

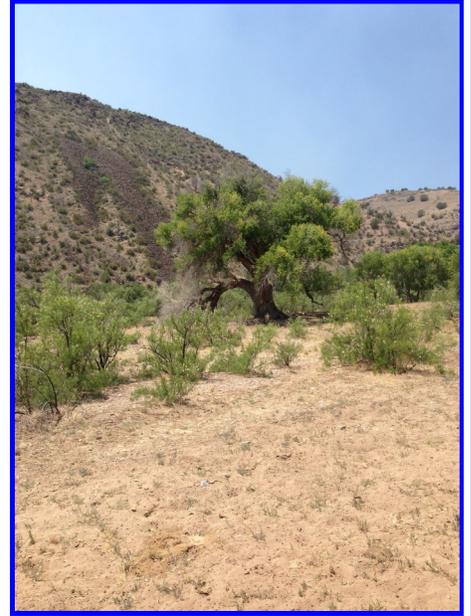
ANNUAL REPORT 2013 - 2014

Janice K. Brewer
Governor

Vanessa P. Hickman
State Land Commissioner



Serving Arizona's Schools and Public Institutions Since 1915



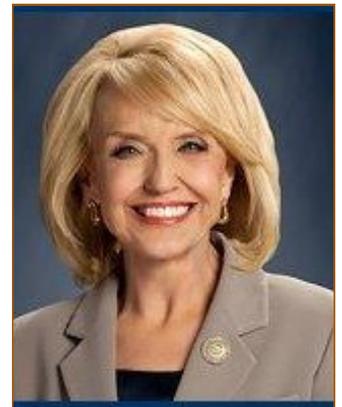
[Mission Statement]

To manage State Trust lands and resources to enhance value and optimize economic return for the Trust beneficiaries, consistent with sound business management principles, prudent stewardship, and conservation needs supporting socio-economic goals for citizens here today and future generations. To act in the best interest of Trust for the enrichment of the beneficiaries and preserve the long term value of the State's Trust lands.



Contents

Message From the Commissioner	4
About the Commissioner	5
Historical Overview	6
Revenues and Beneficiary Summary	8
Land Management Map.....	9
FY 2014 Total Revenue.....	10
Permanent Funds	11
Expendable Revenue.....	12
Revenue by Beneficiary	13
State Trust Land Uses	14
Revenue Generation on State Trust Land.....	15
Fund and Beneficiary Summary: K-12 Education	16
Fund and Beneficiary Summary: Universities.....	17
Fund and Beneficiary Summary: Other Grants	19
About the Land Department: Divisions and Sections.....	21
Administration.....	21
Land Information, Title and Transfer	21
Real Estate Division	22
Appraisal Section	22
Planning and Engineering	22
Rights of Way.....	23
Sales and Commercial Leasing	23
Information Systems and Resource Analysis.....	24
Natural Resources Division.....	24
Range, Agriculture and Conservation Section	24
Environmental Program	25
Trespass Program	25
Minerals.....	26
Water Rights.....	28
Natural Resource Conservation Districts	29
New Programs.....	30
Governor’s Natural Resources Review Council	30
Land Exchange.....	31
Board of Appeals.....	33
Financial Schedules.....	34
Receipts by Category	35
Rental Acreage and Receipts.....	36
Treasurer’s Formula Distribution.....	37



Janice K. Brewer
Governor
State of Arizona

Please visit our website at
www.land.az.gov

MESSAGE FROM THE COMMISSIONER

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 (ASLD) Annual Report for Fiscal Year 2014 (FY 2014) as required by A.R.S. § 37-132. This report contains a summary of the ASLD's management activities and the revenue the ASLD 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 the Trust's long term interest. In FY 2014, the ASLD staff continued their diligent work supporting the Trust. As a result of careful economic planning and prudent stewardship, the ASLD again generated significant revenues for the Trust beneficiaries.

In FY 2014, the ASLD generated approximately \$259,000,000 for the Trust beneficiaries. We sold 5,744 acres of land increasing the cash value of the Permanent Endowment Fund by \$103,000,000 and also received significant revenue from other sources. For example, the royalty receipts from mineral leases contributed \$17,000,000 in proceeds this year, compared to \$13,000,000 in FY 2013. In addition, we had noteworthy revenue of over \$10,000,000 in agriculture and grazing leases, also an increase over FY 2013. These are revenues that directly benefit Trust beneficiaries.

The ASLD continues to carry an outstanding balance for previous sales that are financed through the ASLD. The beneficiaries will earn interest on the balance at a rate ranging from five to eleven percent for an average term of seven years. To date, the total outstanding receivable balance from term sales is over \$456,000,000 which earns interest on a daily basis. The revenue earned on this balance will be distributed to our beneficiaries over the next several years, and the payments on the remaining principal will be deposited in the Permanent Fund in future years.

The ASLD continued to auction Trust land previously reclassified as suitable for conservation during FY 2014. The City of Scottsdale purchased 2,365 acres of Trust land for open space, Flagstaff added 2,251 acres for open space while Pima County added 818 acres of preserve land to its holdings. These conservation sales alone generated \$35,000,000 for the Trust.

The economic outlook for the ASLD and Trust beneficiaries remains positive. Auctions continue to become more competitive. In December of 2013, we had 15 bids for 105 acres near Tatum Road and Pinnacle Peak. This competitive bidding increased the total selling price by \$2,000,000.

Thank you for the opportunity to serve Arizona and the Trust beneficiaries as the State Land Commissioner. It has been an honor to work with you, your staff, the staff at the ASLD, and the citizens of Arizona over the past five years. It is my intention to continue to make appreciable advancements of the interests of those we serve.

Sincerely,

Vanessa P. Hickman
State Land Commissioner



VANESSA P. HICKMAN

Arizona 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 Commissioners 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.

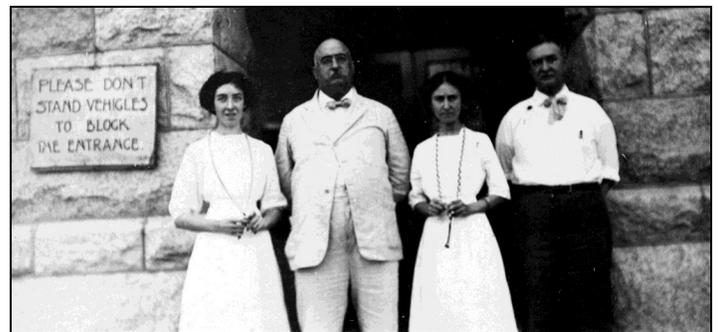
1915: STATE LAND CODE ESTABLISHED

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

The ASLD 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 ASLD authority over all Trust lands and the natural products from Trust land.



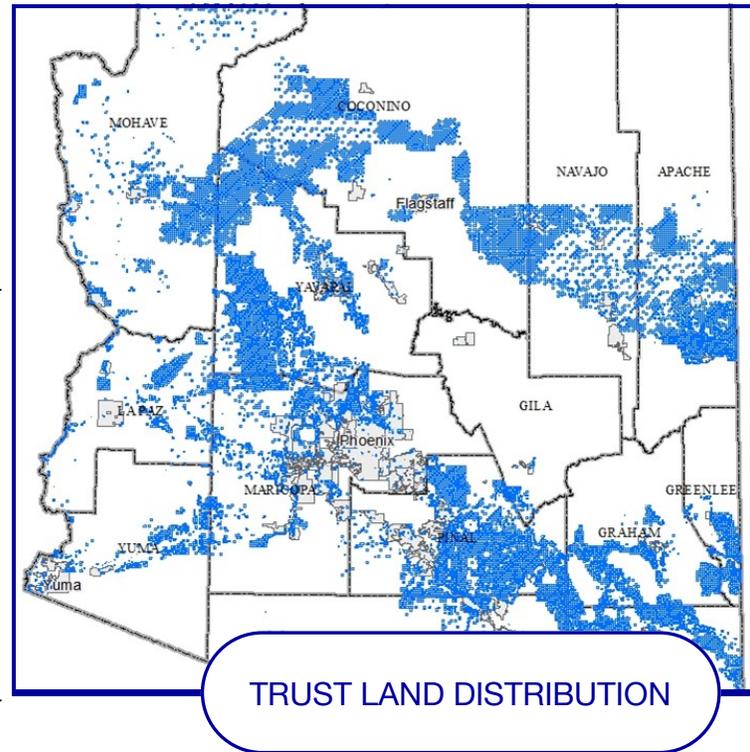
1914 photo of Arizona Governor George W.P. Hunt and members of the Arizona State Land Commission: Catherine Grove, George W.P. Hunt, Ethel Shoemaker, and E.L. Trippel. (Photo courtesy of Arizona State Library, Archives and Public Records, History and Archives Division, Phoenix, #97-6948)

Since the ASLD'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.

Acres Per Beneficiary	1912	2014
Common Schools (K-12)	9,400,000	8,064,614
University of Arizona	60,000	51,387
University Land Code	200,000	137,860
Normal Schools	200,000	174,786
Agricultural & Mechanical Colleges	150,000	124,944
School of Mines	150,000	123,254
Military Institutes	100,000	80,168
State Charitable, Penal, & Reformatory	200,000	77,225
Miners' Hospital	100,000	95,231
Penitentiaries	100,000	76,111
Legislative, Executive & Judicial Buildings	100,000	64,229
State Hospital	100,000	71,248
School for the Deaf & Blind	100,000	82,560
Total	10,960,000	9,223,617

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 9.4 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.



Original 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.

