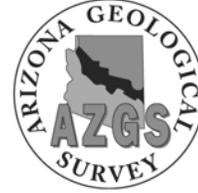




Janet Napolitano
Governor

State of Arizona
Arizona Geological Survey

416 W. Congress, Suite 100
Tucson, Arizona 85701
(520) 770-3500



M. Lee Allison
Director and State Geologist

**AZGS-ADMMR Merger
Q&A**

House Bill 2584 will merge the Arizona Dept of Mines and Mineral Resources into the Arizona Geological Survey as a Division of Mineral Resources. The proposal is generating questions and concerns from stakeholders of both agencies. Here are AZGS responses:

The absence of the word “mines” in the new division name indicates mining will be downplayed

One major intent and goal of the merger is to enhance the ability to carry out the mission of ADMMR. The statutory requirements and mission of ADMMR will stay exactly the same as they are now, when they become part of a merged agency.

This is a risky, untested idea

Actually, the effectiveness of the present Arizona model of two separate agencies has been seriously questioned for at least the last 20 years. Every other state in the western U.S. has a system of a state regulatory agency and a geological survey to deal with mining and mineral resources. In Arizona, we have the regulatory function in the State Mine Inspectors office, but share the mining and mineral resources duties among two agencies, ADMMR and AZGS.

Big mining states like Nevada and Idaho have successful mining and mineral resources as integral programs in their state geological surveys. The AZGS-ADMMR merger draws on the best practices proven elsewhere.

Rather than a knee-jerk rejection of the proposal out of fear, we must embrace the potential rewards this can bring to both agencies, to our stakeholders, the public, and the State of Arizona.

This is a veiled attempt to eliminate the ADMMR mission

Not true.

Governor Napolitano is trying to protect the ADMMR budget from the current economic downturn. While other state agencies are slated for a 6% cut in their FY08 budgets, she is proposing only a 1% cut for ADMMR. The legislature is calling for a 10% cut across the board. If there was an effort to eliminate the agency, mission, or programs, it would

be much easier to do so by simply letting ADMMR take the same budget cuts other agencies are taking.

The Governor's FY09 budget is balanced without consideration of the proposed merger. While the merger is expected to bring about efficiencies and economies of scale, the driving force is to enhance the ADMMR mission and the services it provides to stakeholders and its benefits to Arizona. The economic situation is telling us that we need to do this now.

The missions of the two agencies are incompatible

Actually, the duties and the ways we are directed to carry out our respective missions of the two agencies for mineral resources are very similar.

State statute directs **ADMMR** to promote and advocate development and production of mineral resources through:

- Field investigations, public seminars, publications, conferences, and mineral displays;
- Participating in conferences, seminars, forums, public outreach;
- Providing technical information and assistance;
- Conducting studies of properties and claims;
- Maintaining a repository of mineral and mining information;
- Providing quality data, on promoting mineral development to government bodies;
- Making surveys of potential economic resources;
- Conducting field studies which attract investment to the state;
- Monitoring mining and exploration activities;
- Cooperating with the Corporation Commission relating to the sale of mining securities.

State statutes direct **AZGS** to:

- Provide information the state's geologic character, geologic hazards and limitations and mineral resources.
- Map and characterize energy and mineral resources and identify areas that may have potential for future discoveries.
- Inform, advise and assist the public in matters concerning the geological processes, materials and landscapes and the development and use of the mineral resources of this state.
- Encourage the wise use of the lands and mineral resources of this state toward its development.
- Provide technical advice and assistance to other state and local governmental agencies engaged in projects in which the geologic setting, character or mineral resources of the state are involved.
- Provide technical advice and assistance in geology to industry toward the wise development and use of the mineral and land resources of this state.
- Operate and maintain a central repository and a computerized database for reports, books, maps and other publications regarding the geology, mineral resources and associated technologies. Such repository and database shall be available for the use of the public...

There is nothing in either agency's mission that contradicts the mission of the other. As I see it, the combined agency will carry out the integrated duties with the same dedication to accuracy, quality, and professional standards that they operate with now. [This is taken in part from my blog posting at <http://arizonageology.blogspot.com/2008/01/merging-azgs-and-admmr-missions.html>]

Key AZGS statutes:

<http://www.azleg.gov/ars/27/00151.htm>
<http://www.azleg.gov/ars/27/00152-01.htm>
<http://www.azleg.gov/ars/27/00153.htm>
<http://www.azleg.gov/ars/37/00173.htm>
<http://www.azleg.gov/ars/27/00152-02.htm>
<http://www.azleg.gov/ars/27/00152.htm>
<http://www.azleg.gov/ars/27/00151-01.htm>
<http://www.azleg.gov/ars/27/00155.htm>

AZGS is a science agency that cannot effectively carry out the ADMMR mission to promote development

AZGS has been supporting economic development of mineral resources in Arizona for more than 120 years.

