State Land Department

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	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	232.9	207.9	204.9
Personal Services	7,089,400	6,459,900	6,459,900
Employee Related Expenditures	2,383,700	2,140,500	2,140,500
Professional and Outside Services	1,463,000	2,050,700	2,050,700
Travel - In State	178,200	177,900	177,900
Travel - Out of State	14,400	1,500	1,500
Other Operating Expenditures	1,905,500	1,982,200	1,982,200
Equipment	581,800	225,000	225,000
OPERATING SUBTOTAL	**13,616,000**	**13,037,700**	**13,037,700**
SPECIAL LINE ITEMS			
CAP User Fees	311,100	481,200	385,000
Due Diligence Fund	0	500,000	500,000
Environmental County Grants	0	75,000	75,000
Fire Suppression Operating Expenses	2,397,000	2,718,700	2,718,700
Fire Suppression	3,000,000	3,000,000	3,000,000
Inmate Fire Crews	1,128,400	741,900	741,900
Natural Resource Conservation Districts	354,600	650,000	650,000
5th Special Session Reduction	0	(536,900)	(536,900)
AGENCY TOTAL	**20,807,100**	**20,667,600**	**20,571,400**
FUND SOURCES			
General Fund	17,547,100	6,622,200	6,526,000
Other Appropriated Funds			
Due Diligence Fund	0	500,000	500,000
Environmental Special Plate Fund	260,000	260,000	260,000
State Parks Heritage Fund	3,000,000	3,465,000	3,465,000
Trust Land Management Fund	0	9,820,400	9,820,400
SUBTOTAL - Other Appropriated Funds	3,260,000	14,045,400	14,045,400
SUBTOTAL - Appropriated Funds	**20,807,100**	**20,667,600**	**20,571,400**
Other Non-Appropriated Funds	28,200,500	26,752,600	26,749,300
TOTAL - ALL SOURCES	49,007,600	47,420,200	47,320,700

CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	$ Change	% Change
General Fund	(96,200)	(1.5%)
Other Appropriated Funds	0	0.0%
Total Appropriated Funds	(96,200)	(0.5%)
Non-Appropriated Funds	(3,300)	0.0%
Total - All Sources	(99,500)	(0.2%)

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).

Operating Budget

The Baseline includes $13,037,700 and 150.9 FTE Positions for the operating budget in FY 2011. These amounts consist of:

General Fund	$3,217,300
Trust Land Management Fund	9,820,400

These amounts are unchanged from FY 2010.

CAP User Fees

The Baseline includes $385,000 from the General Fund for Central Arizona Project (CAP) User Fees in FY 2011. FY 2011 adjustments would be as follows:

Reduced CAP Water Rights GF (96,200)
The Baseline includes a decrease of $(96,200) from the General Fund in FY 2011 to adjust the appropriation for new rates. This reduction allows the department to retain CAP water rights for Trust Land within urban areas.

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 Baseline includes $500,000 from the Due Diligence Fund for this line item in FY 2011. This amount is unchanged from FY 2010.

The State Land Department uses monies in this line item to fund due diligence studies on land that it prepares for auction. The purchasers of State Trust Land then reimburse the State Land Department for the cost of the studies. The reimbursements are deposited into the Due Diligence Fund and those monies again 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 Baseline includes $75,000 from the State Parks Heritage Fund funding for Environmental County Grants in FY 2011. This amount is unchanged from FY 2010.

Monies in this line item have been 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 Baseline includes $2,718,700 and 41 FTE Positions from the General Fund for the Fire Suppression Operating Expenses Special Line Item in FY 2011. These amounts are unchanged from FY 2010.

Monies in this Special Line Item (SLI) 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 Baseline includes $3,000,000 from the State Parks Heritage Fund for Fire Suppression in FY 2011. This amount is unchanged from FY 2010.

This SLI 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 from the General Fund for fire suppression. Because this authorization is in permanent statute, it is not included in the General Appropriation Act. Continuing to fund this SLI from the State Parks Heritage Fund would require additional legislative action. *(Please see Statutory Changes section below.)*

Inmate Fire Crews

The Baseline includes $741,900 and 13 FTE Positions from the General Fund for Inmate Fire Crews in FY 2011. These amounts are unchanged from FY 2010.

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 Baseline includes $650,000 for Natural Resource Conservation Districts (NRCDs) in FY 2011. This amount consists of:

State Parks Heritage Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2010.

