

Land Commissioner: Mark Winkleman

JLBC Analyst: Nick Klingerman

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	188.4	206.4	212.9 ^{1/}
Personal Services	6,757,400	7,915,900	7,188,200
Employee Related Expenditures	1,884,000	2,354,200	2,365,100
Professional and Outside Services	1,341,800	4,039,300	4,555,300
Travel - In State	216,800	298,300	276,500
Travel - Out of State	12,200	1,500	1,500
Other Operating Expenditures	1,877,800	1,935,900	1,882,000
Equipment	449,200	439,200	264,700
OPERATING SUBTOTAL	12,539,200	16,984,300	16,533,300^{2/3/4/}
SPECIAL LINE ITEMS			
CAP User Fees	1,026,400	1,859,300	1,347,900 ^{5/}
Ch. 339 Earth Fissure Maps	0	0	80,600
Due Diligence Fund Deposit	0	0	500,000 ^{6/}
Environmental County Grants	125,000	125,000	250,000
Fire Equipment	917,000	0	0
Fire Suppression Operating Expenses	0	0	2,049,900
Ch. 269 Fire Suppression	0	6,200,000	0
Fire Suppression	3,000,000	3,000,000	3,000,000 ^{7/}
FY 2007 Fire Season	0	0	1,500,000
Inmate Fire Crews	465,400	1,190,300	974,300
Natural Resource Conservation Districts	429,900	446,100	650,000 ^{8/}
AGENCY TOTAL	18,502,900	29,805,000	26,886,000^{9/}
FUND SOURCES			
General Fund	17,266,000	29,219,300	26,435,400
<u>Other Appropriated Funds</u>			
ADOA Risk Management Fund	917,000	319,600	230,600
Environmental Special Plate Fund	319,900	266,100	220,000
SUBTOTAL - Other Appropriated Funds	1,236,900	585,700	450,600
SUBTOTAL - Appropriated Funds	18,502,900	29,805,000	26,886,000
<u>Other Non-Appropriated Funds</u>			
Other Non-Appropriated Funds	13,724,800	18,919,800	9,139,100
Federal Funds	4,100	9,800	9,800
TOTAL - ALL SOURCES	32,231,800	48,734,600	36,034,900

^{1/} Includes 49 FTE Positions funded from Special Line Items in FY 2007.

^{2/} Of the operating lump sum appropriation, the sum of \$3,893,600 supplements planning and disposition funding and shall be used by the State Land Department for the sole purpose of the planning and disposition of state trust land as follows: 1. The employment of outside professional services. 2. At least 2 of the 12 full-time equivalent employment positions appropriated in the FY 2006 budget for the planning and disposition of state trust land located within 5 miles of the corporate boundaries of incorporated cities and towns having a population of less than 100,000 persons. 3. The State Land Commissioner shall provide for the disposition of state trust land in the most expeditious manner consistent with the fiduciary duties prescribed by the Enabling Act and the Constitution of Arizona. Each calendar quarter the commissioner shall provide a report to the Joint Legislative Budget Committee on the planning, sale and lease of trust land in the preceding quarter. The report shall: (a) Identify the number of acres that were added to a conceptual plan, added to a master plan or otherwise planned or prepared for disposition, sale and long-term commercial lease. (b) Include an analysis of the volume of trust land in each county entering the real estate market in comparison with private and other land in the real estate market. (c) Distinguish between urban and rural parcels. (d) Indicate the value added or revenue received. (e) List the resources used and dedicated to trust land planning and disposition, including FTE Positions, contracts and appropriated and non-appropriated expenditures for each of the items included in the report. (f) Include in the report for the final quarter of the fiscal year a fiscal year-end inventory of trust land prepared for sale, including the appraised value and fiscal year-end totals for the fiscal year regarding: (i) The amount of trust land sold. (ii) The amount of trust land put under long-term commercial lease. (iii) The amount of revenue collected from the sale of trust land. (iv) The amount of revenue collected from the long-term commercial lease of trust land. (v) The amount of purchase price financed on installment sales of state trust land and the principal payoff terms and anticipated yield to the trust over the terms of the installment sales. (General Appropriation Act footnote).

