

State Land Department

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	131.7	136.7	136.7
Personal Services	7,560,300	7,969,400	7,969,400
Employee Related Expenditures	2,800,200	3,130,200	3,130,200
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	3,305,900
Equipment	128,300	0	0
OPERATING SUBTOTAL	16,237,700	17,736,000	17,736,000
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	24,313,900 ^{2/}
FUND SOURCES			
General Fund	12,372,200	12,411,300	12,078,300
<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	7,058,000
SUBTOTAL - Other Appropriated Funds	6,554,400	12,496,200	12,235,600
SUBTOTAL - Appropriated Funds	18,926,600	24,907,500	24,313,900
Other Non-Appropriated Funds	713,600	558,500	558,500
TOTAL - ALL SOURCES	19,640,200	25,466,000	24,872,400

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 Baseline includes \$17,736,000 and 136.7 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$10,500,400
Off-Highway Vehicle Recreation Fund	177,600

Trust Land Management Fund 7,058,000

These amounts are unchanged from FY 2025.

CAP User Fees

The Baseline 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 Baseline includes an increase of \$56,400 from the General Fund in FY 2026 for revised CAP water allocations. This assumes that 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.

On June 6, 2024, the CAP Board set the provisional rate for FY 2026 at \$56. The FY 2025 budget funded this line item at \$1,521,500, based on 28,176 acre feet and the CAP Board's final FY 2025 rate of \$54.

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

Adjustments are as follows:

Shift NRCD Funding to NRC Board

The Baseline 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

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 \$270,534,400 in incremental land trust funds to K-12 schools in FY 2024 and will provide \$285,626,000 in incremental funds in FY 2025. The 4.4% incremental increase expires at the end of FY 2025, so under current law no incremental funds will be distributed in FY 2026. *(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

Beneficiary/Fund	FY 2015 Total Revenue ^{1/}	FY 2025 Ending Balance	FY 2025 Total Revenue ^{2/}	FY 2026 Baseline
Universities ^{3/}				
Military Institute	\$ 83,800		\$ 118,200	
Normal Schools ASU/NAU	296,600		1,134,800	
A & M Colleges	445,100		2,261,600	
School of Mines	499,800		1,377,900	
University Fund	2,175,400		5,705,700	
U of A Land - 1881	<u>1,659,400</u>		<u>8,937,900</u>	
Subtotal	\$ 5,160,100		\$19,536,100	
Schools for the Deaf and the Blind ^{4/}				
Dept. of Health Services – State Hospital	\$ 701,000	\$ 4,698,600	\$ 1,224,400	\$ 650,000
Legislative, Executive, & Judicial Buildings ^{5/}	\$ 386,300	\$ 6,563,600	\$ 939,600	\$ 0
Dept. of Corrections				
Penitentiaries	\$ 1,382,600	\$ 1,511,200	\$ 3,629,400	\$ 3,466,000
State Charitable (25%)	<u>1,452,500</u>	<u>1,037,700</u>	<u>3,743,700</u>	<u>3,733,100</u>
Subtotal	\$ 2,835,100	\$ 2,548,900	\$ 7,373,100	\$ 7,199,100
Pioneers' Home				
Miners' Hospital	\$ 1,981,400	\$ 20,141,300	\$ 4,809,100	\$ 2,363,700
State Charitable (50%)	<u>2,905,000</u>	<u>\$ 19,961,800</u>	<u>7,487,300</u>	<u>6,128,400</u>
Subtotal	\$ 4,886,400	\$ 40,103,100	\$ 12,296,400	\$ 8,492,100
Dept. of Juvenile Corrections (State Charitable 25%)	\$ 1,452,500	\$ 1,252,300	\$ 3,743,700	\$ 4,881,100
Non-K-12 Beneficiaries Total	\$15,845,800		\$45,917,400	

^{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 2025 lease revenues reflect actual FY 2024 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 2025 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 2025 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.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 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	626,200	5,000,000
Year-End Fund Balance	1,377,200	(2,572,800)
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 (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. Laws 2024, Chapter 258 transferred administration of the fund to the newly created State Natural Resource Conservation Board.		
Funds Expended	180,000	260,600
Year-End Fund Balance	180,600	140,000
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	48,400	48,900
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	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 2024 Actual	FY 2025 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	0	177,600
Year-End Fund Balance	1,004,100	1,045,600
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	127,300	105,000
Year-End Fund Balance	1,004,100	1,045,600
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	99,900	98,500
Year-End Fund Balance	138,800	121,100
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	486,400	355,000
Year-End Fund Balance	2,678,200	2,861,200
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	5,748,200	7,058,000
Year-End Fund Balance	13,477,500	12,624,500

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Universities Timber Land Account Fund (LDA3134/A.R.S. § 37-482)		Non-Appropriated
Source of Revenue: Proceeds from sales of timber or timber products on state trust land where the University Land Fund is the beneficiary.		
Purpose of Fund: To fund expenses incurred by the State Land Department for the conservation, sale, and administration of timber and timber products located on state trust land where the University Land Fund is the beneficiary. Following a 2013 Arizona Supreme Court decision, no additional monies have been deposited into this fund, and the Department may no longer spend monies from this fund on Department operations.		
Funds Expended	0	0
Year-End Fund Balance	98,700	98,700