

State of Alaska FY2009 Governor's Operating Budget

Department of Natural Resources Land Sales & Municipal Entitlements Component Budget Summary

Component: Land Sales & Municipal Entitlements**Contribution to Department's Mission**

To make land available for private and public use by present and future Alaskans by conveying title to individuals through direct land sale programs and to municipalities under the entitlement and other programs.

Core Services

- **REVENUE GENERATION:** In FY07, this component generated \$ 6.7 million in revenue at a cost of \$3.5 million. The revenue comes from sale of state land. This is more than three and a half times as much revenue as DNR was receiving from state land sales in FY01. Most of the costs in this component are for preparing land for sale. This component also includes conveyance of state land to municipalities. One of the purposes of the municipal entitlement conveyance program is to generate revenue for local governments, therefore the municipal entitlement program results in net loss of revenue to the state government when income producing lands are transferred.

This component provides the following services:

- **LAND SALES TO INDIVIDUAL ALASKANS.** This program makes land available for private ownership. Tasks include: new land sales; new remote recreational cabin offerings; identify and classify additional lands for private ownership; and administering land sale contracts for lands previously offered. The 2000 Legislature revised the state land sale program and gave the Division very specific performance measures for land sales. The Division is proud that it met these performance measures in FY01, 02, 03, 04, 05 and FY06. Staffing challenges hindered our ability to meet goals in FY 07; however the program still was able to offer 177 parcels at auction and 233 staking authorizations. For specific performance measures, see "Key Component Challenges, and Major Component Accomplishments."
- **LAND TRANSFERS TO MUNICIPALITIES UNDER MUNICIPAL ENTITLEMENTS.** This program transfers land to municipalities to provide an economic base for municipalities and to provide land for community needs. The land is transferred in fulfillment of their municipal entitlements under AS 29.65. The legislature approved an increment in FY03 that enabled DNR to accelerate the task of municipal conveyances. Municipal conveyances decisions have increased from roughly 5,000 acres in past years, to 24,810 acres in FY04, 27,306 acres in FY05, 243,350 acres in FY 06, 24 acres in FY07 and an estimated 45,000 acres in FY08. Numbers in FY07 decreased but significant steps were made in identifying lands that may be appropriate for processing and conveyance to the Denali and North Slope Boroughs. This accelerated conveyance program will eliminate what was a 50-year entitlement backlog within a decade. The major focus of the FY 08 DNR work will be processing Lake and Peninsula, Denali and North Slope Borough entitlements.
- **TIDELANDS AND LAND TRANSFERS FOR PUBLIC PURPOSES.** DNR transfers state owned tidelands to municipalities for existing and proposed development projects under AS 38.05.825 and upland parcels for public purposes under AS 38.05.810. The Division processed 2 tideland conveyances under AS 38.05.825 and 2 public purposes conveyances in FY07. It is expected in FY08 these conveyances will remain the same.
- **PREFERENCE RIGHT LAND SALES TO INDIVIDUALS.** DNR negotiates sales to individuals that qualify for preference right sales. The workload is determined in part by the number and complexity of applications.
- **LAND EXCHANGES.** Due to past budget reductions, land exchanges are only performed when one of the parties desiring the exchange is willing to pay for this service. No land exchanges are included in this budget; however, when a significant state interest is involved, a reimbursement agreement may be used to fund the process.
- **LAND PLANNING FOR DISPOSAL AND DEVELOPMENT.** Preparation of land use and development plans for state land are largely funded through this component. These land use plans identify and classify land for new land disposals, land transfers to municipalities, gravel extraction, timber harvest, and other development.

