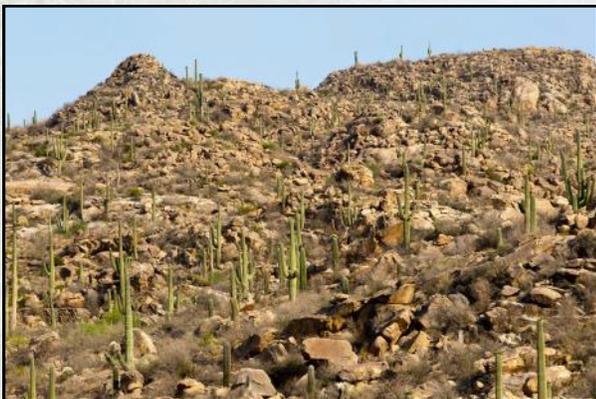




ANNUAL REPORT 2014 - 2015

Douglas A. Ducey
Governor

Lisa A. Atkins
Commissioner



Serving Arizona's Schools and Public Institutions Since 1915

Arizona Revised Statutes Section 37-103. Seal of state land department

The state land department shall have a seal, and it shall be affixed with the signature of the state land commissioner to all instruments of conveyance, leases, certificates and other official acts. The signature of the commissioner and seal of the department upon the original or copy of any paper, plat, map or document from the state land department shall impart verity thereto.



THE SEAL OF THE STATE LAND DEPARTMENT

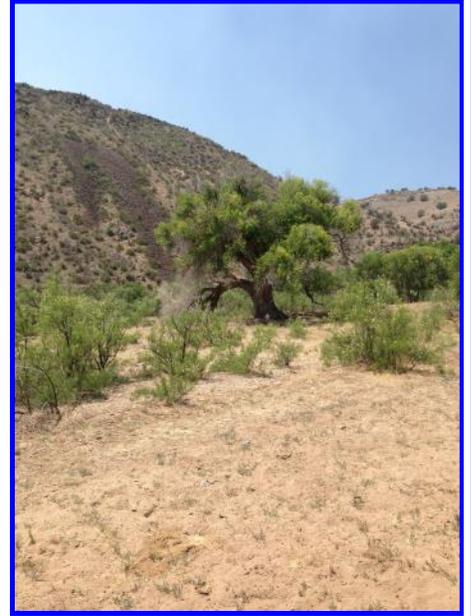
The Seal, adopted in 1972, incorporates six colors: red, white, blue, gold and copper as they relate to the United States and Arizona, and green for heritage from Mexico.

The symbols within the seal have been selected and interpreted to mean the following:

- | | |
|---|---|
|  | SUN RAYS - CONSTANCY |
|  | CLOUDS - GOOD PROSPECTS |
|  | MOUNTAINS - ABUNDANCE |
|  | RUNNING WATER - CONSTANT LIFE |
|  | DEER TRACKS - PLENTY OF GAME |
|  | CARTWHEEL - PERMANENT HOME |
|  | CONCENTRIC DIAMONDS & CENTER EYE - WISE, WATCHFUL |
|  | ARROW - PROTECTION |
|  | COPPER STAR - ARIZONA |

The seven rays in the sun and six divisions in the border - the original 13 colonies.

The Seal, adopted in 1972 and again in 2015 in commemoration of the Department's 100th anniversary, incorporates six colors: red, white, blue, gold and copper as they relate to the United States and Arizona and green for heritage from Mexico.



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	5
About the Commissioner.....	6
Historical Overview	7
Revenues and Beneficiary Summary	11
Land Management Map.....	12
FY 2015 Total Revenue	13
Permanent Funds.....	14
Expendable Revenue	15
Revenue by Beneficiary	16
State Trust Land Uses	17
Revenue Generation on State Trust Land	18
Fund and Beneficiary Summary: K-12 Education	19
Fund and Beneficiary Summary: Universities	20
Fund and Beneficiary Summary: Other Grants	22
About the Land Department: Divisions and Sections	24
Administration	24
Land Information, Title and Transfer	25
Real Estate Division	25
Appraisal Section.....	25
Planning and Engineering	25
Rights of Way.....	26
Sales and Commercial Leasing.....	26
Information Systems and Resource Analysis	27
Natural Resources Division	27
Range, Agriculture and Conservation Section	27
Environmental Program.....	28
Trespass Program.....	28
Minerals	29
Water Rights	32
Natural Resource Conservation Districts.....	33
Board of Appeals.....	34
Financial Schedules	35
Receipts by Category.....	36
Rental Acreage and Receipts.....	37
Treasurer’s Formula Distribution.....	38



Doug Ducey
Governor
State of Arizona

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

MESSAGE FROM THE COMMISSIONER

September 1, 2015

Honorable Douglas A. Ducey
Governor
State of Arizona
1700 West Washington
Phoenix, Arizona 85007

Dear Governor Ducey:

It is my privilege to deliver to you the State Land Department's (Department) Annual Report for Fiscal Year 2015 (FY 2015) as required by A.R.S. § 37-132. The report contains a summary of the Department's activities and revenue earned during the fiscal year.

The Department's primary and continuing goal is to increase revenue for the beneficiaries of the State Trust and to protect the Trust's long term interest. As a result of careful planning and prudent stewardship, in FY 2015, a total of approximately \$284,000,000 was generated for the Trust beneficiaries.

Land sales generated more than \$135,000,000 for the fiscal year. In May 2015, the Department conducted a land auction in Scottsdale that was bid to more than \$1,300,000 dollars an acre, the largest per acre price in the Department's history. The natural resources division generated more than \$10,000,000 on agriculture, grazing and mineral leases, and another \$13,000,000 on mineral royalties for the Trust beneficiaries in FY15.

The Department continued to auction Trust land classified as suitable for conservation during FY 2015. The City of Phoenix purchased 85.15 acres of Trust land for open space, and Pima County added more than 100 acres of preserve land to its holdings. The conservation sales generated more than \$3,000,000 for the Trust.

Thank you for the opportunity to serve Arizona and the Trust beneficiaries as the State Land Commissioner. We will continue to make appreciable advancements of the interests of those we serve.

Sincerely,

Lisa A. Atkins
Commissioner

ABOUT THE COMMISSIONER AND DEPUTY COMMISSIONER



Lisa A. Atkins
Commissioner
Arizona State Land Department

Lisa A. Atkins was appointed by Governor Douglas A. Ducey to serve as Commissioner of the Arizona State Land Department on June 15, 2015.

As an Arizona native, Lisa combines a well-rounded understanding of the State with more than 40 years of experience in the federal and State legislative and policy arenas. While serving more than 23 years as Chief of Staff to Congressman Bob Stump (R-AZ), Lisa worked closely with residents, citizens groups, associations, and State and local governments on a diverse set of issues of importance to Arizona, particularly focusing on land, water and military issues. After her tenure with Congressman Stump, Lisa served as the Executive Director of County Supervisors Association of Arizona (CSA), representing the elected County Supervisors in Arizona on policy and budget matters. Prior to joining the Governors Administration in June 2015, Lisa served for eleven years as the Vice President for Public Policy for Greater Phoenix Leadership (GPL), a group of the Region's top business and industry leaders.

Lisa is well respected in the Arizona community for her involvement in a variety of organizations. Among her current community activities, Lisa represents Maricopa County as an elected member of the Board of the Central Arizona Water Conservation District (CAWCD), and is a member of the Governor's Military Affairs Commission.

Lisa is a graduate of the University of Arizona. She and her husband John reside in Phoenix.



Wesley Mehl
Deputy Commissioner
Arizona State Land Department

Wesley Mehl was appointed as the Deputy Commissioner of the State Land Department on July 2, 2015.

Wesley served as Vice President and General Counsel of Town West Realty, Inc., a real estate development company in Tucson from 2011 to 2015, and was previously in private legal practice.

Wesley graduated from the University of Arizona with a B.A. in Political Science. He obtained his law degree from Pepperdine University, and an LL.M. in real property law from the University of Miami.

Wesley serves on the Board of Directors of Good News Communications, Inc., a Christian radio broadcasting company. Mr. Mehl was born and raised in Tucson, Arizona. He and his wife, Elizabeth, and their children live in Phoenix, Arizona.

