

## State Land Department

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	152.9	152.9	152.9
Personal Services	5,393,500	6,596,700	6,596,700
Employee Related Expenditures	2,189,000	2,797,900	2,797,900
Professional and Outside Services	900,600	1,626,400	1,626,400
Travel - In State	141,000	140,200	140,200
Travel - Out of State	1,000	13,900	13,900
Other Operating Expenditures	1,772,000	2,410,100	2,410,100
Equipment	254,000	133,000	133,000
<b>OPERATING SUBTOTAL</b>	<b>10,651,100</b>	<b>13,718,200</b>	<b>13,718,200</b>
<b>SPECIAL LINE ITEMS</b>			
CAP User Fees	481,100	481,200	481,200
Due Diligence Fund	0	500,000	500,000
Natural Resource Conservation Districts	563,500	650,000	650,000
<b>AGENCY TOTAL</b>	<b>11,695,700</b>	<b>15,349,400<sup>1/</sup></b>	<b>15,349,400</b>
<b>FUND SOURCES</b>			
General Fund	3,276,100	1,231,800	1,231,800
<b>Other Appropriated Funds</b>			
Due Diligence Fund	0	500,000	500,000
Environmental Special Plate Fund	172,500	260,000	260,000
Risk Management Revolving Fund	0	9,888,400	9,888,400
Trust Land Management Fund	8,247,100	3,469,200	3,469,200
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>8,419,600</b>	<b>14,117,600</b>	<b>14,117,600</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>11,695,700</b>	<b>15,349,400</b>	<b>15,349,400</b>
Other Non-Appropriated Funds	1,265,800	993,100	993,100
Federal Funds	498,500	867,200	867,200
<b>TOTAL - ALL SOURCES</b>	<b>13,460,000</b>	<b>17,209,700</b>	<b>17,209,700</b>

**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 \$13,718,200 and 152.9 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	<b>FY 2013</b>
General Fund	\$360,600
Trust Land Management Fund	13,357,600

These amounts are unchanged from FY 2012.

The Baseline assumes a continuation of the \$9,888,400 appropriation to the Trust Land Management Fund from the Risk Management Fund in FY 2013. (See *Other Issues for Legislative Consideration for more information.*)

### CAP User Fees

The Baseline includes \$481,200 from the General Fund in FY 2013 for Central Arizona Project (CAP) User Fees. This amount is unchanged from FY 2012.

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.

<sup>1/</sup> In addition to these amounts, a total of \$11,100 GF and \$322,500 OF is appropriated in FY 2012 for costs associated with an additional pay period.

### ***Due Diligence Fund***

The Baseline includes \$500,000 from the Due Diligence Fund in FY 2013 for this line item. This amount is unchanged from FY 2012.

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 in FY 2013 for Natural Resource Conservation Districts (NRCs). This amount consists of:

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

These amounts are unchanged from FY 2012.

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 the department to include in its budget request up to \$30,000 for each NRC 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 NRCs be used to provide grants to NRC environmental education centers. There are currently 23 education centers sponsored or co-sponsored by 30 NRCs. 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 \$481,200 for Central Arizona Project User Fees in FY 2013. For FY 2013, 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 2013, \$30,000 shall be used to provide grants to Natural Resource Conservation Districts environmental education centers.

#### *New Footnotes*

If the Land Department's use of State Trust land proceeds, which would otherwise be deposited into a beneficiary's Permanent Fund, is found to be constitutional, the department's appropriation from the Risk Management Fund is reduced and the appropriation from the Trust Land Management Fund is increased by an amount equal to the fund balance plus any revenues for the remainder of the fiscal year, not to exceed the amount of the department's Risk Management Fund appropriation. *(This provision reinstates the Trust Land Management Fund as the permanent funding source for the Land Department's operations if the court finds the department's use of State Trust land proceeds to be constitutional.)*

### **OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

#### *Litigation*

The FY 2010 budget created the Trust Land Management Fund, which received revenue from a 10% commission on the proceeds from the sale of State Trust land and natural resources. In FY 2010, \$9,820,400 of the Land Department's operating budget was shifted from the General Fund to the Trust Land Management Fund. The state was subsequently sued for using monies that would have otherwise been deposited into the Permanent Funds of State Trust beneficiaries to fund the department's operations. In October 2010, the Superior Court of Arizona ruled in *Rumery v. Martin* that any diversion of proceeds raised by the sale of State Trust land from the Permanent Funds of State Trust beneficiaries is unconstitutional. Furthermore, the department is required to refund all proceeds that have been previously diverted from the Permanent Funds of State Trust beneficiaries to the Trust Land Management Fund. Since the establishment of the Trust Land Management Fund, the total amount of proceeds from sales deposited into the fund is \$24,024,400. Only \$7,630,400 remains in the fund, so an additional \$16,394,000 would be needed to repay all the proceeds that were diverted to the fund.

The Arizona Court of Appeals granted the Land Department a stay of the Superior Court's judgment through FY 2011. On June 30, 2011, the Court of Appeals stay extension was denied. As a result, the State Land Department's Trust Land Management Fund lost a significant portion of its revenue.