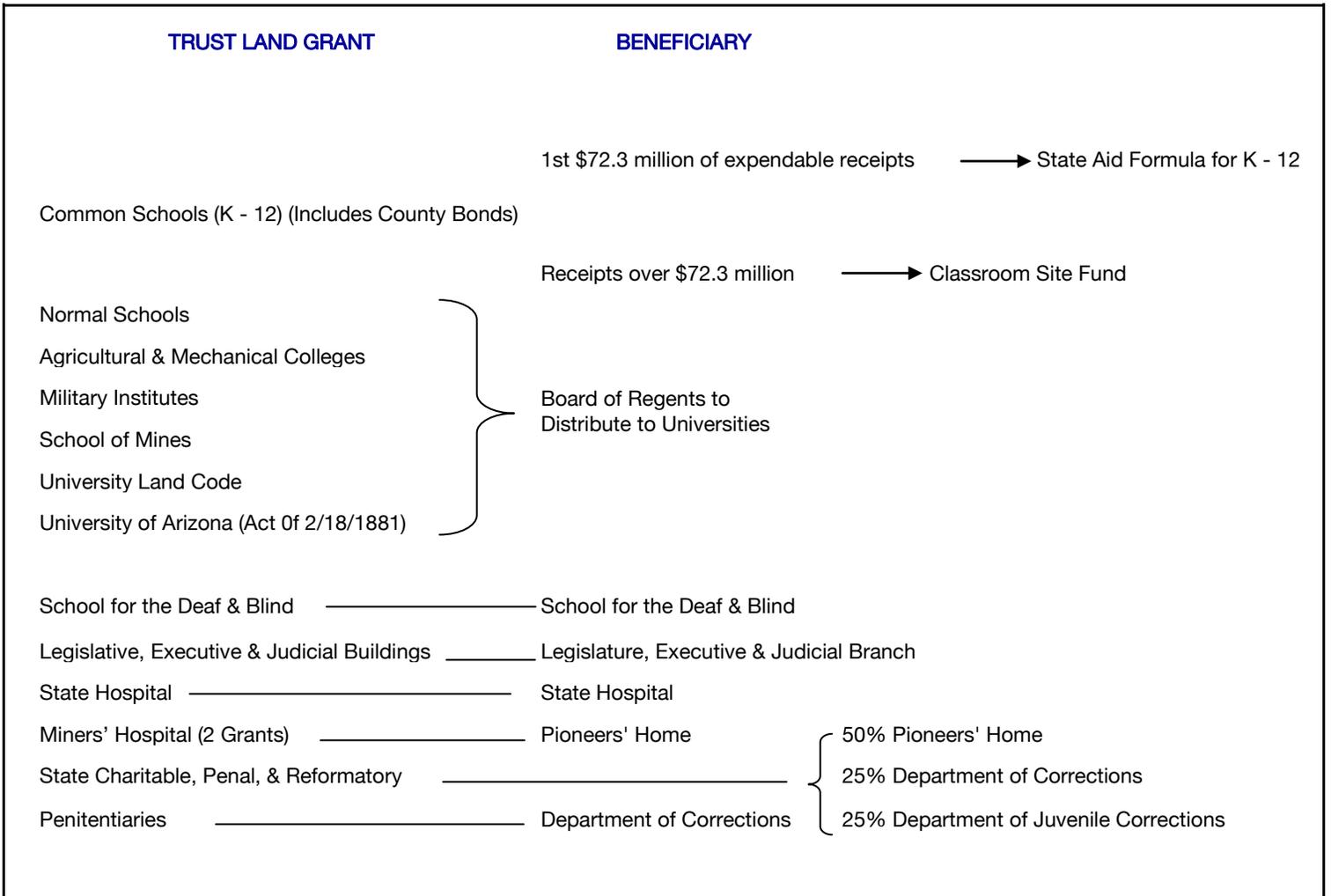
6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

Today the Arizona State Land Department is responsible for 9.2 million acres of Trust land.

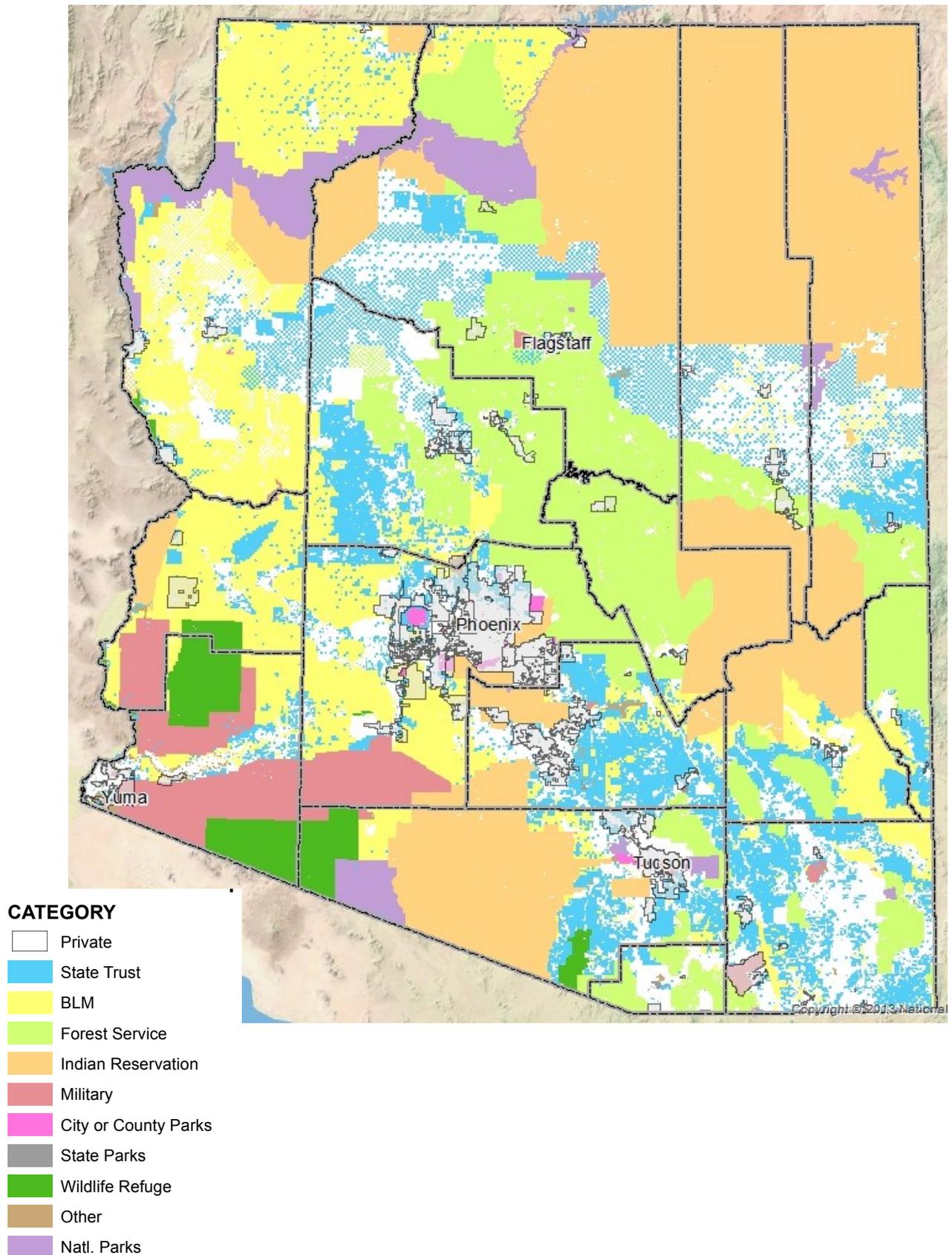
REVENUES AND BENEFICIARY SUMMARY

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. 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.



