

State Land Department

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 BASELINE
OPERATING BUDGET			
<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	2,804,300
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	3,591,700
Equipment	508,600	260,000	260,000
OPERATING SUBTOTAL	15,948,100	18,878,700	17,378,700
SPECIAL LINE ITEMS			
CAP User Fees	1,603,800	1,700,000	1,700,000 ^{1/}
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 ^{2/}
Streambed Navigability Litigation	0	220,000	220,000
AGENCY TOTAL	20,104,000	27,948,700	24,948,700 ^{3/}
FUND SOURCES			
General Fund	14,040,800	14,659,300	13,159,300
<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	6,528,800
SUBTOTAL - Other Appropriated Funds	6,063,200	13,289,400	11,789,400
SUBTOTAL - Appropriated Funds	20,104,000	27,948,700	24,948,700
Other Non-Appropriated Funds	651,100	802,900	802,900
TOTAL - ALL SOURCES	20,755,100	28,751,600	25,751,600

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 \$1,700,000 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)
- ^{2/} 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)
- ^{3/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The Baseline includes \$17,378,700 and 131.7 FTE Positions in FY 2024 for the operating budget. These amounts consist of:

	FY 2024
General Fund	\$10,849,900
Trust Land Management Fund	6,528,800

Adjustments are as follows:

Remove One-Time Digitize Paper Flow Funding

The Baseline 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.

CAP User Fees

The Baseline 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.

This funding level is based on the provisional 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.

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. Therefore, the Baseline has no change in funding for this issue in FY 2024. If the final rate is known at the time the budget is enacted, this line item will be adjusted to reflect the final rate for 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 Baseline 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 Baseline 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 Baseline includes \$5,000,000 from the Due Diligence Fund in FY 2024 to fund this line item. 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 Baseline includes \$650,000 in FY 2024 for Natural Resource Conservation Districts (NRCDS). 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 30 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 \$40,000 for each NRCDS 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 NRCDS 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 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.

Other Issues

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 \$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 \$269,661,700 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> ^{1/}	<u>FY 2023 Ending Balance</u>	<u>FY 2024 Total Revenue</u> ^{2/}	<u>FY 2024 Baseline</u>
Universities ^{3/}				
Military Institute	\$ 83,800		\$ 94,200	
Normal Schools ASU/NAU	296,600		620,000	
A & M Colleges	445,100		1,940,100	
School of Mines	499,800		1,279,600	
University Fund	2,175,400		2,828,100	
U of A Land - 1881	<u>1,659,400</u>		<u>8,991,200</u>	
Subtotal	\$ 5,160,100		\$15,753,200	
Schools for the Deaf and the Blind ^{4/}				
	\$ 424,400		\$ 936,500	
State Hospital	\$ 701,000	\$ 2,543,700	\$ 1,949,400	\$ 650,000
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 386,300	\$ 4,588,500	\$ 937,500	\$ 0
Corrections				
Penitentiaries	\$ 1,382,600	\$ 6,598,300	\$ 3,520,400	\$ 2,777,600
State Charitable (25%)	<u>1,452,500</u>	<u>5,376,100</u>	<u>3,719,400</u>	<u>2,665,100</u>
Subtotal	\$ 2,835,100	\$ 11,974,400	\$ 7,239,800	\$ 5,442,700
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 13,629,100	\$ 4,518,700	\$ 2,318,600
State Charitable (50%)	<u>2,905,000</u>	<u>\$ 16,597,300</u>	<u>7,438,700</u>	<u>5,992,700</u>
Subtotal	\$ 4,886,400	\$ 30,226,400	\$11,957,400	\$ 8,311,300
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 4,663,600	\$ 3,719,400	\$ 4,125,400
Non-K-12 Beneficiaries Total	\$15,845,800		\$42,493,200	

^{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 2024 lease revenues reflect actual FY 2022 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 2023 General Appropriation Act and FY 2024 Baseline 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.

^{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 2022 Actual	FY 2023 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	9,900	9,900
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	4,000	5,000,000
Year-End Fund Balance	1,310,100	(1,989,900)
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	177,500	260,600
Year-End Fund Balance	77,900	(67,200)
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	47,400	47,900
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

SUMMARY OF FUNDS	FY 2022 Actual	FY 2023 Estimate
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	185,500	146,800
Year-End Fund Balance	740,700	880,200
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	71,600	106,100
Year-End Fund Balance	119,000	62,900
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	6,600	6,600
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	394,000	550,000
Year-End Fund Balance	21,873,700	21,843,700
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	5,881,700	8,028,800
Year-End Fund Balance	41,331,700	42,902,900