Cong., 2d Sess. (1954)), which closely followed the language of S. 50, contained a final sentence which provided: "For the purposes of this subsection the mineral character of lands granted to the State of Alaska shall be determined at the time patent issues and the patent shall be conclusive evidence thereof." This language was stricken at the request of Delegate Bartlett who stated:

> That amendment is offered at the suggestion of the Governor of Alaska and the Land Commissioner of Alaska. They were somewhat apprehensive about the rapidity with which lands would move to the new State if the requirement remained in that the mineral character of all the land would have to be determined in advance. And the rights of the United States, the attorneys tell me, are adequately protected in the foregoing part of that subsection.

Hawaii-Alaska Statehood: Hearings Before the Committee on Interior and Insular Affairs, 84th Cong., 1st Sess. 332 (1955) (statement of Delegate Bartlett) (hereafter "Interior Committee Hearings"). The committee chairman asked Delegate Bartlett: "It is your view, Mr. Bartlett, that language is surplusage and is not necessary?" Delegate Bartlett answered: "I do not think it is surplusage, but I will agree with the Governor and the Commissioner of Lands of Alaska, that had best be deleted." Id. The appellants argue that by agreeing to the deletion of this language, Congress must either have intended to utilize the traditional test of mineral lands or to define mineral lands as those containing minerals no matter when the minerals are discovered. The argument continues that since Congress was aware that considerable litigation had resulted under the enabling acts of other states as to whether lands were or were not mineral in character, Congress could not rationally have intended to employ the traditional test.

While we agree that administrative problems would be avoided if the section 6(i) limitations applied to all lands granted under section 6(a) and (b), we think it is reading too

much into the deletion of the quoted language to conclude that Congress meant by the deletion to change the meaning of "mineral lands" as used in the second sentence of the section. The "determination at patent" language demonstrates that Congress intended the section 6(i) limitations to apply only to section 6(a) and (b) lands of known mineral character. If this were not so there would be no reason for the determination of mineral character at patent. There is no suggestion that Congress intended to change the meaning of "mineral lands" in the second sentence by deleting the final sentence. Both the Chairman and Delegate Bartlett referred to this amendment as "pro forma," a characterization which could not accurately be used if the amendment were intended to change the definition of mineral lands. Interior Committee Hearings, supra p. 41, at 331, 333.

Appellants' final point is that construing "mineral lands" to mean all lands where minerals are found would further the congressional policy of assuring that the State of Alaska not squander the resources which it was granted. While it is true that the broader definition of mineral lands advocated by appellants would extend the protection of the section 6(i) restrictions, that does not mean that those restrictions were meant to have the reach which appellants contend. The context and history of section 6(i) heretofore cited persuades us that

its restrictions were intended to apply only to lands whose mineral character was known at the time of selection.[33]

CONCLUSION

We conclude that appellants have standing to maintain this declaratory judgment action, that the state's mineral leasing system violates section 6(i) of the Statehood Act because it does not require the payment of rent or royalties on mining leases, and that section 6(i) applies only to those lands known to have been mineral in character at the time of state selection. Appellants' state constitutional and public trust theories depend on the meaning of the grant and restrictions of section 6(i). Since section 6(i) directly controls, we have no occasion to examine those theories further. For the above reasons, the judgment is REVERSED and this case is REMANDED with directions to enter a declaration in accordance with this opinion and for such other further proceedings as may be appropriate.[34]

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33. For convenience, we have referred to the relevant event as the time of selection. Whether this is the time that the state files its selection application, or some later event such as the tentative or final approval of the selection, is not an issue in this case or on which we express an opinion. Further, we observe that there is room for debate concerning how much must be known about the mineral character of selected lands to qualify them as mineral lands. We also intimate no view on this question as it is not before us.

34. The intervenors raise several other points in defense of the judgment below. We have examined each of them and find that they lack merit.

ARECA Resolution 88-3-7

Railbelt Energy Fund

ARECA calls on the Alaska Legislature to honor its commitment from prior years that the Railbelt Energy Fund be used for the benefit of electrical consumers in the Railbelt region.

ARECA continues to believe that development of the proposed transmission intertie for the Railbelt region is the best use of this fund. However, we are well aware of the fact that this fund is listed as a source of funds to support the proposed FY 89 State budget, and we ask that the interests of Railbelt consumers be protected by appropriating this fund for the following puposes at this time:

(1) $18 million for the Fritz Creek Transmission Line from Bradley Lake Junction to Soldotna;

(2) $165 million as a loan for the Bradley Lake Hydroelectric Project, and;

(3) the remaining amount of approximately $50 million should go to the Power Project Fund within the APA for loans to Railbelt utilities.

ARECA further urges that legislation providing for these uses of the Railbelt Energy Fund also contain provisions establishing a procedure whereby the revenue stream from payments on the above mentioned loans could be pledged to assist in retiring revenue bonds used to finance energy projects authorized by the Legislature.

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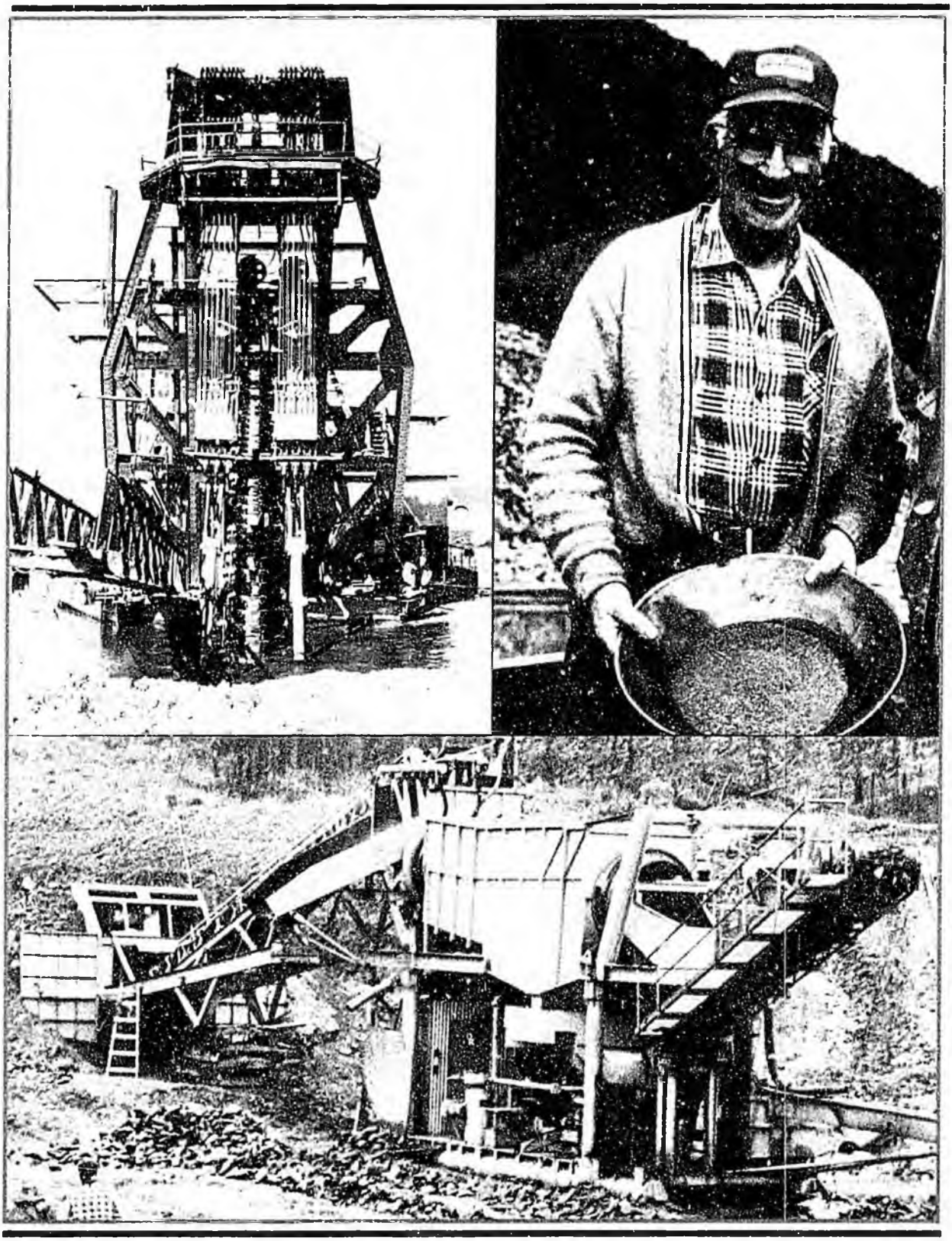
THE ROLE OF PLACER MINING IN THE ALASKA ECONOMY — 1985



State of Alaska
Department of Commerce and Economic Development
Office of Mineral Development

THE ROLE OF PLACER MINING IN THE ALASKA ECONOMY

1985

State of Alaska
Department of Commerce and Economic Development
Office of Mineral Development

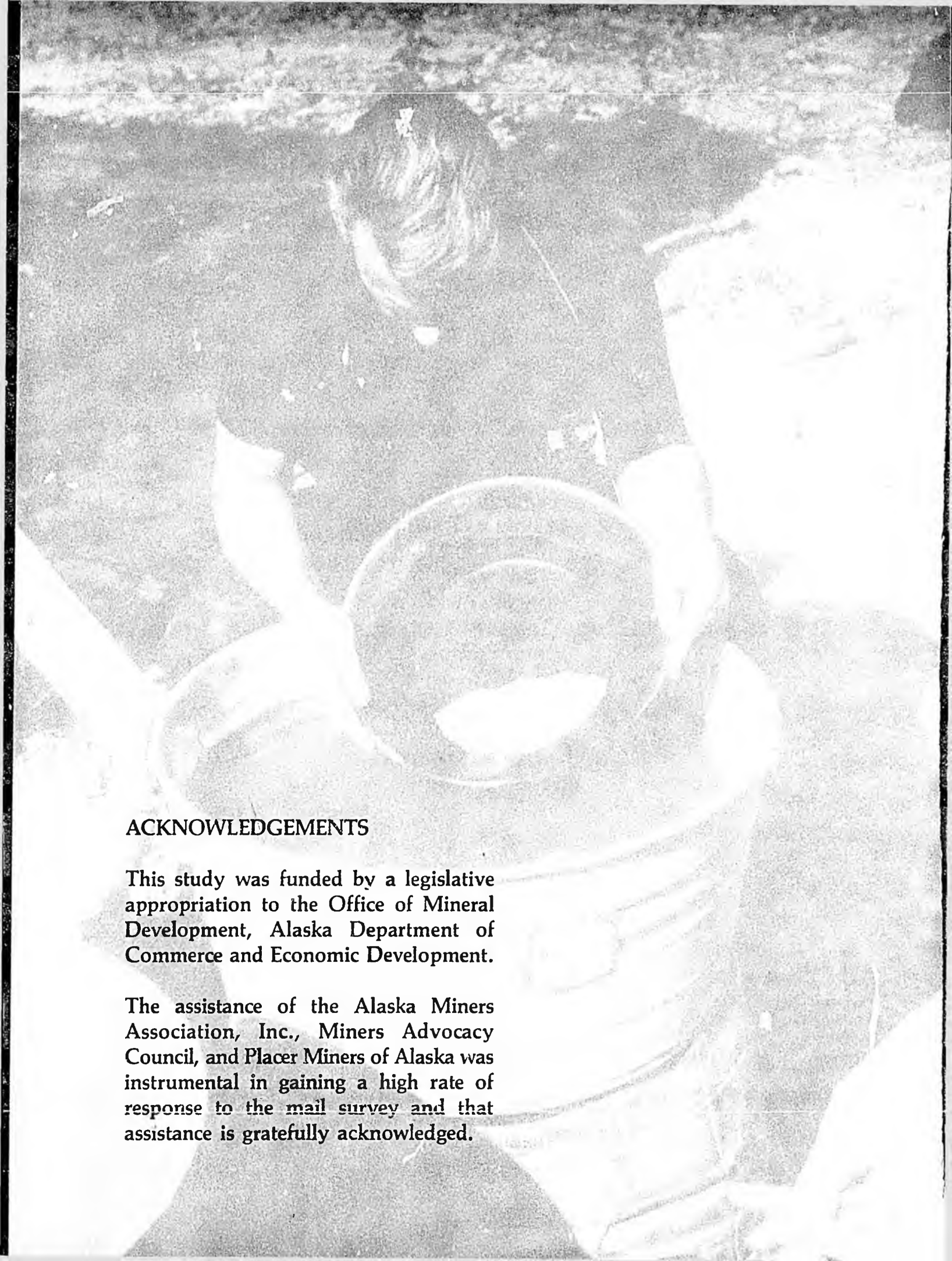
Governor
Bill Sheffield

Commissioner
Loren H. Lounsbury

Acting Director
Charles B. Green

Study Conducted by
L.A. Peterson, S.K. Todd, J.A. Weddleton, K.L. Hanneman
L.A. Peterson & Associates, Inc.
Fairbanks, Alaska

January, 1986



ACKNOWLEDGEMENTS

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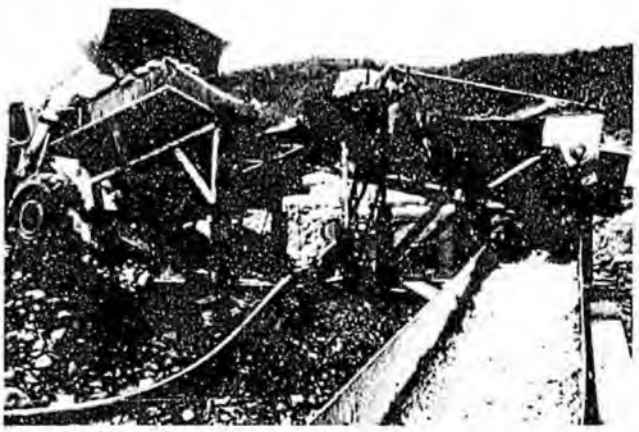
EXECUTIVE SUMMARY

Expenditures by Alaska placer miners for labor, goods, and services were approximately $75 million in 1985. Of these expenditures, $63.4 million were made in Alaska. About 36 percent of the total expenditures were made in Fairbanks, and 31 percent of the workers reside there. Anchorage also plays an important role in the placer mining industry, accounting for 23 percent of the expenditures and 16 percent of the work force. Placer mining is a major contributor to the economy of rural Alaska as 34 percent of the work force comes from rural Alaska and 18 percent of the total expenditures are made in small communities around the state. Washington and other states play a smaller role in the industry, accounting for 15 percent of the expenditures and 19 percent of the labor force.

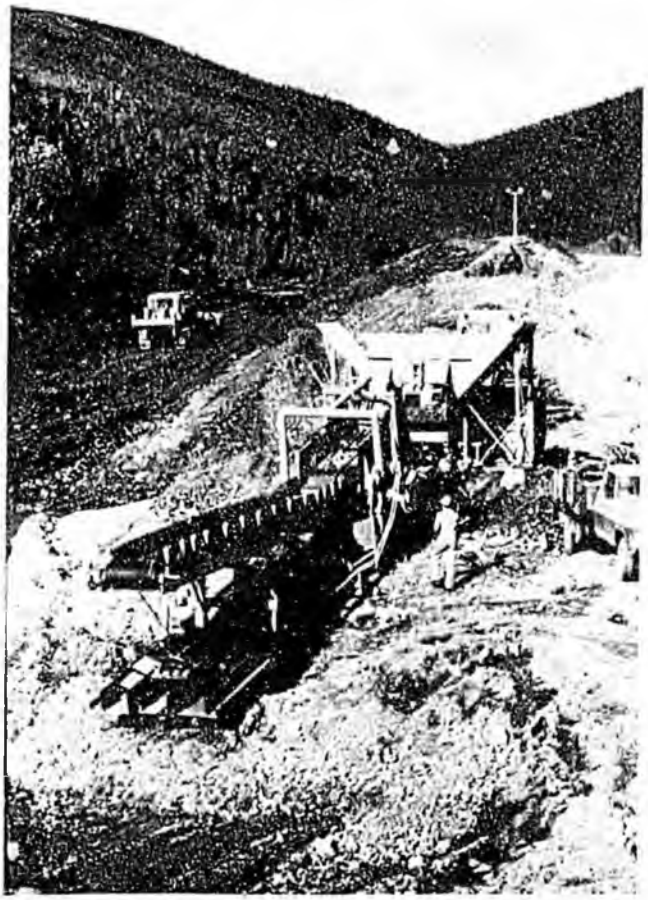
Direct employment in the industry is approximately 10,000 person-months and an estimated 2,226 people are involved in the industry on at least a part-time basis. If indirect employment is added to this figure, the total employment by the 410 active placer mining operations is estimated to be 20,136 person-months or 1,678 person-years.