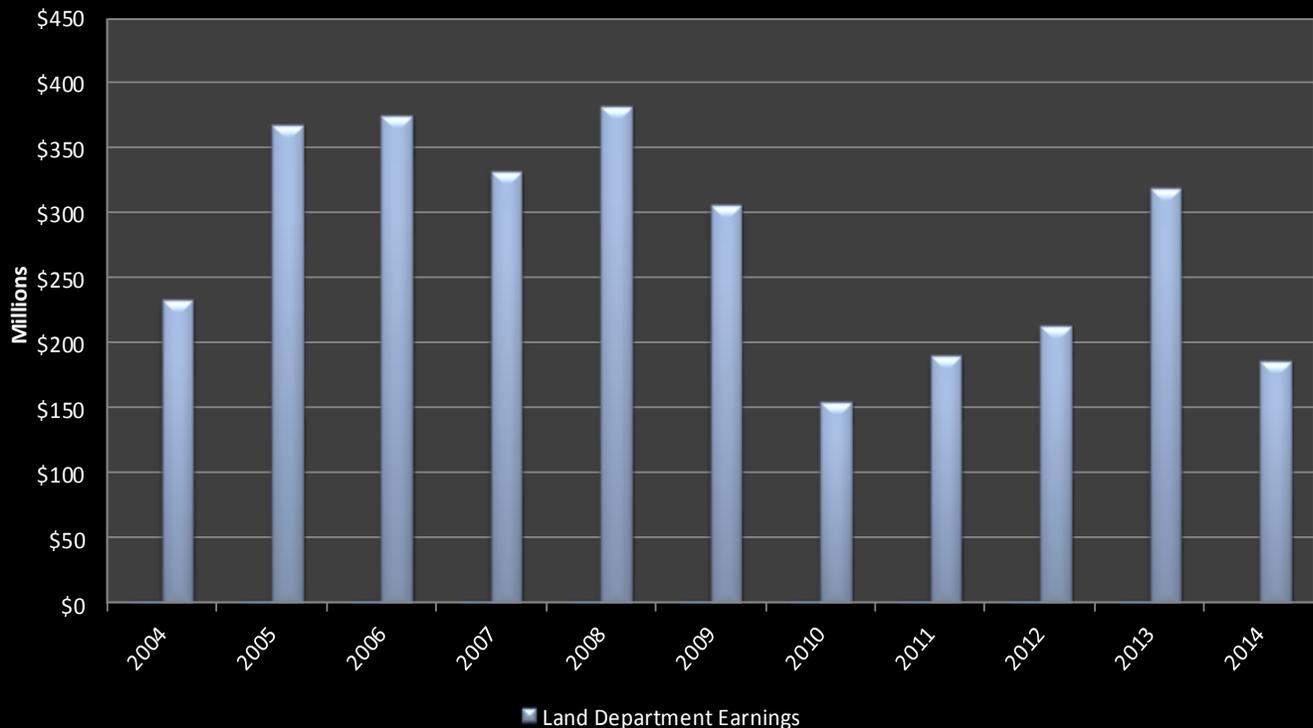
Land Management in Arizona



FY 2014 Total Revenue

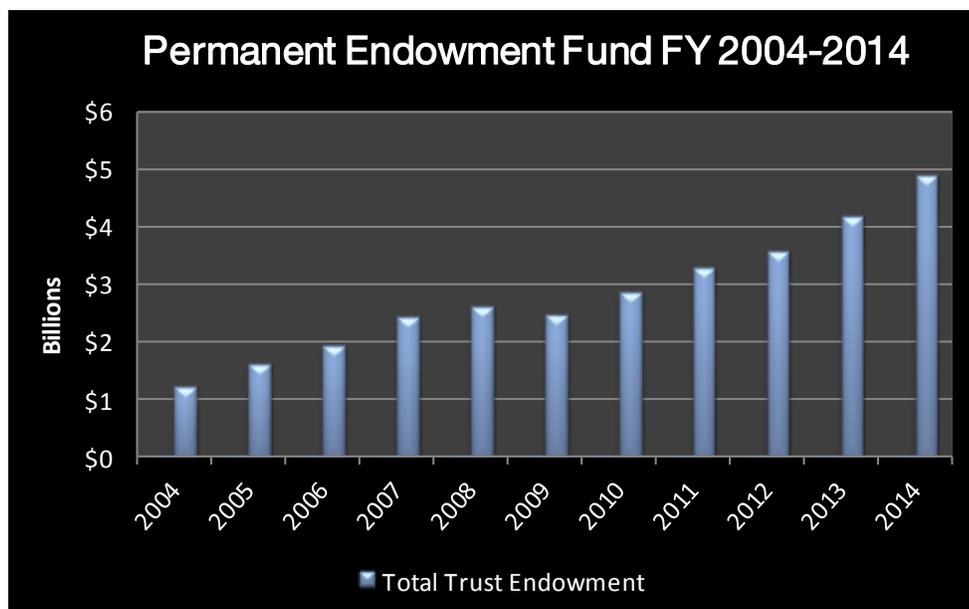
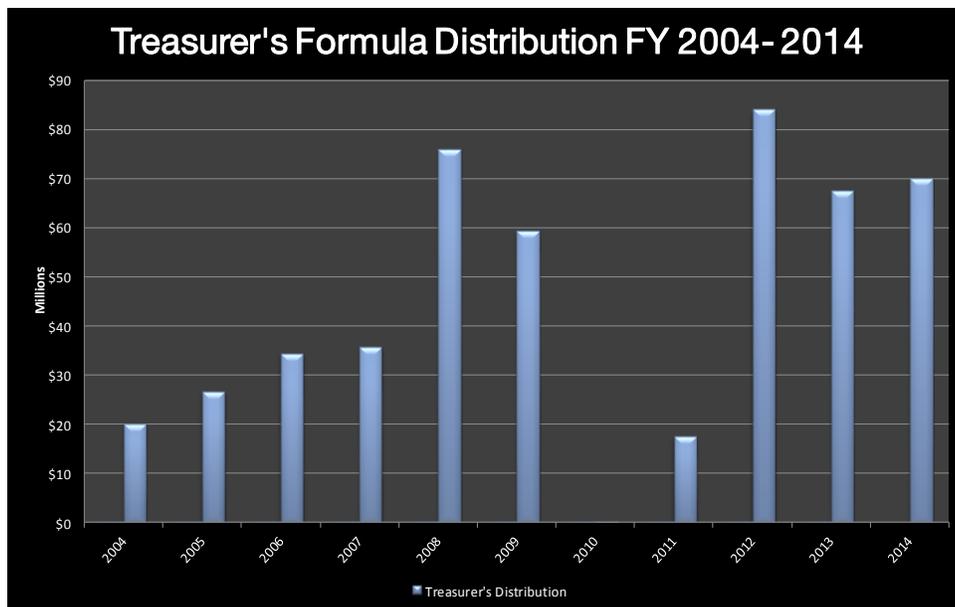
Natural Resources Total	\$ 10,048,718
Commercial Leasing Total	\$ 28,293,705
Rights of Way	\$ 4,138,620
Miscellaneous Rental	\$ 28,087,401
Rental Total	\$ 70,568,445
Sales Total	\$ 95,426,202
Royalties Total	\$ 17,157,534
Fees	\$ 3,182,385
Total ASLD Receipts	\$ 186,334,566

Total Trust Revenue FY 2004-2014



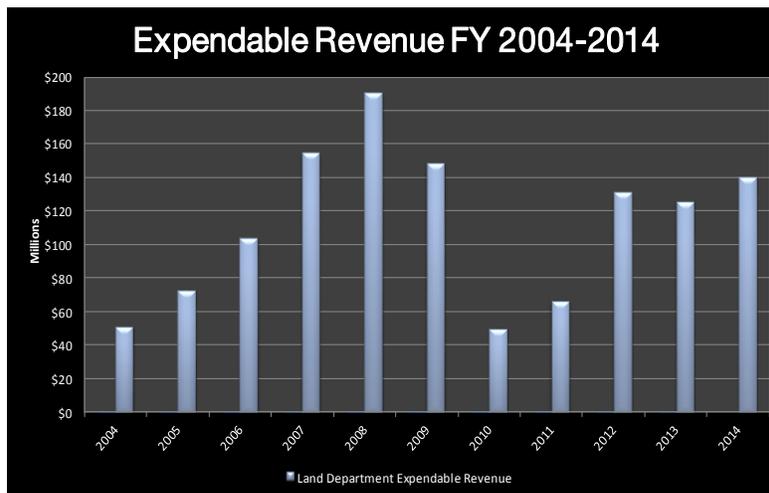
Permanent Funds

- The ASLD deposited \$103 million into the Permanent Funds in FY 2014.
- In FY 2014 the combined value of the Permanent Funds exceeded \$4.5 billion.
- The Permanent Funds consist of revenues earned from the sale of State Trust land and 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.
- In FY 2014 the Treasurer distributed \$73,032,624 to the Trust beneficiaries.



Expendable Revenue

- Expendable revenue includes revenue from Trust land leases and permits, interest from sales contracts, and the Treasurer's Formula Distribution of the Permanent Funds.
- Expendable revenues are distributed directly to the beneficiaries.
- Expendable revenue totaled \$140 million in FY 2014.
- Revenue from Trust land leases, permits, and interest earnings from sales financed through the ASLD totaled \$66.7 million.
- The Treasurer distributed \$73 million to the beneficiaries according to the constitutional Formula.



Beneficiaries	ASLD Expendable	Treasurer's Distribution	Total Expendable
Common Schools	\$ 57,344,819	\$ 67,781,808	\$ 125,126,627
University Land Code	\$ 1,299,107	\$ 398,034	\$ 1,697,141
University of Arizona (1881)	\$ 524,979	\$ 972,149	\$ 1,497,128
School of Mines	\$ 178,195	\$ 241,653	\$ 419,848
Agricultural & Mechanical Colleges	\$ 139,644	\$ 213,753	\$ 353,397
School for the Deaf & Blind	\$ 175,892	\$ 106,667	\$ 282,559
Normal Schools	\$ 172,138	\$ 74,618	\$ 246,756
Military Institutes	\$ 61,592	\$ 12,041	\$ 73,633
Subtotal Education	\$ 59,896,366	\$ 69,800,723	\$ 129,697,089
State Charitable, Penal, & Reformatory	\$ 3,512,715	\$ 2,353,835	\$ 5,866,550
Miners' Hospital	\$ 1,715,596	\$ 333,014	\$ 2,048,610
Penitentiaries	\$ 1,052,434	\$ 246,012	\$ 1,298,446
State Hospital	\$ 367,100	\$ 126,639	\$ 493,739
Legislative, Executive & Judicial Buildings	\$ 110,752	\$ 172,401	\$ 283,153
Subtotal Non-Education	\$ 6,758,597	\$ 3,231,901	\$ 9,990,498
Grand Total	\$ 66,654,963	\$ 73,032,624	\$ 139,687,587

