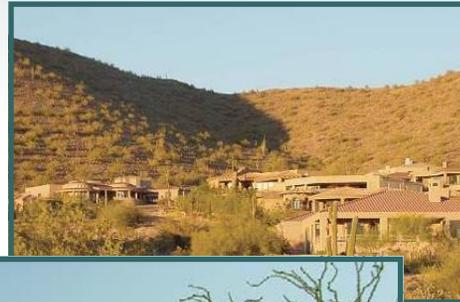


ARIZONA STATE LAND DEPARTMENT

**Annual Report
2004 - 2005**

**Janet Napolitano
Governor**

**Mark Winkleman
State Land Commissioner**



"Serving Arizona's Schools and Public Institutions Since 1915"



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Janet Napolitano
 Governor
 State of Arizona

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

Message From the Commissioner

A Written Report to
Governor Janet Napolitano
by the Arizona State Land
Commissioner



Mark Winkleman
Arizona State Land
Commissioner

September 1, 2005

The Honorable Janet Napolitano
Governor of Arizona
1700 W. Washington Street
Phoenix, Arizona 85007

Dear Governor Napolitano:

It is my privilege to deliver to you the State Land Department's Annual Report for fiscal year 2004-2005 as required by A.R.S. §37-132. The report contains a summary of the Department's management activities, and more importantly, record-breaking revenue that the Land Department earned during the fiscal year.

It is my primary and continuing goal to increase our ability to generate revenue for the beneficiaries of the State Trust. In this fiscal year, Land Department staff continued their diligent work and sincere dedication to support the Trust. As you are aware, we were extremely successful in generating more revenue for the beneficiaries.

Fiscal year 2004-2005 was the most productive year in the history of the Land Department. Several revenue records were broken. The Department had record receipts of \$367.1 million. The Sales Section had an outstanding year completing 17 auctions, resulting in gross sales of approximately \$254.5 million. In many of these auctions there was intense, competitive bidding that raised the sale price significantly above the appraised value of the land.

Of the total \$254.5 million, \$8.2 million was from cash sales and was directly deposited into the Permanent Fund. The balance of just over \$246.3 million was financed through the Department and will be paid off over time. The beneficiaries will earn interest on the balance at a rate averaging from 8% to 10% for an average term of 7 years. These interest rates are generally higher than market and the total outstanding receivable balance from term sales is a record \$446 million, earning interest daily. The money earned on this balance will be paid to our beneficiaries over the next several years. In addition, the remaining principal payments on the price for the land will be deposited in the Permanent Fund in future years.

This year the Department generated a record \$89.2 million in expendable revenue that was sent to beneficiaries for their immediate use. This is a 74.9% increase over fiscal year 2003-2004. Records were also set in several other areas of expendable revenues: sales interest, \$41.9 million; commercial leasing, \$18.5 million; agriculture, \$4 million and natural products, \$5.2 million.

About the Commissioner

On January 6, 2003, Arizona Governor Janet Napolitano appointed Mark Winkleman as the Arizona State Land Commissioner. Mark has the responsibility to act as a trustee in the management of over 9 million acres of State Trust land throughout all of Arizona, including over 500,000 acres in major Arizona cities.

Mark brings over 22 years of commercial real estate experience to the Land Department. When Mark came to the Land Department, his initial goal was to maximize the revenues from the disposition of urban lands through the auction process. After implementing new strategies through the Land Department staff, the intensity of bidders and the prices achieved were unprecedented.

Mark has been a leader in the effort to reform the laws under which the Trust lands are managed. A proposal is currently under consideration that would permit the Department to greatly increase revenues to the beneficiaries, primarily public education. The proposal would reduce urban sprawl and provide for more effective planning of the lands most directly in the path of growth.

The record \$393.6 million revenue generated this year by the Trust has been allocated as follows: \$273 million from the sale of land, rights-of-ways and minerals was deposited into the Trust Permanent Fund, increasing the Fund to \$1,516,454,000; public schools and institutions received \$72.9 million from land rents and interest income, school leases of \$16.4 million as well as \$26.5 million from the Treasurer's formula distributions; the Treasurer's Office also received \$2 million in commercial prepayments that the Land Department will receive back over time as expendable revenue for the beneficiaries; additionally \$2.8 million was deposited in the General Fund.

I created the Southern Arizona Real Estate Office, located in Tucson, to improve our management of State Trust lands in Southern Arizona. I also continued to focus on the manner of preparing State Trust land for auction. This is a continuation of the process I began in January of 2003 for improving operations. We are also improving the procedures for our five year plan, conceptual planning, engineering, and the terms by which the Land Department allows financing of the purchase price of State Trust land. I am sure you would agree, the record sales and leases that occurred this year show the success of our actions.

The Land Department served Arizona and its citizens in many other significant ways this past year. As a result of this year's wet winter, the Forestry Division successfully addressed the biggest fire season Arizona has ever seen. Nearly 725,000 acres burned this year with most of the fire activity occurring in the deserts with the Cave Creek Complex fire in the north-east valley being the largest. The additional prison crews that were added to the Forestry Division through your budget recommendation proved to be a critical resource. Forest and Fire Management staff are continually recognized locally and nationally for their accomplishments.

Thank you for the opportunity to serve Arizona and the Trust beneficiaries as State Land Commissioner. The possibilities that exist for the Land Department over the next year are exciting. We intend to continue to prepare and market State Trust land for public auction in a manner to ensure as much competition as possible so as to generate greater revenue for the beneficiaries of the Trust. I expect to be reporting more record-breaking news next fiscal year.

We will also strive to fulfill the additional and important responsibilities contained in our mission such as fire suppression, mapping, title, and conservation, for the benefit of the citizens of Arizona.

Sincerely,



Mark Winkleman
Arizona State Land Commissioner

Fiscal Year 2005 - A Historic Revenue Year

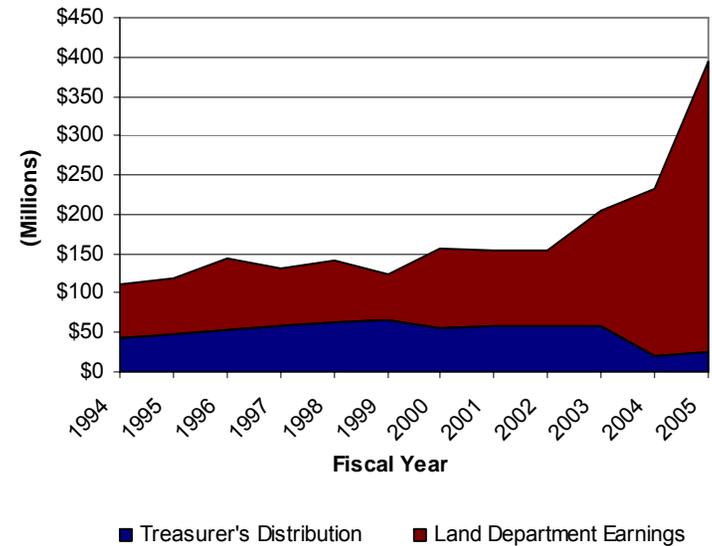
Record Revenues

- FY 2005 was a record year for Trust revenues. The Department produced \$367.1 million and the Treasurer's formula distribution generated \$26.5 million for a grand total of \$393.6 million.
- Educational institutions (universities, schools (K-12) and the School for the Deaf & Blind) received 96.4% of all beneficiary receipts in FY 2005.
- The Department completed 17 land sale auctions resulting in gross sales of approximately \$254.5 million.
- FY 2005 revenues were \$160.8 million higher than FY 2004 revenues and \$189.4 higher than FY 2003 revenues.



Deputy State Land Commissioner
Richard R. Hubbard

Total Trust Revenue



FUNDS	FY 2005 TOTAL
Expendable	72,861,639.29
Commercial Prepayment	2,001,859.86
School Leases	16,381,372.51
General	2,836,799.88
Permanent	<u>273,017,638.83</u>
TOTAL LAND DEPARTMENT	<u>367,099,310.37</u>
Treasurer's Formula Distribution	<u>26,508,655.15</u>
GRAND TOTAL - FY 2005	<u>393,607,965.52</u>

**REVENUES BY BENEFICIARY
FY 2005**

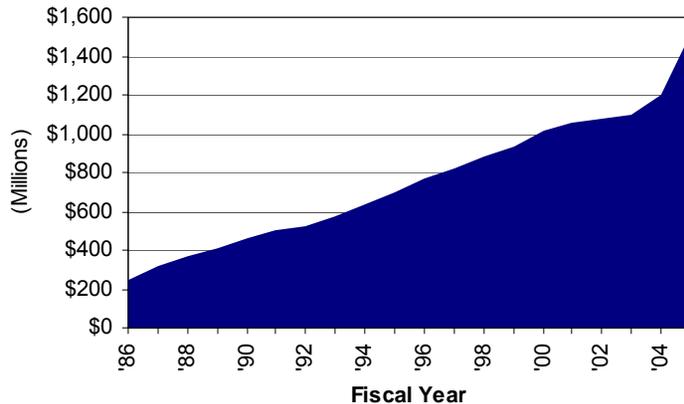
BENEFICIARIES	TRUST ACRES	STATE LAND EXPENDABLE EARNINGS	TREASURER'S FORMULA DISTRIBUTION	TOTAL EXPENDABLE RECEIPTS	TOTAL PERMANENT FUND RECEIPTS	TOTAL RECEIPTS
Common Schools (K -12) (Includes County Bonds)	8,107,686	77,145,462.85	24,430,529.00	101,575,991.85	264,354,147.79	365,930,139.64
Normal Schools	174,798	97,829.95	32,020.00	129,849.95	57,625.24	187,475.19
Agricultural & Mechanical Colleges	124,944	70,849.88	143,306.00	214,155.88	10,622.80	224,778.68
Military Institutes	80,168	71,844.77	7,781.00	79,625.77	3.06	79,628.83
School of Mines	123,254	105,772.05	76,972.00	182,744.05	3,040,582.20	3,223,326.25
University Land Code	137,908	464,489.64	171,189.00	635,678.64	70,907.21	706,585.85
University of Arizona (Act Of 2/18/1881)	54,218	857,881.63	430,985.00	1,288,866.63	3,034,492.94	4,323,359.57
School for the Deaf & Blind	82,560	129,374.00	53,809.00	183,183.00	10,934.90	194,117.90
Subtotal Education	8,885,536	\$78,943,504.77	\$25,346,591.00	\$104,290,095.77	\$270,579,316.14	\$374,869,411.91
Legislative, Executive & Judicial Buildings	64,257	70,228.28	75,015.00	145,243.28	6,537.25	151,780.53
State Hospital	71,248	296,613.40	115,826.00	412,439.40	11,168.90	423,608.30
Miners' Hospital*	95,431	1,590,572.48	123,217.00	1,713,789.48	764,844.58	2,478,634.06
State Charitable, Penal, and Reformatory	77,140	7,497,922.21	771,500.00	8,269,422.21	1,584,154.76	9,853,576.97
Penitentiary	76,111	844,170.66	76,506.00	920,676.66	71,617.20	992,293.86
TOTAL	9,269,723	\$89,243,011.80	\$26,508,655.00	\$115,751,666.80	\$ 273,017,638.83	\$388,769,305.63

*Miners' Hospital and Miners' 1929 combined.