Placer mine near Ferry, Alaska.
(PHOTO BY C.B. GREEN)

The placer mining industry has a significant indirect impact on the Alaska's economy. The $63.4 million of statewide expenditures had a total impact on sales in the Alaska economy of $127.4 million. The income multiplier results in total wages and salaries resulting from placer mining of $33 million and an estimated 841 people are employed by support industries serving placer mining. These figures demonstrate the importance of placer mining in the Alaska economy.

Comparison of information from a 1982 study indicates direct expenditures for goods, services, and labor were $80.1 to $83.1 million in 1982 and $75 million in 1985. Direct employment accounted for 2,352 people in 1982 and 2,226 in 1985.

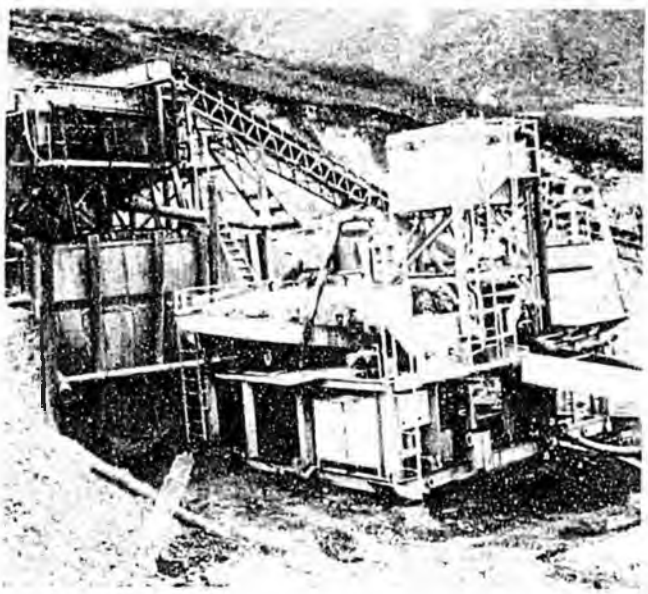


Sluice box with elevated tailings conveyor, Stugart Mining, Jack Wade Creek.
(PHOTO BY C.B. GREEN)

1.0 INTRODUCTION

Placer mining has played a major role in the exploration and development of Alaska and continues to be important to the Alaska economy. To quantify the economic role of placer mining in Alaska, the Office of Mineral Development contracted L. A. Peterson & Associates, Inc., to measure the economic impact of placer mining on the Alaska economy as well as on the economies of Fairbanks, Anchorage, and rural Alaska.

The economic impact includes both the direct employment and expenditures by the miners and the indirect impact on other industries. Information regarding the direct impact was collected through a survey of Alaska placer miners to determine the total number of people they employed and their gross expenditures. The indirect impact was estimated through the use of input-output analysis. Input-output analysis is a method of describing the interdependence of industries within the economy in quantitative terms. Input-output tables can be used to relate a change in one sector (such as mining) to the total change in income and employment throughout the economy.



ABOVE:
Rig plant on Ruby Creek east of Paxson, Alaska, Mineral Resources Co., Alluvial Dredges, Ltd.
(PHOTO BY JUDD PETERSON, DIVISION OF MINING)

BELOW:
Placer mining near Ferry, Alaska.
(PHOTO BY C.B. GREEN)

2.0 PLACER MINING IN ALASKA

A placer deposit consists of unconsolidated material, usually gravel, containing discrete particles of valuable minerals that were eroded from their bedrock source and deposited at the same time as the gravel.

Alaska's early prospectors were placer miners from the California gold rush who moved north in the 1860's and 1870's. The discovery of placer gold near the site of Juneau in 1880 led to the establishment of Alaska as a gold producer. Significant discoveries were made in the Yukon River drainage at Rampart in 1882, the Fortymile district in 1886, and the Circle district in 1893. The famous Klondike gold rush of 1897 and 1898, although in neighboring Canada, was a major stimulus to prospecting in Alaska. The rich Nome placers were discovered in 1898, and placer mining in the Fairbanks district (which became the largest producer in Alaska) began in 1902. The Tolovana (Livengood) district was the last major placer gold discovery in Alaska (1914).

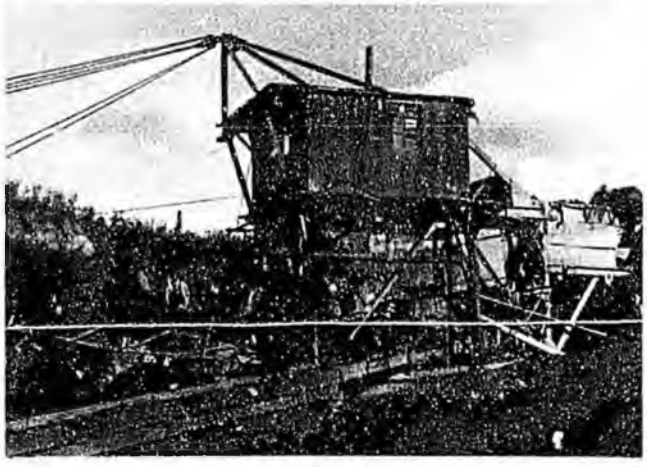
ABOVE:
Pilot house of Dredge No. 2, Alaska Gold Co., Nome.
(PHOTO BY C.B. GREEN)

RIGHT:
Washing plant with sluice box at Tofty.
(PHOTO BY ERNIE WOLFF)

The high-grade and readily mined placer deposits were rapidly exhausted by labor-intensive methods, and larger companies were formed to consolidate mining properties and work the lower grade deposits. The introduction of large-scale cold water thawing, hydraulic stripping, and mechanized excavation greatly increased the productivity of placer mining. Dredges were first introduced at Nome in 1905, and in the 1920's large electric powered dredges were brought into Nome and Fairbanks. Immediately prior to World War II, Alaska was the leading gold-producing state with a yield of nearly 750,000 ounces in 1940, most of which was from placer mines.

Gold mining was declared nonessential to the war effort, and placer mining virtually ceased during World War II. Operations after the war declined due to rising operating costs, while gold remained fixed at the 1934 price of $35 per ounce. Nearly all dredging was discontinued during the 1960's, although a number of small operators continued to mine.

Lifting of gold ownership restrictions on private citizens by the Federal government, and the abandonment of a price fixed to the U.S. dollar in the early-1970's resulted in higher gold prices and a renewal of gold mining activity. Gold production jumped in the late-1970's, as several hundred placer mines came into operation and gold prices continued to rise. The 1982 production rose to 174,900 ounces worth $70 million (Eakins et al. 1985), and the number of placer mines statewide, including recreational mines, exceeded 500. Gold production in 1983 was 169,000 ounces worth $67.6 million and in 1984 it was 175,000 ounces worth $63 million (Eakins et al. 1985). The estimated production for 1985 is 190,000 ounces worth $62 million (Bundtzen 1986).



3.0 APPROACH

The first step of the study was to contact miners' groups, including the Alaska Miners Association, Miners Advocacy Council, and Placer Miners of Alaska to inform them of the study and to request their support and input regarding the survey.

Next, a draft questionnaire was prepared requesting information about employment, expenditures, equipment, and the scope of mining operations. The draft questionnaire was pretested by 15 placer miners in the Fairbanks area. Minor revisions were made and the final questionnaire was mailed to Alaska placer miners. A copy of the final questionnaire is included in Appendix A. The quality of responses indicated that the questionnaire was easy to comprehend and complete.

The questionnaire was mailed to all known placer operations in Alaska. Three follow-up mailings were made to encourage a response to the initial mailing of the questionnaires, a second questionnaire was mailed after three weeks, and a final reminder was sent five weeks after the initial mailing. Subsequent to these mailings, 228 questionnaires out of a population of 498 were received resulting in a response rate of 46 percent, which is deemed excellent for a mail survey.

Cleaning sluice box.
(PHOTO BY C.B. GREEN)

3.1 Census of Placer Miners

The most current and complete census of placer mines is the "tri-agency" permit system. All miners are annually required to submit the tri-agency permit application, also referred to as a placer mining application, to the Alaska Department of Natural Resources (ADNR) in order to receive the required approvals from Alaska regulatory agencies. The three Alaska agencies involved are the departments of Natural Resources, Environmental Conservation, and Fish and Game. These permit applications contain detailed information concerning the identity of the owner and operator of the mine, the location of the mine, and the method of operating, including equipment and employment. This information is useful in identifying the characteristics of nonrespondents and to statistically extrapolate the survey results.

A mailing list of 525 miners was prepared from the tri-agency permits on file with the ADNR in Juneau, Anchorage, and Fairbanks. Surveys were sent to every miner on the list. Twenty-seven of these were returned with no forwarding address, leaving 498 in the census. Of the 228 surveys returned, 39, or 18 percent, indicated that they were inactive in 1985. Because the sample data closely paralleled the characteristics of the population, it was assumed that 18 percent of the census, or 88 miners were also inactive, resulting in a total population of 410 active placer miners.

Consistent with the regional classification of mining permits used by the ADNR, the census of mines and survey results were grouped into two regional categories,north and south, based on the location of the mines relative to the Alaska Range.

3.2 Size Classification of Placer Operations

Based on an analysis of the 228 surveys received, placer mining operations were divided into four groups according to the size of the operation. The three criteria used appear in Table 1. Because these criteria are included in the census information from the tri-agency permits, their use allows extrapolation of the survey data. Both the census and the survey data were grouped into one of the four size classes for data analysis.

The major criterion for size classification was the number of employees. This was found to correlate well with total expenditures as the correlation coefficient was 0.96. Equipment also had a relatively good correlation with expenditures ($r = 0.64$). Cubic yards processed per day, however, was used only as a rough indicator because it had a low correlation coefficient ($r = 0.34$) with expenditures. The mean and standard deviation of expenditures for each mine size class and the population of all mines are:

	Mean	Standard Deviation
Large Mines	$ 1,169,127	$ 808,285
Medium Mines	216,592	169,691
Small Mines	38,639	30,601
R/A Mines	8,700	8,363
All Mines	$ 237,029	$ 855,491

Placer sampling, Kenai Peninsula.
(PHOTO BY J.M. KURTAK, U.S. BUREAU OF MINES)

TABLE 1

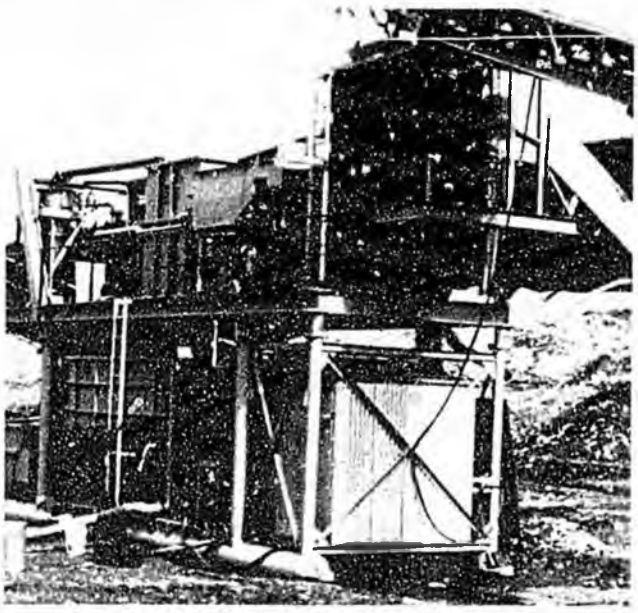
SIZE CLASSIFICATION OF PLACER MINING OPERATIONS

Criteria	Recreational & Assessment	Small	Medium	Large
Employment	1 to 3	3 to 4	4 to 7	more than 7
Equipment*	hand tools, suction dredge	1 to 2	2 to 5	more than 5 or large dredge
Cubic yards per day	0 to 50	50 to 300	300 to 1,500	> 1,500

* Pieces of equipment such as bulldozers, front end loaders, drag lines, and backhoes.

Recreation and assessment work were combined into a single category. Small mining operations were defined as generally having 3 or 4 employees, medium mines 4 to 7 employees, and large mines more than 7 employees. Borderline cases were categorized based on equipment and cubic yards per day.

The survey and census groupings are summarized in Table 2. Small mines are the largest size class, followed by medium, recreation/assessment, and finally large mines. Large mines were subdivided into two categories. The largest mines were not used in the calculation of average expenditures to reduce variability and increase confidence in average expenditures for the large mines classification. The largest mines are included in the total number of mines, however, a response rate of 46 percent was obtained and the percentage returned in each size class matches well with that of the population.



Placer operation of Del Ackles.
(PHOTO BY JOHN F.M. SIMS)

TABLE 2

SUMMARY OF THE CENSUS AND SURVEY OF PLACER MINERS

		R/A	Small	Medium	Large	Total
CENSUS:	TOTAL	91	175	118	26	410
	Percentage	(22)	(43)	(29)	(6)	(100)
	NORTH	60	135	98	16	309
	SOUTH	31	40	20	10	101
SURVEY:	TOTAL	54	72	46	17	189*
	Percentage	(29)	(38)	(24)	(9)	(100)
	NORTH	26	53	40	13	132
	SOUTH	28	19	6	4	57

* 228 surveys were returned; 39 indicated they were inactive in 1985.

3.3 Analysis

Expenditures made by the placer mining industry for the purchase of goods and services, and the number of persons employed, are the two major variables which determine the direct economic impact of the industry on the Alaska economy. Information obtained from the surveys was extrapolated to estimate the total for all placer miners. Expenditures made for the different categories of goods and services in Alaska (Fairbanks, Anchorage, and other Alaska communities) and outside Alaska, were also determined on the basis of the survey.

Indirect impacts generated by the purchase of goods and services and by the employment of people in placer mining, were estimated using income and employment multipliers for the Alaska placer mining industry. These multipliers were derived from input-output models of the statewide, Fairbanks, and Anchorage economies prepared specifically for this study.

Placer mining near Boundary, Alaska. (PHOTO BY C.B. GREEN)

4.0 VALUE OF THE PLACER MINING INDUSTRY

Total expenditures made by the placer mining industry in 1985 are estimated to be $75 million. As shown in Table 3, Fairbanks receives 36 percent of the direct expenditures while Anchorage receives 23 percent. Placer mining has a significant impact on rural Alaska firms, which receive 18 percent of total expenditures. Other states incur the least impact, receiving 15 percent of total expenditures. Expenditures for royalties, fees, and permits (grouped in one expense category) were not distributed geographically because these payments go to individual and government agencies of unknown geographic location. Expenditures made in each geographical area are illustrated by category in Figure 1.

Average annual costs for large mines in 1985 were $1.2 million, medium mines spent an average of almost $217,000, small mines averaged $38,600, and recreational miners spent an average of $8,700. While only 26 of the 410 mines are classified as large, they account for 56 percent of total expenditures and 36 percent of the total person-months of labor.

Labor costs are the largest expense facing placer mines, accounting for 25 percent of total costs. Equipment rental and purchase, at 24 percent of total expenditures, is the second largest expense. All other categories (fuel, supplies, maintenance, services, other materials, and royalties) are roughly equivalent as a percentage of total costs.

Over one-third of the total placer mining payroll (35 percent) goes to employees who live in rural Alaska.