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.



Land Commission Members make camp during the Scripps Survey 1912-1913

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.



Members of the Land Commission

Historical Overview

INSTITUTIONAL LANDS

The Enabling Act granted 2,350,000 acres of land to the State to be selected from the "surveyed, unreserved, unappropriated and non-mineral public lands of the United States" for the following purposes:

Agricultural & Mechanical Colleges	150,000
County Bonds	1,000,000
Legislative, Executive & Judicial Buildings	100,000
Military Institutes	100,000
Miners' Hospital	50,000
Normal Schools	200,000
Penitentiaries	100,000
School for the Deaf & Blind	100,000
School of Mines	150,000
State Charitable, Penal, & Reformatory	200,000
State Hospital	100,000
University Purposes	200,000



Congress granted an additional 50,000 acres of Institutional Lands for a Disabled Miners' Hospital in 1929 and by 1930 all but about 35,000 Institutional acres had been selected. By 1967 Arizona had selected all of the Institutional Lands granted.

SELECTION OF INSTITUTIONAL LANDS

The Enabling Act required the Institutional Lands to be selected by a commission composed of the Governor, Surveyor-General, and the Attorney General. In order to comply with the requirements of the Enabling act, the Legislature made the Chairman of the State Land Commission the Surveyor-General. A power that the State Land Commissioner continues to hold today.

According to the 1914 Report of the State Land Commission, "every section of the State, regardless of the remoteness or inaccessibility...has been visited." By 1914, 636,661 acres had been selected.

Remaining Institutional Acres	2015
Agricultural & Mechanical Colleges	124,944
Legislative, Executive & Judicial Buildings	64,229
Military Institutes	80,168
Miners' Hospital	47,545
Miners' Hospital (1929)	47,686
Normal Schools	174,786
Penitentiaries	76,111
School for the Deaf & Blind	82,558
School of Mines	123,256
State Charitable, Penal & Reformatory	77,225
State Hospital	71,248
University Land Code	137,778
University of Arizona (Act of 2/18/1881)	49,134

In the 1950s and 1960s the ASLD had a Rain Making and Cloud Modification Division

Historical Overview

COMMON SCHOOLS GRANT

When the United States Congress established the Territory of Arizona on February 24, 1863, it granted sections 16 and 36 of each township for the benefit of the Common Schools.

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

The Enabling Act, passed on June 20, 1910, allowed for Arizona statehood. In addition to the previously designated sections of land, Congress, through the Enabling Act assigned additional sections 2 and 32 of each township to be held in trust for the Common Schools.

The Enabling Act stipulated that if any of the sections granted were mineral lands, previously sold, reserved or otherwise appropriated by Congress, or if there homesteads present, the State would not receive that land, but would be allowed to reselect other land. These were known as indemnity-lieu selections.

Historical Note

The Land Ordinance of 1785 established the basis for the Public Land Survey System. Under this system each western township contained six square miles of land which was divided into 36 square mile lots. The Ordinance reserved lot 16 specifically to public education.

IN LIEU SELECTION PROCESS

The original in-lieu selection right constituted about 3 million acres to be selected from public domain land that was surveyed, unreserved and unappropriated. By 1979 the State Selection Board, which is now made up of the Governor, Attorney General, and the State Treasurer, had selected about 2.8 million acres with final selection being completed by 1982.

100 YEARS OF LAND COMMISSIONERS

W.A. Moer 1915-1920

Rudolf Kuchler 1921-1922

Vernon Vaughn 1923-1928

Don C. Babbit 1928-1929

Howard J. Smith 1931-1934

Charles P. Mullen 1934-1937

William P. Alberts 1937-1941

O.C. Williams 1941-1949

W.W. Lane 1949-1953

Rodger Ernst 1953-1957

Obed M. Lassen 1957-1970

Andrew L. Bettwy 1970-1978

Joe T. Fallini 1978-1982

Robert K. Lane 1983-1987

M. Jean Hassell 1987-1997

J. Dennis Wells 1997-1999

Michael E. Anable 1999-2003

Mark Winkleman 2003-2009

Maria Baier 2009-2012

Vanessa P. Hickman 2012-2015

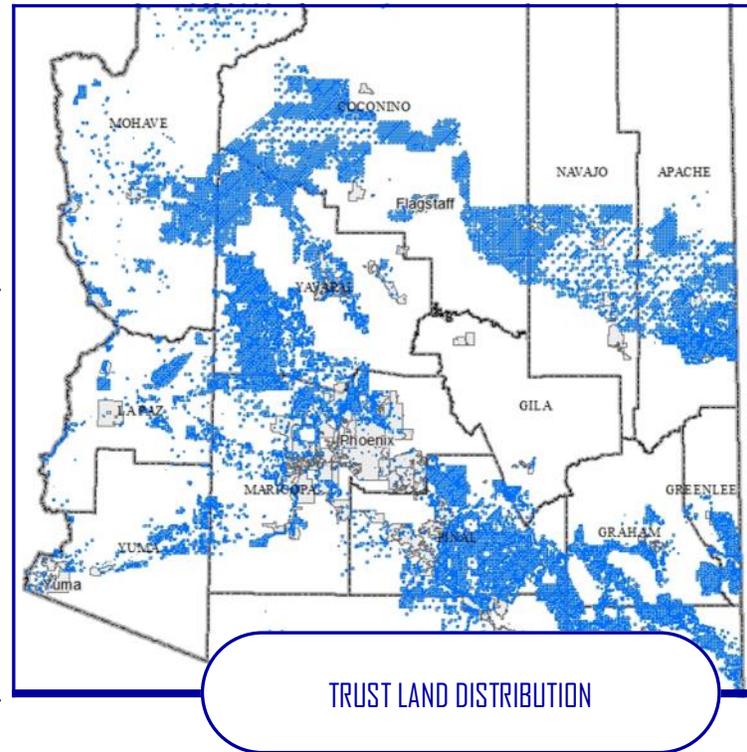
Lisa A. Atkins 2015-

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.

BENEFICIARIES

Today 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.

Acres Per Beneficiary	1912	2015
Common Schools (K - 12)*	9,400,000	8,061,037
Normal Schools	200,000	174,786
University Land Code	200,000	137,778
Agricultural & Mechanical Colleges	150,000	124,944
School of Mines	150,000	123,256
School for the Deaf & Blind	150,000	82,558
Military Institutes	100,000	80,168
State Charitable, Penal & Reformatory	200,000	77,225
Penitentiaries	100,000	76,111
State Hospital	100,000	71,248
Legislative, Executive & Judicial Buildings	100,000	64,229
University of Arizona (Act of 2/18/1881)	60,000	49,134
Miners' Hospital (1929)	50,000	47,686
Miners' Hospital	50,000	47,545
Total	10,960,000	9,217,704



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.

