State Land Department

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	153.9	152.9	152.9
Personal Services	6,444,100	6,414,000	6,787,800
Employee Related Expenditures	1,963,700	2,942,600	3,100,900
Professional and Outside Services	345,100	1,290,000	1,297,900
Travel - In State	141,500	152,200	156,400
Travel - Out of State	0	1,500	1,500
Other Operating Expenditures	12,092,900	1,475,400	1,518,000
Equipment	240,000	50,000	63,200
OPERATING SUBTOTAL	**21,227,300**	**12,325,700**	**12,925,700**
SPECIAL LINE ITEMS			
CAP User Fees	481,100	385,000	385,000
Due Diligence Fund	7,000	500,000	500,000
Natural Resource Conservation Districts	561,400	650,000	650,000
AGENCY TOTAL	**22,276,800**	**13,860,700**	**14,460,700**
FUND SOURCES			
General Fund	13,627,300	3,212,300	1,152,300
Other Appropriated Funds			
Due Diligence Fund	7,000	500,000	500,000
Environmental Special Plate Fund	180,900	260,000	260,000
State Parks Heritage Fund	380,500	0	0
Trust Land Management Fund	8,081,100	9,888,400	12,548,400
SUBTOTAL - Other Appropriated Funds	8,649,500	10,648,400	13,308,400
SUBTOTAL - Appropriated Funds	**22,276,800**	**13,860,700**	**14,460,700**
Other Non-Appropriated Funds	1,478,800	1,424,700	824,700
Federal Funds	129,700	623,600	623,600
TOTAL - ALL SOURCES	23,885,300	15,909,000	15,909,000

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.

Operating Budget

The Baseline includes $12,925,700 and 152.9 FTE Positions for the operating budget in FY 2012. These amounts consist of:

	FY 2012
General Fund	$377,300
Trust Land Management Fund	12,548,400

FY 2012 adjustments would be as follows:

Funding Shift **GF (2,060,000)**
OF 2,060,000

The Baseline includes a decrease of $(2,060,000) from the General Fund and an offsetting increase from the Trust Land Management Fund to reflect a change in fee structure in FY 2012.

Laws 2010, Chapter 243 amended statute to allow the State Land Commissioner to set fees by rule. Previously, fee revenue was deposited in the General Fund, which offset the agency's General Fund appropriation; however, under this chapter, fee revenue is deposited in the Trust Land Management Fund.

Increased Fee Authority OF 600,000

The Baseline includes an increase of $600,000 from the Trust Land Management Fund to allow the agency to expend additional fee revenue in FY 2012.

The FY 2010 Environment BRB gave the department additional authority to raise fees by $600,000 in FY 2011. For FY 2012, these fees will be deposited to the Trust Land Management Fund and will need a corresponding appropriation to expend the additional fee revenue.

CAP User Fees

The Baseline includes $385,000 from the General Fund for Central Arizona Project (CAP) User Fees in FY 2012. This amount is unchanged from FY 2011.

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 2012. This amount is unchanged from FY 2011.

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.

Natural Resource Conservation Districts

The Baseline includes $650,000 for Natural Resource Conservation Districts (NRCDs) in FY 2012. This amount consists of:

General Fund	390,000
Environmental Special Plate Fund	260,000

These amounts are unchanged from FY 2011.

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 23 education centers sponsored or co-sponsored by 30 NRCDs. The $30,000 is divided among the 23 education centers, meaning each center receives $1,304. Districts that 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
The appropriation includes $385,000 for Central Arizona Project User Fees in FY 2012. For FY 2012, 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 2012, $30,000 shall be used to provide grants to Natural Resource Conservation Districts environmental education centers.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Litigation
In October 2010, the Superior Court of Arizona ruled in Rumery v. Martin that any diversion of proceeds from the sale of State Trust Land and natural resources from the Permanent Funds of State Trust beneficiaries is unconstitutional. A significant portion of the Trust Land Management Fund's revenues (estimated to be approximately $8,283,500 in FY 2012) is from a 10% surcharge on the proceeds from the sale of State Trust land and natural resources and is affected by this ruling. Furthermore, the department is required to refund all proceeds from the sale of State Trust Land and natural resources that have been diverted from the Permanent Funds of State Trust beneficiaries.

The Arizona Court Appeals granted the Land Department's request of a stay of the Superior Court's judgment. The stay is in effect until the end of FY 2011 or the end of the appeal process, whichever is sooner.

SUMMARY OF FUNDS	FY 2010 Actual	FY 2011 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	0	0
Year-End Fund Balance	3,800	13,800

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

Source of Revenue: Reimbursements from successful bidders on state trust lands for expenses incurred by the department to fund due diligence studies.

Purpose of Fund: To prepare lands for sales, leases, rights-of-way, or other use-permits.

Funds Expended	7,000	500,000
Year-End Fund Balance	26,800	26,800

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 Natural Resource Conservation Districts (NRCDs) and the education centers they sponsor. An amount of $5,000 is distributed to each NRCD that sponsors an education center. Additionally, funds are distributed to NRCDs and education centers based on appropriation.

Funds Expended	180,900	260,000
Year-End Fund Balance	68,600	13,600

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 Grants - American Recovery and Reinvestment Act (ARRA) (LDA 2999/A.R.S. § 35-142) **Non-Appropriated**

Source of Revenue: One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).

Purpose of Fund: One-time Federal Funds to be used by the department for renewable energy and mapping projects.

Funds Expended	129,700	623,600
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	48,500	0
Year-End Fund Balance	62,800	62,800

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. The State Parks Heritage Fund was repealed from statute in FY 2010.

Purpose of Fund: Of the total allocation for the State Parks Board, the Legislature appropriated $3,465,000 for fire suppression, environmental county grants, and Natural Resource Conservation Districts in FY 2010.

Funds Expended	380,500	0
Year-End Fund Balance	9,500	0

SUMMARY OF FUNDS	FY 2010 Actual	FY 2011 Estimate

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	28,300	11,900
Year-End Fund Balance	173,900	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	53,700	226,000
Year-End Fund Balance	199,900	173,900

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	434,200	161,800
Year-End Fund Balance	224,000	219,700

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

Service Fees Increase Fund (LDA1050/Laws 2010, 7th Special Session, Chapter 12) **Non-Appropriated**

Source of Revenue: General Fund fee increase from fees raised pursuant to Laws 2010, 7th Special Session, Chapter 12.
Purpose of Fund: Operating activities.

Funds Expended	456,700	600,000
Year-End Fund Balance	0	0

State Land Department Fund (LDA2451/A.R.S. § 37-107) **Non-Appropriated**

Source of Revenue: Reimbursements from successful bidders on state trust 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	457,400	425,000
Year-End Fund Balance	186,000	146,000

SUMMARY OF FUNDS	FY 2010 Actual	FY 2011 Estimate
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. The total balance of the fund is capped at two times the trust land management budget for the following fiscal year. Beginning in FY 2011, part of the revenues will be derived from fees charged by the department.

Purpose of Fund: To fund the management of the 9.3 million acres of State Trust land throughout the state.

Funds Expended	8,081,100	9,888,400
Year-End Fund Balance	3,020,200	6,594,300

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