

Nevada Land Management Task Force
(Established Pursuant to Assembly Bill 227 enacted in the 2013 Legislative Session)

MEMORANDUM

March 19, 2014

TO: Task Force Members and Nevada County Commissions
FROM: Chair Demar Dahl, Nevada Land Management Task Force
SUBJECT: Summary of Task Force Discussions and Findings to Date

Introduction

AB 227, passed in the 2013 Session of the Nevada Legislature, established the Nevada Land Management Task Force. The Task Force is made up of a representative from each of Nevada's 17 counties – its purpose is to study the costs, benefits, and other issues surrounding a possible request to transfer some or all of Nevada's federally managed lands to the State. The Task Force has met 7 times to date, at various locations around the State. Minutes, meeting materials, and other information can be found at:

http://www.nvnaco.org/index.php?option=com_content&task=view&id=21&Itemid=28

AB 227 requires that a study be produced as a result of the Task Force's work, specifically covering three main things: 1) an economic analysis including costs and revenues associated with transferring federal lands to the State; 2) a proposed plan for the administration and management of any lands transferred; and 3) an identification of the lands that Task Force determines would be included in any potential transfer. The Task Force must present their findings in one report to the Legislative Committee on Public Lands on or before September 1, 2014. The Task Force has contracted with Intertech Services Corporation to assist in gathering data and preparation of the report.

To date the Task Force has had presentations and discussion on a number of topics related to a transfer of certain federal lands. This memo contains: 1) a summary of the deliberations that the Task Force has had, including presentations by various stakeholders, and 2) a preliminary summary of the findings from Intertech's research regarding the economics of a land transfer.

Summary of Task Force Discussions to Date

The initial discussion that the Task Force had included a summary of land transfer initiatives happening in other states as well as a summary of information previously

gathered in Nevada on the topic of transferring federal lands to the State, specifically two independent studies commissioned by Eureka County in the mid-1990's regarding the economic impacts and feasibility of transferring Bureau of Land Management (BLM) lands to the State. The Eureka County studies summarized data that was gathered on the costs of public land management, as well as revenues generated, in other Western states, including a comparison of state managed lands to BLM managed lands. The Eureka County studies are available for review on the NACO website. This existing research is in part the basis of the current work being performed by Intertech Services – an update of the Eureka studies will constitute part of the Task Force's final report.

Which Lands?

There has been much discussion by the Task Force of which lands would be desirable for a transfer – so far the Task Force has reached a tentative consensus on excluding from any transfer request lands that are Congressionally designated such as wilderness areas, tribal lands, and lands managed by the DOD and DOE. The Task Force has also concurred that, if federal lands were transferred to the State, all valid existing rights and uses should transfer as well including full title to the surface and subsurface estates, and that maintaining access for all users is key.

Members have discussed specific lands that would be desirable for a transfer including checkerboard lands, lands already designated for disposal by the BLM, and lands immediately adjacent to or within communities that would be desirable for public facilities and economic development. Beyond that, perspectives of Task Force Members vary from the belief that having control of all public lands would be beneficial, to opinions that only lands specifically identified and transferred in phases to the State would be desirable.

Potential Options for Management and Administration of Any Transferred Lands

The Task Force has also found a tentative consensus on the fact that most lands transferred to the State should not be transferred directly to the counties unless there may be specific lands having to do with public facilities needs or economic development needs directly adjacent to towns; otherwise, it was also agreed upon that any lands requested for a transfer should go to the state and not sold or disposed of in a wholesale manner. The identification of any select lands to be disposed of should have oversight by both state and county.

