ARIZONA STATE LEGISLATURE
Forty-sixth Legislature – Second Regular Session

AD HOC COMMITTEE ON STATE TRUST LAND REFORM

Minutes of Special Meeting
Thursday, June 3, 2004
House Hearing Room 1 -- 1:00 p.m.

Chairman Flake called the meeting to order at 1:10 p.m. and roll call was taken by the secretary.

Members Present

Senator Allen
Senator Bee
Senator Blendu
Senator Brown
Senator Cannell
Senator Bennett, Cochair
Representative Boone
Representative C. Gray
Representative Landrum Taylor
Representative Lopez
Representative Nelson
Representative Flake, Cochair

Members Absent

Representative Gullett (alternate)

Speakers Present

Richard Hubbard, Deputy State Land Commissioner, State Land Department
Edward Fox, Vice President for Communications, Environment, Health and Safety, Arizona Public Service Company (APS)
Janice Palmer, Arizona School Boards Association
Becky Burnham, Homebuilders Association
Bas Aja, representing Agricultural Rural Interests
Peter Culp, Attorney, Sonoran Institute

Opening Remarks

Chairman Flake noted that Representative Gullett is an alternate Member who will serve in the event he is absent. He added that state trust land reform is the most important land issue since statehood. A lot of work has already been done, but it is now up to the Legislature to do its part.

Presentations

Richard Hubbard, Deputy State Land Commissioner, State Land Department, noted that the Members were provided with a map showing state trust land in Arizona (Attachment 1). He related that upon statehood, the Arizona-New Mexico Enabling Act conveyed state trust land to the state in trust for the benefit of several beneficiaries, with the primary beneficiary being the common schools of Arizona, K-12. The Act was complemented by the terms of the Arizona State Constitution and Arizona Revised Statutes governing operations of the State Land Department (SLD) and management of state trust land. Most western states, including California, Colorado and Nevada entered the union prior to Arizona in 1912, and each of those states received state trust lands, but with very few restrictions. Currently, Nevada does not have any state trust land and California has less than 50,000 acres. As those states did not adequately protect state trust lands, Congress placed significant regulations on management of state trust land in Arizona and New Mexico to ensure that state trust lands were not sold for less than full value.

Mr. Hubbard stated that there is presently approximately 9.3 million acres of state trust land in Arizona. In addition to K-12 as the primary beneficiary, there are other smaller beneficiaries, including the Arizona State Schools for the Deaf and Blind, a legislative and judicial buildings trust, a trust for the prison system in Arizona, the three universities in Arizona, and several minor beneficiaries, including the Pioneers' Home. Management of Arizona state trust land is primarily focused with the Land Commissioner, and every employee of the SLD is responsible for preserving the condition of state trust land or generating income from management of state trust land. As a condition of the trust, all uses of the state trust land must be done as the highest and best use, and as dictated by the Enabling Act and the Constitution, all transactions involving state trust land must be done based on appraised value of the property. Also, most transactions, including the sale of state trust land or natural products of state trust land, must be done at public auction. There are primarily several uses of state trust land:

- Grazing leases.
- Agriculture leases.
- Long-term commercial leases.
- Sale for development and open space.

Mr. Hubbard indicated that because of growth in Arizona during the last 20 years, state trust land is on the rim of growth in every major city. The area of Scottsdale Road and the 101 Freeway has been looked at by major real estate developers throughout the country and dubbed as some of the most valuable land to ever be brought to market, which will probably be done in the next several years. SLD is working with staff of cities, towns and counties to plan the land adequately to address issues such as infrastructure, land use, and market timing of the sale in order to attain the highest revenue for the trust. State trust land sold at public auction is done on a terms basis, so not only is income earned from the value of the sale, but interest is also earned, which is currently 9 to 10 percent on a regular basis.

