

## State Land Department

JLBC: Jay Chilton

OSPB: Jay Baughman

DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC	FY 2009 JLBC
<b>OPERATING BUDGET</b>				
<i>Full Time Equivalent Positions</i>	206.4	212.9	212.9	212.9
Personal Services	7,366,500	7,222,200	7,213,900	7,213,900
Employee Related Expenditures	2,144,100	2,285,800	2,287,000	2,287,000
Professional and Outside Services	4,390,300	4,672,300	4,425,700	4,425,700
Travel - In State	240,200	276,500	276,500	276,500
Travel - Out of State	15,300	1,500	1,500	1,500
Other Operating Expenditures	2,029,600	1,872,400	1,815,900	1,815,900
Equipment	647,300	283,200	98,400	98,400
<b>OPERATING SUBTOTAL</b>	<b>16,833,300</b>	<b>16,613,900</b>	<b>16,118,900</b>	<b>16,118,900</b>
<b>SPECIAL LINE ITEMS</b>				
CAP User Fees	1,859,300	1,347,900	1,268,600	1,488,300
Due Diligence Fund	0	500,000	500,000	500,000
Environmental County Grants	125,000	250,000	250,000	250,000
Fire Suppression Operating Expenses	0	2,049,900	2,039,400	2,039,400
Fire Suppression	9,200,000	4,500,000	3,000,000	3,000,000
Inmate Fire Crews	1,191,600	974,300	974,300	974,300
Natural Resource Conservation Districts	446,100	650,000	650,000	650,000
<b>AGENCY TOTAL</b>	<b>29,655,300</b>	<b>26,886,000</b>	<b>24,801,200</b>	<b>25,020,900</b>
<b>FUND SOURCES</b>				
General Fund	29,071,600	26,435,400	24,081,200	24,300,900
<u>Other Appropriated Funds</u>				
ADOA Risk Management Fund	318,600	230,600	0	0
Due Diligence Fund	0	0	500,000	500,000
Environmental Special Plate Fund	265,100	220,000	220,000	220,000
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>583,700</b>	<b>450,600</b>	<b>720,000</b>	<b>720,000</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>29,655,300</b>	<b>26,886,000</b>	<b>24,801,200</b>	<b>25,020,900</b>
Other Non-Appropriated Funds	13,716,400	11,367,700	11,362,900	11,361,700
Federal Funds	9,300	11,500	0	0
<b>TOTAL - ALL SOURCES</b>	<b>43,381,000</b>	<b>38,265,200</b>	<b>36,164,100</b>	<b>36,382,600</b>

### CHANGE IN FUNDING SUMMARY

	FY 2007 to FY 2008 JLBC		FY 2007 to FY 2009 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	(2,354,200)	(8.9%)	(2,134,500)	(8.1%)
Other Appropriated Funds	269,400	59.8%	269,400	59.8%
Total Appropriated Funds	(2,084,800)	(7.8%)	(1,865,100)	(6.9%)
Non Appropriated Funds	(16,300)	(0.1%)	(17,500)	(0.2%)
Total - All Sources	(2,101,100)	(5.5%)	(1,882,600)	(4.9%)

**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).

<b>PERFORMANCE MEASURES</b>	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2008 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.	29.3	23.1	23.3	20.0
• % of customers giving the department a rating above 4 (5=very satisfied)	84	85	79	87
• Total trust generated (\$ in millions) Comments: Total trust generated includes both expendable and non-expendable permanent fund receipts. Expendable receipts include lease revenues, interest on outstanding sales balances, and the Treasurer's formula distribution. Non-expendable permanent fund receipts consist of revenues earned from the sale of State Trust land combined with the sales of minerals and natural products.	\$232.8	\$393.6	\$409.1	\$486.2
• Total Expendable Fund earnings generated (\$ in millions) Comments: The expendable earning portion of this performance measure includes both revenues generated by the State Land Department and the Treasurer's formula distribution.	\$71.1	\$99.4	\$112.9	\$127.8
• Total trust land sales (\$ in millions) Comments: Total trust land sales is the value of the land sold during the year. Of the \$544 million in total sales value, \$82.4 million was received in FY 2006 as cash sales. The balance was financed directly through the State Land Department and will be paid off over time.	--	--	\$544.3	\$500.0
• Total number of trust land acres sold in Maricopa, Pima, and Pinal Counties	--	--	2,637	3,000
• Total number of trust land acres sold in all other remaining counties	--	--	789	1,000

**CHANGES FROM FY 2007**

**Operating Budget**

The JLBC includes \$16,118,900 and 163.9 FTE Positions from the General Fund for the operating budget in FY 2008 and FY 2009. These amounts would fund the following adjustments:

	<u>FY 2008</u>	<u>FY 2009</u>
<b>One-Time AZNet Appropriation</b>	<b>GF \$(53,600)</b>	<b>\$(53,600)</b>

The JLBC includes a decrease of \$(53,600) from the General Fund in FY 2008 and FY 2009 to reflect the one-time appropriation for AZNet telecommunication charges.