| End Result | Strategies to Achieve End Result |
|--|---|
| <p>A: An adequate amount of state land is transferred into private ownership by individual Alaskans and to Municipalities for settlement, recreation, development and other uses.</p> <p><u>Target #1:</u> Sell 300 parcels of land (approximately 3,000 acres) per year. <u>Measure #1:</u> Number of new parcels sold or under contract for sale.</p> <p><u>Target #2:</u> Provide Alaskans local governance and use of state land by transferring of 80,000 acres of state land to municipalities under the Municipal Entitlement Act. <u>Measure #2:</u> Acres transferred (approved) to municipalities.</p> <p><u>Target #3:</u> \$2.5 million is the target - our goals is to ensure that state land sales pay for program costs and generate a return to the state treasury. <u>Measure #3:</u> Annual net revenue from state land sales.</p> | <p>A1: Offer land for sale to the public through a variety of programs.</p> <p><u>Target #1:</u> Offer 1,700 parcels of land for sale over-the-counter. <u>Measure #1:</u> Number of parcels for sale over-the-counter.</p> <p><u>Target #2:</u> Offer 250 Remote Recreation Cabin Stakings. <u>Measure #2:</u> Number of stakings offered.</p> <p><u>Target #3:</u> Offer 300 parcels of land at auction. <u>Measure #3:</u> Number of parcels offered for sale at auction.</p> <p><u>Target #4:</u> Process 20 Preference Rights Applications in FY07. <u>Measure #4:</u> Number of Preference Right applications processed.</p> <p>A2: Identify and classify land for future land sales, transfers to municipalities, and other resource development.</p> <p><u>Target #1:</u> Revise one land use plan to classify the appropriate use of state land, including settlement, other forms of development, and transfer to municipalities. <u>Measure #1:</u> Number of plans completed or revised.</p> <p><u>Target #2:</u> Classify 50,000 acres of land for settlement (for future municipal entitlements or land sales) in FY08. <u>Measure #2:</u> Acres classified through land use plans for settlement, agriculture, or to other land classifications that enable conveyances to municipalities, and other land disposals.</p> <p>A3: Sell state land at fair market value to generate revenue to pay for future land sale costs and generate return to the General Fund, including long-term return through land sale contracts.</p> <p><u>Target #1:</u> Collect an estimated \$5.8 million in annual revenue from various land sale programs in FY07. <u>Measure #1:</u> Dollars received from land sales.</p> <p><u>Target #2:</u> Maintain 2,200 land sale contracts from past land sales. <u>Measure #2:</u> Number of land sale contracts maintained.</p> <p>A4: Transfer state land to municipalities to encourage their growth and development, to generate revenue for municipalities, and for municipal land sale programs.</p> <p><u>Target #1:</u> Approve transfer of 80,000 acres to municipalities in FY08, and 40,000 acres in FY09. <u>Measure #1:</u> Acres included in final decisions.</p> |

Major Activities to Advance Strategies

- Offer 300 parcels at auction. Parcels which do not sell at auction are offered over the counter.
- Sell 285 parcels of land per year, through auctions, Over-the-Counter, Preference Right applications, or finalized sales from RRCS staking program.
- Grant 250 Remote recreation cabin staking authorizations.
- Process 20 preference rights applications.
- Issue 285 deeds to transfer title once full purchase price is paid.
- Identify and classify at least 10,000 acres of land for settlement through land use plans.
- Identify and classify at least 40,000 acres for potential transfer to municipalities and other resource development.
- Revise or prepare 3 land use plans.
- Appraise 300 new parcels being offered for sale.
- Actively market the OTC parcels and auction parcels through public information campaigns.
- Accept down payments and enter into purchase agreements or long-term sale contracts with new purchasers.
- Maintain and collect payments for land sale contracts from past land sales.
- Issue final administrative decisions to approve municipal selections for 60,000 acres.
- Issue patents or other deeds to municipalities for 6,000 acres.
- Issue final administrative decisions and issue patents to municipalities for 4 tidelands tracts.

FY2009 Resources Allocated to Achieve Results

FY2009 Component Budget: \$3,996,900

Personnel:

| | |
|--------------|-----------|
| Full time | 48 |
| Part time | 0 |
| Total | 48 |

Performance Measure Detail

A: Result - An adequate amount of state land is transferred into private ownership by individual Alaskans and to Municipalities for settlement, recreation, development and other uses.

Target #1: Sell 300 parcels of land (approximately 3,000 acres) per year.
Measure #1: Number of new parcels sold or under contract for sale.

Number of Parcels sold

| Year | Acres | YTD | Target |
|------|-------|-----|--------|
| 2002 | 2,879 | 470 | 150 |
| 2003 | 4,647 | 605 | 150 |
| 2004 | 1,694 | 575 | 410 |
| 2005 | 3,251 | 374 | 450 |
| 2006 | 4,426 | 477 | 300 |
| 2007 | 5,088 | 450 | 300 |

Analysis of results and challenges: FY07 Results

Auction: 110 Parcels Sold or under contract for sale
 OTC Auction: 340 Parcels Sold or under contract for sale
 Total: 450 Parcels Sold or under contract for sale

The results are a combination of the auctions and over-the-counter sales. The Division exceeded its target, but it is becoming increasingly difficult to meet the targets due to several reasons. There are less and less desirable areas available that are classified settlement in the area plans. When sale areas or parcels are identified in

organized boroughs, the boroughs are placing increasingly more difficult requirements on the state before their platting authorities will approve the sales.

This places the division in the position of having to drop some desirable areas. The timeline to produce land disposals with the given land ownership patterns, borough restrictions, and access development requirements, is becoming difficult. In the two previous fiscal years, there was a substantial amount of old disposals that could be reoffered to help meet this goal but now there is a greater workload to prepare new areas that were not previously offered.