He noted that grazing leases comprise over 8 million acres of state trust land, primarily located in rural Arizona. Agriculture leases cover over 175,000 acres and there are several mining leases for a variety of minerals, primarily sand and gravel. The SLD is currently exploring a carbon dioxide and helium lease in cooperation with the New Mexico State Land Commissioner in northeastern Arizona.

Mr. Hubbard related that the Arizona Preserve Initiative (API) enacted in 1996 instituted a program whereby cities, towns and nonprofit groups could acquire state trust land at public auction with a restriction on the use for open space. Several successful auctions of API lands were held, primarily to the Desert Foothills Land Trust and the City of Phoenix; however, a property rights group in southern Arizona recently challenged that SLD's manner of selling the state trust lands violates the Enabling Act because of the restriction of competition at auction. Consultation with attorneys general determined there is quality to the claim, consequently, current sales were halted and SLD is working with cities, towns and nonprofit groups to find an alternative to the sale of state trust land for open space.

Mr. Hubbard reviewed a graph regarding State Trust Earnings *Actual and Projected* (Attachment 2). He advised that the permanent fund consisting of revenues from the permanent disposition of state trust land and its products is delivered to the treasurer who has the ability to invest a certain portion in equities and must invest the remainder in money or money equivalent products. Because of recent successful sales and the fact that SLD has term sales over time, it is anticipated that growth of the permanent fund will be significant, possibly several hundred million dollars every year. Expendable revenue is comprised of interest earned on the permanent fund balance, interest earned from financing of the purchase price of state trust land sold at auction, and monies earned from leasing of state trust land, which is delivered directly to the beneficiaries by the treasurer on a monthly basis. In FY 2003, $94 million was distributed to the beneficiaries and it is anticipated that the money should reach $100 million this year.

He stated that the goal of the new Land Commissioner, Mark Winkleman, is to turn the SLD into a sophisticated real estate company by working on three areas:

- Significant outreach to cities and towns where state trust land is located, including the communities of Phoenix, Scottsdale, Peoria and Tucson, in order to have successful relationships, and consequently, very successful auctions.
- Reaching out to the professional real estate community in Arizona and nationally to market the land. At the recent Shopping Center Convention in Las Vegas, national and international shopping center developers were given packets for the land.
- Working cooperatively to have this reform proposal passed through the Legislature and become successful at the ballot.

Mr. Hubbard indicated to Senator Allen that SLD currently has less than $90,000 in the budget allocated for planning efforts. Planning services are contracted out because of limited staff for planning, so SLD is well behind the curve in getting properly planned state trust land to market. One of the goals of the proposal is to obtain adequate funding to contract with professional engineers and design people, but there is no intent to increase the full-time equivalents or bureaucracy of the SLD.

Mr. Nelson recalled that SLD previously contracted with developers where money did not pass hands until the actual bid took place. The successful bidder received credit for the amount of money expended up front and the unsuccessful bidder was paid for money put into the bid. Mr. Hubbard said that process is still used, but there are pitfalls, primarily because of the significant amount of risk for the developer to put a large amount of money up since SLD cannot provide assurance that the property will be marketed at the time the developer wants. Secondly, SLD is reluctant to incur the significant amounts of money successful bidders will have to pay at auction because money to the trust is reduced. For example, somebody spending $500,000 that needs to be reimbursed at auction reduces the price of the land by $500,000.

Mr. Nelson stated that if that process is used, it is important to provide good service, work in a timely fashion, and have the parcels hit the market. If the market turns, SLD will be in that pickle anyway because people will not put money into ventures if there is a downturn in development, which does happen.

Speaker Flake remarked that an example of contracting with professionals is the East Valley Partnership for the vast amount of state trust land in Pinal County where various people are providing money to work with SLD on planning for the property. Mr. Hubbard said he hopes that will be a very successful partnership. It is an amazing asset for the school trust because the value for the land ranges from $10 billion, $20 billion, to $50 billion depending on what can be planned and developed along with the significant amount of open space, recreational amenities, and other municipal infrastructure.