AZGS traces its history back to the Office of Territorial Geologist, established in the 1880s to explore the state for minerals. We were known as the Arizona Bureau of Mines from 1915-1976, Bureau of Geology and Mineral Technology from 1977, and Arizona Geological Survey since 1987.

A lot seems to be made of the use of the word “promote” in the ADMMR statutes. However, look at how the legislature actually directs them to promote mining and mineral resource exploration and development. Read through the duties listed above. ADMMR and AZGS are both directed to carry out field investigations, make studies, publish and disseminate results, assist the public, government, and industry, maintain records and files, and more.

While the AZGS is directed explicitly to carry out unbiased scientific studies of mineral resources, the intent is to ensure the public receives accurate, documented data collected under professional standards by trained experts. ADMMR standards are no less than that nor should they be.

The State Geologist does not plan on having a mining or exploration activity in the combined agency

Untrue and incorrect.

I met with ADMMR Director Dr. Madan Singh and his entire staff on January 22 for two hours to discuss the merger and share my ideas and plans.

I committed to creating two external review panels if the merger is approved, to advise us on how to organize the new agency to best carry out the combined missions. I will convene engineers and geologists, rock club and prospector groups, industry leaders, professional and trade organizations, and others to look at the mining and mineral

resources functions, resources, and ideas for the future. A second panel will draw on the Arizona museum community and mineral museum professionals from around the country.

Tentatively, I expect the ADMMR's technical staff would become a new stand-alone section in AZGS, dedicated to carrying their ongoing mission and duties in mining and mineral resources, but with more support from AZGS resources in mapping, outreach, and informatics.

The AZGS and ADMMR cultures cannot be aligned

I don't think that will be as difficult as some fear. The two agencies have been working together extremely well in recent years, cooperating on projects and sharing resources. The ADMMR offices will stay where they are and the staff will continue in their duties.

ADMMR has more and better contacts with the business community; AZGS with the scientific and funding agencies. A combined agency with a combined set of stakeholders will be a stronger, more effective force in mining and mineral resource matters.

The State Geologist is an appointee who is subject to political pressure which will threaten ADMMR's mission

The State Geologist serves at the pleasure of the Governor. The Director of ADMMR serves at the pleasure of a Board appointed by the Governor.

History and precedence has kept the State Geologist out of partisan politics. Arizona's first State Geologist, Dr. Larry Fellows, served for 26 years under four governors, two Republican, two Democrat. Nationwide, State Geologists are viewed as technical resources, outside the normal political debate. My own experience of nearly two decades as State Geologist in now three states, is that my boss may have some tasks or special projects they want to see pursued, but they do not interfere in the professional conduct and operation of the agency.

The idea that ADMMR serves as an independent fourth branch of state government free from the political process is unrealistic. ADMMR is an Executive Branch agency, subject to legislative oversight, as is the AZGS.

The merger rationale is to cut budgets

Governor Napolitano, in her State of the State speech on January 15, announced consolidation or elimination for 50 boards, commissions, and agencies, in the cause of government efficiency and effectiveness. The amount of savings expected from the AZGS-ADMMR merger are not named specifically, but are expected to be from administrative consolidation, not from cutting the programmatic activities.

The major rationales for merger these two agencies into a new Geological Survey are to:

- Ensure Arizona remains the #1 mining state in the nation
- Expand education capabilities and activities

- Integrate the two agencies overlapping data and map files and make them more publicly available
- Provide greater financial stability to carry out agency mandates

The merger will decimate the ADMMR's abilities to help small companies and miners

As above, any cost savings are expected to come from reducing administration costs and not from programs.

In fact, AZGS will bring substantial new and larger resources into the combined agency that will allow existing ADMMR staff to be more productive.

We all know that the ADMMR Chief Engineer provides a lot of great information. But how many phone calls and visits can one or two people handle every day? We will help improve dissemination of information through more publication and online posting of data and results. During 2007, AZGS saw a greater than 1000% increase in materials being downloaded from our website, www.azgs.az.gov.

The ADMMR education mission will be radically changed

Not true. The bottom line is that AZGS will help underwrite the Museum's education mission.

