

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSHB 319(STA)
 (H) Publish Date: 2/23/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Natural Resources
 Title Remote Rec Cabin Site Sales/ RDU Resource Development
Lottery Sale Component Land Sales/Municipal Entitlements
 Sponsor Rep. Fate
 Requester (H) STA Component No. 2456

Expenditures/Revenues (Thousands of Dollars)

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

| OPERATING EXPENDITURES | FY 2005 | FY 2006 | FY 2007 | FY 2008 | FY 2009 | FY 2010 |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Personal Services | 368.0 | 368.0 | 368.0 | 368.0 | 368.0 | 368.0 |
| Travel | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 | 20.0 |
| Contractual | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 | 30.0 |
| Supplies | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 | 15.0 |
| Equipment | | | | | | |
| Land & Structures | | | | | | |
| Grants & Claims | | | | | | |
| Miscellaneous | | | | | | |
| TOTAL OPERATING | 433.0 | 433.0 | 433.0 | 433.0 | 433.0 | 433.0 |
| CAPITAL EXPENDITURES | | | | | | |
| CHANGE IN REVENUES (1153) | | | | | 82.6 | 112.8 |

FUND SOURCE (Thousands of Dollars)

| | | | | | | |
|------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| 1002 Federal Receipts | | | | | | |
| 1003 GF Match | | | | | | |
| 1004 GF | 433.0 | 433.0 | 433.0 | 433.0 | 350.4 | 320.2 |
| 1005 GF/Program Receipts | | | | | | |
| 1037 GF/Mental Health | | | | | | |
| Other (1153 Land Disp Income Fund) | | | | | 82.6 | 112.8 |
| TOTAL | 433.0 | 433.0 | 433.0 | 433.0 | 433.0 | 433.0 |

Estimate of any current year (FY2004) cost: 0.0

Check this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

| | | | | | | |
|-----------|---|---|---|---|---|---|
| Full-time | 6 | 6 | 6 | 6 | 6 | 6 |
| Part-time | 1 | 1 | 1 | 1 | 1 | 1 |
| Temporary | | | | | | |

ANALYSIS: (Attach a separate page if necessary)

This bill establishes a new land disposal program within AS 38.05.600. It leaves the existing Remote Recreational Cabin Program under that statute in place. This fiscal note analyzes the impacts of the proposed program.

The new program would have DNR negotiate private, non-competitive sales. (This is a significant change from the existing policy of only public, competitive land sales.) It also adds a maximum size restriction of 2.5 acres and establishes other guidelines regarding parcel locations.

Prepared by: Nancy Welch, Special Assistant to the Commissioner Phone 907-269-8431
 Division: Commissioner's Office Date/Time 1/28/04
 Approved by: Thomas Irwin, Commissioner Date 1/28/04
 Agency: Natural Resources

FISCAL NOTE # 1

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSHB 319(STA)

ANALYSIS CONTINUATION

Assumptions. The fiscal note assumes that DNR would process 150 applications under the new program which is established in Section 4(g) of the bill whereby DNR must approve parcels nominated by individuals. (If more than 150 individuals apply, a backlog would be established or more staff would be needed.)

The bill does not eliminate the existing program. Thus, the fiscal note also assumes that the existing program continues at its current level. If the program established in Section 4(g) is meant to replace the existing program, the cost and revenues provided in this fiscal note would change. The Department is currently preparing an estimate of the fiscal effect of eliminating the costs and revenues of the existing program.

The New Program. Section 4(g) of the bill would require individual processing for 2.5-acre parcels in locations throughout the state chosen by the applicant. This bill proposes that a member of the public can nominate a specific site and, if the person can demonstrate past recreational or mining use, DNR would be required to offer that site to that individual without competition. DNR would complete the processing: title search, appraisal review, best interest finding, easement decisions, etc. for that individual. This process would be repeated for each individual parcel.

Cost for Section 4(g). The new aspect of the program, Section 4(g), requires individual processing. For example, under the existing program, 150 parcels can be reviewed in six batches, combining survey reviews, appraisal reviews, best interest findings, and title searches. Section 4(g) would require 150 separate survey reviews, appraisal reviews, best interest findings, etc.

DNR estimates that this portion of the program will require the following staff: .

- 1 Appraiser II – @\$66.0 = \$66.0
- 1 NRS II – @\$58.0 = \$58.0
- 2 NRS I – @\$52.0/each = \$104.0
- 1 NRS I (part-time) - @\$26.0 = \$26.0
- 1 Land Survey Assistant II - @\$58.0 = \$58.0
- 1 Cartographer II - @\$56.0 = \$56.0

Revenues. Revenue generated under this bill would be a function of parcel size, per-acre price, number of parcels sold, and scheduling assumptions as outlined below.