<b>Eliminate One-Time Funding</b>	<b>GF (210,800)</b>	<b>(210,800)</b>
	<b>OF (230,600)</b>	<b>(230,600)</b>

The JLBC includes a decrease of \$(441,400) in FY 2008 and FY 2009 to eliminate one-time funding increases. This amount consists of:

General Fund	(210,800)	(210,800)
ADOA Risk Management Fund	(230,600)	(230,600)

These changes will eliminate the following one-time funding increases:

Radio System Upgrade	(96,000)
Equipment for Trust Management and Sales	(74,300)
Earth Fissure Maps Equipment	(40,500)
Flood Control Dam Repair	(230,600)

**Special Line Items**

**CAP User Fees**

The JLBC includes \$1,268,600 from the General Fund in FY 2008 and \$1,488,300 in FY 2009 for Central Arizona Project (CAP) User Fees. These amounts would fund the following adjustments:

<b>CAP Fee Adjustment</b>	<b>GF (79,300)</b>	<b>140,400</b>
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The JLBC includes a decrease of \$(79,300) from the General Fund in FY 2008 and an increase of \$140,400 from the General Fund in FY 2009 for rate changes in CAP user fees.

Monies in this line item are used to pay the Central Arizona Water Conservation District (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.

**Due Diligence Fund**

The JLBC includes \$500,000 from the Due Diligence Fund for the Due Diligence Fund line item in FY 2008 and FY 2009. This amount would fund the following adjustments:

**One-Time Funding for**

**Due Diligence**

**Fund Deposit      GF    (500,000)    (500,000)**

The JLBC includes a decrease of \$(500,000) from the General Fund in FY 2008 and FY 2009 to reflect a one-time appropriation to establish the Due Diligence Fund.

**Due Diligence Studies    OF    500,000    500,000**

The JLBC includes an increase of \$500,000 from the Due Diligence Fund in FY 2008 and FY 2009 to fund due diligence studies on State Trust land.

Established by Laws 2006, Chapter 349, the Due Diligence 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 any time be deposited in the General Fund. In FY 2007, the State Land Department received a General Fund appropriation to establish the Due Diligence Fund. That General Fund deposit will be used in FY 2007 to pay for due diligence studies on State Trust land prior to sale. Purchasers of Trust land will reimburse the State Land Department for the cost of the studies. The reimbursements will be deposited into the Due Diligence Fund and those monies then become available to the department to fund new studies. The fund is subject to appropriation, so appropriation authority is added to allow the State Land Department to spend the reimbursements.

**Environmental County Grants**

The JLBC includes \$250,000 from the General Fund for Environmental County Grants in FY 2008 and FY 2009. This amount is unchanged from FY 2007.

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 Suppression Operating Expenses**

The JLBC includes \$2,039,400 and 32 FTE Positions from the General Fund for the Fire Suppression Operating Expenses Special Line Item in FY 2008 and FY 2009. These amounts would fund the following adjustments:

**Eliminate One-Time**

**Equipment      GF    (10,500)    (10,500)**

The JLBC includes a decrease of \$(10,500) from the General Fund in FY 2008 and FY 2009 to eliminate one-time funding for 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.

**Fire Suppression**

The JLBC includes \$3,000,000 from the General Fund for Fire Suppression in FY 2008 and FY 2009. These amounts would fund the following adjustments:

**One-Time Funding for**

**Fire Suppression**

**Expenses      GF    (1,500,000)    (1,500,000)**

The JLBC includes a decrease of \$(1,500,000) from the General Fund in FY 2008 and FY 2009 to reflect a one-time appropriation for Fire Suppression Expenses incurred during FY 2007.

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.

**Inmate Fire Crews**

The JLBC includes \$974,300 and 17 FTE Positions from the General Fund for Inmate Fire Crews in FY 2008 and FY 2009. These amounts are unchanged from FY 2007.

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 JLBC includes \$650,000 for Natural Resource Conservation Districts (NRCs) in FY 2008 and FY 2009. This amount consists of \$430,000 from the General Fund and \$220,000 from the Environmental Special Plate Fund. These amounts are unchanged from FY 2007.