Permanent Fund

- Record Permanent Fund receipts of \$273,017,639 increased the total of the Fund to \$1,513,454,000 (Book Value) in FY 2005.
- The Permanent Fund consists of revenues earned from the sale of State Trust land combined with the sale of minerals and natural products.
- The State Treasurer manages the Permanent Fund and invests the funds in stocks, bonds and other interest bearing securities. The earnings are transferred, through a formula distribution, to the beneficiaries for their use.
- Educational institutions including schools (K-12), the Universities and the School for the Deaf and Blind were the beneficiaries for over 95.6% of the Permanent Fund as of the end of FY 2005.
- Due to the growing value of urban Trust land, its strategic location and an increase in agency resources, the Department estimates that Trust beneficiaries will continue to see significant revenue growth to the Permanent Fund in future years.

**Permanent Fund Balance
FY 1986 - 2005**



BENEFICIARY SHARE OF PERMANENT FUND JUNE 30, 2005

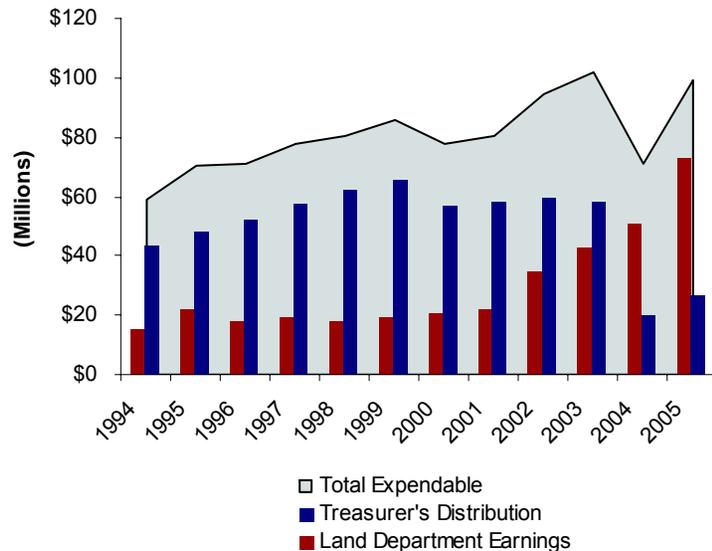
	BOOK VALUE	MARKET VALUE
Common Schools (K - 12)	1,393,206,000	1,562,016,000
Normal Schools	2,006,000	2,288,000
Agricultural & Mechanical Colleges	6,753,000	7,814,000
Military Institutes	374,000	432,000
School of Mines	7,936,000	8,484,000
University Land Code	11,258,000	12,628,000
University of Arizona (Act of 2/18/1881)	23,002,000	26,146,000
School for the Deaf & Blind	2,974,000	3,507,000
Legislative, Executive, and Judicial	4,567,000	5,329,000
State Hospital	3,218,000	3,970,000
Miners' Hospital*	6,202,000	7,106,000
State Charitable, Penal and Reformatory	46,496,000	53,957,000
Penitentiary Grant	5,462,000	6,374,000
TOTAL	<u>1,513,454,000</u>	<u>1,700,051,000</u>

*Miners' Hospital and Miners' 1929 combined.

Expendable Revenue

- Expendable revenue totaled \$115,751,667 in FY 2005 and included lease revenue from Trust land leases and permits, interest earnings from sales' contracts administered by both the Department and the Treasurer's formula distribution.
- Expendable revenues are available to the beneficiaries for use in their operations during the same year they are generated.
- The record \$89,243,011.80 of expendable revenue the Department generated was in large part due to the increase balance of Department managed sales' contracts which increased to \$446.3 million and generated \$41.9 million in interest earnings.
- As a result of the growing value of urban Trust land, its strategic location and an increase in agency resources, the Department estimates that Trust beneficiaries will see significant expendable revenue growth in future years.

**Trust Expendable Earnings
FY 1994 - 2005**



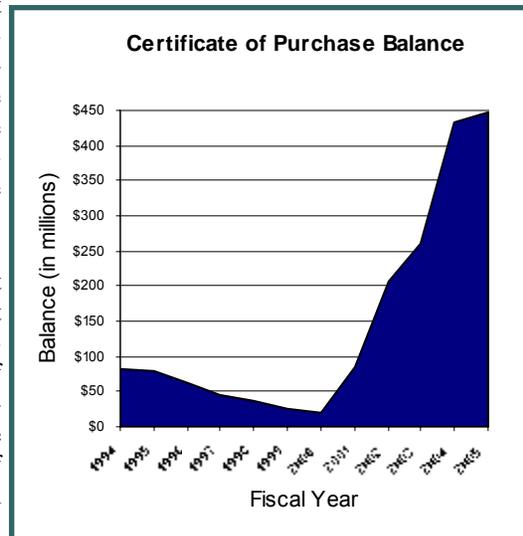
**EXPENDABLE REVENUE BY BENEFICIARY
FY 2005**

BENEFICIARIES	TREASURER'S FORMULA DISTRIBUTION	LEASE AND SALES CONTRACT INTEREST	TOTAL EXPENDABLE REVENUE
Common Schools (K – 12) (Including lands to Retire County Bonds)	24,430,529.00	77,145,462.85 *	101,575,991.85
Normal Schools	32,020.00	97,829.95	129,849.95
Agricultural and Mechanical Colleges	143,306.00	70,849.88	214,155.88
Military Institutes	7,781.00	71,844.77	79,625.77
School of Mines	76,972.00	105,772.05	182,744.05
University Land Code	171,189.00	464,489.64	635,678.64
University of Arizona (Act of March 18, 1881)	430,985.00	857,881.63	1,288,866.63
School for the Deaf and Blind	53,809.00	129,374.00	183,183.00
Subtotal Education:	25,346,591.00	78,943,504.77	104,290,095.77
Legislative, Executive & Judicial Buildings	75,015.00	70,228.28	145,243.28
State Hospital	115,826.00	296,613.40	412,439.40
Miners' Hospital	123,217.00	1,590,572.48	1,713,789.48
State Charitable, Penal, and Reformatory	771,500.00	7,497,922.21	8,269,422.21
Penitentiary Grant	76,506.00	844,170.66	920,676.66
TOTAL	26,508,655.00	89,243,011.80	115,751,666.80

* The amount for expendable earnings includes the revenue of \$16,381,372.51 from the school leases in accordance with ARS § 37-221, D.

Real Estate Accomplishments

- Fiscal Year 2005 was an extremely productive year for the real estate program. Receipts totaled \$352.6 million. Of this total, permanent fund receipts were \$267.8 million, expendable receipts were \$82.0 million and General Fund receipts were \$2.8 million. Several very successful lease and sales auctions contributed to this success.
- The Sales & Commercial Leasing Section had an outstanding year, completing 17 auctions resulting in gross sales of \$254.5 million. In many of these auctions there was intense, competitive bidding. The total sales price was increased by approximately 40% above the appraised value.
- Of the total \$254.5 million, \$8.2 million was from cash sales and was directly deposited into the Permanent Fund. The balance of just over \$246.3 million was financed through the Department and will be paid off over time. The beneficiaries will earn interest on the balance at a rate averaging from 8% to 10% for an average term of seven years. These interest rates are generally higher than market and the total outstanding receivable balance from term sales is a record \$448.3 million, earning interest daily. The money earned on this balance will be paid to our beneficiaries over the next several years. In addition, the remaining principal payments on the price for the land will be deposited in the Permanent Fund in future years.



- The chart to the right shows the significant increase in the outstanding certificate of purchase balance in recent years due to the cumulative effect of several very successful sales years.

- The interest payments on the certificate of purchase balances reached a record \$41.9 million in FY 2005. Interest payments are expendable revenue and are available to the beneficiaries for use in their operations during the same year they are generated.
- The beneficiaries also received expendable revenues from commercial leases of \$20.7 million and rights-of-way leases of \$2.7 million. In addition, \$2 million in commercial prepayment revenue and \$16.4 million in school facility lease revenue was earned.
- The Department paid approximately 3.0 million in Broker's commissions in FY 2005. Beginning in 1996, Real Estate Brokers were authorized to represent bidders at State Trust land public auctions by registering according to Land Department Rules. Commissions are paid by the successful bidder as a condition of the public auction. The program has been very successful in bringing more bidders to the auctions and of increasing the sales prices.



- The strong real estate market statewide created a vigorous demand for additional infrastructure including public roads, electrical power, water and sewer. The Rights-of Way Section generated in excess of \$30.1 million in revenue and completed 468 grants for rights-of-way during the FY 2005.

Real Estate Accomplishments



Major Auctions

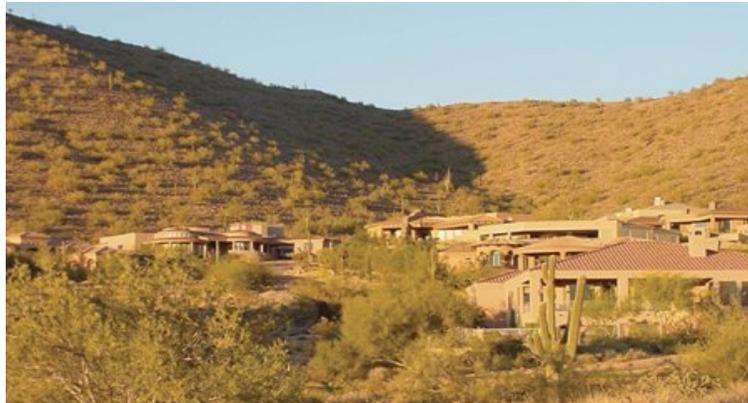
- \$23.2 MILLION; Phoenix, September 21, 2004:
Towne Development, Inc., battled Pulte Homes and a luxury community developer to make the winning bid of \$23.2 Million to purchase 41 acres located on 56th Street north of Deer Valley Road in Phoenix.
- \$3 MILLION; Phoenix, December 14, 2004:
International Motor Sports Hall of Fame Member Roger Penske, representing United Auto Scottsdale, made the winning bid to acquire the long term ground lease of approximately 3.6 acres near Scottsdale Road and Princess Boulevard in Phoenix.
- \$36.6 MILLION; Phoenix, December 15, 2004:
After intense bidding, Toll Brothers made the winning bid of \$36.6 Million to purchase 160 acres located at the northwest corner of 56th Street and Dixileta Drive in North Phoenix. The winning bid was \$14.2 Million higher than the appraised value of \$22.4 Million.
- \$42 MILLION; Mesa, April 27, 2005:
At what observers said was one of the most extraordinary auctions in Land Department history, Randall Jackson, representing JP175, LLC, made the winning bid of \$42 Million to purchase 175 acres located at the northwest corner of Signal Butte Road and Guadalupe Road in Mesa. (See top photo.)
- \$38.2 MILLION; Phoenix, May 11, 2005:
Life Care Services, LLC, based in Des Moines, Iowa, bid \$38.2 Million to purchase 104 acres located at the southwest corner of Tatum Boulevard and Mayo Boulevard in the master planned community of Desert Ridge.
- \$75.2 MILLION; Mesa, June 9, 2005:
Phoenix Land Division, LLC, made the winning bid of \$75.2 million to purchase 171 acres called "Mesa Highlands" located at the crossroads of McKellips Road and Ellsworth Road in Mesa. (See bottom photo.)
- \$23.2 MILLION; Phoenix, September 21, 2004: 41 acres located at 56th Street north of Deer Valley Road was auctioned for \$8.5 million over appraised value.

