State Land Department

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 BASELINE
OPERATING BUDGET			
Full Time Equivalent Positions	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	4,214,000
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	3,324,400
Equipment	85,400	0	0
OPERATING SUBTOTAL	**15,942,700**	**19,861,000**	**19,861,000**
SPECIAL LINE ITEMS			
CAP User Fees	1,521,500	1,577,900	1,634,300 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**	**26,495,300** 2/

	FY 2025 ACTUAL	FY 2026 ESTIMATE	FY 2027 BASELINE
FUND SOURCES			
General Fund	11,998,500	12,199,900	12,256,300
Other Appropriated Funds			
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	9,061,400
SUBTOTAL - Other Appropriated Funds	5,800,300	14,239,000	14,239,000
SUBTOTAL - Appropriated Funds	**17,798,800**	**26,438,900**	**26,495,300**
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	27,086,800

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 $1,634,300 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 Baseline includes $19,861,000 and 145.7 FTE Positions in FY 2027 for the operating budget. These amounts consist of:

	FY 2027
General Fund	$10,622,000
Off-Highway Vehicle Recreation Fund	177,600
Trust Land Management Fund	9,061,400

These amounts are unchanged from FY 2026.

CAP User Fees

The Baseline includes $1,634,300 from the General Fund in FY 2027 for Central Arizona Project (CAP) User Fees. Adjustments are as follows:

CAP Rate Adjustment

The Baseline includes an increase of $56,400 from the General Fund in FY 2027 for revised CAP water allocations. Based on action by the CAP Board in June 2025, the department will be billed for "capital charges" of $58 per acre foot on 28,176 acre feet of water in FY 2027 for a total charge of $1,634,300 in FY 2027.

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 Baseline 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 Baseline includes no funding in FY 2027 for Natural Resource Conservation Districts (NRCDs). 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 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

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) projected FY 2026 ending balance; 3) Projected FY 2026 fund revenue (at the lower current 2.5% distribution rate); and 4) The FY 2027 Baseline appropriation.

Table 1

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

Beneficiary/Fund	FY 2025 Total Revenue 1/	FY 2026 Ending Balance	FY 2026 Total Revenue 2/	FY 2027 Baseline
Universities 3/				
Military Institute	$ 107,200		$ 72,500	
Normal Schools ASU/NAU	1,116,500		816,400	
A & M Colleges	2,289,100		1,682,100	
School of Mines	1,296,600		601,100	
University Fund	6,026,900		4,395,700	
U of A Land - 1881	10,964,400		6,068,900	
Subtotal	**$ 21,800,500**		**$13,636,700**	
Schools for the Deaf and the Blind 4/	$ 774,100		$ 392,800	
Dept. of Health Services – State Hospital	$ 3,966,800	$ 3,187,400	3,454,400	$ 650,000
Legislative, Executive, & Judicial Buildings 5/	$ 1,019,400	$ 4,053,100	507,400	$ 0
Dept. of Corrections				
Penitentiaries	$ 3,783,000	$ 4,598,200	$ 2,782,600	$ 3,472,000
State Charitable (25%)	3,750,800	4,083,800	1,684,100	3,733,100
Subtotal	**$ 7,533,800**	**$ 8,682,000**	**$ 4,466,700**	**$ 7,205,100**
Pioneers' Home				
Miners' Hospital	$ 4,535,200	$ 20,960,000	$ 2,961,200	$ 2,897,000
State Charitable (50%)	7,501,600	$ 22,105,200	3,368,200	6,263,800
Subtotal	**$ 12,036,800**	**$ 43,065,200**	**$ 6,329,400**	**$ 9,160,800**
Dept. of Juvenile Corrections (State Charitable 25%)	$ 3,750,800	$ 1,591,400	$ 1,684,100	$ 4,854,400
Non-K-12 Beneficiaries Total	**$50,882,200**		**$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, Baseline appropriations and balance amounts are not included. *(Please see ABOR section for more information.)* An FY 2027 Baseline 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 Baseline allows monies in this fund to be expended in excess of the appropriated amount. As a result, Baseline 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.

SUMMARY OF FUNDS	FY 2025 Actual	FY 2026 Estimate

Coronavirus State and Local Fiscal Recovery Fund (LDA2985/U.S. P.L. 117-2) **Federal Funds**

Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).

Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.

Funds Expended	7,000,000	0
Year-End Fund Balance	1,000,000	9,000,000

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	159,600	5,000,000
Year-End Fund Balance	1,257,300	(2,542,700)

Environmental Special Plate Fund (LDA2274/A.R.S. § 41-6013) **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 (NRCDs) and the education centers they sponsor. An amount of $5,000 is distributed to each NRCD that sponsors an education center. Additionally, funds are distributed to NRCDs and education centers based on appropriation. Laws 2024, Chapter 258 transferred administration of the fund to the newly created State Natural Resource Conservation Board.

Funds Expended	175,000	0
Year-End Fund Balance	262,700	312,700

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	48,800	49,300

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	0	0

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 2025 Actual	FY 2026 Estimate
Off-Highway Vehicle Recreation Fund (LDA2253/A.R.S. § 28-1176)		**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 fund department operating expenses. Please see the Non-Appropriated portion of the fund for additional information.

Funds Expended	138,800	177,600
Year-End Fund Balance	585,400	670,400

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. Please see the Appropriated portion of the fund for additional information.

Funds Expended	611,500	70,500
Year-End Fund Balance	585,400	670,400

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	24,900	21,000
Year-End Fund Balance	157,300	217,100

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	629,700	500,000
Year-End Fund Balance	163,600	172,400

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	5,326,900	9,061,400
Year-End Fund Balance	16,710,800	16,854,400