AZGS is expanding its outreach and education activities. We will bring that resource to support the Museum's activities. AZGS created the new Geologic Extension Service in 2007, and hired Dr. Michael Conway to head it up. Dr. Conway is working with Arizona teachers and in many other outreach and education activities across the state. He and his growing staff will be a great asset to the ADMMR Museum's outreach and education efforts.

I have publicly and privately committed that an outside panel of museum experts and educators will advise us on options and recommendations for the museum. No one on the ADMMR Board currently represents the museum community or has museum experience or expertise. In the new Geological Survey, we plan on bringing in that expertise and help realize the potential for the museum.

AZGS staff will take away Museum space

AZGS has 5 geologists in our new Phoenix branch office, one of whom is co-located with ADMMR. One of the benefits of the merger is providing a larger base of operations for AZGS to serve the greater Phoenix area, with its government and industry hub and better access for citizens who need Survey services and products. The Phoenix-based AZGS staff will be moved into the ADMMR building.

However, ADMMR used to have 14 staff, with offices for all of them. The combined staffs after the merger will total only 13. In addition, ADMMR started construction of new office spaces on their mezzanine but ran out of funds to complete them. As the combined agency grows as we expect, we will look to completing those unfinished offices. This will not cut into the Museums space.

The Museum staff and volunteers will be “relegated” to the AZGS outreach section

Untrue and incorrect.

While meeting with ADMMR staff on January 22, I described the Museum as the potential “800 pound gorilla” in the agency. The potential for raising millions of dollars for the museum endowment and programs can easily dwarf the budgets for the rest of the entire combined operations. I explained that I don’t know now how the museum should best be situated in the new Geological Survey, but suggested it should be a separate entity within the combined agency. Again, I want an outside review panel to offer options and recommendations.

The AZGS Geologic Extension Service provides support services for the rest of the AZGS technical programs, including the library, website, publications, education programs, outreach, and public inquiries. Those same services will be available to support the Museum.

AZGS doesn’t support the use of volunteers

To the contrary, we are envious of the ADMMR’s volunteer program and complimented them on their success in this area. We need to learn from ADMMR so we can attract more volunteers to other activities in AZGS and the combined agency.

Although AZGS has not used volunteers to the extent that ADMMR has, we do have a lot of part-time, temporary student workers. AZGS is a formal affiliate of the University of Arizona and is in process of developing similar relations with ASU. This allows us to draw on university personnel, students, and resources. Right now, about ¼ of all AZGS staff are students. This helps keep our costs down as well as brings in bright energetic students who may consider careers with us after graduation. We think the new ASU Downtown Campus could be a good source of students to assist at ADMMR.

The State Geologist will reassign staff away from mining and mineral resource activities

Not true.

We view mining and mineral resources as a critical area for investment. Last year our #1 priority budget request was to rebuild the AZGS mineral resources program. Gov. Napolitano agreed and proposed 2 new positions in FY08 and a third in FY09, along with substantial operational funds, to allow AZGS to carry out our statutory obligations in mineral resources. Unfortunately, the State Legislature rejected her proposal without discussion.

Instead of pulling ADMMR staff away from mining and mineral resources activities, we will be reinvesting AZGS resources into these programs and seeking additional support from outside to build on them as priority areas.

Mining support and visibility will be diluted in AZGS

It's true that mining and mineral resources will be in a larger agency that also handles mapping, oil and gas, geothermal, coal, groundwater, natural hazards, core repository, and other issues. However, the new Geological Survey will be a larger, more effective and influential agency, with access to greater resources.

There is symbolic value in having an agency dedicated entirely to mining and mineral resources, but the agency is so financially constrained that it cannot do what is intended. As the agency has shrunk in recent years, it is able to do less and less of what the community expects. So, the real message is that Arizona keeps its mining and mineral agencies small, separate, and under-funded. That is the more powerful symbolism.

The State Geologist will be conflicted against development of minerals

Not true.

We have 120 years of documented history to show we carry out our statutory mandates without problem. We also have examples of ongoing activities in petroleum and geothermal resources that are further proof.

The best way to support mining and mineral resource exploration and development is to provide solid, reliable, professional data in geology, engineering and economics, get it out to the people who need it, and help them understand the value and role of it in the decision-making process, whether that's for making an investment in Arizona or regulating how that is done.

For the last 16 years, AZGS has carried out all the technical and administrative functions for the Arizona Oil and Gas Conservation Commission, the state's independent regulatory body for petroleum. Yet, at the same time we are tasked with identifying new petroleum exploration opportunities across the state and encouraging development.