Real Estate Accomplishments

- Two major commercial leases were auctioned in FY 2005. In Phoenix, at the NWC of Scottsdale Road and Princess Drive, after 7 bids, United Auto Scottsdale won the lease with a bid of \$3.05 million for the land, with rent over the life of the lease to total \$22.8 million. In Cochise County, a lease for 397 acres was auctioned, with the County as the successful bidder. A facility for the testing of unmanned aerial vehicles is planned for the site, which will bring significant revenues for the Trust as well as promote economic development in this rural area.

Facts and Figures Land Auctioned FY 2005

	Arces Sold	Total Sales Price	Acres Leased*	Minimum Cumulative Lease Revenue
Urban	1766.3	\$253,639,237.00	3.65	\$22,824,409.97
Rural	50.15	\$834,250.00	397.65	\$1,057,636.84
Total	1816.45	\$254,473,487.00	401.3	\$23,882,046.81



REAL ESTATE PROGRAM RESTRUCTURED SOUTHERN ARIZONA OFFICE OPENED

In FY 2005, the Land Commissioner implemented a restructuring of the real estate functions of the agency with the goal of increasing the agency's ability to manage State Trust land in the best possible way for the benefit of our beneficiaries.

Specifically, the planning, engineering, appraisal and real estate functions of the Agency were restructured to further improve our ability to plan, engineer, lease and sell urban State Trust land now and in the future. The Commissioner feels that these actions will assist the agency in generating tremendous revenue for the Trust.

Under the plan, the Southern Arizona Office was created. This office is headed by Ron Ruziska and will work toward the long term and short term planning, engineering and disposition of the valuable State Trust land in Tucson, Pima County, Cochise County, Marana and other parts of Pinal County south of Picacho Peak. The fast-growing areas in Tucson, particularly the Houghton Road area, are a high priority for the Department.

To assist in the Department's ability to manage the Arizona State Trust land that is located in Central and Northern Arizona that is slated for urban development, the Commissioner has expanded and improved the functions of planning, engineering and disposing State Trust land according to the Five Year Plan. The planning and engineering functions are now incorporated in the Real Estate Division where Jim Adams will continue as Real Estate Division Director.

Furthermore, the Appraisal Section will become part of the Commissioner's Office in the future. Stan Toal will continue to head the Appraisal Office.

Finally, the Land Department has received a significant increase in its annual budget that is specifically designed to enhance our ability to plan, engineer and lease or sell urban State Trust land. This infusion of funds and positions along with the opening of a Southern Arizona Office and other structural changes, will, according to Commissioner Winkleman, "Revolutionize the agency and increase our ability to do the important job. We firmly believe these steps are the best to vault the agency further into the 21st Century and accomplish our goal of doing our best for the Trust."

DESERT RIDGE

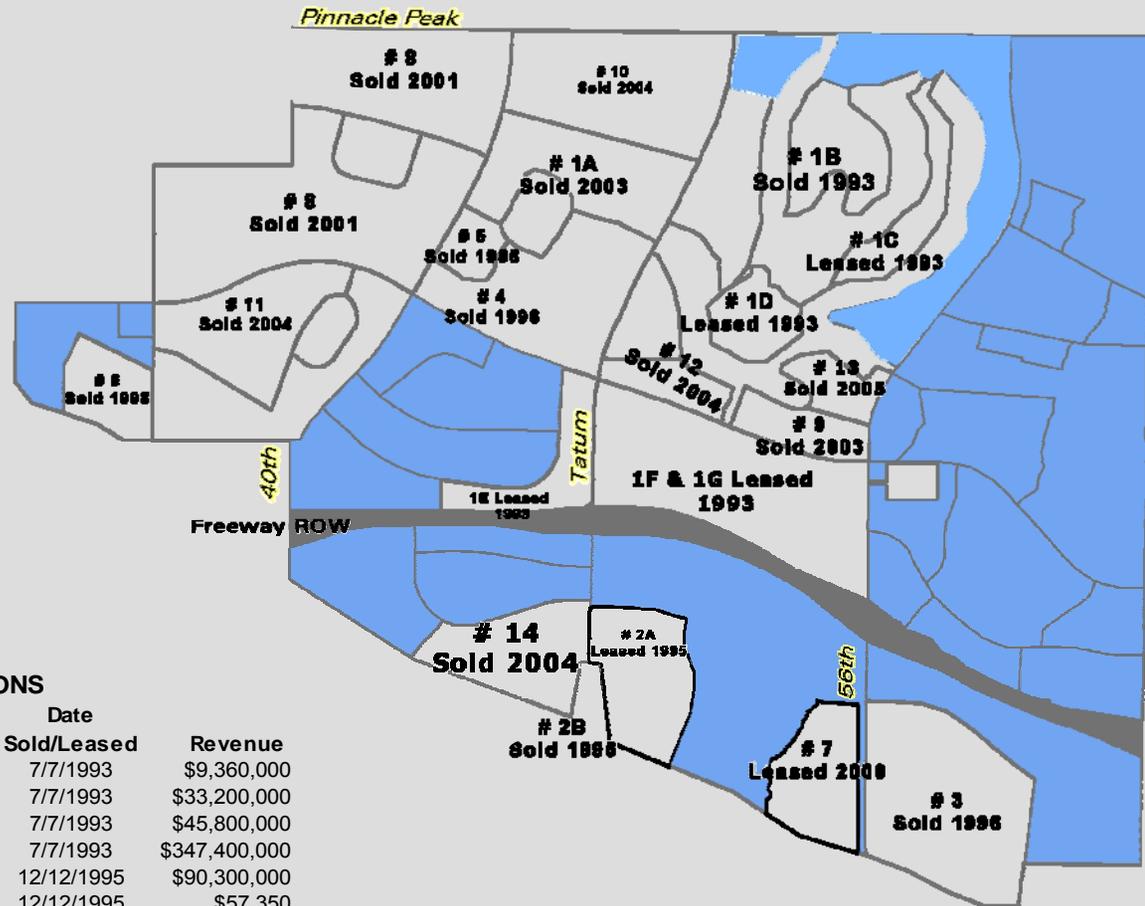
A 5,400-Acre Master Planned Community in North Phoenix

PARCEL 13

84 bids were placed for the 41 acre site that is surrounded on three sides by a golf course. The winning bid of \$23.2 Million represented an almost 58% increase over the appraised land value.



The District at Desert Ridge Marketplace Opened December 2001
Parcels 1E, 1F, and 1G



DESERT RIDGE DISPOSITIONS

Parcel No.	Acres	Sold/Leased	Use	Date	Revenue
1A & 1B	780	Sold	Residential/Golf	7/7/1993	\$9,360,000
1C	180	Leased	Resort Golf	7/7/1993	\$33,200,000
1D	54	Leased	Marriott Resort	7/7/1993	\$45,800,000
1E, F & 1G	332	Leased	Commercial Retail	7/7/1993	\$347,400,000
2A	106	Leased	Sumitomo Sitix	12/12/1995	\$90,300,000
2B	2	Sold	Utility Pump Station	12/12/1995	\$57,350
3	242	Sold	Mayo Hospital	1/3/1996	\$12,320,000
4	23	Sold	Residential	2/27/1996	\$1,416,000
5	24	Sold	Middle School	2/27/1996	\$1,654,040
6	62	Sold	High School	2/10/1998	\$2,965,000
7	91	Leased	American Express	11/13/2000	\$486,000,000
8	536	Sold	Residential	4/4/2001	\$52,900,000
9	50	Sold	Multi-family	6/24/2003	\$24,102,500
10	189	Sold	Residential	3/30/2004	\$49,300,000
11	279	Sold	Residential	5/12/2004	\$100,500,000
12	41	Sold	Residential	5/27/2004	\$32,000,000
13	40.23	Sold	Residential	9/21/2004	\$23,200,000
14	104	Sold	Mixed Use	5/11/2005	\$38,200,000

PARCEL 14

26 bids were placed for 104 acres of prime land on the northern boundary of the Reach 11. The winning bid of 38.2 Million was placed by Life Care Services, LLC.



Parcel 7: American Express

Natural Resources Accomplishments

- The Natural Resources Division administers all natural resource related leases, Natural Resource Conservation Districts (NRCs) and any natural resource issue that affects State Trust land. Leasing categories in the Division include agriculture, grazing, mineral, mineral material, exploration and apiary. Other areas of Natural Resources administration include water sales, mineral material sales, water rights administration, trespass investigations, recreational permits, environmental contamination and cultural resources.
- Range Section
 - Due to the increased availability of federal funds to grazing lessees through the US Department of Agriculture’s Farm Bill programs and state funds through the Arizona Department of Agriculture’s Crop and Livestock Grant Program, the section experienced a significant increase in the number of *Applications to Place Improvement and Land Treatment Applications* for review, environmental and cultural clearances and recommendations.
- Minerals Section
 - Administers five distinct leasing programs as well as providing mineral resource evaluations and geologic information for land sales and conservation proposals.
 - Continued high metal prices and urban expansion is reflected in the continued high levels of mineral exploration, aggregate production and oil & gas leasing activity.
 - Revenues from aggregate sales increased 28% to \$4.6 million dollars during the fiscal year.
- Natural Resource Conservation Section
 - Provided administrative support to 32 NRC’s and the 20 environmental education centers they sponsor including conducting training on Open Meeting Laws, Strategic Planning and Risk Management Assessments.
 - Conducted technical review of leases that impact native plants including the review of 45 plant surveys that resulted in \$222,500 of compensation to the beneficiaries for natural products removed from Trust land.