REVENUE BY BENEFICIARY

FY 2014

Beneficiaries	Trust Acres	ASLD Expendable	Treasurer's Formula Distribution	Total Expendable	Total Permanent Fund Receipts	Total Receipts
Common Schools (K-12)	8,064,614	\$ 57,344,819	\$ 67,781,808	\$ 125,126,627	\$ 81,569,820	206,696,446
Normal Schools	174,786	\$ 172,138	\$ 74,618	\$ 246,756	\$ 100,063	346,819
University Land Code	137,860	\$ 1,299,107	\$ 398,034	\$ 1,697,141	\$ 1,365,511	3,062,653
Agricultural & Mechanical Colleges	124,944	\$ 139,644	\$ 213,753	\$ 353,397	\$ 201,918	555,315
School of Mines	123,254	\$ 178,195	\$ 241,653	\$ 419,848	\$ 178,980	598,829
School for the Deaf & Blind	82,560	\$ 175,892	\$ 106,667	\$ 282,559	\$ 177,081	459,640
Military Institutes	80,168	\$ 61,592	\$ 12,041	\$ 73,633	\$ 10	73,643
University of Arizona (1881)	51,387	\$ 524,979	\$ 972,149	\$ 1,497,128	\$ 14,180,775	15,677,903
Subtotal Education	8,839,573	\$ 59,896,366	\$ 69,800,723	\$ 129,697,089	\$ 97,774,159	\$ 227,471,248
State Charitable, Penal, & Reformatory	77,225	\$ 3,512,715	\$ 2,353,835	\$ 5,866,550	\$ 1,854,447	7,720,997
Penitentiaries	76,111	\$ 1,052,434	\$ 246,012	\$ 1,298,446	\$ 291,197	1,589,643
State Hospital	71,248	\$ 367,100	\$ 126,639	\$ 493,739	\$ 285,399	779,138
Legislative, Executive, & Judicial Buildings	64,229	\$ 110,752	\$ 172,401	\$ 283,153	\$ 77,713	360,866
Miner's Hospital	95,231	\$ 1,715,596	\$ 333,014	\$ 2,048,610	\$ 3,131,957	5,180,567
Total	9,223,617	\$ 66,654,963	\$ 73,032,624	\$ 139,687,587	\$ 103,414,872	\$ 243,102,459

Expendable Receipts

include lease revenue from Trust land leases and permits, interest from sales contracts, and the Treasurer's formula distribution.

Permanent Receipts

are derived from the sale of State Trust land and natural products and are deposited into the permanent funds by the State Treasurer.

State Trust Land Uses

SURFACE	NO. OF LEASES	% OF LEASES	TOTAL ACREAGE	% OF ACREAGE
Rights of Way	7,611	73.79%	137,379	1.48%
Grazing	1,216	11.79%	8,359,137	90.03%
Commercial	299	2.90%	69,905	0.75%
Commercial School Leases	21	0.20%	1,143	0.01%
Agriculture	338	3.28%	152,653	1.64%
Use Permits	652	6.32%	533,773	5.75%
U.S. Government	157	1.52%	18,278	0.20%
Homesite	1	0.01%	6	0.00%
Institutional Taking	10	0.10%	12,892	0.14%
Recreational	9	0.09%	0	0.00%
Subtotal	10,314	100.00%	9,285,164	100.00%
SUBSURFACE	NO. OF LEASES	% OF LEASES	TOTAL ACREAGE	% OF ACREAGE
Mineral	64	5.61%	10,024	0.89%
Mineral Exploration	588	51.53%	267,952	23.68%
Mineral Material	19	1.67%	1,775	0.16%
Oil & Gas	470	41.19%	851,692	75.27%
Subtotal	1,141	100.00%	1,131,443	100.00%
Total Leases	11,455		10,416,607	

COUNTY DISTRIBUTION OF STATE TRUST LAND



COUNTY	ACRES
Apache	652,660
Cochise	1,370,628
Coconino	1,122,339
Gila	31,231
Graham	496,321
Greenlee	171,824
La Paz	254,397
Maricopa	624,014
Misc	2,523
Mohave	565,128
Navajo	369,900
Pima	845,480
Pinal	1,205,463
Santa Cruz	61,154
Yavapai	1,263,718
Yuma	186,837
TOTAL	9,223,617

REVENUE GENERATION ON TRUST LAND

Leases and Permits/Revenue Production

	Acres	Leases	Lease Rentals	Income
Grazing	8,359,137	1,216	Grazing	\$ 3,059,250
Agriculture	152,653	338	Agriculture	\$ 4,171,015
Use Permits	533,773	652	Use Permits	\$ 5,148,772
Mineral Material	1,775	19	Mineral Material	\$ 298,145
Mineral Exploration	267,952	588	Mineral Exploration	\$ 1,193,537
Mineral	10,024	64	Mineral	\$ 80,047
Oil & Gas	851,692	470	Oil & Gas	\$ 1,246,726
			TOTAL	\$ 15,197,491
Stockpond Registrations		4,312	Public Auction Water Sales	\$ 320,351
Certificated Surface Water Rights		130	Lease Water Charges	\$ 136,329
Well Registrations		2,925	Mineral Royalties	\$ 11,008,521
Adjudication Statements of Claimant		7,025	Mineral Materials	\$ 1,724,794
Water Right Registrations		7,475	Other Natural Prod- ucts	\$ 3,926,138
Grandfathered Groundwater Rights		264	TOTAL	\$ 17,116,133
			GRAND TOTAL	\$ 32,313,624



FUND AND BENEFICIARY SUMMARY

Common Schools Public K-12 Education

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 million acres remain in the Trust for common schools.

In FY 2014, \$81.5 million from sales and royalties was deposited into the Permanent Fund for common schools .

In FY 2014, \$125 million was generated in expendable receipts. 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 is used for teacher raises, classroom size reduction and dropout prevention programs.

COMMON SCHOOLS

Acres and Income FY 2014

Surface Leases	Acres	Income
Agriculture	110,367	\$ 2,921,718
Commercial	15,502	\$ 18,990,151
Grazing	7,361,382	\$ 2,628,816
Homesite	6	\$ 3,612
Rights of Way	93,681	\$ 3,763,658
Use Permits	446,031	\$ 3,157,294
Public Education	0	\$ -
Institutional Taking	5,406	\$ 325,351
U.S. Government	17,438	\$ 242,485
Other	0	\$ 14,964,800
Total Surface	8,049,813	\$ 46,997,885
Subsurface Leases		
Mineral	9,685	\$ 62,933
Prospecting Permit	247,169	\$ 1,082,556
Mineral Material	1,020	\$ 116,144
Oil & Gas	741,673	\$ 1,113,481
Total Subsurface	999,547	\$ 2,375,115
Penalty & Interest		\$ 154,433
Sales Interest		\$ 7,817,385
School Leases		\$ -
Treasurer's Formula Distribution		\$ 67,781,808
Grand Total Expendable		\$ 125,126,626
Permanent Fund Receipts		\$ 81,569,820
Permanent Fund (Book)		\$ 2,714,996,000



FUND AND BENEFICIARY SUMMARY

Total 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 \$4.3 million in FY 2014. An additional \$16 million was earned and added to the permanent funds for the six grants, bringing the total Permanent Fund balance to \$90 million.

Board of Regents Distribution of Trust Revenues to the Universities

Agricultural & Mechanical Colleges Grant

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 Grant

Split between the three universities based on credit hours

Normal Schools Grant

1/3 to each university

UA 1881 Grants

UA

School of Mines Grant

UA

Surface Leases	Acres	Income
Agriculture	12,972	\$ 299,801
Commercial	51,417	\$ 269,579
Grazing	596,148	\$ 256,952
Homesite	0	\$ -
Rights of Way	8,014	\$ 202,596
Use Permits	33,378	\$ 973,452
Public Education	0	\$ -
Institutional Taking	5,151	\$ 1,051
U.S. Government	299	\$ -
Other	0	\$ 1,100
Total Surface	707,379	\$ 2,004,529
Subsurface Leases		
Mineral	0	\$ -
Prospecting Permit	12,780	\$ 74,505
Mineral Material	284	\$ 53,760
Oil & Gas	73,325	\$ 95,218
Total Subsurface	86,389	\$ 223,483
Penalty & Interest		\$ 22,515
Sales Interest		\$ 125,128
Treasurer's Formula Distribution		\$ 1,912,248
Grand Total Expendable		\$ 4,314,899
Permanent Fund Receipts		\$ 16,027,258
Permanent Fund (Book)		\$ 90,095,000

