

# State Land Department

	FY 2023 ACTUAL	FY 2024 ESTIMATE	FY 2025 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	131.7	131.7	131.7
Personal Services	7,223,000	7,480,000	7,480,000
Employee Related Expenditures	2,913,400	3,005,000	3,005,000
Professional and Outside Services	3,691,300	4,127,800	4,127,800
Travel - In State	190,200	15,000	15,000
Travel - Out of State	10,500	8,800	8,800
Other Operating Expenditures	2,258,400	2,650,400	2,650,400
Equipment	251,900	0	0
<b>OPERATING SUBTOTAL</b>	<b>16,538,700</b>	<b>17,287,000</b>	<b>17,287,000</b>
<b>SPECIAL LINE ITEMS</b>			
CAP User Fees	1,700,000	1,700,000	1,521,500 <sup>1/</sup>
Due Diligence Fund Deposit	816,400	0	0
Due Diligence Program	0	5,000,000	5,000,000
Natural Resource Conservation Districts	569,400	650,000	650,000 <sup>2/</sup>
Streambed Navigability Litigation	0	220,000	220,000
<b>AGENCY TOTAL</b>	<b>19,624,500</b>	<b>24,857,000</b>	<b>24,678,500 <sup>3/</sup></b>
<b>FUND SOURCES</b>			
General Fund	13,728,900	12,980,100	12,801,600
<u>Other Appropriated Funds</u>			
Due Diligence Fund	0	5,000,000	5,000,000
Environmental Special Plate Fund	180,000	260,600	260,600
Trust Land Management Fund	5,715,600	6,616,300	6,616,300
SUBTOTAL - Other Appropriated Funds	5,895,600	11,876,900	11,876,900
<b>SUBTOTAL - Appropriated Funds</b>	<b>19,624,500</b>	<b>24,857,000</b>	<b>24,678,500</b>
Other Non-Appropriated Funds	2,569,900	4,468,700	4,468,700
<b>TOTAL - ALL SOURCES</b>	<b>22,194,400</b>	<b>29,325,700</b>	<b>29,147,200</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

- 1/ The appropriation includes \$1,521,500 for CAP user fees in fiscal year 2024-2025. For fiscal year 2024-2025, 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 2024-2025, \$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 \$17,287,000 and 131.7 FTE Positions in FY 2025 for the operating budget. These amounts consist of:

	<b>FY 2025</b>
General Fund	\$10,670,700
Trust Land Management Fund	6,616,300

These amounts are unchanged from FY 2024.

**CAP User Fees**

The Baseline includes \$1,521,500 from the General Fund in FY 2025 for Central Arizona Project (CAP) User Fees. Adjustments are as follows:

**CAP Rate Adjustment**

The Baseline includes a decrease of \$(178,500) from the General Fund in FY 2025 for revised CAP water allocations. This assumes that the department will be billed for "capital charges" of \$54 per acre foot on 28,176 acre feet of water in FY 2025 for a total charge of \$1,521,500 in FY 2025.

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 CAP water annually for municipal and industrial uses on state trust lands. Since 1997, the department has made a number of reductions to the contracted allocation of CAP water held for state trust lands as the lands are sold. During recent years, the department has been responsible for costs associated with 32,076 acre-feet of CAP water.

Most recently, in November 2021, the department signed an agreement to release 3,900 acre-feet to the City of Phoenix, reducing the department's total allocation from 32,076 to 28,176 beginning in FY 2024.

The Central Arizona Project board determines a final rate for the upcoming year and a provisional rate for the following year each June. The FY 2024 budget enacted in May 2023 funded this line item at \$1,700,000, based on the prior allocation of 32,076 acre-feet and an assumed rate of \$53 (the provisional rate from June 2022).

On June 1, 2023, the CAP Board set the final rate for FY 2024 at \$53 (matching the assumption noted above) and the provisional rate for FY 2025 at \$54. The FY 2025 Baseline amount for this line item is \$1,521,500, based on the new water allocation of 28,176 acre feet and the \$54 provisional rate for FY 2025.

The Baseline includes an ex-appropriation from the General Fund to reflect FY 2024 savings from the lower acre-feet CAP water allocation. *(Please see Other Issues for more information.)*

*Background* - 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 Program**

The Baseline includes \$5,000,000 from the Due Diligence Fund in FY 2025 for the Due Diligence Program. This amount is unchanged from FY 2024.

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 2025 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 2024.

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 NRCs be used to provide grants to NRC environmental education centers. The \$30,000 is divided among the 26 education centers sponsored or cosponsored by the 32 NRCs. 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 2025 for Streambed Navigability Litigation. This amount is unchanged from FY 2024.

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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### **FY 2024 Ex-Appropriation**

The Baseline includes an FY 2024 ex-appropriation of \$(206,700) from the General Fund for lower-than-expected CAP User Fees. The FY 2024 budget funded the CAP User Fees line item at \$1,700,000, based on the prior allocation of 32,076 acre-feet and an assumed rate of \$53 (the provisional rate from June 2022).

