Land Commissioner: Michael Anable JLBC Analyst: Tom Mikesell

	FY 2000 Actual	FY 2001 Estimate	FY 2002 Approved	FY 2003 Approved
PROGRAM BUDGET				
Agency Support				
Administration	4,294,000	4,473,500	4,767,100	4,934,300
Geographical Resource Analysis	331,200	350,700	353,700	366,000
Program Subtotal - Agency Support	4,625,200	4,824,200	5,120,800	5,300,300
Real Estate	3,832,100	3,201,600	3,500,400	3,618,900
Arizona Preserve Initiative	135,700	159,100	170,800	176,300
Natural Resources and Trust Management	4,399,400	3,812,400	4,817,300	5,048,200
Natural Resource Conservation Districts SLI	488,500	490,000	490,000	490,000
Environmental License Plate Program SLI	714,800	906,200	675,500	677,500
Program Subtotal - Natural Resources and Trust Management	5,602,700	5,208,600	5,982,800	6,215,700
Fire Management	3,196,600	4,506,700	5,296,600 1/	5,332,100 1/
TOTAL APPROPRIATIONS	**17,392,300**	**17,900,200**	**20,071,400**	**20,643,300**
OPERATING BUDGET				
Full Time Equivalent Positions	183.0	183.0	192.0 2/	192.0 2/
Personal Services	5,860,400	6,790,000	7,259,000	7,624,500
Employee Related Expenditures	1,232,200	1,423,000	1,532,100	1,529,300
Professional and Outside Services	1,980,700	1,138,200	2,109,600	2,144,200
Travel - In State	221,600	313,000	358,800	358,800
Travel - Out of State	14,300	5,300	21,500	21,500
Other Operating Expenditures	6,183,700	6,533,300	6,976,000	7,173,500
Equipment	696,100	301,200	398,900	374,000
Operating Subtotal	16,189,000	16,504,000	18,655,900	19,225,800
Special Line Items (SLI)	1,203,300	1,396,200	1,165,500	1,167,500
SUBTOTAL	**17,392,300**	**17,900,200**	**19,821,400**	**20,393,300**
Additional Appropriations -				
Northeastern Arizona Environmental Projects; Appropriations, Ch. 336	0	0	250,000 3/	250,000 3/
TOTAL APPROPRIATIONS	**17,392,300**	**17,900,200**	**20,071,400** 4/5/6	**20,643,300** 4/5/6
FUND SOURCES				
General Fund	16,677,500	16,547,000	18,389,700	18,968,000
Other Appropriated Funds				
Fire Suppression Fund	0	447,000	0	0
Environmental Special Plate Fund	714,800	906,200	675,500 7/	677,500 7/
Cooperative Forestry Fund	0	0	1,006,200	997,800
Subtotal - Other Appropriated Funds	714,800	1,353,200	1,681,700	1,675,300
TOTAL APPROPRIATIONS	**17,392,300**	**17,900,200**	**20,071,400**	**20,643,300**

AGENCY DESCRIPTION — *The agency manages the state's 9.3 million acres of trust land on behalf of its 14 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from the operators of 2 copper mines on state land.*

PERFORMANCE MEASURES	FY 1999 Est./Actual	FY 2000 Est./Actual	FY 2001 Estimate	FY 2002-03 Estimate
• Average land sales processing time (application to auction, in months)	18/19.8	18/20.3	18.3	16.5/14.9
• Average score on customer service survey (5=very satisfied)	NA	NA/3.2	3.5	3.6/3.7
• Total expendable fund earnings, excluding interest on permanent fund ($ in millions)	NA/19.8	NA/21	20	25.2/27.6
• Total annual revenue to permanent fund ($ in millions)	NA/36.9	NA/77.1	64.9	74.9/59.9
• % of fires controlled at 100 acres or less	NA/97	95/97	95	95
• % of agency staff turnover	NA/11.9	NA/13.0	12.5	12.0
• Administration as a % of total cost	14.0/NA	14.3/NA	16.4	16.4

Agency Support Program — This program provides general administrative direction and support to the agency. The approved appropriation is funded from the General Fund.

Administration Subprogram — This subprogram provides general administrative direction and support to the agency's other programs, including budgeting, accounting, personnel management services, and the Land Commissioner's office.

Geographical Resource Analysis Subprogram — This subprogram provides Geographical Information System services to the agency's other programs as well as other state agencies and political subdivisions.

Real Estate Program — This program provides for planning, sales, rights of way, appraisal, and commercial leasing activities on state trust land. The approved appropriation is funded from the General Fund.

The approved amount includes a FY 2002 increase of $366,100 and 3 FTE Positions above FY 2001 and a FY 2003 increase of $378,700 and 3 FTE Positions above FY 2001 for increased land sales and commercial leasing capabilities. The FY 2003 amount is higher due to an increased amount provided for commercial lease consulting services.