The FY 2012 Environment Budget Reconciliation Bill (Laws 2011, Chapter 36) appropriated \$9,888,400 to the State Land Department from the Risk Management Fund for operating expenses in FY 2012 if the department was required by court order to cease any expenditure from the portion of Trust Land Management Fund monies collected as commission from the sale of trust assets. The remaining

\$3,469,200 appropriation comes from fees, which are unaffected by the current litigation.

In November 2011, the Arizona Court of Appeals upheld the Superior Court's judgment. The Land Department is likely to appeal the decision to the Arizona Supreme Court. The appropriation from Risk Management Fund was offered as a contingency funding source. If the judgment stands, the Legislature will need to establish a permanent funding source.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
<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 Central Arizona Project (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>	0	0
<b>Year-End Fund Balance</b>	3,800	3,800
<b>Due Diligence Fund (LDA2526/A.R.S. § 37-110)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Reimbursements from successful bidders on state lands for expenses incurred by the department to fund due diligence studies.		
<b>Purpose of Fund:</b> To prepare land for sales, leases, rights-of-ways, or other use-permits.		
<b>Funds Expended</b>	0	500,000
<b>Year-End Fund Balance</b>	0	0
<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. Funds Natural Resource Conservation Districts (NRCs) and the education centers they sponsor. An amount of \$5,000 is distributed to each NRC that sponsors an education center. Additionally, funds are distributed to NRCs and education centers based on appropriation.		
<b>Funds Expended</b>	172,500	260,000
<b>Year-End Fund Balance</b>	92,300	28,300
<b>Federal Grants - American Recovery and Reinvestment Act (ARRA)</b> (LDA 2999/A.R.S. § 35-142)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> One-time Federal Funds allocated by the American Recovery and Reinvestment Act of 2009 (P.L. 111-5).		
<b>Purpose of Fund:</b> One-time Federal Funds to be used by the department for renewable energy and mapping projects.		
<b>Funds Expended</b>	498,500	867,200
<b>Year-End Fund Balance</b>	0	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>	31,700	20,000
<b>Year-End Fund Balance</b>	51,300	31,300
<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>	89,300	33,800
<b>Year-End Fund Balance</b>	147,200	137,900

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
<b>Military Airport Land Exchange Fund</b> (No Fund Number/A.R.S. § 37-1224)		<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>Off-Highway Vehicle Recreation Fund</b> (LDA2253/A.R.S. § 28-1176)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To mitigate damage to land, to fund enforcement of off-highway vehicle laws, and for necessary environmental, historical, and cultural clearance or compliance activities.		
<b>Funds Expended</b>	71,200	300,000
<b>Year-End Fund Balance</b>	346,300	246,300
<b>Resource Analysis Division Revolving Fund</b> (LDA4009/A.R.S. § 37-176)		<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>	203,900	214,300
<b>Year-End Fund Balance</b>	265,000	158,200
<b>Riparian Acquisition Trust Fund</b> (LDA3201/A.R.S. § 37-1156)		<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>	0	0
<b>Risk Management Revolving Fund</b> (LDA4216/Laws 2011, Chapter 36)		<b>Appropriated</b>
<b>Source of Revenue:</b> The fund receives monies from charges assessed on agencies insured under the state's risk management system. The Land Department's portion of the fund was appropriated by the Legislature due to the termination of a Court of Appeals stay on June 30, 2011. When this stay against an earlier judgment lapsed, the department lost \$9,888,400 of its funding from the normal source (Trust Land Management Fund).		
<b>Purpose of Fund:</b> To fund operating activities.		
<b>Funds Expended</b>	0	9,888,400
<b>Year-End Fund Balance</b>	0	0
<b>Service Fees Increase Fund</b> (LDA1050/Laws 2010, 7 <sup>th</sup> Special Session, Chapter 12)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund fee increase from fees raised pursuant to Laws 2010, 7 <sup>th</sup> Special Session, Chapter 12.		
<b>Purpose of Fund:</b> To fund operating activities.		
<b>Funds Expended</b>	600,000	0
<b>Year-End Fund Balance</b>	0	0
<b>State Land Department Fund</b> (LDA2451/A.R.S. § 37-107)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Reimbursements from successful bidders on state trust 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>	269,700	425,000
<b>Year-End Fund Balance</b>	250,400	210,400

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
<b>Trust Land Management Fund (LDA3146/A.R.S. § 37-527)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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. Since FY 2011, part of the revenues has been derived from fees charged by the department. In October 2010, the Superior Court of Arizona ruled in <i>Rumery v. Martin</i> that any diversion of proceeds from the Permanent Funds of State Trust beneficiaries is unconstitutional. The Arizona Court of Appeals granted the Land Department a stay of the Superior Court's judgment until the end of FY 2011. An extension of the stay was denied. The fee revenue portion of the fund is not affected by the court decision.		
<b>Purpose of Fund:</b> To fund the management of the 9.3 million acres of State Trust land throughout the state.		
<b>Funds Expended</b>	8,247,100	3,469,200
<b>Year-End Fund Balance</b>	8,937,700	8,168,500
<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>	0	0