The Task Force has received presentations from the State of Nevada including Jim Lawrence, Administrator of State Lands on the history of State-owned lands and school trust lands, and a comparison of the management structure in place in other states that manage much larger acreages than Nevada. Mr. Lawrence observed that additional structures may be needed in Nevada to administer additional State lands, as well as to

address transfer costs, and new revenue distribution. Leo Drozdoff, Director of the Nevada Department of Conservation and Natural Resources, gave a general overview of existing State regulatory oversight of public and private lands specific to environmental controls. He noted that any significant change in the State's land ownership would require a proportional change to the organizational structure and operational strategies of several State agencies (particularly the Nevada Division of Forestry and the Nevada Division of State Lands) but that not many statutory changes would be necessary. Both Mr. Lawrence and Director Drozdoff noted that a staggered approach to the transfer of public lands to the State would allow time for changing organizational structures, operational strategies, and ensuring staffing adjustment necessary to properly manage the transferred lands. Intertech Services also provided an overview of Nevada State agencies with key environmental regulatory authority including the Nevada Department of Conservation and Natural Resources, the Nevada Commission on Minerals, and the Public Utilities Commission of Nevada.

The Task Force has also reached the tentative consensus that, in terms of the processing of permits, right of ways, and land sales, the State of Nevada would be a more efficient steward than the BLM.

At the most recent meeting of the Task Force, a proposed phased management approach including the initial disposal of checkerboard and lands previously identified for disposal by BLM was discussed as both an early state land management funding mechanism and a way to begin to establish an administrative structure to manage additional lands. This proposal included the following:

- All transferred lands would be managed in trust by the Division of State Lands within the Nevada Department of Conservation and Natural Resources;
- All transferred lands would be managed for long-term sustainable net revenue maximization, and subject to applicable State and local government statutes, regulations, ordinances, and code;
- All transferred lands would also be subject to valid existing permits, land use authorizations, and rights of access granted prior to the transfer;
- Disposal of transferred lands would be subject to review and approval by the governing local government board;
- Costs to administer transferred lands would be derived from gross revenues collected from management of that land; and,
- Net revenues derived from the transferred lands would be deposited into a permanent fund for the express benefit of the identified beneficiaries, which include: education, mental health, public health, and threatened or endangered species recovery plans.

During Task Force discussion of the proposed phased management approach outlined above, members voiced the need for there to be a component of revenue distribution to counties to account for any loss of federal Payment In Lieu of Taxes which attended the transfer of federal land to the State of Nevada.

Presentations on the Potential Benefits / Risks of a Transfer of Federal Lands

The Task Force has received presentations from various stakeholders from across the State and different economic sectors -

The Regional Economic Development Authority of Northeastern Nevada addressed the challenges created in rural communities by high percentages of federal land ownership around communities including very long and arduous processes for permitting and acquiring even very small, previously designated, parcels, as well as acquiring right of ways for infrastructure. Steve Hill, Executive Director of the Nevada Governor's Office of Economic Development, provided a broader view of economic impacts from the high percentage of publically-owned land as it related to the more metropolitan areas of the State, particularly pertaining to housing and constraints to the real estate market, as well as the potential to streamline processes for businesses and the risks of adding a layer of laws and regulations. The NV Farm Bureau also gave a presentation favoring a transfer of lands.

The Task Force has also received presentations from environmental groups including, the Sierra Club, the Coalition for Nevada's Wildlife, and the Nevada Conservation League. Concerns unanimously had to do with ensuring access to the public lands following any transfer, ability of the State to properly preserve and protect the environment and wildlife, a concern that most, if not all, lands transferred to the State would be sold, and a lack of trust in the State to properly manage the lands especially in terms of enforcing environmental regulations and creating the capacity and funding that would be needed to administer additional State lands.

A representative for Clark County and Clark County public entities gave a presentation on the significant number of public facilities in Clark County that are built on public land, and the desire of entities within the County to request fee title ownership of federal lands on which permanent public facilities have been constructed.

Presentations have also been given from the BLM/Southern Nevada Public Lands Management Act (SNPLMA) Division regarding an overview of that legislation and the administration of SNPLMA.

Presentations were also given outlining both sides of the argument of whether a request for a transfer of "all" public lands to the state is constitutional.