Mr. Hubbard related to Ms. Lopez that he believes some safeguards are included in the proposal with respect to how the funding provided should be spent. He indicated to Mr. Gray that he can provide details of how the $12 million allocated to SLD, notwithstanding the $90,000, is spent to manage state trust lands.

Senator Cannell commented that some pieces of state trust land in his district are a problem because SLD is so busy and has a limited budget. He asked if the plan takes into account towns like Parker so rural areas can grow using state trust lands with the help of SLD. Mr. Hubbard replied that activities have to be prioritized, so consequently, the parcel in Parker, for example, would earn less than $30,000 per year, but a staff person and other assets would have to be dedicated to that project as with a $100 million sale that occurred this month. Hopefully, with the cooperative effort with cities, counties and towns, funding will be developed for a position through this package or some alternative for a rural person to deal with state trust lands in outlying areas.

When Senator Cannell asked if it is preferable to develop state trust lands in large chunks, Mr. Hubbard responded that SLD works with the cities and towns on proper planning of state trust land to address infrastructure, land use, schools, recreational areas, etc., and a parcel is selected at the right time and the right size to generate the best revenue for the trust.

Mr. Hubbard indicated to Senator Blendu that SLD has been very successful and is working on delineating land uses, whether open space, industrial or other commercial uses, that are compatible with military uses.

Regarding the permanent trust, Mr. Hubbard related to Senator Bennett that term sales, which are the major sources of revenue, are amortized over 25 years, but there is a 7-year due date, so monies received can be projected over the next 7 years. The monies can be paid off early, though, so a significant amount could be received earlier than expected. Professionals have been engaged to make projections of revenue that could occur from the sale of state trust land in a variety of scenarios.

When Senator Bennett asked if a projection in the increase in the permanent trust would mean a corresponding increase in the interest earned, Mr. Hubbard agreed, but noted that the treasurer's earnings cannot be projected since it is not known if there will be a spike or slowdown in equities. He anticipates projections of how the permanent fund and earnings will grow under current operations versus the reform package by next week.

Mr. Flake noted that growth of land also depends on water availability. Mr. Hubbard stated that SLD is under the same rules and regulations as private land with respect to development and water, but SLD does have an allocation from the Central Arizona Project (CAP). As development occurs on state trust land, assured water supplies required by the jurisdiction must be met.

Mr. Flake stated that an article in the newspaper on the East Valley Partnership and the North Phoenix area stated that there is a piece of state trust land available to eventually be developed that is as large as the City of Mesa, which could bring in as much as $100 billion. He pointed out, though, that water must be available to build another city. When Mrs. Landrum Taylor asked if there has been a request for a water assurance review to see if adequate water can be provided, Mr. Hubbard responded that the water issue is on their minds every day. SLD attends a series of meetings with the CAP, the Central Arizona Water Conservation District, and monitors the Gila River settlement and all other water adjudications in order to protect water interests for development of property.

Senator Allen remarked that she is very happy the education community will receive funds from the sale of lands on the west side, but that will also bring thousands and thousands more people and more air pollution, which will have to be looked at very carefully.

Edward Fox, Vice President for Communications, Environment, Health and Safety, Arizona Public Service Company (APS), related that in the early 1980s, the Urban Lands Act was passed to establish a comprehensive planning and development mechanism for the urban part of Arizona that was beginning to grow; however, no changes were made to the State Constitution or statutes. Since that time, communities have been working with the Act on one legal tract while SLD has been working on another legal tract because the agency did not have the tools or flexibility to take into account those modern land management tools.