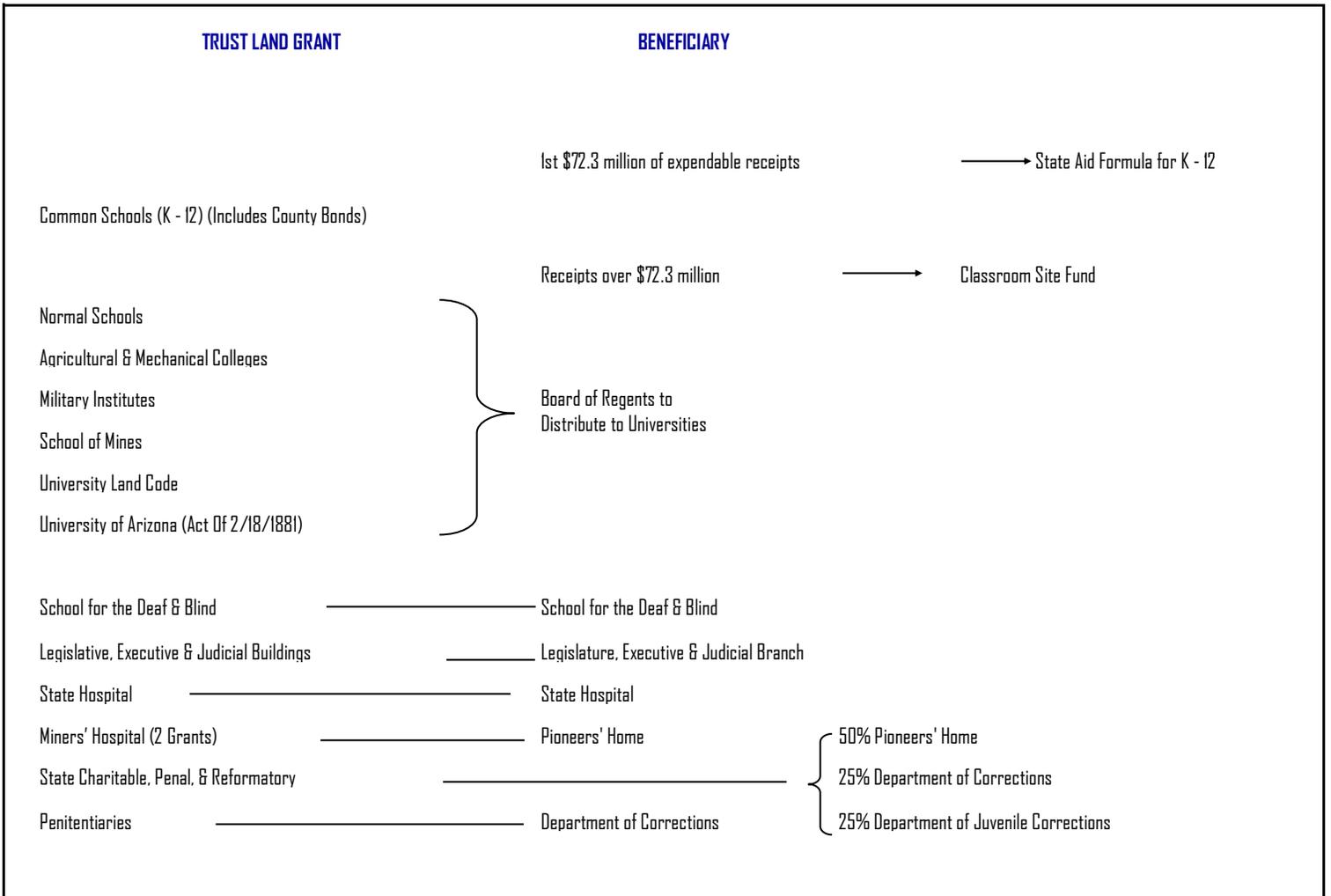
6	5	4	3	2	1
7	8	9	10	11	12
18	17	16	15	14	13
19	20	21	22	23	24
30	29	28	27	26	25
31	32	33	34	35	36

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

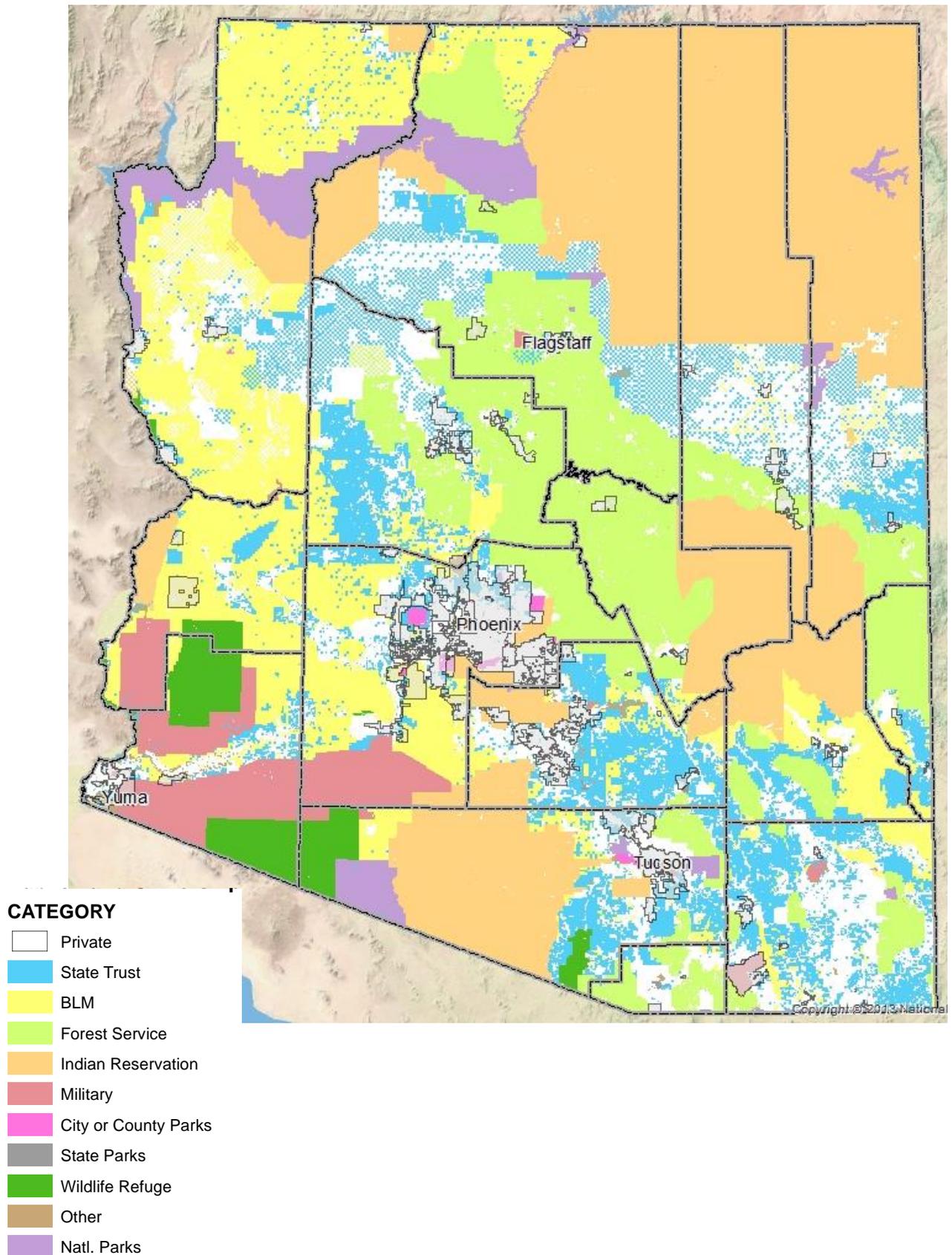
REVENUES AND BENEFICIARY SUMMARY

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.