Monies in this line item are used to provide for natural resource research, scholarships, and staff at the state's 32 NRCs. These districts are established to provide local conservation assistance and education and to coordinate the receipt of federal grants. A.R.S. § 37-1014 requires each NRC to receive \$15,000 in state assistance. In addition, a General Appropriation Act footnote requires that \$30,000 of the appropriation for NRCs be used to provide grants to NRC environmental education centers. There are currently 21 education centers sponsored and co-sponsored by 27 NRCs. The \$30,000 is divided among the 21 education centers, meaning each center receives \$1,428. Districts which sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 37-1015. The revenue deposited in the Environmental Special Plate Fund consists of \$17 of the \$25 fee for environmental license plates.

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**FORMAT** — Operating Lump Sum with Special Line Items by Agency

**FOOTNOTES**

*Standard Footnotes*

Of the operating lump sum appropriation, the sum of \$3,819,300 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~~ BY OCTOBER 1, 2007 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~~ YEAR. 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) (B) Distinguish between urban and rural parcels. (d) (C) Indicate the value added or revenue received. (e) (D) 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) (E) Include in the report ~~for the final quarter of the fiscal year~~ ~~an 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. *(Converts report from quarterly to yearly and removes the requirement of an analysis comparing the volume of trust land entering the market with the volume of private and other land entering the market because of the difficulty in obtaining the information required for such an analysis.)*

The appropriation includes \$1,268,600 for Central Arizona Project User Fees in FY 2008 AND \$1,488,300 IN FY 2009. For FY 2008 AND FY 2009, 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.

Of the amount appropriated for Natural Resource Conservation Districts in FY 2008 AND FY 2009, \$30,000 shall be used to provide grants to NRCD environmental education centers.

*Deletion of Prior Year Footnotes*

The JLBC deletes the footnotes regarding the FY 2007 one-time increase for Maricopa County Flood Control Dam Repair and radio system upgrades.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

**Trust Land Revenue and Beneficiary Receipts**

Table 1 below depicts the Land Department's revenues in FY 2005 and FY 2006. The leasing program includes natural resource leases, commercial leases, school facilities leases, and right-of-way leases. The sales program includes down payments from current-year sales, principal and interest payment on financed sales from previous years, cash sales, and rights-of way.

	<b>FY 2005</b>	<b>FY 2006</b>
Leasing Program	\$ 49,407,900	\$ 47,845,700
Sales Program	309,731,000	309,883,200
Royalties	5,190,300	6,530,400
Fees and Sovereign Land	2,770,100	10,481,600
Treasurer's Earnings	<u>26,508,700</u>	<u>34,334,600</u>
<b>Total Revenue</b>	<b>\$393,608,000</b>	<b>\$409,075,500</b>

Table 2 indicates FY 2006 expendable and permanent receipts by beneficiary.

<u>Agency/Beneficiary Fund</u>	<u>Expendable Receipts</u>	<u>Permanent Receipts</u>
<i>State Aid Formula for K-12, Classroom Site Fund</i>		
Common Schools	\$99,043,500	\$264,273,700
<i>Board of Regents</i>		
Normal Schools	227,300	118,900
Agricultural & Mechanical Colleges	310,200	10,000
Military Institute	83,100	3,000
School of Mines	215,700	15,700
University Land Code	634,500	405,200
University of Arizona (Act of 1881)	822,400	3,218,400
<i>School for the Deaf and Blind</i>		
School for the Deaf and Blind	239,300	43,900
<i>Legislature, Executive, and Judicial Branches</i>		
Legislative, Executive, and Judicial	194,800	676,100
<i>Arizona State Hospital</i>		
State Hospital	477,700	10,400
<i>Pioneers' Home</i>		
Miner's Hospital	1,724,500	105,500
State Charitable, Penal, and Reformatory	3,630,250	7,652,500
<i>Department of Juvenile Corrections</i>		
State Charitable, Penal, and Reformatory	1,815,125	3,826,250
<i>Department of Corrections</i>		
State Charitable, Penal, and Reformatory	1,815,125	3,826,250
Penitentiary	<u>1,632,600</u>	<u>15,200</u>
<b>Total</b>	<b>\$112,866,100</b>	<b>\$284,201,000</b>

<sup>1/</sup> Totals include \$34.3 million in Treasurer's formula distribution receipts but do not include \$10.6 million in revenues going to the General Fund and \$1.5 million in commercial prepayment not yet assigned to a particular beneficiary.