UNIVERSITY GRANTS

Acres and Income FY 2014



FUND AND BENEFICIARY SUMMARY

University Grants FY 2014

Surface Leases	A&M Colleges		Military Institutes		Normal Schools		School of Mines		University Land Code		University of Arizona 1881	
	Acres	Income	Acres	Income	Acres	Income	Acres	Income	Acres	Income	Acres	Income
Agriculture	251	\$ 3,442	0	\$ 0	165	\$ 3,695	2,445	\$ 37,054	3,233	\$ 59,775	6,879	\$ 195,835
Commercial	10,172	\$ 1,656	1,677	\$ 2,400	22,539	\$ 22,753	8,483	\$ 9,598	8,238	\$ 154,014	308	\$ 79,159
Grazing	107,163	\$ 44,779	76,749	\$ 38,932	146,654	\$ 67,534	110,127	\$ 44,689	117,855	\$ 49,958	37,600	\$ 11,058
Homesite	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0
Rights of Way	1,806	\$ 55,601	268	\$ 121	1,656	\$ 5,646	1,090	\$ 21,237	2,382	\$ 83,319	811	\$ 36,671
Use Permits	11,336	\$ 17,355	3,486	\$ 4,417	5,623	\$ 13,568	4,080	\$ 7,552	6,260	\$ 892,725	2,594	\$ 37,835
Public Education	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0
Institutional Taking	1,917	\$ 0	0	\$ 0	2,721	\$ 0	0	\$ 0	107	\$ 1,051	406	\$ 0
U.S. Government	86	\$ 0	0	\$ 0	184	\$ 0	17	\$ 0	8	\$ 0	4	\$ 0
Other	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 1,100	0	\$ 0
Total Surface	132,731	\$ 122,834	82,180	\$ 45,870	179,542	\$ 113,196	126,242	\$ 120,131	138,083	\$ 1,241,940	48601	\$ 360,558
Subsurface Leases												
Mineral	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0
Prospecting Permit	690	\$ 339	40	\$ 80	8,641	\$ 33,331	1,451	\$ 26,844	1,559	\$ 13,511	400	\$ 400
Mineral Material	0	\$ 0	0	\$ 0	120	\$ 10,560	0	\$ 0	0	\$ 0	164	\$ 43,200
Oil & Gas	14,925	\$ 16,045	15,342	\$ 15,342	8,334	\$ 14,121	18,802	\$ 29,776	15,923	\$ 19,934	0	\$ 0
U.S. Government	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0
Total Subsurface	15,615	\$ 16,384	15,382	\$ 15,422	17,094	\$ 58,012	20,252	\$ 56,620	17,482	\$ 33,446	564	\$ 43,600
Penalty & Interest		\$ 426		\$ 300		\$ 930		\$ 1,444		\$ 1,040		\$ 18,375
Sales Interest		\$ 0		\$ 0		\$ 0		\$ 0		\$ 22,681		\$ 102,446
Treasurer's Formula Distribution		\$ 213,753		\$ 12,041		\$ 74,618		\$ 241,653		\$ 398,034		\$ 972,149
Grand Total Expendable		\$ 353,397		\$ 73,633		\$ 246,756		\$ 419,848		\$ 1,697,141		\$ 1,497,128
Permanent Fund Receipts		\$ 201,918		\$ 10		\$ 100,063		\$ 178,980		\$ 1,365,511		\$ 14,180,775
Permanent Fund Balance (Book)		\$ 6,611,000		\$ 352,000		\$ 2,737,000		\$ 7,862,000		\$ 14,732,000		\$ 57,801,000

FUND AND BENEFICIARY SUMMARY

Other Grants

The remaining six Trust beneficiaries are the School for the Deaf and 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.

- The Pioneers' Home received a total of \$4,981,884 in expendable receipts in FY 2014.
- The Department of Juvenile Corrections received \$1,466,638 in expendable receipts in FY 2014.
- The Department of Corrections received a total of \$2,765,074 in expendable receipts in FY 2014.



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)*



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)*

OTHER GRANTS

Acres and Income FY 2014

<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
Penitentiaries.....	Dept. of Corrections

FUND AND BENEFICIARY SUMMARY

Other Grants FY 2014

Surface Leases	Legislative, Executive, & Judicial Buildings		Miners' Hospital		Penitentiaries		School for the Deaf & Blind		State Charitable, Penal, & Reformatory		State Hospital	
	Acres	Income	Acres	Income	Acres	Income	Acres	Income	Acres	Income	Acres	Income
Agriculture	1,104	\$ 27,727	12,866	\$ 418,565.11	4,717	\$ 219,094	2,638	\$ 70,051	3,898	\$ 105,201	3,981	\$ 101,008
Commercial	5	\$ 25,920	579	\$ 966,794.95	456	\$ 740,328	6	\$ 6,937	2,834	\$ 1,244,631	204	\$ 166,063
Grazing	56,406	\$ 23,513	73,322	\$ 28,636.96	66,025	\$ 29,999	73,180	\$ 33,823	63,211	\$ 27,292	60,003	\$ 26,440
Homesite	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0
Rights of Way	1,407	\$ 8,323	1,565	\$ 31,420.50	557	\$ 36,124	798	\$ 32,728	1,142	\$ 50,365	878	\$ 8,388
Use Permits	4,227	\$ 568	11,621	\$ 92,964.87	14,342	\$ 13,230	8,702	\$ 22,730	7,952	\$ 826,469	7,201	\$ 21,040
Public Education	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0
Institutional Taking	0	\$ 0	1	\$ 0	1,778	\$ 0	1	\$ 0	475	\$ 76,929	80	\$ 12,001
U.S. Government	92	\$ 0	168	\$ 0	5	\$ 0	32	\$ 0	117	\$ 0	108	\$ 0
Other	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 442
Total Surface	63,242	\$ 86,052	100,123	\$ 1,538,382.39	87,880	\$ 1,038,775	85,356	\$ 166,268	79,629	\$ 2,330,887	72,455	\$ 335,382
Subsurface Leases												
Mineral	0	\$ 0	119	\$ 421.72	0	\$ 0	0	\$ 0	160	\$ 120	60	\$ 16,572
Prospecting Permit	1,513	\$ 18,433	5,262	\$ 13,003.00	990	\$ 4,270	160	\$ 160	0	\$ 0	77	\$ 610
Mineral Material	0	\$ 0	230	\$ 20,239.91	0	\$ 0	0	\$ 0	138	\$ 88,000	77	\$ 11,000
Oil & Gas	4,403	\$ 5,121	9,337	\$ 9,337.34	7,920	\$ 7,920	6,921	\$ 7,321	7,479	\$ 7,693	635	\$ 635
U.S. Government	0	\$ 0	0	\$ 0	5	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0
Total Subsurface	5,916	\$ 23,554	14,949	\$ 43,001.97	8,910	\$ 12,190	7,081	\$ 7,481	7,777	\$ 95,813	849	\$ 28,817
Penalty & Interest		\$ 1,146		\$ 7,626.63		\$ 1,470		\$ 2,143		\$ 21,249		\$ 2,901
Sales Interest		\$ 0		\$ 126,584.89		\$ -		\$ 0		\$ 1,064,766		\$ 0
Treasurer's Formula Distribution		\$ 172,401		\$ 333,014.00		\$ 246,012		\$ 106,667		\$ 2,353,835		\$ 126,639
Grand Total Expendable	\$ 283,153		\$ 2,048,609.88		\$ 1,298,446		\$ 282,559		\$ 5,866,550		\$ 493,739	
Permanent Fund Receipts		\$ 77,713		\$ 3,131,956.77		\$ 291,197		\$ 177,081		\$ 1,854,447		\$ 285,399
Permanent Fund Balance (Book)		\$ 5,664,000		\$ 18,361,000.00		\$ 11,155,000		\$ 3,715,000		\$ 79,403,000		\$ 4,449,000

ABOUT THE LAND DEPARTMENT

Divisions and Sections

ADMINISTRATION

Administration Division

The Administration Division is responsible for the operational & administrative functions of the Arizona State Land Department, including accounting, travel, budget, procurement and human resources.

Accounting Section

The Accounting Section ensures the Department's finances are handled in accordance with the Generally Accepted Accounting Principles and follow the rules and procedures adopted by the Department of Administration's General Accounting Office www.gao.az.gov

The Section's primary purpose is to properly bill, receive, and distribute Trust receipts. The Section also processes the Department's expenditures.

Budget & Procurement Section

The Budget & Procurement Unit is responsible for the development and monitoring of the Department's budget and for procurement activities.

Budget activities include developing the Department's budget request for submission to the Governor's Office of Strategic Planning

From 2009-2014 the ASLD generated over \$1,525,120,721 for the Trust beneficiaries

and Budgeting www.ospb.state.az.us/, the allocation of the enacted budget, and monitoring expenditures for compliance with legislative and executive intent as well as ensuring the Department's adherence to the budgeted amount.

The unit also ensures the Department's compliance with the State Procurement Code. It assists staff with procurement questions and acts as the Department's liaison with the State Procurement Office www.azdoa.gov/spo to meet the Department's procurement needs.

Human Resources Section

The Human Resources Unit is responsible for recruiting, hiring, and conducting other personnel actions involving State Land Department employees. It is also a resource for employees regarding Department and state employee benefits.

LAND INFORMATION, TITLE AND TRANSFER DIVISION

Administrative Procedures & Information Section

The Public Records area assists and instructs the public and Department staff, in person, telephonically and by e-mail in the research of computer records, interpretation of title documentation, microfiche records and case files.

From 1912 to 2001 the Trust generated \$1 Billion -the Trust now stands at over \$4.5 billion

(Continued on page 22)

ABOUT THE LAND DEPARTMENT

Divisions and Sections

LAND INFORMATION, TITLE AND TRANSFER

The Administrative Procedures area is responsible for scheduling hearings related to appeals of Commissioner Decisions, either with the Office of Administrative Hearings or the Board of Appeals. This area coordinates the issuance of Commissioner Orders. Records of bankruptcy filings affecting Trust land leases, outstanding rental collection, complex records requests, administrative and litigation issues are maintained in this area. All 5 Year Rule Reviews and rule amendments for each of the 15 rules in Title 12, Chapter 5 that govern the Department are prepared here as well as amendments to all Department Instruction, Policy and Procedural Memos. This area also conducts settlement conferences and hearings related to oil and gas agreements, conservation of Trust lands and fact finding hearings.

Title & Contracts Section

The Title & Contracts Section is responsible for ensuring that electronic and paper records for the State's title to 9.2 million acres of Trust land accurately reflect each acquisition, disposition, lease, permit and right of way that has transpired. This entails application processing, research and preparation of title reports for proposed transactions, legal issues or legislative proposals. Application and lease documents are constantly updated not only to adhere to the Arizona Administrative Code and Arizona Revised Statutes but also to assist customers in providing valuable information to the Department. County records are

researched to verify payment of water assessment taxes as well as sales of Trust parcels.