NATURAL RESOURCES DIVISION

Facts & Figures		
	Acres	Number of Leases
Agriculture	180,739	420
Mineral Material	2,696	24
Grazing	8,392,106	1,280
Exploration Permits	91,105	231
Mineral	11,502	123
Oil & Gas	374,663	230
Number of Registrations and Water Rights Claims		
Stockpond Registrations		4,308
Certificated Surface Water Rights		105
Well Registrations		2,688
Adjudication Statements of Claimant		7,026
Water Right Registrations		7,405
Grandfathered Groundwater Rights		242

NATURAL RESOURCES DIVISION REVENUE PRODUCTION

Lease Rentals	
Agriculture	\$3,992,348
Mineral Material	\$196,495
Grazing	\$2,375,066
Exploration Permits	\$146,312
Geothermal	\$0
Mineral	\$26,583
Oil & Gas	\$460,511
TOTAL	\$7,197,315
Sale of Products	
Public Auction Water Sales	\$261,373
Lease Water Charges	\$197,149
Mineral Royalties	\$32,955
Natural Products	\$4,698,798
TOTAL	\$5,190,275
Trespass Revenues	
Trespass Revenue	\$203,865
TOTAL	\$203,865
GRAND TOTAL	\$12,591,455

Natural Resources Accomplishments



These pieces of Hohokam pottery were reported by a conscientious individual who found them while hiking on Trust Land in Pinal County. They were removed by a joint effort between ASLD Archaeologist Steve Ross and John Madsen of the Arizona State Museum. After analysis, they were repatriated to the Gila River Indian Tribe for reburial.

The Hohokam civilization thrived between 300 BC to AD 1450. What remains of their cultural today is one of the most extensive canal systems in the world. They left behind magnificent Red-on-Buff Ceramic pots. Around 1200 AD, the pottery changed styles and became a wonderful combination of red, white, and black ceramics called polychrome.

- Water Rights & Agriculture Section

- Executed the domestic Colorado River contract with the Bureau of Reclamations for 1,534 acre feet of fourth-priority water annually.
- Coordinated with Yavapai County on the finalization of the design for the modification to the Wineglass Dam.
- Continues to pursue the Department's Federal Reserve claim for the State Trust land in the courts.
- Agriculture rents increased approximately 10% over the previous fiscal year.



- Environmental Resources and Trespass Section

- Conducted 29 clean-up projects utilizing more than 2,104 volunteer hours and resulting in 105 tons of trash and 2,779 tires being removed from State Trust land.
- Collected \$243,777 from trespass and/or unauthorized use penalties in 11 different case actions. An Arizona corporation and two individuals were convicted of felonies related to unauthorized removal of rock products from 20 acres of Trust land.
- Oversaw the completion of remediation of a pesticide contaminated airstrip in Cochise County and remediation of land surrounding a former gold mining operation in the Phoenix area.



Forestry Accomplishments

- The State Forester (the Forestry Division Director) has the authority to prevent and suppress wildland fires on approximately 30 percent of land throughout the State; more than nine million acres of State Trust land and nearly 13 million acres of private land outside incorporated municipalities. The Land Department mobilizes firefighters and equipment to and from all areas of Arizona and other states for fire and non-fire emergencies. 
- The Forestry Division responded to 1,231 wildland fires; 857 were State responsibilities and 374 were in support of federal and tribal agencies. Although 94 percent of all Land Department fires were controlled at less than 100 acres, 67,567 acres were burned on State and private lands during the year.
- The Division maintains cooperative agreements with more than 250 local and rural fire departments, other State and Federal agencies, and private companies to control wildfires on State and private lands.
- The Division also sponsored 44 courses in basic and intermediate wildland fire suppression strategies and tactics for approximately 1,200 students from over 135 rural fire departments.

INMATE FIREFIGHTER PROGRAM

Governor Napolitano, with the support of the State Legislature, has taken the initiative to significantly expand the State's Inmate Firefighter Program. There are currently 15 twenty-person Fire/Fuels Crews; 14 are all male crews and one crew is staffed by all-female inmates. These crews are based out of the ten Arizona Department of Corrections Prisons Complexes located around the State. The Fort Grant, Douglas, Lewis and Yuma prison facilities each host one crew. Four prisons each have two crews: Tucson, Florence, Globe and the Perryville Prison. The Perryville facility houses the one female crew and one of the all-male crews. The Winslow Prison Complex, including the smaller



“satellite” facility at Springerville, maintains three crews.

The inmates selected for these Fire/Fuels Crews are the lowest custody inmates in the system. The inmates volunteer for this special work assignment, and all go through a comprehensive review prior to being allowed into the program. Each of the inmates must successfully complete the standard firefighter training and physical fitness testing prior to being allowed to go on fire assignment. When these crews are not involved in fire fighting activities they work various thinning and brush abatement projects to protect our communities at risk from wildfires.



Summary of Rural Fire and Volunteer Fire Assistance Grants

Year	RFA Grant		VFA Grant		Annual Summary	
	Number of Projects	Dollars	Number of Projects	Dollars	Number of Projects	Dollars
2001	33	\$413,526	32	\$265,000	65	\$678,526
2002	37	\$415,000	26	\$300,000	63	\$715,000
2003	33	\$482,000	21	\$298,000	54	\$780,000
2004	42	\$592,000	24	\$300,000	66	\$892,000
2005	38	\$580,000	22	\$283,000	60	\$863,000
TOTAL	183	\$2,482,526	125	\$1,446,000	308	\$3,928,526

Forestry Accomplishments

- The Division provides technical, educational, and financial assistance to rural communities and private landowners in the management of their forested lands. Forest Stewardship Plans are written and implemented by natural resource professionals to guide landowners in reducing the risk of wildfire, insects and disease, protecting soil and water quality, providing timber and other forest products, improving fish and wildlife habitat, and maintaining the landscape's natural beauty. The Department supports rural fire departments and communities with State Fire Assistance Grants, Forest Health and Fire Abatement Grants, and Rural and Volunteer Fire Assistance Grants.

SUMMARY OF COMMUNITY ASSISTANCE, 2001 - 2005

Grant	Year	Number	Dollars Provided	Plans	Programs	Firewise Workshops	Fuel Treatments	Acres Treated	Homes Protected
State Fire Assistance									
	2001	21	\$1,190,500	773	126	131	117	4,789	2,281
	2002	38	\$2,126,215	60	78	50	24	6,537	1,095
	2003	19	\$1,458,222	21	13	6	8	4,825	1,462
	2004	29	\$2,584,532	29	3	-	12	1,507	889
	2005	13	\$2,375,574	15	1	2	4	140	84
Total SFA's		120	\$9,735,043	898	221	189	165	17,798	5,811
Forest Health Protection									
	2003	7	\$1,089,050	7	2	1	4	1,725	301
Fire Hazard Abatement									
	2003	18	\$1,995,290	20	6	6	7	1,295	729
	2004	3	\$1,498,324	3					
Annual Summary									
	2001	21	\$1,190,500	773	126	131	117	4,789	2,281
	2002	38	\$2,126,215	60	78	50	24	6,537	1,095
	2003	44	\$4,542,562	48	21	14	19	9,092	2,567
	2004	32	\$4,082,856	32	10	-	18	2,307	889
	2005	13	\$2,375,574	15	1	2	4	140	84
5 Year Summary		148	\$14,317,707	928	236	197	182	22,865	6,916

- The Division's Urban and Community Forestry Program provides technical assistance and grants to Arizona cities and towns. Staff coordinates the Community Challenge Grant Program, the Arizona Arbor Day celebration and poster contest. They work closely with the Arizona Community Tree Council, participating in trade shows, consumer education programs, and workshops. Arborists study classes are also coordinated by the staff and the Tree Council, providing training for tree care professionals.



- The Division refurbished and distributed hand-held radios, as well as nine excess federal fire engines valued at \$326,916, to cooperating rural fire departments. Currently, there are 155 refurbished fire fighting vehicles in rural fire departments statewide. The Department has contracts for future retrofitting of three heavy trucks. These trucks, along with the equipment already provided to cooperating fire departments, are valued at nearly \$4,613,118.



Board of Appeals

CURRENT BOARD MEMBERS

- **Sanders K. Solot**
Tucson
Represents the First District, consisting of Pima, Santa Cruz, Cochise, Graham and Greenlee counties.
- **Kathleen M. Holmes**
Scottsdale
Member-at-Large.
- **William R. Gray**
Scottsdale
Represents the Second District consisting of Maricopa, Pinal, Gila, Yuma and La Paz counties.
- **Norman R. Brown, Chair**
St. Johns
Represents the Third District consisting of Mohave, Yavapai, Coconino, Apache and Navajo counties.
- **Jolene U. Dance**
Phoenix
Member-at-Large.

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 are divided into three districts. Two members hold positions-at-large.



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

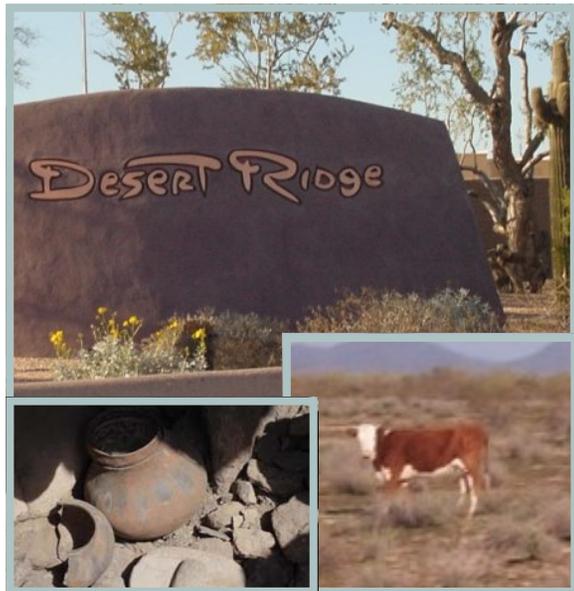
During the fiscal year, the Board approved 45 commercial leases, including one long-term lease for 65 years, 91 rights-of-way sales appraisals; and 8 land sales appraisals, eight of which were urban land sales.

Eleven new appeals were filed with the Board. Two appeals modified the Commissioner's decision. Two appeals sustained the Commissioner's decision. Five appeals were withdrawn and two were dismissed by the Board.

State Trust Land Uses

The State Land Department manages 9.3 million acres of Trust land.

