

State Land Department

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	131.7	136.7	145.7
Personal Services	7,560,300	7,969,400	7,969,400
Employee Related Expenditures	2,800,200	3,130,200	3,247,100
Professional and Outside Services	2,995,200	3,300,000	3,300,000
Travel - In State	218,900	20,000	20,000
Travel - Out of State	18,400	10,500	10,500
Other Operating Expenditures	2,516,400	3,305,900	5,314,000
Equipment	128,300	0	0
OPERATING SUBTOTAL	16,237,700	17,736,000	19,861,000
SPECIAL LINE ITEMS			
CAP User Fees	1,493,300	1,521,500	1,577,900 ^{1/}
Due Diligence Program	626,200	5,000,000	5,000,000
Natural Resource Conservation Districts	569,400	650,000	0
AGENCY TOTAL	18,926,600	24,907,500	26,438,900 ^{2/}
FUND SOURCES			
General Fund	12,372,200	12,411,300	12,199,900
<u>Other Appropriated Funds</u>			
Due Diligence Fund	626,200	5,000,000	5,000,000
Environmental Special Plate Fund	180,000	260,600	0
Off-Highway Vehicle Recreation Fund	0	177,600	177,600
Trust Land Management Fund	5,748,200	7,058,000	9,061,400
SUBTOTAL - Other Appropriated Funds	6,554,400	12,496,200	14,239,000
SUBTOTAL - Appropriated Funds	18,926,600	24,907,500	26,438,900
Other Non-Appropriated Funds	713,600	558,500	558,500
TOTAL - ALL SOURCES	19,640,200	25,466,000	26,997,400

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 \$1,577,900 for CAP user fees in fiscal year 2025-2026. For fiscal year 2025-2026, 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 Appropriations Act footnote)
- ^{2/} General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$19,861,000 and 145.7 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$10,622,000
Off-Highway Vehicle Recreation Fund	177,600

Trust Land Management Fund 9,061,400

Adjustments are as follows:

Trust Land Management Workload

The budget includes an increase of \$2,000,000 and 9 FTE Positions from the Trust Land Management Fund in FY 2026 for increased workloads associated with the management of state trust lands. The appropriation

includes monies for both FTE Positions and additional contracted work to support the management of state trust lands.

Statewide Adjustments

The budget includes an increase of \$125,000 in FY 2026 for statewide adjustments. This amount consists of:

General Fund	121,600
Trust Land Management Fund	3,400

(Please see the Agency Detail and Allocations section.)

CAP User Fees

The budget includes \$1,577,900 from the General Fund in FY 2026 for Central Arizona Project (CAP) User Fees. Adjustments are as follows:

CAP Rate Adjustment

The budget includes an increase of \$56,400 from the General Fund in FY 2026 for revised CAP water allocations. Based on action by the CAP Board in June 2025, the department will be billed for "capital charges" of \$56 per acre foot on 28,176 acre feet of water in FY 2026 for a total charge of \$1,577,900 in FY 2026.

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. Since FY 2024, the department's total allocation has been 28,176 acre-feet.

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 Appropriations Act footnote.)*

Due Diligence Program

The budget includes \$5,000,000 from the Due Diligence Fund in FY 2026 for the Due Diligence Program. This amount is unchanged from FY 2025.

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 no funding in FY 2026 for Natural Resource Conservation Districts (NRCDs).

Adjustments are as follows:

Shift NRCDFunding to NRC Board

The budget includes a decrease of \$(650,000) in FY 2026 to shift all funding from the Natural Resource Conservation Districts line item to the new Natural Resource Conservation (NRC) Board, established by Laws 2024, Chapter 258.

This amount consists of:

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

Laws 2024, Chapter 258 establishes a new state agency, the NRC Board, and transfers the authority over the NRCDs, including grants to the districts and the administration of the Environmental Special Plate Fund, from the State Land Department to the NRC Board as of January 1, 2025. *(Please see the Natural Resource Conservation Board section for more information.)*

Other Issues

This section includes information on the following topics:

- Statutory Changes
- Proposition 123

Statutory Changes

The Environment Budget Reconciliation Bill (BRB) makes the following statutory change:

- As permanent law, allow (rather than require) the State Land Commissioner to contract with a third-party reviewer to review any application submitted to the department if the commissioner determines that the department will not be able to take action within 60 working days after the application has been submitted. Requires the department to submit a report on application processing timelines by February 1, 2026.

