

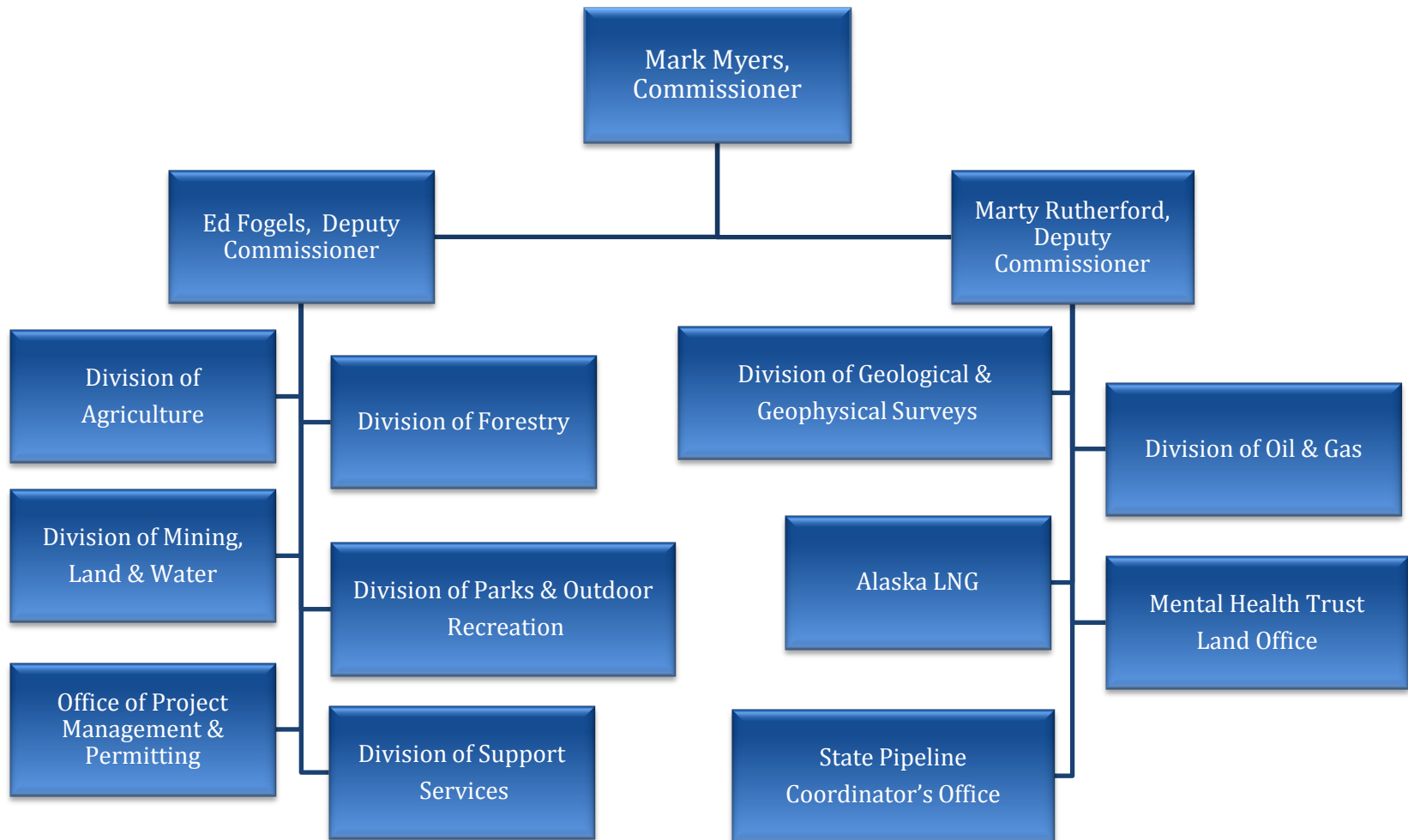


State of Alaska Department of Natural Resources Overview House Resources Committee January 28, 2015



