

ANNUAL REPORT 2012 - 2013

Janice K. Brewer
Governor

Vanessa P. Hickman
State Land Commissioner

Serving Arizona's Schools and Public Institutions Since 1915



CONTENTS

Message From the Commissioner	1
About the Commissioner	3
Historical Overview	4
Organizational Chart	6
Agency Updates	7
Land Exchange Authority	7
Natural Resources	
Major Lease Updates: ASARCO & Freeport McMoRan	8
Mineral Materials Leases: An Update on STL Aggregates	8
Potash Mining	9
Florence Copper Project	9
Oil and Gas Leases	10
Uranium Exploration	10
Abandoned Mine Reclamation	11
Mineral Activities on State Trust Land	11
Water Rights Section	12
NRCED Environmental Education	13
Real Estate	
Cottonwood Canyon Road	14
Green Valley Water Recharge Facility	15
Communications Sites	15
Arizona Preserve Initiative Update	16
Solar Energy Leases.....	16
Major Transactions/Leases	18
State Trust Land Uses	19
Land Ownership and Management	20
Board of Appeals	22
Fiscal Year 2013 Revenues	23
Permanent Fund	25
Expendable Revenue	26
Fund and Beneficiary Summary	27
Common Schools K - 12.....	28
University Grants.....	30
Other Grants.....	33
Financial Schedules	
Receipts by Category.....	37
Rental Acreage and Receipts.....	38
Treasurer’s Formula Distribution.....	39
State Trust Land Acreage by Beneficiary	40



Janice K. Brewer
Governor
State of Arizona

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MESSAGE FROM THE COMMISSIONER

September 3, 2013

The Honorable Janice K. Brewer
Governor of Arizona
1700 West Washington Street
Phoenix, Arizona 85007

Dear Governor Brewer:

It is my privilege to deliver to you the State Land Department's (the Department) Annual Report for Fiscal Year 2013 as required by A.R.S. §37-132. The report contains a summary of the Department's management activities and the revenue the Department earned during the fiscal year.

It is my primary and continuing goal to increase revenue for the beneficiaries of the State Trust and to protect its long term interest. In this fiscal year, the Department staff continued their diligent work supporting the Trust. As a result of the careful economic stewardship of the last few years, we generated significant revenues for the Trust beneficiaries.

The Department sold 20,370 acres of land for a combined auction price of approximately \$181 million. The Department earned almost \$239 million in permanent receipts, an increase of approximately \$77 million over last year. We have also received significant revenue from other sources. For example, the royalty receipts from mineral sales contributed \$13.2 million in proceeds this year. In addition, we had noteworthy revenue in agriculture, grazing, subsurface, and commercial leases this year. The Department brought in over \$318 million in receipts in FY 2013, which is an increase of over \$100 million from FY 2012.

The Department continues to carry an outstanding balance for previous sales that are financed through the Department. The beneficiaries will earn interest on the balance at a rate ranging from 5% to 11% for an average term of seven years. The total outstanding receivable balance from term sales is \$426.4 million, which earns interest daily. The revenue earned on this balance will be distributed to our beneficiaries over the next several years. In addition, the payments on the remaining principal will be deposited in the Permanent Fund in future years.

The Department completed six auctions of State Trust land previously reclassified as suitable for conservation



Vanessa P. Hickman
Arizona State Land
Commissioner



during FY 2013. The City of Scottsdale was the successful bidder on three parcels of land adjacent to the McDowell Mountain Sonoran Preserve. These auctions were for a total of almost 6,400 acres resulting in approximately \$45.7 million dollars for the Trust. The City of Flagstaff was the successful bidder on 478 acres, "Picture Canyon," resulting in approximately \$4.8 million dollars for the Trust. Pima County was the successful bidder on 1,416 acres of land for the expansion of Tortolita Mountain Park, resulting in approximately \$3.8 million dollars for the Trust.

The economic outlook for the Department and Trust beneficiaries is the best that it has been in recent history. On May 8, 2013, the Department had its first competitive auction in years. As a result, the commercial property sold for twice its appraised value, allowing greater returns for the Trust beneficiaries.

The Department has also seen additional interest in renewable energy applications. In addition to the two existing solar leases, the Department executed a solar lease with Arlington Valley Solar Energy II on 150 acres west of Buckeye in Maricopa County. This lease is projected to generate \$4.9 million during its 35 year term. The Department leased approximately 400 acres to Sun Streams LLC, just east of Palo Verde in Wintersburg, Maricopa County. This lease will generate a minimum of \$6.4 million over its 30 year term.

Thank you for the opportunity to serve Arizona and the Trust beneficiaries as the State Land Commissioner. The opportunities that exist for the Department over the next year to increase revenue generation for K-12 education and the other Trust beneficiaries are exciting; I look forward to working alongside you, your staff, the staff at the Department, and the citizens of Arizona to make appreciable advancements of the interests of those we serve.

Sincerely,

Vanessa P. Hickman
State Land Commissioner



ABOUT THE COMMISSIONER

In November 2012, Vanessa Hickman was appointed as the Arizona State Land Commissioner. As such, she oversees the management of 9.3 million acres of Trust land across Arizona. Prior to beginning her tenure as Commissioner, Vanessa served as the Deputy State Land Commissioner and Deputy General Counsel to Governor Janice K. Brewer. Vanessa also worked in private practice in real estate litigation, land use and zoning.

Vanessa graduated Magna Cum Laude from Arizona State University with a Bachelor of Arts Degree. She received her Juris Doctor from the Sandra Day O'Connor School of Law at Arizona State University. Vanessa is a Faculty Associate at Arizona State University, a member of the Arizona State Bar and serves on the ULI Arizona Advisory Board, ULI Women's Leadership Initiative, Valley Partnership Board of Directors, the Arizona State Parks Board, Legislative Governmental Mall Commission, Transportation and Trade Corridor Alliance Steering Committee, on the Governor's Natural Resource Review Council and is an active member of the Western States Land Commissioner's Association.

HISTORICAL OVERVIEW

LAND GRANT

Endowment of public lands for educational purposes was a practice established by the Northwest Ordinance in 1787. Congress established the Territory of Arizona on February 24, 1863 and granted sections 16 and 36 of each township for the benefit of the Common Schools.

The Enabling Act, passed on June 20, 1910, allowed for Arizona statehood. In addition to the previously designated sections of land, the Enabling Act assigned sections 2 and 32 of each township to be held in trust for the Common Schools. The needs of other public institutions were considered by Congress, and more than two million additional acres were allocated for their use.



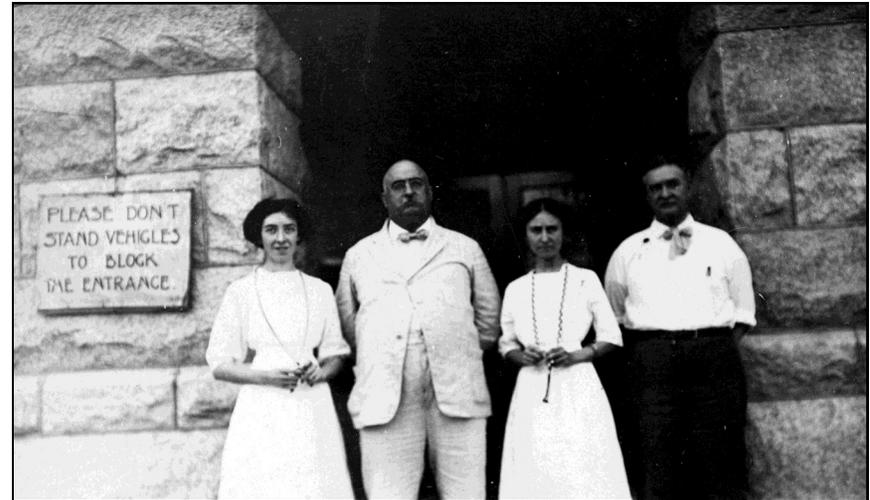
Two men by a Model T Ford in the Pinal Mountains of Gila County, Arizona. (Photo courtesy of Arizona State Library, Archives and Public Records, History and Archives Division, Phoenix, #98-1660)

CREATION OF THE LAND DEPARTMENT

On May 20, 1912, an act of the First Legislature created the three-member State Land Commission to serve as Arizona's temporary Land Department. The members were Mulford Winsor, Chairman; Cy Byrne, Secretary; and William A. Moody, member.

The Commission was charged with assessing, evaluating, and making recommendations about the Trust land granted by Congress to the State. The Commission was to report back to the Legislature with its findings and conclusions by the end of the second Legislative session.

The Commission concluded that Arizona should not sell its Trust land outright, as other states had done. Instead, it should put the lands to their *highest and best use*. The decision to sell or lease the land should be based upon the potential use of each parcel. The Commission recommended the creation of a permanent State Land Department "... in order that the multitudinous detail attached to the State's



1914 photo of Arizona Governor George W.P. Hunt and members of the Arizona State Land Commission: Catherine Grove, George W.P. Hunt, Ethel Shoemaker, and E.L. Trippel. (Photo courtesy of Arizona State Library, Archives and Public Records, History and Archives Division, Phoenix, #97-6948)

varied land interests may have constant attention and to prevent irretrievable loss."

The State Land Department and the system by which Trust lands were to be managed were established in 1915 by the State Land Code. In compliance with the Enabling Act and the State Constitution, the State

Land Code gave the Department authority over all Trust lands and the natural products from these Trust lands.

Since the Department’s inception, its mission has been to manage the Land Trust and to maximize its revenues for the beneficiaries. All uses of the land must benefit the Trust, a fact that distinguishes it from the way public land, such as parks or national forests, may be used. While public use of Trust land is not prohibited, it is regulated to ensure protection of the land and compensation to the beneficiaries for its use.

BENEFICIARIES

There are 13 beneficiaries of State Trust land revenues. The Common Schools is the beneficiary with the largest Trust land acreage, originally receiving about 8.4 million acres of land. A 14th beneficiary, County Bonds, was funded by Trust revenues until it was eventually paid. Revenues derived from County Bond lands are now added to the Common Schools’ grant.

Grant	Acres	Acres as of FY 2013
Common Schools (K-12) and County Bonds	9,400,000	8,064,796
University of Arizona (Act of 2/18/1881)	60,000	51,414
University Land Code	200,000	137,906
Normal Schools Grant	200,000	174,786
Agricultural & Mechanical Colleges	150,000	124,944
School of Mines Grant	150,000	123,254
Military Institutes Grant	100,000	80,168
State Charitable, Penal, and Reformatory	200,000	77,225
Miners' Hospital Grant	100,000	95,231
Penitentiary Grant	100,000	76,111
Legislative, Executive & Judicial Buildings	100,000	64,229
State Hospital Grant	100,000	71,248
School for the Deaf & Blind	100,000	82,560
Total	10,960,000	9,223,873

TRUST REVENUE

Revenues earned from Trust land are classified as either permanent or expendable receipts. Revenues derived from the sale of State Trust land and natural products are referred to as permanent receipts which are deposited into the permanent funds and invested in stocks, bonds, and interest-bearing securities by the State Treasurer. The Treasurer distributes money from the funds to the beneficiaries according to a constitutional formula.

Expendable revenue includes lease revenue from Trust land leases and permits, interest from sales contracts, and the Treasurer’s formula distribution. This revenue is distributed directly to the beneficiaries for their use.

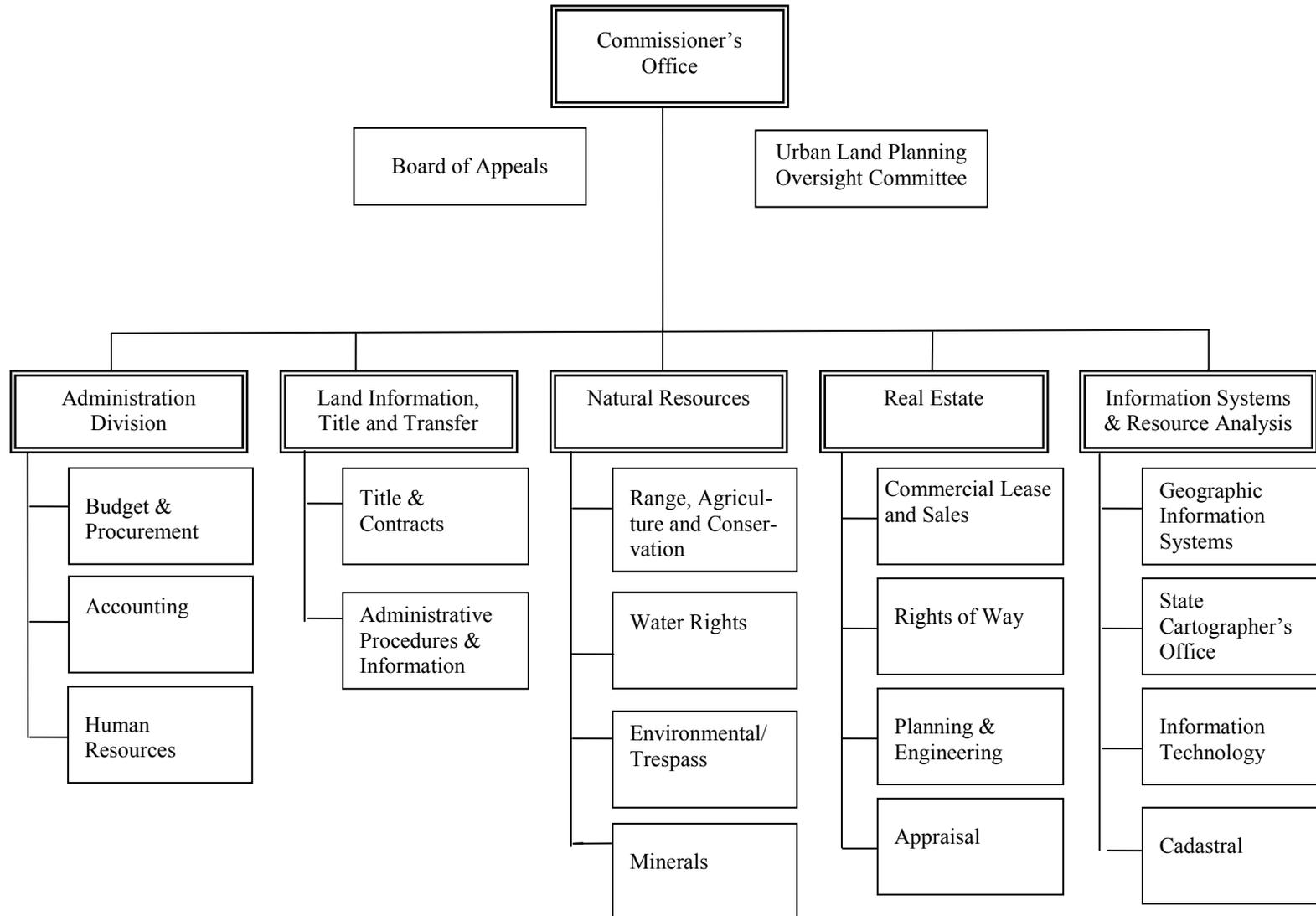
Original Land Endowment Pattern

Today, the original school section pattern exists only in a few locations such as the remote Arizona Strip. About three-quarters of the school section acreage was relocated through selections and exchanges that have consolidated the Trust lands into large blocks in Pinal, Pima, Graham, Greenlee, and Cochise counties in central and southeastern Arizona; north and northwest of Phoenix in Maricopa and Yavapai counties; and in the checkerboard railroad grant zone across Mohave, Yavapai, Coconino, Navajo, and Apache counties.