REAL ESTATE DIVISION

Appraisal Section

The Appraisal Section is tasked with the responsibility of determining land value for the Arizona State Land Department's vast land holdings. While not all of the Trust land is appraised every year, appraisals are required when applicants become interested in leasing or purchasing Trust land. Further, appraisals are needed when utilities, private individuals and other entities require access over Trust Lands. Ultimately, the Appraisal Section is in place to assure that the Trust and its beneficiaries are adequately compensated.

Planning & Engineering Section

The Planning & Engineering Section handles land planning, entitlement, drainage and engineering issues affecting State Trust land throughout Arizona. Our primary mission is to handle technical and land use entitlement matters related to the management and disposition of State Trust land in the best interests of the State Trust's beneficiaries while advancing the mission of the Trust. Our staff is based in Phoenix and Tucson and is composed of AICP-certified planners, registered Professional Engineers,

(Continued on page 23)

ABOUT THE LAND DEPARTMENT

Divisions and Sections

engineering technicians, planning project managers, and Geographic Information Systems analysts.

The various disciplines that make up our staff work in tandem to leverage entitlement and technical opportunities to protect and enhance State Trust land values and to maximize the resulting return to the Trust. Typical activities include Clean Water Act Section 404 Permitting and technical coordination, development of regional drainage and infrastructure solutions, and revisions to existing zoning entitlements to accommodate shifting market needs.

Rights of Way Section

A right of way is an encumbrance on the property it crosses. Rights of Way are granted across State Trust land for a variety of public and private uses, such as access roads, infrastructure, power lines, communication lines, and public roadways. Rights of Way are issued for terms ranging from one year to perpetuity. All rights of way in excess of 10 years must be approved by the Board of Appeals.

Sales and Commercial Leasing Section

The Sales and Commercial Leasing Section of the Real Estate Division of the ASLD processes the transactions of special land use permits, commercial leases, and sales of State Trust land. The Section not only processes all new and renewal applications but also administers the active leases that generate ongoing revenue for the Trust. The Section works closely with other Sections within the ASLD as well as with private sector

and jurisdictional entities to meet its purpose. The majority of the revenue generated by the Section comes from sales and long-term commercial leases. Commercial leases vary in scope, from retail, industrial, office, mixed use, and public purposes, and vary in length, from 1 to 99 years. All sales and commercial leases must be approved by the Board of Appeals. Furthermore, all sales as well as commercial leases for more than 10 years must be granted to the highest and best bidder at a public auction, per the Enabling Act. All transactional decisions assure the highest and best use of the Land and are made in the best interests of the Trust.

FY 2014 TRANSACTIONS

- Jerry Ivy Revocable Trust purchased 193.04 acres of land in the Southeast valley for \$30,200,000.
- City of Scottsdale purchased 2365.17 acres of land in Scottsdale for \$21,300,000 as part of the Arizona Preserve Initiative Program.
- Taylor Morrison/Arizona Inc. purchased 105.72 acres of land in North Phoenix for \$28,100,000 for residential development.
- Pima County purchased 818.82 acres of land within its boundaries for \$11,600,000 as part of the Arizona Preserve Initiative Program.
- City of Flagstaff purchased 2251.20 acres of land within its boundaries for \$11,600,000 as part of the Arizona Preserve Initiative Program.
- Spectrum LNG, LLC purchased 10.47 acres of land in LaPaz County for \$314,100 for the expansion of a natural gas facility.

ABOUT THE LAND DEPARTMENT

Divisions and Sections

INFORMATION SYSTEMS AND RESOURCE ANALYSIS DIVISION

The Information Systems and Resource Analysis Division (IS/RAD) consists of three major sections. As legislated, the Resource Analysis Division is headed by the State Cartographer who is tasked with a number of Geographic Information Systems (GIS) sharing duties. The State Cartographer also works closely with the Arizona Geographic Information Council. The IS/RAD division's other sections consist of Information Technology which enabled the ASLD to effectively and securely manage the State Trust and provides innovative and reliable business systems to track ASLD's assets. The GIS section is the first leg of the IS/RAD division. This section aids ASLD and at times other agencies in the complex analysis and visualization of spatial issues, for example determining which Trust lands have the highest potential for solar energy development. The GIS section also provides services that protect the interests of the trust and ensure that all land is put to the highest and best use.



NATURAL RESOURCES DIVISION

Range, Agriculture and Conservation Section

The Range, Agriculture & Conservation Section oversees the Department's agriculture and grazing leases, which generate roughly \$7,000,000 in revenue each year from lease rental payments. Grazing leases amount to over 8,000,000 acres of State Trust land and can be found in every county in the state. Agriculture leases are predominantly in four counties: Pinal, Yuma, Maricopa and Cochise. These four counties make up over 75% of state agriculture leases. The Section has 5 Range Resource Area Managers, who work closely with grazing lessees on range improvement projects like fencing and water pipelines, and on land treatment projects such as grassland restoration or prescribed burning. An Agriculture Leasing Specialist is responsible for the state-wide agriculture leasing program.

The Range, Agriculture & Conservation Section also includes a Natural Resource Conservation District (NRCD) Manager. This person administers funding to both NRCDs and their associated environmental education centers. NRCDs are managed by a five-person board composed of 3 elected supervisors and 2 appointed supervisors approved by the State Land Commissioner. Each district has the same responsibility, but in a different area of the state: to protect and conserve natural resources within their boundaries.

ABOUT THE LAND DEPARTMENT

Divisions and Sections

NATURAL RESOURCES DIVISION

Environmental Program

The Environmental program is responsible for protection of soil, surface and groundwater, and air quality on State Trust land. The program responds to and investigates environmental contamination by regulated substances from illegal activities and lessee operations on State Trust land. The program reviews lease applications, contractor proposals, Phase I and II and remedial action reports and manages contaminated land remediation projects and fugitive dust issues on Trust Land.

Trespass Program

The Trespass Program is responsible for investigating reports of illegal occupancy of Trust land ranging from minor to major offenses. Most involve native plant damage or theft, mineral theft, roads or utilities placed without a right-of-way, and commercial or agricultural trespass. The more serious offenses are usually resolved through negotiations. Trespass Investigators also respond to numerous other concerns including; OHV complaints, dust, squatters, historic issues, trash and solid waste, target shooting, insect complaints, fire fuel complaints, weeds, and myriad of other matters.

The Environmental Program

- Cleaned up over 500 gallons of waste oil and other regulated substances and removed 260 tons of tires from a former commercial lease in the northwest valley.
- Removed 53 tons of tires near the Gila River in the west valley.
- Demolished several buildings on a former commercial lease in Gila Bend.

The Trespass Program

- Partnered with City of Buckeye to clean an area where unpermitted target shooting was occurring in preparation for development of Skyline Park.
- Partnered with City of Tucson Parks and Recreation Department and Tucson Clean and Beautiful to clean an area that was experiencing a high volume of illegal dumping and other criminal activity.
- Installed barricades in Desert Hills due to excessive off-highway vehicle activity in the residential area.

Did You Know?

- The Department processed 1,192 new customer applications; issued 8,670 recreational use permits and retrieved 7,814 lease and contract files for customers.
- The Department's Public Records area answered more than 3,500 e-mail and telephone customer inquiries.
- Over 4,977 customers visited the Department in FY 2013.
- There are currently 7,628 rights of way and 4,043 leases or permits.

ATTENTION SHOOTERS!



ABOUT THE LAND DEPARTMENT

Divisions and Sections

NATURAL RESOURCES DIVISION

Minerals Section

The Minerals Section primarily supports five State-wide permitting and leasing programs:

- Mineral Exploration Permits.
- Mineral Leases for Hardrock and Industrial Minerals Mining.
- Mineral Materials Leases for Common Variety Sand and Gravel or Aggregates.
- Energy Minerals Leases for Oil and Gas or Geothermal Resources.
- Special Land Use Permits for Split Estate Operations with ASLD Surface only.

The Minerals Section also supports minerals-related functions for the ASLD:

- Review and Comment on Land Sales or Leases.
- Review and Comment on Land Use Plans and Preserve Initiatives.
- Review and Comment on Annexation Proposals.
- Review and Comment on Possible Land Exchanges.
- Evaluate Proposed Legislation for Impacts to the Trust or on Mining in General.

In addition, the Minerals Section works with other State Agencies in support of the Abandoned Mines Program with the Arizona State Mine Inspector's Office, the Geological Mapping Advisory Committee with the Arizona Geological Survey, and legal Issues involving mining and minerals with the State Attorney General's Office.



FY 2014 Mineral Activity on State Trust Land



Commodity	
● Gold	● Gypsum
● Copper	● Slate
● Limestone/Marble	● Specialty Clay
● Uranium	■ Mineral Materials



Arizona State Land Department
1916 Williams Street Phoenix, AZ 85007

The Arizona State Land Department makes no warranties, expressed or implied with respect to the information shown on this map.

July 2014

01enuray/Miscell/azsola/2014 Annual Report Map/2014 Annual Report Map.mxd
Kanan Muray, 7/21/2014

ABOUT THE LAND DEPARTMENT

Divisions and Sections

NATURAL RESOURCES DIVISION

Water Rights Section

The Water Rights Section administers several programs related to use of water on State Trust land or extraction of water from State Trust for use on other land. The Water Rights Section:

- Maintains water right registrations for stockponds and surface water rights and claims including maintaining compliance with state regulatory programs.
- Assists lessees with development of new water supplies to ensure issuance of water rights in the name of the ASLD.
- Administers grandfathered groundwater rights within Active Management Areas including compliance with reporting and conservation requirements.
- Maintains the registry of wells and review applications for new wells to evaluate long-term impact to water resources on Trust land.
- Monitors water levels on Trust land through a cooperative agreement with the Arizona Department of Water Resources, allowing sharing of equipment and data.