DEPARTMENT OF NATURAL RESOURCES

- ORGANIZATION CHART -



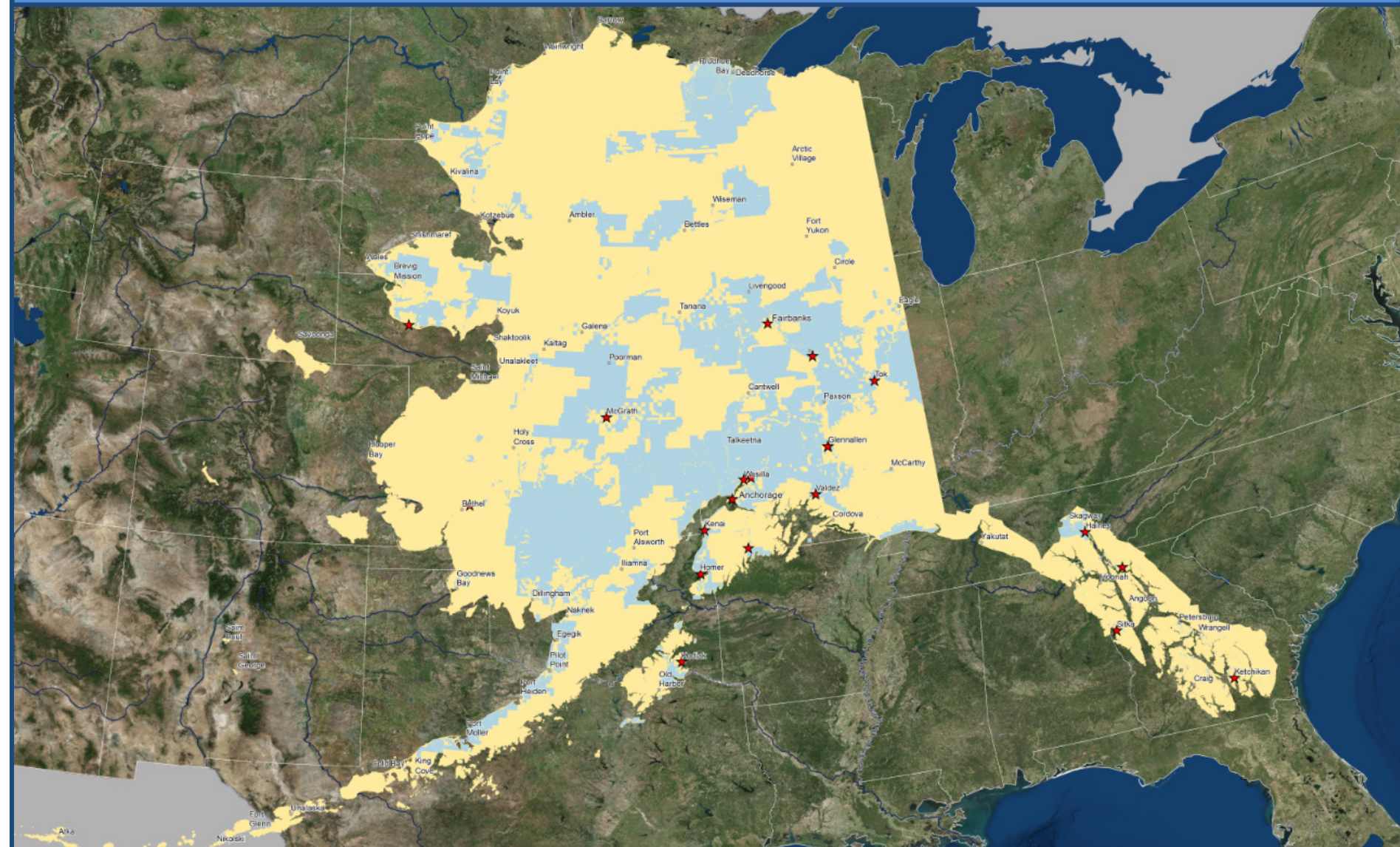
DEPARTMENT OF NATURAL RESOURCES

- CORE SERVICES -

- **Foster responsible commercial development and use of state land and natural resources, consistent with the public interest, for long-term wealth and employment.**
 - **Mitigate threat to the public from natural hazards by providing comprehensive fire protection services on state, private and municipal lands, and through identifying significant geologic hazards.**
 - **Provide access to state lands for public and private use, settlement, and recreation.**
 - **Ensure sufficient data acquisition and assessment of land and resources to foster responsible resource and community development and public safety.**
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DEPARTMENT OF NATURAL RESOURCES

- STATE LAND POSITION/DNR OFFICE LOCATIONS-



ALASKA LNG PROJECT

Under Senate Bill 138, DNR is authorized to modify lease terms on lands that will provide gas to a North Slope natural gas project, including royalty and net profit share provisions. DNR also has a key role in negotiating contractual terms, marketing, regulatory and other project-related work, and works closely with the Department of Revenue and Alaska Gasline Development Corp. to evaluate the State's potential for equity participation.

- The State's Pre-FEED integrated work plan covering technical, commercial and stakeholder issues has been developed and implemented.
- All AK LNG parties continue to work toward the FEED decision milestone in 2016 and Final Investment Decision (FID) in 2018-19, subject to completing the pre-FEED activities.
- Timing of an royalty-in-kind best interest finding and project-enabling legislation is subject to negotiating a wide range of commercial agreements.
- DNR is taking the lead in permit coordination to ensure minimal duplication of effort between the AK LNG and ASAP projects.
- DNR has created a firewall between its AK LNG regulatory and commercial activities.

DIVISION OF AGRICULTURE

-OVERVIEW-

Mission: Promote and encourage development of an agriculture industry in Alaska.

FY15 Operating Budget: \$7.7M | **Employees:** 44 | **Director:** Franci Havemeister

- Provides financing for farmers and processors (Agricultural Revolving Loan Fund).
- Offers agriculture land sales and technical assistance with farm conservation and grazing management plans.
- Conducts phytosanitary inspections required for export on agricultural and timber products.
- The ***Alaska Grown*** program promotes Alaska's agriculture products and assures quality standards.
- The ***Farm to School*** program partners with food service directors and connects buyers with producers to make more local food available in school meals.
- The ***Plant Materials Center (PMC)*** is a 405-acre production farm that houses the horticulture, seed potato, revegetation, and Invasive Weed programs, provides expertise on erosion control and land reclamation, and is home to the state's only official seed testing lab.