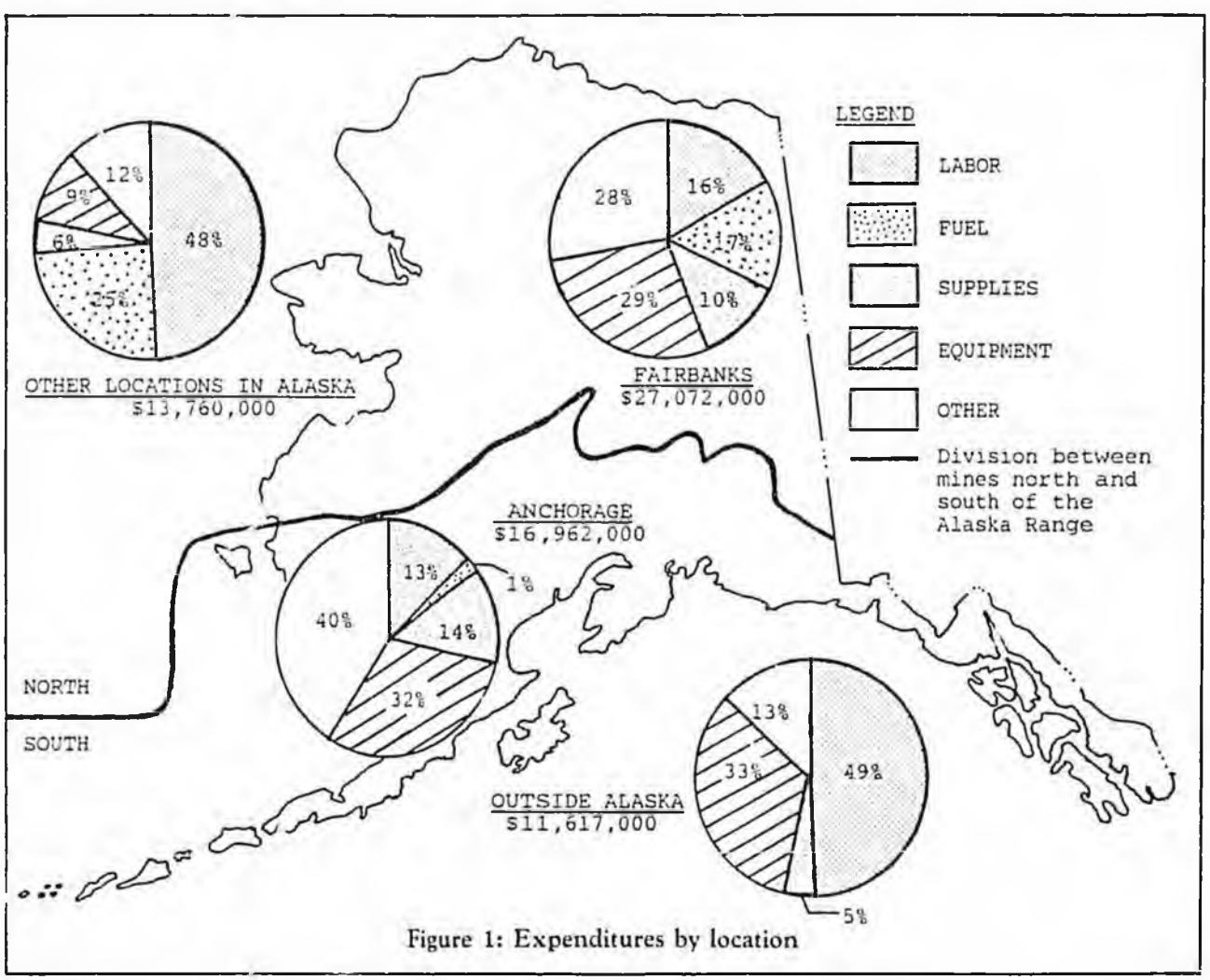


Figure 1: Expenditures by location

Employees who live outside the State receive 30 percent of the payroll. It is interesting to note that Fairbanks, the center of much of the placer mining in Alaska, accounts for only 23 percent of the payroll, and Anchorage is still less significant at 12 percent.

Although relatively few miners live in Anchorage, it is the principal source of services and other material. Fairbanks is the principal source for fuel, supplies, equipment, and maintenance. As mentioned earlier, much of the payroll goes to rural Alaskans.

Table 4 presents the estimates of employment by place of residence. The owners and employees of placer mines accounted for an estimated 10,000 person-months of employment in 1985, which is approximately equivalent to 837 full-time year-round employees. Employment includes the part-time labor of recreational and assessment miners, who account for 7 percent of the total person-months.

The total number of people employed at least on a part-time basis is estimated to be 2,226. The number of employees per mine varies from 1 to 122.

As discussed above, most of the labor force permanently resides in rural Alaska and Fairbanks. It is interesting to note that Fairbanks accounts for 31 percent of the labor force (Table 4), but 23 percent of labor costs (Table 3). The information is inadequate to determine whether this is due to differences in pay scale or the fact that many family operations undervalue the contribution of their time.

Total expenditures by mine type and region appear in Table 5. This table indicates the regional source of the expenditures, not where the dollars were actually spent. The average expenditure per mine type in 1985 is also presented in this table. Mines located in the north account for almost 64 percent of total expenditures, reflecting the greater amount of placer mining activity in the northern region. Comparing the information in Tables 3 and 5 indicates that Anchorage and other states are a major source of goods and services for mines located in the northern region.

TABLE 3

TOTAL EXPENDITURES BY LOCATION AND TYPE OF EXPENDITURE IN 1985
(x 1,000)

Type of Expenditure	Fairbanks	Anchorage	Rural Alaska	Outside Alaska	Unknown Location	Total
Labor	$4,427	$2,184	$6,567	$5,748	—	$18,926
Fuel	4,481	241	3,401	2	—	8,125
Supplies	2,719	2,395	808	615	—	6,537
Equipment	7,741	5,496	1,225	3,797	—	18,259
Maintenance	3,826	2,222	433	295	—	6,776
Services	1,954	2,351	516	753	—	5,574
Other	1,924	2,073	810	407	—	5,214
Royalties	—	—	—	—	5,629	5,629
Total	$27,072	$16,962	$13,760	$11,617	$5,629	$75,040
Percentage	36.1%	22.6%	18.3%	15.5%	7.5%	100%

TABLE 4

EMPLOYMENT BY PLACE OF RESIDENCE IN 1985
(in person-months and by percentage)

Location	North		South		Total	
Fairbanks	2,890	28.8%	218	2.2%	3,108	31.0%
Anchorage	620	6.2%	1,008	10.0%	1,628	16.2%
Rural Alaska	2,276	22.7%	1,159	11.5%	3,435	34.2%
Outside Alaska	1,517	15.1%	351	3.5%	1,868	18.6%
Total	7,303	72.8%	2,737	27.2%	10,040	100.0%

Note: The employment estimates are for all mine size classifications. Person-months are presented because of the seasonal nature of placer mining. The equivalent of full-time year-round employment can be obtained by dividing person-months by 12.

Although the major economic impacts of placer mining are measured through the data collected on expenditures and employment, other information obtained provides additional insight into the operation of this industry. For instance, data collected on the annual duration of mining activities can be used to analyze the seasonal impacts on employment (Table 6). This table also provides information pertaining to average production and employment.

During the last five years, total expenditures for classification and gold recovery equipment other than sluice boxes is estimated at $11.0 million. Table 7 indicates $6.3 million were spent on vibrating screens and grizzlies, trommels, feeders, and other gravel washing and classification equipment. Expenditures for gold recovery equipment, including jigs, spirals, and other devices were $4.7 million. These data indicate that the placer mining industry has invested a substantial amount of money to improve and modernize mining methods. Benefits of these expenditures include more efficient gravel processing, better gold recovery, and reduced water use.

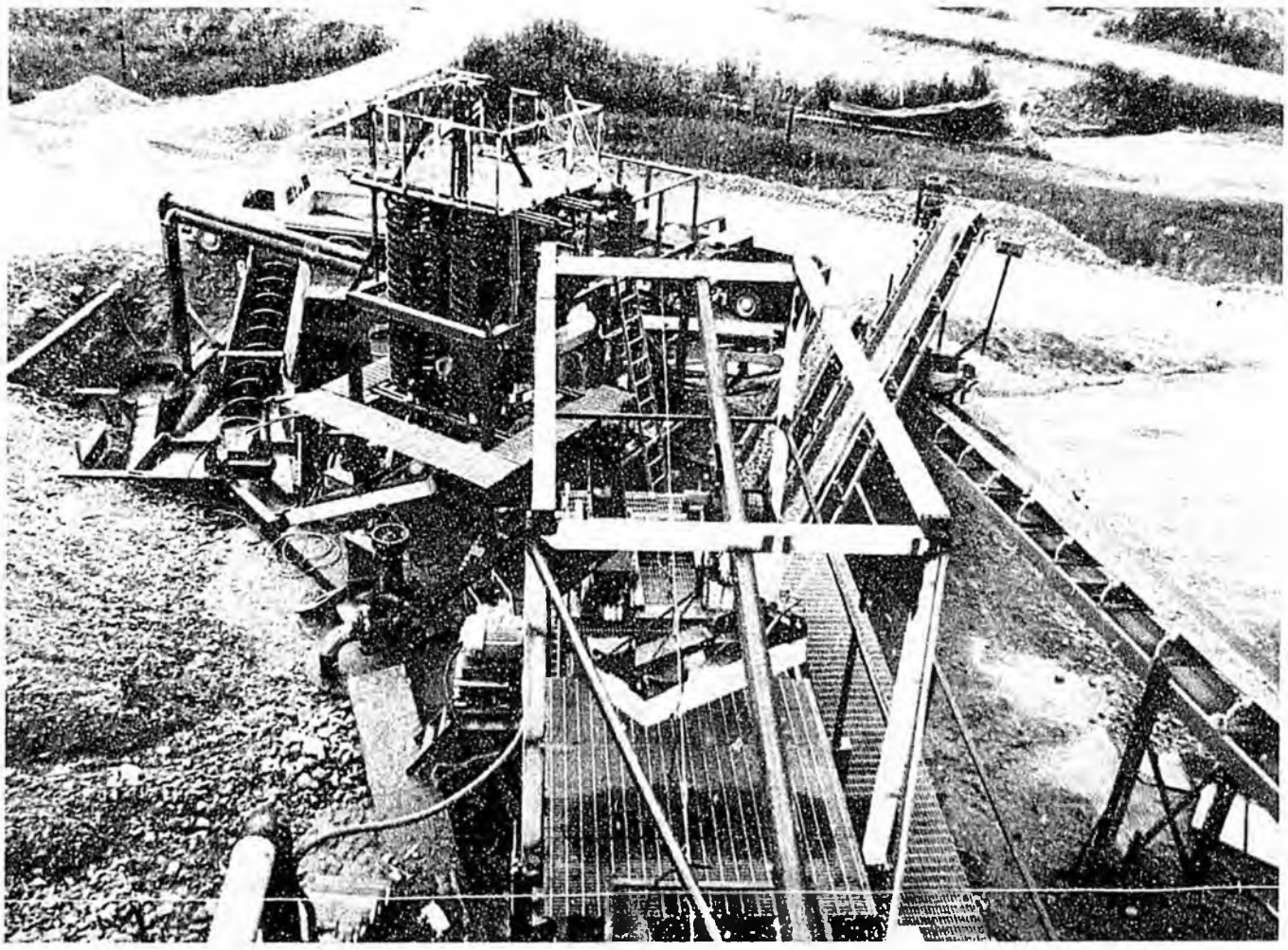
Sluice box in operation.
(PHOTO BY JOHN REEVES)

TABLE 5

EXPENDITURES BY MINE TYPE IN 1985
(X 1,000)

Region		R/A	Small	Medium	Large	Total
NORTH		$ 522	$ 5,211	$ 21,227	$ 21,299	$ 48,259
SOUTH		270	1,544	4,332	20,633	26,779
	Total	792	6,755	25,559	41,932	75,038
	Mine Average	$ 8.7	$ 38.6	$ 216.6	$ 1,169.1*	$ 237.0
	Percentage	1%	9%	34%	56%	100%

* The largest mines were not used to calculate average expenditures to reduce variability and increase confidence in average expenditures for the large mine classification. The largest mines are included in the total number of mines and the total expenditures, however.



EVECO placer operation near Fairbanks. (PHOTO BY R. FRAWLEY)

The data indicate that small operators invest over three times as much money on classification equipment as on gold recovery equipment, whereas medium and large operators invest about equally. Thus, as operators modernize their mining methods beyond the use of a simple sluice box, the small operators primarily use classification equipment and medium and large operators use classification equipment as well as sophisticated gold recovery equipment.

Table 8 presents 1985 exploration expenditures, estimated at $4.7 million or 6 percent of the total industry expenditure. Large operators accounted for 56 percent of the exploration costs, primarily as drilling expenses.

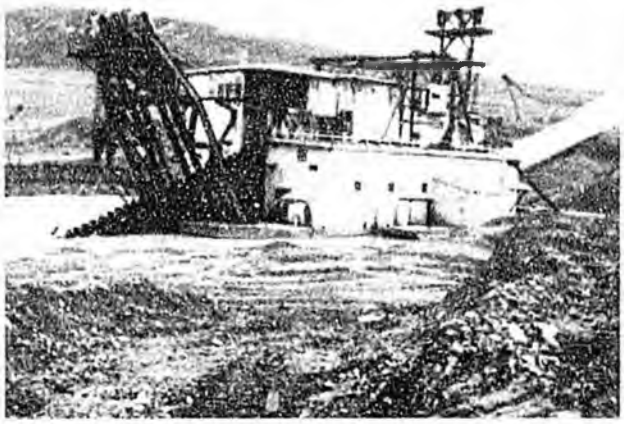
It is apparent from Table 8 that the smaller operators tend to use their own equipment for trenching and test pits, while the large operators tend to hire companies for exploration drilling. Table 8 also shows that exploration accounts for 19 percent of the total recreation and assessment expenditures, 11 percent of the small operators total expenditures, only 4 percent of the medium operators expenditures, and 6 percent of the large operators expenditures. As the data indicate, the smaller operators with intermittent production and those doing assessment work attribute more of their effort toward exploration.

TABLE 6

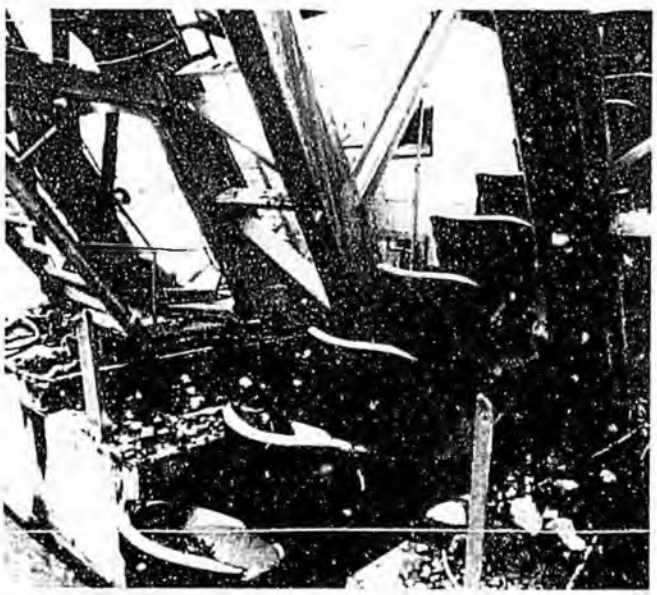
CHARACTERISTICS OF THE PLACER MINING INDUSTRY

	R/A	Small	Medium	Large	Average *
Average production (cubic yards/day)	39	218	577	4,159	672
Average length of operation (days per year)	32	25	58	101	43
Average employment (persons employed) **	2.9	3.6	6.0	27.1	6.4

* Weighted average not including R/A mines.
** Includes owner.



Platinum dredge at Goodnews Bay operated between 1937 and 1981 producing 545 oz. of platinum metals. For many years, this was the only producing platinum mine in the United States. Limited operations were conducted by Hanson Properties in 1983-1984.