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. The department is also responsible for the prevention and suppression of forest fires on State Trust Land and private land outside incorporated municipalities (about 22 million acres total).

PERFORMANCE MEASURES	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2007 JLBC
• Average land sales processing time (application to auction, in months) Comments: The department expects the average time to process an application to continue to decrease due to increased resources for trust land revenue generation.	32.0	29.3	23.1	14
• % of customers giving the department a rating above 4 (5=very satisfied)	89	84	85	87
• Total trust generated/Total Expendable Fund Earnings Generated (\$ in millions) Comments: The total trust generated includes both expendable and permanent fund revenue. The expendable earning portion of this performance measure includes both revenues generated by the Land Department and interest earned by the Treasurer. The department attributes the increase in the amount of money generated for the trust to increased land values and large sales of land in North Phoenix. The department also attributes the increase to outward growth of the Phoenix Metro Area where there is currently state trust land, and the ability to have planned the land and have it prepared for sale.	\$204.2/ \$101.7	\$232.8/ \$71.1	\$393.6/ \$99.4	\$486.2/ \$127.8
• Total trust land sales (\$ in millions)	--	--	--	\$500
• Total number of trust land acres sold in Maricopa, Pima, and Pinal Counties	--	--	--	3,000
• Total number of trust land acres sold in all other remaining counties	--	--	--	1,000

Operating Budget

The budget provides \$16,533,300 for the operating budget in FY 2007. This amount consists of:

General Fund	\$16,302,700
ADOA Risk Management Fund	230,600

These amounts include an increase of \$630,700 from the General Fund in FY 2007 for statewide adjustments.

(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)

The budget also includes the following changes:

Transfer to Special Line Item

The budget provides a decrease of \$(1,778,100) and (30) FTE Positions from the General Fund in FY 2007 to transfer fire suppression operating expenses from the operating budget to a new Special Line Item. *(Please see*

^{3/} The appropriation includes \$230,600 from the Risk Management Fund in FY 2007 for 50% of the costs to update the emergency action plan and dam breach analysis, to assess earth fissures and earth fissure risk zoning and to repair cracks at 3 dams located in the Maricopa County Flood Control District. If the district does not offer the remaining 50% of the costs to repair the dams, these monies shall revert to the Department of Administration Risk Management Fund. (General Appropriation Act footnote).

^{4/} The appropriation includes \$96,000 in FY 2007 for radio system upgrades. Before any expenditure for the radio system upgrade, the department shall submit an expenditure plan to the Joint Legislative Budget Committee for review. The submittal shall include an assessment by the Public Safety Communications Commission as to whether the department's proposal is consistent and compatible with the statewide interoperable microwave system. (General Appropriation Act footnote)

^{5/} The appropriation includes \$1,347,900 for Central Arizona Project User Fees in FY 2007. For FY 2007, from cities that assume their allocation of Central Arizona Project water every dollar received as reimbursement to the state 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)

^{6/} This appropriation is exempt from the provisions of A.R.S § 35-190, relating to lapsing appropriations.

^{7/} These monies 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.

^{8/} Of the amount appropriated for Natural Resource Conservation Districts in FY 2007, \$30,000 shall be used to provide grants to NRCD environmental education centers. (General Appropriation Act footnote)

^{9/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency

the Fire Suppression Operating Expenses Special Line Item below for more details.)

Trust and Management and Sales

The budget provides \$1,329,100 and 4.5 FTE Positions from the General Fund in FY 2007 for additional staff and resources to increase the effectiveness of state trust land management. The 4.5 FTE Positions include 1 sales and lease administrator, 1 planner, 1 geological information system support position, 1 mapping position, and a part-time archaeologist intern. This amount includes \$900,000 for engineering and planning studies to prepare additional state trust land for sale, \$60,000 for aerial photography, and \$50,000 for Attorney General legal services. The total amount includes \$74,300 for one-time expenses.

Eliminate One-time Funding

The budget provides a decrease of \$(639,700) from the General Fund in FY 2007 to eliminate \$(194,700) in one-time funding for equipment and \$(445,000) in one-time funding for studies.