Compounding the difficulty are the problems with keeping full staffing levels. Salaries that do not compete with the private market, federal agencies, and boroughs makes it very difficult to maintain the staffing levels that are crucial to push forward these sales under very tight deadlines.

In some areas there are land stewardship issues that must be resolved before land can be offered. The land sales unit along with the DMLW Regional Office staff must resolve trespass structures, access issues, and remove trash and hazardous materials before some land can be offered.

Target #2: Provide Alaskans local governance and use of state land by transferring of 80,000 acres of state land to municipalities under the Municipal Entitlement Act.

Measure #2: Acres transferred (approved) to municipalities.

Acres transferred to municipalities

| Year | YTD |
|------|---------|
| 2004 | 24,811 |
| 2005 | 27,306 |
| 2006 | 243,350 |
| 2007 | 24 |

Analysis of results and challenges: In FY03, the legislature agreed to fund a comprehensive, public process to ensure that several boroughs with large remaining entitlements could get the land owed them by the state. The six boroughs targeted through this project were: Yakutat, Aleutians East, Lake and Peninsula, Northwest Arctic, Denali and North Slope. As a result, decisions to convey land to Yakutat, Aleutians East, Lake and Peninsula, Matanuska-Susitna, and North Slope Boroughs have occurred. In FY07 decision acreage dropped due to negotiations with municipalities in making selections, plan amendments necessary for conveyances and policy issues. It is anticipated in FY08 that conveyance decisions will increase substantially.

The amount of land conveyed in any one year to municipalities under this program can vary greatly since the conveyance decisions are dependent upon revisions to area plans and since the length of time to complete conveyance decisions can vary greatly, depending on complexity and the results of the public review process.

Target #3: \$2.5 million is the target - our goal is to ensure that state land sales pay for program costs and generate a return to the state treasury.

Measure #3: Annual net revenue from state land sales.

Annual net revenue from state land sales

| Year | YTD |
|------|-------------|
| 2004 | 3.4 Million |
| 2005 | 2.1 Million |
| 2006 | 2.5 Million |
| 2007 | 3.6 Million |

Analysis of results and challenges: Total Receipts in FY07: \$7.0 million
Total Costs in FY07: \$3.4 million

In addition to increasing the numbers of parcels sold, the new parcels developed are of greater quality and net greater revenue. The net revenue will continue about the same in FY09 because we will sell fewer parcels, but with higher values, and it will take more effort to meet some of the other requirements to get the parcels to market. It is becoming more difficult to meet our original goal of offering 300 (new) parcels each year to sustain

the revenue stream. This has become difficult due to the scarcity of good land along roadways, difficulty in meeting borough, federal, and DOT/PF requirements, and staff shortages. The goal of 300 parcels was met due to the over-the-counter (OTC) sales after the initial offerings, but the OTC inventory is getting lower.

The FY04 figure is substantially different because numerous reoffered parcels were offered and sold that year with much less preparation work than existing parcels.

The FY07 costs were less due to high vacancy factors. Although this saved personnel costs, we were still able to get the parcels out to sale this year. The impact of the staff shortages will be felt more in FY08 as it often takes a couple of years to bring parcels to market.

A1: Strategy - Offer land for sale to the public through a variety of programs.

Target #1: Offer 1,700 parcels of land for sale over-the-counter.

Measure #1: Number of parcels for sale over-the-counter.

| Year | YTD |
|------|-------|
| 2002 | 2,418 |
| 2003 | 3,200 |
| 2004 | 3,427 |
| 2005 | 2,783 |
| 2006 | 1,560 |
| 2007 | 1,772 |

Analysis of results and challenges: The number of OTC parcels available for the year is the amount that is available on July 1, of each year. The number will gradually decrease until OTC parcels are a minimal portion of land sales. It is hoped that this loss of revenue will be made up with the higher quality auction parcels.

Target #2: Offer 250 Remote Recreation Cabin Stakings.

Measure #2: Number of stakings offered.

| Year | YTD |
|------|-----|
| 2002 | 295 |
| 2003 | 231 |
| 2004 | 266 |
| 2005 | 270 |
| 2006 | 285 |
| 2007 | 233 |

Analysis of results and challenges: The entire number of Remote Rec Staking Authorizations offered each year is the amount offered in the July lottery, which in FY 2007 was 233.

The Land Sales Unit has had a significant staff loss. In September of FY07, the staff has been reduced by half. Non-competitive salaries is a common reason for staff attrition. This combined with increased complexity of requirements from the boroughs, DOT/PF, and the Corps of Engineers, makes it unrealistic to meet the original goal of 250 parcels.

Target #3: Offer 300 parcels of land at auction.