6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Land Endowment by Township
Township = 36 Sections
Each Section = 1 Square Mile

ORGANIZATIONAL CHART



AGENCY UPDATES

Did You Know?

- The Department processed 1,212 new customer applications; issued 7,545 recreational use permits and retrieved 7,320 lease and contract files for customers.
- The Department's Public Records area answered more than 3,000 customer inquiries.
- Over 5,000 customers visited the Department in FY 2013.
- There are currently 7,623 rights of way and 11,589 leases or permits.



LAND EXCHANGE AUTHORITY

In 1990, an Arizona Supreme Court decision *Fain Land and Cattle Co. v. Hassell*, 163 Ariz. 587 1990 declared State land exchanges unconstitutional on the basis that they constitute a *sale* without public auction. The Court found the exchange statutes A.R.S. §§ 37-604 -607 unconstitutional as they apply to Trust land. Because the Department also manages some sovereign land, the statutory scheme regulating exchanges of State sovereign land remained valid. Since the *Fain* decision, several attempts to amend the State's Constitution to allow for exchanges of Trust land for other lands were unsuccessful.

In the 2012 general election, the voters approved Proposition 119 to amend the State Constitution to allow for exchanges of Trust land if specific requirements are met. In addition, Laws, 2012 Chapter 278, revises A.R.S. § 37-604, codifying specific limitations and requirements regarding exchanges of Trust land.

Land exchange authority allows the Department to address a number of state-federal land management issues such as Trust lands captured within federal holdings and the exchange of Trust land to facilitate military base preservation.

Currently, there are approximately 1,500,000 acres of State Trust land impacted by federal land management decisions. These lands, estimated to have a surface value in excess of \$430 million, are located in national monuments, military withdrawals, federal wilderness areas, national conservation areas or are impacted by federal land management decisions on adjacent federal lands. Examples include four national monuments established in Arizona by Presidential Proclamation in 2000 and 2001. The boundaries of the four monuments encompass approximately 95,000 acres of State Trust surface land and 77,000 acres of State Trust mineral estate. While the State lands are not officially part of the monuments, the monument boundaries suggest to the public that the State lands are part of the monument. Trespass and illegal use of these lands occurs because of the mis-

conception. In addition, the State has limited access to Trust lands due to the federal restrictions placed on the monument's federal lands.

The Land Information, Title and Transfer Division is currently in the process of drafting rules for land exchanges and expects to open a rule making docket in early 2014.

State Trust Land

Surface	9,277,805.64
Oil/Gas	8,964,108.09
Mineral	8,978,118.24



NATURAL RESOURCES

MAJOR LEASE UPDATES: ASARCO & FREEPORT McMoRAN

The Department received income of \$15.44 million in FY 2013 from mining and minerals-related activities. The majority of this income was from an older mineral lease for copper with ASARCO's Mission Mine in Pima County that generated \$8.4 million in mineral royalty payments to the Trust. The Department's other significant Mineral Lease, also for copper, with Freeport McMoRan for their Morenci Mine in Greenlee County, generated \$2.0 million in mineral royalty income in FY 2013.

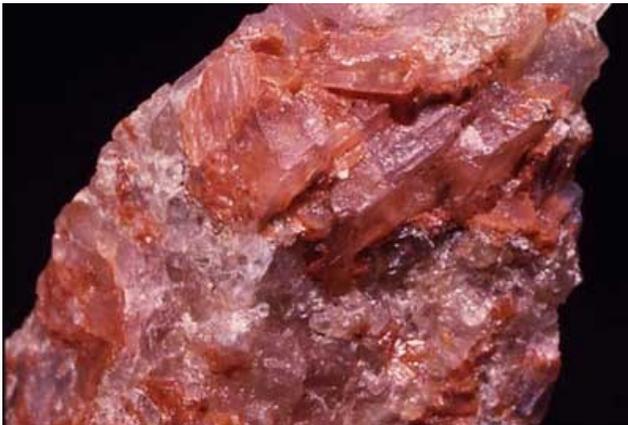
MINERAL MATERIALS LEASES: AN UPDATE ON STL AGGREGATES

Royalty income from Mineral Materials Leases, i.e. common variety sand and gravel and other aggregates operations, was \$1.9 million in FY2013. The Department held two mineral materials auctions during FY2013, with both going to the applicant as the only bidder. The first was held on December 11, 2012 in Pinal County, going to Ralph L. Wadsworth Construction for a one-time sale of \$107,500 (\$0.25 per cubic yard) for fill material left on State Trust land during the excavation of the Siphon Draw Drainage Control Structure. Wadsworth used the fill material in construction of the State Route 24 interchange at Loop 202 and the Williams Gateway Airport. By the end of June 2013, Wadsworth had removed most of the 430,000 cubic yards estimated to have been left in the fill material and expected to finish removing the rest and reclaiming the surface in the fall of 2013. The second auction was held on May 1, 2013 in Yavapai County, with 10.89 acres going to G&S Gravel for 5,000 tons per year at \$0.75 per ton and \$1,875 annual surface rental.



POTASH MINING

Efforts continued for the development of potash mining in the Holbrook Basin and during FY 2013 two companies filed applications for Mineral Leases. The first Mineral Lease application, 11-116760, was filed by American West Potash on September 17, 2012. American West's application includes 21,406.19 acres in 34 sections. The second Mineral Lease application, 11-117090, was filed by PPI Holding Corporation on May 31, 2013. PPI's application includes 22,897.67 acres in 41 Sections, and the Department anticipates having this Mineral Lease issued in 2014. Nine of the sections included in PPI's application were within the Petrified Forest National Park Expansion Area, to the west and south of the original Park boundary, and had been closed to exploration and mining by Commissioner's Order in September 2005. The ASLD re-opened these sections on April 30, 2013, to help facilitate the development of PPI's intended mine plan. During FY2013, the three companies drilled a total of 29 holes in the Holbrook Basin, with 8 of those drilled on State Trust lands, as the companies focused more on specific mine development sites rather than general exploration of the entire basin. Both companies have taken additional time in order to reassess the potash market.



FLORENCE COPPER PROJECT

The Department continues to work with Curis Resources as they attempt to develop the Florence Copper Project. Curis plans to use an in-situ solution mining process to recover a rich copper deposit west of the town of Florence. As of end of FY 2013 Curis was anticipating a final decision from the Arizona Department of Environmental Quality regarding the issuance of an Aquifer Protection Permit for the project. Curis also needs an Underground Injection Control Permit from the U. S. Environmental Protection Agency, which they hope to receive in 2014. Once both Permits are secured, Curis will make public a Plan of Operation and a Reclamation Plan for the Production Test Field (PTF). The PTF will be on a 5-acre portion of their State Mineral Lease, 11-26500, and the information from the PTF will allow Curis to determine if the proposed in-situ mining process is economically viable. Curis' Mineral Lease with the Department was originally

FLORENCE COPPER PROJECT CONTINUED

issued in December 1973, renewed in 1993, and will be up for renewal in December 2013. The Mineral Lease renewal process is expected to be completed in early 2014.

OIL AND GAS LEASES

Since Kinder Morgan CO₂ Company, L.P. (Kinder Morgan) acquired the St. Johns CO₂ and Helium Field (the Field) from Ridgeway Arizona Oil Corporation in late January 2012, they have retested ten of the wells drilled by Ridgeway, and during FY 2013 drilled five new wells in the Field, with three of these being on State Trust lands. The Unit Agreement for the St. Johns Gas Field of February 1, 2009 (the UA) includes 80 Oil and Gas Leases covering 111,514 acres of State Trust lands in southeastern Apache County, with the State Trust lands representing more than 80% of the area within the Field. Kinder Morgan plans to drill six more test wells in late 2013 and to start developing the Field in earnest in early 2014, drilling between 25 and 100 new wells per year for a period of three to four years for production of the CO₂. Kinder Morgan filed a Right-of-Way application, on July 30, 2012, for the Arizona portion of a 20-inch diameter, 410-mile long pipeline to run underground from the Field, primarily across New Mexico, to near Denver City in Yoakum County, Texas. The *Lobos Pipeline*, as the project would be known, will have the capacity to deliver 500 million cubic feet of CO₂ per day, which would be used for secondary or tertiary recovery of oil from older fields in the Permian Basin of southeastern New Mexico and west Texas. The UA requires Kinder Morgan to file a Field Development Report and post a bond with the Department before development of the Field begins.



ABANDONED MINE RECLAMATION

During June 2013, the Arizona State Mine Inspector's Office (ASMI) filled in several abandoned shafts and prospect pits on State Trust lands along Davidson Canyon and AZ State Route 83, about 30 miles southeast of Tucson in Pima County. The Department contributed \$978 to help purchase material to fill in one of the deeper and more dangerous shafts which can be seen in the before and after photos. ASMI estimated this old shaft to be 90 feet deep, and even though it had been fenced off and warning signs posted, there were obvious indications of the fence being damaged to provide human access. The ASMI has remediated numerous other abandoned mines on State Trust lands over the years and hopes to continue doing so in the future.



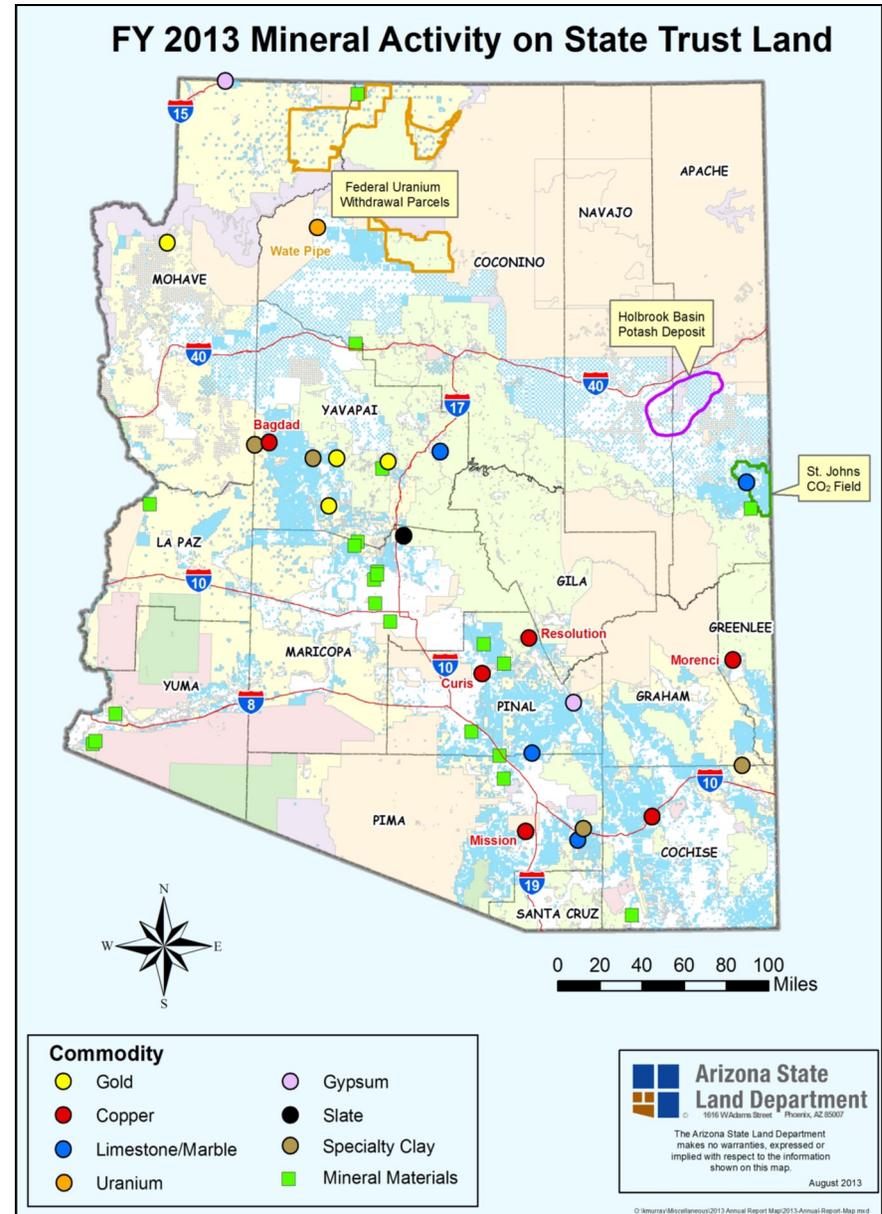
The image to the left shows the 90 foot deep shaft before reclamation.

The image to the right shows the site after reclamation.