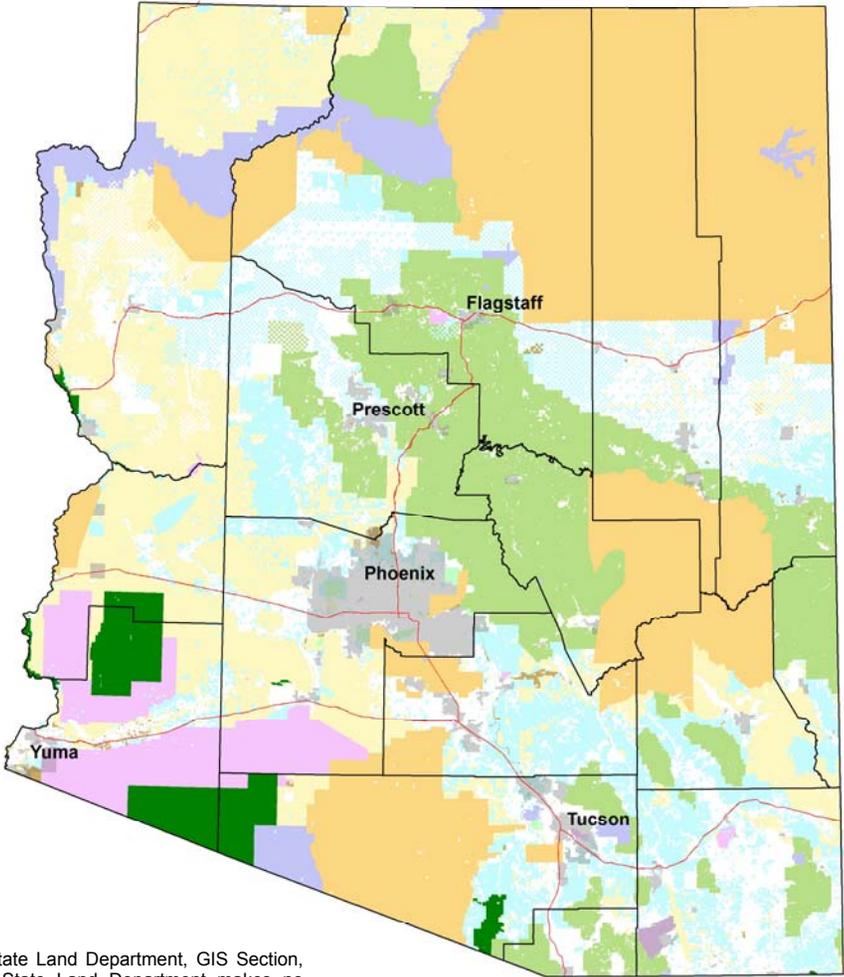
- 9,091,846 acres of the surface are under 9,876 leases and other contracts.
- 479,966 acres of the subsurface are under 608 leases and other contracts.



STATE TRUST LAND USES

	NO. OF LEASES	% OF LEASES	TOTAL ACREAGE	% OF ACREAGE
SURFACE				
Rights-of-Way	7,094	71.83	138,528	1.52
Grazing	1,280	12.96	8,392,106	92.30
Commercial	313	3.17	81,314	0.89
Commercial School Leases	16	0.16	864	0.01
Agricultural	420	4.25	180,739	1.99
Use Permits	527	5.34	232,831	2.56
U.S. Government	159	1.61	18,274	0.20
Homesite	11	0.11	64	0
Institutional	10	0.10	12,892	0.14
Recreational	46	0.47	34,235	0.38
Subtotal (Leases)	9,876	100	9,091,846	100
SUBSURFACE				
Mineral	123	20.23	11,502	2.40
Mineral Exploration	231	37.99	91,105	18.98
Mineral Materials	24	3.95	2,696	0.56
Oil & Gas	230	37.83	374,663	78.06
Subtotal (Leases)	608	100	479,966	100
TOTAL LEASES	10,484		9,571,812	

State Trust Land - Surface Management Responsibility



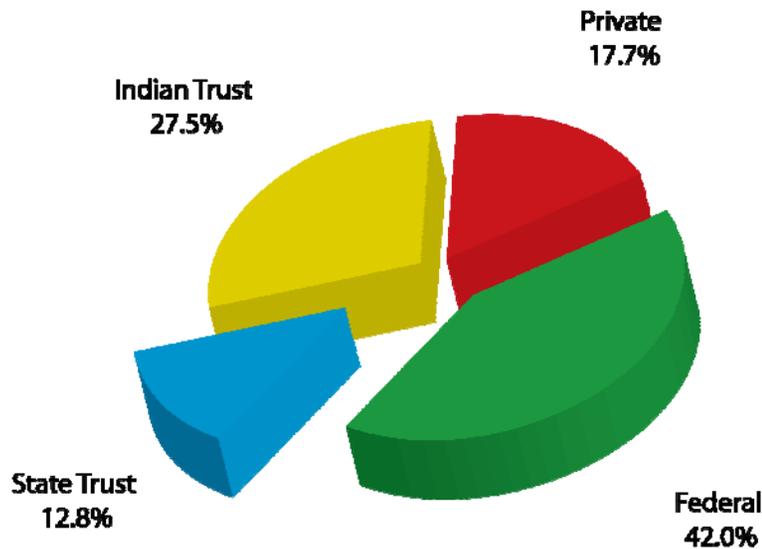
- BLM
- Forest Service
- Indian Trust
- Military
- Nat'l Parks/Monuments
- Other
- Parks & Recreation
- Private
- State Trust
- Wildlife Refuge
- Cities



Produced by the Arizona State Land Department, GIS Section, March 2006. The Arizona State Land Department makes no warranties, implied or expressed, with respect to the information shown on this map.

Land Ownership in Arizona

The State of Arizona contains an estimated 72,931,000 acres, or approximately 113,417 square miles, making it the sixth largest state in the United States. The surface land ownership in Arizona can be classified in four basic categories.



The percentages are estimates derived from digitized map data. The category called Private is overestimated due to the inclusion of small amounts of land owned by local, State, and Federal agencies.

State Trust Land within Each County

COUNTY	ACRES
Apache	653,300
Cochise	1,371,104
Coconino	1,125,331
Gila	31,231
Graham	496,321
Greenlee	172,104
La Paz	254,411
Maricopa	648,334
Mohave	565,355
Navajo	370,169
Pima	861,056
Pinal	1,206,189
Santa Cruz	61,154
Yavapai	1,264,275
Yuma	186,849
Misc*	2,540
TOTAL	9,269,723

*Trust lands located in California or Nevada due to realignment of Colorado River

Management Team



Jim Adams
Director
Real Estate Division



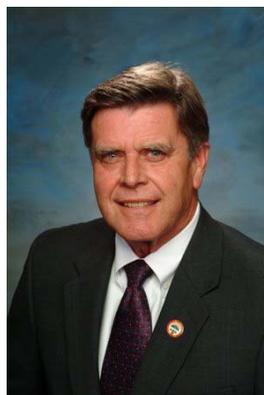
Lynn Larson
Director
Administration &
Resource Analysis
Division



Bill Dowdle
Director
Natural Resources
Division



Ron Ruziska
Director
Southern Arizona
Real Estate Division



Richard Oxford
Director
Land Information,
Title, & Transfer
Division



Kirk Rowdabaugh
State Forester
Forestry Division

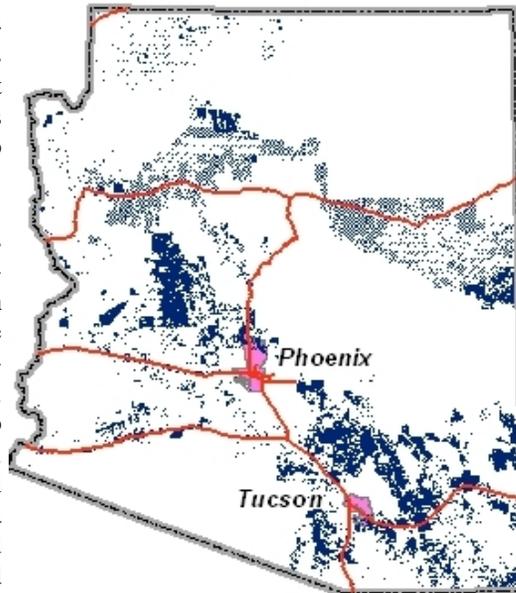
Fund and Beneficiary Summary

In 2005, a total of \$388,769,306 in receipts were earned for the beneficiaries. Of this amount, \$273,017,639 was deposited in the Permanent Fund for the beneficiaries. The Permanent Fund is managed by the State Treasurer. The remaining \$115,751,667 in receipts were expendable and were distributed to the beneficiaries for use in their operations. Expendable receipts are comprised of lease revenues, interest on the outstanding sales balance and the Treasurer's formula distribution. The table below indicates the number of acres remaining for each grant along with a breakdown on how the expendable receipts are distributed to the beneficiaries.

TRUST ACRES	GRANT	BENEFICIARY
8,107,686	Common Schools (K - 12) (Includes County Bonds)	1st \$72.3 million of expendable receipts → State Aid Formula for K - 12 Receipts over \$72.3 million → Classroom Site Fund
174,798	Normal Schools	Board of Regents to Distribute to Universities
124,944	Agricultural & Mechanical Colleges	
80,168	Military Institutes	
123,254	School of Mines	
137,908	University Land Code	
54,218	University of Arizona (Act Of 2/18/1881)	
82,560	School for the Deaf & Blind	School for the Deaf & Blind
64,257	Legislative, Executive & Judicial Buildings	Legislature, Executive & Judicial Branch
71,248	State Hospital	State Hospital
95,431	Miners' Hospital (2 Grants)	Pioneers' Home
77,140	State Charitable, Penal, and Reformatory	{ 50% Pioneers' Home 25% Department of Corrections 25% Department of Juvenile Corrections
76,111	Penitentiary	
9,269,723	TOTAL	

Beneficiary Summary - Common Schools (K-12)

- Public education is by far the largest beneficiary of Trust land managed by the Department. Congress granted two sections of each township to common schools when Arizona became a territory and another two sections when Arizona became a state. The State was able to select Federal lands equal to the sections that could not be granted due to the establishment of Federal forests, parks and Indian reservations. Today, approximately 8.1 million acres remains in the Trust for common schools.
- In FY 2005, a record \$264.4 million from sales and royalties was deposited in the Permanent Fund for common schools bringing the total balance to \$1,393,206,000.
- In FY 2005, \$101.6 million was generated in expendable receipts from leases, interest on the outstanding sales balance and from the Treasurer's formula distribution. Of this total, \$16.4 million was transferred to the School Facilities Board, \$72.3 million was distributed through the School Aid Formula and \$12.9 million was deposited into the Classroom Site Fund which will be used for teacher raises, classroom size reduction and dropout prevention programs.
- The location of common school grant lands are shown in the above map. As a result of the large number of acres that are strategically located around urban areas, substantial revenues are expected to be generated in future years on behalf of the schools.