Monies in this line item are used to provide for natural resource research, scholarships, and staff at the state's 32 NRCDs. 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 the department to include in its budget request up to $30,000 for each NRCD and $60,000 for each education center for

a 2-year period. A General Appropriation Act footnote requires that $30,000 of the total appropriation for NRCDs be used to provide grants to NRCD environmental education centers. There are currently 21 education centers sponsored and co-sponsored by 27 NRCDs. 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.

5th Special Session Reduction

The Baseline includes $(536,900) from the General Fund in FY 2011 to continue the 5th Special Session FY 2010 Lump Sum Reduction. This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

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FORMAT — Operating Lump Sum with Special Line Items by Agency

FOOTNOTES

Standard Footnotes
The appropriation includes $385,000 for Central Arizona Project User Fees in FY 2011. For FY 2011, from municipalities 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 2011, $30,000 shall be used to provide grants to Natural Resource Conservation Districts environmental education centers.

Deletion of Prior Year Footnotes
The Baseline would delete the footnote requiring the report on the increase in Trust land management activity based on the increased funding for Trust land management provided to the agency in FY 2006 though FY 2008 because those increases have been eliminated in the budget reductions since the midyear FY 2008 revisions.

STATUTORY CHANGES

The Baseline would continue a provision from the FY 2010 Environment BRB (Laws 2009, 3rd Special Session, Chapter 5) suspending the statutory General Fund appropriation for wild land fire suppression and appropriating an equal amount from the State Parks Heritage Fund. The appropriation from the Heritage Fund will be made as 2 appropriations of $1,500,000, the first on January 1, 2011 and the second on April 1, 2011. At the end of calendar year 2011, the unobligated balance in the Fire Suppression Fund above $2,000,000 reverts to the Heritage Fund.

The Baseline would continue a provision granting fee raising authority to the State Land Department and appropriating the additional revenue earned from the increased fees to the department. Recreation fees are exempt from the fee raising authority. Additional revenue is limited to $600,000.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

5% FTE Position Reduction
The State Land Department was originally budgeted 106 General Fund FTE Positions in FY 2010. Laws 2009, 3rd Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the State Land Department to reduce an additional 2 FTE Positions in FY 2010 and 5 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

Separate State Forester's Office Appropriation from State Land Department
Laws 2004, Chapter 326, Section 4 amended statute to require the Governor to appoint the State Forester. Prior to 2004, the State Land Commissioner appointed a Deputy State Forester to report to the State Land Commissioner. For most purposes, including budgeting within the agencies, the State Land Department and the Forestry Division operate as separate agencies. Currently, the Forestry Division's appropriation is made as various Special Line Items within the State Land Department's appropriation. However, since the State Forester no longer reports to the State Land Commissioner and reports to the Governor and since the functions of the agencies are separate, JLBC Staff recommends that the State Forester's funding be made separately from the State Land Department in the General Appropriation Act.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate

CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526) **Non-Appropriated**

Source of Revenue: Reimbursements to the state for back water payments when cities assume their allocation of Central Arizona Project (CAP) water, legislative appropriations.
Purpose of Fund: 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.

Funds Expended	134,000	0
Year-End Fund Balance	0	13,000

Community Protection Initiative Fund (FOA2343/A.R.S. § 37-641) **Non-Appropriated**

Source of Revenue: Legislative appropriations, private and federal monies, grants, gifts, and contributions. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.
Purpose of Fund: To provide grants to communities at risk of wildfire to complete community wildfire protection plans.

Funds Expended	0	0
Year-End Fund Balance	0	0

Cooperative Forestry Fund (FOA2232/A.R.S. § 37-624) **Non-Appropriated**

Source of Revenue: Legislative appropriations, reimbursements from organizations, the public, other levels of government, and state agencies.
Purpose of Fund: To fund the State Forester's activities, including forestry assistance and wild land fire prevention and suppression on state lands.

Funds Expended	9,232,800	7,804,200
Year-End Fund Balance	4,455,900	3,095,100

Due Diligence Fund (LDA2526/A.R.S. § 37-110) **Appropriated**

Source of Revenue: Reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations.
Purpose of Fund: To fund Due Diligence studies.

Funds Expended	0	500,000
Year-End Fund Balance	30,300	30,300

Environmental Special Plate Fund (LDA2274/A.R.S. § 37-1015) **Appropriated**

Source of Revenue: $17 of the $25 fee for environmental license plates.
Purpose of Fund: To provide grants for environmental education projects.

Funds Expended	260,000	260,000
Year-End Fund Balance	43,800	13,800

Federal Funds (LDA2000/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: 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.
Purpose of Fund: For resource conservation and development, in accordance with the requirements of each grant.