DIVISION OF AGRICULTURE

Economic Impact to the State

- The Agricultural Revolving Loan Fund (ARLF) supports the growth of the farm industry with loans for operating, equipment, product processing and farm equipment. In FY14, 15 loans were approved for a total of \$1.5M.
- The Alaska Grown Program results in a monetary value of \$30M of agricultural products sold annually.
- The Plant Materials Center is the source of foundation and certified seed used by commercial growers in Alaska.

2014 Highlights

- Eighty-four new farms were added to the Alaska Grown Program.
- The Division quarantined 5 invasive aquatic plant species in Alaska, including *Elodea*.
- The Farm to School Program received the Alaska Community Service Award for Health at the Alaska Public Health Summit in January 2014.



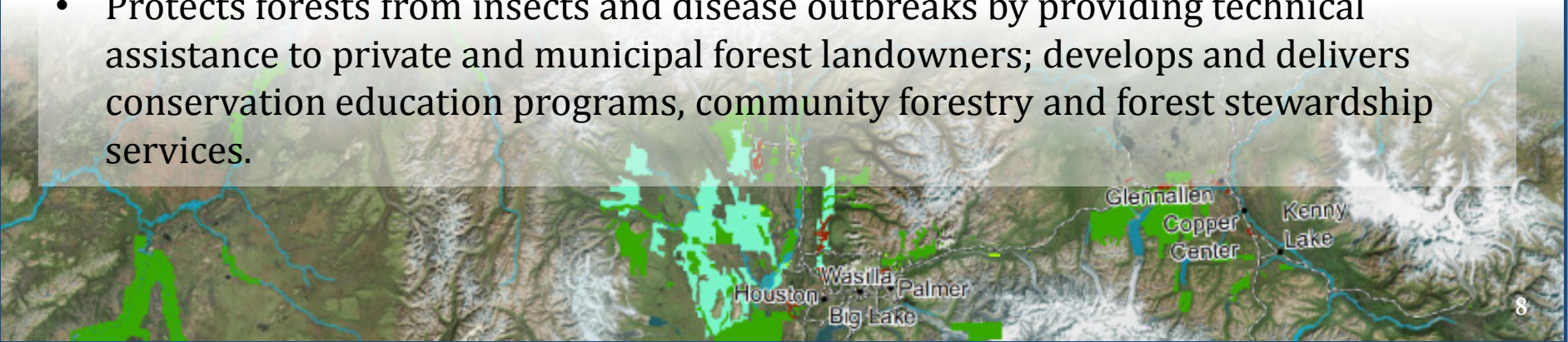
DIVISION OF FORESTRY

-OVERVIEW-

Mission: Serves Alaskans through forest management and wildland fire protection.

FY15 Operating Budget: \$46M | **Employees:** 70 FT, 182 Seasonal | **Director:** Chris Maisch

- Provides wildland fire protection and management on 152 million acres of public, municipal and private land. FY15 operating budget component is **\$39.4M** (85.6%).
- Manages 27.5 million acres of forested land including three state forests.
- Conducts timber sales for commercial and personal use (fuel wood). FY15 operating budget component is **\$6.6M** (14.4%).
- Protects fish habitat and water quality by administering the Forest Resources and Practices Act (AS 41.17) on state, municipal and private forestlands.
- Protects forests from insects and disease outbreaks by providing technical assistance to private and municipal forest landowners; develops and delivers conservation education programs, community forestry and forest stewardship services.

