

Douglas A. Ducey
Governor



Lisa A. Atkins
Commissioner

Arizona State Land Department

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September 1, 2018

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

Dear Governor Ducey:

On behalf of the Arizona State Land Department (ASLD), I am pleased to submit the Fiscal Year 2018 (FY 2018) Annual Report, pursuant to A.R.S. § 37-132. Following is a summary of ASLD's management activities and revenue collected during the fiscal year.

Over the past year, ASLD has been steadfast in its mission to actively manage the assets of a perpetual, multi-generational land trust for the support of the Beneficiaries and future generations of Arizonans.

In FY 2018, the ASLD generated \$204.9 million for the trust's Beneficiaries. Total revenue, by category, includes \$133.6 million in land sales and \$7.6 million in total royalties, both of which enhanced the Permanent Land Endowment Trust Fund. Additionally, the Department generated \$58.3 million from leases, which was distributed directly to the Beneficiaries as expendable revenue, and \$5.4 million in fees.

The ASLD held one successful auction of a long-term commercial lease on December 7, 2017. Just over 1,130 acres were leased with a successful bid of \$7.92 million.

Highlights of FY 2018 operations include:

- In April, 2018 an auction for approximately 270 acres of State Trust Land resulted in one of the largest-ever successful bids, \$79 million. The competitive auction garnered \$25 million more than the parcel's appraised value of \$54 million, representing the largest amount successfully bid for State Trust Land since a \$100 million purchase in March, 2016.
- Responding to a favorable commercial real estate market in Arizona, several other successful auctions of State Trust Land were held in FY 2018, including (acres are approximate):
 - 84 acres on July 12, 2017, generating \$23.9 million;
 - 58 acres sold on Nov. 21, 2018, for \$14.1 million;

- 47 acres sold on Feb. 13, 2018, for \$31 million;
- 93 acres sold on June 6, 2018, for \$26.5 million.

These transactions serve their intended purpose – to fund public services, such as K-12 education, reducing the fiscal burdens of the State’s General Fund.

- ASLD’s electronic application portal went live in September 2017, enabling applicants to apply online rather than using antiquated paper forms. Throughout FY 2018 ASLD has continued digitization of internal processes on Salesforce, further solidifying your goals of efficient government, operating at the speed of business.
- ASLD is proud of an Arizona Management System breakthrough that was completed in FY 2018. The application process for new rights-of-way (ROW) has been streamlined by removing unnecessary handoffs and rework. The elimination of waste and increased efficiency has led to a 30 percent reduction in the processing time for ROW applications, from 571 days to 397 days.
- ASLD is equally proud that our annual Employee Engagement Survey resulted in a total agency score of 2.9; which more than doubled last year’s score. Enhancing our workforce is a key goal in ASLD’s Strategic Plan. This result is validation that our efforts to improve employee recognition, professional development, career pathing and overall communication throughout the agency are having an impact.

During Arizona’s 53rd Legislature, 2nd Regular Session, Members voted unanimously to advance ASLD’s continuation bill to your desk. The ASLD staff is deeply grateful to you, Governor, and to the Members of the Legislature for such a strong expression of confidence in the agency’s fidelity to its mission, as prescribed in the State’s Enabling Act and Constitution.

Thank you for the opportunity to serve the trust Beneficiaries, our customers, and the people of Arizona, as State Land Commissioner. On behalf of all ASLD staff, please know that it is a privilege and honor for us to continue advancing the interests of all those we serve.

Sincerely,



Lisa A. Atkins
Commissioner