Funds Expended	0	0
Year-End Fund Balance	0	0

Federal Reclamation Trust Fund (LDA2024/A.R.S. § 37-106) **Non-Appropriated**

Source of Revenue: Reimbursements from lessees and interest.
Purpose of Fund: To make payments for federal reclamation project assessments when state land lessees are delinquent.

Funds Expended	295,400	0
Year-End Fund Balance	110,800	110,800

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate

Fire Suppression Fund (FOA2360/A.R.S. § 37-623.02) **Non-Appropriated**

Source of Revenue: General Fund appropriations, monies authorized by the Governor's Emergency Council and the Wildland Fire Emergency Council and other monies. General Fund appropriation expenditures are not displayed to avoid double counting of appropriations. If the unobligated balance of the fund exceeds $2,000,000 at the end of any Calendar Year, the excess shall be transferred to the General Fund. In FY 2009 and FY 2010, the appropriation was shifted from the General Fund to the State Parks Heritage Fund. At the end of Calendar Years 2009 and 2010, any balance in the fund exceeding $2,000,000 will revert to the State Parks Heritage Fund.

Purpose of Fund: To cover the costs of fighting fires on public and private lands.

Funds Expended	17,564,600	17,884,100
Year-End Fund Balance	7,649,300	211,700

State Parks Heritage Fund (PRA2296/A.R.S. § 41-502) **Appropriated**

Source of Revenue: Annual transfer from the Lottery Fund to the State Parks Board of up to $10,000,000, and interest earnings. In FY 2009, the fund received the full $10,000,000 transfer from the Lottery and $697,800 in interest earnings. The FY 2010 expenditures assume the fund will receive $10,433,900 in revenue from the Lottery and from interest earnings.

Purpose of Fund: Of the total allocation for the State Parks Board, the Legislature has appropriated $3,465,000 for fire suppression, environmental county grants, and Natural Resource Conservation Districts.

Funds Expended	3,000,000	3,465,000
Year-End Fund Balance	0	0

Interagency Agreements Fund (LDA2212/A.R.S. § 35-148) **Non-Appropriated**

Source of Revenue: Collections from other state agencies for services and products provided by the State Land Department.

Purpose of Fund: To pay for joint projects based upon interagency agreements with other state agencies.

Funds Expended	129,000	0
Year-End Fund Balance	170,300	0

Military Airport Land Exchange Fund (No Fund Number/A.R.S. § 37-1224) **Non-Appropriated**

Source of Revenue: Legislative appropriations and land exchange proposal-processing fees.

Purpose of Fund: 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.

Funds Expended	0	0
Year-End Fund Balance	0	0

Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176) **Non-Appropriated**

Source of Revenue: The Land Department receives 5% of the total Off-Highway Vehicle Fund revenue, which consists of fees for off-highway vehicle decals issued by the Department of Transportation and 0.55% of the motor fuel tax revenue.

Purpose of Fund: To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities.

Funds Expended	74,700	286,000
Year-End Fund Balance	44,400	44,400

Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176) **Non-Appropriated**

Source of Revenue: Receipts from the provision of Geographic Information Systems (GIS) products and services.

Purpose of Fund: To offset the costs of GIS supplies and support.

Funds Expended	301,800	288,300
Year-End Fund Balance	318,200	289,900

Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156) **Non-Appropriated**

Source of Revenue: 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.

Purpose of Fund: To fund the acquisition of wetland areas in the state.

Funds Expended	0	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
State Land Department Fund (LDA2451/A.R.S. § 37-108)		**Non-Appropriated**
Source of Revenue: Reimbursements from successful bidders on state lands for expenses incurred to advertise land sales and for zoning application fees.		
Purpose of Fund: To fund expenses incurred from the advertisement of state trust land sales and to pay zoning fees for new projects.		
Funds Expended	468,200	490,000
Year-End Fund Balance	268,800	178,800
Trust Land Management Fund (LDA3146/A.R.S. § 37-527)		**Appropriated**
Source of Revenue: Up to 10% of the proceeds from sale of State Trust land and natural resources.		
Purpose of Fund: To fund the management of the 9.3 million acres of State Trust land throughout the state.		
Funds Expended	0	9,820,400
Year-End Fund Balance	0	640,700
Universities Timber Land Account Fund (LDA3134/A.R.S. § 37-482)		**Non-Appropriated**
Source of Revenue: Proceeds from sales of timber or timber products on state trust land where the University Land Fund is the beneficiary.		
Purpose of Fund: 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.		
Funds Expended	0	0
Year-End Fund Balance	0	0