

State Land Department

	FY 2021 ACTUAL	FY 2022 ESTIMATE	FY 2023 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	129.7	129.7	129.7
Personal Services	6,829,400	6,821,900	6,821,900
Employee Related Expenditures	2,618,900	2,676,400	2,676,400
Professional and Outside Services	3,468,500	4,479,400	4,479,400
Travel - In State	106,700	112,800	112,800
Travel - Out of State	0	2,600	2,600
Other Operating Expenditures	2,382,600	1,872,700	1,872,700
Equipment	55,700	68,000	68,000
OPERATING SUBTOTAL	15,461,800	16,033,800	16,033,800
SPECIAL LINE ITEMS			
CAP User Fees	1,700,000	1,700,000	1,603,800 ^{1/}
Due Diligence Fund Deposit	0	1,500,000	1,500,000
Due Diligence Program	467,100	5,000,000	5,000,000
Fire Suppression	800,000	800,000	800,000
Natural Resource Conservation Districts	581,600	650,000	650,000 ^{2/}
Streambed Navigability Litigation	0	220,000	220,000
AGENCY TOTAL	19,010,500	25,903,800	25,807,600 ^{3/}
FUND SOURCES			
General Fund	12,118,400	13,315,100	13,218,900
<u>Other Appropriated Funds</u>			
Due Diligence Fund	467,100	5,000,000	5,000,000
Environmental Special Plate Fund	192,200	260,600	260,600
Trust Land Management Fund	6,232,800	7,328,100	7,328,100
SUBTOTAL - Other Appropriated Funds	6,892,100	12,588,700	12,588,700
SUBTOTAL - Appropriated Funds	19,010,500	25,903,800	25,807,600
Other Non-Appropriated Funds	887,000	942,900	942,900
TOTAL - ALL SOURCES	19,897,500	26,846,700	26,750,500

AGENCY DESCRIPTION — The agency manages the state's 9.2 million acres of trust land on behalf of its 13 beneficiaries. In order to generate revenue, the agency plans, leases, and sells trust land. The agency also generates revenue by collecting royalties from trust land minerals and other natural products.

FOOTNOTES

- ^{1/} The appropriation includes \$1,603,800 for CAP user fees in fiscal year 2022-2023. For fiscal year 2022-2023, from municipalities that assume their allocation of central Arizona project water for every dollar received as reimbursement to the state for past central Arizona water conservation district payments, \$1 reverts to the state general fund in the year that the reimbursement is collected. (General Appropriation Act footnote)
- ^{2/} Of the amount appropriated for natural resource conservation districts in fiscal year 2022-2023, \$30,000 shall be used to provide grants to natural resource conservation districts environmental education centers. (General Appropriation Act footnote)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$16,033,800 and 129.7 FTE Positions in FY 2023 for the operating budget. These amounts consist of:

	FY 2023
General Fund	\$9,505,100
Environmental Special Plate Fund	600
Trust Land Management Fund	6,528,100

These amounts are unchanged from FY 2022.

CAP User Fees

The Baseline includes \$1,603,800 from the General Fund in FY 2023 for Central Arizona Project (CAP) User Fees. FY 2023 adjustments are as follows:

CAP Rate Adjustment

The Baseline includes a decrease of \$(96,200) from the General Fund in FY 2023 to realign the funding level for CAP User Fees with the FY 2022 final CAP User Fee rates. This funding level is based on the final FY 2022 rate of \$50 per acre-foot on 32,076 acre-feet of water that the department will be billed for "capital charges" in FY 2022. This amount is \$(96,200) below the FY 2022 appropriation of \$1,700,000. The original FY 2022 appropriation reflected capital charges of \$53 per acre-foot, but CAP rates are not determined until June 15 of each year and the final rate for FY 2022 ended up being \$50 per acre-foot. As a result, the Baseline includes a \$(96,200) reduction of General Fund monies to the CAP User Fees line item in FY 2023 to realign CAP funding to the final FY 2022 rate.

Pursuant to A.R.S. § 37-106.01, the State Land Department has a long-term contract with the Central Arizona Water Conservation District (CAWCD) (the governing entity for CAP) for the rights to purchase 32,076 acre-feet of CAP water annually for municipal and industrial uses on state trust lands. The department typically does not take delivery of the water, but must still pay capital charges to the CAWCD each year to maintain its CAP water rights. (The CAWCD uses revenue from capital charges to fund repayment of federal construction debt for the CAP.) Maintaining CAP water rights on state trust lands increases their market value. When CAP water rights on state trust lands are transferred to a municipality through the sale or lease of state trust lands, the state General Fund is reimbursed for all previous costs associated with the water rights pursuant to A.R.S. § 37-106.01C&G. *(Please see related General Appropriation Act footnote.)*

Due Diligence Fund Deposit

The Baseline includes \$1,500,000 from the General Fund in FY 2023 for the Due Diligence Fund Deposit line item. This amount is unchanged from FY 2022.