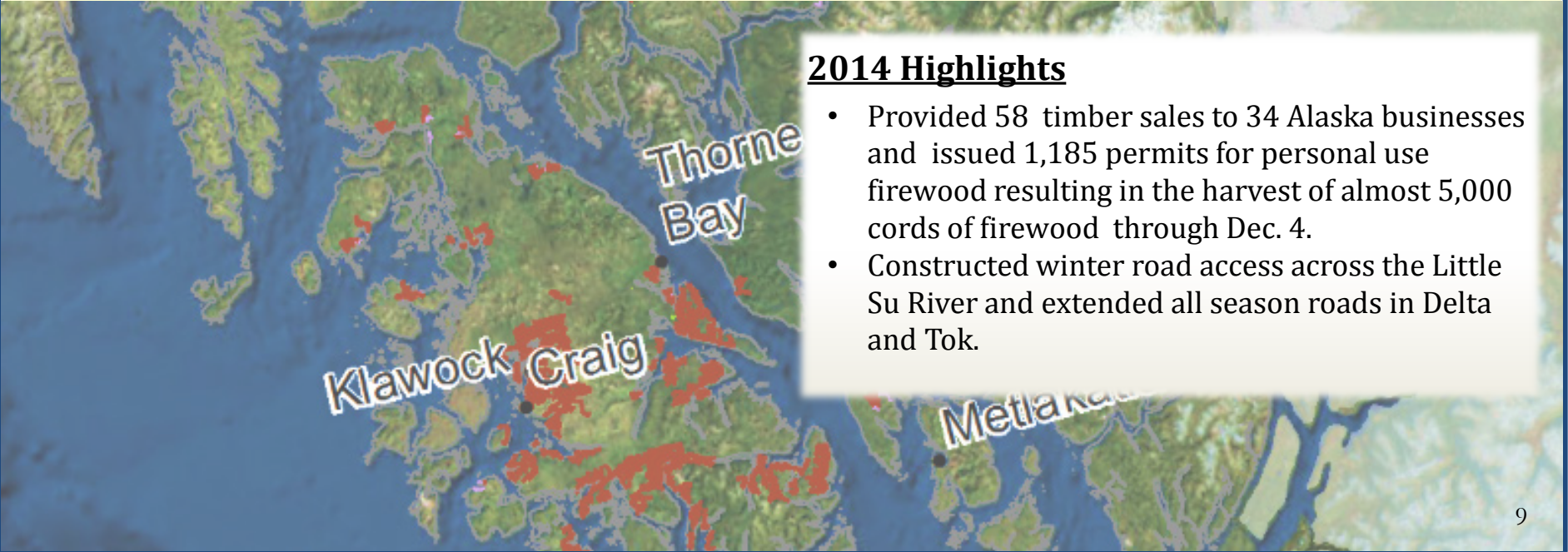


DIVISION OF FORESTRY

-RESOURCE MANAGEMENT-

Economic Impact to the State

- Generates private sector jobs in timber harvesting, sawmilling, wood pellet and related wood energy facilities and other value added enterprises such as the Great Alaska Bowl Co. in Fbks.
- Provides fuel wood for personal and commercial use; in some cases, state firewood is the only alternative to prohibitive fuel and electric costs, particularly in rural areas with high transportation costs.
- Builds new access to state lands (roads, bridges) and maintains a forest road system (528 miles) used for multiple use activities including hunting and recreation.



2014 Highlights

- Provided 58 timber sales to 34 Alaska businesses and issued 1,185 permits for personal use firewood resulting in the harvest of almost 5,000 cords of firewood through Dec. 4.
- Constructed winter road access across the Little Su River and extended all season roads in Delta and Tok.

DIVISION OF FORESTRY

-WILDLAND FIRE-

Economic Impact to the State

- Primary mission is to protect Alaska residents and resources from wildfire in a safe, efficient and cost-effective manner, commensurate with the values at risk (AS Sec. 41.15.010).
- Generated more than \$6M in wages to emergency firefighters primarily in rural Alaska in 2014.
- Utilized contract services from private sector businesses ranging from heavy equipment to food services from over 450+ vendors for more than \$11M in expenditures.
- During the Funny River project fire, protected 2,400 structures valued at over \$250M.

2014 Highlights

- Suppressed 99.9% of fires in Critical and Full Management areas at 10 acres or less; minimized losses due to wildland fire to 4 residences and 12 outbuildings.
- Safely managed 393 fires for 233,529 acres burned statewide including the Kenai Area Funny River Fire.
- Recognized by states of OR and WA for support during their difficult 2014 wildland fire season.



DIVISION OF GEOLOGICAL & GEOPHYSICAL SURVEYS

-OVERVIEW-

Mission: Determine the potential of Alaskan land for production of metals, minerals, fuels, and geothermal resources, the location and supplies of groundwater and construction material; and the potential geologic hazards to buildings, roads, bridges, and other installations and structures.

FY15 Operating Budget: \$9.5M | **Employees:** 42 | **Director:** Steve Masterman

- Collects, analyzes and interprets geologic information on oil and gas and mineral resources on state land.
- Develops engineering and safety information on groundwater, slope-stability, volcano, earthquake, permafrost, flooding and other natural hazards.
- Provides all its information for the general public – on an annual basis, publishes an average of 75 new technical reports and geologic maps, with more than 325,000 publications distributed.
- Manages the State's collection of geologic materials.

DIVISION OF GEOLOGICAL & GEOPHYSICAL SURVEYS

Economic Impact to the State

- *Stimulates oil and gas exploration investment.* This drives state revenue and creates high-paying jobs.
 - Cook Inlet initiative helped stimulate exploration and production. A 100 million barrel oil field found or developed based on our science will return over \$3.5B to the state over its life.
- *Attracts and retains mineral exploration dollars.* This creates high-paying jobs in rural Alaska, and provide revenue for local communities and governments:
 - Red Dog, Pogo, Fort Knox, Money Knob and Kensington mines are examples of this economic engine
- Provides baseline information on geologic hazards to Alaska's population and industry. *Modern data are critical to infrastructure and community development, and public safety planning.*
- The state's archive of geological materials is *used to identify new energy and mineral resources and train Alaskan youth* for jobs in the resource and engineering industries.

2014 Highlights

- Geologically mapped 300 square miles in Cook Inlet focused on the oil-source rocks, and 450 square miles in Talkeetna Mountains focused on Cu-Ni-Pt-Pd mineral resources.
- Published data included: 5,180 geochemical analyses; 3,339 square miles of airborne geophysics, and; geologic maps and interpreted seismic sections from the North Slope.
- Released a comprehensive compilation of geothermal data for Alaska, assessed seismic hazards related to fault crossings of natural gas pipelines, and flood and erosion hazards to five coastal communities.
- Completed the new Geologic Materials Center facility; collection scheduled to move April 2015.