Wineglass Ranch Dam Safety

The budget provides a decrease of \$(319,600) from the Arizona Department of Administration (ADOA) Risk Management Fund in FY 2007 to eliminate one-time funding for Wineglass Ranch Dam Safety.

Dam Repair

The budget provides a one-time increase of \$230,600 from the ADOA Risk Management Fund in FY 2007 for dam repair and maintenance. The Powerline, Vineyard, and Rittenhouse Dams are flood control dams located in eastern Maricopa County. Each structure has been classified as "high hazard potential," which means failure can result in "loss of human life" and "property losses may be extensive." Currently, the Maricopa County Flood Control District (MCFCD) is paying 100% of the costs to maintain these dams and claims to be the owner of the dams. The State Land Department provided state trust land to MCFCD for the dams without receiving any consideration. Litigation is pending questioning the validity of easements provided for no consideration. In the interim, the State Land Department has agreed to pay 50% of the costs to maintain the dam as a temporary solution to the pending litigation. The \$230,600 will fund one-time repairs in FY 2007 to update the emergency action plan and dam breach analysis, assess earth fissures and earth fissure risk zoning, and repair cracks. A footnote makes any expenditure for this issue contingent upon MCFCD providing matching monies for the dam repair.

Radio System Upgrade

The budget provides a one-time increase of \$96,000 from the General Fund in FY 2007 to upgrade the current radio system. The department is currently using a radio system that is on loan from the Department of Public Safety, and parts for this system are no longer manufactured. Due to the increased use of aircraft to fight fires, the approved amount

will fund the installation of 6 mountaintop repeaters that will be solely used for aircraft. A footnote requires the department to submit an expenditure plan to the Joint Legislative Budget Committee for review. The submittal shall include an assessment by the Public Safety Communications Commission as to whether the department's proposal is consistent and compatible with the statewide interoperable microwave system.

Special Line Items

CAP User Fees

The budget provides \$1,347,900 from the General Fund for Central Arizona Project (CAP) User Fees in FY 2007 and includes the following adjustment:

CAP Fee Reduction

The budget provides a decrease of \$(511,400) from the General Fund in FY 2007 for a decrease in CAP user fees and to remove funding for one-time expenses. The FY 2006 appropriation for the CAP User Fees Special Line Item included funding to pay the Maricopa-Stanfield Irrigation District for charges occurred during FY 2005. In addition, the CAP Fee for municipal and industrial long-term subcontract capital costs is decreasing from \$24 in calendar year (CY) 2006 to \$21 in CY 2007. However, due to the timing of billing, the department will be able to utilize the entire savings from the rate change during FY 2007.

Monies in this line item are used to pay the CAWCD for the department's allocation of CAP water used on state trust lands. The CAWCD sets the rates for all CAP subcontractors and applies the capital charges to the repayment of federal construction debt.

Ch. 339 Earth Fissure Maps

Laws 2006, Chapter 339 appropriates \$80,600 from the General Fund in FY 2007 to map earth fissures. Beginning January 1, 2007, the Arizona Geological Survey is required to submit to the State Land Department copies of all data files of known areas of earth fissures in order for the State Land Department to produce maps in the Geological Information System at street level detail. The appropriation includes \$40,500 in one-time money for information technology equipment and \$40,100 in ongoing funding for database maintenance expenses and other operating expenses needed to produce maps with street level detail.

Due Diligence Fund Deposit

The budget provides \$500,000 from the General Fund in FY 2007 for a one-time increase to establish the Due Diligence Fund. This fund will allow the department to pay the upfront cost of engineering and planning studies (due diligence studies) prior to the sale of state trust land and the ability to receive refunds for the cost of these studies from the winning bidder. Currently, the department does not have a mechanism for receiving

refunds for the cost of these studies. The appropriation is non-lapsing, and once the General Fund appropriation is expended, future studies will be funded through the appropriated Due Diligence Fund, which will consist of refunds for the cost of prior studies.

The Environmental Protection Budget Reconciliation Bill (BRB) (Laws, 2006 Chapter 349) established the Due Diligence Fund in statute. The fund provides a mechanism for the department to receive refunds for due diligence studies from successful bidders. The bill also requires that all monies in excess of \$500,000 in the fund at anytime be deposited in the General Fund.