- Administers the sale of water for use off of Trust land, through water auction, and lease water charges.
- Conducts water right evaluations and comment on land sales and lease applications.



- Administers ASLD's domestic and agricultural contracts for mainstream Colorado River water on Trust land including coordination with lessees and the Bureau of Reclamation regarding water scheduling, reporting and payment of administrative and water charges.
- Monitors Colorado River regulatory activities and drought and comments on potential impacts to lessees and the Trust.
- Administers ASLD's Central Arizona Project's contract including scheduling deliveries, payment of administrative charges and monitoring regulatory changes in order to comment on potential impact to the Trust.
- Maintains statement of claimants for water uses on STL and assist the Attorney General's office in this and other court proceedings.

ABOUT THE LAND DEPARTMENT

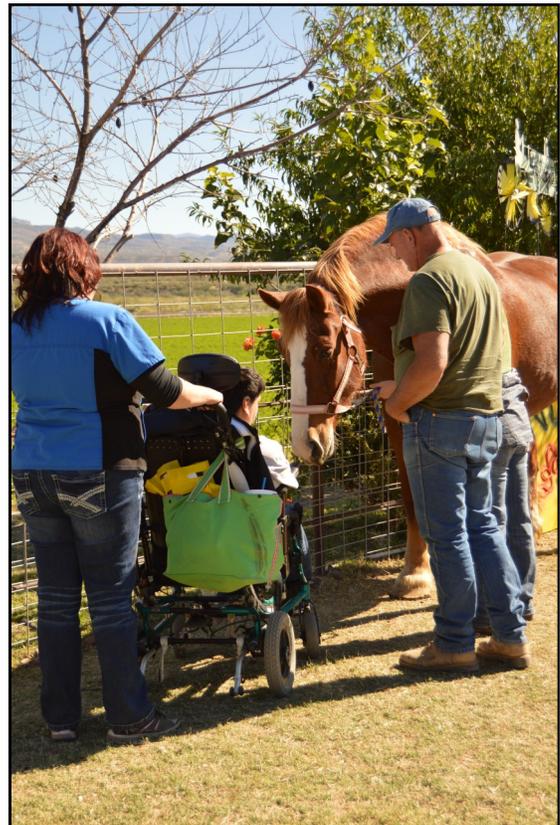
Divisions and Sections

NATURAL RESOURCE CONSERVATION DISTRICTS

Natural Resource Conservation Districts (NRCs) were created following the dust bowl era to ensure participation in conservation efforts spearheaded by the newly formed Soil Conservation Service (SCS). Arizona passed the Conservation District Law in 1942 (Laws, 1941, Ch. 43, § 2.) NRC 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 NRCs are composed of a five person board that provides local voluntary leadership and knowledge. The NRCs 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, NRCs play a pivotal role in organizing, implementing, and coordinating with a variety of agencies concerning natural resource initiatives within their districts.

In addition, state law empowers NRCs to establish Education Centers. NRC 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. The State Land Commissioner also serves as the State Natural Resource Conservation Commissioner.



ABOUT THE LAND DEPARTMENT

New Programs

GOVERNOR'S NATURAL RESOURCES REVIEW COUNCIL

NRRC

The Governor's Natural Resources Review Council (NRRC) was established by Governor Brewer's Executive Order 2013-02. The Council is comprised of nine state agencies that are impacted by natural resource related decisions handed down by federal agencies.

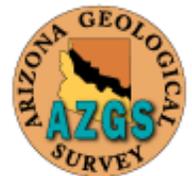
Subcommittees

The Council created five subcommittees to identify ways to carry out the provisions delineated in the Executive Order. Those five subcommittees include: Clearinghouse, Mitigation and Conservation Banking, Planning, GIS and Engagement & Partnering. The Subcommittees identified specific recommendations that were forwarded to the Council in an *Interim Report*, and it was later adopted by the Council. The Council then directed the Subcommittees to begin implementation of the recommendations in April 2014.

The Council, through its subcommittees, have been implementing the following work product ultimately for greater collaboration and earlier engagement in the federal decision-making process:

- A centralized clearinghouse for federal actions with an email notification system. Federal actions will be populated into a single website by agencies that initially receive them. The agency opens a folder for a specific federal action and an email notice is subsequently forwarded to all systems users who may also opt-out of receiving further notices.

- A centralized GIS map viewer and catalog of agency documents. This system allows users to view several layers of GIS data from various agencies. Together with the centralized Clearinghouse, these systems create a one-stop-shop for information and data as it relates to the state's natural resources. The System is called the *Natural Resources Decision Support System*.
- A template and users guide for natural resource management planning, and information related to federal laws that speak to the states' purview to be involved in federal planning and decision making.



ABOUT THE LAND DEPARTMENT

New Programs

LAND EXCHANGE

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.

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. Specifically:

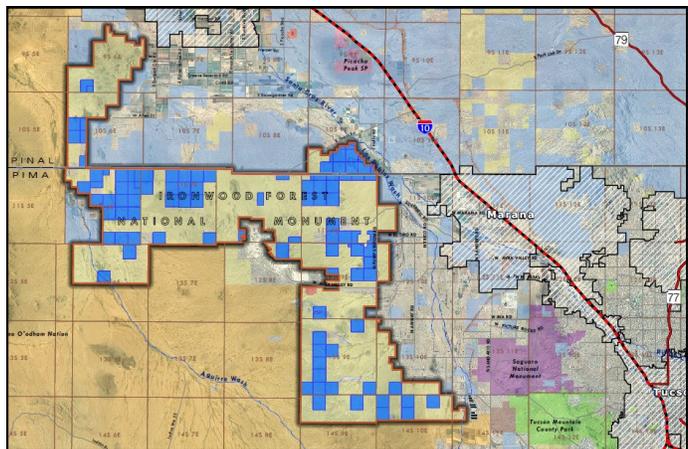
- The exchange must be in the best interest of the state land trust.
- The purpose of the exchange must be to either assist in preserving and protecting military facilities in this state from encroaching development or to improve the management of state lands for the purpose of sale or lease, or conversion of state land to public use.
- There must be two independent appraisals that show that the true value of the land the state receives in the exchange is equal to or greater than the true value of the trust land the state conveys. There also must be two independent analyses that detail the income to the state land trust before and the projected income to the trust after the exchange, the financial impact of the exchange on each county, city, town and school district in which the lands are located, the physical, economic and natural resource impacts of the exchange on the local community and the impacts on local land uses and land use plans.
- A detailed public notice of a proposed exchange must be given, public hearings

must be held and an opportunity for public comment must be given.

- A proposed exchange is not effective unless it is approved by the voters at a statewide November general election.

Currently, there are approximately 1,141,049 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.

The Land Information, Title and Transfer Division is currently in the process of drafting rules for land exchanges.



Trust Land Captured within the Ironwood Forest National Monument

Located Northwest of Tucson, there are over 90,000 combined surface and subsurface Trust lands captured within the boundaries of the Ironwood Forest National Monument. Trust land is represented in dark blue.

ABOUT THE LAND DEPARTMENT

Trust Lands within Federal Holdings

Federal Holding	Surface	Sub Surface
Arrastra Mountains	1,280.5	1,280.5
BIA - Hopi Tribe	145,035.7	136,596.7
Black Canyon Trails System	37.8	41.4
BLM - Sonoita Valley Conservation Planning	78,116.2	76,937.5
Buenos Aires National Wildlife Refuge	1,223.8	1,223.8
Casa Grande Ruins National Monument	197.6	197.6
Colorado River Indian Reservation	835.5	832.5
Eagletail Mountains	2,639.1	3,199.8
Grand Canyon-Parashant National Monument	24,511.9	28,626.2
Harcuvar Mountains	638.6	638.6
Hassayampa River Canyon	442.4	
Havasupai Indian Reservation	637.0	637.0
Hummingbird Springs	1,272.7	1,272.7
Ironwood Forest National Monument	54,704.5	37,630.6
Kingman Burro Facility	387.8	387.8
Lake Mead National Recreational Area	1,316.6	1,316.6
Lake Pleasant (Expansion)	49,033.7	23,961.3
Lake Pleasant (Santa Rita III)	28,194.5	13,717.0
Lower San Pedro	113,942.9	102,650.4
Mt. Nutt	525.1	525.1
Navajo Indian Reservation	637.8	637.8
North Maricopa Mountains	3,865.1	
Organ Pipe Cactus National Monument	1,275.2	1,275.2
Petrified Forest National Park (Expansion)	36,195.2	38,160.8
Rawhide Mountains	200.7	200.7
Redfield Canyon	4,218.9	2,934.2
Sahuaro National Park	2,449.1	2,449.1
San Pedro Riparian National Conservation Area	279.8	279.8
Sierra Estrella	640.0	1,301.0
Signal Mountain	1,279.8	
Sonoran Desert Heritage Conservation Area	16,962.8	30,926.8
Sonoran Desert National Monument	3,852.1	23,922.6
Trigo Mountains	43.2	43.2
Vermillion Cliffs National Monument	13,464.0	10,251.8
Veterans Cemetary	5.0	5.0
Walnut Canyon National Monument (Expansion)	2,042.0	2,042.0
		2,562.3
Total	592,384.5	548,665.2

ABOUT THE LAND DEPARTMENT

Board of Appeals

BOARD OF APPEALS MEMBERS



Sandra B. Kelley, Chair
Scottsdale
Member-at-Large



Jolene U. Dance, Vice-Chair
Phoenix
Member-at-Large



Norman Chappell,
Phoenix
Represents the Second District: Maricopa,
Pinal, Gila, Yuma and La Paz counties



Richard Poynter
Prescott
Represents the Third District: Mohave,
Yavapai, Coconino, Apache and Navajo
counties



Vacant
Tucson
Represents the First District: Pima, Santa
Cruz, Cochise, Graham and Greenlee
counties

Current Trust acreage

Surface	9,277,863.69
Oil/Gas	8,964,103.09
Mineral	8,978,114.05

BOARD OF APPEALS

Arizona Revised Statute §37-215 requires all land sales and commercial leases to be approved by the Board of Appeals, which also serves as an Administrative Review Board.