DIVISION OF MINING, LAND & WATER

-OVERVIEW-

Mission: Provides for the appropriate use and management of Alaska's state owned land and water, aiming toward maximum use consistent with the public interest.

FY15 Operating Budget: \$28.3M | **Employees:** 213 | **Director:** Brent Goodrum

- Identifies and acquires land to fulfill Alaska's 105 million-acre statehood entitlement.
- Manages the State's general land holdings (more than 160 million acres of uplands, tidelands, submerged lands and shore lands).
- Develops area plans to guide the management of state land and water
- Makes land available for private and municipal ownership.
- Protects Alaskans' ownership interests and access to state land and water
- Issues authorizations for use of state land and water, including leases, rights-of way, mining and material extraction.
- Provides regulatory oversight for dam safety, coal exploration and development and mine reclamation.
- Collects revenues from the use and disposal of state land and water.

DIVISION OF MINING, LAND & WATER

Economic Impact to the State

- Oil and gas, energy, mineral, recreation and infrastructure projects require timely issuance of division permits, leases, easements, water rights, temporary water use authorizations and material sales.
- Timely division decisions on title issues, appraisals and land acquisitions is also necessary for resource-based projects.
- Provides lands for settlement – homes and recreational cabin staking – generating ~\$5M in annual revenue. This revenue pays for running the land sales program.

2014 Highlights

- Reduced permit backlog by 1,623 authorizations (61.1%) since beginning of FY12 while issuing 900 authorizations in CY14.
- Issued 31 water reservations during CY14.
- Scanned > 1 million documents into DNR's content management system.
- Re-asserted coastal boundary adjacent to ANWR; requested priority conveyance of 20,000 acres of uplands immediately adjacent to ANWR.
- Modernized the Land Use Permit case management system as well as parts of Water Rights under the Unified Permit Project.

DIVISION OF OIL & GAS

-OVERVIEW-

Mission: Manages oil and gas lands in a manner that assures both responsible oil and gas exploration and development and maximum revenues to the state.

FY15 Operating Budget: \$15.2M | **Employees:** 93 **Acting Director:** Paul Decker

- Works to ensure the resources on state lands are managed appropriately at every stage of oil, gas, and geothermal exploration & development – a cradle to grave approach.
- This sequence includes 1) identification of potential resources, 2) leasing, 3) exploration, 4) unitization, 5) development & production, and 6) dismantlement, removal, & restoration.
- Activities authorized or overseen by the division bring in nearly 90 percent of Alaska's unrestricted revenues.

DIVISION OF OIL & GAS

Economic Impact to the State

- Collects all oil and gas production royalties and bonus bids and rents – \$2.5B for FY14. Of this amount, \$1.7B was unrestricted General Fund revenue, which represents 31.7% of total statewide General Fund revenue. This percentage is expected to rise to 43.8% for FY15.
- Lease sales have provided \$239.6M to the state since 1999, with \$65M provided in 2014.
- Issues authorizations for exploration activities such as drilling and seismic acquisition necessary for oil and gas development. These activities represent hundreds of millions of dollars in annual spending to the Alaska economy.
- No development may occur without a division-approved plan of development. Development spending on new and producing oil and gas fields exceeded hundreds of millions of dollars during the 2013-2014 drilling and construction season and supported thousands of jobs.



2014 Highlights

- 3rd biggest Northern Alaska lease sales (combined) in history.
- Awarded 166 oil and gas leases (Cook Inlet, North Slope, Beaufort Sea, Alaska Peninsula).
- Collected \$20M in royalty and NSPL audits.

DIVISION OF PARKS & OUTDOOR RECREATION

-OVERVIEW-

Mission: Provides outdoor recreation opportunities and conserves and interprets natural, cultural, and historic resources for the use, enjoyment, and welfare of the people.

FY15 Operating Budget: \$14M | **Employees:** 103 | **Volunteers, camp hosts:** 850+ | **Director:** Ben Ellis

- Develops and manages the Alaska state park system and provides grants and assistance for recreation and historic preservation.
- Operates **the largest state park system in America** – 123 parks, recreation areas and historic sites encompassing 3.3 million acres. Hundreds of volunteers and seasonal staff help to maintain parks and provide interpretive programs.
- Sections within the division are:
 - Field Operations – coordinates all activities in campgrounds, day use areas, trails, etc.
 - Administration and Grants – provides support services to the division
 - Office of Boating Safety – in charge of award-winning Kids Don't Float program
 - Design and Construction – provides engineering services and construction oversight
 - Interpretation and Education – designs and writes brochures, messages boards, etc.
 - Alaska State Trails Program – oversees ~\$1.5 million annually for Alaska trails
 - Office of History and Archaeology – preserves historic/prehistoric/archaeological resources

