

# FISCAL NOTE

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

Fiscal Note Number: 5  
 Fiscal Note Number: Bill Version: SCSCSHB319(RES)  
 Bill Version: (S) Publish Date: 5/8/04  
 () Publish Date: \_\_\_\_\_

Revision Date/Time (Note if correction): 5/8/2004 Dept. Affected: Natural Resources  
 Title Remote Rec Cabin Site Sales/ RDU Resource Development  
Lottery Sale Component Land Sales/Municipal Entitlements  
 Sponsor Rep. Fate  
 Requester (S) FIN 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	59.0	179.5	241.0	241.0	241.0	241.0
Travel	2.0	6.0	8.0	8.0	8.0	8.0
Contractual	8.0	28.0	28.0	28.0	28.0	28.0
Supplies		8.0	2.0	2.0	2.0	2.0
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
<b>TOTAL OPERATING</b>	<b>69.0</b>	<b>221.5</b>	<b>279.0</b>	<b>279.0</b>	<b>279.0</b>	<b>279.0</b>

<b>CAPITAL EXPENDITURES</b>						
-----------------------------	--	--	--	--	--	--

<b>CHANGE IN REVENUES ( 1153 )</b>			<b>82.5</b>	<b>82.5</b>	<b>247.5</b>	<b>346.3</b>
------------------------------------	--	--	-------------	-------------	--------------	--------------

### FUND SOURCE (Thousands of Dollars)

FUND SOURCE	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
1002 Federal Receipts						
1003 GF Match						
1004 GF	69.0	221.5	196.5	196.5	31.5	0.0
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (1153 Land Disp Income Fund)			82.5	82.5	247.5	279.0
<b>TOTAL</b>	<b>69.0</b>	<b>221.5</b>	<b>279.0</b>	<b>279.0</b>	<b>279.0</b>	<b>279.0</b>

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	1	2	4	4	4	4
Part-time		2				
Temporary						

### ANALYSIS: (Attach a separate page if necessary)

This bill establishes a public nomination process for the Remote Recreational Cabin Program under AS 38.05.600. It leaves the existing Remote Recreational Cabin Program under that statute in place, although it modifies some of the requirements of the existing program (such as parcel size, river frontage, etc.). This fiscal note analyzes the impacts of these changes. The new program adds a maximum size restriction of 10 acres.

DETAILS ON FOLLOWING PAGES

Prepared by: Nancy Welch, Special Assistant to the Commissioner Phone 907-269-8431  
 Division Commissioner's Office Date/Time 5/7/04  
 Approved by: Tom Irwin, Commissioner Date 5/8/04  
 Agency Natural Resources

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

SCS CSHB 319(RES)

**ANALYSIS CONTINUATION**

**Assumptions.**

The bill modifies the existing Remote Recreational Cabin Program. Thus, the fiscal note assumes that the existing program continues but at an expanded level and with some revision to comply with changes to this statute.

As a result of this legislation, DNR will undertake the following tasks:

- 1) prepare an annual schedule of remote recreation cabin offerings;
- 2) prior to preparation of the schedule, solicit public nominations of areas to offer for sale under this program;
- 3) assess proposed land offerings to ensure they were not selected for mineral potential or do not contain high value mineral lands. This will involve research into state land selection history for sale areas; review of published reports, geophysical surveys and geological evaluations for sale areas; and Division of Mining, Land and Water (DMLW) will coordinate a review of proposed sale areas by the DNR Division of Geological and Geophysical Surveys, DNR Division of Oil and Gas, and the Minerals Section of the DMLW; and
- 4) require that new purchasers of parcels under this program and any DNR lottery sale programs increase their deposits from 5% to 10% of the appraised value.

In FY05, DNR will also need to revise its regulation for this program to conform to certain changes proposed in HB319.

**Program Impact:** In response to the nominations process, DNR will offer additional areas and will offer up to 100 additional parcels under the Remote Recreation Cabin Program. Because some of these areas will be driven by public recommendations, we are assuming higher public interest and a higher response rate. This expansion of the program will result in increased survey and appraisal work starting in FY 06. Surveys will continue to be done by private sector surveyors, and applicants will pay for costs of survey and appraisal.

**Expenditures**

**Personal Services.** FY 05 - DNR estimates that to perform the tasks described above will require one (1) Natural Resource Specialist II (range 16) at a cost of \$59.0, for a total FY 05 personal services cost of \$59.0.