He advised that in the 1990s, he became Director of the Arizona Department of Environmental Quality, and one of the first tasks from the Legislature and Governor was determining how to protect some sensitive environmental areas from anticipated growth. There was a huge push to conserve lands. In the mid-1990s, the API was passed to provide a mechanism to preserve some state trust land which, unfortunately, is now in jeopardy. Also, Governor Hull formed the Growing Smarter Commission, which he chaired, that resulted in the Growing Smarter Act and Growing Smarter Plus and put in place a number of additional tools and requirements for smart growth like making sure water and environmental issues are addressed, etc. Unfortunately, it did not address state trust land. From Growing Smarter Plus, two initiatives were placed on the November 2000 ballot, Proposition 100, which created a stewardship trust to set aside three percent of state trust land, and Proposition 202, which required communities to place growth boundaries around their communities. After a very expensive and controversial campaign, both initiatives failed.

Mr. Fox said almost immediately thereafter, he began receiving phone calls from friends asking what is next. In December 2000, about 50 people attended a meeting (cattlemen, developers, city representatives, etc.) to try to resolve the issue through dialogue instead of another expensive ballot initiative. This group of people, who four years ago hardly spoke to each other, much less agreed on anything, found common ground and reached agreement without having to fight in front of the Legislature or electorate. He added that he believes the proposal is a comprehensive reform that will modernize the SLD to act as a modern land manager and benefit communities, conservation, and education funding.

Senator Blendu pointed out that it is not possible to control what Congress may do in relation to the Enabling Act and questioned how the legislators as public policymakers should explain to constituents that this proposal will benefit taxpayers. Mr. Fox responded that staff from various members of the Congressional delegation attended some of the meetings and were briefed. He will also be working with legislators to make sure the proposal is very tightly knit.

Mr. Fox related to Mrs. Landrum Taylor that a subcommittee is created in the proposal so a member of the board of trustees sits for the purpose of investing state permanent funds, but the treasurer's role as chair or other composition of the investment board has not changed. The treasurer was consulted.

Mrs. Landrum Taylor noted that the proposal consists of about 130 pages, which is a lot of information that will be presented in three parts as it goes to the election process. She questioned what happens if one portion does not pass. Mr. Fox answered that the only part going to the electorate is session law identifying some of the lands to be conserved and the constitution, which is 12 pages that is easily understood.

Mrs. Landrum Taylor expressed concern about not having enough time to examine an issue of this magnitude.

Senator Allen personally thanked Mr. Fox and others who remained at the table when it sometimes became very difficult, adding that she is appreciative of what the committee developed, particularly with the API under question.

Ms. Lopez suggested that it might be easier to only deal with the pieces that will be going to the voters and address the statutory issues at a later time. Mr. Fox submitted that the package is interrelated. The statutes were left as legislative passed and not voter-protected, so if something needs to be changed next year, it can be done.

Mr. Fox advised Mr. Gray that with regard to right-of-way (ROW), a siting process occurs under the Arizona Corporation Commission and there is a very extensive public outreach program. Alternate routes are proposed and meetings are held with the community. If the option chosen crosses state trust land, APS engages the SLD in obtaining a lease and right-of-way (ROW) for which an amount is paid. APS' perspective is that the process would not change. There are some items in the package that are a bit different that are not from APS, but others who believe that if the ROW increases the value of surrounding state trust land, SLD should have the authority, like a private landowner, to dedicate the ROW. The proposal does not change the process by which the ROW is actually sited. If a ROW is going to be sited and the SLD or

Commissioner is going to dedicate a ROW, demonstrative value would have to be shown for the ROW that is actually increasing the value of the surrounding state trust land.

Speaker Flake remarked that four special interest groups worked on this issue over the last three years, the education community, the conservation community, the agriculture community, and the development community. He always said if those four agree on a plan, he is comfortable with the plan.