Measure #3: Number of parcels offered for sale at auction.

| Year | YTD |
|------|-----|
| 2002 | 40 |
| 2003 | 0 |
| 2004 | 139 |
| 2005 | 158 |
| 2006 | 209 |
| 2007 | 177 |

Analysis of results and challenges: 177 auction parcels were offered in the FY07 Auction #446. As is often the case, many more parcels were originally intended for this auction, but were dropped because of access issues, borough and DOT/PF requirements causing delays, trespass, hazardous materials and other obstacles that need to be addressed before sale. Not all auction parcels will be new subdivisions, but may include reoffers of previous sales on which better access, roads or utilities, hazmat cleanup or trespass removal has occurred.

Although the number of parcels have dropped, we have maintained the revenue earned from land sales because we are offering better parcels or parcels that have better access.

The Land Sales Unit has had a significant staff loss. In September of FY07, the staff has been reduced by half. Non-competitive salaries is a common reason for staff attrition. This combined with increased complexity of requirements from the boroughs, DOT/PF, and the Corps of Engineers, makes it unrealistic to meet the original goal of 300 parcels in FY08.

Target #4: Process 20 Preference Rights Applications in FY07.

Measure #4: Number of Preference Right applications processed.

| Year | YTD |
|------|-----|
| 2002 | 10 |
| 2003 | 12 |
| 2004 | 25 |
| 2005 | 26 |
| 2006 | 29 |
| 2007 | 27 |

Analysis of results and challenges: Preference Rights applications have been coming in larger numbers over the past year or more. The Division expects to process 20 preference right applications in FY07. One additional position was added in FY06 to work on preference right applications; however, there are many very complex cases that will be under review in FY08, slowing down the volume of applications that will be processed.

A2: Strategy - Identify and classify land for future land sales, transfers to municipalities, and other resource development.

Target #1: Revise one land use plan to classify the appropriate use of state land, including settlement, other forms of development, and transfer to municipalities.

Measure #1: Number of plans completed or revised.

Number of Land Use Plans

| Year | YTD |
|------|-----|
| 2004 | 1 |
| 2005 | 2 |
| 2006 | 2 |
| 2007 | 0 |

Analysis of results and challenges: Land use plans are the commissioner's decision on the appropriate use of the state land. This direct the appropriate development, settlement, and protection of state lands. Plans are developed through a transparent public process. The classification of lands through a planning process is essential before land can be conveyed to boroughs, municipalities, and Alaskans.

Target #2: Classify 50,000 acres of land for settlement (for future municipal entitlements or land sales) in FY08.

Measure #2: Acres classified through land use plans for settlement, agriculture, or to other land classifications that enable conveyances to municipalities, and other land disposals.

of acres classified for settlement and other disposals

| Year | YTD | Target |
|------|---------|---------|
| 2004 | 47,000 | 50,000 |
| 2005 | 742,500 | 500,000 |
| 2006 | 147,700 | 200,000 |
| 2007 | 0 | 30,000 |

Analysis of results and challenges: In FY06 an amendment to the Northwest Area Plan classified 147,700 acres for settlement, to enable the conveyance of state land to the Northwest Arctic Borough. Land use planning efforts were well underway in FY07, but since no plans were formally adopted, additional classifications did not occur. In FY08 about 30,000 acres are to be classified for public recreation or settlement through the revision to the Tanana Basin Area Plan, to enable its eventual transfer to the Denali Borough. Also in FY08, 20,000 acres will be classified settlement, public recreation, or for general development in the Northwest Arctic and North Slope Boroughs. Often, there may be substantial differences between area plans in the acres classified for settlement, agriculture, and other land disposals. This results from the timing of area plan adoption, which varies from year to year. The classification or reclassification of state lands, which results from the adoption of these plans, therefore also varies annually significantly.

A3: Strategy - Sell state land at fair market value to generate revenue to pay for future land sale costs and generate return to the General Fund, including long-term return through land sale contracts.

Target #1: Collect an estimated \$5.8 million in annual revenue from various land sale programs in FY07.
Measure #1: Dollars received from land sales.

| Year | YTD |
|------|---------|
| 2002 | \$3.0 M |
| 2003 | \$4.6 M |
| 2004 | \$5.3 M |
| 2005 | \$5.2 M |
| 2006 | \$6.3 M |
| 2007 | \$7.0 M |

Analysis of results and challenges: The over-the-counter (OTC) inventory is reducing in size as more parcels are sold, which should lead to a gradual reduction in number of sales for FY08. The high staff turnover in FY07 will have a noticeable effect on our ability to offer as many parcels in FY08. Therefore, there will be a reduction in remote and subdivision sales. On the other hand, we are creating higher priced and more desirable parcels. The net result will probably mean that the revenue production is expected to hold steady in FY08.