(PHOTO RIGHT BY RONALD J. DOWERS, ABOVE PHOTO BY DENNIS SOUTHWORTH)

TABLE 7

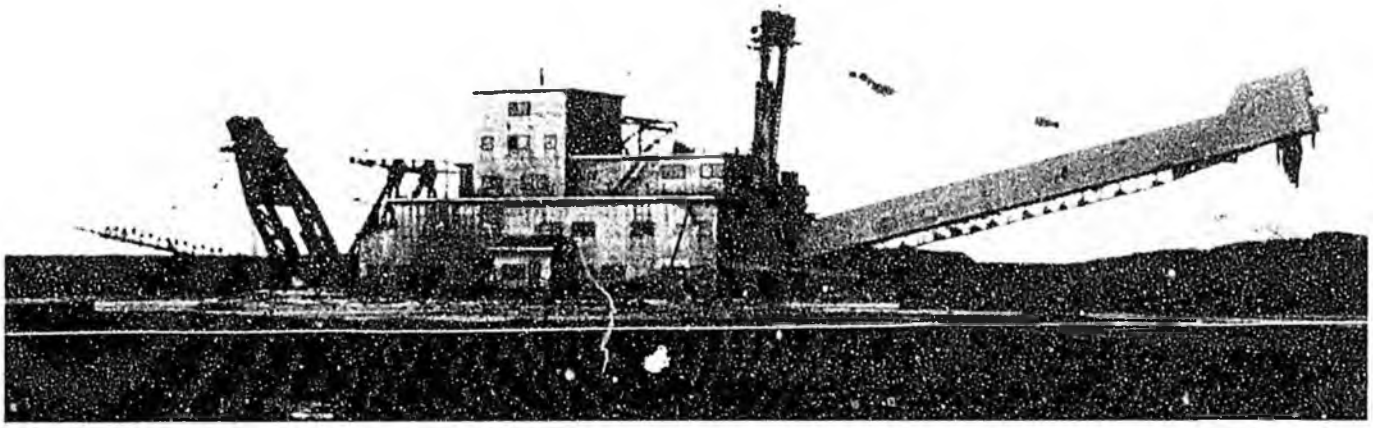
EXPENDITURES DURING THE LAST FIVE YEARS FOR CLASSIFICATION AND GOLD RECOVERY EQUIPMENT (x 1,000)

	R/A	Small	Medium	Large	Total
Gravel Washing & Classification	$ 12	$ 1,175	$ 2,997	$ 2,095	$ 6,279
Gold Recovery Equipment Other Than Sluice Boxes	$ 17	$ 368	$ 2,831	$ 1,784	$ 4,700
Total	$ 29	$ 1,543	$ 5,828	$ 3,879	$ 10,979

TABLE 8

1985 EXPLORATION EXPENDITURES
(x 1,000)

	R/A	Small	Medium	Large	Total
Drilling	$ 0	$ 133	$ 313	$ 2,212	$ 2,658
Geophysics	39	47	91	157	334
Test Pits, Cuts, or Trenches	113	590	745	284	1,732
Total	$ 152	$ 770	$ 1,149	$ 2,653	$ 4,724



Alaska Gold Co. dredge. (PHOTO BY DIVISION OF MINING)

5.0 OVERALL IMPACT ON STATE ECONOMY

The placer mining industry has an additional impact on the economy beyond the miners' direct expenditures. For example, when miners order sluice boxes built by a machine shop in Fairbanks, the machine shop must in turn make purchases from other suppliers and will have to add employees or have existing employees work longer hours. The machine shop's suppliers and their employees will spend money received from the machine shop and so the process continues, but with a diminishing effect, through the economy.

The miner's initial spending is the direct impact on the economy. The following rounds of spending and employment are the indirect impacts. It is through this process that even firms not selling directly to placer miners may benefit from the placer mining industry. Since some of the expenditures will go to firms outside the region, the effect of this spending will diminish with each round.

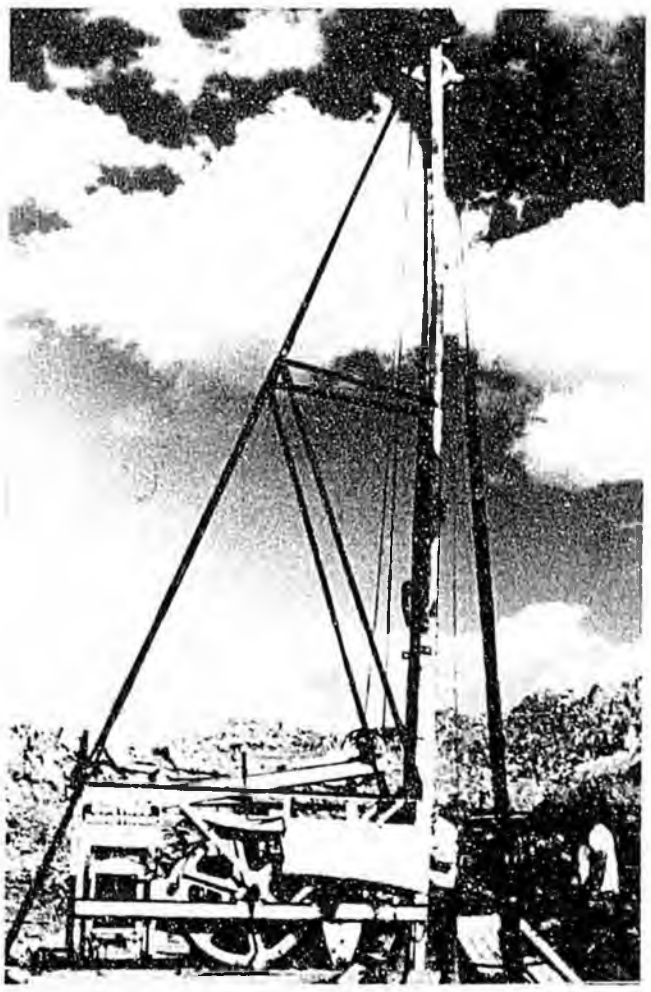
Input-output models show the interrelationships among industries in an economy, allowing estimation of the indirect effects of spending by individual industries. For this study, models were developed for the Fairbanks, Anchorage, and statewide economies. The models were developed by adjusting the detailed national model using methods similar to those recommended by the Bureau of Economic Analysis (Cartwright et al. 1981). While much of the adjustment requires the use of national and statewide averages, the data on the placer mining industry was derived directly from the surveys.

The statewide model used in this study was developed at the University of Alaska. This model allows estimates for up to 200 industries. Further development is being done under contract with the Office of Enterprise, Department of Commerce and Economic Development. The models for Fairbanks and Anchorage were developed for this study using the same techniques used to develop the statewide model.

Analysis of the input-output models allows estimation of the output, income, and employment multipliers showing the total impact on the economy resulting from placer mining. These multipliers are:

	OUTPUT	INCOME	EMPLOYMENT (per $ million)
Alaska	2.01	2.54	26.5
Fairbanks	1.71	2.14	23.1
Anchorage	1.88	2.49	25.9

The output multiplier shows the total dollar sales in the economy due to each dollar placer miners spend in Alaska. It allows calculation of the total sales in the economy due to placer mining. These sales are the sum of the placer miners' expenditures and the expenditures made by their suppliers to meet the miners' needs. It includes all rounds of spending.



Churn drill.
(PHOTO BY C.B. GREEN)

The income multiplier shows the total wages and salaries paid in the economy for each dollar placer miners spend on payroll. It allows calculation of the total salaries and wages paid in the economy due to placer mining, including the initial payroll expenditures by the miners and the payroll of mining support firms that is attributable to placer mining.

Similarly, the employment multiplier shows the total employment in the economy for each million dollars in the in-state expenditures made by placer miners. It allows calculation of the total employment in the economy due to placer mining. It includes both the direct employment at placer mines and the employment due to sales to placer miners.

The multipliers are different for each region due to both varying degrees of self-sufficiency and different types of expenditures by placer miners. Since the Fairbanks economy is less developed than that of Anchorage, there is more "leakage" from the region and so the multipliers are lower.

Based on these multipliers, the total impact on sales in Fairbanks is about $46 million, in Anchorage about $32 million, and in the state as a whole, $127 million. The total impact on salaries and wages in Fairbanks is $9.5 million, in Anchorage $5.5 million, and about $33 million in Alaska. The total impact on employment in Fairbanks is about 625 full-time employees, in Anchorage about 438, and in Alaska 1,678.

The models also provide estimates of the effect of placer mining on individual industries in each region. Industries that are significantly affected by placer mining expenditures and the direct and indirect sales and full-time employment due to placer mining appear in Table 9. The categories in Table 9 from the input-output models do not necessarily correlate with the expenditure categories used in the survey. For example, the category for trade represents wholesalers and retailers including those that sell heavy equipment. Notice that communications, utilities, banking, and restaurants and bars are not direct expense categories as defined in the surveys but are impacted by the placer mining industry through indirect spending.

While the methods used to develop the models have been shown to have a high degree of accuracy, these multipliers should be taken as estimates. Also, due to data limitations, the models represent the economy in 1982. Several studies show that the multipliers may often change in either direction by 5 to 10 percent per year.

TABLE 9

GROSS SALES AND FULL-TIME EMPLOYMENT
RESULTING FROM PLACER MINING

	Sales (x million)			Employment		
Support Industry	State	FBKS	ANCH	State	FBKS	ANCH
Fuel	$ 7.0	$ 2.7	$ 0.8	8	3	1
Equipment	6.4	0.7	1.7	55	6	15
Maintenance	2.7	1.3	0.8	26	12	8
Other Expenses	9.8	3.2	2.2	95	31	21
Communications	1.2	0.4	0.3	23	7	6
Utilities	0.6	0.1	0.2	3	0	1
Trade	12.8	4.8	3.5	448	169	123
Banking	0.9	0.2	0.2	25	7	7
Services	5.2	1.3	0.9	106	27	18
Restaurants & Bars	2.4	0.8	0.6	110	37	29
Health Services	0.7	0.3	0.3	26	10	9
All Other	77.6	30.6	20.3	753	316	201
Total	$ 127.3	$ 46.4	$ 31.8	1,678	625	438

6.0 COMPARISON WITH THE 1982 STUDY

There are several differences in the results between this and the 1982 study conducted by Louis Berger & Associates (1983) which warrant discussion. Two reasons account for most of the differences in the results: (1) Differences in the response rates to the surveys used in each study; and (2) more inactive mines and lower expenditures in 1985. The reasons for more inactive mines and lower expenditures include: (1) Lower gold prices; and (2) uncertainty caused by regulatory agencies regarding application of environmental protection criteria. These reasons were often cited in the written comments section of the 1985 questionnaire as reasons for being inactive, doing only assessment work, or reducing operations.

Lower gold prices are the most likely reason that the 1985 census of miners is smaller than that of 1982 by almost 100 mines. This is evident in the larger number of inactive mines, in the reduced number of small mines, and in the number of recreation/assessment mines. It is plausible that mines which ranked as small in 1982 are now classified in the recreational and assessment category. Also, smaller mines are affected more by lower gold prices than are larger mines,and therefore are likely to be the first mines to decrease or cease operations. The expenditures of medium mines are also lower than in 1982, but to a lesser extent than small mines.

Other differences between the results presented here and those of the 1982 study are probably due to differences in approach. The Berger study relied upon two surveys rather than one and it did not follow the survey design method used in this study. These two factors resulted in a lower response rate and consequently less reliable results in the 1982 study. With regard to expenditures, the higher response rate (228 compared to 40 detailed surveys) in this study, both from all mines and especially from mines located in the south, may account for the lower significance of Fairbanks in both total expenditures and employment in the 1985 results. In employment, Fairbanks was the source of 40 percent of total employment according to the 1982 results, but only 31 percent according to the results reported here. In contrast, rural Alaska appears to be the largest source of labor in this study. The Berger study did not detect the importance of rural Alaska because only the number of employees was determined, rather than the number of person-months. Apparently, people who live in rural areas, presumably near the mine itself, work for longer periods than those who have permanent residences elsewhere.

The total impact on employment and on income presented in the 1982 report were based on the best available model, but this model was simplistic, its multipliers were high, and the multipliers were misrepresented in the model. However, using the multipliers developed for the present study with the 1982 data results in the following comparison:

TABLE 10

COMPARISON OF 1982 AND 1985 SURVEY RESULTS, USING 1985 MULTIPLIERS

	Year	Anchorage	Fairbanks	Alaska
Total Sales (output)	1982	$ 18.2	$ 53.3	$ 108
(X million)	1985	$ 31.9	$ 46.3	$ 127
Total Wages (income)	1982	$ 7.0	$ 16.9	$ 34.0
(X million)	1985	$ 5.5	$ 9.5	$ 33.4
Employment	1982	250	718	1,426
(Full-time equivalent)	1985	438	625	1,678

The above figures demonstrate that the economic impact of placer mining in 1982 and 1985 is quite similar, especially with respect to the total impact on Alaska.

APPENDIX A: QUESTIONNAIRE

PLACER ECONOMIC SURVEY

STATE OF ALASKA
DEPARTMENT OF COMMERCE AND ECONOMIC DEVELOPMENT
OFFICE OF MINERAL DEVELOPMENT

IS PLACER MINING IMPORTANT TO ALASKA'S ECONOMY?

You can make a difference!

We cannot answer this question without your help. This information will aid miners, legislators, the business community, and government personnel in recognizing the importance of this industry.

Help us determine the economic impact of placer mining on Alaska by answering all of the questions in this survey. If you wish to comment on any question, please use the margins or the book page.

Return the questionnaire to:

L. A. Peterson & Associates, Inc.
118 Slater Drive
Fairbanks, AK 99701

The major objective of this study is to determine the economic impact of placer mining on the communities near your mine and on Alaska as a whole. To do this, information is needed on your firm's level of purchases from other industries and on what proportion of these purchases are from Alaska firms.

To ensure confidentiality of your information, you are not asked to give your name or the exact location of your mine. The number on the questionnaire identifies you for the purpose of keeping track of who has (and hasn't) responded. This is necessary to assure the integrity of the survey and to send reminders to those who have not yet responded. Once your completed questionnaire has been received by us, the number will be clipped and the information you have submitted will become anonymous.

Q-1. WHAT MINING DISTRICT IS YOUR MINE LOCATED IN?

_____

Q-2. AT WHAT STAGE OF OPERATION IS YOUR MINE?

____exploration
____development
____production
____recreation
____inactive — If inactive, you do not need to complete the rest of the questionnaire. However, it is important that you return this survey. Thank you for your help.

Q.3. ON WHAT DAY DID YOU BEGIN MINING OPERATIONS (INCLUDING MOBILIZATION, STRIPPING, AND OTHER ACTIVITIES) THIS YEAR?

_____

ON WHAT DAY DID YOU SHUT DOWN ALL OPERATIONS?

_____

Q.4. HOW MANY DAYS THIS SEASON DID YOU SLUICE OR OTHERWISE PROCESS PAY GRAVEL FOR GOLD RECOVERY? _____

HOW MANY CUBIC YARDS OF GRAVEL (AVERAGE) DID YOU PROCESS PER DAY OF SLUICING OR OTHER RECOVERY THIS YEAR?

_____

Q-5. PERSONNEL

a. HOW MANY MONTHS DID YOU WORK AT THE MINE OR ON MINE-RELATED BUSINESS IN 1985? _____

b. IS YOUR PERMANENT RESIDENCE IN: _____FAIRBANKS ____ANCHORAGE ____OTHER ALASKA ____OUTSIDE ALASKA

c. HOW MANY PEOPLE, OTHER THAN YOURSELF, WORKED FOR THE MINE DURING 1985 (include mobilization, stripping, winter maintenance, and other activities)? _____ _____

d. In order to estimate the employment impact of placer mining, it is important to know both how long your employees worked on summer and winter activities and where their permanent residence is. (Do not include yourself in this chart)

	# OF PEOPLE FROM FAIRBANKS	# OF PEOPLE FROM ANCHORAGE	# OF PEOPLE FROM OTHER ALASKA COMMUNITIES	# OF PEOPLE FROM OUTSIDE ALASKA
WHO WORKED LESS THAN 1 MONTH				
1 MONTH				
2 MONTHS				
3 MONTHS				
4 MONTHS				
5 MONTHS				
6 MONTHS				
7 MONTHS				
8 MONTHS				
9 MONTHS				
10 MONTHS				
11 MONTHS				
12 MONTHS				

Q-6. HOW MUCH DID YOUR FIRM SPEND ON THE FOLLOWING IN 1985?