ASLD Factoids

- From 1912 to 2001 the Trust generated \$1 Billion –the Trust now stands at over \$4.1 billion
- In FY 2013, ASLD generated over \$318.5 million from Trust lands for the beneficiaries
- In FY 2013 ASLD had 11,590 active leases and received 2,340 new applications
- Many State Parks hold State Trust land leases – Picacho Peak, Lyman Lake...



STATEWIDE WATER RESOURCES PROGRAM

In FY 2012, geological and hydrological investigations along with groundwater modeling studies were completed for the Butler Valley groundwater basin and an application for Analysis of Adequate Water Supply (AAWS) was submitted to ADWR. Pursuant to A.R.S. § 45-108 and A.A.C. R12-15-712, ADWR approved the AAWS reserving approximately 24,000 acre-feet/year for a 100-year period for future development of State Trust land in the Butler Valley basin. This fiscal year additional geologic and hydrologic investigations were completed for this basin and an application to increase the AAWS for Butler Valley was submitted to ADWR.

NOTABLE ACTIONS FROM THE WATER RIGHTS SECTION

The Water Rights Section was restructured to focus solely on water for State Trust land, and agricultural leasing was moved to the Range, Agriculture and Conservation Section.

The Department executed an Intergovernmental Agreement with the Arizona Department of Water Resources (ADWR) for the loan of specialized equipment for measuring water levels in wells on State Trust lands. In exchange, the Department shares the water level data with ADWR. These measurements will then be incorporated into the ADWR's Statewide Groundwater Site Inventory database.

**LEASES AND PERMITS/REVENUE PRODUCTION
FY 2013**

Facts & Figures

Lease Rentals

	ACRES	NUMBER OF LEASES		INCOME
Agriculture	152,417	338	Agriculture	4,326,771
Grazing	8,368,302	1,215	Grazing	2,775,849
Mineral Material	1,669	19	Mineral Material	292,765
Exploration Permits	372,329	720	Exploration Permits	1,458,432
Mineral	10,025	64	Mineral	79,067
Oil & Gas	515,053	294	Oil & Gas	900,509
Mineral SLUPs	38,323	93	Mineral SLUPs	269,192
			TOTAL	10,102,585

Number of Registrations and Water Rights Claims

Sale of Products

Stockpond Registrations	4,312	Public Auction Water Sales	326,918
Certificated Surface Water Rights	125	Lease Water Charges	112,097
Well Registrations	2,914	Mineral Royalties	10,537,191
Adjudication Statements of Claimant	7,025	Mineral Materials	1,908,349
Water Right Registrations	7,475	Other Natural Products	328,269
Grandfathered Groundwater Rights	264	TOTAL	13,212,823
		GRAND TOTAL	23,315,408



NRCD ENVIRONMENTAL EDUCATION

Natural Resource Conservation Districts (NRCDs) were created following the dust bowl era to ensure participation in conservation efforts spearheaded by the newly formed (1937) Soil Conservation Service (SCS). Arizona passed the Conservation District Law in 1942 (Laws, 1941, Ch. 43, § 2.) NRCD laws are codified in Title 37, Chapter 6 of the Arizona Revised Statutes. Reorganized in 1994, SCS adopted the name Natural Resources Conservation Service (NRCS). The 32 State sponsored NRCDs are composed of a five person board that provides local voluntary leadership and knowledge. The NRCDs make available technical, financial, and educational assistance to provide for the conservation of their Districts' natural resources. Conservation Districts are not aligned with any particular commodity. Many organizations and agencies utilize the neutral status of the Districts to implement projects and disseminate information regarding the changing environmental and natural resource management issues in Arizona. As a result of this "state, federal, private" partnership, NRCDs play a pivotal role in organizing, implementing, and coordinating with a variety of agencies concerning natural resource initiatives.

One of the efforts to coordinate with local, state, and federal agencies has been undertaken by the Winkelman NRCD. Since 1980 the District has focused a vast amount of energy studying the Sonoran Desert Tortoise, a candidate species for protection under the Endangered Species Act, for the purpose of writing, editing, and soon finalizing the Winkelman Natural Resource Conservation District Plan for the Sonoran Desert Tortoise. While the plan is not yet completed, its objective is clear, "The goal of the Conservation Plan is to reduce conflicts between the species and important economic activities associated with research, education, recreation, mining, ranching, development and construction to assure Sonoran Desert Tortoise populations and their habitat are not jeopardized. The Plan will involve but not be limited to cooperation and coordination, including development of management protocols with the Pinal County Board of Supervisors, AGFD, ASLD, BLM, NRCD, Tonto and Coronado National Forest, Arizona State Parks, Gila River Indian Reservation, Ak Chin Indian Reservation and Central Arizona College."



In addition, A.R.S. § 37-1054 A.11 empowers NRCDs to establish Education Centers. NRCD Education Centers provide practical, hands-on learning experiences that encourage critical thinking and demonstrate the necessity of individual stewardship and rural & urban interdependency. The programs are based on current scientific information, include discussions of economic and social implications, offer delivery of national & regionally recognized environmental education programs, and offer integrated experiential curriculum that motivate students (improving test scores). Currently, 30 Districts sponsor 23 education centers. While the Department is primarily recognized for its mandate to generate revenue for the beneficiaries of the Trust, the Department is also proud of its efforts to inform and educate the residents of Arizona through the Natural Resource Conservation District Environmental Education Program, which has reached over 18,000 students of various age groups within the last year.

THE ARIZONA NATURAL RESOURCE REVIEW COUNCIL

On January 14, 2013, Governor Brewer signed Executive Order 2013-02 establishing the Arizona Natural Resources Review Council (NRRC) for the purpose of developing an integrated natural resource management strategy for the entire state.

The NRRC Consists of the Following Agency Directors

- Arizona Game and Fish Department
- Arizona State Land Department
- Arizona Department of Environmental Quality
- Arizona Department of Water Resources
- Arizona State Forester
- Arizona Geological Survey
- Arizona State Parks Department
- Arizona Department of Agriculture
- Arizona Department of Transportation

NRRC Requirements

- The Council shall prepare a comprehensive report and plan to the Governor for long-term land and natural resource management. The report shall include and address multiple use and sustained yield approaches, public access issues and sustainable economic development.
- The Council shall develop a coordinated centralized Geographic Information System database model that identifies current and future management priorities for designated land and natural resources areas.
- The Council shall identify and prioritize legal, legislative and incentive-based needs that protect and maintain state interests related to wildlife, land, water and other natural resources.
- The Council shall provide recommendations to the Governor on a statewide approach to mitigation and conservation banking that includes State government, local governments and the private sector in order to meet long-term natural resource conservation objectives.

NRRC Meetings

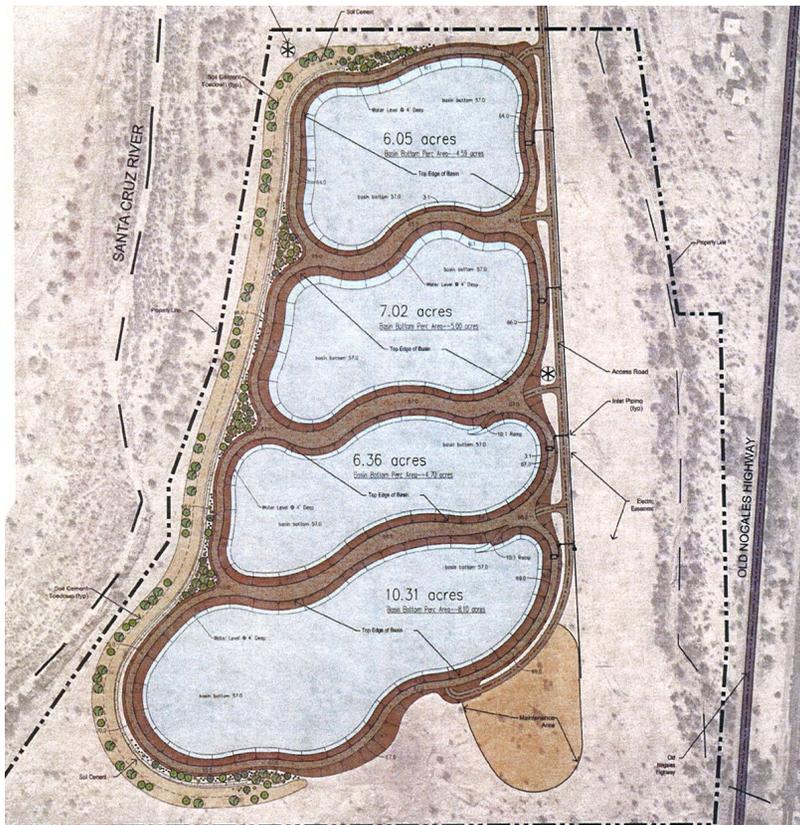
At the NRRC's first meeting on February 25, 2013, it reviewed the Governor's charge, identified deliverables, and established four subcommittees to address them. A fifth subcommittee was established at the June 2, 2013 meeting. The State Land Commissioner serves as the Chair of the Mitigation and Conservation Banking Subcommittee. An interim report of the NRRC will be issued in the Winter of 2014 and the Council will continue its implementation of the Executive Order in FY 2014.

REAL ESTATE DIVISION

GREEN VALLEY WATER RECHARGE FACILITY

The Community Water Company of Green Valley (CWCGV) will operate a water recharge facility that will be located in Sahaurita on 72 acres of State Trust land. Construction will begin upon receipt of an Underground Storage Facility permit from the Arizona Department of Water Resources, with operation scheduled to begin during early 2015.

An approximately six mile long pipeline will be constructed to transport the CWCGV CAP water allocation to the recharge facility. At the recharge facility, water will be directed to one of four basins with a combined capacity of 14,000 acre-feet of water per year. The recharge basins are situated in close proximity to the Santa Cruz River, where soil type allows maximum percolation into the Upper



Santa Cruz groundwater sub-basin of the Tucson Active Management Area. This amount of recharge is equal to 12,500,000 million gallons of water a day.

Rather than the traditional square basin shape, this facility known as *Project Renews* uses irregular, organic shapes, intended to be more aesthetically pleasing. The basins also provide a habitat for birds and opportunities for birdwatchers. Lands adjacent to this Right of Way will feature amenities such as picnic tables, informational kiosks and hiking trails that connect to the De Anza National Historic trail.

COMMUNICATION SITES

The Department plays a significant role in providing locations for the State's communication infrastructure. Private enterprise, public safety, industrial communications are among the lessees of State land communication sites.

The sites typically begin with a lease on a small pad of land for a communication tower. The Department encourages the tower owners to place additional communication companies' equipment on their tower thereby intensifying the land use and income to the Trust. The sub-lessee is considered to be on the tower and is issued a Special Land Use Permit from the Department for a specified fee.

Presently, the Department has 100 leases in place and 115 co-locators. The rent for these facilities is determined by the communication use and the population density of the county where the facility is located. The Department has divided the rent and fee rates into six levels based upon location and five rent levels based upon use. The highest rates are for television broadcast and the lowest are for public safety. The most common are for cellular service.

The income to the Trust from communication sites over the fiscal year was \$1,461,539.

ARIZONA PRESERVE INITIATIVE UPDATE

By the end of calendar year 2013, it is anticipated that beneficiaries of the Arizona State Land Department will receive over \$35,350,000.00, and three local jurisdictions will have added a combined total of 5,434 acres of open space to their communities.

The City of Flagstaff, Pima County and the City of Scottsdale have plans to purchase large tracts of Arizona State Trust Land for preservation purposes. The Trust lands they wish to acquire have been classified by the State Land Commissioner as *suitable for conservation purposes*. This classification allows local jurisdictions to apply and receive Growing Smarter matching funds administered by the Arizona State Parks Board through the Arizona Preserve Initiative program of the State Land Department. The three jurisdictions have applied to the Parks Board and have been awarded funding to help subsidize their costs to purchase the Trust land at public auction.

The largest of the three parcels to be purchased for preservation is in the City of Scottsdale. The 2,365 acre site is contained within the City's planned McDowell Sonoran Preserve area, and is located south of the Bell Road alignment and east of 120th Street. It includes the southern area of the McDowell Mountains and is extremely rugged land. The Commissioner has set the minimum bid for the parcel at \$21,300,000 and is scheduled for auction in November 2013.

Pima County has applied for an 818 acre parcel for the eastern expansion of its Tortolita Mountain Park. The Park and the subject Trust lands are located north of the Towns of Marana and Oro Valley. The 818 acre parcel is valued at \$2,450,000 and the auction is scheduled in December 2013.

The Trust parcels the City of Flagstaff plans to acquire, Observatory Mesa are located west of the city and consist of 2,251 acres. The value of the four parcels totals \$11,600,000 and the auction is also scheduled in December 2013.

SOLAR ENERGY LEASES SUNSTREAMS AND FOOTHILLS

The Department added an additional solar energy lease during fiscal year 2013. The lease was entered with Element Power, a global renewable energy developer owned by Hudson Clean Energy Partners.

The subject lease property is located adjacent to the Palo Verde nuclear generating station in Tonopah, approximately 50 miles west of Phoenix. The subject site is 480 acres of sparsely vegetated desert land and is adjacent to land privately owned by Element Power.

Element Power intends to develop a photovoltaic solar generating plant that has been named Sunstreams. Sunstreams will have a minimum electrical generating capacity of 25 megawatts per hour. The interconnection point for the power is the Hassayampa Substation. The Hassayampa is one of Arizona's major substations and is positioned to facilitate the exportation of power to California. Sunstreams will also have the ability to serve the local market.

Sunstreams is in the permitting process and has four years to commence producing power. The Department expects rental income from Sunstreams to be in excess of \$6,452,500 over the 30 year term of the lease.

On March 28, 2012 Arizona Public Service Company (APS) entered a lease for the purpose of developing a photovoltaic solar energy power plant in Yuma County. On April 15, 2013, APS's power plant named the Foothills Solar Energy Plant, started commercial production and began feeding 17 megawatts of electricity per hour to the grid. Additionally, APS built a substation on the lease property which enhanced the land value by opening additional Trust land to potential electric power plant interconnection.

The remaining 18 megawatt capacity for the plant is sched-

SOLAR ENERGY LEASES

uled for completion in the 4th quarter of 2013 for a total of 35 megawatts. The rapid completion of the Foothills Solar Plant will increase the scheduled income to the trust by an additional \$331,145.