Applicants and lessees may appeal to the Board a final decision of the State Land Commissioner that relates to appraisals and classifications.

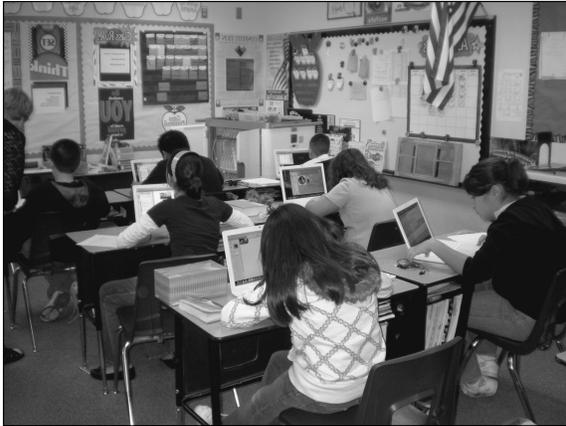
The State Land Department Board of Appeals consists of five board members selected by the Governor and confirmed by the Senate for six-year terms. Three members represent the 15 counties in the State, which is divided into three districts. Two members hold positions-at-large.

The current board members are Sandy Kelley (Chairperson), Jolene Dance (Vice-Chairperson), Norman Chappell and Richard Poynter.

The Board meets monthly unless special circumstances warrant additional sessions. Meetings are usually held in Phoenix.

During this fiscal year, the Board approved 5 new commercial leases, 23 renewal leases, 52 rights-of-way sale appraisals, and 11 land sale appraisals.

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.



Financial Schedules

Receipts by Category.....	35
Rental Acreage and Receipts.....	36
Treasurer's Formula Distribution.....	37

FINANCIAL SCHEDULES

Receipts by Category FY 2014

	LEASE RENTAL	OTHER RECEIPTS	PENALTY & INTEREST	ROYALTY	SALES INTEREST	SALES PRINCIPAL	TOTAL
A&M Colleges	\$ 139,218	-	\$ 426	\$ 201,918	\$ -	\$ -	\$ 341,562
Commercial Prepayment	\$ -	\$ 12,907,114	\$ -	\$ -	\$ -	\$ -	\$ 12,907,114
Common Schools (K-12)**	\$ 49,373,000	-	\$ 154,434	\$ 15,257,187	\$ 7,817,385	\$ 66,312,633	\$ 138,914,638
Leg., Exec & Judicial	\$ 109,606	-	\$ 1,146	\$ 77,713	\$ -	\$ -	\$ 188,465
Military Institutes	\$ 61,293	-	\$ 300	\$ 10	\$ -	\$ -	\$ 61,602
Miners' Hospital*	\$ 1,581,384	-	\$ 7,627	\$ 228,883	\$ 126,585	\$ 2,903,073	\$ 4,847,553
Normal Schools	\$ 171,208	-	\$ 930	\$ 99,987	\$ -	\$ 76	\$ 272,201
Penitentiaries	\$ 1,050,964	-	\$ 1,470	\$ 148,954	\$ -	\$ 142,243	\$ 1,343,631
School for the Deaf & Blind	\$ 173,749	-	\$ 2,143	\$ 177,081	\$ -	\$ -	\$ 352,973
School of Mines	\$ 176,751	-	\$ 1,444	\$ 178,980	\$ -	\$ -	\$ 357,176
St Char., Pen. & Ref	\$ 2,426,699	-	\$ 21,249	\$ 227,792	\$ 1,064,766	\$ 1,626,655	\$ 5,367,162
State Hospital	\$ 364,199	-	\$ 2,901	\$ 283,399	\$ -	\$ 2,000	\$ 652,499
University of Arizona (1881)	\$ 404,158	-	\$ 18,375	\$ 116,888	\$ 102,446	\$ 14,063,887	\$ 14,705,754
University Land Code	\$ 1,275,386	-	\$ 1,040	\$ 142,303	\$ 22,681	\$ 1,223,208	\$ 2,664,619
Total School & Institutions	\$ 57,307,614	\$ 12,907,114	\$ 213,485	\$ 17,141,096	\$ 9,133,864	\$ 86,273,776	\$ 182,976,950
F.E.M.A. Lands	\$ 16,300	-	\$ -	\$ 35,000	\$ -	\$ -	\$ 51,300
Farm Loan Lands	\$ 4,796	-	\$ 40	\$ -	\$ -	\$ -	\$ 4,836
Fees: Lease, Sale & Misc.	\$ -	-	\$ -	\$ -	\$ -	\$ -	\$ -
Lands Held in Trust	\$ 10,094	-	\$ 122	\$ -	\$ -	\$ -	\$ 10,216
Navigable Streambeds	\$ 108,582	-	\$ 298	\$ -	\$ -	\$ -	\$ 108,880
Total General Fund	\$ 139,772	\$ 3,182,385	\$ 460	\$ 35,000	\$ -	\$ -	\$ 175,232
Trust Land Management Fund							
TOTAL RECEIPTS	\$ 57,447,386	\$ 16,089,500	\$ 213,945	\$ 17,176,096	\$ 9,133,864	\$ 86,273,776	\$ 186,334,566

*Miners' Hospital & Miners' Hospital 1929 Combined - **including County Bonds

RENTAL ACREAGE AND RECEIPTS BY TYPE OF LEASE

FY 2014

SURFACE LEASES	ACRES	RECEIPTS
Agriculture	152,652.99 \$	4,171,014.66
Commercial	71,047.55 \$	22,483,505.21
Grazing	8,359,137.07 \$	3,059,250.03
Homesite	5.63 \$	3,611.66
Rights of Way	108,180.43 \$	4,138,620.47
Use Permits	533,673.01 \$	5,148,772.30
Institutional Taking	12,891.56 \$	415,330.81
U.S. Government	18,277.51 \$	242,485.00
Other	0.00 \$	14,966,342.00
Total Surface	9,255,865.74 \$	54,628,932.14

SUBSURFACE LEASES	ACRES	RECEIPTS
Mineral	10,024.03 \$	80,046.64
Prospecting Permit	267,951.79 \$	1,193,536.66
Mineral Material	1,774.51 \$	298,144.80
Oil & Gas	851,692.46 \$	1,246,725.59
Total Subsurface	1,131,442.79 \$	2,818,453.69

NON-LEASE REVENUES	RECEIPTS
Penalty & Interest	\$ 213,944.92
Sales Interest	\$ 9,133,863.82
Royalty	\$ 17,176,096.18
Land Sales Principal	\$ 84,335,127.15
Rights of Way Sales Principal	\$ 1,936,649.00
Settlements	\$ 2,000.00
Commercial Prepayments	\$ 12,907,114.49
Fees	\$ 3,182,385.03
Total Non-Lease Revenues	\$ 128,887,180.59
Grand Total	\$ 186,334,566.42

FINANCIAL SCHEDULES

Treasurer's FY 2014 Formula Distribution

	FY Ending June 30, 2013	FY Ending June 30, 2014	Increase	1912-2014
Common Schools (K-12)**	\$ 62,417,775	\$ 67,781,808	\$ 5,364,033	\$ 1,370,568,674
Normal Schools	\$ 70,689	\$ 74,618	\$ 3,929	\$ 2,734,387
Agricultural & Mechanical Colleges	\$ 209,066	\$ 213,753	\$ 4,687	\$ 9,189,110
Military Institutes	\$ 11,771	\$ 12,041	\$ 270	\$ 1,248,297
School of Mines	\$ 235,446	\$ 241,653	\$ 6,207	\$ 1,779,421
University Land Code	\$ 380,613	\$ 398,034	\$ 17,421	\$ 12,407,847
University of Arizona (Act of 2/18/1881)	\$ 881,688	\$ 972,149	\$ 90,461	\$ 25,914,900
School for the Deaf & Blind	\$ 101,606	\$ 106,667	\$ 5,061	\$ 4,786,124
Legislative, Executive & Judicial Buildings	\$ 167,816	\$ 172,401	\$ 4,585	\$ 7,759,104
State Hospital	\$ 118,691	\$ 126,639	\$ 7,948	\$ 3,896,577
Miners' Hospital*	\$ 282,856	\$ 333,014	\$ 50,158	\$ 7,832,215
State Charitable, Penal, & Reformatory	\$ 2,271,804	\$ 2,353,835	\$ 82,031	\$ 33,834,437
Penitentiaries	\$ 224,062	\$ 246,012	\$ 21,950	\$ 5,340,477
TOTAL	\$ 67,373,883	\$ 73,032,624	\$ 5,658,741	\$ 1,487,291,570

*Miners' Hospital & Miners' Hospital 1929 Combined - **including County Bonds



1616 West Adams • Phoenix, Arizona 85007

www.azland.gov