Target #2: Maintain 2,200 land sale contracts from past land sales.
Measure #2: Number of land sale contracts maintained.

| Year | YTD |
|------|-------|
| 2002 | 1,398 |
| 2003 | 1,496 |
| 2004 | 1,878 |
| 2005 | 2,071 |
| 2006 | 2,096 |
| 2007 | 2,567 |

Analysis of results and challenges: This number fluctuates slightly from quarter to quarter and represents the same base amount of contracts yearlong. In other words, some portion of the number of contracts maintained in the 4th quarter are also being maintained in each of the other quarters, so numbers would not add up to a total. About 80% of all purchasers request a land sale contract. This means that revenue from prior sales is received over a period of years and multiple payments. When someone pays off the contract and receives a patent, the contract is closed and archived. Therefore there is some fluctuation in numbers of contracts administered.

A4: Strategy - Transfer state land to municipalities to encourage their growth and development, to generate revenue for municipalities, and for municipal land sale programs.

Target #1: Approve transfer of 80,000 acres to municipalities in FY08, and 40,000 acres in FY09.
Measure #1: Acres included in final decisions.

| Year | YTD |
|------|---------|
| 2004 | 24,810 |
| 2005 | 27,306 |
| 2006 | 243,350 |
| 2007 | 24 |

Analysis of results and challenges: In FY03, the legislature agreed to fund a comprehensive, public process to ensure that several boroughs with large remaining entitlements could get the land owed them by the state. The six boroughs targeted through this project were: Yakutat, Aleutians East, Lake and Peninsula, Northwest Arctic, Denali and North Slope. As a result decisions to convey land to Yakutat, Aleutians East, Lake and Peninsula, Matanuska-Susitna Borough and North Slope Boroughs have occurred. It is anticipated that approximately 80,000 acres will be decisioned in FY08 with an additional 40,000 acres decisioned in FY09. Meeting the performance measures will require revisions to area plans and preparation of site specific plans which are underway.

The amount of land conveyed in any one year to municipalities under this program can vary greatly since the conveyance decisions are dependent upon revisions to area plans and since the length of time to complete conveyance decisions can vary greatly, depending on complexity and the results of the public review process.

Key Component Challenges

LAND SALES TO ALASKANS.

The key issue for land sales for FY09 is to identify and offer new areas for sale under the Subdivision and Remote Recreational Cabin programs. The 2000 legislature provided specific performance measures for the Division to meet in its land sale program. These were: 1) to offer the entire inventory of the state's unsold parcels up for sale in FY02 and FY03 in a manner that they remain permanently for sale until sold; 2) beginning in FY02 to annually offer at least 250 parcels for the remote recreation cabin program (the "stake-it-yourself" program); and 3) beginning in FY 04 to offer at least 100 new pre-surveyed (subdivision) lots each year. A 2004 budget increase enabled DNR to expand the subdivision program to 200 new pre-surveyed lots in FY06 and 300 in FY07, then stabilizing in future years. DNR has met or exceeded all of these targets. However, due to staff shortages in FY 07, meeting the goals in FY 08 and FY 09 will be a challenge.

DNR is finding it to increasingly more challenging to maintain land sales at the level of 250 remote recreation parcels and 300 subdivision lots per year due to several reasons. The recent large acreages conveyed to municipalities and the recent grant of 250,000 acres of state land to the University of Alaska have removed some of the most accessible and desirable state land from DNR's long-term land disposal portfolio. As a result, there are increasingly less desirable areas available that are classified settlement in the area plans. In addition, when sale areas or parcels are identified in organized boroughs, the boroughs are placing increasingly more difficult and expensive requirements on the state before their platting authorities will approve the sales. Outside of boroughs the Alaska Department of Transportation and Public Facilities has requirements to build road aprons and the Army Corps of Engineers has requirements for wetlands delineations and permits and potential mitigation for the placing of road aprons and roads. This places the division in the position of having to drop some desirable areas due to the time, cost, and complexity in developing the land. The timeline to produce land disposals with the given land ownership patterns, borough and agency restrictions, access development requirements, and land problem resolution is becoming difficult. In addition, as DNR offers land in more remote areas, the value of the land decreases, thereby resulting in a reduction of revenue. Since June of 2006 the disposal group has been additionally stressed with shortage and/or turnover of staff.

LAND TRANSFERS TO MUNICIPALITIES UNDER MUNICIPAL ENTITLEMENTS

Over the last few years, the state has made a significant effort to finalize land ownership patterns: final state selections from the federal government were made and prioritized in 1994, and have been recently updated for submittal to BLM. The Mental Health land trust land dispute was settled in 1994, and recent legislation resulted in state land being transferred to the University of Alaska, to expand the land endowment. In addition, in 2001 the state has resumed its land disposal program to transfer land to private individuals. DNR has committed to resolving the one remaining piece, the resolution of municipal entitlements.