ARLINGTON VALLEY SOLAR ENERGY II

On March 29, 2012 Arlington Valley Solar Energy II (AVSE II) entered a lease for the purpose of developing a photovoltaic solar energy power plant in Maricopa County. AVSE II is owned by LS Power, an independent electrical generating company with offices in New York, New Jersey, Missouri and California. AVSE II began commercial production of their first 19 megawatts of electrical power on May 1, 2013. AVSE II owns additional private property that will be used to develop the plant to its fully developed size of 127 megawatts. The power from AVSE II has been sold to San Diego Gas & Electric and will be delivered through interconnection to the Hassayampa Substation. Early completion of these 19 megawatts will result in an increase of \$179,755.00 income to the Trust over the lease term.



UTILITY SCALE WIND POWER GENERATION ON STATE TRUST LAND

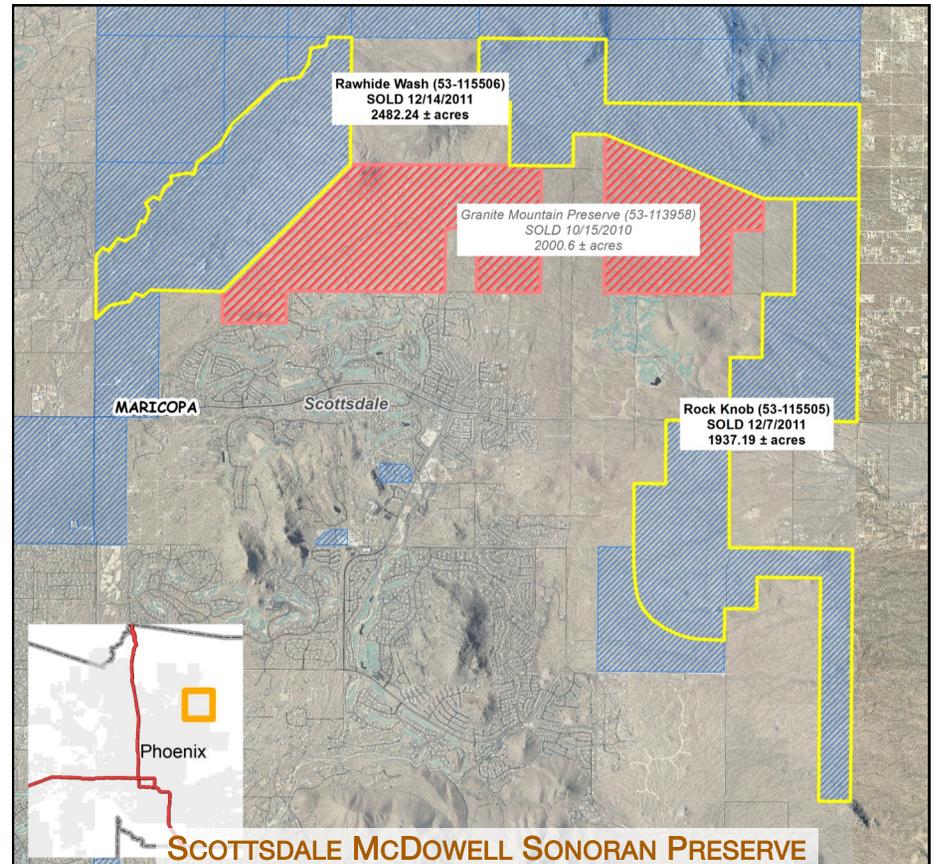
The Dry Lake Wind I (2008) and Dry Lake Wind II (2010) wind energy projects, located north of Snowflake in Navajo County, are on-line and generating revenue for the beneficiaries. The newest utility scale wind energy facility producing energy and income to the Trust beneficiaries is the Perrin Ranch Wind LLC project. This 99 megawatt installation lies north of Williams and west of SR 64 in Coconino County. Twenty-nine of the 64 turbines in the project are located on Trust land and generating income for the beneficiaries. Through the 50-year term of this right of way, beneficiaries will collect a minimum of \$11 million in wind energy revenue in addition to rent normally earned through grazing activities.

The newest addition to the wind energy portfolio is the Red Horse Wind II project west of Willcox in Cochise County. Presently under construction, this project will contain thirty-two turbines, thirty-one of which are on Trust land. Throughout the 50-year right of way commitment the ASLD will collect at least \$11 million in wind energy revenue from Red Horse Wind II. As with the other three projects, existing surface lessees will remain largely unaffected.



MAJOR TRANSACTIONS/LEASES

\$88,200,000	The City of Scottsdale purchased a total of 6,398.54 acres as part of the Arizona Preserve Initiative program. The areas included Granite Mountain, Cholla Mountain to Rawhide Wash and the Upper Sonoran Desert.
\$29,640,000	FreePort McMoRan Sierrita purchased 8,307.24 acres on 7/24/12 for the Pima County Mine expansion and buffer.
\$24,100,000	The City of Phoenix purchased 1,543.78 acres on 1/30/13 for inclusion in the Phoenix Preserve.
\$14,090,000	PAG Noma Master LLC purchased 35.45 acres in the City of Phoenix on 1/29/2013 planned for auto sales and multi-family development.
\$4,778,000	The City of Flagstaff purchased 477.8 acres for the Picture Canyon Preserve on 10/30/2012.
\$4,350,000	Pima County purchased 289.22 acres in the City of Tucson on 4/24/2013 for a Government office complex and park.
\$3,790,000	ASARCO, LLC purchased 640.65 acres on 11/27/2012 for their mission mine expansion.
\$3,780,000	Pima County purchased 1,416.14 acres on 12/20/2012 for inclusion in the Pima County Preserve.
\$1,940,000	Solar lease 03-115749 to Sun Streams, LLC for 484.87 acres.
\$1,223,000	The City of Sierra Vista purchased 46.65 acres on 7/3/2012 for a municipal sports field.

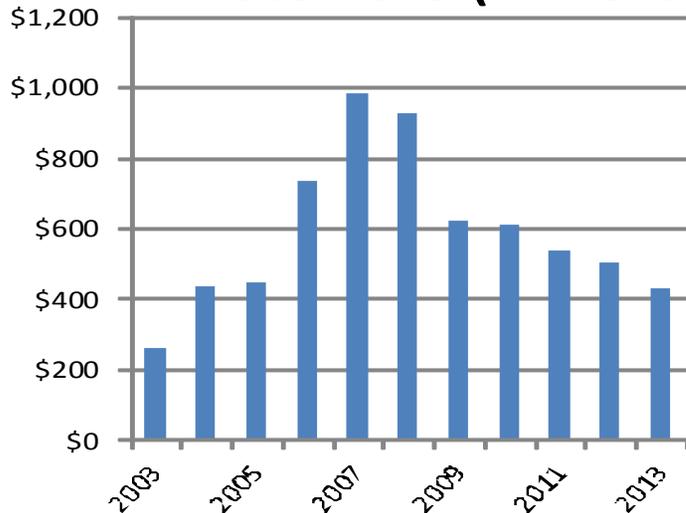


STATE TRUST LAND USES



- 10,290 leases and other contracts contain 9,373,220.46 surface acres.
- 1,097 leases and other contracts contain 899,076.04 subsurface acres.

Certificate of Purchase Balance FY 2003-2013 (Millions)



STATE TRUST LAND USES

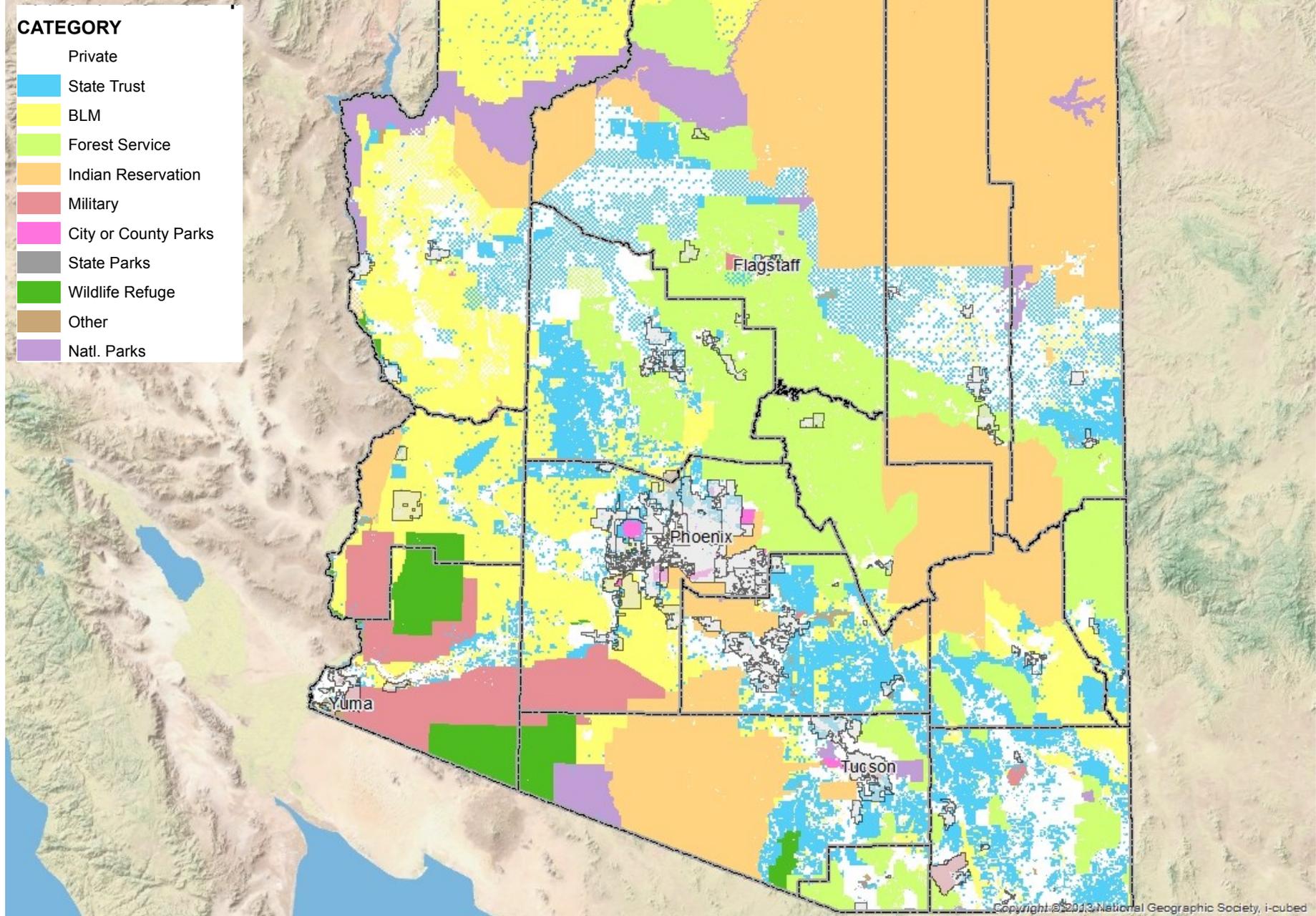
SURFACE	NO. OF LEASES	% OF LEASES	TOTAL ACREAGE	% OF ACREAGE
Rights Of Way	7,566	73.53%	135,018.24	1.44%
Grazing	1,215	11.81%	8,368,301.53	89.28%
Commercial	323	3.14%	75,359.27	0.80%
Commercial School Leases	21	0.20%	1,142.93	0.01%
Agricultural	338	3.28%	152,417.07	1.63%
Use Permits	654	6.36%	609,806.71	6.51%
U.S. Government	157	1.53%	18,277.51	0.19%
Homesite	1	0.01%	5.63	0.00%
Institutional	10	0.10%	12,891.56	0.14%
Recreational	5	0.05%	0.01	0.00%
SUBTOTAL (Leases)	10,290	100.00%	9,373,220.46	100.00%

SUBSURFACE	NO. OF LEASES	% OF LEASES	TOTAL ACREAGE	% OF ACREAGE
Mineral	64	5.83%	10,024.76	1.12%
Mineral Exploration	720	65.63%	372,329.38	41.41%
Mineral Materials	19	1.73%	1,668.58	0.19%
Oil & Gas	294	26.80%	515,053.32	57.29%
SUBTOTAL (Leases)	1,097	100.00%	899,076.04	100.00%
TOTAL Leases	11,387		10,272,296.50	

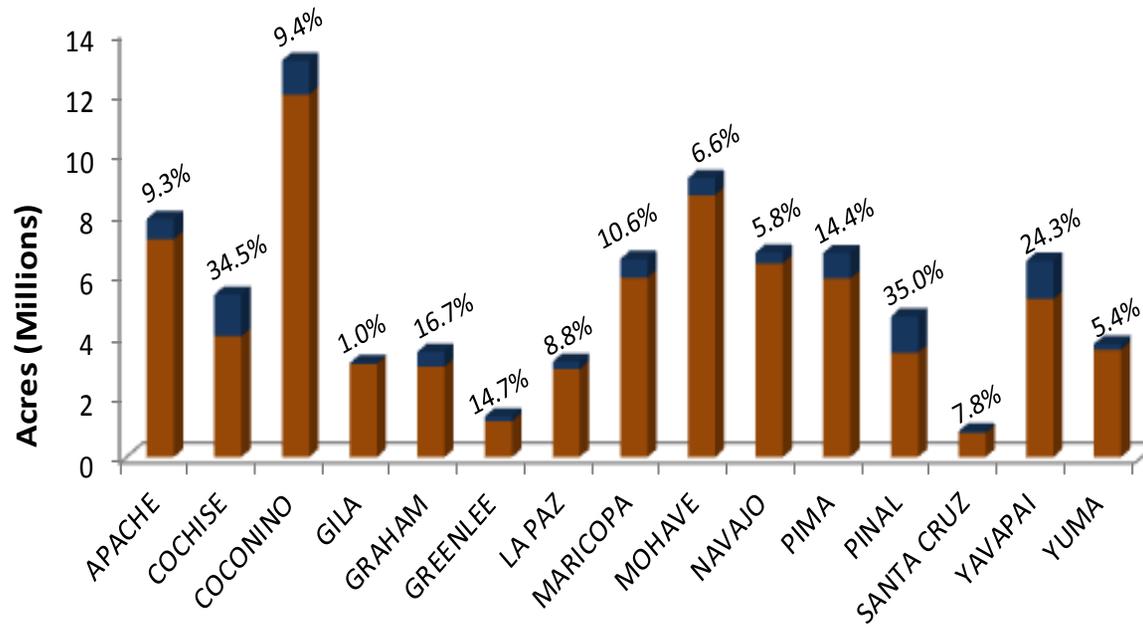
Did You Know?