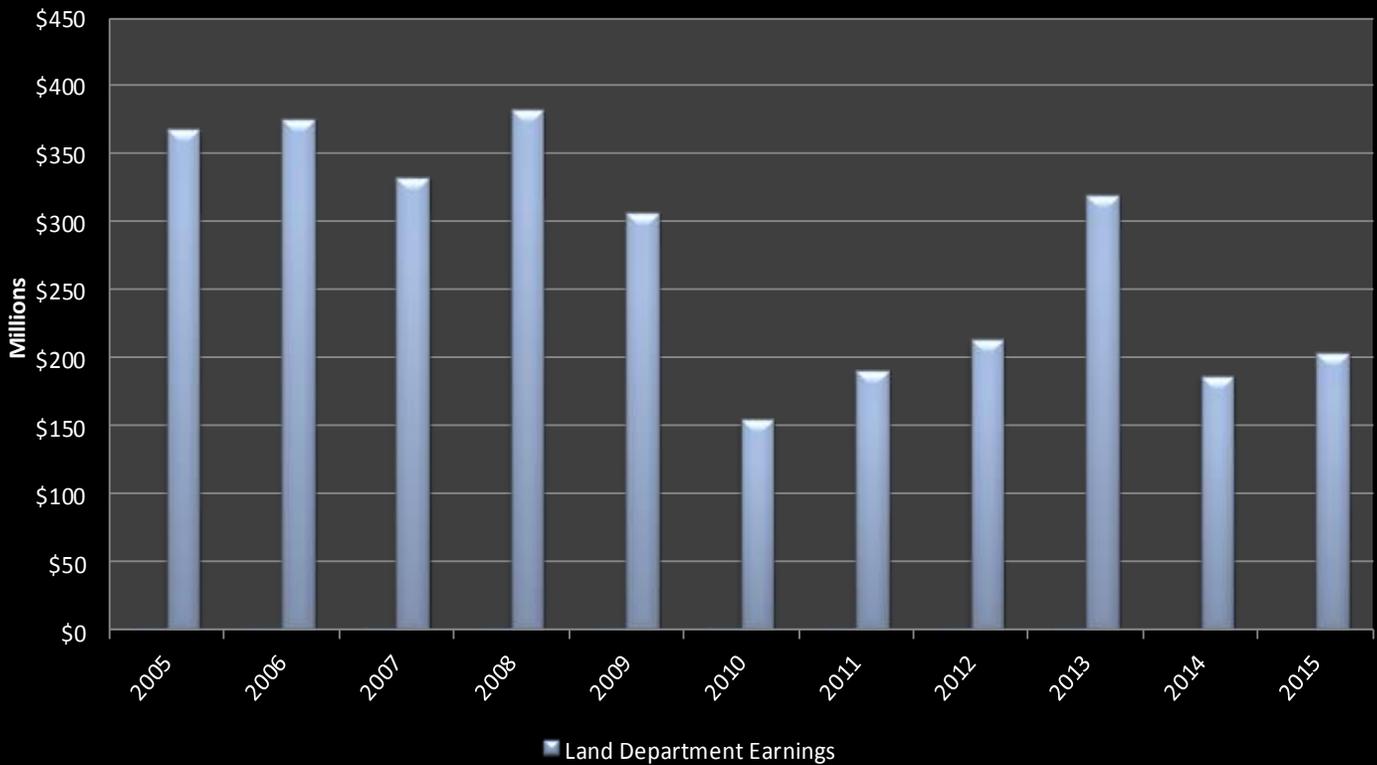
Land Management in Arizona



FY 2015 Total Revenue

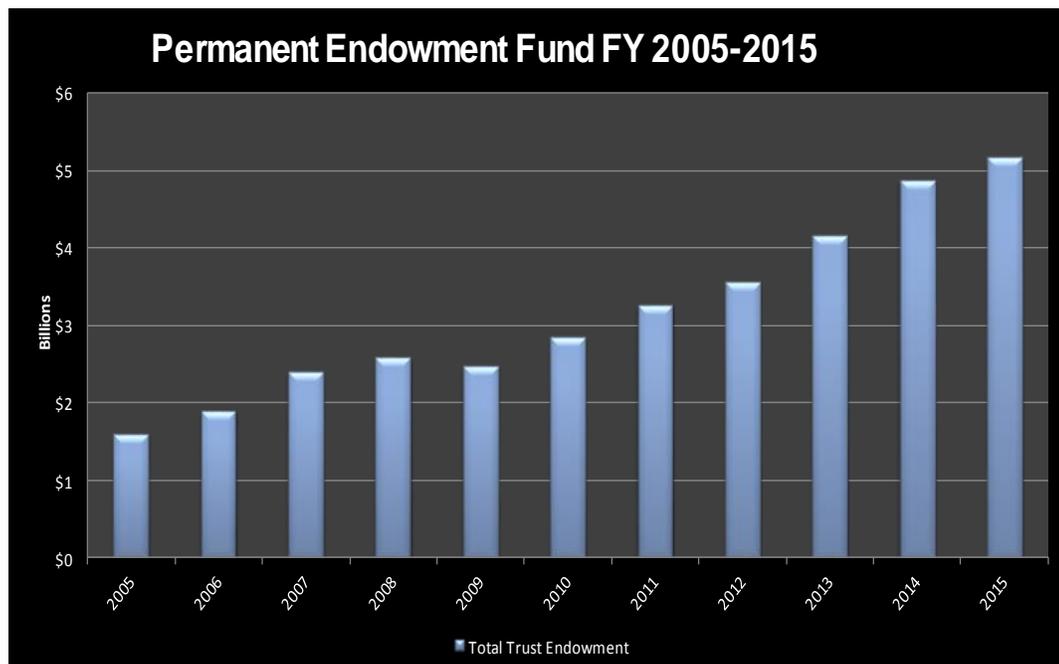
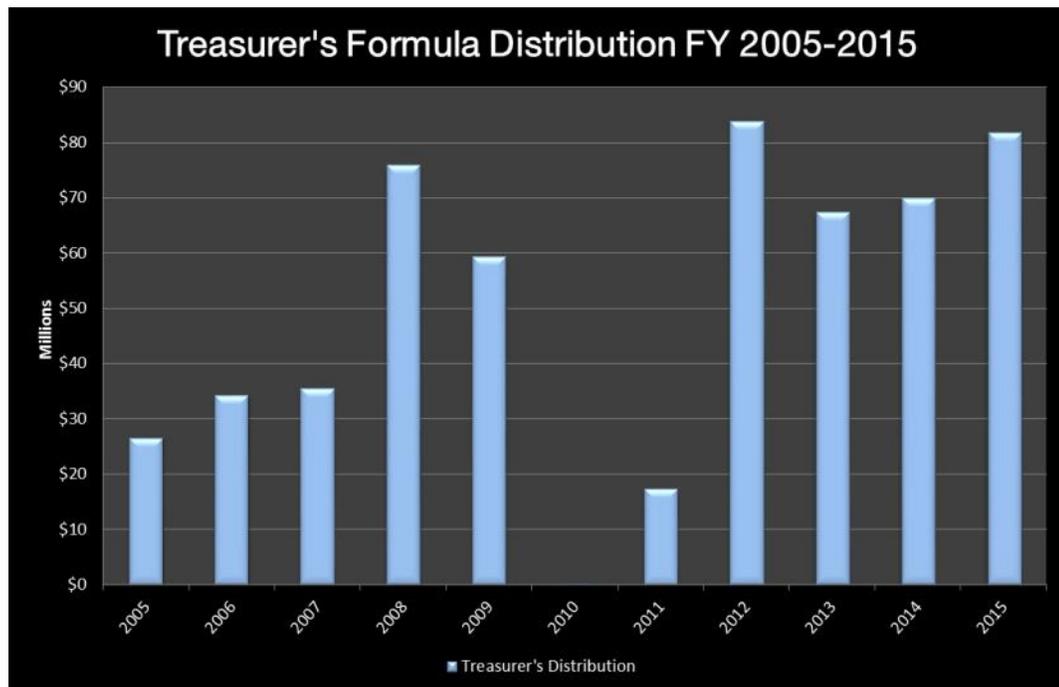
Natural Resources Total	\$ 10,773,394
Commercial Leasing Total	\$ 33,045,345
Rights of Way	\$ 6,016,287
Miscellaneous Rental	\$ 1,447,173
Rental Total	\$ 51,282,201
Sales Total	\$ 135,358,125
Royalties Total	\$ 13,225,322
Fees	\$ 3,397,836
Total ASLD Receipts	\$ 203,263,485

Total Trust Revenue FY 2005-2015



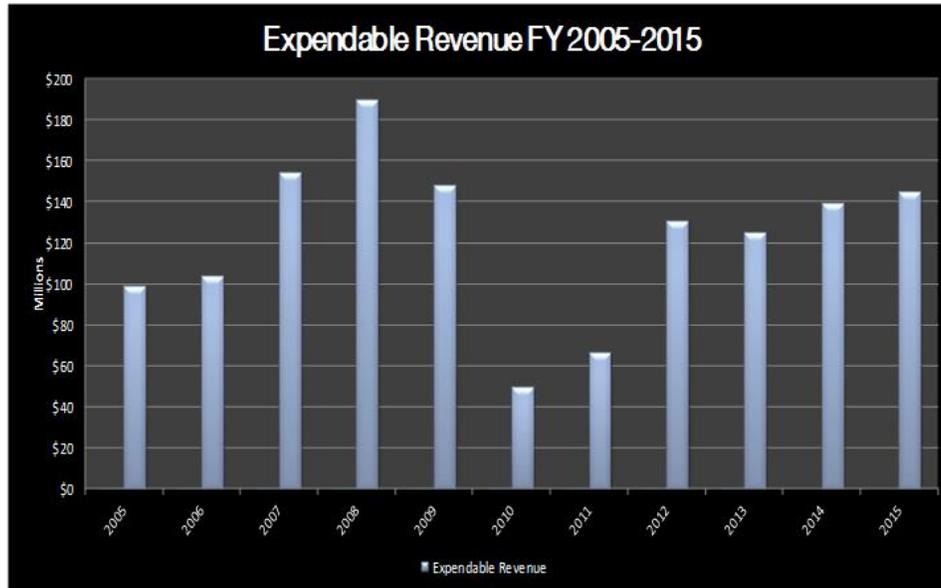
Permanent Funds

- The ASLD deposited \$136 million into the Permanent Funds in FY 2015.
- In FY 2015 the combined value of the Permanent Funds exceeded \$5.1 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 2015 the Treasurer distributed \$81,729,429 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 \$145 million in FY 2015.
- The Treasurer distributed \$81.7 million to the beneficiaries according to the constitutional Formula.