While the final rate established by CAP conformed to the \$53 assumption, the state's CAP water allocation has been reduced to 28,176 acre-feet. This would result in an FY 2024 funding level of \$1,493,300 for the CAP User Fees line item. *(Please see CAP User Fees line item for more information.)*

### **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 \$256,632,600 in incremental land trust funds to K-12 schools in FY 2023 and \$270,534,400 in FY 2024. The 4.4% incremental funding increase will provide \$285,333,600 in incremental funds in FY 2025. *(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**

<b>Beneficiary/Fund</b>	<b>FY 2015 Total Revenue <sup>1/</sup></b>	<b>FY 2024 Ending Balance</b>	<b>FY 2025 Total Revenue <sup>2/</sup></b>	<b>FY 2025 Baseline</b>
<b>Universities <sup>3/</sup></b>				
Military Institute	\$ 83,800		\$ 109,600	
Normal Schools ASU/NAU	296,600		765,800	
A & M Colleges	445,100		2,082,800	
School of Mines	499,800		1,320,600	
University Fund	2,175,400		5,744,100	
U of A Land - 1881	<u>1,659,400</u>		<u>9,451,300</u>	
<b>Subtotal</b>	<b>\$ 5,160,100</b>		<b>\$19,474,200</b>	
<b>Schools for the Deaf and the Blind <sup>4/</sup></b>				
	\$ 424,400		\$ 811,000	
State Hospital	\$ 701,000	\$ 4,052,100	\$ 1,354,200	\$ 650,000
Legislative, Executive, & Judicial Buildings <sup>5/</sup>	\$ 386,300	\$ 5,568,600	\$ 1,008,700	\$ 0
<b>Corrections</b>				
Penitentiaries	\$ 1,382,600	\$ 3,685,400	\$ 3,534,300	\$ 2,743,600
State Charitable (25%)	<u>1,452,500</u>	<u>3,987,600</u>	<u>3,969,000</u>	<u>2,665,600</u>
<b>Subtotal</b>	<b>\$ 2,835,100</b>	<b>\$ 7,673,000</b>	<b>\$ 7,503,300</b>	<b>\$ 5,409,200</b>
<b>Pioneers' Home</b>				
Miners' Hospital	\$ 1,981,400	\$ 17,414,000	\$ 4,681,800	\$ 2,301,300
State Charitable (50%)	<u>2,905,000</u>	<u>\$ 18,361,500</u>	<u>7,938,000</u>	<u>6,078,900</u>
<b>Subtotal</b>	<b>\$ 4,886,400</b>	<b>\$ 35,775,500</b>	<b>\$12,619,800</b>	<b>\$ 8,380,200</b>
Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 2,362,900	\$ 3,969,000	\$ 4,075,100
<b>Non-K-12 Beneficiaries Total</b>	<b>\$15,845,800</b>		<b>\$46,740,200</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 2025 lease revenues reflect actual FY 2023 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 2024 General Appropriation Act allows monies in this fund to be expended in excess of the appropriated amount. As a result, the FY 2024 ending balance and FY 2025 Baseline 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.

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 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 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>	9,900	9,900
<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. 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.		
<b>Purpose of Fund:</b> 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.		
<b>Funds Expended</b>	0	5,000,000
<b>Year-End Fund Balance</b>	1,326,100	(2,023,900)
<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>	180,000	260,600
<b>Year-End Fund Balance</b>	123,500	106,200
<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>	0	0
<b>Year-End Fund Balance</b>	47,900	48,400
<b>IGA and ISA Fund (LDA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Various intergovernmental and interagency service agreements.		
<b>Purpose of Fund:</b> Clearing account for monies expended under Intergovernmental (IGA) and Intergovernmental Service Agreements (ISA).		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	24,000	24,000
<b>Interagency Agreements Fund (LDA2212/A.R.S. § 35-148)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue comes from other agencies that use State Land Department services or products and is used for services or products provided by other agencies.		
<b>Purpose of Fund:</b> To pay for joint projects based upon interagency agreements with other state agencies.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	136,200	136,200

SUMMARY OF FUNDS	FY 2023 Actual	FY 2024 Estimate
<b>Land Clearance Fund (LDA3732/A.R.S. § 37-521)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Any revenue collected by the State Land Department is held in the fund until the end of a given month, at that time the revenue is distributed to beneficiaries or permanent funds.		
<b>Purpose of Fund:</b> To create efficiency by limiting the number of transfers within a given year.		
<b>Funds Expended</b>	1,620,000	3,662,100
<b>Year-End Fund Balance</b>	39,965,300	36,303,200
<b>Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> 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.		
<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>	205,300	140,500
<b>Year-End Fund Balance</b>	796,500	971,100
<b>Resource Analysis Division Revolving Fund (LDA4009/A.R.S. § 37-176)</b>		<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>	96,300	91,100
<b>Year-End Fund Balance</b>	135,800	107,700
<b>Riparian Acquisition Trust Fund (LDA3201/A.R.S. § 37-1156)</b>		<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>	6,600	6,600
<b>State Land Department Fund (LDA2451/A.R.S. § 37-107)</b>		<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>	648,300	575,000
<b>Year-End Fund Balance</b>	2,801,800	2,798,800
<b>Trust Land Management Fund (LDA3146/A.R.S. § 37-527)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> 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.		
<b>Purpose of Fund:</b> To fund the management of the approximately 9 million acres of State Trust land throughout the state.		
<b>Funds Expended</b>	5,715,600	6,616,300
<b>Year-End Fund Balance</b>	43,792,100	44,867,500