If we can both regulate and promote the petroleum industry at the same time, we should be able to readily accommodate the combined mining and mineral resources missions. In fact, we have been the lead agency for decades in geothermal resources, both mapping and characterizing the states resources and working with industry and government to further their exploration and development.

Rock clubs and prospectors will lose their access to ADMMR facilities and resources

Not true. We applaud ADMMR's support for these groups and pledge to continue the cooperative activities with them. I want to hold public stakeholder meetings and want the clubs involved in advising us on how the new Geological Survey can help meet their needs. I am also available to address any questions or concerns, and meet with the club officers to discuss the merger.

AZGS will lose credibility

The AZGS mission has included encouraging exploration and development of mineral resources since our inception and it has not damaged our credibility when presenting the results of our work. We do the same kinds of studies, reports, investigations, and public dissemination as does the ADMMR staff. Our credibility relies on maintaining high

professional standards, documenting our results, and ensuring accuracy in everything we do.

AZGS recently published a detailed geologic map of the controversial Rosemont copper mine area in the Santa Rita Mountains and will be starting mapping of surrounding quadrangles to help address speculation that the mine could adversely affect groundwater resources in the area.

AZGS geologists work with town planners to advise them on locations and extent of industrial minerals and the impact of zoning decisions on resource affordability and availability. AZGS geologists also recently met with residents in one community concerned about asbestos in quarrying operations and were able to document that no asbestos occurred in the rock units being mined.

The credibility claim is also insulting to ADMMR, by implying that its promotion of mining in the state is biased and not credible, and they are simply a mouthpiece for industry, regardless of the facts.

ADMMR will fare as poorly as the U.S. Bureau of Mines did when it was merged with the USGS

The U.S. Bureau of Mines was never merged with the USGS. It was eliminated in its entirety by Congress in 1995 as part of Newt Gingrich's "Contract with America." In fact, the USGS was on the original list of federal agencies to get rid of as well.

In the debate over dissolving the Bureau, a handful of its staff and a couple of small programs were salvaged and transferred to the USGS. At the time, I worked with Gov. Mike Leavitt and Bureau of Mines Director Rhea Graham to save the Bureau's research facility in Salt Lake City, but because Congress just wiped out their program, there was little we could do. Most Bureau offices just closed down.

The merger of ADMMR and AZGS is totally different. The goal of the merger is to strengthen the department's capabilities, not eliminate them. All of ADMMR's programs and missions will continue as before. ADMMR's Phoenix office will continue to operate as it does today. Resources will continue to keep the mission functioning, although savings are expected as a result of combining operations.

Since the AZGS left the University of Arizona in 1988, it has not carried out the duties of the Bureau of Mineral Technology. Why should we expect they will carry out the ADMMR duties if merged?

The Bureau of Mineral Technology is a University of Arizona organization. The University is responsible for running it. AZGS has no influence or control over its operation, funding, or activities.

AZGS was one of two sections in the former UA Bureau of Geology & Mineral Technology, along with a Branch of Mineral Technology, up until the Survey was split out and made an independent state agency in 1988. The Branch of Mineral Technology remained in the University as the remaining program of the revamped Bureau of Mineral Technology. It continued to exist in the University at least until 2005.

Anyone with concerns about the BMT performance should contact the University of Arizona.

The College of Mining at the University of Arizona lost faculty when it was merged into the College of Science. The same loss of staff will occur if ADMMR is merged into AZGS, despite assurances.

I can't speak for university priorities or budgeting, but AZGS views ADMMR as forming a flagship program in mining and mineral resources. We believe we can leverage the small amount of state money that the department gets now and allow it to prosper and grow.

Frankly, the AZGS was moved out of the University in 1988 because of frustration that university priorities were not allowing adequate support of state service functions such as those provided by the AZGS. This has been a common trend across the country with a number of state geological surveys moving from university to state agency operations.

Now, as an independent agency head, I go directly to the governor's budget office and work directly with the Legislature's budget staff. The same is true for ADMMR.

A problem right now is that because of state revenue falling, all agencies are taking cuts. So, there will likely be budget cuts to ADMMR, just as there will be to AZGS and other state agencies. But the question is whether ADMMR will fare better hanging out on their own, with almost all their budget dependent on state general funds, and so much of it committed to rent, that even small cuts can disproportionately devastate programs and staff.

Because the AZGS is headquartered in Tucson, it won't pay enough attention to the needs of the ADMMR operations in Phoenix.

We are investing heavily in the Phoenix area as a priority focus area.