Chicken

0.18

James

0.08

Owl

0.53

0.07

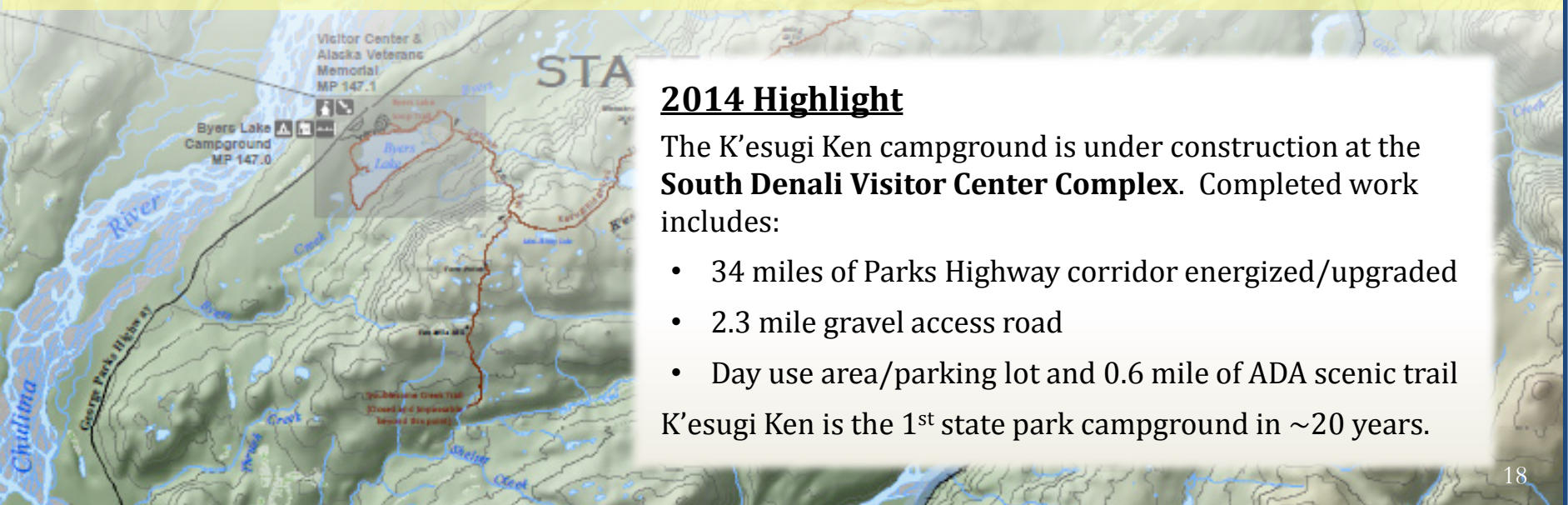
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DIVISION OF PARKS & OUTDOOR RECREATION

Economic Impacts to the State

- Through park visitation and commercial recreation, Alaska State Parks supports thousands of private sector jobs and generates state tax revenue and retail sales.
- The Office of History and Archaeology reviewed 2,263 state and federal projects for impacts to historic properties in 2014. This represents hundreds of millions in business investments in the state.
- Sportfish guiding in 10 state park areas collectively generated ~\$7M in revenue (2011).
- Businesses that offered guided hikes in 14 different state park areas generated ~\$790,000. (2011)



2014 Highlight

The K'esugi Ken campground is under construction at the **South Denali Visitor Center Complex**. Completed work includes:

- 34 miles of Parks Highway corridor energized/upgraded
- 2.3 mile gravel access road
- Day use area/parking lot and 0.6 mile of ADA scenic trail

K'esugi Ken is the 1st state park campground in ~20 years.

OFFICE OF PROJECT MANAGEMENT & PERMITTING

- OVERVIEW -

Mission: Coordinates State multi-agency regulatory reviews and authorizations, while collaboratively engaging federal agencies on land use planning and policy initiatives to maintain and enhance the State's economy, quality of life, and maximize the value of Alaska's vast natural resources.

FY15 Operating Budget: \$983,900 | **Employees:** 20 | **Director:** Sara Longan

- Coordinates the multi-agency review of large-scale projects in Alaska to ensure consistent, defensible, transparent, and timely permit decisions from State agencies.
- Coordinates multi-agency reviews of federal land management plans, projects, regulations and policies that impact resource development, transportation, recreation, access to state lands and waterways, and access to state and private inholdings.
- Coordinates state participation in federal grant programs including the Coastal Impact Assistance Program.

Arctic National
Wildlife Refuge
(ANWR)

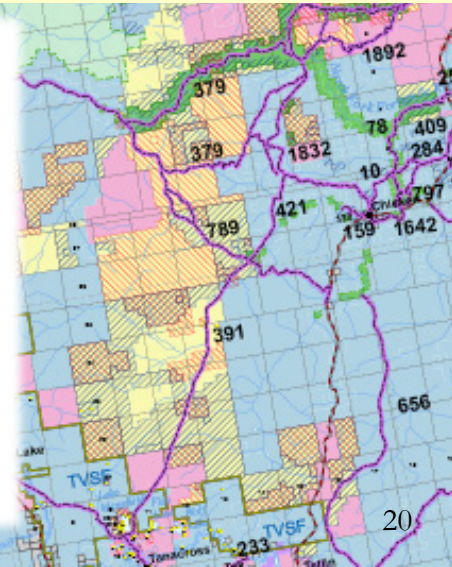
OFFICE OF PROJECT MANAGEMENT & PERMITTING

Economic Impact to the State:

- OPMP coordinates the permitting process for large-scale resource development in Alaska, from the Greens Creek Mine to the Point Thomson project.
- Through financial Memoranda of Understanding (MOUs) with project applicants and Reimbursable Services Agreements (RSAs) between OPMP and the regulatory agencies, OPMP provides funding for agencies involved in the permitting process to help alleviate the use of state general funds.
- Technical input from OPMP enables the State to provide meaningful input to federal agencies on resource development and land management plans that significantly impact Alaskans and the State economy.