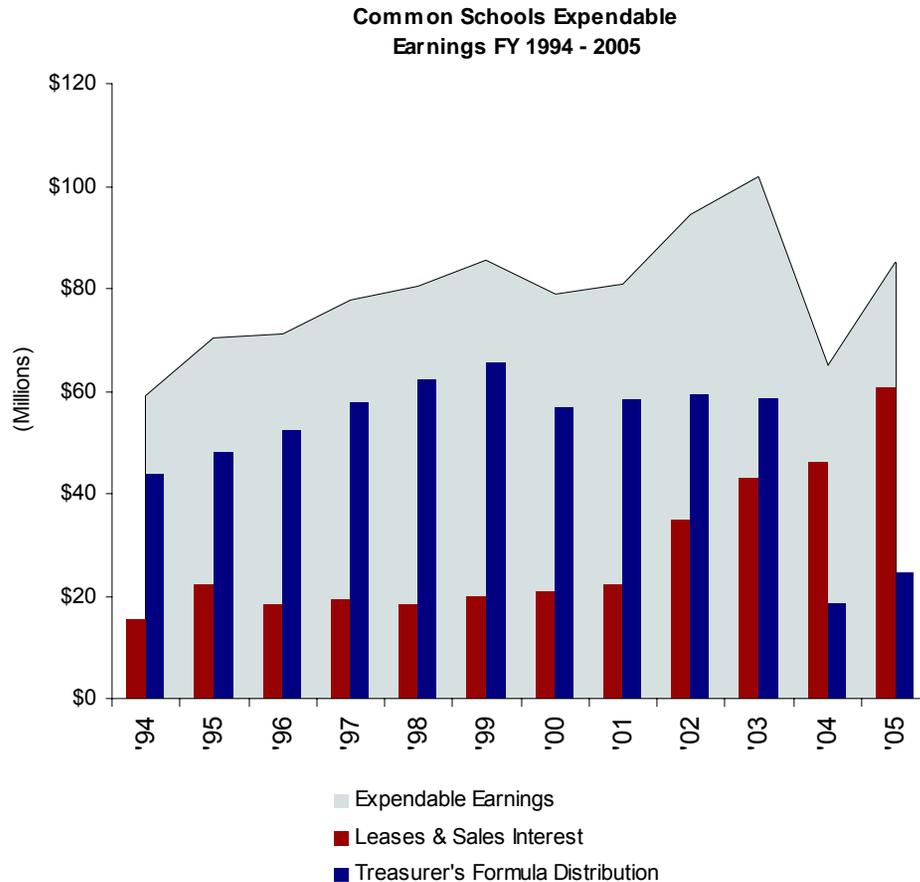


COMMON SCHOOLS (K-12) ACRES AND INCOME - FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	131,881	\$2,908,132.06
Commercial	23,608	\$14,916,373.71
Grazing	7,392,843	\$2,026,620.34
Homesite	49	\$16,057.00
Rights-of-Way	167,140	\$2,411,494.56
Use Permits	185,768	\$1,606,690.99
Institutional Taking	5,406	\$127,152.84
U.S. Government	17,434	\$150,366.98
Other	4,718	\$86,679.06
TOTAL SURFACE	7,928,848	\$24,249,567.54
SUBSURFACE LEASES		
Mineral	11,163	\$25,453.27
Prospecting Permit	80,744	\$128,762.38
Mineral Material	2,212	\$150,032.99
Oil & Gas	336,439	\$428,669.57
TOTAL SUBSURFACE	430,559	\$732,918.21
Penalty & Interest		\$198,545.35
Sales Interest		\$35,583,059.24
School Leases		\$16,381,372.51
Treasurer's Formula Distribution		\$24,430,529.00
GRAND TOTAL EXPENDABLE		\$101,575,991.85
Permanent Fund Receipts		\$264,354,147.79
Permanent Fund Balance		\$1,393,206,000.00

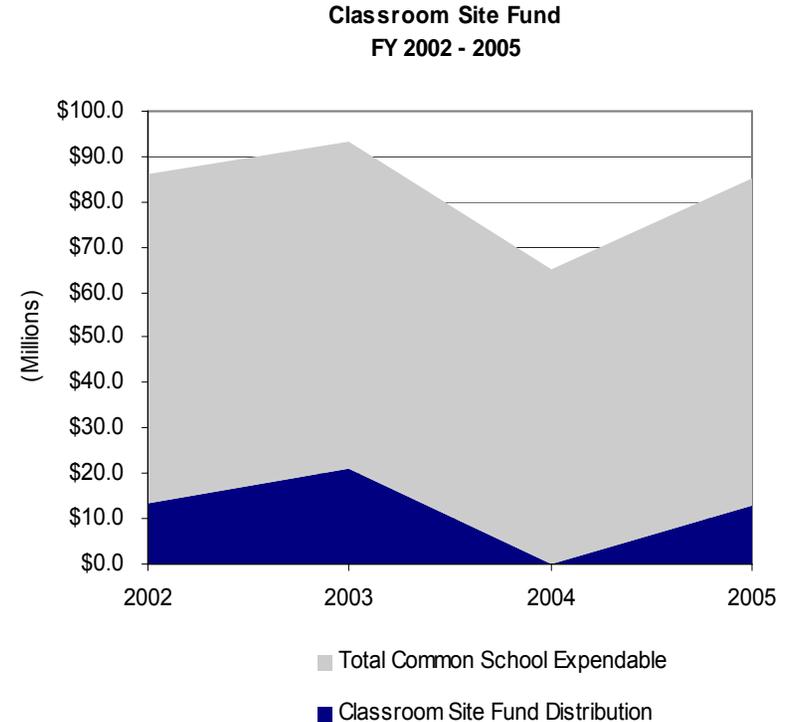
Beneficiary Summary - Common Schools (K-12)

Proposition 310 (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 such items 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 is 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.



Classroom Site Fund Actual

Fiscal Year	2002	2003	2004	2005
Permanent Fund Revenue	46.7	77.5	131.3	264.4
Treasurer's Distribution	54.8	53.9	18.6	24.4
Rent & Interest Received	31.1	39.2	46.3	60.8
Expendable Received	85.9	93.1	64.9	85.2
Base Year Amount	(72.3)	(72.3)	(72.3)	(72.3)
Classroom Site Fund	13.6	20.8	-	12.9



Beneficiary Summary - University Grants

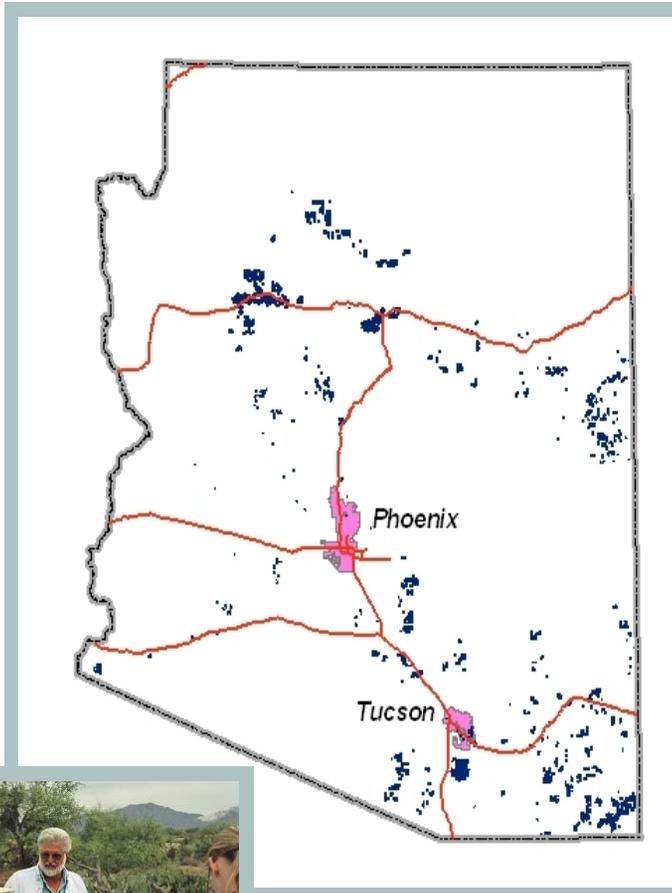
- Arizona's three universities (Arizona State University, Northern Arizona University, and University of Arizona) are the beneficiaries of six Trust grants.
- The total expendable revenue that was distributed to the Board of Regents and then to the universities to fund their operations was \$2.5 million in FY 2005. An additional \$6.2 million was earned and added to the permanent funds for the six grants bringing the total permanent fund balance to \$51.3 million.
- The Board of Regents distributes the expendable earnings from the six grants to the University of Arizona, Northern Arizona University and Arizona State University as follows:

Board of Regents Distribution of Trust Revenues to the Universities

Grant	Distribution
Agricultural & Mechanical Colleges	1/2 to UofA and the other 1/2 split between the 3 Universities based on Engineering Credit hours
Military Institutes Grant	Split between the 3 Universities based on Credit hours
University Land Code	Split between the 3 Universities based on Credit hours
Normal Schools	1/3 to each University
UofA 1881 Grants	UofA
School of Mines Grant	UofA

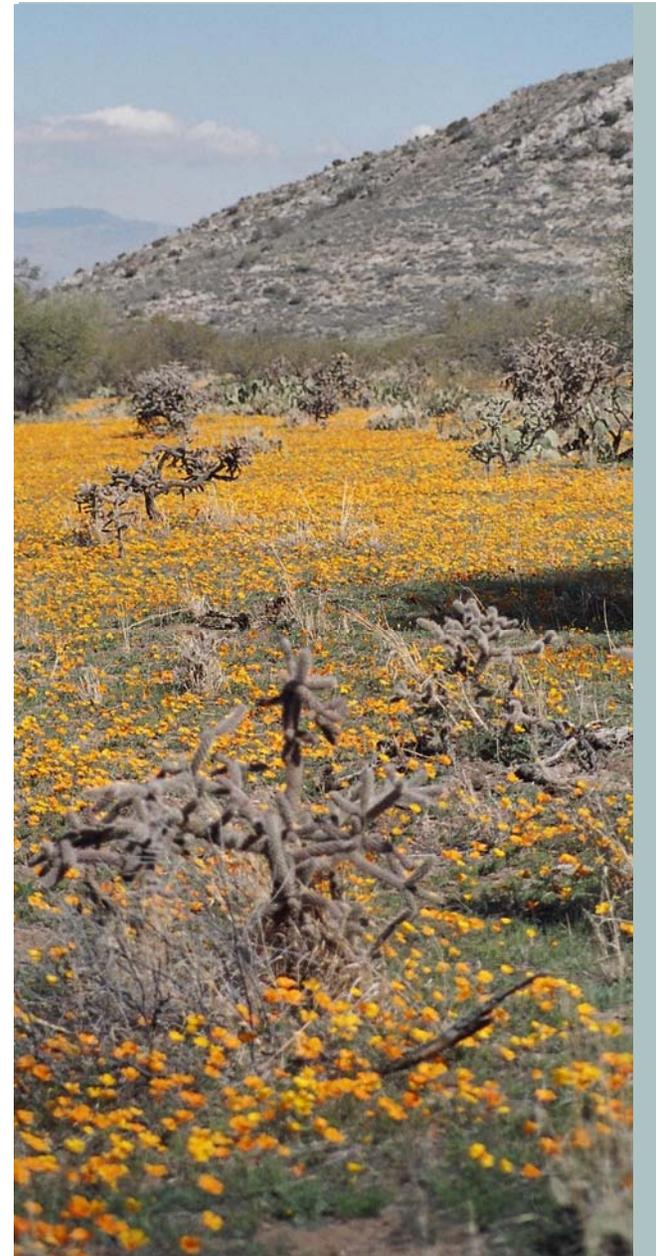
TOTAL UNIVERSITY GRANTS FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	15,264	\$266,650.62
Commercial	51,480	\$673,842.45
Grazing	599,608	\$206,570.67
Homesite	6	\$7,653.00
Rights-of-Way	49,682	\$105,229.80
Use Permits	15,759	\$67,064.26
Institutional Taking	5,151	\$891.73
U.S. Government	299	\$3,600.02
Other	540	\$122,845.00
TOTAL SURFACE	737,789	\$1,454,347.55
SUBSURFACE LEASES		
Prospecting Permit	4,565	\$8,571.93
Mineral Material	260	\$16,480.09
Oil & Gas	31,001	\$29,373.22
U.S. Government	115	\$0.00
TOTAL SUBSURFACE	35,941	\$54,425.24
Penalty & Interest		\$4,307.79
Sales Interest		\$155,587.34
Treasurer's Formula Distribution		\$862,253.00
GRAND TOTAL EXPENDABLE		\$2,530,920.92
Permanent Fund Receipts		\$6,214,233.45
Permanent Fund Balance		\$51,329,000.00



Dr. Mitch McClaran, U of A, discusses SRER soils issues with students

The Santa Rita Experimental Range (SRER), established in 1903 by the U.S. Forest Service, has been continuously used for ecological and rangeland research for over 100 years. The 50,000 + acre SRER was transferred to the State's Trust land program in 1990. Research on the SRER is administered by the University of Arizona College of Agriculture. The map above shows the location of University Grant lands.