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
<b>ADOA Risk Management Fund (ADA4216/A.R.S. § 41-622)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> One-time appropriation of Arizona Department of Administration Risk Management Funds.		
<b>Purpose of Fund:</b> One-time equipment purchase for fuel and fire equipment, personal protective equipment, and vehicles and inmate crew transportation.		
<b>Funds Expended</b>	318,600	230,600
<b>Year-End Fund Balance</b>	232,800	2,200
<b>CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements to the state for back water payments when cities assume their allocation of CAP water, legislative appropriations.		
<b>Purpose of Fund:</b> To make CAP water fee payments for urban state trust land. Monies remaining in the fund revert to the General Fund after the CAP subcontract obligations are met.		
<b>Funds Expended</b>	58,900	0
<b>Year-End Fund Balance</b>	145,900	145,900
<b>Cooperative Forestry Fund (LDA2232/A.R.S. § 37-624)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.		
<b>Purpose of Fund:</b> To fund the State Forester's activities, including forestry assistance and wild land fire prevention and suppression on state lands.		
<b>Funds Expended</b>	5,512,800	4,825,500
<b>Year-End Fund Balance</b>	1,412,100	1,639,500
<b>Due Diligence Fund (LDA2526/A.R.S. § 37-110)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> One-time \$500,000 General Fund appropriation in FY 2007 to establish the Due Diligence Fund. To avoid double counting, FY 2007 Due Diligence expenditures are only shown as General Fund expenditures. In future years, the revenue source will be reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies. Such expenditures will be shown as from the Due Diligence Fund.		
<b>Purpose of Fund:</b> To fund Due Diligence studies.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	500,000
<b>Environmental Special Plate Fund (LDA2274/A.R.S. § 37-1015)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> \$17 of the \$25 fee for environmental license plates.		
<b>Purpose of Fund:</b> To provide grants for environmental education projects.		
<b>Funds Expended</b>	265,100	220,000
<b>Year-End Fund Balance</b>	25,800	55,800
<b>Federal Funds (LDA2000/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Federal grants for urban and rural forestry, resource conservation, development of forest lands, insect and disease control, fire training and protection of forests, and other forestry projects.		
<b>Purpose of Fund:</b> For resource conservation and development, in accordance with the requirements of each grant.		
<b>Funds Expended</b>	9,300	11,500
<b>Year-End Fund Balance</b>	11,500	0
<b>Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements from lessees and interest.		
<b>Purpose of Fund:</b> To make payments for federal reclamation project assessments when state land lessees are delinquent.		
<b>Funds Expended</b>	4,000	4,000
<b>Year-End Fund Balance</b>	435,100	431,100

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
<b>Fire Suppression Fund (LDA2360/A.R.S. § 37-623.02)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations, monies authorized by the Governor's Emergency Council and the Wild Land Fire Emergency Council and other monies. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.		
<b>Purpose of Fund:</b> To cover the costs of fighting fires on public and private lands.		
<b>Other Funds Expended</b>	7,350,000	5,588,200
<b>Year-End Fund Balance</b>	2,064,500	5,985,700
<b>Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Collections from other state agencies for services and products provided by the State Land Department.		
<b>Purpose of Fund:</b> To pay for joint projects based upon interagency agreements with other state agencies.		
<b>Funds Expended</b>	3,700	0
<b>Year-End Fund Balance</b>	0	0
<b>State Land Department Fund (LDA2451/A.R.S. § 37-108)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements from successful bidders on state lands for expenses incurred to advertise land sales and for zoning application fees.		
<b>Purpose of Fund:</b> To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
<b>Funds Expended</b>	643,500	650,000
<b>Year-End Fund Balance</b>	366,900	366,900
<b>Military Airport Land Exchange Fund (No Fund Number/A.R.S. § 37-1224)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations and land exchange proposal-processing fees.		
<b>Purpose of Fund:</b> To fund the expenses of the military airport land exchange section for the purpose of facilitating exchanges of federal land for private land near military airports.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receipts from the provision of Geographic Information Systems (GIS) products and services.		
<b>Purpose of Fund:</b> To offset the costs of GIS supplies and support.		
<b>Funds Expended</b>	143,500	300,000
<b>Year-End Fund Balance</b>	299,200	299,200
<b>Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Receipts from the sale or use of state streambed lands and resources, damages collected due to a federal violation of public trust by the conveyance of state streambeds, and designated donations.		
<b>Purpose of Fund:</b> To fund the acquisition of wetland areas in the state.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	3,600	3,600
<b>Universities Timber Land Account Fund (LDA3134/A.R.S. § 37-482)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Proceeds from sales of timber or timber products on state trust land where the University Land Fund is the beneficiary.		
<b>Purpose of Fund:</b> To fund expenses incurred by the State Land Department for the conservation, sale, and administration of timber and timber products located on state lands where the University Land Fund is the beneficiary.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	101,200	101,200