2014-15 Highlights

- Signed MOUs for 8 new oil and gas projects in FY15: Cosmopolitan; Oooguruk/Nuna; Wespac In-State LNG, Hilcorp-Liberty; BP North Slope operations; Alaska LNG Project; ASAP mitigation.
- Led effort in developing a statewide wetlands compensatory mitigation program.
- Supported federal agencies as a cooperating agency for Greater Mooses Tooth-1 FEIS and Chukchi Sea Lease Sale 193 SEIS.
- Coordinated >500 permits needed for the ongoing construction of Point Thomson IPS (roughly 300 state/200 local & federal permits).



STATE PIPELINE COORDINATOR'S OFFICE

-OVERVIEW-

Mission: To encourage and facilitate the development and sound operation of pipelines on State land.

FY15 Operating Budget: \$8.57M | **Employees:** 30 | **Director:** Ray Jakubczak

- Functions as the State's lead agency for issuing pipeline right-of-way leases under the Alaska Right-of-Way Leasing Act; also coordinates State efforts related to the federal right-of-way grant process.
- Coordinates State oversight of pre-construction, construction, operation and termination of contract and common-carrier pipelines.
- Monitors 19 pipelines in Alaska from the North Slope to the Kenai Peninsula, including the 800-mile Trans-Alaska Pipeline System.

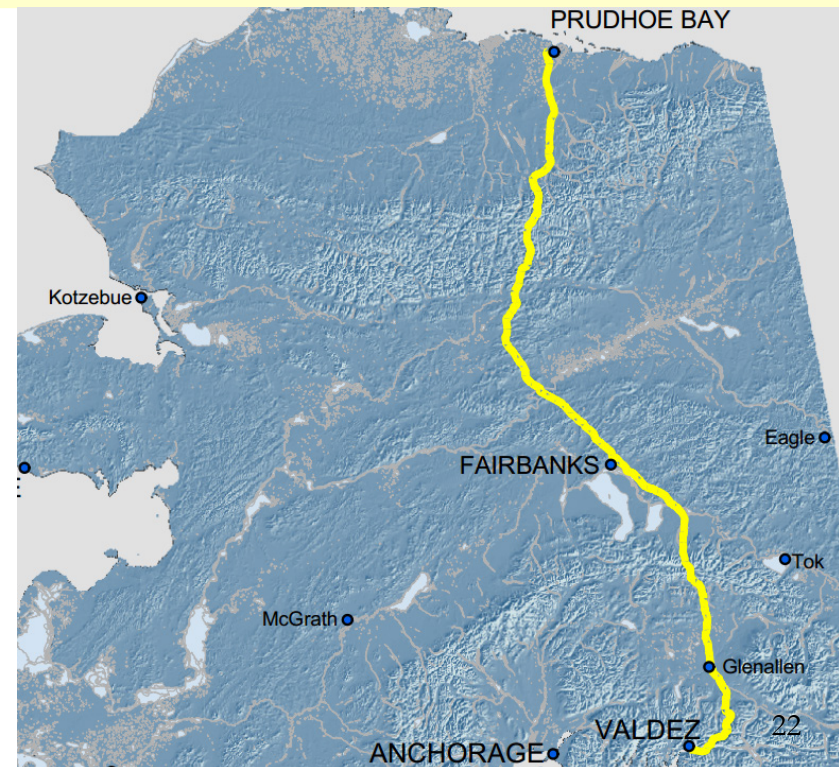
STATE PIPELINE COORDINATORS OFFICE

Economic Impact to the State:

- SPCO is critical to the construction, safe operation and land stewardship of major pipelines in Alaska.
- More than 90% of Alaska's oil is transported through SPCO-regulated pipelines.
- Effective pipeline permitting and regulation is necessary to maintain current and future oil and gas development in Alaska.

2014 Highlights:

- Adjudicated three new pipeline right-of-way lease applications and issued 51 field permits.
- Continued to be fully engaged in pre-application permitting efforts for the Alaska LNG and ASAP projects; working with project teams and multiple state and federal agencies, to meet or exceed the regulatory timeline goals.
- Adjudicated and finalized multiple amendments to the TAPS right-of-way lease to allow for system upgrades, improvements and necessary maintenance



DIVISION OF SUPPORT SERVICES

-OVERVIEW-

Mission: Provides information technology, financial, budget, procurement, facility, and human resource services for Department of Natural Resources, and administers the statewide recording system.