Beneficiary Summary - University Grants

NORMAL SCHOOLS GRANT ACRES AND INCOME - FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	165	\$3,385.31
Commercial	22,539	\$10,588.80
Grazing	145,249	\$49,657.28
Rights-of-Way	2,644	\$7,801.48
Use Permits	3,847	\$5,285.88
Institutional Taking	2,721	\$0.00
U.S. Government	184	\$3,600.02
TOTAL SURFACE	<u>177,348</u>	<u>\$80,318.77</u>
SUBSURFACE LEASES		
Prospecting Permit	120	\$751.46
Mineral Material	160	\$12,080.09
Oil & Gas	1,672	\$4,323.13
TOTAL SUBSURFACE	<u>1,952</u>	<u>\$17,154.68</u>
Penalty & Interest		\$326.68
Sales Interest		\$29.82
Treasurer's Formula Distribution		<u>\$32,020.00</u>
GRAND TOTAL EXPENDABLE		<u>\$129,849.95</u>
Permanent Fund Receipts		\$57,625.24
Permanent Fund Balance		\$2,006,000.00

AGRICULTURAL & MECHANICAL COLLEGES ACRES AND INCOME - FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	251	\$2,083.43
Commercial	10,172	\$1,278.28
Grazing	107,310	\$37,147.38
Home Site	2	\$2,500.00
Rights-of-Way	2,339	\$7,446.55
Use Permits	2,918	\$11,329.96
Institutional Taking	1,917	\$0.00
U.S. Government	86	\$0.00
Other	0	\$195.00
TOTAL SURFACE	<u>124,995</u>	<u>\$61,980.60</u>
SUBSURFACE LEASES		
Prospecting Permit	60	\$120.00
Mineral Material	20	\$1,200.00
Oil & Gas	7,421	\$7,420.94
U.S. Government	86	\$0.00
TOTAL SUBSURFACE	<u>7,587</u>	<u>\$8,740.94</u>
Penalty & Interest		\$122.15
Sales Interest		\$6.19
Treasurer's Formula Distribution		<u>\$143,306.00</u>
GRAND TOTAL EXPENDABLE		<u>\$214,155.88</u>
Permanent Fund Receipts		\$10,622.80
Permanent Fund Balance		\$6,753,000.00

MILITARY INSTITUTES ACRES AND INCOME - FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	480	\$480.00
Commercial	1,935	\$35,929.00
Grazing	76,746	\$31,750.83
Rights-of-Way	15,655	\$1,911.54
Use Permits	40	\$1,439.60
TOTAL SURFACE	<u>94,856</u>	<u>\$71,510.97</u>
SUBSURFACE LEASES		
Prospecting Permit	80	\$160.00
TOTAL SUBSURFACE	<u>80</u>	<u>\$160.00</u>
Penalty & Interest		\$173.80
Treasurer's Formula Distribution		<u>\$7,781.00</u>
GRAND TOTAL EXPENDABLE		<u>\$79,625.77</u>
Permanent Fund Receipts		\$3.06
Permanent Fund Balance		\$374,000.00

Beneficiary Summary - University Grants

SCHOOL OF MINES ACRES AND INCOME - FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	2,485	\$36,469.12
Commercial	8,483	\$8,505.50
Grazing	111,207	\$37,464.72
Rights-of-Way	1,167	\$6,627.71
Use Permits	1,286	\$1,050.52
U.S. Government	17	\$0.00
TOTAL SURFACE	<u>124,644</u>	<u>\$90,117.57</u>
SUBSURFACE LEASES		
Prospecting Permit	1,271	\$2,541.36
Mineral Material	0	\$0.00
Oil & Gas	12,393	\$12,177.26
U.S. Government	17	\$0.00
TOTAL SUBSURFACE	<u>13,681</u>	<u>\$14,718.62</u>
Penalty & Interest		\$916.95
Sales Interest		\$18.91
Treasurer's Formula Distribution		\$76,972.00
GRAND TOTAL EXPENDABLE		<u>\$182,744.05</u>
Permanent Fund Receipts	\$3,040,582.20	
Permanent Fund Balance	\$7,936,000.00	

UNIVERSITY LAND CODE ACRES AND INCOME - FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	4,776	\$53,977.27
Commercial	8,238	\$265,770.16
Grazing	117,681	\$38,415.73
Rights-of-Way	2,672	\$42,792.32
Use Permits	5,518	\$26,829.40
Institutional Taking	107	\$891.73
U.S. Government	8	\$0.00
Other	540	\$15,400.00
TOTAL SURFACE	<u>139,541</u>	<u>\$444,076.61</u>
SUBSURFACE LEASES		
Prospecting Permit	3,034	\$4,999.11
Oil & Gas	9,394	\$5,331.90
U.S. Government	8	\$0.00
TOTAL SUBSURFACE	<u>12,436</u>	<u>\$10,331.01</u>
Penalty & Interest		\$334.92
Sales Interest		\$9,747.10
Treasurer's Formula Distribution		\$171,189.00
GRAND TOTAL EXPENDABLE		<u>\$635,678.64</u>
Permanent Fund Receipts	\$70,907.21	
Permanent Fund Balance	\$11,258,000.00	

UNIVERSITY OF ARIZONA - 1881 ACRES AND INCOME - FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	7,107	\$170,255.49
Commercial	112	\$351,770.71
Grazing	41,415	\$12,134.73
Home Site	4	\$5,153.00
Rights-of-Way	25,205	\$38,650.20
Use Permits	2,151	\$21,128.90
Institutional Taking	406	\$0.00
U.S. Government	4	\$0.00
Other	0	\$107,250.00
TOTAL SURFACE	<u>76,405</u>	<u>\$706,343.03</u>
SUBSURFACE LEASES		
Mineral Material	80	\$3,200.00
Oil & Gas	120	\$119.99
U.S. Government	4	\$0.00
TOTAL SUBSURFACE	<u>204</u>	<u>\$3,319.99</u>
Penalty & Interest		\$2,433.29
Sales Interest		\$145,785.32
Treasurer's Formula Distribution		\$430,985.00
GRAND TOTAL EXPENDABLE		<u>\$1,288,866.63</u>
Permanent Fund Receipts	\$3,034,492.94	
Permanent Fund Balance	\$23,002,000.00	

Beneficiary Summary - Other

- The remaining six Trust grants have as their beneficiaries the School for the Deaf & Blind, the Legislative, Executive and Judicial Buildings, the State Hospital, the Pioneers' Home, the Department of Juvenile Corrections and the Department of Corrections. These six grants were authorized in the Enabling Act and received 100,000 acres. A chart showing the connection between the Grants and the beneficiaries is provided below.
- The Pioneers' Home received a total of \$5,848,501 in expendable receipts and \$1,556,922 in Permanent Fund receipts in FY 2005.
- The Department of Juvenile Corrections received a total of \$2,067,356 in expendable receipts and \$396,039 in Permanent Fund receipts in FY 2005.
- The Department of Corrections received a total of \$2,988,032 in expendable receipts and \$467,656 in Permanent Fund receipts in FY 2005.

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



Arizona State School for the Deaf and the Blind - Tucson Campus



Arizona Pioneers' Home
Prescott, Arizona

Beneficiary Summary - Other

SCHOOL FOR THE DEAF & BLIND ACRES AND INCOME - FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	2,819	\$60,219.09
Commercial	1,453	\$19,932.44
Grazing	72,580	\$25,593.18
Rights-of-Way	1,170	\$12,312.96
Use Permits	5,914	\$3,486.09
Institutional Taking	1	\$1,136.83
U.S. Government	32	\$0.00
TOTAL SURFACE	83,968	\$122,680.59
SUBSURFACE LEASES		
Prospecting Permit	160	\$320.00
Oil & Gas	6,142	\$6,102.45
U.S. Government	32	\$0.00
TOTAL SUBSURFACE	6,334	\$6,422.45
Penalty & Interest		\$270.96
Sales Interest		\$0.00
Treasurer's Formula Distribution		\$53,809.00
GRAND TOTAL EXPENDABLE		\$183,183.00
Permanent Fund Receipts		\$10,934.90
Permanent Fund Balance		\$2,974,000.00

LEGISLATIVE, EXECUTIVE, & JUDICIAL BUILDINGS ACRES AND INCOME - FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	2,180	\$22,233.89
Commercial	6	\$19,800.00
Grazing	56,406	\$20,073.99
Rights-of-Way	1,589	\$7,335.68
Use Permits	5,062	\$1,344.50
U.S. Government	92	\$0.00
TOTAL SURFACE	65,335	\$70,788.06
SUBSURFACE LEASES		
Prospecting Permit	639	\$1,678.00
Oil & Gas	0	(\$2,365.76)
TOTAL SUBSURFACE	639	(\$687.76)
Penalty & Interest		\$127.98
Sales Interest		\$0.00
Treasurer's Formula Distribution		\$75,015.00
GRAND TOTAL EXPENDABLE		\$145,243.28
Permanent Fund Receipts		\$6,537.25
Permanent Fund Balance		\$4,567,000.00

STATE HOSPITAL ACRES AND INCOME - FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	5,487	\$90,282.25
Commercial	270	\$168,344.58
Grazing	58,121	\$20,882.27
Rights-of-Way	1,016	\$5,725.26
Use Permits	4,921	\$7,942.06
Institutional Taking	80	\$1,557.96
U.S. Government	108	\$0.00
TOTAL SURFACE	70,004	\$294,734.38
SUBSURFACE LEASES		
Mineral	60	\$970.00
Oil & Gas	440	\$440.00
U.S. Government	108	\$0.00
TOTAL SUBSURFACE	608	\$1,410.00
Penalty & Interest		\$469.02
Treasurer's Formula Distribution		\$115,826.00
GRAND TOTAL EXPENDABLE		\$412,439.40
Permanent Fund Receipts		\$11,168.90
Permanent Fund Balance		\$3,218,000.00