AZGS opened our first-ever branch office in Phoenix last spring. We now have 5 geologists working out of that office. We are opening a downtown outreach center/map store shortly. We recognize the Phoenix area as the center of the state's government, industry, and population. I go to Phoenix constantly and will do much more so as our operations expand.

The STATE GEOLOGIST is directed to charge fees for services and that includes accessing donated or loaned data currently at the ADMMR

AZGS does not charge anyone to access our repositories of data and samples. Under Arizona statute 24-152.01, AZGS is required to maintain data and sample repositories that are open to the public:

4. Operate and maintain a central repository and a computerized database for reports, books, maps and other publications regarding the geology, mineral resources and associated technologies. Such repository and database shall be available for the use of the public and may be located at or connected with the university of Arizona or another state university or agency of this state.
5. Operate and maintain a central repository for rock cores, well cuttings and related subsurface samples and all associated supplemental data consistent with the laws of

this state requiring the deposit of such material and information. Such repository shall be available for the use of the public.

Under the laws for the Arizona Oil and Gas Conservation Commission, they are authorized to “Collect such fees as will cover the costs of such services as, but not limited to, reproduction of records or any portion thereof and copies of rules.” AZGS provides the administrative support to the Commission and can collect fees on their behalf.

There are no provisions in statute or in HB2584 for AZGS to charge fees to access the ADMMR files.

This legislation would allow the appointment of a “radical environmental” or “anti-mining” STATE GEOLOGIST to run the combined agency

A governor must appoint someone with the required technical background as State Geologist, and that person has to be confirmed by the State Senate, thus providing a check and balance.

However, there is no similar check and balance for the ADMMR Board of Governors. A governor can appoint anyone they want and those appointments last 5 years, often continuing in to the term of the subsequent governor, who has no way to remove them. There is no Senate review or confirmation of ADMMR Board members.

So, the ADMMR Board seems more vulnerable to politicization than does the appointment of the State Geologist.

The STATE GEOLOGIST will be appointed by the Arizona Geographic Information Council (AGIC)

No, AGIC will have absolutely no role in picking or approving the State Geologist. There is apparently some confusion over a second element of the merger bill. HB2584 includes a separate section that would move the AGIC from being administratively housed in the State Land Dept to AZGS. It has nothing to do with appointment of the State Geologist or management of the agency.

The ADMMR would be eliminated by HB2584

No – ADMMR would continue to exist and carry out its duties, only with additional support from the AZGS rather than by itself. A merger is not elimination.

Many of the messages we’re seeing state categorically or imply that the merger means the agency will disappear along with its staff, files, and facilities. That is not true.

The US Bureau of Mines was eliminated and shut down. ADMMR will continue to operate. There is a big difference.

This merger will send a message that Arizona is anti-mining

Making the ADMMR functions stronger, and the entity more viable and stable, are messages that Arizona recognizes the value and impacts of mining. In other western states this is a given. Arizona is viewed now by many as not serious about mining.

ADMMR has a business culture, AZGS has a scientific culture and the two are incompatible

One of the driving forces behind the merger is to bring together AZGS's entrepreneurial spirit and capabilities with ADMMR's mission and assets.

The claim among some ADMMR supporters is that that agency talks with the business community while AZGS only talks to academic researchers. However, both are applied technology agencies with strong outreach and education missions. Just as with ADMMR, AZGS gets a continual stream of visitors and inquiries from the mining industry, although more typically focused on geology and exploration and less so on current activities. In addition, our library in Tucson is open to the public and many small companies, independents, and consultants find it to be an invaluable resource. AZGS and ADMMR staff routinely refer inquiries to each other as needed.

ADMMR has engineers on staff, AZGS has geologists on staff, and the two are incompatible

ADMMR has one engineer and one geologist in an engineering slot in staff positions. AZGS and ADMMR work together collaboratively without problem and, in fact, the integration of engineering and geology makes sense.

Some of the claims of incompatibility are coming from academics where I surmise there are barriers between geologic and engineering departments in their universities. Elsewhere, especially in industry, engineers and geologists have to work together to accomplish their tasks. We see team work among geologists, engineers and mineral economists as a valuable and productive arrangement.

Arizona needs to preserve ADMMR as a strong independent agency to support the mining industry

The operative word here for me is "strong." Independent-but-weak is a formula for failure. Since the merger was proposed, I've been hearing from colleagues in other western mining states, saying it's about time for this to happen. They can't understand why a major mining center like Arizona would deliberately break up their mining and mineral resource programs, so that they are small, weak, and less effective. Strong mining states like Nevada, Idaho, and New Mexico, have integrated programs that are more influential and effective.