Finally, the Task Force received a presentation from New Nevada Resources, LLC, a privately owned company that owns, controls, and manages over 1.2 million acres of fee mineral rights and royalty interest and approximately 500,000 acres of fee surface ownership in Nevada, primarily in the checkerboard lands. Observation from this presentation included the sale of land being highly dependent on the market and associated land values/uses and occasionally the need for marketing investment. Observations were also made regarding the potential revenue generated from mineral royalties on oil/gas and geothermal development if the mineral estate was transferred with associated lands, and also the technical and legal challenges that would need to be addressed in transferring different existing rights and uses.

Analysis Regarding Potential Economic Cost and Benefit of a Transfer of Lands

Following is a summary of the data on other state and BLM land management revenues, costs and implications for a potential expanded state land base in Nevada presented by Intertech Services Corporation to the Task Force. The analysis considered the experience of the states of Arizona, Idaho, New Mexico and Utah in managing state trust land holdings ranging between 2.4 and 9.3 million acres during the period 2008-2012.

Based on experiences in the four States, the synthesized information will be useful in estimating possible boundaries of what might occur within Nevada if a significant acreage of public land is transferred to the State of Nevada – measures of FTEs, revenue and expenses. Tables 1- 4 which follow suggest the following:

- Net annual revenue ranged between \$25.5 and \$639 million
- Natural gas and oil production add appreciably to net revenue in New Mexico
- Revenue per acre ranged between \$16.78 and \$72.40 per acre
- Expense per acre ranged between \$1.45 and \$9.00 per acre
- Net annual revenue per acre ranged between \$10.00 and \$72.76 per acre
- Total FTEs ranged between 66 and 264
- Total acres managed per FTE ranged between 9,266 and 77,616
- Management of timber for commercial forest products is labor intensive
- If all BLM land in Nevada were transferred to the State of Nevada and If the lowest four-state five-year observed revenue per acre (\$16.78) and highest four-state five-year observed expense per acre (\$9.00) were applied to management by Nevada of a resulting expanded state land base totaling 47,783,458 acres then Nevada might expect net revenues from said land management activities of \$371,755,303
- During the period 2008 – 2012 BLM Nevada has expended between \$30 and \$62 million more than it has derived in land management revenues

- Net annual revenue for BLM Nevada has ranged between –\$1.40 and -\$0.64 per acre
- The states of Arizona, Idaho, New Mexico and Utah have consistently generated net annual positive revenues in managing their state trust lands while the BLM in Nevada has consistently generated net negative revenues managing public land in Nevada

Table 1. Five Year Average State Trust Land Management Revenues, Expenditures and Employment In Selected States

	Arizona	Idaho	New Mexico	Utah
Revenues	\$237,677,035	\$64,104,703	\$528,912,986	\$131,147,884
Expenses	\$16,808,652	\$22,214,968	\$13,103,300	\$9,175,038
Net Revenue	\$220,868,383	\$41,889,735	\$518,809,686	\$113,879,601
Total Acres Managed	9266468	2450355	8963363	3405577
Revenue/Acre	\$24.85	\$25.40	\$59.01	\$38.50
Expense/Acre	\$1.81	\$8.60	\$1.46	\$2.69
Net Revenue/Acre	\$23.68	\$16.60	\$57.55	\$33.43
Total FTEs	155	262	153	70
Acres/FTE	60569	9346	58592	48595
Revenue/FTE	\$1,522,220	\$244,574	\$3,458,791	\$1,878,658
Operating Expense/FTE	\$109,192	\$84,768	\$85,023	\$131,024
Net Revenue/FTE	\$1,413,027	\$159,805	\$3,373,142	\$1,631,266

Source: Derived from State trust land agency annual reports for the years 2008 through 2012.