In FY03, the legislature agreed to fund a comprehensive, public process to ensure that several boroughs with large remaining entitlements could get the land owed them by the state. The six boroughs targeted through this project were: Yakutat, Aleutians East, Lake and Peninsula, Matanuska-Susitna, Northwest Arctic, and North Slope Boroughs. Between FY 03 and FY 08 about 295,400 acres have been transferred to these boroughs and it is anticipated that an additional 45,000 acres are to be transferred in FY 08 to the North Slope and Lake and Peninsula Boroughs. The challenge for this program is to decision 70,000 acres in FY09 for conveyance to the Lake and Peninsula, Denali, and North Slope Boroughs. Some of these decisions, such as selection by the North Slope Borough in the vicinity of Prudhoe Bay, will be controversial.

Significant Changes in Results to be Delivered in FY2009

Over half of the land sale staff departed in early FY07. Although staffing is back above 75%, the staff are largely untrained and inexperienced. In addition, it takes several years to prepare an area for a land sale, hence staffing shortage in FY07 can impact land sales for several years. It is expected that the division will not meet its land sale targets for FY08 or FY09.

Major Component Accomplishments in 2007

The following table is a summary of DNR's land sale costs and revenue since the Land Disposal Income Fund was set up by the legislature starting in FY01. Revenues have steadily increased and significantly exceed what was projected in 2000. Initially revenue increase resulted from DNR marketing of previously unsold, but already surveyed, parcels of state land. More recent revenues also included sale of new subdivisions and preference right sales as well as ongoing payments from prior land sales under contract. Costs have also increased because DNR is now preparing and offering new areas for sale to the public under both the subdivision and remote recreation cabin programs. These figures include the costs for surveys and platting, and road construction in some subdivisions.

| Land Disposal Fund (in \$thousands) | | | | | | | |
|-------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Revenue | FY01 | FY02 | FY03 | FY04 | FY05 | FY 06 | FY 07 |
| Mining Land & Water | \$1,977.0 | \$3,012.0 | \$4,613.0 | \$5,165.0 | \$5,633.0 | \$6,625.1 | \$6,372.6 |
| Agriculture | \$801.0 | \$670.0 | \$1,472.0 | \$689.0 | \$424.0 | \$989.6 | \$587.7 |
| Total Revenue | \$2,778.0 | \$3,682.0 | \$6,085.0 | \$5,854.0 | \$6,057.0 | \$7,614.7 | \$6,960.3 |
| Costs | | | | | | | |
| Mining Land & Water (1) | \$1,774.0 | \$1,961.0 | \$2,590.0 | \$3,400.0 | \$4,290.0 | \$3,697.8 | \$3,454.7 |
| Agriculture | \$317.0 | \$263.0 | \$500.0 | \$415.0 | \$339.0 | \$348.6 | \$305.0 |
| Total Costs | \$2,091.0 | \$2,224.0 | \$3,090.0 | \$3,815.0 | \$4,639.0 | \$4,046.4 | \$3,759.7 |
| Annual Net Revenue-Costs | \$687.0 | \$1,458.0 | \$2,995.0 | \$2,039.0 | \$1,428.0 | \$3,568.3 | \$3,200.6 |

(1) FY 04 costs Includes over \$1 million in CIP for Future projects; FY 05 costs include \$1.8 million in CIP for Future projects. FY 06 costs include almost \$2 million in CIP for Future Projects; FY 07 costs include \$2.4 million in CIP for Future Projects.

LAND SALES TO INDIVIDUAL ALASKANS. In FY07, the department sold 450 parcels or 3,856 acres for a total value of \$5,660,979.00 in over-the-counter and auction sales (gross sales price during that year only, does not reflect actual revenue received by the State, which is higher). DNR offered 177 parcels in the FY 07 auction, 134 of which were entirely new parcels, including new subdivisions where DNR constructed internal subdivision roads to increase the value of the land and to meet borough platting requirements. Additionally, DNR offered 233 parcels for individuals to stake for remote recreational cabin sites in FY07 and prepared an additional 29 surveyed remote parcels for sale. It is expected that the over-the-counter sales will level off in future years but that the auction parcels will be more popular and therefore bring a higher price therefore continuing to fund an ongoing land sale programs.

LAND TRANSFERS TO MUNICIPALITIES UNDER MUNICIPAL ENTITLEMENTS. In FY06, DNR approved for conveyance municipal entitlement selections totaling 243,800 acres, significantly completing the Northwest Arctic, Land and Peninsula and Matanuska-Susitna Borough's entitlement as well as other small conveyances. In FY07 numbers declined but substantial progress was made in refining selections for the Denali and North Slope Boroughs. DNR is working on revisions to two area plans that will enable conveyances to the Denali Borough and North Slope over the next two fiscal years.