- By statute, all major ASLD transactions must be substantiated by an appraisal to help protect the Trust beneficiaries.
- The current appraisal staff includes three Certified General Real Estate appraisers with over 86 years of experience combined.
- During the past year, the Appraisal Section either appraised or contracted out for appraisal over 108 assignments totaling \$433,000,000 in combined land value.

Land Ownership in Arizona



PERCENTAGE OF STATE TRUST LAND PER COUNTY



COUNTY DISTRIBUTION OF STATE TRUST LAND

COUNTY	ACRES
Apache	668,018.1
Cochise	1,373,593.3
Coconino	1,125,242.4
Gila	31,220.8
Graham	496,194.0
Greenlee	172,278.5
La Paz	255,100.3
Maricopa	625,103.9
Mohave	565,728.9
Navajo	371,866.8
Pima	846,218.2
Pinal	1,204,037.0
Santa Cruz	61,543.3
Yavapai	1,264,818.5
Yuma	190,729.7
TOTAL	9,251,693.8

BOARD OF APPEALS

BOARD MEMBERS AS OF JUNE 30, 2013



**Richard Poynter, Chair
Prescott**

Represents the Third District consisting of Mohave, Yavapai, Coconino, Apache and Navajo counties



**Sandra B. Kelley, Vice Chair
Scottsdale**

Member-at-Large



**Jolene U. Dance
Phoenix**

Member-at-Large



**Norman Chappell,
Phoenix**

Represents the Second District consisting of Maricopa, Pinal, Gila, Yuma and La Paz counties



**Vacant
Tucson**

Represents the First District, consisting of Pima, Santa Cruz, Cochise, Graham and Greenlee counties

BOARD MEMBERS, TERM EXPIRED FY 2013



**Jeffrey Covill, Chair
Phoenix**

Represents the Second District consisting of Maricopa, Pinal, Gila, Yuma and La Paz counties



**Sanders K. Solot
Tucson**

Represents the First District, consisting of Pima, Santa Cruz, Cochise, Graham and Greenlee counties

Arizona Revised Statute §37-132(A)(7) requires all land sales and commercial leases be approved by the Board of Appeals, which also serves as an Administrative Review Board. An appeal from a final decision of the State Land Commissioner relating to appraisals and classifications may be taken to the Board of Appeals.

The State Land Department Board of Appeals consists of five board members (pictured to the left) appointed by the Governor and confirmed by the Senate for six-year terms. Three members represent the 15 counties in the State, which is divided into three districts. Two members hold positions at-large.

The Board currently meets monthly. This schedule allows the Board to address appeals of Commissioner decisions related to reclassification and appraisals, as directed by statute. All meetings were held in Phoenix this fiscal year.

During this fiscal year, the Board approved 3 new commercial leases, 15 renewal leases, 56 rights of way sale appraisals, and 11 land sale appraisals.

One new appeal was filed with the Board. The appeals was withdrawn and dismissed by the Board. At the close of FY 2013, there were no appeals pending.

The Commissioner and the staff of the ASLD appreciate the considerable time and effort Board of Appeals members invest in serving the Trust and the citizens of Arizona.

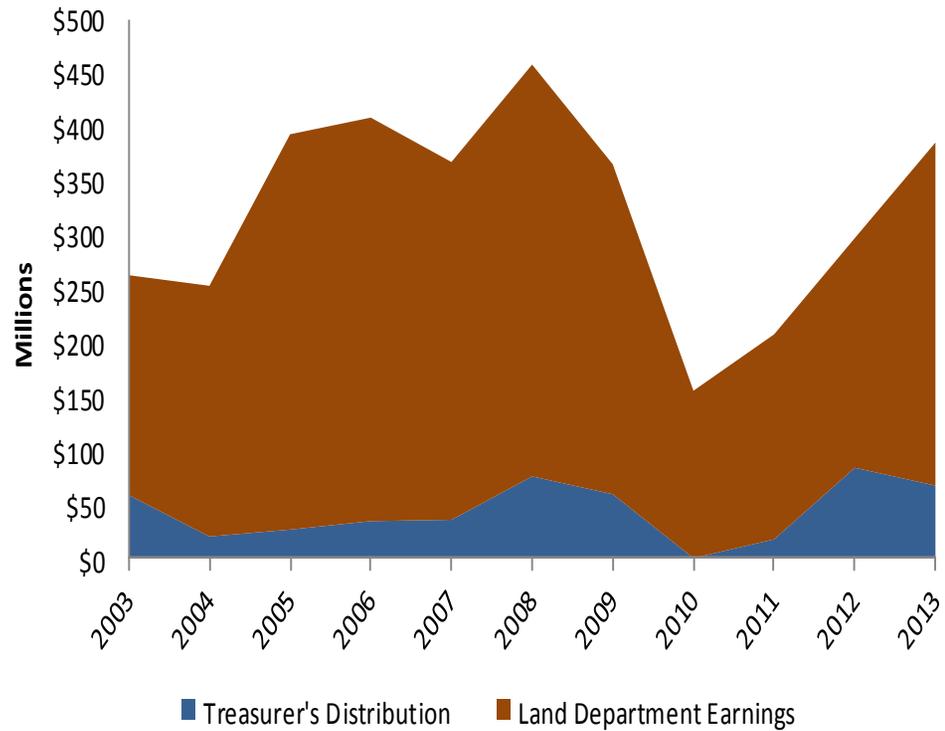
FISCAL YEAR 2013



FUNDS

Expendable	58,256,135.07
Commercial Prepayment	15,607,943.16
School Leases	0.00
General	219,603.18
Trust Land Management Fund	5,593,949.33
Permanent	238,876,111.67
TOTAL LAND DEPARTMENT	\$318,553,742.41
Treasurer's Distribution	\$67,373,883
GRAND TOTAL - FY 2013	\$385,927,625.41

Total Trust Revenue FY 2003-2013



FISCAL YEAR 2013

FY 2013 REVENUES BY BENEFICIARY

BENEFICIARIES	TRUST ACRES	STATE LAND EXPENDABLE EARNINGS	TREASURER'S FORMULA DISTRIBUTION	TOTAL EXPENDABLE RECEIPTS	TOTAL PERMANENT RECEIPTS	TOTAL RECEIPTS
Common Schools (K-12) [‡]	8,064,796.03	49,645,195.20	62,417,775.00	112,062,970.20	228,653,031.50	340,716,001.70
Normal Schools	174,785.52	195,461.19	70,689.00	266,150.19	168,515.24	434,665.43
Agricultural & Mechanical	124,943.87	90,188.89	209,066.00	299,254.89	1,649.88	300,904.77
Military Institutes	80,168.11	49,411.97	11,771.00	61,182.97	3.31	61,186.28
School of Mines	123,254.09	190,069.71	235,446.00	425,515.71	36,722.09	462,237.80
University Land Code	137,906.49	1,200,477.56	380,613.00	1,581,090.56	706,033.53	2,287,124.09
University of Arizona (Act of 2/18/1881)	51,414.34	434,299.06	881,688.00	1,315,987.06	4,971,321.63	6,287,308.69
School for the Deaf & Blind	82,559.65	133,672.24	101,606.00	235,278.24	2,901.53	238,179.77
Subtotal Education	8,839,828.09	51,938,775.82	64,308,654.00	116,247,429.82	234,540,178.71	350,787,608.53
Legislative, Executive & Judicial Buildings	64,228.88	123,380.46	167,816.00	291,196.46	6,540.87	297,737.33
State Hospital	71,248.39	371,400.28	118,691.00	490,091.28	93,780.60	583,871.88
Miners' Hospital **	95,231.28	1,613,146.16	282,856.00	1,896,002.16	396,194.23	2,292,196.39
State Charitable, Penal, & Reformatory	77,225.45	3,124,412.86	2,271,804.00	5,396,216.86	1,061,420.76	6,457,637.62
Penitentiaries	76,110.72	1,085,019.49	224,062.00	1,309,081.49	2,777,996.50	4,087,077.99
TOTAL	9,223,872.82	58,256,135.07	67,373,883.00	125,630,018.07	238,876,111.67	364,506,129.74

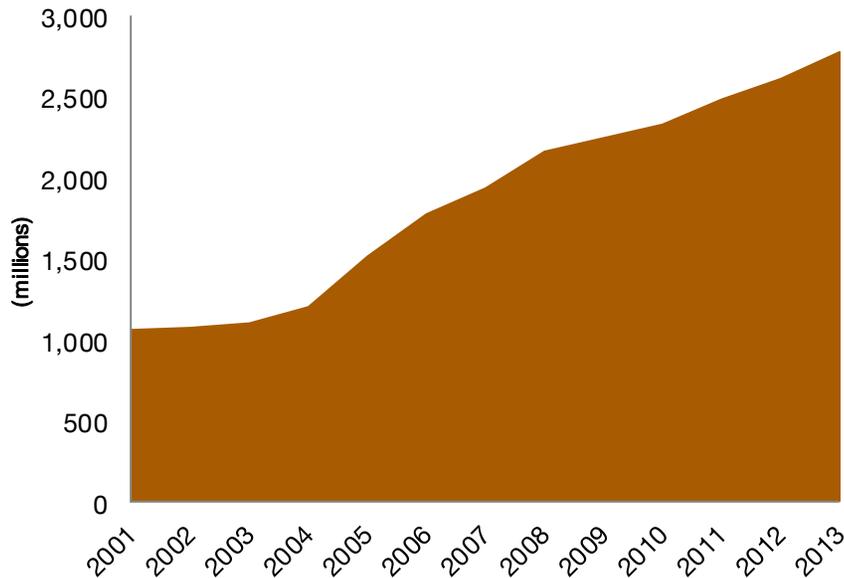
** Miners' Hospital and Miners' Hospital 1929 combined

‡ Including County Bonds

PERMANENT FUND

- The Department deposited \$239 million into the Permanent Funds in FY 2013, increasing the book value to \$2,780,284,000.
- The Permanent Funds consist of revenues earned from the sale of State Trust land or assets such as minerals or other natural products.
- Each beneficiary has its own Permanent Fund.
- The State Treasurer manages the Permanent Funds and invests the funds in stocks, bonds and other interest bearing securities. Distributions from the Permanent Funds to the beneficiaries are based on a constitutional formula.

**Permanent Fund Book Value
FY 2001-2013**



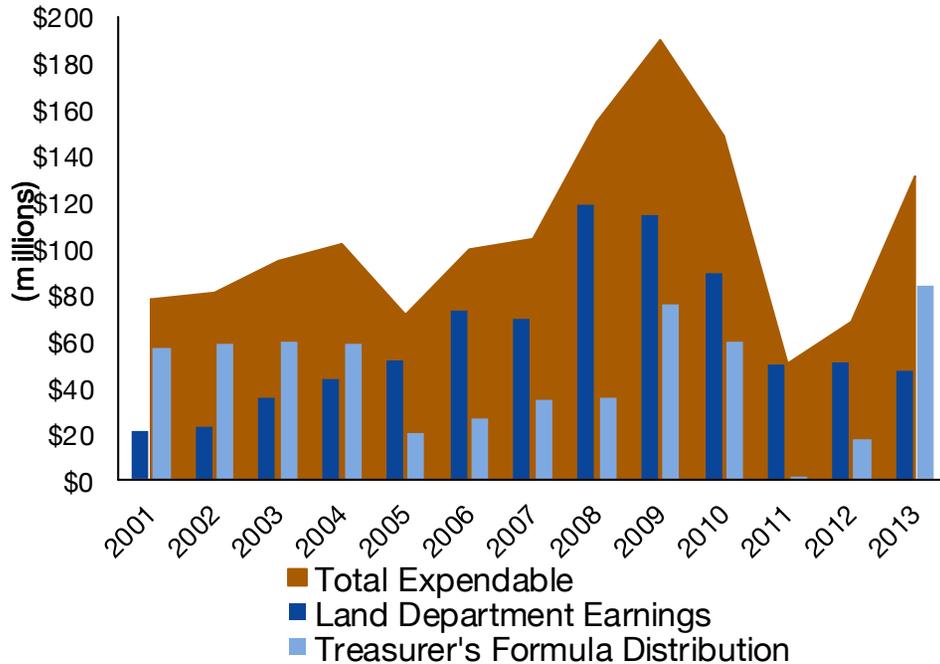
**BENEFICIARY SHARE OF PERMANENT FUND
June 30, 2013**

	Book Value	Market Value
Common Schools	2,596,625,000	3,867,443,000
Normal Schools	2,528,000	4,018,000
Agricultural & Mechanical Colleges	6,244,000	10,598,000
Military Institutes	352,000	588,000
School of Mines	7,542,000	12,021,000
University Land Code	13,159,000	20,695,000
University of Arizona (Act of 2/18/1881)	41,780,000	61,113,000
School for the Deaf & Blind	3,420,000	5,587,000
Legislative, Executive, & Judicial	5,484,000	8,827,000
State Hospital	4,003,000	6,647,000
Miners' Hospital	14,793,000	21,065,000
State Charitable, Penal, & Reformatory	76,191,000	117,597,000
Penitentiaries	8,163,000	13,154,000
TOTAL	<u>2,780,284,000</u>	<u>4,149,353,000</u>

EXPENDABLE REVENUE

- Expendable revenue includes lease revenue from Trust land leases and permits, interest from sales contracts, and the Treasurer’s formula distribution of the Permanent Fund.
- Expendable revenues are distributed directly to the beneficiaries.
- Expendable revenue totaled \$125.6 million in FY 2013.
- Revenue from Trust land leases, permits, and interest earnings from sales financed through the Department totaled \$58.2 million.
- The Treasurer distributed \$67.3 million according to the constitutional formula based on the five-year average net return and the

