

# State Land Department

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	129.7	131.7	131.7
Personal Services	6,282,800	7,010,900	7,010,900
Employee Related Expenditures	2,385,900	2,804,300	2,715,000
Professional and Outside Services	2,351,700	5,046,800	3,546,800
Travel - In State	153,700	160,000	160,000
Travel - Out of State	4,600	5,000	5,000
Other Operating Expenditures	4,260,800	3,591,700	3,589,300
Equipment	508,600	260,000	260,000
<b>OPERATING SUBTOTAL</b>	<b>15,948,100</b>	<b>18,878,700</b>	<b>17,287,000</b>
<b>SPECIAL LINE ITEMS</b>			
CAP User Fees	1,603,800	1,700,000	1,700,000 <sup>1/</sup>
Due Diligence Fund Deposit	1,181,200	1,500,000	0
Due Diligence Program	4,000	5,000,000	5,000,000
Fire Suppression	800,000	0	0
Natural Resource Conservation Districts	566,900	650,000	650,000 <sup>2/</sup>
Streambed Navigability Litigation	0	220,000	220,000
<b>AGENCY TOTAL</b>	<b>20,104,000</b>	<b>27,948,700</b>	<b>24,857,000 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	14,040,800	14,659,300	12,980,100
<u>Other Appropriated Funds</u>			
Due Diligence Fund	4,000	5,000,000	5,000,000
Environmental Special Plate Fund	177,500	260,600	260,600
Trust Land Management Fund	5,881,700	8,028,800	6,616,300
SUBTOTAL - Other Appropriated Funds	6,063,200	13,289,400	11,876,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>20,104,000</b>	<b>27,948,700</b>	<b>24,857,000</b>
Other Non-Appropriated Funds	651,100	802,900	802,900
<b>TOTAL - ALL SOURCES</b>	<b>20,755,100</b>	<b>28,751,600</b>	<b>25,659,900</b>

**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**

- <sup>1/</sup> The appropriation includes \$1,700,000 for CAP user fees in fiscal year 2023-2024. For fiscal year 2023-2024, from municipalities that assume their allocation of central Arizona project water for every dollar received as reimbursement to this 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)
- <sup>2/</sup> Of the amount appropriated for natural resource conservation districts in fiscal year 2023-2024, \$30,000 shall be used to provide grants to natural resource conservation districts environmental education centers. (General Appropriation Act footnote)
- <sup>3/</sup> General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

## Operating Budget

The budget includes \$17,287,000 and 131.7 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	<b>FY 2024</b>
General Fund	\$10,670,700
Trust Land Management Fund	6,616,300

Adjustments are as follows:

### Remove One-Time Digitize Paper Flow Funding

The budget includes a decrease of \$(1,500,000) from the Trust Land Management Fund in FY 2024 to remove one-time funding for digitization processes including workflows for billing and completing the migration of business applications to a new digital data system.

### Statewide Adjustments

The budget includes a decrease of \$(91,700) in FY 2024 for statewide adjustments. This amount consists of:

General Fund	(179,200)
Trust Land Management Fund	87,500

*(Please see the Agency Detail and Allocations section.)*

## CAP User Fees

The budget includes \$1,700,000 from the General Fund in FY 2024 for Central Arizona Project (CAP) User Fees. This amount is unchanged from FY 2023.

The Central Arizona Project board determines a final rate for the upcoming year and a provisional rate for the following year in June. On June 2, 2022, the CAP Board set the final rate for FY 2023 at \$53 and the provisional rate for FY 2024 at \$53. Given that the final FY 2024 rate was not known when the budget passed, the budget included no change in funding for this issue.

On June 1, 2023, the CAP Board set the final rate for FY 2024 at \$53. Therefore the enacted budget's funding level conforms to the final FY 2024 rate of \$53 per acre-foot on 32,076 acre-feet of water that the department expects to be billed for "capital charges" in FY 2024.

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 budget includes no funding in FY 2024 for the Due Diligence Fund Deposit line item. Adjustments are as follows:

### Remove One-Time Due Diligence Fund Deposit

The budget includes a decrease of \$(1,500,000) from the General Fund in FY 2024 to remove a one-time Due Diligence Fund deposit. The FY 2022 budget's 3-year spending plan included a \$1,500,000 deposit from the General Fund into the Due Diligence Fund in FY 2022 and FY 2023 but no deposit in FY 2024.

