

Douglas A. Ducey
Governor



Lisa A. Atkins
Commissioner

Arizona State Land Department

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September 1, 2017

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

Dear Governor Ducey:

On behalf of the Arizona State Land Department (ASLD), I am pleased to submit the FY17 Annual Report, as required by A.R.S. § 37-132. The report contains a summary of ASLD's revenues, as well as efforts over the past year to improve customer service, efficiency and overall operations.

On behalf of the Trust Beneficiaries, our goal is to actively manage the Trust assets to generate revenue and enhance the Trust's value for future generations. In FY 2017, the Department generated \$281.3 million for Trust Beneficiaries, an increase of \$124 million over FY16. This year's revenue, by category, includes: \$204.5 million in sales; \$9.2 million in total royalties; \$65 million in leases; and \$2.7 million in fees.

Among ASLD's operational priorities during FY17, was continuing to create a more customer-friendly online operation. In FY16, we launched a portal for customers to purchase recreational permits online for the first time in the history of the Trust, resulting in a 25% increase in the number of permits issued and allowing customers easier access to some of our services. In FY17, ASLD began the process of transitioning from the antiquated paper application to a digital online application process. This will result in efficiency enhancements and the incorporation of an electronic workflow system through which applications can be accessed and processed digitally. ASLD will go live with the electronic application portal in September 2017, and we appreciate the input of our customers in the design of the system.

Additional highlights of FY17 operations include;

- With your support, ASLD began a process improvement project in January 2017 for our Commercial Sales application process. The current process was carefully analyzed to understand and identify opportunities for improvement, and we developed a future state where an application to purchase State Trust Land will receive an initial evaluation and business decision by our Executive Management team within 25 days of initial submittal. Significant improvement in decision making speed and quality is already evident, and the team is continuing to refine the process and developing standard work
- Increased emphasis on PCI (Per Commissioner's Initiative) sales applications to shift from a reactive to a proactive asset manager (more than 20 were filed in FY 2017), where the ASLD elects to sell mature assets that have reached an attractive market position without waiting for an applicant to drive the process

- Began a pilot project in Pima county (870 acres in Oro Valley) to create a sustainable Zoning Bank concept that will be applied as a standard model for expanding appropriate land use entitlements on Trust Land throughout Arizona. This will expand our customer base and significantly reduce timelines to both auction and built products for our customers
- Created a multi-disciplinary scoring/review team to review ROW applications for complexity at the beginning of the process. YTD, lead time for processing new ROW apps has decreased from an average of 571 days to an average of 208 days
- Began deep-dive process improvements on two critical application processes: New Rights of Way and Mineral Exploration Permits
- We have seen a 51% reduction in mitigation costs associated with trespass and illegal dumping activities (includes fencing costs, cleanup activities, and contract law enforcement) due largely to a concerted effort to spend less and increase efforts at forming partnerships with other governmental agencies and non-governmental organizations

Thank you for the opportunity to serve the Trust Beneficiaries, our customers and the State as the State Land Commissioner. The ASLD team will continue to make appreciable advancements of the interests of those we serve.