Trust Expendable Earnings FY 2001-2013



EXPENDABLE REVENUE BY BENEFICIARY FY 2013

BENEFICIARIES	TREASURERS'S FORMULA DISTRIBUTIONS	LEASE AND SALES CONTRACT INTEREST	TOTAL EXPENDABLE REVENUE
Common Schools	62,417,775.00	49,645,195.20	112,062,970.20
Normal Schools	70,689.00	195,461.19	266,150.19
Agriculture & Mechanical Colleges	209,066.00	90,188.89	299,254.89
Military Institutes	11,771.00	49,411.97	61,182.97
School of Mines	235,446.00	190,069.71	425,515.71
University Land Code University of Arizona (Act of 2/18/1881)	380,613.00	1,200,477.56	1,581,090.56
School for the Deaf & Blind	101,606.00	133,672.24	235,278.24
Subtotal Education	64,308,654.00	51,938,775.82	116,247,429.82
Legislative, Executive & Judicial Buildings	167,816.00	123,380.46	291,196.46
State Hospital	118,691.00	371,400.28	490,091.28
Miners' Hospital	282,856.00	1,613,146.16	1,896,002.16
State Charitable, Penal & Reformatory	2,271,804.00	3,124,412.86	5,396,216.86
Penitentiaries	224,062.00	1,085,019.49	1,309,081.49
TOTAL	67,373,883.00	58,256,135.07	125,630,018.07

FUND AND BENEFICIARY SUMMARY

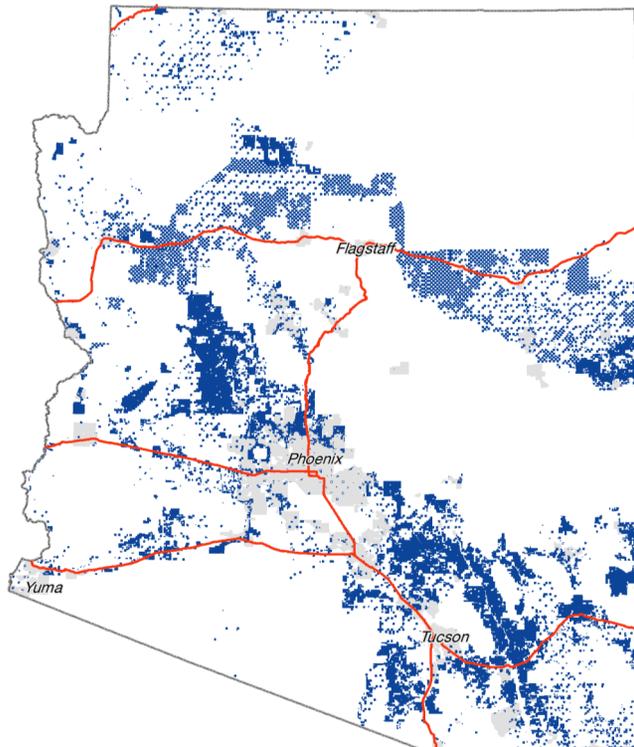
In FY 2013, State Trust receipts totaled \$385,927,625.41. A total of \$318,553,742.41 was earned for the beneficiaries, \$219,603.18 was deposited in the General Fund, \$15,607,943.16 was received as commercial prepayments, and \$5,593,949.33 was deposited into the Trust Land Management Fund. Of the beneficiary amount, \$238,876,111.67 was deposited into the Permanent Funds. The Permanent Funds are managed by the State Treasurer. The remaining \$125,630,018.07 in receipts were expendable and were distributed to the beneficiaries for use in their operations. Expendable receipts are comprised of lease revenues, interest on the outstanding sales balance, and the Treasurer's formula distribution. The table below indicates the number of acres remaining for each grant along with a breakdown on how the expendable receipts are distributed to the beneficiaries.

TRUST ACRES	GRANT	BENEFICIARY
8,064,796	Common Schools (K - 12) (Includes County Bonds)	1st \$72.3 million of expendable receipts → State Aid Formula for K - 12 Receipts over \$72.3 million → Classroom Site Fund
174,786	Normal Schools	} Board of Regents to Distribute to Universities
124,944	Agricultural & Mechanical Colleges	
80,168	Military Institutes	
123,254	School of Mines	
137,906	University Land Code	
51,414	University of Arizona (Act Of 2/18/1881)	
82,560	School for the Deaf & Blind	School for the Deaf & Blind
64,229	Legislative, Executive & Judicial Buildings	Legislature, Executive & Judicial Branch
71,248	State Hospital	State Hospital
95,231	Miners' Hospital (2 Grants)	Pioneers' Home
77,225	State Charitable, Penal, & Reformatory	} 50% Pioneers' Home 25% Department of Corrections 25% Department of Juvenile Corrections
76,111	Penitentiaries	
<u>9,223,873</u>	TOTAL	

FUND AND BENEFICIARY SUMMARY

Common Schools (K-12)

- Public education is by far the largest beneficiary of Trust land managed by the Department. Congress granted two sections of each township to common schools when Arizona became a territory and another two sections when Arizona became a state. The State was able to select federal lands equal to the sections that could not be granted due to the establishment of federal forests, parks and Indian reservations. Today, approximately 8.1 million acres remain in the Trust for common schools.
- In FY 2013, \$228.6 million from sales and royalties was deposited into the Permanent Fund for common schools bringing the total balance to \$2,596,625,000.
- In FY 2013, \$112.0 million was generated in expendable receipts from leases and interest on the outstanding sales balance. According to A.R.S. § 37-521 B, expendable receipts are distributed first to the School Facilities Board for revenue bonds, second to the New School Facilities Fund, if appropriated, third for basic state aid, and fourth, any receipts in excess of \$72.3 million are deposited into the Classroom Site Fund, which will be used for teacher raises, classroom size reduction and dropout prevention programs.
- The location of common school grant lands are shown in the above map. As a result of the large number of acres that are strategically located around urban areas, substantial revenues are expected to be generated in future years on behalf of the schools.

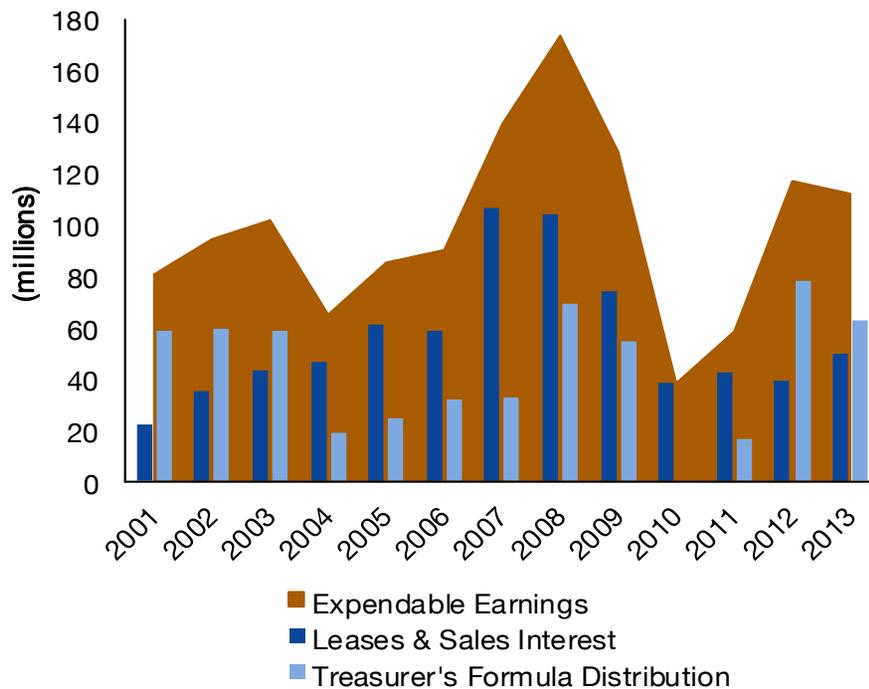


COMMON SCHOOLS ACRES AND INCOME-FY 2013

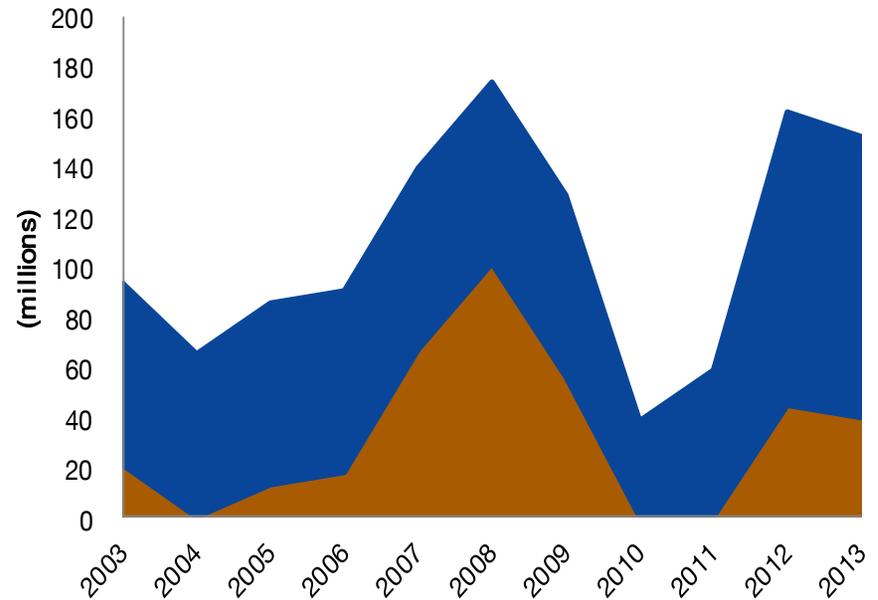
SURFACE LEASES	ACRES	INCOME
Agriculture	110,118	3,174,838.34
Commercial	18,366	22,127,543.96
Grazing	7,370,830	2,356,169.03
Homesite	6	3,573.67
Rights of Way	91,688	2,499,229.08
Use Permits	521,226	3,147,647.07
Public Education	0	0.00
Institutional Taking	5,406	503,460.67
U.S. Government	17,438	220,616.59
Other	0	6,334,680.90
TOTAL SURFACE	8,135,077	40,367,759.31
SUBSURFACE LEASES		
Mineral	9,686	61,552.46
Prospecting Permit	332,851	1,286,160.53
Mineral Material	914	107,164.48
Oil & Gas	444,711	814,319.77
U.S. Government	0	0.00
TOTAL SUBSURFACE	788,161	2,269,197.24
Penalty & Interest		625,038.43
Sales Interest		6,383,200.22
School Leases		0.00
Treasurer's Formula Distribution		62,417,775.00
GRAND TOTAL EXPENDABLE		112,062,970.20
Permanent Fund Receipts		228,653,031.50
Permanent Fund Balance		2,596,625,000.00

Proposition 301 (passed by voters in the 2000 election) created a Classroom Site Fund whereby particular sources of funds, including revenue from the fiduciary management of State Trust land, are directed to fund items such as teacher salaries, classroom size reduction, and dropout prevention programs. According to Proposition 301, the first \$72.3 million in expendable revenue for common schools can be used to fund the basic State Aid Formula, which funds education. Expendable revenue in excess of \$72.3 million is deposited into the Classroom Site Fund.

Common Schools Expendable Earnings FY 2001-2013



Classroom Site Fund FY 2003-2013



COMMON SCHOOL REVENUE (Millions)

Fiscal Year	2009	2010	2011	2012	2013
Permanent Fund Revenue	138.5	91.7	109.4	155.6	228.7
Treasurer's Distribution	54.3	0	16.2	77.8	62.4
Rent & Interest	74.1	38.1	42.2	39.2	49.7
Total Expendable	128.4	38.1	59.9	117	112.1
Base Year Amount	72.30	72.30	72.30	72.30	72.3
Classroom Site Fund	101.4	0	0	44.7	39.8

FUND AND BENEFICIARY SUMMARY

University Grants

- Arizona’s three universities (Arizona State University, Northern Arizona University, and the University of Arizona) are the beneficiaries of six Trust grants.
- The total expendable revenue distributed to the Board of Regents and then to the universities to fund their operations was \$3.9 million in FY 2013. An additional \$5.88 million was earned and added to the permanent funds for the six grants, bringing the total Permanent Fund balance to \$71.6 million.
- The Board of Regents distributes the expendable earnings from the six grants to the University of Arizona, Northern Arizona University and Arizona State University as follows:

Board of Regents Distribution of Trust Revenues to the Universities	
Grant	Distribution
Agricultural & Mechanical Colleges	1/2 to UA and the other 1/2 split between the three universities based on engineering credit hours
Military Institutes Grant	Split between the three universities based on credit hours
University Land Code	Split between the three universities based on credit hours
Normal Schools	1/3 to each university
UA 1881 Grants	UA
School of Mines Grant	UA

TOTAL UNIVERSITY ACRES AND INCOME-FY 2013

SURFACE LEASES	ACRES	INCOME
Agriculture	12,985	255,925.16
Commercial	51,417	691,418.20
Grazing	596,175	240,054.55
Homesite	0	0.00
Rights of Way	8,001	131,050.95
Use Permits	35,321	425,819.83
Public Education	0	0.00
Institutional Taking	5,151	7,145.64
U.S. Government	299	9,600.05
Other	0	4,803.75
TOTAL SURFACE	709,348	1,765,818.13
SUBSURFACE LEASES		
Mineral	0	0.00
Prospecting Permit	24,007	125,094.47
Mineral Material	284	57,360.09
Oil and Gas	50,613	68,024.33
U.S. Government	0	0.00
TOTAL SUBSURFACE	74,904	250,478.89
Penalty & Interest		8,692.16
Sales Interest		134,919.20
Treasurer's Formula Distribution		1,789,273.00
GRAND TOTAL EXPENDABLE		3,949,181.38
Permanent Fund Receipts		5,884,245.68
Permanent Fund Balance		71,605,000.00