Beneficiaries	ASLD Expendable	Treasurer's Distribution	Total Expendable
Agricultural & Mechanical Colleges	\$ 217,104	\$ 227,961	\$ 445,065
Common Schools	\$ 53,240,913	\$ 75,984,425	\$ 129,225,338
Military Institutes	\$ 70,975	\$ 12,784	\$ 83,759
Normal Schools	\$ 214,465	\$ 82,066	\$ 296,531
School for the Deaf & Blind	\$ 308,074	\$ 116,300	\$ 424,374
School of Mines	\$ 241,752	\$ 257,994	\$ 499,746
University Land Code	\$ 1,746,397	\$ 429,026	\$ 2,175,423
University of Arizona (Act of 2/18/1881)	\$ 530,225	\$ 1,129,225	\$ 1,659,450
Subtotal Education	\$ 56,569,905	\$ 78,239,781	\$ 134,809,686
Legislative, Executive & Judicial Buildings	\$ 201,097	\$ 185,230	\$ 386,327
Miners' Hospital	\$ 1,592,405	\$ 388,978	\$ 1,981,383
Penitentiaries	\$ 1,100,059	\$ 282,456	\$ 1,382,515
State Charitable, Penal & Reformatory	\$ 3,315,307	\$ 2,494,572	\$ 5,809,879
State Hospital	\$ 562,581	\$ 138,412	\$ 700,993
Subtotal Other Institutions	\$ 6,771,448	\$ 3,489,648	\$ 10,261,096
Grand Total	\$ 63,341,353	\$ 81,729,429	\$ 145,070,782

REVENUE BY BENEFICIARY

FY 2015

Beneficiaries	ASLD Expendable	Treasurer's Formula	For-Distribution	Total Expendable	Permanent Fund Receipts	Total Receipts
Agricultural & Mechanical Colleges	\$ 217,104	\$ 227,961	\$	\$ 445,065	\$ 1,570	\$ 446,635
Common Schools**	\$ 53,240,913	\$ 75,984,425	\$	\$ 129,225,338	\$ 133,610,192	\$ 262,835,530
Military Institutes	\$ 70,975	\$ 12,784	\$	\$ 83,759	\$ 3	\$ 83,762
Normal Schools	\$ 214,465	\$ 82,066	\$	\$ 296,531	\$ 253,661	\$ 550,192
School for the Deaf & Blind	\$ 308,074	\$ 116,300	\$	\$ 424,374	\$ 1,618	\$ 425,992
School of Mines	\$ 241,752	\$ 257,994	\$	\$ 499,746	\$ 36,349	\$ 536,095
University Land Code	\$ 1,746,397	\$ 429,026	\$	\$ 2,175,423	\$ 123,028	\$ 2,298,451
University of Arizona (Act of 2/18/1881)	\$ 530,225	\$ 1,129,225	\$	\$ 1,659,450	\$ 228,119	\$ 1,887,569
Subtotal Education	\$ 56,569,905	\$ 78,239,781	\$	\$ 134,809,686	\$ 34,254,540	\$ 269,064,226
Legislative, Executive & Judicial Buildings	\$ 201,097	\$ 185,230	\$	\$ 386,327	\$ 19,239	\$ 405,566
Miners' Hospital*	\$ 1,592,405	\$ 388,978	\$	\$ 1,981,383	\$ 190,950	\$ 2,172,333
Penitentiaries	\$ 1,100,059	\$ 282,456	\$	\$ 1,382,515	\$ 232,971	\$ 1,615,486
State Charitable, Penal & Reformatory	\$ 3,315,307	\$ 2,494,572	\$	\$ 5,809,879	\$ 1,559,005	\$ 7,368,884
State Hospital	\$ 562,581	\$ 138,412	\$	\$ 700,993	\$ 91,271	\$ 792,264
Total	\$63,341,353	\$ 81,729,429	\$	\$ 145,070,782	\$ 136,347,977	\$ 281,418,759

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

*This chart shows the Miners' Hospital Grant and the Miners' Hospital Grant (1929 revenues combined)

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.

**Because the County Bond Grant and Common Schools Grant were combined after the county bonds were paid off, they are generally shown combined as Common Schools.

State Trust Land Uses

SURFACE	NO. OF LEASES	% OF LEASES	TOTAL ACREAGE	% OF ACREAGE
Grazing	1,196	11.59%	8,323,685.95	89.60%
Use Permits	639	6.19%	451,003.36	4.85%
Rights of Way	7,650	74.15%	259,639.45	2.79%
Agriculture	341	3.31%	153,517.38	1.65%
Commercial	295	2.86%	69,984.10	0.75%
U.S. Government	157	1.52%	18,268.68	0.20%
Institutional Taking	10	0.10%	12,891.56	0.14%
Commercial School Leases	21	0.20%	1,142.93	0.01%
Homesite	1	0.01%	5.63	0.00%
Recreational	7	0.07%	0.01	0.00%
Subtotal	10,317	100.00%	9,290,139.05	100.00%
SUBSURFACE	NO. OF LEASES	% OF LEASES	TOTAL ACREAGE	% OF ACREAGE
Oil & Gas	495	51.94%	900,260.46	80.80%
Mineral Exploration	385	40.40%	182,987.32	16.42%
Mineral	54	5.67%	29,169.61	2.62%
Mineral Material	19	1.99%	1,813.13	0.16%
Subtotal	953	100.00%	1,114,230.52	100.00%
Total Leases	11,270		10,404,369.57	

COUNTY DISTRIBUTION OF STATE TRUST LAND



COUNTY	ACRES
Apache	652,660.27
Cochise	1,370,628.00
Coconino	1,120,086.22
Gila	31,231.07
Graham	496,321.00
Greenlee	171,823.84
La Paz	254,386.70
Maricopa	621,651.86
Misc	2,522.66
Mohave	565,127.77
Navajo	369,899.68
Pima	844,271.48
Pinal	1,205,384.15
Santa Cruz	61,153.97
Yavapai	1,263,718.34
Yuma	186,837.45
TOTAL	9,217,704.46

REVENUE GENERATION ON TRUST LAND

Leases and Permits/Revenue Production

Activity	Acres	Leases		Income
Agriculture	153,517	341	\$	4,514,994
Commercial	71,127	295	\$	26,988,140
Grazing	8,323,686	1,196	\$	3,283,572
Institutional Taking	12,892	10	\$	419,777
Rights of Way	109,343	7,650	\$	6,016,287
U.S. Government	18,269	157	\$	107,671
Use Permits	490,537	639	\$	5,529,756
Mineral	29,170	54	\$	436,004
Mineral Exploration	182,987	385	\$	726,946
Mineral Material	1,813	19	\$	311,764
Oil & Gas	900,260	495	\$	1,500,112

Activity	Income
Stock pond Registrations	4,301
Certificated Surface Water Rights	130
Well Registrations	2,933
Adjudication Statements of Claimant	7,006
Water Right Registrations	7,455
Grandfathered Groundwater Rights	264
Public Auction Water Sales	\$ 292,865
Lease Water Charges	\$ 149,103



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 2015, \$133.6 million from sales and royalties was deposited into the Permanent Fund for common schools.