In addition, Laws 2001, Chapter 235, appropriates $220,000 in both FY 2002 and FY 2003 above FY 2001 for master planning and engineering studies on urban state trust land. These appropriations are contingent on the availability of excess revenues in FY 2001 and FY 2002. *(See Triggered Appropriations for more detail on the conditions of these appropriations.)*

Arizona Preserve Initiative Program — This program provides the administrative oversight for a process by which urban state trust land can be reclassified as suitable for conservation and sold or leased for that purpose. In 1998, Arizona voters approved the spending of $20,000,000 per year from FY 2001 through FY 2011 for matching grants for the purchase or lease of state trust land classified as suitable for open space preservation through this program. These matching grant funds are included in the Arizona State Parks Board budget. The approved appropriation is funded from the General Fund.

1/ Includes $3,000,000 that may be spent on wildfire suppression pursuant to A.R.S. § 37-623. Because this authorization is in permanent statute, it is not included in the General Appropriation Act.
2/ Includes 2 FTE Positions funded from Special Line Items in FY 2002 and FY 2003.
3/ Pursuant to Laws 2001, Chapter 336, this appropriation is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.
4/ The appropriation includes $1,084,100 for Central Arizona Project User Fees in FY 2002 and $1,282,400 for Central Arizona Project User Fees in FY 2003. For every dollar received as reimbursement to the state in FY 2002 and FY 2003 from cities that assume their allocation of Central Arizona Project water for past central Arizona water conservation district payments, $1.00 reverts to the state General Fund in the year that the reimbursement is collected. (General Appropriation Act footnote)
5/ General Appropriation Act funds are appropriated as a Lump Sum by Agency with Special Line Items.
6/ This amount does not include triggered appropriations made by Laws 2001, Chapter 235 for master planning and engineering studies on urban state trust land. Triggered appropriations in FY 2002 and FY 2003 depend on the availability of excess revenues. *(For more information, refer to the "Triggered Appropriations" description and the "Summary of Appropriations Triggered by Revenues" table at the front of this report.)*
7/ Of the amounts appropriated from the Environmental Special Plate Fund in FY 2002 and FY 2003, up to $30,000 may be used for costs associated with informing the public about the purposes and uses of monies in the Environmental Special Plate Fund as provided by A.R.S. § 41-2252E. (General Appropriation Act footnote)

Natural Resources and Trust Management Program — This program provides natural resource-related leasing, mineral sales, water rights administration, land titling, appraisal, and hearing functions dealing with the management of state trust land. The approved appropriation is funded from the General Fund and includes the following issues:

- *Water Rights Adjudication* — The approved amount includes an increase of $800,000 in both FY 2002 and FY 2003 above FY 2001 for litigation and expert witness costs associated with protecting state trust land water rights through water rights adjudications. These appropriations fund the first 2 years of a 5-year plan for water rights adjudications.

- *CAP Water Fees* — The approved amount also includes a FY 2003 increase of $155,200 above FY 2001 to cover a shortfall in the monies available to pay Central Arizona Project Water fees for urban state trust land.

- *Environmental Grants* — The approved amount includes a decrease of $(250,000) in both FY 2002 and FY 2003 below FY 2001 for the elimination of a one-time appropriation made in Laws 1999, Chapter 312 for grants for environmental projects in Greenlee, Graham, Gila, Navajo, and Apache Counties.*(See Additional Appropriations for more information.)*

- *Colorado River Study* — The approved amount also includes an increase of $75,000 in both FY 2002 and FY 2003 above FY 2001 for a study of the Colorado River to determine the Arizona-California state boundary. The approved amount will allow the department to engage in a joint study with California, including aerial photography and surveys of land along the river.

- *Fire Funding Shift* — The approved amount reflects a decrease of $(147,500) in both FY 2002 and FY 2003 due to a shift in funds from the Natural Resources and Trust Management Program to the Fire Management Program. These monies were previously used to fund streambed studies, however, they are no longer needed for this purpose. *(See Fire Management Program discussion below.)*

In addition, Laws 2001, Chapter 235, appropriates $150,000 and 2 FTE Positions in both FY 2002 and FY 2003 above FY 2001 to address federal condemnations of state trust land. These appropriations are contingent on the availability of excess revenues in FY 2001 and FY 2002. *(See Triggered Appropriations for more detail on the conditions of theses appropriations.)*

Natural Resource Conservation Districts Special Line Item — Monies in this line item are used to provide for natural resource research, scholarships, and staff at the state's 31 Natural Resource Conservation Districts. The approved appropriation is funded from the General Fund.

Environmental License Plate Program Special Line Item — Monies in this line item are used by the Arizona Advisory Council on Environmental Education for grants that support environmental education centers. The approved appropriation is funded from the Environmental Special Plate Fund. The approved amount includes a decrease of $(230,000) in both FY 2002 and FY 2003 from FY 2001 due to lower revenue estimates from the $17 environmental license plates fee. A General Appropriation Act footnote specifies that up to $30,000 of the amounts appropriated in this line item in both FY 2002 and FY 2003 may be used to inform the public about the purposes and uses of monies in the Environmental Special Plate Fund.

Fire Management Program — This program provides for fire prevention and suppression on state trust land and rural private land. The approved appropriation is funded from the General Fund and the Cooperative Forestry Fund as shown in *Table 1*.