The FY 2022 budget included an increase of \$1,500,000 from the General Fund in FY 2022 to be deposited into the department's Due Diligence Fund. The budget's 3-year spending plan includes a continuation of the \$1,500,000 deposit in FY 2023, and no deposit in FY 2024.

Due Diligence Program

The Baseline includes \$5,000,000 from the Due Diligence Fund in FY 2023 to fund this line item. This amount is unchanged from FY 2022.

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.

Fire Suppression

The Baseline includes \$800,000 from the Trust Land Management Fund in FY 2023 for the Fire Suppression line item. This amount is unchanged from FY 2022.

In accordance with an interagency service agreement (ISA) between the State Land Department and the Arizona Department of Forestry and Fire Management, \$800,000 of fire suppression activity on state trust lands will be funded by the Trust Land Management Fund. *(Please see the Arizona Department of Forestry and Fire Management narrative for more information.)*

Natural Resource Conservation Districts

The Baseline includes \$650,000 in FY 2023 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 2022.

This line item funds natural resource research, activities, and staff at the state's 30 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 \$40,000 for each NRCD and \$60,000 for each education center for a 2-year period.

A General Appropriation Act footnote continues to require that \$30,000 of the total appropriation for NRCDs be used to provide grants to NRCD environmental education centers. The \$30,000 is divided among the 26 education centers sponsored or cosponsored by 30 NRCDs. Districts that sponsor an education center also receive \$5,000 each year from the Environmental Special Plate Fund, per A.R.S. § 37-1015.

Streambed Navigability Litigation

The Baseline includes \$220,000 from the General Fund in FY 2023 for Streambed Navigability Litigation. This amount is unchanged from FY 2022.

Pursuant to A.R.S. §§ 37-1123 and 37-1124, the State Land Department is required to provide evidence to the Arizona Navigable Stream Adjudication Commission (ANSAC) to help resolve litigation regarding the navigability of watercourses in the state.

The State Land Department uses this line item to fund expert witness services, technical examinations, and associated legal costs incurred in connection with ongoing hearings and appeals processes.

Other Issues

Long-Term Budget Impacts

As part of the Baseline's 3-year spending plan, State Land Department's General Fund costs are projected to decrease by \$(1,500,000) in FY 2024 compared to FY 2023, due to the \$1,500,000 for the Due Diligence Fund Deposit line item not being continued into FY 2024. The State Land Department's funding level would be unchanged for FY 2025.

Proposition 123

As approved by voters at the May 2016 election, Proposition 123 implements the October 2015 Special Session legislation (Laws 2015, 1st Special Session, Chapters 1 and 2 and HCR 2001) to increase the annual distribution rate from the State Land Trust Permanent Fund from 2.5% to 6.9% from FY 2016 through FY 2025.

Proposition 123 provided \$228,349,600 in incremental land trust funds to K-12 schools in FY 2021 and \$237,569,400 in FY 2022. The 4.4% incremental funding increase will provide \$247,303,400 in incremental funds in FY 2023. *(Please see the October 2015 Special Session and Proposition 123 section of the Department of Education narrative in the FY 2017 Appropriations Report for more information on Proposition 123.)*

Proposition 123 also increases distributions to other public institutions. *See Table 1.*

Table 1

State Land Trust: Non-K12 Beneficiaries' Revenues, Balances, and Appropriation Authority

<u>Beneficiary/Fund</u>	<u>FY 2015 Total Revenue</u> ^{1/}	<u>FY 2022 Ending Balance</u>	<u>FY 2023 Total Revenue</u> ^{2/}	<u>FY 2023 Appropriation</u>
Universities ^{3/}				
Military Institute	\$ 83,800		\$ 97,800	
Normal Schools ASU/NAU	296,600		599,200	
A & M Colleges	445,100		1,648,500	
School of Mines	499,800		1,325,000	
University Fund	2,175,400		2,573,500	
U of A Land - 1881	<u>1,659,400</u>		<u>8,170,700</u>	
Subtotal	\$ 5,160,100		\$14,414,700	
Schools for the Deaf and the Blind ^{4/}				
State Hospital	\$ 701,000	\$ 1,491,500	\$ 1,177,100	\$ 650,000
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 386,300	\$ 4,340,700	\$ 1,032,600	\$ 0
Corrections				
Penitentiaries	\$ 1,382,600	\$ 3,620,700	\$ 3,287,300	\$ 2,790,700
State Charitable (25%)	<u>1,452,500</u>	<u>2,609,500</u>	<u>3,832,600</u>	<u>2,663,700</u>
Subtotal	\$ 2,835,100	\$ 6,230,200	\$ 7,119,900	\$ 5,454,400
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 9,095,300	\$ 3,935,300	\$ 2,074,100
State Charitable (50%)	<u>2,905,000</u>	<u>\$16,797,600</u>	<u>7,665,200</u>	<u>4,969,100</u>
Subtotal	\$ 4,886,400	\$25,892,900	\$11,600,500	\$ 7,043,200
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 851,700	\$ 3,832,600	\$ 4,044,100
Non-K-12 Beneficiaries Total	\$15,845,800		\$39,941,200	