Sincerely,



Lisa A. Atkins
Commissioner

Enclosure

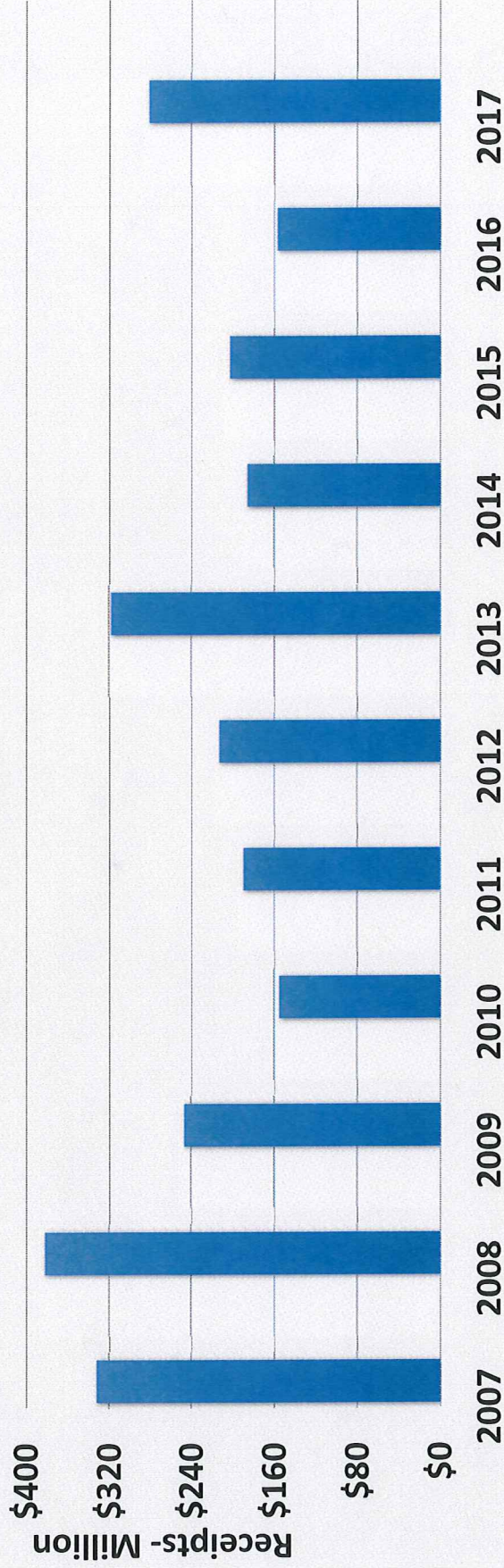


Annual Report Supplemental Schedules

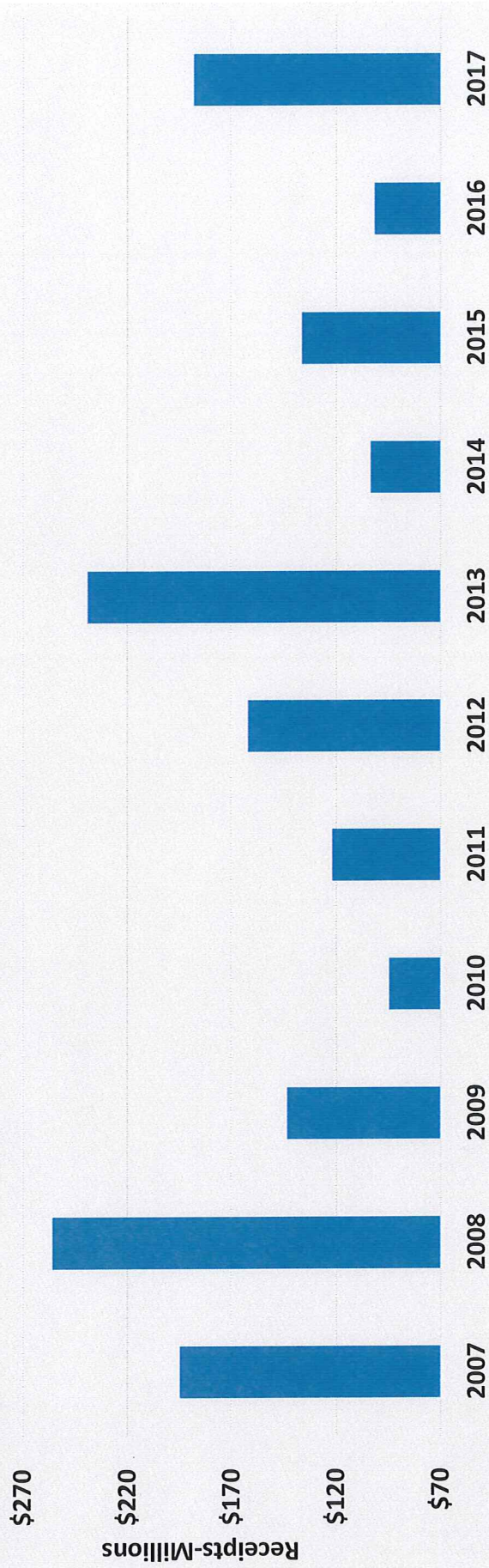
FY 2017



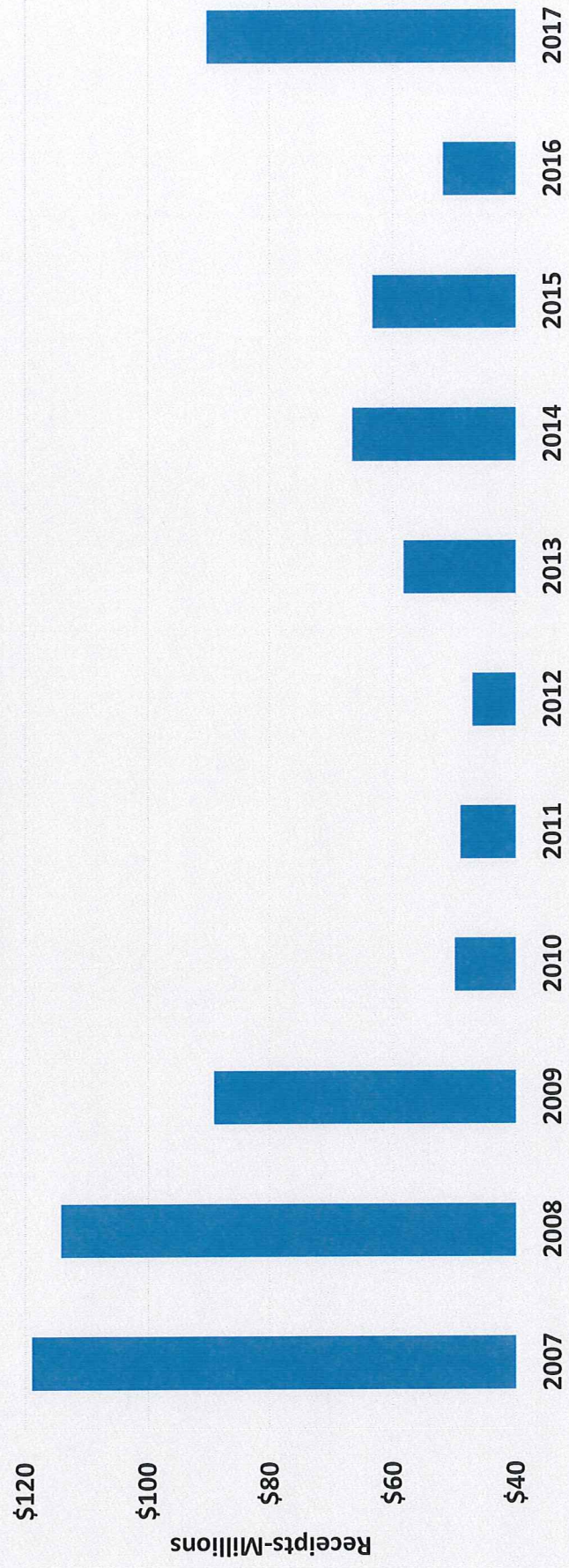
Total Trust Revenue FY 2007-2017



Permanent Receipts 2007-2017



Expendable Receipts 2007-2017



RECEIPTS BY CATEGORY - FY 2017

Row Labels	LEASE RENTAL	OTHER RECEIPTS	PENALTY AND INTEREST	ROYALTY	SALES INTEREST	SALES PRINCIPAL	Grand Total
General Fund	\$ 141,909.83	\$ 2,670,316.82	\$ 93.94	\$ -	\$ -	\$ -	\$ 2,812,320.59
F.E.M.A. Lands	15040	0		0	0	0	15040
Farm Loan Lands	5666.6	0	25.02	0	0	0	5691.62
Fees: Lease,Sale & Misc	0	1570	0	0	0	0	1570
Fees: Trust Land Mgt Fund	0	2668746.82	0	0	0	0	2668746.82
Lands Held in Trust	11399.23	0	0	0	0	0	11399.23
Navigable Streambeds	109804	0	68.92	0	0	0	109872.92
School & Institutions	\$ 64,541,624	\$ -	\$ 273,619	\$ 9,176,215	\$ 25,521,328	\$ 178,968,178	\$ 278,480,964