Parcel Size. This bill proposes to decrease the maximum size to 2.5 acres. Under the current program, applicants choose the size of their parcel. The average size chosen under the current program is approximately 13.6 acres. (The minimum size is 5 to 10 acres depending on the area. Minimum size is established to comply with local platting board or waste disposal requirements. Maximum parcel size is 20 acres).

Parcel Price. Remote land in Alaska is inexpensive. The selling price for remote recreation cabin parcels staked in FY 01 and FY 02 is estimated to average \$620/acre. Small parcels sell for less than larger parcels, though the per-acre price is higher. Currently, the average size Alaskans chose to stake is 13.6 acres. Department appraisers estimate that all else being equal the per-acre price ratio between a 13-acre parcel and a 2.5 acre parcel is 1.9. Therefore, this fiscal note assumes that a 2.5-acre parcel will bring in \$1,180 per acre (= \$620/acre x 1.9). That is, each parcel brings in \$2,950 to the Department (= \$1,180/acre x 2.5 acres).

FISCAL NOTE #1

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. CSHB 319(STA)

ANALYSIS CONTINUATION

Purchase Rate. In the current program, only 43% of people issued staking authorizations go on to purchase their parcels. The remainder decide not to continue somewhere during the process. The Department is working to bring up the purchase rate. However, this rate is actually greater than similar historical programs. The Department's homestead/homesite programs allowed people to gain ownership through either purchase or prove-up. Only 33% of the people who initially sought parcels followed through to ownership: two-thirds dropped out. It is possible that those who apply in the program proposed by this bill will have a higher purchase rate than past programs. However, individuals do not understand the major cost in time and money until they try to hire a surveyor and appraiser, and so the purchase rate may actually be lower. This fiscal note assumes a 66% purchase rate or 100 parcels per year.

Financing. The bill assumes current practice for financing: approximately 20% of applicants purchase outright and 80% finance their purchase over 10 years. The current interest rate is 7%.

Schedule. Section 3 of the bill does not change DNR's existing survey and appraisal practice but requires that both be completed within one year. Currently, the Department contracts with private surveyors on behalf of the individuals and is able to complete the survey and appraisal process within two years. Our experience is that individuals who are unfamiliar with surveyors and appraisers take far longer. Thus, the Department believes that the minimum time for the process is two years: one for summer for survey (survey instruction from DNR, survey by a private contractor, then review by DNR), and a second for appraisal (instructions from DNR, appraisal by a private contractor, then review by DNR). Therefore, the minimum schedule is as follows: FY 05 to prepare the regulations and information for the public. The first applications could occur in FY 06 with one year for DNR processing (title search, best interest finding, public notice, etc.). Survey could occur in FY 07; appraisal in FY 08, and revenue would begin when parcels are purchased in FY 09.

Summary. In summary, total value sold will be \$295,000 (100 parcels x \$2,950 per parcel). Of that amount \$82,600 will be paid the first year (\$59,000 through full purchase plus \$23,600 downpayment on the remainder). An additional \$30,240 will be paid each year through the following 10 years as individuals pay off the parcels. Therefore, the first year of revenue will occur in FY 09 and will be \$82,600. In FY 10, revenue will be \$112,840 (= \$82,600 + \$30,240).

Technical Issues. This bill *does not* repeal the current program: Section 4(f) appears to provide that it continues. Therefore, this fiscal analysis assumes the existing program continue at its present level. However, the bill would put the current program out of compliance with the law. To maintain the current program, Sections 4(e) and (h) should apply only to the new program: that outlined in Section 4(g).

If the new program *does* replace the existing program, the required additional cost would be somewhat less than outlined in this fiscal note as current staff could implement the new program (with some additions). However, total revenue to the state would be much less than indicated in the fiscal note, as the existing program is a much more cost-efficient and revenue-efficient method to offer lands to Alaska. The Department is currently preparing this financial information, and it should be available within the next week.

Also, the bill mandates that survey and appraisal is completed in one year. As outlined above, many years of experience with this issue shows a one-year schedule to be almost impossible. A more realistic expectation is 2 to 5 years. Based on DNR's current practice, the minimum time to accomplish these tasks is two years: one for survey and one for appraisal. Therefore, the requirement in Section 3 (line 2 of page 3) should be removed.