Beneficiary Summary - Other

MINERS' HOSPITAL* ACRES AND INCOME - FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	13,845	\$371,161.15
Commercial	600	\$1,043,013.93
Grazing	73,781	\$23,073.57
Home Site	8	\$21,405.00
Rights-of-Way	7,243	\$21,314.89
Use Permits	3,086	\$24,014.68
Institutional Taking	1	\$899.17
U.S. Government	168	\$0.00
TOTAL SURFACE	98,733	\$1,504,882.39
SUBSURFACE LEASES		
Mineral	119	\$39.76
Prospecting Permit	4,007	\$5,914.42
Mineral Material	230	\$20,239.91
Oil & Gas	0	(\$9.23)
U.S. Government	168	\$0.00
TOTAL SUBSURFACE	4,524	\$26,184.86
Penalty & Interest		\$5,120.80
Sales Interest		\$54,384.43
Treasurer's Formula Distribution		\$123,217.00
GRAND TOTAL EXPENDABLE		\$1,713,789.48
Permanent Fund Receipts		\$764,844.58
Permanent Fund Balance		\$6,202,000.00

STATE CHARITABLE, PENAL, & REFORMATORY ACRES AND INCOME - FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	3,997	\$83,108.97
Commercial	3,380	\$1,046,964.43
Grazing	63,175	\$26,021.02
Rights-of-Way	2,375	\$81,861.02
Use Permits	6,508	\$74,464.99
Institutional Taking	475	\$58,019.47
U.S. Government	117	\$0.00
Other	393	\$0.00
TOTAL SURFACE	80,420	\$1,370,439.90
Mineral	160	\$120.00
Mineral Material	49	\$9,742.01
Oil & Gas	640	\$639.72
U.S. Government	117	\$0.00
TOTAL SUBSURFACE	966	\$10,501.73
Penalty & Interest		\$5,822.93
Sales Interest		\$6,111,157.65
Treasurer's Formula Distribution		\$771,500.00
GRAND TOTAL EXPENDABLE		\$8,269,422.21
Permanent Fund Receipts		\$1,584,154.76
Permanent Fund Balance		\$46,496,000.00

PENITENTIARY ACRES AND INCOME - FY 2005

SURFACE LEASES	ACRES	INCOME
Agriculture	4,717	\$185,142.84
Commercial	478	\$571,463.98
Grazing	65,932	\$23,230.73
Rights-of-Way	1,144	\$12,102.30
Use Permits	5,783	\$50,856.53
Institutional Taking	1,778	\$0.00
U.S. Government	5	\$0.00
TOTAL SURFACE	79,837	\$842,796.38
SUBSURFACE LEASES		
Prospecting Permit	990	\$1,065.72
Oil & Gas	0	(\$2,339.34)
U.S. Government	5	\$0.00
TOTAL SUBSURFACE	995	(\$1,273.62)
Penalty & Interest		\$2,647.90
Sales Interest		\$0.00
Treasurer's Formula Distribution		\$76,506.00
GRAND TOTAL EXPENDABLE		\$920,676.66
Permanent Fund Receipts		\$71,617.20
Permanent Fund Balance		\$5,462,000.00

*Miners' Hospital and Miners' 1929 combined

Financial Schedules



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Financial Schedules

RECEIPTS BY CATEGORY - FY 2005

	ROYALTY	SALES PRINCIPAL	SALES INTEREST	LEASE RENTAL	PENALTY & INTEREST	OTHER RECEIPTS	TOTAL
Common Schools (K - 12)	4,562,976.79	259,791,171.00	35,583,059.24	24,982,485.75	198,545.35	0.00	325,118,238.13
Normal Schools	53,657.49	3,967.75	29.82	97,473.45	326.68	0.00	155,455.19
A&M Colleges	8,222.80	2,400.00	6.19	70,721.54	122.15	0.00	81,472.68
Military Institutes	3.06	0.00	0.00	71,670.97	173.80	0.00	71,847.83
School of Mines	2,539.20	3,038,043.00	18.91	104,836.19	916.95	0.00	3,146,354.25
University Land Code	0.00	70,907.21	9,747.10	454,407.62	334.92	0.00	535,396.85
U of A (Act of 2/18/1881)	179,700.37	2,854,792.57	145,785.32	709,663.02	2,433.29	0.00	3,892,374.57
School for the Deaf & Blind	1,351.90	9,583.00	0.00	129,103.04	270.96	0.00	140,308.90
Leg.,Exec & Judicial	6,537.25	0.00	0.00	70,100.30	127.98	0.00	76,765.53
State Hospital	11,168.90	0.00	0.00	296,144.38	469.02	0.00	307,782.30
Miners' Hospital*	80,391.43	684,453.15	54,384.43	1,531,067.25	5,120.80	0.00	2,355,417.06
St Char.,Pen. & Ref	212,180.44	1,371,974.32	6,111,157.65	1,380,941.63	5,822.93	0.00	9,082,076.97
Penitentiaries	71,545.20	72.00	0.00	841,522.76	2,647.90	0.00	915,787.86
School Leases	0.00	0.00	0.00	16,381,372.51	0.00	0.00	16,381,372.51
Commercial Prepayments	0.00	0.00	0.00	0.00	0.00	2,001,859.86	2,001,859.86
Total Schools & Institutions	5,190,274.83	267,827,364.00	41,904,188.66	47,121,510.41	217,312.73	2,001,859.86	364,262,510.49
GENERAL FUND							
F.E.M.A Lands	0.00	0.00	0.00	13,808.69	60.32	0.00	13,869.01
Farm Loan Lands	0.00	0.00	0.00	3,450.22	47.48	0.00	3,497.70
Navigable Streambeds	0.00	0.00	0.00	49,259.50	66.74	0.00	49,326.24
Fees: Lease,Sale & Misc	0.00	0.00	0.00	0.00	0.00	2,770,106.93	2,770,106.93
Total General Fund	0.00	0.00	0.00	66,518.41	174.54	2,770,106.93	2,836,799.88
Riparian Trust Fund	0.00	0.00	0.00	1,200.00	0.00	0.00	1,200.00
TOTAL RECEIPTS	5,190,274.83	267,827,364.00	41,904,188.66	47,189,228.82	217,487.27	4,771,966.79	367,100,510.37

*Miners' Hospital and Miners' 1929 combined.

**RENTAL ACREAGE AND RECEIPTS
FY 2005
BY TYPE OF LEASE**

SURFACE LEASES	ACRES	RECEIPTS
Agriculture	180,739	3,992,347.62
Commercial	81,314	18,474,020.52
School Leases	*	16,381,372.51
Grazing	8,392,106	2,375,065.99
Homesite	64	45,115.00
Rights-of-Way	232,084	2,671,108.94
Use Permits	232,831	1,867,148.07
Institutional Taking	12,892	189,658.00
U.S. Government	18,274	153,967.00
Other	5,651	209,524.06
TOTAL SURFACE	<u>9,155,956</u>	<u>\$46,359,327.71</u>
SUBSURFACE LEASES		
Mineral	11,502	26,583.03
Prospecting Permit	91,105	146,312.45
Mineral Material	2,751	196,495.00
Oil and Gas	374,663	460,510.63
TOTAL SUBSURFACE	<u>480,021</u>	<u>\$829,901.11</u>
NON-LEASE REVENUES		
Penalty & Interest		217,487.27
Sales Interest		41,904,188.66
Royalty		5,190,274.83
Land Sales Principal		240,365,929.45
Rights-of-Way Sales Principal		27,461,434.55
Commercial Prepayments		2,001,859.86
Fees		2,770,106.93
TOTAL NON-LEASE REVENUES		<u>319,911,281.55</u>
GRAND TOTAL		<u>\$367,100,510.37</u>

*The acres for School Leases are included in the total for Commercial acres.

Financial Schedules

TREASURER'S FORMULA DISTRIBUTION*

	YEAR ENDING JUNE 30 FY 2004	YEAR ENDING JUNE 30 FY 2005	INCREASE (DECREASE)	MAY 12, 1912 TO DATE
Common Schools (K - 12)	18,565,352	24,430,529	5,865,177	958,976,624
Normal Schools Grant	25,835	32,020	6,185	2,212,875
Agricultural & Mechanical Colleges	70,016	143,306	73,290	7,398,415
Military Institutes Grant	5,589	7,781	2,192	1,150,348
School of Mines Grant	18,366	76,972	58,606	6,170,093
University Land Code	155,432	171,189	15,757	9,721,290
University of Arizona (Act Of 2/18/1881)	354,680	430,985	76,305	19,624,318
School for the Deaf & Blind	39,220	53,809	14,589	3,965,635
Legislative, Executive & Judicial Buildings	57,893	75,015	17,122	6,469,654
State Hospital Grant	89,056	115,826	26,770	2,875,311
Miners' Hospital Grant**	85,448	123,217	37,769	5,914,000
State Charitable, Penal, and Reformatory	528,216	771,500	243,284	18,228,504
Penitentiary Grant	76,540	76,506	(34)	3,661,332
TOTAL	20,071,643	26,508,655	6,437,012	1,046,368,399

*Information from the State Treasurer

**Miners' Hospital & Miners' Hospital 1929 combined

**STATE TRUST LAND ACREAGE BY BENEFICIARY
TRUST ACRES**

BENEFICIARY	FY 1978	FY 2005
Common Schools (K - 12)*	8,342,469	8,107,686
Normal Schools Grant	172,405	174,798
Agricultural & Mechanical Colleges	134,469	124,944
Military Institutes Grant	82,945	80,168
School of Mines Grant	132,882	123,254
University Land Code	166,354	137,908
University of Arizona (Act Of 2-18-1881)	62,216	54,218
School for the Deaf & Blind	84,209	82,560
Legislative, Executive & Judicial Buildings	66,660	64,257
State Hospital Grant	79,198	71,248
Miners' Hospital	48,648	47,745
Miners' Hospital (1929)	53,311	47,686
State Charitable, Penal, and Reformatory	80,010	77,140
Penitentiary Grant	80,830	76,111
TOTAL	9,586,606	9,269,723

*Includes County Bonds

Financial Schedules

AUCTIONS OF LEASES WITH AND WITHOUT THE PREFERRED RIGHT TO MATCH THE HIGHEST BID (REPORT REQUIRED BY A.R.S.§37-132)

AUCTION DATE	LEASE #	PARCEL LOCATION	PREFERRED RIGHT	NO. OF BIDDERS	PREFERENCE EXERCISED REVENUE	MINIMUM BID	BONUS BID	SUM BASE RENTAL
12/14/2004	03-109548	West of the NWC of Princess Drive and Scottsdale Road; Maricopa County	Yes	4	No	\$2,450,000.00*	\$600,000.00*	\$21,555,883.54
8/31/04	03-109195	1/2 mile North of State Hwy 82 and 3 miles East of State Hwy 90, North of Sierra Vista; Cochise County	No	1	N/A	\$23,270.00	None	\$1,057,634.85
8/10/2004	03-107735	NEC of Deer Valley Road & 97th Avenue; Maricopa County	No	1	N/A	\$378,450.00	None	\$60,121,478.55

*Minimum bid at auction based on appraised land value rather than 1st year rent.



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