AMOUNT

a. **FUEL** $_____
diesel, gasoline, propane, lube oil

b. **SUPPLIES** $_____
tools, lumber, camp supplies, food, steel, welding supplies, ground engaging tools

c. **EQUIPMENT PURCHASE OR RENTAL** $_____
bulldozers, draglines, loaders, backhoes, pumps, washing plant, sluice box, generators, pipe, welders, trucks

d. **EQUIPMENT MAINTENANCE** $_____
parts and non-mine labor

e. **SERVICES** $_____
consultants, accounting, insurance, legal services, financial services, interest payments

f. **ROYALTIES, FEES AND PERMITS** $_____

g. **OTHER EXPENSES** $_____
freight, utilities, smelter fees, shop rent, travel, office rent, drilling, aircraft charters, etc.

h. **LABOR** $_____
it is very important to include total employee compensation both in cash and in kind

TOTAL EXPENDITURES $_____

Q-7. WHAT PERCENTAGE OF EACH COMMODITY DO YOU PURCHASE IN EACH AREA?

COMMODITY	% PURCHASED IN FAIRBANKS	% PURCHASED IN ANCHORAGE	% PURCHASED IN OTHER ALASKA COMMUNITIES	% PURCHASED OUTSIDE ALASKA	
FUEL					= 100%
SUPPLIES					= 100%
EQUIPMENT PURCHASE OR RENTAL					= 100%
EQUIPMENT MAINTENANCE					= 100%
SERVICES					= 100%
OTHER EXPENSES					= 100%

Q-8. WHAT PLACER MINING METHODS DO YOU USE?

____ hand
____ hydraulic (high pressure water only)
____ mechanical (bulldozer, loader, etc.)
____ dredging (bucket line)
____ drifting (underground mining)
____ suction dredging

Q-9. TYPE OF EQUIPMENT. Please list the major equipment used in your mining operation (such as bulldozers, draglines, loaders, pumps, washing plant, sluice box, generators, camp, shop facilities, etc.). Please include the size of each and how many you have.

QUANTITY	EQUIPMENT TYPE AND SIZE

Q-10. DURING THE LAST 5 YEARS, HAVE YOU CHANGED YOUR GRAVEL WASHING OR GOLD RECOVERY EQUIPMENT BY ADDING ANY OF THE FOLLOWING EQUIPMENT? YES _____ NO _____

Equipment	Cost	Year Purchased
a. Vibrating Screen	_____	_____
b. Vibrataing Grizzly	_____	_____
c. Trommel	_____	_____
d. Mechanical Feeder	_____	_____
e. Other Classification Methods.	_____	_____
Describe _____		
_____		
f. Jigs	_____	_____
g. Spirals	_____	_____
h. Gold recovery methods other than sluices.	_____	_____
Describe _____		
_____		

Q-11. DURING 1985, DID YOU UNDERTAKE ANY EXPLORATION PROGRAMS TO LOCATE RESERVES BEYOND YOUR CURRENT MINING AREA? YES _____ NO _____

	COST
a. Drilling	_____
b. Geophysics	_____
c. Test pits, cuts, or trenches	_____

Please use this space for any additional comments you wish to make that you think may help us in future efforts to understand the economic impact of placer mining.

_____

_____ _____

_____ _____

_____ _____

Please call collect Karl Hanneman, at 452-6700, or Larry Peterson, at 456-6392, if you have any questions or comments concerning this study.

If you would like a summary of the results, pleast print your name and address on the back of the return envelope (NOT on this questionnaire). We will see that you get it.

Your contribution to this effort is greatly appreciated.

APPENDIX B: BIBLIOGRAPHY

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Office of Mineral Development
State of Alaska
675 - 7th Avenue (Station A)
Fairbanks, Alaska 99701

COVER PHOTOS:

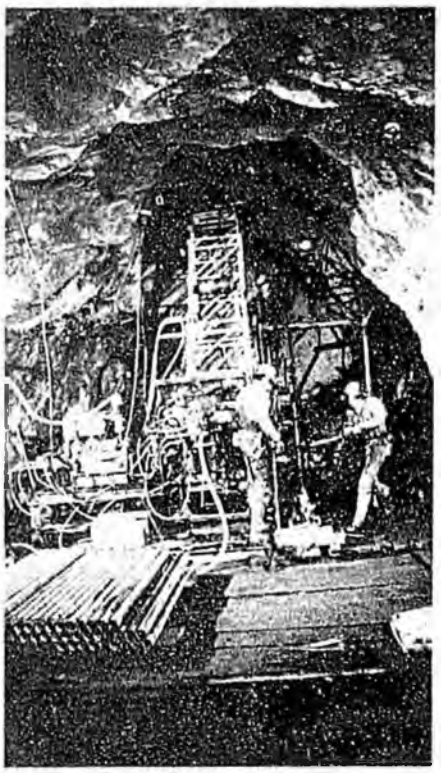
Upper left: **Dredge No. 5, Alaska Gold, Inc. at Nome**
Photo by C.B. Green

Upper right: **John Miscovich, placer operator at Flat**
Photo by M. Miller

Lower photo: **IHC placer recovery plant at Gold Dust Mine near Fairbanks**
Photo by John F.M. Sims

Initial Report of the

Alaska Minerals Commission



January 1987

Initial Report of the

ALASKA MINERALS COMMISSION

to

Governor Steve Cowper

and the

Alaska Legislature

January 1987

FOREWORD

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

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

The Commission is charged with preparing an initial report to be presented to the governor and the legislature at the beginning of the 1987 legislative session and a final report to be presented to the 1989 legislative session, after which the Commission will expire. The Commission will also prepare an interim report for the 1988 legislative session.

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

The inaugural meeting of the Commission was held in August 1986 and included the election of Earl Beistline, Chairman and Darrell Spilde, Vice Chairman. A Statement of Purpose was drafted (Appendix A) and committees were organized in the areas of land management, regulations, transportation, administrative policy and education.

Additional meetings were held in September, October, November and December of 1986 to prepare the Commission's initial report. Two meetings were held in Fairbanks and three were held in Anchorage. Meetings were preceded by public notice, and meeting agendas included public testimony. A mailing list of over 100 individuals, organizations and companies with interest in the minerals industry was prepared, and copies of meeting minutes and other business are sent to members on the mailing list.

In December 1986, Darrell Spilde resigned his seat due to work commitments, and Roger Burggraf was appointed by the President of the Senate, Don Bennett to fill the vacancy. Joe Usibelli was elected to succeed Darrell Spilde as Vice Chairman at the December meeting of the Commission.

Committees are chaired by Commission members and participants in committee meetings included representatives from miners' associations, mining companies, native corporations, government agencies, other resource industry associations and interested individuals.

The initial report of the Commission recommends as its priority the adoption of an Alaska Minerals Policy Act. Additional recommendations are proposed in the areas of land management; regulations and administrative policy; transportation and infrastructure; and the promotion of mineral development, education and technology.

One area which the Commission has not addressed in its initial report is the subject of mineral taxation, leasing and royalties. This subject is complex and while the Commission has not had sufficient time to review it, this area will be addressed in future reports.

The Commission will continue its work over the next two years, following up on the results of recommendations presented in this report and making additional recommendations in future reports.

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

Earl Beistline
Chairman

ALASKA MINERALS COMMISSION

Members

Del Ackels, Owner-Operator
GOLDUST MINES
Fairbanks, Alaska

Earl Beistline
Mining Consultant
Fairbanks, Alaska

G. G. (Jerry) Booth, Mgr. Alaska Operations
COMINCO ALASKA, INC.
Anchorage, Alaska

Roger Burggraf, President
ALASKA MINERS ASSOCIATION
Fairbanks, Alaska
(Appointed December 1986)

Joe Davis, Senior Manager
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Nome, Alaska

Don Finney, Ketchikan Manager
U. S. BORAX AND CHEMICAL CORP.
Ketchikan, Alaska

Karl Hanneman
Mining Engineer
Fairbanks, Alaska

Jenny Hawley, Vice President
HAWLEY RESOURCE GROUP, INC.
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Peter Richardson, Mgr. Project Admin.
GREENS CREEK MINING COMPANY
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Initial Report of the

ALASKA MINERALS COMMISSION

January 1987

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EXECUTIVE SUMMARY

The Alaska Minerals Commission was created by an act of the 14th Legislature and signed into law by Governor Sheffield. The Legislature directed the Commission to "make recommendations to the governor and the legislature on ways to mitigate the constraints, including governmental constraints, on the development of minerals, including coal, in the state."

As its priority, the Commission recommends legislative adoption of a minerals policy act which will guide all state actions affecting mineral development and which will provide the foundation for other recommended legislative and administrative actions.

The Commission has made additional recommendations in the areas of land management; regulations and administrative policy; transportation and infrastructure; and the promotion of mineral development, education and technology. The executive summary highlights those recommended actions that the Commission feels will have the most immediate and important benefits for the viability and the growth of Alaska's mineral industry.

Alaska Minerals Policy Act — Many of the problems facing the mineral industry stem from the lack of a clear, statutory policy supporting the responsible development of Alaska's mineral resources.

The Commission members are unanimous in their belief that the greatest immediate need is the passage of an enforceable mineral policy act during the next legislative session which will implement Article VIII, Section 1 of the Constitution of Alaska by encouraging the development of Alaska's resources by making them available for maximum use, by establishing that resource development is consistent with the public interest, and by directing that resource development is an economic priority of the state. (Recommendation 1; page 7)

Multiple-Use of Alaska Lands — The principle of "multiple-use" on Alaska lands has been abrogated to emphasize the primacy of recreational, habitat and aesthetic uses. The present legislative definition of "multiple-use" means management for more than one use but not necessarily for more than two uses. Therefore, mineral development, and other resource development, can and have been restricted or effectively prohibited on state "multiple-use" lands.

The legislature should amend Alaska Statute 38.05.300 to require legislative approval of the closure of more than 640 acres of state lands to mineral entry and should amend the various definitions of "multiple-use" to require the management of state lands for the use of all resources. (Recommendations 2-3; pages 8 & 9)

Coastal Zone Management — By approving coastal management programs that give local authorities total control of activities within their districts, the state is relinquishing its authority to manage and regulate resource development. State approved coastal management plans contain unwarranted extensions of coastal zone boundaries and subordinate uses of "State Concern and National Interest."

The legislature should require coastal zone boundaries to be redrawn as legislatively approved in 1979 and should require that all district management programs be subjected to legislative oversight as proposed in Senate Bill 185 of the 1986 legislative session. (Recommendations 10-11; pages 9 & 10)

Lead Agency Authority for Permitting — The management of the surface use of lands is statutorily vested in the Department of Natural Resources. However, other agencies have assumed overlapping authority or been given co-management authority. This has allowed agencies with other mandates to impose stipulations on surface activities and in the case of the Department of Fish and Game to develop a parallel surface management program for habitat.

The Department of Natural Resources should be designated lead agency for all surface management and granted final authority for the permitting of mineral resource development. (Recommendations 14-16; page 11)

Water Quality — Water treatment technology has not yet been developed that will allow placer miners to economically attain state quality standards for drinking water. Since virtually all waters of the state are classified for drinking water regardless of actual use, the entire industry is threatened by increased enforcement being mandated by the courts.

The legislature should amend Title 46 of the Alaska Statutes as proposed in House Bill 627 of the 1986 legislative session with changes proposed by the Commission, and the Governor should direct the Department of Environmental Conservation to: assume management of the federal N.P.D.E.S. water quality program; support economically achievable federal effluent limitations; implement a site-specific regulatory program; and pursue stream reclassification. (Recommendations 17-21; page 12)

Costs and Benefits of Regulations — Estimating the costs of proposed regulations and comparing them to the expected benefits is a prudent function of responsible government. Alaska mineral producers face higher costs inherent in doing business in Alaska. Unecessary and excessive indirect costs due to unreasonable regulations reduces the competitiveness of Alaska businesses.

The Legislature should require agencies proposing regulations to analyze the costs and benefits of those regulations as proposed in House Bill 458 of the 1986 legislative session. (Recommendation 23; page 13)

Wage and Hour Laws — Alaska's present wage and hour laws do not allow employers the same degree of flexibility as permitted under federal law. Remote mining projects using rotational work crews that must commute long distances would benefit from the use of irregular or flexible work weeks as permitted under federal law.

The Legislature should amend Alaska's laws to incorporate the flexibility allowed in federal wage and hour provisions. (Recommendation 28; page 14)

Transportation and Infrastructure — The lack of an established transportation system and associated infrastructure is a primary impediment to resource development in Alaska. Of far-reaching concern is the ability of the state to gain access rights to develop transportation and infrastructure corridors.

The Governor should re-affirm Alaska's rights of access as provided under Revised Statute 2477, assert several pivotal rights-of-way vital for future access to remote mineralized areas, and adopt and implement a statewide transportation and infrastructure plan. (Recommendations 29-30: page 15)

Support for Mining Services in State Government — Alaska's economic future depends upon the development of its natural resources. In order to have a viable mineral industry, the state must demonstrate that it is an advocate of mining and reverse Alaska's poor reputation with the domestic and international mining industry.

The state's advocacy and promotional functions for mineral development should be strengthened and retained within the Department of Commerce and Economic Development; the regulatory and managerial functions within the Department of Natural Resources must be supported to assure the necessary operation of Alaska's mining laws and regulations; and the state geological survey should be supported to carry out a field program of geologic mapping, mineral assesments and the timely publication of its reports. (Recommendations 31, 34; page 16)

Technology Transfer — The state would realize large benefits from allocating a fraction of present expenditures for existing enforcement, research and grant programs by providing field assistance to placer miners in the implementation of innovative and new technologies that reduce environmental impacts of placer mines.

The Legislature should direct that the University of Alaska Mining Extension Program be broadened to include an experienced placer mining engineer to assist placer miners in the field with site-specific water quality, reclamation, mineral beneficiation and gold recovery problems. (Recommendation 36, page 17)

INTRODUCTION

Alaska is entering a period of economic change. Those sectors of the economy supported directly by oil production or indirectly by pass-through spending of government revenues will be severely impacted.

Mining is one sector of the economy that is not directly affected by the loss of state revenue or by a decrease in oil related activities as it does not appreciably depend on the level of funding in state capital or operating budgets.

While economic changes have depressed the oil industry in Alaska, there have been several economic changes favorable to the mining industry. Increased metal prices, lower fuel and labor costs, and lower interest rates should be working favorably for the growth of the mining industry in Alaska.

Yet, economic information for 1986 indicates that all is not well. The placer mining industry suffered a 27 percent decrease in the number of mines, a loss of 390 jobs statewide and a 16 percent decrease in gold production. In contrast, placer gold production in the Yukon Territory is expected to set a new record in 1986.

Exploration activities in Alaska remained at their lowest level in some 15 years, down nearly 90 percent from 1981 levels. In contrast, exploration in British Columbia increased some 30 percent in 1986 to a level 10 times greater than in Alaska.

While there are many factors that contribute to the lowered level of mineral activity in Alaska, the comparison with activity in the Yukon Territory and British Columbia—areas which share similar geology, climates and costs—indicates that there are fundamental impediments and constraints to conducting exploration and mining in Alaska.

Comments from individuals in the industry are revealing. Questionnaires are annually mailed to miners for use in preparing an annual mineral industry report jointly published by the Department of Commerce and Economic Development and the Department of Natural Resources. The comments which follow are excerpts from the responses to those questionnaires.

The following two comments are from questionnaires returned by managers of exploration programs.

> "I now confine most of my exploration activities to the southwestern U.S. where it is more economic and not as difficult to deal with the environmental regulations. Alaska is a wonderful place to try to develop mines but the economics and constantly more difficult environmental restrictions are almost too enormous to overcome. I hope this changes in the future. Somehow this message needs transmitting to those who can effectuate a change for the better. As I recommended the last four years, the only way to effectuate change for the better is to withdraw investment in exploration in Alaska. As you may realize, that was a very difficult thing for me to do. I hope in the future it will change"

> "The problem is the lack of a clearly defined policy by governmental agencies toward mining activities. This uncertain environment makes us hesitate or abandon possible projects."

The following comment is from an Alaska Native Corporation.

> "We have an extremely difficult time attracting joint venture partners from the minerals industry to finance development. Alaska has an extremely poor reputation with the minerals industry. Most companies prefer to invest their money elsewhere."

The following two comments are from placer miners.

> "(The problems include) water quality regulations which are not practical and too costly to comply with. Lack of understanding of the placer industry by people in the regulatory agencies. There are new people all the time. Because of the uncertainty of getting revised standards for water quality regulations which would be practical and economically attainable, we cannot justify capital expenditures for modernizing our equipment. We are unable to implement long term mining plans."