In FY 2015, \$134.8 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.

Surface Leases	Acres	Income
Agriculture	111,663	\$ 3,303,345
Commercial	15,631	\$ 23,350,045
Grazing	7,329,233	\$ 2,790,502
Home site	6	\$ -
Rights of Way	94,056	\$ 4,672,845
Use Permits	419,763	\$ 3,609,560
Institutional Taking	5,406	\$ 325,351
U.S. Government	17,429	\$ 102,072
Other	0	\$ 22,600
Total Surface	7,993,187	\$ 38,176,319
Subsurface Leases		
Mineral	28,830	\$ 298,124
Prospecting Permit	164,097	\$ 694,567
Mineral Material	1,059	\$ 128,564
Oil & Gas	780,623	\$ 1,352,062
Total Subsurface	974,609	\$ 2,473,317
Penalty & Interest		\$ 1,390,604
Sales Interest		\$ 11,200,674
Treasurer's Formula Distribution		\$ 75,984,425
Grand Total Expendable		\$ 129,225,339
Permanent Fund Receipts		\$ 133,610,192
Permanent Fund (Book)		\$ 2,783,121,000
Permanent Fund (Market)		\$ 4,805,966,000

COMMON SCHOOLS

Acres and Income FY 2015



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 \$XX million in FY 2015. An additional \$XX million was earned and added to the permanent funds for the six grants, bringing the total Permanent Fund balance to \$XX 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	12,332	\$ 381,573
Commercial	51,432	\$ 572,610
Grazing	593,436	\$ 289,767
Rights of Way	8,195	\$ 617,311
Use Permits	26,064	\$ 964,170
Institutional Taking	5,151	\$ 1,051
U.S. Government	299	\$ 5,600
Total Surface	696,909	\$ 2,832,082
Subsurface Leases		
Mineral		
Prospecting Permit	9,126	\$ 9,416
Mineral Material	284	\$ 54,960
Oil & Gas	82,174	\$ 109,977
Total Subsurface	91,584	\$ 174,353
Penalty & Interest		\$ 14,482
Sales Interest		\$ -
Treasurer's Formula Distribution		\$ 2,139,056
Grand Total Expendable		\$ 5,159,973
Permanent Fund Receipts		\$ 642,731
Permanent Fund (Book)		\$ 89,269,000
Permanent Fund (Market)		\$ 148,288,000

UNIVERSITY GRANTS

Acres and Income FY 2015



FUND AND BENEFICIARY SUMMARY

University Grants FY 2015

Surface Leases	ABM 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	25	\$ 3,442	0	\$ 0	165	\$ 3,695	1,805	\$ 35,668	3,233	\$ 63,651,65	6,879	\$ 275,116
Commercial	10,173	\$ 6,183	1,677	\$ 2,400	22,539	\$ 23,336	8,486	\$ 29,271	8,250	\$ 378,949,95	308	\$ 182,570
Grazing	107,163	\$ 50,950	76,749	\$ 45,013	146,974	\$ 72,996	110,769	\$ 53,388	117,859	\$ 55,886,11	33,923	\$ 11,533
Rights of Way	1,827	\$ 116,833	268	\$ 2,222	1,679	\$ 77,779	1,104	\$ 80,803	2,505	\$ 326,297,56	811	\$ 13,382
Use Permits	5,075	\$ 14,231	3,486	\$ 4,409	4,582	\$ (682)	4,081	\$ 7,724	6,246	\$ 896,586,95	2,594	\$ 41,901
Institutional Taking	1,917	\$ 0	0	\$ 0	2,721	\$ 0	0	\$ 0	107	\$ 1,050,65	406	\$ 0
U.S. Government	86	\$ 0	0	\$ 0	184	\$ 5,600	17	\$ 0	8	\$ 0	4	\$ 0
Other	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0
Total Surface	126,491	\$ 191,640	82,180	\$ 54,044	178,845	\$ 182,724	126,261	\$ 206,855	138,209	\$ 1,722,317,87	44,924	\$ 474,502
Subsurface Leases												
Mineral												
Prospecting Permit	760	\$ 1,196	0	\$ 0	7,707	\$ 4,122	0	\$ 2,761	259	\$ 535	400	\$ 800
Mineral Material	0	\$ 1,200	0	\$ 0	120	\$ 10,560	0	\$ 0	0	\$ 0	164	\$ 43,200
Oil & Gas	21,964	\$ 22,928	14,201	\$ 16,622	12,197	\$ 16,504	19,442	\$ 31,541	14,369	\$ 22,382	0	\$ 0
Total Subsurface	22,724	\$ 25,324	14,201	\$ 16,622	20,024	\$ 31,186	19,442	\$ 34,302	14,628	\$ 22,917	564	\$ 44,000
Penalty & Interest		\$ 140		\$ 308		\$ 554		\$ 594		\$ 1162		\$ 11,723
Treasurer's Formula Distribution		\$ 227,961		\$ 12,784		\$ 82,086		\$ 257,994		\$ 429,026		\$ 1,129,225
Grand Total Expendable		\$ 445,065		\$ 83,759		\$ 246,756		\$ 499,746		\$ 2,175,423		\$ 1,659,450
Permanent Fund Receipts		\$ 15,712.8		\$ 3		\$ 253,661		\$ 36,349		\$ 228,18		\$ 123,028
Permanent Fund Balance (Book)		\$ 6,491,000		\$ 352,000		\$ 2,875,000		\$ 7,745,000		\$ 14,674,000		\$ 57,182,000
Permanent Fund Balance (Mkt)		\$ 12,705,000		\$ 689,000		\$ 5,125,000		\$ 14,370,000		\$ 26,101,000		\$ 89,298,000

FUND AND BENEFICIARY SUMMARY

Institutional 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 \$4,886,939 in expendable receipts in FY 2015.
- The Department of Juvenile Corrections received \$1,452,469 in expendable receipts in FY 2015.
- The Department of Corrections received a total of \$2,834,985 in expendable receipts in FY 2015.



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 2015

<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

Institutional Grants FY 2015

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	1,315	\$ 30,254	12,866	\$ 340,713	4,717	\$ 187,697	2,636	\$ 67,398	3,898	\$ 94,966	3,981	\$ 103,522
Commercial	5	\$ 60,720	581	\$ 975,886	458	\$ 766,188	6	\$ 9,758	2,835	\$ 990,411	135	\$ 187,965
Grazing	56,406	\$ 28,436	73,322	\$ 30,441	66,025	\$ 34,922	72,860	\$ 38,807	62,941	\$ 32,725	60,003	\$ 33,730
Rights of Way	1,443	\$ 72,299	1,827	\$ 160,768	578	\$ 79,866	1,035	\$ 164,087	1,139	\$ 82,406	936	\$ 159,080
Use Permits	4,227	\$ 1,826	11,027	\$ 40,090	5,736	\$ 13,324	8,385	\$ 13,781	7,949	\$ 820,009	7,167	\$ 26,793
Public Education		\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0	0	\$ 0
Institutional Taking	0	\$ 0	1	\$ 1,964	1,778	\$ 0	1	\$ 2,483	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	\$ 325
Total Surface	63,488	\$ 193,535	99,791	\$ 1,549,861	79,297	\$ 1,081,997	84,954	\$ 296,314	79,355	\$ 2,087,445	72,411	\$ 523,416
Subsurface Leases												
Mineral	0	\$ 0	119	\$ 429	0	\$ 0	0	\$ 0	160	\$ 120,880	60	\$ 16,572
Prospecting Permit	879	\$ 2,339	5,324	\$ 11,330	2,629	\$ 6,193	682	\$ 1,364	0	\$ 0	249	\$ 1,736
Mineral Material	0	\$ 0	230	\$ 20,240	0	\$ 0	0	\$ 0	138	\$ 88,000	77	\$ 11,000
Oil & Gas	3,365	\$ 3,252	9,217	\$ 9,540	7,920	\$ 7,920	8,841	\$ 9,241	7,479	\$ 7,479	641	\$ 641
Total Subsurface	4,245	\$ 5,592	14,891	\$ 41,539	10,550	\$ 14,114	9,522	\$ 10,604	7,777	\$ 216,360	1,027	\$ 29,949
Penalty & Interest		\$ 1,969		\$ 1,004		\$ 3,948		\$ 1,156		\$ 1,705		\$ 9,216
Sales Interest		\$ 0		\$ 0		\$ -		\$ 0		\$ 999,798		\$ 0
Treasurer's Formula Distribution		\$ 185,230		\$ 386,978		\$ 282,456		\$ 116,300		\$ 2,485,572		\$ 138,412
Grand Total Expendable		\$ 386,327		\$ 1,981,383		\$ 1,383,515		\$ 424,374		\$ 5,809,879		\$ 493,739
Permanent Fund Receipts		\$ 19,239		\$ 190,949		\$ 232,971		\$ 1,618		\$ 1,559,005		\$ 9,127
Permanent Fund Balance (Book)		\$ 5,571,000		\$ 18,161,000		\$ 10,995,000		\$ 3,651,000		\$ 79,115,000		\$ 4,448,000
Permanent Fund Balance (Mkt)		\$ 10,463,000		\$ 28,773,000		\$ 18,866,000		\$ 6,813,000		\$ 142,340,000		\$ 8,331,000