FUND AND BENEFICIARY SUMMARY
University Grants Continued

NORMAL SCHOOLS
ACRES AND INCOME-FY 2013

SURFACE LEASES	ACRES	INCOME
Agriculture	165	3,694.85
Commercial	22,539	22,618.69
Grazing	146,654	61,038.37
Homesite	0	0.00
Rights of Way	1,655	3,734.05
Use Permits	5,543	12,911.47
Public Education	0	0.00
Institutional Taking	2,721	0.00
U.S. Government	184	9,600.05
Other	0	0.00
TOTAL SURFACE	179,461	113,597.48

SUBSURFACE LEASES

Mineral	0	0.00
Prospecting Permit	16,935	62,857.64
Mineral Material	120	10,560.09
Oil and Gas	2,662	7,193.07
U.S. Government	0	0.00
TOTAL SUBSURFACE	19,717	80,610.80

Penalty & Interest	1,252.91
Sales Interest	0.00
Treasurer's Formula Distribution	70,689.00
GRAND TOTAL EXPENDABLE	266,150.19

Permanent Fund Receipts	168,515.24
Permanent Fund Balance	2,528,000.00

AGRICULTURAL & MECHANICAL COLLEGES
ACRES AND INCOME-FY 2013

SURFACE LEASES	ACRES	INCOME
Agriculture	251	3,442.45
Commercial	10,172	2,050.01
Grazing	107,163	41,898.39
Homesite	0	0.00
Rights of Way	1,804	6,910.26
Use Permits	11,054	18,880.15
Public Education	0	0.00
Institutional Taking	1,917	0.00
U.S. Government	86	0.00
Other	0	0.00
TOTAL SURFACE	132,447	73,181.26

SUBSURFACE LEASES

Mineral	0	0.00
Prospecting Permit	1,089	2,369.08
Mineral Material	0	3,600.00
Oil and Gas	11,725	10,253.35
U.S. Government	0	0.00
TOTAL SUBSURFACE	12,813	16,222.43

Penalty & Interest	785.20
Sales Interest	0.00
Treasurer's Formula Distribution	209,066.00
GRAND TOTAL EXPENDABLE	299,254.89

Permanent Fund Receipts	1,649.88
Permanent Fund Balance	6,244,000.00

MILITARY INSTITUTES
ACRES AND INCOME-FY 2013

SURFACE LEASES	ACRES	INCOME
Agriculture	0	0
Commercial	1,677	2,400.00
Grazing	76,749	36,522.72
Homesite	0	0.00
Rights of Way	270	282.93
Use Permits	3,486	4,593.25
Public Education	0	0.00
Institutional Taking	0	0.00
U.S. Government	0	0.00
Other	0	0.00
TOTAL SURFACE	82,181	43,798.90

SUBSURFACE LEASES

Mineral	0	0.00
Prospecting Permit	640	1,280.00
Mineral Material	0	0.00
Oil and Gas	4,061	4,061.04
U.S. Government	0	0.00
TOTAL SUBSURFACE	4,701	5,341.04

Penalty & Interest	272.03
Sales Interest	0.00
Treasurer's Formula Distribution	11,771.00
GRAND TOTAL EXPENDABLE	61,182.97

Permanent Fund Receipts	3.31
Permanent Fund Balance	352,000.00

**SCHOOL OF MINES
ACRES AND INCOME-FY 2013**

**UNIVERSITY LAND CODE
ACRES AND INCOME-FY 2013**

**UNIVERSITY OF ARIZONA - 1881
ACRES AND INCOME-FY 2013**

SURFACE LEASES	ACRES	INCOME	SURFACE LEASES	ACRES	INCOME	SURFACE LEASES	ACRES	INCOME
Agriculture	2,445	37,919.72	Agriculture	3,246	69,695.17	Agriculture	6,879	141,172.97
Commercial	8,483	11,309.53	Commercial	8,238	571,163.47	Commercial	308	81,876.50
Grazing	110,127	43,203.23	Grazing	117,855	45,856.96	Grazing	37,627	11,534.88
Homesite	0	0.00	Homesite	0	0.00	Homesite	0	0.00
Rights of Way	1,090	3,906.39	Rights of Way	2,371	110,053.22	Rights of Way	811	6,164.10
Use Permits	6,338	8,186.11	Use Permits	6,306	347,539.63	Use Permits	2,594	33,709.22
Public Education	0	0.00	Public Education	0	0.00	Public Education	0	0.00
Institutional Taking	0	0.00	Institutional Taking	107	7,145.64	Institutional Taking	406	0.00
U.S. Government	17	0.00	U.S. Government	8	0.00	U.S. Government	4	0.00
Other	0	0.00	Other	0	1,000.00	Other	0	3,803.75
TOTAL SURFACE	128,500	104,524.98	TOTAL SURFACE	138,131	1,152,454.09	TOTAL SURFACE	48,628	278,261.42
SUBSURFACE LEASES			SUBSURFACE LEASES			SUBSURFACE LEASES		
Mineral	0	0.00	Mineral	0	0.00	Mineral	0	0.00
Prospecting Permit	2,731	55,324.28	Prospecting Permit	2,212	2,863.47	Prospecting Permit	400	400.00
Mineral Material	0	0.00	Mineral Material	0	0.00	Mineral Material	164	43,200.00
Oil and Gas	17,835	28,936.32	Oil and Gas	14,331	17,580.55	Oil and Gas	0	0.00
U.S. Government	0	0.00	U.S. Government	0	0.00	U.S. Government	0	0.00
TOTAL SUBSURFACE	20,565	84,260.60	TOTAL SUBSURFACE	16,543	20,444.02	TOTAL SUBSURFACE	564	43,600.00
Penalty & Interest		1,284.13	Penalty & Interest		3,123.21	Penalty & Interest		1,974.68
Sales Interest		0.00	Sales Interest		24,456.24	Sales Interest		110,462.96
Treasurer's Formula Distribution		235,446.00	Treasurer's Formula Distribution		380,613.00	Treasurer's Formula Distribution		881,688.00
GRAND TOTAL EXPENDABLE		425,515.71	GRAND TOTAL EXPENDABLE		1,581,090.56	GRAND TOTAL EXPENDABLE		1,315,987.06
Permanent Fund Receipts		36,722.09	Permanent Fund Receipts		706,033.53	Permanent Fund Receipts		4,971,321.63
Permanent Fund Balance		7,542,000.00	Permanent Fund Balance		13,159,000.00	Permanent Fund Balance		41,780,000.00

FUND AND BENEFICIARY SUMMARY

Other Grants

- The remaining six Trust beneficiaries are the School for the Deaf & Blind; the Legislative, Executive and Judicial Buildings; the State Hospital; the Pioneers’ Home; the Department of Juvenile Corrections; and the Department of Corrections. These six beneficiaries were authorized in the Enabling Act and received 100,000 acres, except for the State Charitable Grant which received 200,000 acres. A chart showing the connection between the grants and the beneficiaries is provided below.
- The Pioneers’ Home received a total of \$4,594,110.59 in expendable receipts in FY 2013.
- The Department of Juvenile Corrections received \$1,349,054.22 in expendable receipts in FY 2013.
- The Department of Corrections received a total of \$2,658,135.71 in expendable receipts in FY 2013.



Arizona Department of Juvenile Corrections
 Black Canyon School (BCS) operates intake and secure programming for youth. BCS houses all female youth and is located in Phoenix. *(Photo courtesy of the Arizona Department of Juvenile Corrections)*

<u>Grant</u>	<u>Beneficiary</u>
School for Deaf & Blind	School for Deaf & Blind
Legislative, Executive & Judicial Buildings	Legislature, Executive & Judicial Branch
State Hospital	State Hospital
Miners’ Hospital (2 Grants)	Pioneers’ Home
State Charitable, Penal & Reformatory	50% Pioneers’ Home
	25% Dept. of Juvenile Corrections
	25% Dept. of Corrections
Penitentiary	Dept. of Corrections



Arizona State Schools for the Deaf and Blind
 Henry C. White was the first principal, appointed by Governor George W. P. Hunt, and classes began in October, 1912. Nineteen children with hearing loss were the first students, and classes were held in a converted residence on the campus of the University of Arizona in Tucson. *(Photo courtesy of the Arizona State Schools for the Deaf and Blind)*

**SCHOOL FOR THE DEAF & BLIND
ACRES AND INCOME-FY 2013**

SURFACE LEASES	ACRES	INCOME
Agriculture	2,638	70,023.71
Commercial	1,453	6,962.01
Grazing	73,180	33,301.12
Homesite	0	0.00
Rights of Way	800	4,371.16
Use Permits	8,220	10,870.40
Public Education	0	0.00
Institutional Taking	1	1,218.34
U.S. Government	32	0.00
Other	0	0.00
TOTAL SURFACE	86,323	126,746.74

SUBSURFACE LEASES	ACRES	INCOME
Mineral	0	0.00
Prospecting Permit	2,282	2,921.90
Mineral Material	0	0.00
Oil and Gas	3,130	2,729.52
U.S. Government	0	0.00
TOTAL SUBSURFACE	5,411	5,651.42

Penalty & Interest	1,274.08
Sales Interest	0.00
Treasurer's Formula Distribution	101,606.00
GRAND TOTAL EXPENDABLE	235,278.24

Permanent Fund Receipts	2,901.53
Permanent Fund Balance	3,420,000.00

**LEGISLATIVE, EXECUTIVE, & JUDICIAL
BUILDINGS
ACRES AND INCOME-FY 2013**

SURFACE LEASES	ACRES	INCOME
Agriculture	1,104	20,662.17
Commercial	5	25,920.00
Grazing	56,366	25,331.28
Homesite	0	0.00
Rights of Way	1,407	11,302.06
Use Permits	4,226	1,573.26
Public Education	0	0.00
Institutional Taking	0	0.00
U.S. Government	92	0.00
Other	0	0.00
TOTAL SURFACE	63,201	84,788.77

SUBSURFACE LEASES	ACRES	INCOME
Mineral	0	0.00
Prospecting Permit	2,161	34,497.39
Mineral Material	0	0.00
Oil and Gas	4,403	3,238.78
U.S. Government	0	0.00
TOTAL SUBSURFACE	6,654	37,736.17

Penalty & Interest	855.52
Sales Interest	0.00
Treasurer's Formula Distribution	167,816.00
GRAND TOTAL EXPENDABLE	291,196.46

Permanent Fund Receipts	6,540.87
Permanent Fund Balance	5,484,000.00

**STATE HOSPITAL
ACRES AND INCOME-FY 2013**

SURFACE LEASES	ACRES	INCOME
Agriculture	3,981	105,614.27
Commercial	204	163,842.89
Grazing	60,003	28,825.46
Homesite	0	0.00
Rights of Way	876	5,852.40
Use Permits	7,201	7,863.45
Public Education	0	0.00
Institutional Taking	80	23,496.00
U.S. Government	108	0.00
Other	0	1,495.00
TOTAL SURFACE	72,454	336,989.47

SUBSURFACE LEASES	ACRES	INCOME
Mineral	60	16,572.00
Prospecting Permit	2,255	3,264.46
Mineral Material	77	11,000.00
Oil and Gas	0	0.00
U.S. Government	0	0.00
TOTAL SUBSURFACE	2,392	30,836.46

Penalty & Interest	3,574.35
Sales Interest	0.00
Treasurer's Formula Distribution	118,691.00
GRAND TOTAL EXPENDABLE	490,091.28

Permanent Fund Receipts	93,780.60
Permanent Fund Balance	4,003,000.00

FUND AND BENEFICIARY SUMMARY
Other Grants Continued

MINERS' HOSPITAL*
ACRES AND INCOME-FY 2013

STATE CHARITABLE, PENAL, & REFORMATORY
ACRES AND INCOME-FY 2013

PENITENTIARY
ACRES AND INCOME-FY 2013

SURFACE LEASES	ACRES	INCOME
Agriculture	12,866	382,599.02
Commercial	579	968,778.92
Grazing	73,322	27,506.09
Homesite	0	0.00
Rights-of-Way	1,564	17,580.86
Use Permits	11,000	33,711.03
Public Education	0	0.00
Institutional Taking	1	963.62
U.S. Government	168	0.00
Other	0	0.00
TOTAL SURFACE	99,501	1,431,139.54

SUBSURFACE LEASES	ACRES	INCOME
Mineral	119	822.83
Prospecting Permit	7,264	5,973.49
Mineral Material	230	20,239.91
Oil and Gas	6,158	6,157.67
U.S. Government	0	0.00
TOTAL SUBSURFACE	13,771	33,193.90

Penalty & Interest	12,322.31
Sales Interest	136,490.41
Treasurer's Formula Distribution	282,856.00
GRAND TOTAL EXPENDABLE	1,896,002.16

Permanent Fund Receipts	396,194.23
Permanent Fund Balance	14,793,000.00

SURFACE LEASES	ACRES	INCOME
Agriculture	3,898	97,893.23
Commercial	2,834	1,687,469.35
Grazing	62,941	30,614.14
Homesite	0	0.00
Rights-of-Way	1,146	38,545.82
Use Permits	7,953	840,751.83
Public Education	0	0.00
Institutional Taking	475	76,928.50
U.S. Government	117	0.00
Other	0	0.00
TOTAL SURFACE	79,366	2,772,202.87

SUBSURFACE LEASES	ACRES	INCOME
Mineral	160	120.00
Prospecting Permit	0	0.00
Mineral Material	138	88,000.32
Oil and Gas	5,559	5,559.23
U.S. Government	0	0.00
TOTAL SUBSURFACE	5,857	93,679.55

Penalty & Interest	258,530.44
Sales Interest	0.00
Treasurer's Formula Distribution	2,271,804.00
GRAND TOTAL EXPENDABLE	5,396,216.86