Table 1
Fire Management Program

	FY 2002	FY 2003
General Fund	$4,290,400 1/	$4,334,300 1/
Cooperative Forestry Fund	1,006,200	997,800
Total	$5,296,600	$5,332,100

1/ Includes $3,000,000 that may be spent on wildfire suppression pursuant to A.R.S. § 37-623. Because this authorization is in permanent statute, it is not included in the General Appropriation Act.

Of the General Fund amount in each year, $3,000,000 is authorized in permanent statue and therefore is not included in the General Appropriation Act. Laws 2000, Chapter 185 provided temporary program support from the Fire Suppression Fund in FY 2001, however this was a one-time appropriation. The approved appropriation includes the following issues:

- *Fire Funding Shift* — The approved amount includes a decrease of $(447,000) from the Fire Suppression Fund in both FY 2002 and FY 2003 from FY 2001 due to the one-time nature of this funding. To replace the one-time funding from the Fire Suppression Fund, the approved amount reflects an increase of $147,500 from the General Fund in both FY 2002 and FY 2003 through a funding shift from the Natural Resources and Trust Management Program to the Fire Management Program. This shift will fund an additional 3 FTE Positions in the Fire Management Program, including an aviation and communication specialist, a fire management specialist, and an

account technician. The shifted monies were previously used in the Natural Resources and Trust Management Program for streambed studies; however, these monies are no longer needed for this purpose. *(See Natural Resources and Trust Management discussion above.)*

- *Cooperative Forestry Fund* — The approved amount from the Cooperative Forestry Fund includes an FY 2002 increase of $1,003,100 and 3 FTE Positions above FY 2001 and an FY 2003 increase of $988,900 and 3 FTE Positions above FY 2001 for forestry-related technical assistance and to carry out the provisions of the federal Cooperative Forestry Assistance Act. The FY 2003 amount is lower due to elimination of one-time equipment.

In addition, Laws 2001, Chapter 304 made changes to the Fire Management program, including giving the Governor greater discretion over the use of $3,000,000 in General Fund monies provided through permanent statute for fighting fires each year and changing the Cooperative Forestry Fund from appropriated to non-appropriated status. (*See Additional Legislation for more information*.)

Additional Appropriations: Northeastern Environmental Projects; Appropriations (Chapter 336) — This bill provides $250,000 from the General Fund in both FY 2002 and FY 2003 to be used by Greenlee, Graham, Gila, Navajo, and Apache Counties for environmental projects that impact economic development in those counties. The State Land Department must approve any project prior to expenditure of the monies. These are continuing appropriations and are exempt from annual lapsing provisions. The appropriations are allocated to the Natural Resources and Trust Management Program.

Triggered Appropriations: Conditional Appropriations; Taxation; Revenue Forecasts (Chapter 235) — This act appropriates $220,000 in both FY 2002 and FY 2003 from the General Fund for master planning and engineering studies on urban state trust land if FY 2001 General Fund revenues exceed the forecast by $104,131,000. This act also appropriates $150,000 and 2 FTE Positions in both FY 2002 and FY 2003 to address federal condemnations of state trust land if FY 2001 General Fund revenues exceed the forecast by $104,131,000. Prior to September 1, 2001, JLBC and OSPB will calculate total FY 2001 revenues and determine if sufficient monies are available to trigger the appropriation.

If FY 2001 revenues do not exceed the forecast by the required amount, but FY 2002 General Fund revenues exceed the forecast by $91,386,800, this act appropriates $220,000 in FY 2003 from the General Fund for master planning and engineering studies on urban state trust land and $150,000 and 2 FTE Positions in FY 2003 from the General Fund to address federal condemnations of state trust land. Prior to September 1, 2002, JLBC and OSPB will calculate total FY 2002 revenues and determine if sufficient monies are available to trigger the appropriation. *(For more information on this and other triggered appropriations see the "Summary of Appropriations Triggered by Revenues" table at the front of this report.)*

Additional Legislation: State Forester; Wildfire Emergency Enhancement (Chapter 304) — This bill eliminates the provision that the Governor declare a wildland fire emergency prior to authorizing the expenditure of up to $3,000,000 from the General Fund for wildfire pre-positioning and suppression in periods of extreme fire danger. The bill also expands the use of these funds to include costs for preparation for periods of extreme fire danger. The bill requires the State Forester to report to the Joint Legislative Budget Committee on expenditures made through this authorization no later than December 31 of each year. This bill also changes the Cooperative Forestry Fund from appropriated to nonappropriated status beginning in FY 2002.

State Land Exchanges; School Land (SCR 1004) — This concurrent resolution proposes an amendment to the State Constitution that would allow state trust lands to be exchanged for public lands of equal or greater value for conservation purposes. The proposed constitutional change includes requirements for studies of the fiscal, natural resource, and economic impacts of these land exchanges prior to the exchange.

Enactment of the constitutional change is subject to voter approval at the next General Election. Also, conforming changes to the State Enabling Act must be made by the United States Congress for these changes to become effective.

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