> "Without doubt, the main problem is the clean water regulations which for some operations are impossible to meet. I have not mined on my claims now for two years. I have been waiting for a reason to return if that ever happens."

The 14th Legislature, in the enabling legislation that created the Alaska Minerals Commission, cited many of the problems currently facing the industry.

> ". . . there are major constraints on the continued development of a diverse mineral industry in the state, including the Environmental Protection Agency's effluent guidelines, state water quality standards and improperly classified streams and rivers, restrictions on surface access, complex and numerous permitting requirements, a limited access to minerals through mineral closing orders and restrictions on multiple use through state and federal land use plans."

Prior to World War II, Alaska enjoyed an international reputation for its placer and hard rock mining industries. Mining was primarily responsible for the construction of Alaska's highway and railroad systems, the founding of many of its modern communities including Fairbanks, Nome and Juneau, and the well being of much of Alaska's economy.

While the mining industry will never replace the bonanza revenues generated by oil production, it can provide thousands of new jobs, increase the tax base, reduce pass through payments and other economic benefits which will contribute to the increased diversity and stability of Alaska's economy.

This report sets out the preliminary findings of the Alaska Minerals Commission and proposes recommendations that will allow Alaska's mineral industry to grow and reestablish its economic importance to Alaska.

RECOMMENDATIONS OF THE ALASKA MINERALS COMMISSION

I. ALASKA MINERALS POLICY ACT

FINDINGS: Many of the problems facing the mineral industry stem from the lack of a clear, statutory policy supporting the responsible development of Alaska's mineral resources. The Commission members are unanimous in their belief that the greatest immediate need is the passage of a mineral policy act during the next legislative session which will implement Article VIII, Section 1 of the Constitution of Alaska by encouraging the development of Alaska's resources by making them available for maximum use, by establishing that resource development is consistent with the public interest, and by directing that resource development is an economic priority of the state. Such a policy act will become the foundation for other legislative and administrative actions recommended in this report.

The effectiveness of an act that sets policy depends entirely upon its implementation. To assure that the policies presented here will become active and enforceable policies of the state, a section enumerating the rights of citizens to take legal action has been incorporated. This section is modeled after the rights granted citizens under the federal Clean Water Act.

THE COMMISSION RECOMMENDS THAT:

1. The LEGISLATURE enact an Alaska Mineral Policy Act by amending Title 44, Article 99 of the Alaska Statutes with the addition of the following sections:

Section 44.99.200 DECLARATION OF STATE MINERAL POLICY. In conformance with Article VIII, Section 1 of the Constitution of Alaska, and to further the goals of the state economic development policy to maintain a sound economy, stable employment and to encourage responsible economic development in the state for the benefit of present and future generations through the purposeful development of the state's abundant mineral resources including metals, industrial minerals, and coal; it is the policy of this state:

(1) that Alaska's lands be available for mineral exploration and development through multiple-use practices that shall not subordinate mineral resource development;

(2) that mineral development not be encumbered by excessive, unreasonable or uneconomical legislative or administrative actions;

(3) that a comprehensive system of transportation and infrastructure be developed in Alaska that allows mineral products from the state to enter the market place;

(4) that the general and public functions of the state which promote mineral development, which inform and educate the people, and which advance the knowledge and technology of the mineral industry be supported.

Section 44.99.205 ENFORCEMENT. (a) Any citizen may commence a civil action on his or her own behalf against any person (including (i) the State of Alaska, (ii) any other governmental instrumentality or agency, and (iii) any government employee or officer acting in his or her official capacity) when there is alleged a failure of such person to carry out any policy under this act.

(b) The court, in issuing any final order in any action brought pursuant to this litigation, may award costs of litigation (including reasonable attorney and expert witness fees) to any party, whenever the court determines such an award is appropriate.

II. LAND MANAGEMENT

A. Multiple-Use

FINDINGS: The amount of land in Alaska that will ever be used for mining is very small (less than three-tenths of one percent of the land area of the United States has been disturbed by mining since 1776). Yet the majority of Alaska lands have been withdrawn from mineral entry. In 1968, only 53 million acres (14%) were closed to mineral entry. In 1986, 234 million acres (62%) of Alaska's lands have been closed to mineral entry.

Over 80% of all federal land in Alaska is closed, much of it having been withdrawn by ANILCA and subsequent federal land management plans. In recent years the implementation of regional state land-use plans and the legislative creation of state parks or other special use areas have resulted in the present closure of 8% of state owned lands.

Additionally, complex, overlapping and restrictive land management policies as well as on-going lawsuits cloud the rights of the holders of mining claims or leases, and discourage further investment in the development of Alaska's mineral resources.

On state lands not closed to mining, the principle of multiple-use management has been abrogated to emphasize the primacy of recreational, habitat and aesthetic uses. At present, the legislature has defined "multiple-use" to mean management for more than one use but not necessarily more than two uses. Therefore, the designation of wildlife habitat and scenic values as primary land uses satisfies the state's interpretation of "multiple-use" management though it results in the restriction or prohibition of mining.

This practice subordinates the use of mineral resources and discourages the development and extraction of mineral resources. For example, in the Nelchina Public Use Area (which is designated as a multiple-use area) exploration, development and extraction of subsurface resources is allowed only if found to be compatible with the primary uses of wildlife habitat and recreation. While state lands classified for such uses are technically open for mineral entry, the risk that the development and extraction of minerals will be restricted is sufficient to discourage investment on these lands, further reducing the effective land base in Alaska available for mineral use.

Before the state disposes of its resources, whether through leases or sales, the Department of Natural Resources must make a determination that the action will serve the best interests of the state. The benefits of economic development have not always been adequately addressed in making best interest determinations.

THE COMMISSION RECOMMENDS THAT:

2. The Legislature amend Alaska Statute 38.05.300 as follows:

> Classification of lands. (a) The commissioner shall, where considered necessary and proper, classify land for surface use. This section does not prevent reclassification of land, where the public interest warrants reclassification, nor does it preclude multiple use of land whenever different uses are compatible. State land, water, or land and water area may not, except by act of the state legislature, be closed to multiple use or to mineral entry if the area involved contains more than 640 acres.

3. The Legislature redefine, to conform with constitutional intent, the various definitions of "multiple use" in the Alaska Statutes to require the management of state lands for the use of all resources rather than allocating or selectively denying resource use;

4. The Legislature make closures of land to mineral entry only where documented and demonstrated incompatible use is proven and only when preceded by a mineral assessment;

5. The Legislature and Governor periodically review lands closed to mineral entry to assess the need for continued closure and, if there is no longer a compelling need for closure, return the land to multiple-use designation;

6. The Governor require state planning agencies to encourage the use of all resources on its lands rather than designating single or primary uses and require that only when a documented and demonstrated incompatible use is proven should there be any restrictions on the use of any resource;

7. The Governor direct the Commissioner of the Department of Natural Resources to review state lands presently classified other than Resource Management Lands and reclassify most of the state's lands as Resource Management Lands as per 11 AAC 55.200 to be managed for multiple-use;

8. The Governor make clear to the U.S. Congress and Federal Administration that further restrictions or withdrawals of federal land from multiple-use designation are not acceptable and assure that regulations enacted to implement the provisions of the Alaska National Interest Lands Conservation Act protect the "prior existing rights and exemptions" allowed in that act;

9. The Governor establish that mineral development is a priority in the best interest of the state that must be recognized in all state land management actions requiring a "Best Interest Finding".

B. Coastal Zone Management

FINDINGS: Coastal Zone Management programs have exceeded the intent of the law and are being challenged by the federal government. The programs include unwarranted extensions of boundaries far beyond a reasonable definition of coastal areas (in some cases hundreds of miles inland); have designated subsistence and fisheries as primary uses, subordinating all other uses even when they are "Uses of State Concern and National Interest"; and have included absolute prohibitions on certain activities. The approval of these programs by the Alaska Coastal Policy Council constitutes the relinquishment by the state of its authority to manage and regulate resource development.

Additionally, the making of "consistency determinations" within the Office of the Governor, Division of Governmental Coordination has added a new layer of government to the permitting process for projects in the coastal zone. Not only has this removed authority from those agencies already vested to manage Alaska's lands, but has increased the likelihood that the permitting process be subject to political pressures rather than solely technical considerations.

THE COMMISSION RECOMMENDS THAT:

10. The Legislature affirm coastal zone boundaries as originally defined by biophysical areas in 1978 by the Alaska Department of Fish and Game and approved by the legislature in 1979;

11. The Legislature reintroduce and pass legislation requiring legislative oversight of district management programs as originally stated in the Alaska Coastal Management Program and set forth in Senate Bill 185 as written during 1986 session (Appendix C);

12. The Governor re-assert that mining, oil and gas development and other resource development are "Uses of State Concern" and, as such, cannot be unduly restricted by local coastal zone programs;

13. The Governor establish lead agency authority for permit processing under the Department of Natural Resources and revoke Administrative Order 78 in order to return Coastal Zone Management consistency determinations to the resource agencies.

III. REGULATIONS AND ADMINISTRATIVE POLICY

A. Lead Agency Authority for Permitting

FINDINGS: Currently it is common practice for an agency that has statutory authority for the issuance of a permit to accept for addition to an applicant's permit any stipulations or requirements proposed by other agencies which have either limited or no statutory authority. As a result permits are issued with conditions that are unnecessary, unreasonable, uneconomical, and excessive.

THE COMMISSION RECOMMENDS THAT:

14. The Legislature direct the Department of Natural Resources to assume lead agency authority for the permitting of mineral resource development projects; mandate the Department to protect the rights to explore for and develop mineral resources on Alaska lands; and grant the Department final authority to determine the relevance, appropriateness and need to include permit stipulations, conditions and requirements proposed by other agencies;

15. The Legislature not diminish the statutory authority of the Department of Natural Resources in the management of Alaska's lands by granting co-management status to or by requiring concurrence of other agencies;

16. The Governor transfer all state mineral-related regulatory functions to the Department of Natural Resources, grant the Department sole responsibility for the promulgation and enforcement of environmental and operational regulations affecting the mining industry, and grant the Department, as the statutory manager of surface and subsurface lands of the State of Alaska, the responsibility for the management of habitat.

B. Water Quality Management

FINDINGS: One of the principal causes for the decline of the placer mining industry is the inability of the industry to attain drinking water standards in mine discharge water. In the early 1970's, virtually all waters of the state were classified for all uses including drinking water. Water users, such as miners, are required to meet standards for the highest classified use of the receiving waters. Since virtually all Alaska waters include drinking water as a use, miners are required to meet standards designed for drinking water.

Of particular concern is the turbidity standard which indirectly measures the amount of solids suspended (not easily settled) in the water. The most notable effect of turbidity is aesthetic. The more turbid the water, the less clear it is. Of the various water quality criteria affected by placer mining, such as settleable solids and toxic substances, turbidity is the criteria with the least impact.

Yet the turbidity standard is the most stringent and the most difficult to attain. The turbidity of receiving waters classified for drinking water use cannot be increased greater than 5 NTU's above background levels. The increment of 5 NTU's is so small as to be indistinguishable to the human eye.

Yet, the individual miner risks fines of up to $10,000 per day for exceeding the turbidity or other standards.

While the water quality regulations have been in effect for many years (but have been largely unenforced), recent court actions have now mandated enforcement.

At present, water treatment technology has not been developed that will allow the placer miner to economically attain the turbidity standard for drinking water. Several recent research projects have demonstrated techniques that can significantly reduce the amount suspended sediment causing turbidity in mine effluent water, but for most sites these new methods will not attain current standards. Despite the implementation of these new methods and investment in necessary equipment, the placer miner will not be assured of continued operation. In order to establish the stability necessary for the industry to invest in improved mining methods, the regulations must incorporate standards with attainable thresholds.

THE COMMISSION RECOMMENDS THAT:

17. The Legslature amend Title 46 of the Alaska Statutes as set forth in HB 627 of the 1986 legislative session (Appendix D) with changes proposed by the Commission to Section 46.03.892 of that bill as follows:

Sec. 46.03.892 REGULATION OF DISCHARGED WATER. (a) is amended to read:

When considering the quality of discharge of water and establishing regulations for the quality of discharge of water, the commissioner may require a person who discharges water to meet a discharge standard that is compatible with the immediate downstream appropriated use. Except where the immediate downstream appropriated use is drinking water, the quality standards of the discharged water will reflect a range of values which are technically and economically attainable and which are satisfactory for other downstream uses. The range of said values cannot be more restrictive than federal standards.

18. The Governor support only those effluent limitations that are economically achievable for the size-class of the operation to which they apply and, when the state submits written comments on the proposed National Effluent Guidelines for placer mining due to be published in March 1987, support only those technologies where benefits exceed costs;

19. The Governor direct the Department of Environmental Conservation to assume the Federal National Pollutant Discharge Elimination System (NPDES) program;

20. The Governor direct the implementation of a site-specific program for the regulation of water quality on mining operations to include temporary permit modifications, compliance schedules for start-up operations, and the use of a mixing zone (in time as well as volume) extending to the point of the next higher current use;

21. The Governor direct the Department of Environmental Conservation to actively pursue stream reclassification, to continue as a test case the reclassification procedures for the Tolovana River using field-data collected in 1986 for this purpose, and to develop and implement a new classification other than "industrial" which recognizes that turbidity does not have sufficient negative long term impact to warrant eradication of Alaska's placer mining industry;

22. The Governor require that policy decisions affecting water quality regulations be based upon the findings of completed research and proven technology.

C. Costs and Benefits of Regulations

FINDINGS: Alaska mineral producers often face higher costs due to a harsher climate, higher labor costs, higher capital costs for transportation and infrastructure, and other reasons. To remain competitive, unjustified or unnecessary indirect costs must not be allowed to price Alaska producers out of the market place. Estimating the costs of proposed regulations and comparing them to the expected benefits is a prudent function of responsible government.

THE COMMISSION RECOMMENDS THAT:

23. The Legislature require agencies proposing regulations to describe the effects of the proposed regulations including the economic impacts, the probable costs and benefits and other analyses as set forth in HB 458 of the 1986 Legislative Session (Appendix E).

D. Use of Performance Standards

FINDINGS: Regulations for the mining industry often require that certain performance standards be attained as well as require that specific designs be used to achieve attainment. For example, coal mining regulations set minimum quality levels for discharge water (performance standards) and specify the use of settling ponds (design standard) to achieve them. This does not allow operators to satisfy performance standards in alternate ways, and stifles innovations that may reduce costs. Furthermore, if required design standards are insufficient to achieve performance standards, the operator is placed in a situation of double jeopardy.

Laws and regulations should require specific design standards only for reasons of public health and safety. In all other situations, the operator should have the discretion to use the design best suited to attain the performance standard in the most effective and efficient way.

THE COMMISSION RECOMMENDS THAT:

24. The Legislature require that regulations and permits be based upon reasonable performance standards rather than design and engineering specifications.

E. Duplication of Regulatory Authority

FINDINGS: The administrative branch of state government has become a complex bureaucracy with multiple agencies vying for regulatory management of mineral development.

THE COMMISSION RECOMMENDS THAT:

25. The Governor review the statutory authority, administrative regulations, and current orders, actions, procedures of all agencies and take such measures and actions necessary to eliminate overlapping regulatory authority and duplication of permitting requirements.

F. Waiver of Inappropriate Regulations

FINDINGS: Situations occur where regulations, mandated for all classes of operations, may be clearly inappropriate or inapplicable for a specific operation or situation. In these cases, there is no discretionary authority granted state agencies to waive the requirements.

THE COMMISSION RECOMMENDS THAT:

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

G. Qualifications of Administrative Personnel

FINDINGS: Many positions within state government which affect mining activities have been filled with personnel with little or no background in mining, engineering, geology, business or other technical or professional training necessary to understand and resolve the issues they are charged to carry out.