LAND PLANNING FOR DISPOSAL AND DEVELOPMENT. In FY05, both the Kodiak Area Plan and the revised Bristol Bay Area Plan were completed. The Kodiak plan classified over 378,000 acres for grazing, settlement and potential development on uplands; an additional 3.8 million acres of tidelands were classified to enable potential development to

occur on these areas. The Bristol Bay plan classified over 10 million acres for minerals development, settlement, or other potential forms of upland development. An additional 7.9 million acres of state tide and submerged lands were also classified. The revision of the Bristol Bay plan enabled the conveyance of 5,500 acres to the Aleutians East Borough and 19,245 acres to the Lake and Peninsula Borough in FY06. An additional 41,750 acres is expected to be conveyed to the Lake and Peninsula Borough in FY08. In FY06, revision of the Northwest Area Plan resulted in 214,822 acres being classified for settlement or disposal, and in the eventual conveyance of 147,000 acres to the Northwest Arctic Borough. Although major planning efforts were underway in various parts of the state in FY07, none were formally adopted except for a single plan amendment and a site specific plan. These totaled 6,420 acres, although the area classified for settlement in the site specific plan resulted in the conveyance of 450 acres of some of the most valuable state land in the Prudhoe Bay area.

In FY08 many of the planning efforts underway in previous years are scheduled to be completed. Revision of the Northwest Area Plan will eventually result in the conveyance of an additional 26,000 acres to the North Slope Borough. Revision of the Prince of Wales Area Plan will result in 6,500 acres being classified for settlement or timber disposal. An additional 1.2 million acres of tide and submerged lands were also classified; some of these were classified to support timber management operations, waterfront development, and general development. Scheduled revision of the Willow Subbasin Area Plan in FY09 should result in considerable additional areas being classified for agricultural, forest, settlement, and other development purposes. Other work, also now underway but to be completed in FY09, should result in 30,000 acres reclassified to settlement for conveyance to the Denali Borough and approximately, 25,000 acres for conveyance to the North Slope Borough,

LAND EXCHANGE. In FY06, the division completed the land exchange with the National Park Service so that the state could acquire land near Gustavus for a hydroelectric project (Falls Creek). The division also issued a decision to exchange land with the Matanuska Susitna Borough that will allow the state to acquire Borough land within Legislatively Designated Areas (LDAs) and the Borough to acquire state land better suited for community purpose. The Borough received management right to 13,000 acres of land but final title transfer will occur in FY07. No land exchanges occurred in FY07 or FY08. In FY06 and FY07 the division also worked on a proposed land exchange with the U.S. Fish and Wildlife Service and King Cove Native Corporation that would facilitate construction of a road from King Cove to Cold Bay. This exchange requires approval by the U.S. Congress.

Statutory and Regulatory Authority

The Land Sales and Municipal Entitlements Component operates under the following authorities:

Statutory

AS 29.65
AS 38.04
AS 38.05.035
AS 38.05.055 - 068
AS 38.05.125
AS 38.05.300
AS 38.05.810 - 825
AS 38.05.840
AS 38.05.860
AS 38.05.940
AS 38.08
AS 38.09
AS 38.50

Regulatory

11AAC (numerous sections)

Contact Information

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**Land Sales & Municipal Entitlements
Component Financial Summary**

All dollars shown in thousands

| | FY2007 Actuals | FY2008 Management Plan | FY2009 Governor |
|--|----------------|---------------------------|-----------------|
| Non-Formula Program: | | | |
| Component Expenditures: | | | |
| 71000 Personal Services | 3,016.7 | 3,362.0 | 3,531.3 |
| 72000 Travel | 56.9 | 51.0 | 51.0 |
| 73000 Services | 321.4 | 412.3 | 370.3 |
| 74000 Commodities | 76.5 | 40.3 | 44.3 |
| 75000 Capital Outlay | 0.0 | 0.0 | 0.0 |
| 77000 Grants, Benefits | 0.0 | 0.0 | 0.0 |
| 78000 Miscellaneous | 0.0 | 0.0 | 0.0 |
| Expenditure Totals | 3,471.5 | 3,865.6 | 3,996.9 |
| Funding Sources: | | | |
| 1002 Federal Receipts | 0.0 | 99.3 | 59.3 |
| 1007 Inter-Agency Receipts | 2.3 | 55.0 | 15.0 |
| 1061 Capital Improvement Project Receipts | 14.4 | 0.0 | 0.0 |
| 1108 Statutory Designated Program Receipts | 0.0 | 74.6 | 54.6 |
| 1153 State Land Disposal Income Fund | 3,454.8 | 3,636.7 | 3,868.0 |
| Funding Totals | 3,471.5 | 3,865.6 | 3,996.9 |