Janice Palmer, Arizona School Boards Association, stated that the Arizona Education Association and Arizona School Administrators were also involved. She advised that a companion piece of legislation to Proposition 301, Education 2000, stated that any monies above the 2000-2001 level would supplement and not supplant classroom site fund monies. The threshold was $72 million, which currently buys down basic state aid for the normal funding formula for schools. In November 2002, Proposition 300 was placed on the ballot, which included the supplement versus supplant language. For the six-tenths of a cent sales tax plus these monies, 20 percent must go for teacher-based salaries, 40 percent for performance pay for teachers, and the other 40 percent for classroom opportunities, and those monies are voter protected. A few issues in the reform package of interest to the education community include:

- With the common schools being the beneficiary of 87 percent of those lands, it is important that their voice is heard as to what happens to the lands, which is the purpose of creating the seven-member board of trustees with four members from the education community, three from the common schools and one from a university, the second largest holder of the trust lands. The other three are at large members who should have considerable knowledge of trust lands, planning, conservation, etc.
- Making sure SLD has the resources to carry out the mission. The agency is currently underfunded and needs more resources, especially for planning and making sure the lands get to market at a proper time. Protections are needed so the agency will not grow and grow placing monies that should be going into education into a state department; therefore, the board of trustees can allocate 15 percent for management of trust lands to give SLD the resources needed to operate. If the education community wants to have an interest in the land holdings, the general fund should not be expected to continue to pick up the tab for running the SLD, so when the trust land management fund is fully implemented, the general fund would no longer be liable for the trust operations of the SLD.

Becky Burnham, Homebuilder's Association, stated that with regard to the urban component of the proposal, the purpose is to provide SLD with clear legal authority and resources to actively engage in community planning in order to address infrastructure and service issues as Growing Smarter envisioned, for example, and conserve significant open space while doing a more effective job of obtaining full value of the lands for the trust. There are nearly 1 million acres of trust land in or near the urban areas, but because SLD has not had the resources to work with the community and plan, some of the land is in title for nearly 200,000 residential units that just leaped right over the state trust land. For example, some of the recent successes, such as the high-dollar sale in Desert Ridge, if that land had been out about 15 years ago, not only would the trust have been better off, but the communities also, because SLD would have been able to work to bring some of the other lands out in a timely fashion.

Speaker Flake stated that he recently witnessed a land auction where 47 acres of state trust land between the Marriott Hotel and Desert Ridge Shopping Mall brought $32 million, which would not have happened 20 years ago.

Ms. Burnham contended that if an analysis were conducted today of what would have been paid for those lands 15 years ago plus freeing up the resources of the SLD to work on everything, the trust would be in a much better position today.

She stated that SLD also needs legal authority to do what private landowners do. Currently, trust lands are on a separate legal track from other land, so the proposal explicitly authorizes SLD to plan in conjunction with communities at a general planning level and designate appropriate land uses that would include open space, which is designated as part of the overall plan that can then be dedicated to the community without monetary consideration. That is exactly what happens in the private sector. The concern is getting the expectation value, the value of the whole, not the value of every square inch of land, which is a huge step forward.

Ms. Burnham mentioned that this proposal will result in conservation of enormous amounts of additional lands besides what is seen on the maps displayed, and in fact, allow a community at the end of the normal planning process to turn to the SLD and say they would like to have additional lands as open space for whatever reason. At that point, SLD would be obligated to entertain the request, and as long as full value is given for those lands, SLD would have to cooperate with the community to provide the additional open space. Additionally, there is an appraisal process and other safeguards, including the board of trustees, put into place to make sure that is not taken advantage of. The potential for what can be done across the north side of the Valley is absolutely enormous. There is a mediation/arbitration mechanism in the event there is a disagreement over the plans, in order to obtain a prompt resolution so everyone can go forward and obtain the value.

Ms. Burnham related that in the detailed development planning stage and getting ready to bring the lands forward to sell or lease, there are provisions to attract the interest of private sector developers and auction earlier, retaining participation interest and receiving the benefit of that expertise, with private parties assuming the development risk. Regarding Mr. Nelson's earlier question about the old planning contracts, she related that those do not work with the larger master plans because large developers will not invest opportunity costs up front. That will be particularly important in looking at the large tracts of land left to be planned and disposed of.