A&M Colleges	140595.29	0	125.92	5063.63	0	0	145784.84
Common Schools	55184664.26	0	209452.61	7795056.58	25521327.66	169783675.3	258494176.4
Leg., Exec & Judicial	116590.7	0	1189.97	0	0	86382	204162.67
Military Institutes	91520.61	0	272.87	38221.74	0	0	130015.22
Miners' Hospital	2254744.67	0	14621.92	122447.89	0	1187355	3579169.48
Normal Schools	410956.99	0	567.82	411786.83	0	0	823311.64
Penitentiaries	1200021.04	0	11018.63	88064.75	0	0	1299104.42
School for the Deaf & Blind	255329.91	0	983.45	4539.14	0	614196	875048.5
School of Mines	240604.4	0	946.37	118809.94	0	0	360360.71
St Char., Pen. & Ref	2453513.84	0	4266.46	231723.46	0	46570	2736073.76
State Hospital	652669.4	0	8961.49	83937.08	0	0	745567.97
U of A (Act of 2/18/1881)	522796.55	0	19381.64	139614.76	0	7250000	7931792.95
University Land Code	1017616.79	0	1829.7	136949.29	0	0	1156395.78
Grand Total	\$ 64,683,534	\$ 2,670,317	\$ 273,713	\$ 9,176,215	\$ 25,521,328	\$ 178,968,178	\$ 281,293,285