Estimated Revenue Collections

| Description | Master Revenue Account | FY2007 Actuals | FY2008 Management Plan | FY2009 Governor |
|---------------------------------------|------------------------------|----------------|---------------------------|-----------------|
| Unrestricted Revenues | | | | |
| State Land Disposal Income Fund | 51434 | 2,917.8 | 3,054.3 | 3,157.0 |
| Unrestricted Fund | 68515 | 340.1 | 357.2 | 0.0 |
| Unrestricted Total | | 3,257.9 | 3,411.5 | 3,157.0 |
| Restricted Revenues | | | | |
| Federal Receipts | 51010 | 0.0 | 99.3 | 59.3 |
| Interagency Receipts | 51015 | 2.3 | 55.0 | 15.0 |
| Statutory Designated Program Receipts | 51063 | 0.0 | 74.6 | 54.6 |
| Capital Improvement Project Receipts | 51200 | 14.4 | 0.0 | 0.0 |
| State Land Disposal Income Fund | 51434 | 3,454.8 | 3,636.7 | 3,868.0 |
| Restricted Total | | 3,471.5 | 3,865.6 | 3,996.9 |
| Total Estimated Revenues | | 6,729.4 | 7,277.1 | 7,153.9 |

**Summary of Component Budget Changes
From FY2008 Management Plan to FY2009 Governor**

All dollars shown in thousands

| | <u>General Funds</u> | <u>Federal Funds</u> | <u>Other Funds</u> | <u>Total Funds</u> |
|--|----------------------|----------------------|--------------------|--------------------|
| FY2008 Management Plan | 0.0 | 99.3 | 3,766.3 | 3,865.6 |
| Adjustments which will continue current level of service: | | | | |
| -Correct Unrealizable Fund Sources for Salary Adjustments: GGU | 0.0 | -3.3 | 3.3 | 0.0 |
| -FY 09 Bargaining Unit Contract Terms: General Government Unit | 0.0 | 3.3 | 171.3 | 174.6 |
| Proposed budget decreases: | | | | |
| -Reduce Uncollectable Fund Sources | 0.0 | -40.0 | -60.0 | -100.0 |
| Proposed budget increases: | | | | |
| -Increased Land Sale Program Support | 0.0 | 0.0 | 56.7 | 56.7 |
| FY2009 Governor | 0.0 | 59.3 | 3,937.6 | 3,996.9 |

**Land Sales & Municipal Entitlements
Personal Services Information**

| Authorized Positions | | Personal Services Costs | | |
|----------------------|-------------|-------------------------|----------------------------------|------------------|
| <u>FY2008</u> | | | | |
| <u>Management</u> | <u>Plan</u> | <u>FY2009</u> | <u>Governor</u> | |
| Full-time | 47 | 48 | Annual Salaries | 2,256,443 |
| Part-time | 0 | 0 | COLA | 158,873 |
| Nonpermanent | 0 | 0 | Premium Pay | 4,011 |
| | | | Annual Benefits | 1,320,150 |
| | | | <i>Less 5.57% Vacancy Factor</i> | (208,177) |
| | | | Lump Sum Premium Pay | 0 |
| Totals | 47 | 48 | Total Personal Services | 3,531,300 |

Position Classification Summary

| Job Class Title | Anchorage | Fairbanks | Juneau | Others | Total |
|---------------------------|-----------|-----------|----------|----------|-----------|
| Accounting Tech I | 1 | 0 | 0 | 0 | 1 |
| Administrative Clerk II | 1 | 0 | 0 | 0 | 1 |
| Appraiser II | 1 | 0 | 0 | 0 | 1 |
| Cartographer II | 1 | 0 | 0 | 0 | 1 |
| Land Survey Asst II | 1 | 0 | 0 | 0 | 1 |
| Land Surveyor I | 5 | 0 | 0 | 0 | 5 |
| Land Surveyor II | 1 | 0 | 0 | 0 | 1 |
| Natural Resource Mgr I | 5 | 1 | 0 | 0 | 6 |
| Natural Resource Mgr II | 1 | 0 | 0 | 0 | 1 |
| Natural Resource Mgr III | 2 | 0 | 0 | 0 | 2 |
| Natural Resource Spec I | 7 | 0 | 0 | 0 | 7 |
| Natural Resource Spec II | 13 | 2 | 0 | 0 | 15 |
| Natural Resource Spec III | 3 | 0 | 0 | 0 | 3 |
| Natural Resource Tech II | 3 | 0 | 0 | 0 | 3 |
| Totals | 45 | 3 | 0 | 0 | 48 |