Table 2. Five-Year Multi-State Trust Land Management Observed High, Observed Low and Average¹

	Observed High	Observed Low	Average
Revenues	\$652,347,910	\$48,276,287	\$240,460,652
Expenses	\$23,880,660	\$8,586,066	\$15,325,490
Net Revenue	\$639,111,910	\$25,591,016	\$223,111,851
Total Acres Managed	9,302,255	2,449,255	6,021,441
Revenue/Acre	\$72.40	\$16.78	\$36.79
Expense/Acre	\$9.00	\$1.45	\$3.73
Net Revenue/Acre	\$72.26	\$10.00	\$28.59
Total FTEs	264	66	160
Acres/FTE	74616	9266	44275
Revenue/FTE	\$4,320,184	\$182,864	\$1,776,061
Expense/FTE	\$155,069	\$76,367	\$102,502
Net Revenue/FTE	\$4,311,461	\$96,935	\$1,644,310

1/ For the states of Arizona, Idaho, New Mexico and Utah

Table 3. Estimated Revenue, Expense, FTEs for Expanded State Land Ownership in Nevada Using Other State Trust Land Models

	Arizona	Idaho	New Mexico	Utah	Four State Avg.
Observed 5-Year Avg. Revenue per Acre	\$24.85	\$25.40	\$59.01	\$38.50	\$36.79
Observed 5-Year Avg. Expense per Acre	\$1.81	\$8.60	\$1.46	\$2.69	\$3.73
Observed 5-Year Average Acres per FTE	60,569	9,346	58,592	48,595	44,275
Assumed Acreage Managed by Nevada (47,783,458 acres)					
Estimated Total Revenue	\$1,187,418,931	\$1,213,699,833	\$2,819,701,857	\$1,839,663,133	\$1,757,953,420
Estimated Total Expense	\$86,488,059	\$410,937,739	\$69,763,849	\$128,537,502	\$178,232,298
Estimated Net Revenue	\$1,100,930,872	\$802,762,094	\$2,749,938,008	\$1,711,125,631	\$1,579,721,112
Estimated Total FTEs	789	5113	816	983	1079
Four-States					
Observed 5-Year Low Revenue per Acre	\$16.78				
Observed 5-Year High Expense per Acre	\$9.00				
Resulting Low-Revenue/High-Expense Net Revenue per acre	\$7.78				
Assumed Acreage Managed by Nevada (47,783,458 acres)					
Low Estimated Total Revenue	\$801,806,425				
High Estimated Total Expense	\$430,051,122				
Resulting Estimated Net Revenue	\$371,755,303				
High Estimated Net Revenue	\$2,749,938,008				
Four State Average Model Est. Net Revenue	\$1,579,721,112				
Low Estimated Net Revenue	\$ 371,755,303				

Table 4. Five Year Average BLM Nevada Land Management Revenues, Expenditures and Employment

NEVADA - BLM	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012
Revenue Non-ONRR	\$47,456,580	\$27,170,048	\$26,463,030	\$23,882,418	\$25,114,972
ONRR Revenue	\$30,717,807	\$39,683,895	\$26,151,969	\$17,281,366	\$20,891,112
Total Revenue	\$78,174,387	\$66,853,943	\$52,614,999	\$41,163,784	\$46,006,084
Expense	n/a	\$97,657,000	\$109,657,000	\$108,379,000	\$108,142,000
Net Revenue	n/a	\$30,803,057	-\$57,042,001	-\$67,215,216	-\$62,135,916
Total Acres Managed	47808114	47806738	47805923	47794096	47783458
Revenue Per Acre Managed	\$1.64	\$1.40	\$1.10	\$0.86	\$0.96
Expense Per Acre Managed	n/a	\$2.04	\$2.29	\$2.27	\$2.26
Net Revenue Per Acre Managed	n/a	-\$0.64	-\$1.19	-\$1.40	-\$1.30
Total FTEs	697	701	755	786	790
Acres Managed Per FTE	68591	68198	63319	60806	60485
Grazing Revenue	\$1,736,900	\$1,718,401	\$1,713,409	\$1,937,754	\$1,886,517
No. of Grazing Authorizations	516	555	536	570	555
AUMs Authorized	1133094	1138147	1138171	1333346	1291610
Price per AUM	\$1.35	\$1.35	\$1.35	\$1.35	\$1.35
Timber Revenue	\$22,405	\$30,665	\$29,078	\$26,581	\$27,267
Oil, Gas and Geothermal Lease Revenue (BLM)	\$1,245,616	\$167,828	\$642,010	-\$174,777	\$1,039,054
Sale of Land and Minerals (SNPLMA Sales Inc.)	\$35,120,737	\$14,520,137	\$14,795,398	\$9,702,808	\$10,649,922
Fees and Commissions	\$3,560	\$2,577	\$2,998	\$2,314	\$1,302
Rights of Way Rent	\$5,398,217	\$7,030,419	\$6,322,440	\$7,461,663	\$7,742,420
Rent of Land	\$1,155,870	\$1,165,915	\$213,145	\$1,034,525	\$118,502
Recreation Fees	\$2,743,664	\$2,530,780	\$2,741,286	\$3,874,883	\$3,641,559
Other Revenue	\$29,611	\$3,326	\$3,266	\$16,667	\$8,429