^{1/} Includes actual Treasurer's distributions and lease revenues. The FY 2015 revenues reflect the 2.5% Treasurer's distribution rate in effect prior to Proposition 123.

^{2/} Includes both Treasurer's distributions and lease revenues. The Treasurer's distributions are known numbers based on the funding formula. Projected FY 2023 lease revenues reflect actual FY 2021 amounts.

^{3/} University land trust funds are non-appropriated. As a result, budget appropriations and balance amounts are not included. (Please see ABOR section for more information.)

^{4/} Arizona State Schools for the Deaf and the Blind (ASDB) land trust monies are appropriated as part of the Schools for the Deaf and the Blind Fund, which also receives revenues from the Arizona Department of Education. The FY 2022 General Appropriation Act and FY 2023 Baseline allow monies in this fund to be expended in excess of the appropriated amount. As a result, FY 2022 ending balance and FY 2023 appropriation amounts are not included.

^{5/} The expenditure for the Legislative, Executive, and Judicial Buildings land trust monies requires a legislative appropriation. A.R.S § 35-142 requires land fund monies to be expended only as authorized, regulated, and controlled by the General Appropriation Act or other act of the Legislature. A.R.S § 35-154 also requires that no person shall incur, order, or vote for the incurrence of any obligation against the state or for any expenditure not authorized by an appropriation and an allotment.

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
CAP Municipal and Industrial Repayment Fund (LDA2129/A.R.S. § 37-526)		Non-Appropriated
Source of Revenue: Reimbursements to the state for 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	0	0

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
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. In addition, the FY 2022 budget allocated one-time deposits of \$1,500,000 from the General Fund to the Due Diligence Fund in FY 2022 and FY 2023.		
Purpose of Fund: To prepare land for sales, leases, rights-of-ways, or other use-permits. Any fund balance in excess of \$5,000,000 at any time during the fiscal year reverts to the General Fund. The FY 2022 Environment Budget Reconciliation Bill permanently increased this fund balance limit from \$500,000 to \$5,000,000.		
Funds Expended	467,100	5,000,000
Year-End Fund Balance	775,000	(2,525,000)
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 (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.		
Funds Expended	192,200	260,600
Year-End Fund Balance	56,800	(31,200)
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	0	0
Year-End Fund Balance	46,900	47,400
IGA and ISA Fund (LDA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Various intergovernmental and interagency service agreements.		
Purpose of Fund: Clearing account for monies expended under Intergovernmental (IGA) and Intergovernmental Service Agreements (ISA).		
Funds Expended	0	0
Year-End Fund Balance	24,000	24,000
Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)		Non-Appropriated
Source of Revenue: Revenue comes from other agencies that use State Land Department services or products and is used for services or products provided by other agencies.		
Purpose of Fund: To pay for joint projects based upon interagency agreements with other state agencies.		
Funds Expended	0	0
Year-End Fund Balance	136,200	136,200
Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)		Non-Appropriated
Source of Revenue: The State 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	252,500	319,500
Year-End Fund Balance	611,700	742,200

SUMMARY OF FUNDS	FY 2021 Actual	FY 2022 Estimate
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	104,500	98,600
Year-End Fund Balance	139,900	121,300
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
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	530,000	524,800
Year-End Fund Balance	21,703,800	21,612,000
Statewide Employee Recognition Gifts/Donations Fund (LDA2449/A.R.S. § 35-149)		Non-Appropriated
Source of Revenue: This fund receives monies through gifts and donations.		
Purpose of Fund: This fund is used to conduct employee recognition programs.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Trust Land Management Fund (LDA3146/A.R.S. § 37-527)		Appropriated
Source of Revenue: Fees charged by the department. The total balance of the fund is capped at 2 times the trust land management budget for the following fiscal year.		
Purpose of Fund: To fund the management of the approximately 9 million acres of State Trust land throughout the state.		
Funds Expended	6,232,800	7,328,100
Year-End Fund Balance	20,238,000	24,817,600