The Management of State Properties BRB makes the following statutory change:

- As session law, amends the coordinate parcel references described in Laws 2025, Chapter 35, Section 1 relating to the transfer of land from the State Land Department to the city of Bullhead City.

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 \$285,626,000 in incremental funds to K-12 schools in FY 2025. The 4.4% incremental increase expired at the end of FY 2025, so under current law no incremental funds are currently scheduled to be distributed in FY 2026. In the 2026 legislative session, discussion is expected to continue about extending Proposition 123 in some manner. *(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 increased distributions to other public institutions. For the other distributions, *Table 1* outlines the following for each beneficiary fund: 1) Final FY 2025 fund revenue (at the prior 6.9% distribution rate); 2) FY 2025 ending balance (at the end of Proposition 123's higher distribution); 3) Projected FY 2026 fund revenue (at the lower current 2.5% distribution rate); and 4) The enacted budget's FY 2026 appropriation.

Table 1**State Land Trust: Non-K12 Beneficiaries' Revenues, Balances, and Appropriation Authority**

<u>Beneficiary/Fund</u>	<u>FY 2025 Total Revenue</u> ^{1/}	<u>FY 2025 Ending Balance</u>	<u>FY 2026 Total Revenue</u> ^{2/}	<u>FY 2026 Appropriation</u>
Universities ^{3/}				
Military Institute	\$ 118,200		\$ 72,500	
Normal Schools ASU/NAU	1,134,800		816,400	
A & M Colleges	2,261,600		1,682,100	
School of Mines	1,377,900		601,100	
University Fund	5,705,700		5,852,600	
U of A Land - 1881	<u>8,937,900</u>		<u>4,612,000</u>	
Subtotal	\$ 19,536,100		\$13,636,700	
Schools for the Deaf and the Blind ^{4/}	\$ 804,100		\$ 392,800	
Dept. of Health Services – State Hospital	\$ 1,224,400	\$ 4,698,600	3,454,400	\$ 1,596,600
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 939,600	\$ 6,563,600	507,400	\$ 3,120,500
Dept. of Corrections				
Penitentiaries	\$ 3,629,400	\$ 1,511,200	\$ 2,782,600	\$ 3,472,000
State Charitable (25%)	<u>3,743,700</u>	<u>1,037,700</u>	<u>1,684,100</u>	<u>3,733,100</u>
Subtotal	\$ 7,373,100	\$ 2,548,900	\$ 4,466,700	\$ 7,205,100
Pioneers' Home				
Miners' Hospital	\$ 4,809,100	\$ 20,141,300	\$ 2,961,200	\$ 2,897,000
State Charitable (50%)	<u>7,487,300</u>	<u>\$ 19,961,800</u>	<u>3,368,200</u>	<u>6,263,800</u>
Subtotal	\$ 12,296,400	\$ 40,103,100	\$ 6,329,400	\$ 9,160,800
Dept. of Juvenile Corrections (State Charitable 25%)	\$ 3,743,700	\$ 1,252,300	\$ 1,684,100	\$ 4,854,400
Non-K-12 Beneficiaries Total	\$45,917,400		\$30,471,500	

^{1/} Includes actual Treasurer's distributions and lease revenues. The FY 2025 revenues reflect the final year of the higher 6.9% distribution formula implemented by Proposition 123.

^{2/} Includes both Treasurer's distributions and lease revenues for FY 2026. The Treasurer's distributions are known numbers based on reverting back to the 2.5% distribution formula. Projected FY 2026 lease revenues reflect actual FY 2025 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.) An FY 2026 budget footnote allocates 100% of the Universities School of Mines Land Fund revenue to the University of Arizona School of Mining and Mineral Resources.

^{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 2026 General Appropriations Act allows monies in this fund to be expended in excess of the appropriated amount. As a result, budget appropriations and balance 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 Appropriations 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.