The states of Arizona, Idaho, New Mexico and Utah manage their state trust lands to derive sustainable net revenue for the benefit of select institutions within their respective states. Tables 5 – 8 depict the distribution of net revenues by each state and the beneficiaries of said monies for Fiscal Year 2012.

**Table 5. Distribution of Net Revenues by Beneficiary: New Mexico
FY 2012**

Beneficiaries	Total Receipts (\$)
Common Schools (K—12)‡	272,560,356.05
Normal Schools Grant	309,776.02
Agricultural & Mechanical Colleges	367,276.93
Military Institutes Grant	61,108.41
School of Mines Grant	555,363.13
University Land Code	1,874,540.22
University of Arizona (Act of 2/18/1881)	1,749,257.72
School for the Deaf & Blind	399,040.46
Legislative, Executive & Judicial Buildings	726,847.71
State Hospital Grant	851,716.17
Miners' Hospital Grant†	5,391,036.87
State Charitable, Penal, and Reformatory	6,634,465.60
Penitentiary Grant	1,475,846.60

**Table 6. Distribution of Net Revenues by Beneficiary: Idaho
FY 2012**

Beneficiaries	Total Receipts (\$)
Agricultural College	1,646,080
Capitol Permanent	(351,963)
Charitable Inst.	4,572,497
Normal School	627,308
Penitentiary Inc.	2,350,053
Public Schools	24,570,082
School of Science	2,470,613
State Hospital South	3,524,851
University of Idaho	2,985,127

**Table 7. Distribution of Net Revenues by Beneficiary: New Mexico
FY 2012**

Beneficiaries	Total Receipts (\$)
Common Schools	544,244,931
University of New Mexico	9,482,298
Saline Lands	81,470
New Mexico State University	2,955,919
Western New Mexico University	263,391
NM Highlands University	263,223
Northern New Mexico School	206,686
Eastern New Mexico University	630,158
NM Institute of Mining and Technology	1,558,074
NM Military Institute	23,094,438
Children, Youth and Families Dept.	73,496
Miner's Hospital	7,401,699
Behavioral Health Institute	2,986,671
State Penitentiary	11,416,378
School for the Deaf	11,635,495
School for the Visually Impaired	11,613,393
Charitable, Penal and Reform	5,193,081
Water Reservoirs	7,278,813
Rio Grande Improvements	1,557,121
Public Buildings	6,495,934
Carrie Tingley Hospital	23,669

**Table 8. Distribution of Net Revenues by Beneficiary: Utah
FY 2012**

Beneficiaries	Total Receipts (\$)
Public Schools (K-12)	29,263,119
Miners' Hospital	1,700,000
University of Utah	1,356,385
Reservoirs	425,415
School for the Blind	263,391
School for the Deaf	74,314
State Hospital	476,199
Utah State University	312,058
Normal Schools	320,868
School of Mines	352,878
Youth Development Center	213,606
Public Buildings	5,702
Behavioral Health Institute	2,986,671
State Penitentiary	11,416,378
School for the Deaf	11,635,495
School for the Visually Impaired	11,613,393
Charitable, Penal and Reform	5,193,081
Water Reservoirs	7,278,813
Rio Grande Improvements	1,557,121
Public Buildings	6,495,934
Carrie Tingley Hospital	23,669