Mr. Blendu submitted that in relation to planning, there is no coordination. He does not know where the planning failure was when the Ben Avery Shooting Range was almost lost, but somewhere along the line in the valuation process public policymakers have to decide what the value is for the public to have open space or a shooting range that is not in jeopardy. Projects are individually approved at individual municipalities in spite of how the guy next door is impacted.

Ms. Burnham agreed that there is disconnect between jurisdictions, but one of the problems this proposal corrects is that there is a further disconnect right now because SLD is completely apart from that, so if SLD can be integrated as the largest landowner in the urban areas, the potential is absolutely unbelievably exciting for addressing exactly what he is concerned about because SLD owns so much land and has the power and ability to meet with the community, if adequate resources and legal tools are provided, and develop some spectacular and community-enhancing land plans. That is at the conceptual and general planning level. Her clients do not become involved until it is time to dispose of the land, which is the detailed development planning level. They would much rather be at the table, bidding on land where planning and valuation issues have been resolved, and with large pieces of land, it is much easier to resolve because a community like Glendale or Peoria can ask SLD to redo the land plan a certain way and show it will not lose any value and would accommodate the city better. The intent is to get everybody aligned at that level, so by the time the project wends its way down, the kind of disconnects he is concerned about are not nearly as likely to happen.

Bas Aja, representing Agriculture Rural Interests, submitted that not only were discussions held about what might work as a reform package on how to modernize these huge land holdings to maximize the value for everyone's children, but a relationship with trust was achieved within this crosspattern of people. He described a three-tiered system set up for the rural lands:

- The existing 10-year leasing system with levels of stewardship and requirements the lessees and SLD must meet. For instance, in an effort to enhance cooperation and remove as much conflict as possible in areas where citizens are providing the proper stewardship, there is an increased reporting requirement whereby lessees file an annual report with the SLD providing information about the condition of the lands, precipitation, any monitoring that might have occurred, the number of animals on the land, etc.
- SLD is required to conduct an on-site visit during the term of the lease to see if what is submitted in the annual report is occurring. If SLD deems that the lessee is in compliance, the lease is advertised as normal and SLD can lease the land without accepting conflicting applications. It is not an automatic renewal because there is still broad discretion with the commissioner to decide to keep that good steward on the land and move forward. If the lessee is not in compliance, the commissioner has the discretion to advertise the lease and accept potential conflicting applications.
- The proposal envisions a 25-year stewardship lease. In order to be considered, the lessee must apply to SLD and provide a comprehensive management plan, and the commissioner may issue up to a 25-year lease. Ten-year leases can be reclassified at any time, but the up to 25-year leases cannot be reclassified until the end of the term of the lease, at which point reapplication is necessary.

Senator Allen surmised that some people may be very critical of the proposal because of prior litigation relating to cattle, which she believes would be halted with this proposal. Mr. Aja disagreed that the litigation would stop because some people thrive and make a living in conflict. He reiterated the fact that for lessees not performing proper stewardship, conflicting applications can be reviewed by the commissioner.

Ms. Lopez said she understands that grazing leases have never been cancelled by SLD and questioned why there would be any difference in the future, particularly with four people covering 8.3 million acres for compliance. Mr. Aja responded that lots of leases were cancelled for reclassification, etc., but fewer for bad management. Regarding four people for the range management program, the package will provide greater resources for SLD to implement the measures he discussed, which he does not believe is envisioned as four people the way it is today. Also, as a land manager, he believes SLD will be required to do things never required in the past that involve a greater level of scrutiny and cooperation with the lessee.

Mr. Aja clarified for Ms. Lopez that he is aware of two leases cancelled for noncompliance. In looking at the land patterns, someone may own 75 percent of private land with 25 percent of state land in a checkerboard pattern so no one else would potentially want that. There is much in the decision making where some value is gained for that, maybe the lessee is not doing quite as good as expected, but the lease will be renewed, edging the lessee on to try to do a better job.