FY 06 - DNR will require funding for an additional NRS II to prepare additional areas nominated for sale, with the intention of offering 100 additional parcels; and 1/2 of an additional land survey position and 1/2 of an additional appraisal position to assist in this effort. An Appraiser II is \$65.0/year, or \$32.5 for 1/2 year. A Land Survey Assistant II is \$58.0 per year, or \$29.0 for 1/2 year.

**Contractual Costs:**

	FY 05	FY 06-FY 10
Phones, computer hook-ups, etc. @\$1000 ea	\$ 1.0	4.0
Office space rental	\$ 5.0	20.0
public notices, etc.	\$ 2.0	4.0
TOTAL	\$ 8.0	28.0

**Forecast of Increases in Sales and Revenues**

**Assumptions - Number of parcels offered and sold:** In response to the nominations process, DNR will offer 100 additional parcels each year starting in FY 07. Because some of these areas will be driven by public recommendations, we assume a high percentage, 75%, or 75 parcels, will actually be staked and eventually sold.

**Timing of Sales.** In FY 05, DNR will identify these new sale areas based upon public nominations. In FY 05-06, DNR will research land status, identify and reserve access, prepare best interest findings, conduct public notice and review, develop sale brochures, and other tasks to prepare areas to offer for staking. The areas will be offered for staking in FY 07. Parcels will be surveyed and appraised during FY 07-08. Final sales of parcels staked in FY 07 would occur in FY 09. These time frames are based upon an optimistic assessment of actual time required to implement the existing program.

FISCAL NOTE #5

STATE OF ALASKA  
2004 LEGISLATIVE SESSION

SCS CSHB 319 (RES)

**Revenues from additional Offerings under HB 319.** The following represents forecasted revenues based upon the assumption of 100 new parcels offered each year starting in FY 07, with 75% being sold (75 parcels). In addition, revenues under the existing program, which offers 250 parcels per year, will increase as the required down payment for parcels staked starting in FY 05 will increase from 5% to 10% of appraised value. Increased revenue comes from three sources as follows:

Increased Revenue from Increased Down Payments: FY 07 and following years, revenue will increase as a result of increasing the deposit for all remote recreation cabin parcels from 5% to 10%. This increased down payment will apply to parcels staked after the effective date of this act. Increasing the deposits from 5% to 10% will result in an estimated \$70,000 (the average of 5% of the FMV of the 2002 and 2003 parcels) starting in FY 07.

Revenue From Fees. DNR anticipates that offering more areas and parcels will increase the number of applications and revenue from associated fees. The fiscal note assumes DNR will collect the following additional fees at the time of applications, stakings, or processing of sale contracts/deeds:

Application fee: \$25/application - assume an additional 400 applications/year = \$10,000

Staking authorization fee: \$25 at time applicant submits staking diagram: \$25 x 100 parcels = \$2,500

Document processing fee: \$100 at time applicant requests contract or patent - assume 75 additional parcels go to purchase = \$7,500 starting in FY 08.

Total Increased Fee Revenue - FY 07: \$12,500  
FY 08 and following years: \$20,000

Increased Revenue from Increased Sales. Starting in FY 09, DNR forecasts an increase of 100 parcels or stakings being offered with a much higher (75%) staking rate resulting from the combination of increased interest in offerings (because of nominations), increased number of stakings authorized, or increased areas. Assumptions used to estimate increased revenue follows:

**Number of Additional Parcels Sold: 75**

**Parcel Size** - assumed to be 10 acres, which is the maximum allowed by the program, but less than what most people have staked under the existing program (average 13.6 acres). Many municipalities have a 10 acre minimum parcel size.

**Parcel Price** - the selling price for parcels staked in FY 01 and 02 has averaged \$620/acre with an average size of 13.6 acres. Smaller parcels generally receive a higher per acre value, DNR has adjusted the per acre price for this FN analysis to \$750/acre.

**Financing** - The bill assumes the current practice for financing: approximately 20% of applicants purchase outright, and 80% finance their purchase over 5 years. The current interest rate is 7%.

**Summary.**

FY 07 and 08: Revenue will increase as a result of increased downpayments from parcels acquired under the existing program (\$70,000) and additional application fees (\$12,500), for a total of \$82,500.

FY 09: Revenue (\$247,500) will include:

- increased downpayments from the existing program sales (\$70,000/year)
- increased fees (now \$20,000)
- cash sales of 20% of the 75 additional parcels - 15 parcels/year (\$112,500)
- the 10% down payments from the 60 parcels financed (\$45,000) and an assumed increase in rate of sales.

FY 10 (Revenue of \$279,000) and following years - FY 09 revenue plus \$98,776 from previous year's contracts (60 parcels, interest rate of 7%, financed 5 years).