

State Land Department

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	136.7	145.7	145.7
Personal Services	7,450,800	10,491,300	10,491,300
Employee Related Expenditures	2,935,700	4,214,000	4,529,400
Professional and Outside Services	1,723,900	1,800,000	1,800,000
Travel - In State	283,600	18,200	18,200
Travel - Out of State	9,100	13,100	13,100
Other Operating Expenditures	3,454,200	3,324,400	3,360,900
Equipment	85,400	0	0
OPERATING SUBTOTAL	15,942,700	19,861,000	20,212,900
SPECIAL LINE ITEMS			
Operating Lump Sum Reduction	0	0	(265,600)
CAP User Fees	1,521,500	1,577,900	1,408,000 ^{1/}
Due Diligence Program	159,600	5,000,000	5,000,000
Natural Resource Conservation Districts	175,000	0	0
AGENCY TOTAL	17,798,800	26,438,900	26,355,300 ^{2/}
FUND SOURCES			
General Fund	11,998,500	12,199,900	12,089,000
<u>Other Appropriated Funds</u>			
Due Diligence Fund	159,600	5,000,000	5,000,000
Environmental Special Plate Fund	175,000	0	0
Off-Highway Vehicle Recreation Fund	138,800	177,600	177,600
Trust Land Management Fund	5,326,900	9,061,400	9,088,700
SUBTOTAL - Other Appropriated Funds	5,800,300	14,239,000	14,266,300
SUBTOTAL - Appropriated Funds	17,798,800	26,438,900	26,355,300
Other Non-Appropriated Funds	1,266,100	591,500	591,500
Federal Funds	7,000,000	0	0
TOTAL - ALL SOURCES	26,064,900	27,030,400	26,946,800

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 \$1,408,000 for CAP user fees in fiscal year 2026-2027. For fiscal year 2026-2027, 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 \$20,212,900 and 145.7 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	\$10,946,600
Off-Highway Vehicle Recreation Fund	177,600
Trust Land Management Fund	9,088,700

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$351,900 from in FY 2027 for statewide adjustments. This consists of the following amounts:

General Fund	\$ 324,600
Trust Land Management Fund	27,300

(Please see the Agency Detail and Allocations section.)

Operating Budget Lump Sum Reduction

The budget includes a one-time decrease of \$(265,600) from the General Fund in FY 2027 for a lump sum reduction. Agencies receiving a lump sum reduction will apply the reduction to the operating lump sum appropriation in the FY 2028 budget request submittal. Agencies have discretion in how the reduction in spending is achieved. The FY 2028 Baseline Book will incorporate the agency's planned reduction into the operating budget display.

CAP User Fees

The budget includes \$1,408,000 from the General Fund in FY 2027 for Central Arizona Project (CAP) User Fees. Adjustments are as follows:

CAP Rate Adjustment

The budget includes a decrease of \$(169,900) from the General Fund in FY 2027 for revised CAP water allocations. Based on action by the CAP Board in June 2025, the department was expected to be billed for "capital charges" of \$58 per acre foot on 24,276 acre feet of water in FY 2027. The FY 2027 appropriation was based on this total charge of \$1,408,000.

In June 2026, the CAP Board set the FY 2027 rate at \$52 per acre foot. Based on the 24,276 acre feet estimate, the total FY 2027 cost is now expected to be \$1,262,400.

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. Most recently, in January 2025, the department signed an agreement to release 3,900 acre-feet to the City of Phoenix. As a result, the department's FY 2027 total CAP allocation is 24,276 acre-feet, or a decrease of (3,900) acre-feet below the 28,176 funded in FY 2026.

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 2027 for the Due Diligence Program. This amount is unchanged from FY 2026.

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 2027 for Natural Resource Conservation Districts (NRCs). This amount is unchanged from FY 2026.

Laws 2024, Chapter 258 established a new state agency, the NRC Board, and transferred the authority over the NRCs, 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:

- Fund Transfers
- Proposition 123

Fund Transfers

The budget includes the following transfers from this agency's funds to the General Fund:

	FY 2026
Trust Land Management Fund	9,000,000

Permanent Land Trust Beneficiaries

As approved by voters at the May 2016 election, Proposition 123 increased 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 was not subsequently extended and the distribution rate has reverted back to 2.5%. *(Please see the Department of Education narrative in the FY 2017 Appropriations Report for more information.)* Table 1 provides revenue information for each beneficiary.

Table 1

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

<u>Beneficiary/Fund</u>	<u>FY 2026 Total Revenue</u> ^{1/}	<u>FY 2026 Ending Balance</u>	<u>FY 2027 Total Revenue</u> ^{2/}	<u>FY 2027 Appropriation</u>
Universities ^{3/}				
Military Institute	\$ 202,900		\$ 203,500	
Normal Schools ASU/NAU	1,057,700		1,077,700	
A & M Colleges	2,280,600		2,292,900	
School of Mines	713,800		728,000	
University Fund	2,085,600		2,316,500	
U of A Land - 1881	<u>5,840,000</u>		<u>5,975,600</u>	
Subtotal	\$ 12,180,600		\$ 12,594,200	
Schools for the Deaf and the Blind ^{4/}	\$ 675,500		\$ 684,900	
Dept. of Health Services – State Hospital	\$ 806,700	\$ 3,187,400	938,400	\$ 1,596,600
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 539,400	\$ 4,053,100	550,300	\$ 0
Dept. of Corrections				
Penitentiaries	\$ 2,901,100	\$ 4,598,200	\$ 2,926,300	\$ 3,482,900
State Charitable (25%)	<u>1,740,000</u>	<u>4,083,800</u>	<u>1,847,400</u>	<u>1,670,800</u>
Subtotal	\$ 4,641,100	\$ 8,682,000	\$ 4,773,700	\$ 5,153,700
Pioneers' Home				
Miners' Hospital	\$ 3,595,600	\$ 20,960,000	\$ 3,645,100	\$ 2,811,500
State Charitable (50%)	<u>3,479,900</u>	<u>\$ 22,105,200</u>	<u>3,694,700</u>	<u>6,466,600</u>
Subtotal	\$ 7,075,500	\$ 43,065,200	\$ 7,339,800	\$ 9,278,100
Dept. of Juvenile Corrections (State Charitable 25%)	\$ 1,739,900	\$ 1,591,400	\$ 1,847,400	\$ 4,058,400
Non-K-12 Beneficiaries Total	\$ 27,658,700		\$ 28,728,700	

- ^{1/} Includes actual Treasurer's distributions and lease revenues. The FY 2026 revenues reflect the first year reverting back to the 2.5% distribution from the higher 6.9% distribution formula implemented by Proposition 123.
- ^{2/} Includes both Treasurer's distributions and lease revenues for FY 2027. The Treasurer's distributions are known numbers based on the 2.5% distribution formula. Projected FY 2027 lease revenues reflect actual FY 2026 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 2027 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 2027 budget 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.