Peter Culp, Attorney, Sonoran Institute, remarked that he is not representing the conservation community per se which is represented by Susan Culp, Arizona League of Conservation Voters, and Suzanne Gilstrap and Roberta Voss representing The Nature Conservancy. He stated that the proposal creates an opportunity for SLD to do a variety of things that are great for conservation, the trust and the state. For example, SLD, which has substantial mitigation resources, will be put in the position of being able to participate in environmental mitigation leases and sales more effectively. A development rights provision addresses the disjointed land ownership and checkerboard lands in the northern part of the state and allows ranchers to preserve ranching intact in cooperation with organizations like The Nature Conservancy, or on their own initiative. The proposal also sets aside about 300,000 acres of conservation lands at no cost if the package is approved by the voters and Congress. About 375,000 acres of conservation option lands are set aside for a period of time in order to provide local communities, agencies, nonprofit groups and other interested parties the opportunity to buy or provide value for the lands through the planning process and provide significant compensation to the trust, while achieving the open space vision for communities around the state.

He noted that a very credible effort was made to consult or seek input from every interest group in creating the maps. A large universe of lands was identified, around 1.8 million acres, that had critical conservation value. Through a fairly rigorous process, that was brought down to around 700,000 acres primarily because the beneficiaries wanted a clear scientific process by which to identify the real crown jewels of state trust lands. Another incredibly rigorous process followed in which the beneficiaries, conservation interests, development interests, the ranching community, and SLD vetted each parcel to determine if it was appropriate for inclusion and decide whether the land was more appropriately conservation land to be set aside at no cost or conservation option land for which value should be provided to the trust. A meeting will be held at SLD where the maps in the G.I.S. format will be on the screen to go through in detail and explain the rationale of why certain parcels are included or not.

Mr. Culp said the conservation lands set aside at no cost will be restricted permanently against vertical development (commercial, industrial, or residential). The conservation option lands are set aside for a period of time, during which they are also restricted against vertical development, although the land will be available for surface use and surface leasing, as will the conservation lands in perpetuity. The option periods are set by the Land Commissioner and vary depending on whether the lands are urban or rural. Some lands in high priority areas are set aside for short periods of time, some for long periods of time, and in rural areas, the expiration date is set when the land becomes urban.

He conveyed that the conservation land is a complicated part of the package. There are about seven different categories having to do with where the lands are going. Some goes immediately to cities and counties to be incorporated as a part of public parks systems, other lands may be available to state agencies. The majority of conservation lands will be held by the state trust on an ongoing basis and will be available for surface leasing. Some of the lands are going to the university system for educational services, such as the Centennial Forest and the Santa Rita Experimental Range.

Mr. Culp pointed out that the Members were provided with a Guide to the Draft State Trust Land Reform Legislation (Attachment 3).

Closing Remarks

Speaker Flake commented that this country's forefathers were very wise in setting aside almost 10 million acres in state trust land for education. At the time of statehood, education did not cost much. All that was needed was a small log cabin and a teacher, who was usually paid by the users of the state trust land. Over the next 100 years, education became much more complex and began to draw more and more from the general fund. The value of state trust land has reached a point now where if it is adequately managed and sold or used for the highest and best use, it can provide for a large part of education. He said this is a very complex program and the intent is to pass legislation this month so it will be on the 2004 ballot, but it is more important to do it right than to rush. There has been lots of give and take, but parts of the proposal should not be criticized before the whole proposal is understood.

President Bennett agreed that it is important to get this right, which cannot be done in one meeting each week during the next three or four weeks. He proposed another meeting on Wednesday, June 9, 2004 at 1:00 p.m. and Thursday, June 10, 2004 at 1:00 p.m. He asked Mr. Fox to be prepared to present details of the proposal and provide any information as soon as possible beforehand.

Without objection, the meeting adjourned at 3:13 p.m.

Linda Taylor, Committee Secretary
June 9, 2004

(Original minutes, attachments, and tape are on file in the Office of the Chief Clerk.)