## Due Diligence Program

The budget includes \$5,000,000 from the Due Diligence Fund in FY 2024 for the Due Diligence Program. This amount is unchanged from FY 2023.

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 budget includes \$650,000 in FY 2024 for Natural Resource Conservation Districts (NRCs). This amount consists of:

General Fund	389,400
Environmental Special Plate Fund	260,600

These amounts are unchanged from FY 2023.

This line item funds natural resource research, activities, 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 \$40,000 for each NRC 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 the 32 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 budget includes \$220,000 from the General Fund in FY 2024 for Streambed Navigability Litigation. This amount is unchanged from FY 2023.

Pursuant to A.R.S. § 37-1123 and A.R.S. § 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.

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### ***Other Issues***

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### ***Proposition 123***

As approved by voters at the May 2016 election, Proposition 123 implements the October 2015 Special Session legislation (Laws 2015, 1<sup>st</sup> 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 \$237,569,400 in incremental land trust funds to K-12 schools in FY 2022 and \$256,632,600 in FY 2023. The 4.4% incremental funding increase will provide \$270,534,300 in incremental funds in FY 2024. *(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> <sup>1/</sup>	<u>FY 2023 Ending Balance</u>	<u>FY 2024 Total Revenue</u> <sup>2/</sup>	<u>FY 2024 Appropriation</u>
Universities <sup>3/</sup>				
Military Institute	\$ 83,800		\$ 94,300	
Normal Schools ASU/NAU	296,600		621,400	
A & M Colleges	445,100		1,942,600	
School of Mines	499,800		1,282,400	
University Fund	2,175,400		2,837,100	
U of A Land - 1881	<u>1,659,400</u>		<u>9,012,900</u>	
<b>Subtotal</b>	<b>\$ 5,160,100</b>		<b>\$15,790,700</b>	
Schools for the Deaf and the Blind <sup>4/</sup>				
	\$ 424,400		\$ 938,000	
State Hospital	\$ 701,000	\$ 2,543,700	\$ 1,952,000	\$ 650,000
Legislative, Executive, & Judicial Buildings <sup>5/</sup>	\$ 386,300	\$ 4,588,500	\$ 939,500	\$ 0
Corrections				
Penitentiaries	\$ 1,382,600	\$ 6,598,300	\$ 3,524,600	\$ 2,743,600
State Charitable (25%)	<u>1,452,500</u>	<u>5,376,100</u>	<u>3,731,000</u>	<u>2,665,600</u>
<b>Subtotal</b>	<b>\$ 2,835,100</b>	<b>\$ 11,974,400</b>	<b>\$ 7,255,600</b>	<b>\$ 5,409,200</b>
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 13,629,100	\$ 4,525,600	\$ 2,301,300
State Charitable (50%)	<u>2,905,000</u>	<u>\$ 16,597,300</u>	<u>7,462,000</u>	<u>6,078,900</u>
<b>Subtotal</b>	<b>\$ 4,886,400</b>	<b>\$ 30,226,400</b>	<b>\$11,987,600</b>	<b>\$ 8,380,200</b>
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 4,663,600	\$ 3,731,000	\$ 4,075,100
<b>Non-K-12 Beneficiaries Total</b>	<b>\$15,845,800</b>		<b>\$42,594,400</b>	

<sup>1/</sup> 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.

<sup>2/</sup> Includes both Treasurer's distributions and lease revenues. The Treasurer's distributions are known numbers based on the funding formula. Projected FY 2024 lease revenues reflect actual FY 2022 amounts.

<sup>3/</sup> 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.) An FY 2024 budget footnote allocates 100% of the Universities School of Mines Land Fund revenue to the University of Arizona School of Mining and Mineral Resources.

<sup>4/</sup> 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 2023 General Appropriation Act and FY 2024 General Appropriation Act allow monies in this fund to be expended in excess of the appropriated amount. As a result, FY 2023 ending balance and FY 2024 appropriation amounts are not included.

<sup>5/</sup> 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.