Permanent Fund Receipts	1,061,420.76
Permanent Fund Balance	76,191,000.00

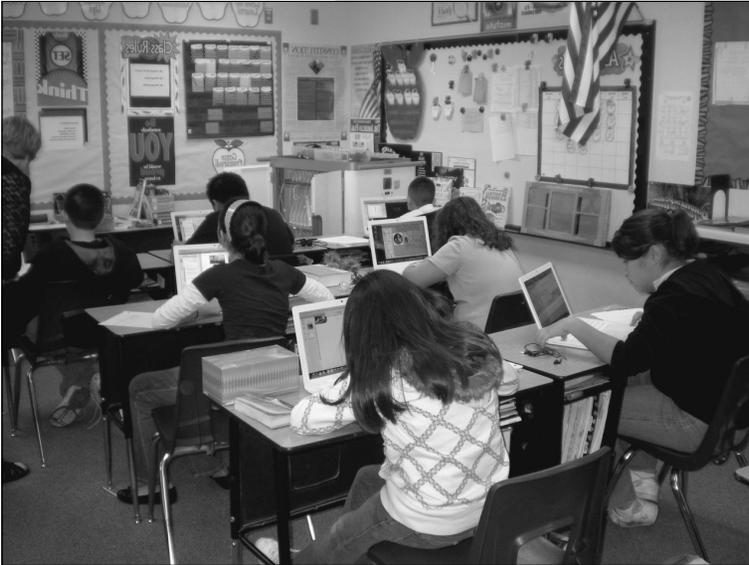
SURFACE LEASES	ACRES	INCOME
Agriculture	4,717	212,763.06
Commercial	456	731,625.42
Grazing	66,025	30,497.30
Homesite	0	0.00
Rights-of-Way	488	23,430.21
Use Permits	14,342	77,571.44
Public Education	0	0.00
Institutional Taking	1,778	0.00
U.S. Government	5	0.00
Other	0	0.00
TOTAL SURFACE	87,811	1,075,887.43

SUBSURFACE LEASES	ACRES	INCOME
Mineral	0	0.00
Prospecting Permit	1,510	519.94
Mineral Material	0	0.00
Oil and Gas	480	480.00
U.S. Government	0	0.00
TOTAL SUBSURFACE	1,990	999.94

Penalty & Interest	8,132.12
Sales Interest	0.00
Treasurer's Formula Distribution	224,062.00
GRAND TOTAL EXPENDABLE	1,309,081.49

Permanent Fund Receipts	2,777,996.50
Permanent Fund Balance	8,163,000.00

*Miners' Hospital and Miners' 1929 combined



Financial Schedules

Receipts by Category	37
Rental Acreage and Receipts	38
Treasurer's Formula Distribution	39
State Trust Land Acreage by Beneficiary	40

FINANCIAL SCHEDULES

RECEIPTS BY CATEGORY

	ROYALTY	SALES	SALES INTEREST	LEASE RENTAL	PENALTY & INTEREST	OTHER RECEIPTS	TOTAL
Common Schools (K-12)†	12,161,689.27	216,491,342.23	6,383,200.22	42,636,956.55	625,038.43	0.00	278,298,226.70
Leg., Exec. & Judicial	1.44	6,539.43	0.00	122,524.94	855.52	0.00	129,921.33
State Hospital	93,780.60	0.00	0.00	367,825.93	3,574.35	0.00	465,180.88
Miners' Hospital*	273,535.75	122,658.48	136,490.41	1,464,333.44	12,322.31	0.00	2,009,340.39
St Char., Pen. & Ref.	193,207.61	868,213.15	0.00	2,865,882.42	258,530.44	0.00	4,185,833.62
Penitentiaries	84,185.66	2,693,810.84	0.00	1,076,887.37	8,132.12	0.00	3,863,015.99
Normal Schools	168,515.24	0.00	0.00	194,208.28	1,252.91	0.00	363,976.43
A&M Colleges	1,649.88	0.00	0.00	89,403.69	785.20	0.00	91,838.77
Military Institutes	3.31	0.00	0.00	49,139.94	272.03	0.00	49,415.28
School of Mines	36,722.09	0.00	0.00	188,785.58	1,284.13	0.00	226,791.80
University Land Code	8,913.57	697,119.96	24,456.24	1,172,898.11	3,123.21	0.00	1,906,511.09
U of A (Act of 2/18/1881)	155,078.12	4,816,243.51	110,462.96	321,861.42	1,974.68	0.00	5,405,620.69
School for the Deaf & Blind	2,901.53	0.00	0.00	132,398.16	1,274.08	0.00	136,573.77
School Leases	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Commercial Prepayments	0.00	0.00	0.00	0.00	0.00	15,607,943.16	15,607,943.16
TOTAL SCHOOLS & INSTITUTIONS	13,180,184.07	225,695,927.60	6,654,609.83	50,683,105.83	918,419.41	15,607,943.16	312,740,189.90
F.E.M.A Lands	75,355.00	0.00	0.00	22,338.00	0.00	0.00	97,693.00
Farm Loan Lands	0.00	0.00	0.00	4,149.55	12.52	0.00	4,162.07
Navigable Streambeds	0.00	0.00	0.00	108,782.74	417.08	0.00	109,199.82
Non-Navigable Streambeds	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Lands Held in Trust	0.00	0.00	0.00	8,548.29	0.00	0.00	8,548.29
Fees: Lease, Sale & Misc*	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL GENERAL FUND	75,355.00	0.00	0.00	143,818.58	429.60	0.00	219,603.18
TRUST LAND MANAGEMENT FUND	0.00	0.00	0.00	0.00	0.00	5,593,949.33	5,593,949.33
TOTAL RECEIPTS	13,255,539.07	225,695,927.60	6,654,609.83	50,826,924.41	918,849.01	21,201,892.49	318,553,742.41

*Miner's Hospital & Miners Hospital 1929 Combined

† Including County Bonds

Rental Acreage and Receipts
FY 2013
By Type of Lease

SURFACE LEASES	ACRES	RECEIPTS
Agriculture	152,417	4,326,771.18
Commercial	75,359	26,470,281.89
School Leases	**	0.00
Grazing	8,368,302	2,775,848.52
Homesite	6	3,573.67
Rights of Way	106,110	2,742,200.54
Use Permits	609,707	4,593,065.98
Public Education	0	0.00
Institutional Taking	12,892	613,212.77
U.S. Government	18,278	230,216.64
Other	0	6,340,979.65
TOTAL SURFACE	9,343,070	48,096,150.84
SUBSURFACE LEASES		
Mineral	10,025	79,067.29
Prospecting Permit	372,329	1,458,432.18
Mineral Material	1,669	292,764.80
Oil and Gas	515,053	900,509.30
U.S. Government	0	0.00
TOTAL SUBSURFACE	899,076	2,730,773.57
NON-LEASE REVENUES		
Penalty & Interest		918,849.01
Sales Interest		6,654,609.83
Royalty		13,255,539.07
Land Sales Principal		206,413,028.60
Rights of Way Sales Principal		9,282,899.00
Settlements		10,000,000.00
Commercial Prepayments		15,607,943.16
Fees		5,593,949.33
TOTAL NON-LEASE REVENUES		267,726,818.00
Grand Total		318,553,742.41

** The acres for School Leases is part of the total for Commercial

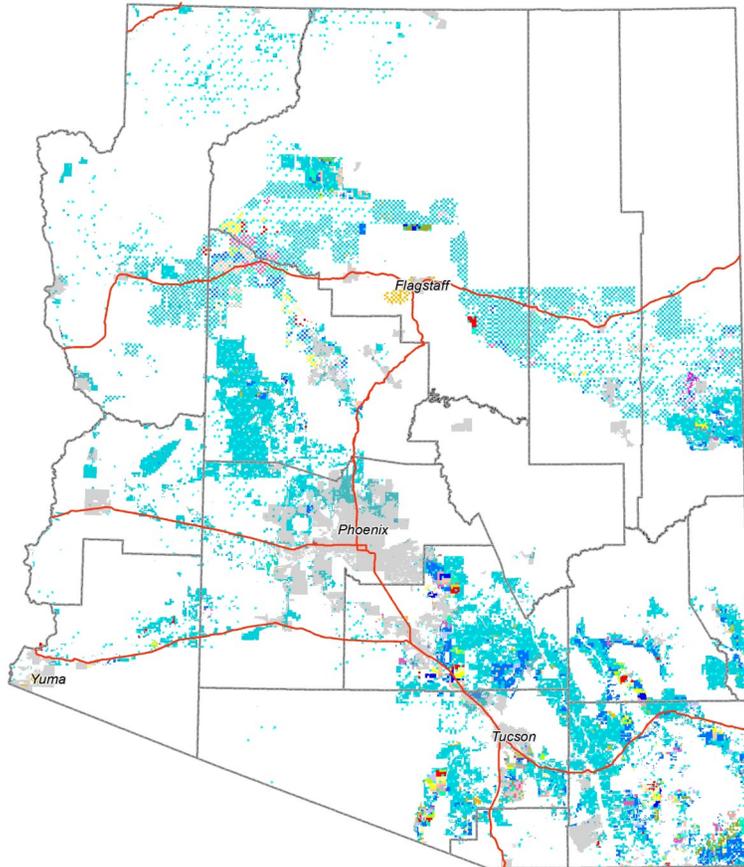
TREASURER'S FORMULA DISTRIBUTION*

	Year Ending June 30 FY 2012	Year Ending June 30 FY 2013	Increase (Decrease)	May 12, 1912 To Date
Common Schools	77,832,917	62,417,775	(15,415,142)	1,302,786,866
Normal Schools	90,281	70,689	(19,592)	2,659,769
Agricultural & Mechanical Colleges	264,320	209,066	(55,254)	8,975,357
Military Institutes	15,388	11,771	(3,617)	1,236,256
School of Mines	299,966	235,446	(64,520)	1,537,768
University Land Code	479,020	380,613	(98,407)	12,009,813
University of Arizona (Act of 2/18/1881)	1,023,757	881,688	(142,069)	24,942,751
School for the Deaf & Blind	129,625	101,606	(28,019)	4,679,457
Legislative, Executive & Judicial Buildings	216,960	167,816	(49,144)	7,586,703
State Hospital Grant	146,483	118,691	(27,792)	3,769,938
Miners' Hospital **	350,474	282,856	(67,618)	7,499,201
State Charitable, Penal, & Reformatory	2,725,732	2,271,804	(453,928)	31,480,602
Penitentiaries	347,261	224,062	(123,199)	5,094,465
TOTAL	83,922,184	67,373,883	(16,548,301)	1,414,258,946

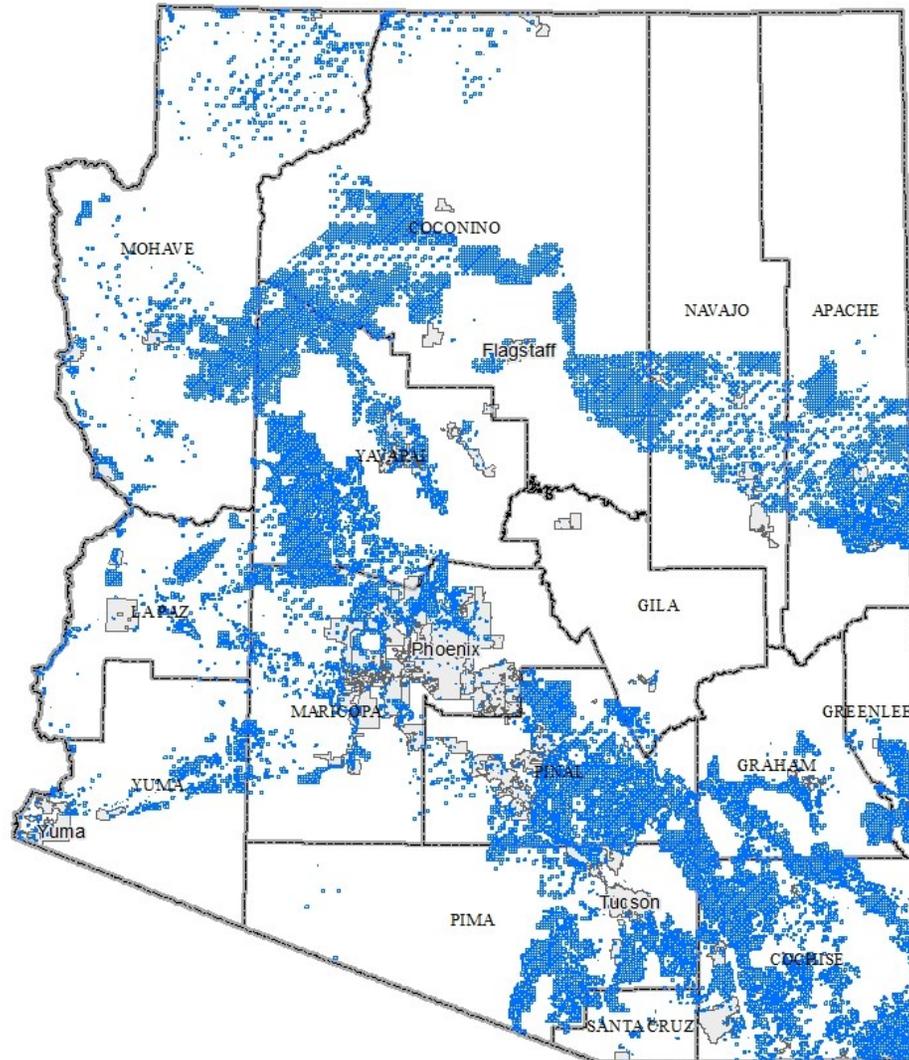
*Information from the State Treasurer

**Miners' Hospital & Miners' Hospital 1929 Com-

State Trust Land Acreage by Beneficiary



Beneficiary	FY 1978	FY 2013
Common Schools (K-12)*	8,342,469	8,064,796
Normal Schools	172,405	174,786
Agricultural & Mechanical Colleges	134,469	124,944
Military Institutes	82,945	80,168
School of Mines	132,882	123,254
University Land Code	166,354	137,906
University of Arizona (Act of 2/18/1881)	62,216	51,414
School for the Deaf & Blind	84,209	82,560
Legislative, Executive & Judicial Buildings	66,660	64,229
State Hospital	79,198	71,248
Miners' Hospital	48,648	47,545
Miners' Hospital (1929)	53,311	47,686
State Charitable, Penal & Reformatory	80,010	77,225
Penitentiaries	80,830	76,111
TOTAL	9,586,606	9,223,873





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