*Miners' Hospital and Miners' 1929 Combined

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 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

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

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.

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.

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.

(Continued on page 25)

From 1912 to 2001 the Trust generated \$1 Billion –the Trust now stands at over \$5.1 billion

ABOUT THE LAND DEPARTMENT

Divisions and Sections

REAL ESTATE DIVISION

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.

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, 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.

(Continued on page 26)

ABOUT THE LAND DEPARTMENT

Divisions and Sections

Since its inception the Land Department has deposited over \$3,000,000,000 into the Permanent Funds

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 2015 TRANSACTIONS

- Northeast corner of Lake Pleasant Parkway and Happy Valley Rd. to Carlyle Cypress Lake Pleasant, LLC for \$10,330,000.
- Auction of a parcel at Pima and Los Gatos in North Scottsdale to Camelot Homes for \$11,000,000.00.
- Auction of Paradise Ridge Parcel at the Northeast corner of 68th St. and Mayo Blvd. for \$31,864,356.00.
- Auction of parcel at Southeast corner of Scottsdale Rd and Chauncey Lane for \$16,600,000. The appraised value and initial minimum bid for this property was \$10,000,000, and after more than 50 bids, the successful bidder was declared at the price of \$16,600,000.

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.

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.

ABOUT THE LAND DEPARTMENT

Divisions and Sections

NATURAL RESOURCES DIVISION

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.

ATTENTION SHOOTERS!



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 2015.
- There are currently 7,628 rights of way and 4,043 leases or permits.

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.



ABOUT THE LAND DEPARTMENT

Divisions and Sections

NATURAL RESOURCES DIVISION

Minerals Section 2015 Highlights

The Department received income of \$15.11 million in FY 2015 from mining and minerals-related activities, making it the seventh best year ever for the Minerals Section. The majority of this income was from a mineral lease for copper with ASARCO's Mission Mine in Pima County that generated \$8.79 million in mineral royalty payments to the Trust, about 58% of the total revenue for the Minerals Section in FY 2015. The Department's other significant mineral lease, also for copper, is with Freeport McMoRan for their Morenci Mine in Greenlee County, which generated \$1.28 million in mineral royalty income, or about 8.5% of the Mineral Section's total revenue in FY2015.

The Department was able to finalize a mineral lease for potash mining with The Karlsson Group. The Mineral Lease was signed on June 23, 2015 as one of the first official acts of the new State Land Commissioner, Lisa Atkins. The effective date of this mineral lease is July 1, 2015, and it covers 21,406.19 acres in 34 sections in Apache County. The mineral lease provides for an annual rental payment of \$69,284.61 and a minimum annual royalty payment that will escalate to \$214,061.90 by the fifth anniversary of the lease.

Royalty income from mineral materials leases for common variety sand and gravel and other aggregates operations, was \$1.66 million in FY2015. The Department held one mineral materials auction during FY2015 on December 1, 2014, for 58.62 acres. The winning bidder was Granite Construction of Tucson with an annual surface rental of \$5,000.00 for mining a minimum of 11,111 cubic yards per year at a royalty rate of \$0.45 per cubic yard. Interest in Mineral Materials leasing activity picked up considerably during FY2015, with the Minerals Section receiving six new applications, and processing two more under the new Lean Process developed in early 2015 as part of Governor Ducey's Government Transformation Initiative. In comparison, the Minerals Section had received a total of six new Mineral Materials Lease applications in the past five years combined.

Minerals Section FY 2015 Summary of Permits, Leases, and Revenue

	Number	Acres	Rental	Royalty	Total Income
Exploration Permits	385	182,987	\$ 726,946		\$ 726,946
Mineral Leases	53	7,763	\$ 436,004	\$ 10,219,685	\$ 10,655,689
Mineral Material Leases	19	1,813	\$ 311,765	\$ 1,657,502	\$ 1,969,267
Oil and Gas Leases	495	900,260	\$ 1,500,112		\$ 1,500,112
Mineral SLUPs	59	33,398	\$ 255,043		\$ 255,043
Total	1,011	1,126,222	\$ 3,229,870	\$ 11,877,187	\$ 15,107,057

FY 2015 Mineral Activity on State Trust Land



Commodity	
●	Copper
●	Gold
●	Limestone/Marble
●	Uranium
●	Potash
●	Gypsum
●	Slate
●	Specialty Clay
○	Zeolite
●	Fire Agate
■	Mineral Materials



Arizona State Land Department
 1616 W Adams 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 2015

© kmurray\Miscellaneous\2014 Annual Report Map\2015 Annual Report Map.mxd
 Keenan Murray, 7/6/2015

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 (NRCOs) 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.) NRCO 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 NRCOs are composed of a five person board that provides local voluntary leadership and knowledge. The NRCOs 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, NRCOs 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 NRCOs to establish Education Centers. NRCO 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

Board of Appeals

BOARD OF APPEALS MEMBERS



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



Norman Chappell, Vice-Chair
Phoenix
Represents the Second District: Maricopa, Pinal, Gila, Yuma



Sandra B. Kelley
Scottsdale
Member-at-Large



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

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.

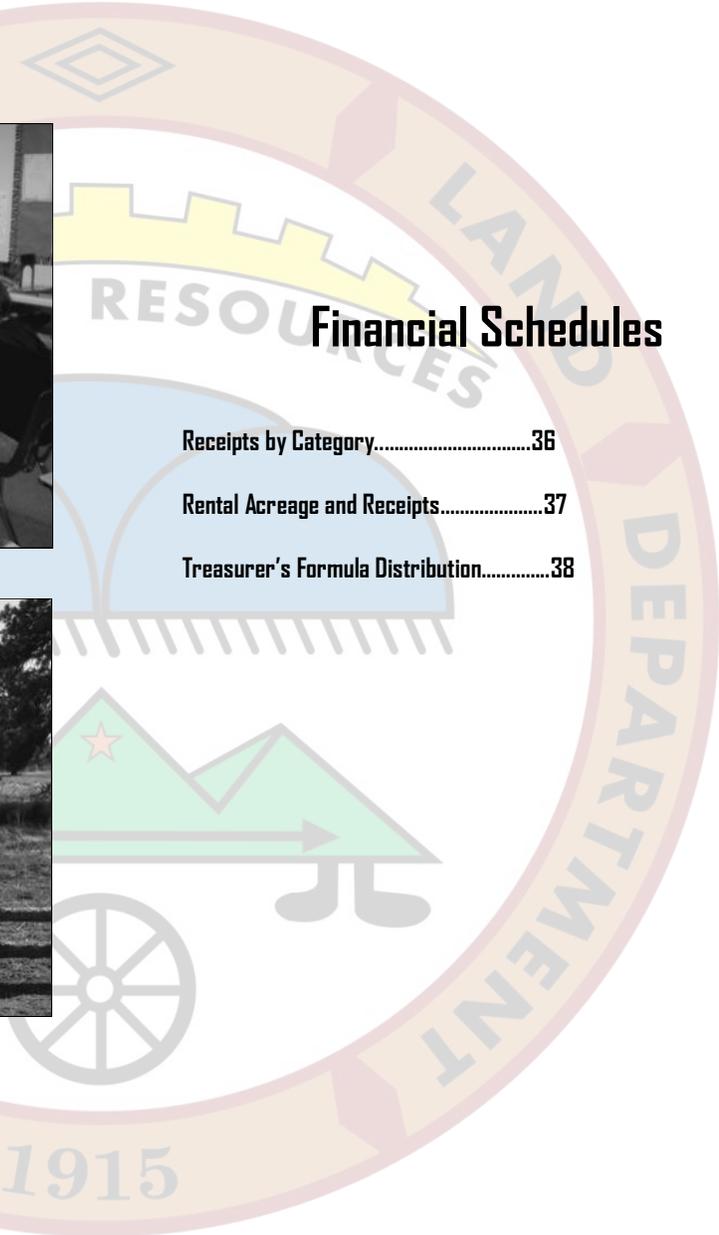
The Board meets monthly unless special circumstances warrant additional sessions. Meetings are usually held in Phoenix.