THE COMMISSION RECOMMENDS THAT:

27. The Governor require that only persons with training and experience in mining be appointed to the position of Director of the Division of Mining, and that other personnel within the Department of Natural Resources working in positions affecting the mineral industry have the technical expertise necessary to assure competence in the performance of their duties and have professional qualifications commensurate with their responsibilities

H. Wage and Hour Laws

FINDINGS: Alaska's present wage and hour laws do not contain the flexibility permitted under federal law. For example, the use of a four-day work week with ten-hour shifts is not allowed without paying overtime. Alaska mining projects such as Red Dog, Greens Creek and Quartz Hill and other future mines will be remote from the residences of their employees requiring the use of longer hour work days to make the most efficient use of rotational work crews commuting long distances. The present wage and hour laws will greatly increase labor costs for remote projects, decreasing their competitiveness.

THE COMMISSION RECOMMENDS THAT:

28. The Legislature amend Alaska's Wage and Hour laws as proposed (Appendix F) to permit the use of irregular or flexible work weeks as permitted by federal law.

IV. TRANSPORTATION AND INFRASTRUCTURE

FINDINGS: The lack of an established transportation system and associated infrastructure is a primary impediment to mineral development in Alaska. While there have been many discoveries of world class deposits made in Alaska over the last two decades, lack of access has delayed or will indefinitely postpone their development.

Revised Statute 2477 (RS 2477), a federal law passed in 1866, grants rights-of-way for highways over public lands not otherwise reserved for public uses. In 1961, the Alaska Supreme Court established parameters for what constitutes a valid RS 2477 right-of-way under Alaska law. RS 2477 was repealed in 1976 by the Federal Land Policy and Management Act (FLPMA), but Congress re-affirmed in the act all RS 2477 rights existing prior to 1976.

THE COMMISSION RECOMMENDS THAT:

29. The Governor re-affirm Alaska's rights of access as provided by RS 2477; assert several pivotal rights-of-way which are vital for access to Alaska's remote mineralized areas; advise the Secretary of the Interior that the state desires to work with all interested federal agencies regarding the establishment of any new federal guidelines on the processing of RS 2477 assertions; and direct that the state's draft document of November 6, 1985 entitled "RS 2477 Policies and Procedures" be finalized and published;

30. The Governor adopt and implement a statewide infrastructure and transportation plan which includes the identification and development of access corridors within the state.

V. PROMOTION OF MINERAL DEVELOPMENT, MINERAL EDUCATION AND TECHNOLOGY

A. Promotion and Advocacy for Mineral Development

FINDINGS: Alaska's future depends on the development of its natural resources and the state must encourage a positive attitude towards responsible development. The economic benefits of resource development must be represented within state government, and there must be an advocacy office for the promotion of mineral development. Agencies with regulatory duties cannot objectively assume the full role for advocacy.

THE COMMISSION RECOMMENDS THAT:

31. The Legislature strengthen and retain in the Department of Commerce and Economic Development the advocacy functions performed by the Division of Minerals and Forest Products and support the managerial and regulatory functions performed by the Division of Mining in the Department of Natural Resources necessary for the efficient operation of the mining laws and regulations of Alaska;

32. The Governor establish regular cabinet meetings for the purpose of encouraging mineral development, attracting mining investment to the state, and resolving mineral development issues;

33. The Governor direct the Department of Natural Resources to more strongly emphasize the economic benefits of resource development in its policies and actions.

B. Geologic Surveys

FINDINGS: The functions performed by the state geological survey are fundamental to the development and maintenance of the mining industry, and the performance of mineral assessments of lands proposed for mineral closure is an essential function of the survey.

At present, less than 10% of Alaska has been geologically mapped in sufficient detail to be useful for mineral exploration. Geologic mapping of mineralized terranes, and other surveys performed by qualified geological professionals provide the basic information on which mineral exploration programs are designed. An effective geologic survey must be maintained or industry's ability to effectively explore for minerals in Alaska will continue to be diminished and the state's sincerity to encourage mineral development will be in question.

THE COMMISSION RECOMMENDS THAT:

34. The Legislature support the state geological survey to maintain a staff of qualified personnel to carry out a field program of geologic mapping and other surveys, to perform mineral assessments on lands proposed for mineral closure, and to publish reports in timely fashion;

35. The Governor direct the state geological survey to adopt as its priorities geologic mapping and other surveys, the performance of mineral assessments on lands proposed for mineral closure, and the timely publication of completed reports, surveys and maps.

C. Technology Transfer

FINDINGS: In past years, the state has spent millions of dollars on research projects, grants and increased enforcement programs. For a fractional expenditure, the state would benefit enormously by providing training and on-site assistance in the application of innovative or new technologies which enhance the operational efficiencies and environmental impacts of their mines. To be effective, such assistance should not be provided by agencies or personnel responsible for regulatory activities.

THE COMMISSION RECOMMENDS THAT:

36. The LEGISLATURE enact a resolution (Appendix G) directing that the function of the University of Alaska Mining Extension program be broadened to include a field presence by an experienced placer mining engineer to assist placer miners with site-specific water quality, mineral beneficiation, gold recovery and reclamation problems.

D. Professional and Technical Training

FINDINGS: The education of mining engineering and geology professionals, and the vocational and technical training of Alaska residents for positions in mining and mineral exploration is beneficial to the industry and assures that resident hire is maximized. Many of the jobs in mining projects will be available to rural residents of the state and the availability of training is essential to assure local employment.

THE COMMISSION RECOMMENDS THAT:

37. The Governor maintain the University of Alaska Fairbanks School of Mineral Engineering;

38. The GOVERNOR maintain the vocational and technical training services currently provided to Alaska's mineral industry.

E. Education

FINDINGS: The "Alaska Resource Kit: Minerals", which is being used in the statewide public school system, is an excellent program for educating Alaska's students in the issues and fundamentals of resource development. The program is a cooperative effort between the Department of Education which developed the curriculum and is responsible for its implementation, and the Alaska Minerals and Energy Resource Education Fund (AMEREF), an industry supported organization which funds the production, revision and replacement of the teaching materials.

THE COMMISSION RECOMMENDS THAT:

39. The Governor establish a formal position for mining and resource education within the Department of Education and provide program support for the continued dissemination and implementation of the "Alaska Resource Kit: Minerals" curriculum.

APPENDICES

A. Alaska Minerals Commission: Statement of Purpose

B. Chapter 98, Session Laws of Alaska, 1986 (Senate Bill 418)

C. Senate Bill 185, 1986 Legislative Session

D. House Bill 627, 1986 Legislative Session

E. House Bill 538, 1986 Legislative Session

F. Wage and Hour Bill Proposed for 1987 Legislative Session

G. University of Alaska, Mining Extension Program

Appendix A.

ALASKA MINERALS COMMISSION
STATEMENT OF PURPOSE

The Alaska Minerals Commission was created by the 14th Legislature in Chapter 98 of the Session Laws of 1986 and was established to make recommendations to the Governor and to the Legislature on ways to mitigate constraints on the development of minerals in the State.

The minerals industry offers the greatest potential of any Alaska industry for expanding and diversifying the State's economic base; for increasing Statewide employment; and for generating new wealth to create businesses and provide revenues for State and local governments.

However, Alaska has a complex pattern of land ownership and management; has overlapping and uncertain regulatory requirements; has unique geographic, geologic and climatic conditions; and has an underdeveloped transportation system.

To attract the capital necessary for the exploration and development of new mines; to ensure that mines can be developed feasibly and in timely fashion; and to ensure that producing mines remain viable—constraints on the industry must be mitigated.

The Alaska Minerals Commission will prepare reports for the First and Second Sessions of the 15th Legislature, and the First Session of the 16th Legislature, recommending to the Governor and to the Legislature the adoption of legislation and the implementation of administrative policy that will best accomplish the statement of policy found in Article VIII, of the Constitution of Alaska:

> "It is the policy of the State to encourage the settlement of its land and development of its resources by making them available for maximum use consistent with the public interest."

and the statement of policy found in the President's National Materials and Minerals Report to Congress of April 7, 1982:

> "It is the policy of this Administration to decrease America's mineral vulnerability by taking positive action that will promote our national security, help ensure a healthy and vigorous economy, create American jobs, and protect America's national resources and environment."

The goals of the recommendations of the Alaska Minerals Commission are to assure that the Legislature and the state administration encourage and promote development of a viable mining industry in the state.

Appendix B.

Chapter 98
Session Laws of Alaska, 1986
(Senate Bill 418)

AN ACT

Relating to the Alaska minerals commission; and providing for an effective date.

Section 1. (a) The legislature finds that the minerals industries, including metallic minerals, industrial minerals, and hydrocarbons, have been traditionally and continue to be the major source of wealth and income in the state.

(b) The legislature further finds that there are major constraints on the continued development of a diverse mineral industry in the state, including the Environmental Protection Agency's effluent guidelines, state water quality standards and improperly classified streams and rivers, restrictions on surface access, complex and numerous permitting requirements, a limited access to minerals through mineral closing orders and restrictions on multiple use through state and federal land use plans.

Sec. 2. ALASKA MINERALS COMMISSION ESTABLISHED. (a) The Alaska Minerals Commission is established in the Department of Commerce and Economic Development.

(b) The commission is composed of 11 members. The commission shall be composed of individuals who have at least five years' experience in the various aspects of the minerals industries in the state. The governor shall appoint five members of the commission. The speaker of the House of Representatives shall appoint three members of the commission.

(c) The commission shall make recommendations to the governor and to the legislature on ways to mitigate the contraints, including governmental constraints, on development of minerals, including coal, in the state.

(d) The commission shall make its preliminary recommendations to the governor and the legislature during the first 10 days of the First Regular Session of the Fifteenth Legislature and shall make its final report to the governor and the legislature during the first 10 days of the First Regular Session of the Sixteenth Legislature.

Sec. 3. This Act is repealed February 1, 1989.

Sec. 4. This Act takes effect immediately in accordance with AS 01.10.070(c).

AUTHENTICATION

The following officers of the Legislature certify that the attached enrolled bill, Commi .ee Substitute for Senate Bill No. 418 (Resources) _____, consisting of 2 pages, was passed in conformity with the requirements of the constitution and laws of the State of Alaska and the Uniform Rules of the Legislature.

Passed by the Senate May 5, 1986

President of the Senate

ATTEST:

Secretary of the Senate

Passed by the House May 11, 1986

Speaker of the House

ATTEST:

Chief Clerk of the House

ACTION BY GOVERNOR

Approved by the Governor June 6 19 86

Governor of Alaska

Appendix C

Introduced: 2/21/85
Referred: Resources

IN THE SENATE

BY FAHRENKAMP, HALFORD, FAIKS, ZIEGLER, KERTTULA AND P.FISCHER

SENATE BILL NO. 185

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - FIRST SESSION

A BILL

For an Act entitled: "An Act relating to legislative disapproval of the Alaska Coastal Management Program."

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

* Section 1. AS 46.40.080 is amended to read:

Sec. 46.40.080. EFFECTIVE DATE OF ALASKA COASTAL MANAGEMENT PROGRAM. The Alaska coastal management program adopted by the council, and any additions, revisions, or amendments of the program, shall be submitted to the legislature. The program or changes take effect 60 days after they are submitted unless disapproved by act of the legislature [UPON ADOPTION OF A CONCURRENT RESOLUTION BY A MAJORITY OF THE MEMBERS OF EACH HOUSE OF THE LEGISLATURE OR BY A VOTE OF THE MAJORITY OF THE MEMBERS OF EACH HOUSE AT THE TIME THE HOUSES ARE CONVENED IN JOINT SESSION TO CONFIRM EXECUTIVE APPOINTMENTS SUBMITTED BY THE GOVERNOR].

* Sec. 2. AS 46.40.090(a) is amended to read:

(a) A district coastal management program [APPROVED BY THE COUNCIL AND THE LEGISLATURE] for a coastal resource district that [WHICH] does not have and exercise zoning or other controls on the use of resources within the coastal area shall be implemented by appropriate state agencies. Implementation shall be in accordance with the comprehensive use plan or the statement of needs, policies, objectives and standards adopted by the district.

Appendix D

Offered: 5/1/86
Referred: Rules

Original sponsor: H.W.Miller by request

IN THE HOUSE BY THE RESOURCES COMMITTEE

SENATE CS FOR CS FOR HOUSE BILL NO. 627 (Resources) am S

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the appropriation of water."

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

* Section 1. AS 16.05.050 is amended by adding a new subsection to read:

(b) The commissioner may not require a higher discharge quality for appropriated water used in placer mining than the quality of water received for the use.

* Sec. 2. AS 38.05.020 is amended by adding a new subsection to read:

(c) The commissioner may not require a higher discharge quality for appropriated water used in placer mining than the quality of water received for the use.

* Sec. 3. AS 46.03 is amended by adding a new section to read:

Sec. 46.03.892. REGULATION OF APPROPRIATED WATER. (a) When considering the quality of appropriated water and establishing regulations for the quality of appropriated water, the commissioner may require a person who appropriates water to meet a standard that is equal but not higher than a standard attainable through the application of best practicable and economically sustainable technology associated with the particular use.

(b) The commissioner may not require a higher discharge quality standard for appropriated water than the quality of water received for use.

* Sec. 4. AS 46.15 is amended by adding a new section to read:

Sec. 46.15.045. SMALL SCALE USE OF WATER. A person may use less

than a significant amount of water without a permit unless the commissioner determines under AS 46.15.080(b) that the use of less than a significant amount of water without a permit is not in the public interest. A person using less than a significant amount of water without a permit acquires no water right or priority unless an application is filed and a permit or certificate is issued under AS 46.15.030 - 46.15.185.

Sec. 5. AS 46.15.133(f) is amended to read:

(f) The commissioner may, by regulation, designate additional types of appropriations that [WHICH] are exempt from this section and provide simplified procedures for ruling on the applications.

Sec. 6. AS 46.15.133 is amended by adding a new subsection to read:

(g) An application to appropriate not more than 1,000 gallons of water a day is exempt from the notice provisions of this section except that the commissioner shall notify the Department of Fish and Game of each application to appropriate water from a stream designated under AS 16.05.870. Notwithstanding this subsection, the commissioner may require public notice under this section

(1) on a determination that the total amount of water available in an area is limited considering the number of potential users from the source of the water, or

(2) on request of the municipality in which the area is located.

Sec. 7. AS 46.15.260 is amended to read:

Sec. 46.15.260. DEFINITIONS. In this chapter, unless the context otherwise requires,

(1) "appropriate" means

(A) to divert, impound, or withdraw a quantity of water from a source of water, for a beneficial use; or

(B) to reserve water under [IN ACCORDANCE WITH] AS 46 15 145;

(2) "appropriation" means

(A) the diversion, impounding, or withdrawal of a quantity of water from a source of water for a beneficial use; or

(B) the reservation of water under [IN ACCORDANCE WITH] AS 46 15 145;

(3) "beneficial use" means a use of water for the benefit of the appropriator, other persons or the public, that is reasonable and consistent with the public interest, including, but not limited to, domestic, agricultural, irrigation, industrial, manufacturing, fish and shellfish processing, navigation and transportation, mining, power, public, sanitary, fish and wildlife, recreational uses, and maintenance of water quality;

(4) "source of water" means a substantial quantity of water capable of being put to beneficial use;

(5) "water" means all water of the state, surface and subsurface, occurring in a natural state, except mineral and medicinal water;

(6) "commissioner" means the commissioner of natural resources;

(7) "director" means the director of land and water management [THE DIVISION OF LANDS], Department of Natural Resources;

(8) "person" includes an individual, partnership, association, public or private corporation, state agency, municipality [POLITICAL SUBDIVISION] of the state, and the United States, [ ]

(9) "mineral and medicinal water" means

(A) water of a hot spring or spring with curative properties that [WHICH] has been reserved by the federal

government under Public Land Order No. 399, and

(B) geothermal fluid, as [THE TERM IS] defined in AS 41 06.060;

(10) "significant amount of water" means

(A) a use of more than 5,000 gallons of water in a single day from a single source; or

(B) the regular daily or recurring seasonal use of more than 500 gallons of water a day for 10 days or more a year from a single source; or

(C) a water use that may adversely affect the water rights of another appropriator or the public interest.

* Sec. 8. AS 16 05.050(b), AS 38 05.020(c), and AS 46.03.892 are repealed on the date the state assumes responsibility for the pollutant discharge elimination program authorized by sec. 402 of the Act of June 30, 1948, 33 U.S.C. 1342.