FY15 Operating Budget: \$13.7M | **Employees:** 133 | **Director:** Jean Davis

- Provides centralized administrative and management services for all DNR divisions and offices.
- Manages the statewide Recorder's Office which provides a *secure, accessible, and impartial* place to record and to preserve the permanent public record of Alaska. The statewide recording system consists of 34 separate recording districts serviced by 11 offices located throughout Alaska.
- The Information Resource Management (IRM) section maintains the department's land records repository and oversees DNR's computer systems and networks services.

DIVISION OF SUPPORT SERVICES

Economic Impact to the State

- Information Resource Management (IRM) maintains the state's land records data, used by thousands of public and private entities every year for land acquisitions, title research, acquiring water rights, and as part of economic development projects ranging from mariculture to oil and gas development.
- In the past 6 months, the division's mapping and land reporting systems have been visited more than 70,000 times. Without this publically available data, economic progress would be hampered by significant information bottlenecks.
- Title companies, mortgage companies, banks, credit bureaus, and many small businesses rely on the information found in the Alaska public record to make appropriate business decisions and ensure adequate collateral for financial transactions. Electronic recording and filing provides expedited service to customers within and outside of Alaska.

2014 Highlight

- Implemented electronic recording (eRecording) in all 34 districts in Alaska, allowing customers to electronically file their business with the state recorder's office, and making Alaska the 4th state to fully implement eRecording statewide.

MENTAL HEALTH TRUST LAND OFFICE

Mission: Protect and enhance the value of Alaska Mental Health Trust lands, including minerals, coal, oil and gas, timber, and real estate, while maximizing revenues from those lands over time to support mental health services.

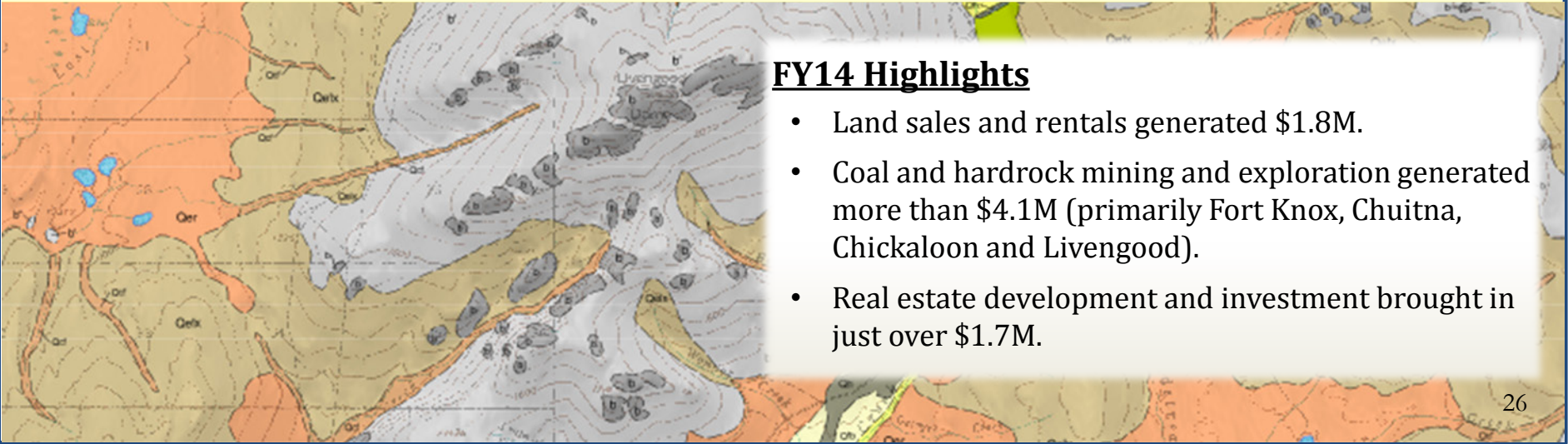
FY15 Operating Budget: \$4M | **Employees:** 17 | **Executive Director:** Marcia Menefee

- Manages the 1 million-plus acres of land and other natural resources owned by the Alaska Mental Health Trust Authority, from Fairbanks to Ketchikan.
- Generates revenue for Trust beneficiaries through land leases and sales, real estate, timber sales, mineral and energy exploration and development, and material sales.
- Revenue generated by the TLO is deposited in the principal fund of the Mental Health Trust or used to acquire additional assets and improve the value of trust land.
- Income revenue generated by the TLO may be used for operating expenses and Trust programs.

MENTAL HEALTH TRUST LAND OFFICE

Economic Impact to the State

- The TLO generated \$11.2M in revenue from Trust lands in FY14 and \$168M in its 20 years of existence.
- Success stories:
 - The Fort Knox Gold located on Trust lands employs 500 full-time employees and is the second largest property taxpayer in the North Star Borough.
 - Usibelli Coal Mine holds coal resources on Trust land; development of these resources will help support the long-term viability of UCM and its work force (130 full-time employees).
- The TLO operating budget comes from self-generated revenues and is approved by the Mental Health Trust Authority's board of trustees.



FY14 Highlights

- Land sales and rentals generated \$1.8M.
- Coal and hardrock mining and exploration generated more than \$4.1M (primarily Fort Knox, Chuitna, Chickaloon and Livengood).
- Real estate development and investment brought in just over \$1.7M.