During this fiscal year, the Board approved 6 new commercial leases, 19 renewal leases, 62 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.

Current Trust acreage

Surface	9,217,704
Oil/Gas	8,964,103
Mineral	8,978,114



Financial Schedules

Receipts by Category.....	36
Rental Acreage and Receipts.....	37
Treasurer's Formula Distribution.....	38

FINANCIAL SCHEDULES

Receipts by Category FY 2015

	LEASE RENTAL	OTHER RECEIPTS	RE-PENALTY & INTER-EST	ROYALTY	SALES INTEREST	SALES PRINCIPAL	TOTAL
ABM Colleges	\$ 216,963	\$ -	\$ 141	\$ 1,570	\$ -	\$ -	218,674
Common Schools**	\$ 40,649,636	\$ -	\$ 1,390,604	\$ 12,218,551	\$ 11,200,674	\$ 21,391,640	186,851,105
Leg., Exec & Judicial	\$ 99,127	\$ -	\$ 1,969	\$ 8,643	\$ -	\$ 10,595	220,335
Military Institutes	\$ 70,666	\$ -	\$ 309	\$ 3	\$ -	\$ -	70,978
Miners' Hospital*	\$ 1,591,400	\$ -	\$ 1,004	\$ 187,171	\$ -	\$ 3,779	1,783,354
Normal Schools	\$ 213,911	\$ -	\$ 554	\$ 117,215	\$ -	\$ 136,447	468,126
Penitentiaries	\$ 1,096,111	\$ -	\$ 3,948	\$ 88,746	\$ -	\$ 144,226	1,333,031
School for the Deaf & Blind	\$ 306,918	\$ -	\$ 1,156	\$ 1,618	\$ -	\$ -	309,692
School of Mines	\$ 241,158	\$ -	\$ 594	\$ 36,349	\$ -	\$ -	278,101
St Char., Pen. & Ref	\$ 2,313,804	\$ -	\$ 1,705	\$ 205,850	\$ 999,798	\$ 1,353,155	4,874,312
State Hospital	\$ 553,365	\$ -	\$ 9,216	\$ 91,271	\$ -	\$ -	653,852
University of Arizona (1881)	\$ 518,502	\$ -	\$ 11,723	\$ 123,028	\$ -	\$ -	653,253
University Land Code	\$ 1,745,235	\$ -	\$ 1,162	\$ 110,587	\$ -	\$ 117,532	1,974,516
Total School & Institutions	\$ 49,716,797	\$ -	\$ 1,424,085	\$ 13,190,603	\$ 12,200,471	\$ 123,157,373	\$ 199,689,330
F.E.M.A. Lands	\$ 21,718	\$ -	\$ -	\$ 35,000	\$ -	\$ -	56,718
Farm Loan Lands	\$ 4,843	\$ -	\$ 35	\$ -	\$ -	\$ -	4,877
Lands Held in Trust	\$ 9,072	\$ -	\$ -	\$ -	\$ -	\$ -	9,072
Navigable Streambeds	\$ 105,54	\$ -	\$ 128	\$ -	\$ -	\$ -	105,652
Total General Fund	\$ 141,156	\$ -	\$ 163	\$ 35,000	\$ -	\$ -	\$ 176,319
Trust Land Management Fund	\$ -	\$ 3,397,837	\$ -	\$ -	\$ -	\$ -	3,397,837
TOTAL RECEIPTS	\$ 49,857,953	\$ 3,397,837	\$ 1,424,248	\$ 13,225,603	\$ 12,200,471	\$ 123,157,373	\$ 203,263,486

*Miners' Hospital & Miners' Hospital 1929 Combined - **Common Schools (K-12) Including County Bonds

RENTAL ACREAGE AND RECEIPTS BY TYPE OF LEASE

FY 2015

SURFACE LEASES	ACRES	RECEIPTS
Agriculture	153,517	\$ 4,514,994
Commercial	71,127	\$ 26,988,141
Grazing	8,323,686	\$ 3,283,573
Homesite	6	\$ 0
Rights of Way	109,343	\$ 6,016,288
Use Permits	490,537	\$ 5,529,756
Institutional Taking	12,892	\$ 419,777
U.S. Government	18,269	\$ 107,672
Other	0	\$ 22,925
Total Surface	9,179,377	\$ 46,883,126
SUBSURFACE LEASES		
Mineral	29,170	\$ 436,004
Prospecting Permit	182,987	\$ 726,946
Mineral Material	1,813	\$ 311,765
Oil & Gas	900,260	\$ 1,500,112
Total Subsurface	1,114,231	\$ 2,974,828
NON-LEASE REVENUES		
Penalty & Interest		\$ 1,424,248
Sales Interest		\$ 12,200,471
Royalty		\$ 13,225,603
Land Sales Principal		\$ 118,672,769
Rights of Way Sales Principal		\$ 4,482,853
Settlements		\$ 1,752
Fees		\$ 3,397,837
Total Non-Lease Revenues		\$ 153,405,533
Grand Total		\$ 203,263,487

FINANCIAL SCHEDULES

Treasurer's FY 2015 Formula Distribution

	FY Ending June 30, 2014	FY Ending June 30, 2015	Increase	1912-2015
Agricultural & Mechanical Colleges	\$ 213,753	\$ 227,961	\$ 14,208	\$ 9,417,071
Common Schools*	\$ 67,781,808	\$ 75,984,425	\$ 8,202,617	\$ 1,446,553,099
Legislative, Executive & Judicial Buildings	\$ 172,401	\$ 185,230	\$ 12,829	\$ 7,944,334
Military Institutes	\$ 12,041	\$ 12,784	\$ 743	\$ 1,261,081
Miners' Hospital**	\$ 333,014	\$ 388,978	\$ 55,964	\$ 8,221,193
Normal Schools	\$ 74,618	\$ 82,066	\$ 7,448	\$ 2,816,453
Penitentiaries	\$ 246,012	\$ 282,456	\$ 36,444	\$ 5,622,933
School for the Deaf & Blind	\$ 106,667	\$ 116,300	\$ 9,633	\$ 4,902,424
School of Mines	\$ 241,653	\$ 257,994	\$ 16,341	\$ 2,037,415
State Charitable, Penal & Reformatory	\$ 2,353,835	\$ 2,494,572	\$ 140,737	\$ 36,329,009
State Hospital	\$ 126,639	\$ 138,412	\$ 11,773	\$ 4,034,989
University Land Code	\$ 398,034	\$ 429,026	\$ 30,992	\$ 12,836,873
University of Arizona (Act of 2/18/1881)	\$ 972,149	\$ 1,129,225	\$ 157,076	\$ 27,044,125
TOTAL	\$ 73,032,624	\$ 81,729,429	\$ 8,696,805	\$ 1,569,020,999

*Common Schools and County Bonds combined **Miners' Hospital and Miners' Hospital 1929 combined





1616 West Adams • Phoenix, Arizona 85007

www.azland.gov