Appendix E

Offered: 4/1/86
Referred: Judiciary

Original sponsors: Fagnalberi, Cato,
Marrou, et al

IN THE HOUSE BY THE STATE AFFAIRS COMMITTEE

CS FOR SPONSOR SUBSTITUTE FOR HOUSE BILL NO. 458 (State Affairs)

IN THE LEGISLATURE OF THE STATE OF ALASKA

FOURTEENTH LEGISLATURE - SECOND SESSION

A BILL

For an Act entitled: "An Act relating to the adoption of regulations; and providing for an effective date."

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

* Section 1. AS 44.62.190 is amended by adding a new subsection to read:

(d) An agency may not adopt, amend, or repeal a regulation if more than one year has elapsed since the first publication of notice of proposed action under this section. When more than one year has elapsed, an agency may revive the proposed action by republication in accordance with (a) of this section.

* Sec. 2. AS 44.62 is amended by adding a new section to read:

Sec. 44.62.197. REGULATORY ANALYSIS. (a) An agency shall issue a regulatory analysis of a proposed regulation if, within 20 days after publishing the notice of proposed action, a written request is submitted to the agency by a legislator, another agency, a political subdivision of the state, the governor, as authorized by a vote of the Administrative Regulation Review Committee, or by 50 persons signing a single request.

(b) Upon receipt of a request under (a) of this section, the agency shall prepare the regulatory analysis. The analysis must quantify the data to the extent practicable, take into account both short-term and long-term consequences, and

(1) describe the classes of persons who probably will be directly affected by the proposed action, including the classes who

will bear the costs of the proposed regulation and the classes who will benefit;

(2) describe the probable quantitative and qualitative effect of the proposed regulation, economic or otherwise, on the classes of persons affected;

(3) set out the probable cost to the agency and any other agency for implementing and enforcing the proposed regulation and the anticipated effect on state revenue;

(4) compare the probable cost and benefits of the proposed regulation with the probable cost and benefits of inaction;

(5) determine whether there are less costly or less intrusive methods for achieving the purpose of the proposed regulation.

(c) The person or persons requesting the regulatory analysis may, by express statement in the request, waive one or more of the requirements of (b) of this section.

(d) A concise summary of the regulatory analysis shall be published in the administrative journal at least 10 days before the earliest of

(1) the end of the period for making written comments on the proposed regulation; or

(2) the end of the period during which an oral public proceeding may be requested.

(e) The published summary must indicate where to obtain copies of the full text of the analysis and when, where, and how persons may comment on the proposed regulation.

(f) If an agency has made a good faith effort to comply with the requirements of (a) - (c) of this section, the regulation may not be invalidated on the ground that the contents of the regulatory analysis are insufficient or inaccurate.

* Sec. 3. AS 44.62.200(a) is amended to read:

(a) The notice of proposed adoption, amendment, or repeal of a regulation shall include

(1) a statement of the time, place, and nature of proceedings for adoption, amendment, or repeal of the regulation;

(2) reference to the authority under which the regulation is proposed and a reference to the particular code section or other provisions of law which are being implemented, interpreted, or made specific;

(3) an informative summary of the proposed subject of agency action, including a summary of the initial justification of need;

(4) other matters prescribed by a statute applicable to the specific agency or to the specific regulation or class of regulations;

(5) a summary of the fiscal information required [TO BE PREPARED] under AS 44.62.195.

Sec. 4. AS 44.62 is amended by adding a new section to read:

Sec. 44.62.205. JUSTIFICATIONS OF NEED. (a) When a state agency files a notice of proposed action under AS 44.62.190, the agency shall make available to the public an initial justification of need for the proposed action. The initial justification shall

(1) describe the problem, condition, or circumstance the regulation is intended to address;

(2) specify the purpose of the regulation and the factual basis for the agency's determination that the regulation is reasonably necessary to carry out the purpose;

(3) identify documents upon which the agency is relying in proposing the action; and

(4) describe practical and reasonable alternatives to the proposed action.

(b) When a state agency submits a regulation or order of repeal for filing with the lieutenant governor under AS 44.62.040, the agency shall make available to the public a final justification of need concerning the regulation or order of repeal. The final justification shall include

(1) the complete text of a regulation that is adopted or amended and a list of regulations repealed;

(2) a summary of the comments and objections received and an explanation of changes made to the proposed regulation in response to the information or the reasons for rejecting the comments or objections; and

(3) the reasons for rejecting proposed alternatives.

* Sec. 5. AS 44.62.210 is amended by adding a new subsection to read:

(c) If at least 15 interested persons submit a written request for a public hearing at least 10 days before the end of the initial comment period, a state agency shall promptly schedule a public hearing on the proposed action. The agency may extend the comment period if necessary to provide at least 14 days' notice of the public hearing.

Sec. 6. AS 44.62.230 is amended to read:

Sec. 44.62.230. PROCEDURE ON PETITION. Upon receipt of a petition requesting the adoption, amendment, or repeal of a regulation under AS 44.62.180 - 44.62.230, a state agency shall, within 30 days, deny the petition in writing, including the reasons for the denial, or schedule the matter for public hearing under AS 44.62.190 - 44.62.210. However, if the petition is for an emergency regulation [,] and the agency finds that an emergency exists, the requirements of

AS 44 62 190 - 44 62 210 do not apply, and the agency may submit the regulation to the lieutenant governor immediately after making the finding of emergency and putting the regulation into proper form.

Sec. 7. AS 44 62 is amended by adding a new section to read:

Sec. 44 62 205. RECORDS OF PROPOSED ACTIONS. (a) A state agency shall maintain a file of the proceedings concerning the adoption, amendment, or repeal of a regulation. The file shall include

(1) petitions received under AS 44 62 220;

(2) published notices of proposed action under AS 44 62 190;

(3) justifications of need required by AS 44 62 205;

(4) fiscal information under AS 44 62 195;

(5) a regulatory analysis, if required under AS 44 62 197;

(6) each document submitted in connection with the proposed action;

(7) each document upon which the agency is relying for the proposed action;

(8) a transcript, recording, or minutes of each public hearing connected with the proposed action; and

(9) other information that the state agency is required by law to consider or prepare in connection with the proposed action.

(b) The agency shall maintain a log that identifies each item contained in the file and the date on which the item was received. The file shall include an affidavit by the employee responsible for maintaining the file stating that the file contains all of the documents required by this section and the date the file was completed.

(c) The file is a public record.

Sec. 8. AS 44 62 300 is amended to read:

Sec. 44 62 300. COURT REVIEW. An interested person may get a

judicial declaration on the validity of a regulation by bringing an action for declaratory relief in the superior court. In addition to any other ground the court may declare the regulation invalid

(1) for a substantial failure to comply with AS 44 62 010 - 44 62 320, [, OR]

(2) in the case of an emergency regulation or order of repeal, upon the ground that the facts recited in the statement do not constitute an emergency under AS 44 62 250;

(3) for failure to comply with AS 44 62 205; or

(4) if the justification of need fails to present sufficient facts to establish by a preponderance of the evidence the need for the regulation.

Sec. 9. AS 44 62 640(a) is amended by adding a new paragraph to read:

(5) "document" means a written or electronic communication of any kind, except a telephone communication, considered by an agency during the adoption, amendment, or repeal of a regulation.

Sec. 10. AS 44 62 190 as enacted by sec. 1 of this Act, AS 44 62 205(b) as enacted by sec. 4 of this Act, and the amendments made by secs. 5 and 9 of this Act apply to proposed regulations, amendments, and orders of repeal that have not been submitted to the lieutenant governor for filing before the effective date of this Act. The amendment made by sec. 6 of this Act applies to petitions that have not been scheduled for public hearing or denied before the effective date of this Act.

* Sec. 11. The amendments made by secs. 2, 3, 7, and 8 of this Act, and AS 44 62 205(a) enacted by sec. 4 of this Act do not apply to proposed regulations, amendments, or orders of repeal for which a notice of proposed action has been published before the effective date of this Act.

* Sec. 12. This Act takes effect July 1, 1986.

Appendix F

Introduced:

Referred: Labor & Commerce

IN THE BY

IN THE LEGISLATURE OF THE STATE OF ALASKA

FIFTEENTH LEGISLATURE - FIRST SESSION

A BILL

For An Act entitled: "An Act relating to payment of overtime and a good faith exception to damages for unpaid overtime, unpaid minimum wages, and liquidated damages; and providing for an effective date."

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

* Section 1. AS 23.10.060 is amended by adding a new paragraph to read:

(19) work performed under a pay plan approved under AS 23.10.062.

* Section 2. AS 23.10 is amended by adding a new section to read:

Sec. 23.10.062. IRREGULAR AND FLEXIBLE WORK HOUR PLANS. (a) The department may approve a pay plan that provides fixed rates of pay for irregular or flexible work hours as provided in this section. The department shall review a proposed plan or proposed changes to a plan already approved. A plan or change to an approved plan is not valid until it receives written approval from the department.

(b) The department may approve a plan if the plan is entered into under an agreement as part of a collective bargaining contract or in accordance with (c) of this section and if the plan is

(1) a flexible work hour plan that provides for a 40-hour work week and not more than a 10-hour work day; and that requires the employer to pay compensation at a rate of one and one-half times the regular rate of pay for work over 40 hours per week or 10 hours per day;

(2) an irregular work hour plan that provides a fixed

weekly wage for irregular weekly hours not to exceed 60 hours in a work week and that requires the employer to pay compensation at a rate of one and one-half times the regular rate of pay for work over 60 hours per week; the department may not approve a plan under this paragraph unless it finds that

(A) the nature of the employer's business and the duties of the employee require irregular hours of work that will average 40 hours per week over an extended length of employment; and

(B) neither the employer nor the employee is able to control or anticipate with certainty the number of hours of work;

(3) a flexible work week plan that provides a fixed weekly wage for no more than 60 hours of work per work week and that requires the employer to pay compensation at a rate of one-half times the effective hourly rate of pay for hours in excess of 40 but less than 60 hours per week; the effective hourly rate of pay is determined by dividing the fixed weekly wage by the actual hours worked in a work week, not exceeding 60 hours; hours worked in excess of 60 hours per work week are paid at one and one-half times the effective hourly rate of pay for a 60-hour work week at the fixed weekly wage; the department may not approve a plan under this paragraph unless it finds that the nature of the employer's business and the duties of the employee require irregular hours of work that will average 40 hours per week over an extended length of employment.

(c) An employer and an employee shall enter a signed written agreement at the time of hiring establishing the day and place of payment, and the rate of pay for a work plan under this section. These items may not be changed unless the change is agreed to no later than the pay day before the time of change.

* Sec. 3. AS 23.10 is amended by adding a new section to read:

Sec. 23.10.112. GOOD FAITH EXCEPTION. In an action to recover unpaid minimum wages, unpaid overtime compensation, or liquidated damages under AS 23.10.050 - 23.10.150, if the employer shows to the satisfaction of the court that the act or omission giving rise to the action was in good faith and that the employer had reasonable grounds for the act or omission, the court may refuse to award liquidated damages or may award an amount less than the amount established in AS 23.10.110.

* Sec. 4. This Act applies to payment of wages for work performed after the effective date of this Act.

* Sec. 5. AS 23.10.060(17) and 23.10.060(18) are repealed.

* Sec. 6. This Act takes effect immediately in accordance with AS 01.10.070(c)

Appendix G.

BE IT RESOLVED BY THE LEGISLATURE OF THE STATE OF ALASKA

WHEREAS the University of Alaska School of Mineral Engineering, Mineral Industry Research Laboratory and Mining Extension Program have a history of distinguished service as a leader in scientific and technical research and education related to the mining industry; and

WHEREAS the placer mining industry is currently faced with a strenuous challenge to develop economically feasible methods of gold recovery and wastewater management to comply with the stringent standards of water quality, including the turbidity standard, demanded by current state and federal regulations; and

WHEREAS the placer mining industry contributes as much as $127,000,000, including economic multipliers into the Alaskan economy; and

WHEREAS the Alaska legislature appropriated $3,000,000 through Senate Bill 461 for the purpose of furthering innovative research into fine gold recovery and wastewater treatment techniques that could help the industry improve its mining techniques; and

WHEREAS this innovative grants program has demonstrated some encouraging techniques that have the potential for widespread application to the industry; and

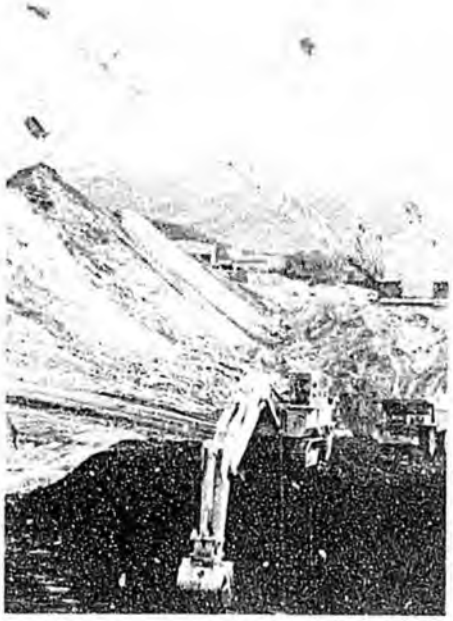
WHEREAS there exists a significant need for technology transfer to educate the industry on the use of these encouraging techniques; and

WHEREAS this technology transfer would be most productive if conducted in a positive, cooperative atmosphere, rather than under regulatory duress; and

WHEREAS the economic and environmental well being of the state would be enhanced should this technology transfer succeed;

BE IT RESOLVED by the Alaska State Legislature that the University of Alaska Mining Extension Program develop a Technical Assistance Program to provide a 9 month position with a 4 month field presence by an engineer qualified by Alaskan placer mining experience and a degree in Mining Engineering or Mineral Processing to provide on-site, site-specific technology transfer to the placer industry; and

BE IT FURTHER RESOLVED that a total of $55,000 be appropriated to the University of Alaska Mining Extension Program to support the Technical Assistance Program for the first year.



STATE OF ALASKA

STEVE COWPER, GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

OFFICE OF THE COMMISSIONER

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

March 10, 1987

The Honorable Jack Coghill
Chair, Senate Resources Committee
P.O. Box V
Juneau, AK 99811

Dear Senator Coghill:

Subject: SB 94, relating to mineral policy.

Background: After the first hearing on the bill, representatives from the resource departments and the Department of Commerce and Economic Development met among themselves and with the Attorney General's office and various members of the minerals industry in order to fashion a bill which addressed the Administration's concerns, yet retains the essential intent, language and accountability of the original version.

Position: The Administration recognizes the need for and strongly supports the implementation of a Mineral Policy Act. In the original bill submitted to the Resources Committee, the Administration identified several technical concerns, as identified in the Attorney General's opinion, dated February 12, 1987, and as testified to by Tom Koester.

With respect to Section 1, paragraph (1) of the proposed substitute, the Administration believes that this paragraph reiterates and reinforces the state's commitment to make state land available for mineral exploration and development, within the parameters set out in the Alaska Constitution.

Paragraph (2) of Section 1 of the proposed substitute recognizes the need for a streamlined, consistent, reasonable and non-duplicative permit process which will be designed to encourage, not hinder, investment in mineral development.

Paragraph (3) of Section 1 of the proposed substitute acknowledges that a transportation infrastructure which is comprehensive in nature is a vital component in a policy which supports and encourages mineral exploration and development.

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Paragraph (4) of Section 1 is identical to the original bill.

Finally, Section (b) of the proposed bill provides a framework for the Administration to review its regulations and internal administrative policies in order to determine their consistency with the act, and to address any inconsistencies. It is intended that affected agencies will prepare reports for submission to the Governor and Legislature within one (1) year of the effective date of the act.

Recommendation: Therefore, while the Administration does not support the version of SB 94 as originally submitted to the Resources Committee, it respectfully proposes and requests the committee to consider the attached draft as a substitute for the original version. The Administration fully supports this draft and believes that it will provide Alaska with a strong and meaningful mineral policy and set a positive tone for mineral exploration and development.

Sincerely,

Judith M. Brady
Commissioner

cc: Members, Senate Resources Committee
Bill Sponsors
George Sullivan, Governor's Office
Rod Swope, Governor's Office
Commissioner Collinsworth
Commissioner Kelso
Commissioner Smith