Environmental County Grants

The budget provides \$250,000 from the General Fund for Environmental County Grants in FY 2006.

Additional Grants

This budget provides an increase of \$125,000 from the General Fund in FY 2007 for additional environmental county grants.

Monies in this line item are 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.

Fire Equipment

The budget provides no funding for new Fire Equipment in FY 2007. This amount is unchanged from FY 2006. The monies in this special line item were used in FY 2005 for fuel and fire equipment, personal protective equipment, and vehicles and transportation used by inmate fire-fighting crews.

Fire Suppression Operating Expenses

The budget provides \$2,049,900 from the General Fund for a new Fire Suppression Operating Expenses Special Line Item in FY 2007. This amount includes an increase of \$142,900 from the General Fund for statewide adjustments.

The budget also includes the following adjustments:

Transfer from Operating Budget

The budget provides an increase of \$1,778,100 and 30 FTE Positions from the General Fund in FY 2007 to transfer fire suppression operating expenses from the operating budget to this new Special Line Item.

New Resources

The budget provides an increase of \$128,900 and 2 FTE Positions from the General Fund in FY 2007 for additional fire suppression resources. The appropriation funds 1 dispatch supervisor and 1 information technology division. Of the total \$128,900 appropriation \$10,500 is for one-time equipment.

Monies in this Special Line Item are used to fund the Division of Forestry. The Division of Forestry is primarily responsible for fire suppression and pre-suppression activities in the state, and forest management. The Special Line Item does not include expenses paid to other entities that provide fire suppression assistance.

Ch. 269 Fire Suppression

Laws 2006, Chapter 269 includes \$6,200,000 in supplemental funding from the General Fund in FY 2006 for fire suppression expenses. The appropriation includes \$4,000,000 to reimburse local governments and other entities for fire suppression expenses incurred earlier in the fiscal year. Due to the anticipation that the FY 2006 fire season will be more active than normal, the appropriation provides \$2,200,000 to pay for additional fire suppression expenses incurred during the remainder of the fiscal year.

Fire Suppression

The budget provides \$3,000,000 from the General Fund for Fire Suppression in FY 2007. This amount is unchanged from FY 2006. This program funds fire suppression on state trust land and rural private land. A.R.S. § 37-623.02 provides an annual appropriation of up to \$3,000,000 for fire suppression. Because this authorization is in permanent statute, it is not included in the General Appropriation Act.

FY 2007 Fire Season

The budget provides \$1,500,000 one-time from the General Fund in FY 2007 for fire suppression expenses incurred during the fiscal year. The approved amount includes a one-time increase of \$1,500,000 for the FY 2007 fire season. Wildfire activity during the FY 2007 fire season is expected to be above average.

Inmate Fire Crews

The budget provides \$974,300 and 17 FTE Positions from the General Fund for Inmate Fire Crews in FY 2007. These amounts include an increase of \$56,700 from the General Fund for statewide adjustments plus the following change:

Eliminate One-time Equipment

The budget provides a decrease of \$(272,700) from the General Fund in FY 2007 to eliminate one-time equipment. This funding was for personal protective equipment for inmate fire crews.

These monies provide fire-fighting training for 15 inmate fire crews. The crews are used for fuel treatment and fire suppression in and around communities at risk.

Natural Resource Conservation Districts

The budget provides \$650,000 for Natural Resource Conservation Districts (NRCs) in FY 2007. This amount consists of \$430,000 from the General Fund and \$220,000 from the Environmental Special Plate Fund. The budget includes the following change:

Increase NRCD Support

The budget provides an increase of \$250,000 from the General Fund and a decrease of \$(46,100) from the Environmental Special Plate Fund in FY 2007 to increase NRCD funding and to offset falling Environmental Special Plate Fund revenues. The approved amounts fund NRCDs at \$15,000 per year.

Monies in this line item are used to provide for natural resource research, scholarships, and staff at the state's 31 NRCDs. These districts are established to provide local conservation assistance and education and to coordinate the receipt of federal grants. A General Appropriation Act footnote requires that \$30,000 of the monies be used to provide grants to NRCD environmental education centers. The revenue deposited in the Environmental Special Plate Fund consists of \$17 of the \$25 fee for environmental license plates.