REVENUE BY BENEFICIARY FY 2017

BENEFICIARIES	TOTAL COLLECTED	EXPENDABLE	PERMANENT
Common Schools	\$ 258,494,176	\$ 80,915,445	\$ 177,578,732
Normal Schools	\$ 823,312	\$ 411,525	\$ 411,787
Agricultural & Mechanical Colleges	\$ 145,785	\$ 140,721	\$ 5,064
Military Institutes	\$ 130,015	\$ 91,793	\$ 38,222
School of Mines	\$ 360,361	\$ 241,551	\$ 118,810
University Land Code	\$ 1,156,396	\$ 1,019,446	\$ 136,949
University of Arizona (Act of 2/18/1881)	\$ 7,931,793	\$ 542,178	\$ 7,389,615
School for the Deaf & Blind	\$ 875,049	\$ 256,313	\$ 618,735
SUBTOTAL EDUCATION	\$ 269,916,886	\$ 83,618,973	\$ 186,297,913
Legislative, Executive & Judicial Buildings	\$ 204,163	\$ 117,781	\$ 86,382
State Hospital	\$ 745,568	\$ 661,631	\$ 83,937
Miners' Hospital	\$ 3,579,169	\$ 2,269,367	\$ 1,309,803
State Charitable, Penal & Reformatory	\$ 2,736,074	\$ 2,457,780	\$ 278,293
Penitentiaries	\$ 1,299,104	\$ 1,211,040	\$ 88,065
SUBTOTAL NON-EDUCATION	\$ 8,564,078	\$ 6,717,598	\$ 1,846,480
GRAND TOATL	\$ 278,480,964	\$ 90,336,571	\$ 188,144,393

STATE TRUST LAND ACREAGE BY BENEFICIARY FY 2017

BENEFICIARY	FY 1978	FY 2017
Common Schools (K - 12)*	8,342,469	8,059,345
Normal Schools	172,405	174,786
Agricultural & Mechanical Colleges	134,469	124,944
Military Institutes	82,945	80,168
School of Mines	132,882	123,256
University Land Code	166,354	137,778
University of Arizona (Act of 2/18/1881)	62,216	48,916
School for the Deaf & Blind	84,209	82,558
Legislative, Executive & Judicial Buildings	66,660	64,229
State Hospital	79,198	71,248
Miners' Hospital	48,648	47,545
Miners' Hospital (1929)	53,311	47,686
State Charitable, Penal & Reformatory	80,010	77,225
Penitentiaries	80,830	76,111
TOTAL	9,586,606	9,215,795

*Includes County Bonds

STATE TRUST LAND USES FY 2017

SURFACE_LEASES	NO_OF_LEASES	% OF LEASE	TOTAL_ACREAGE	% OF ACREAGE
Rights of Way	7,715	74.32%	188,844	2.06%
Grazing	1,191	11.47%	8,349,809	91.28%
Commercial	286	2.76%	69,127	0.76%
Commercial School Leases	21	0.20%	1,143	0.01%
Agriculture	343	3.30%	153,515	1.68%
Use Permits	657	6.33%	353,993	3.87%
U.S. Government	156	1.50%	18,136	0.20%
Institutional Taking	9	0.09%	12,685	0.14%
Recreational	3	0.03%	0	0.00%
SUBTOTAL SURFACE_LEASES	10,381	100.00%	9,147,251	100.00%
SUBSURFACE	NO_OF_LEASES	% OF LEASE	TOTAL_ACREAGE	% OF ACREAGE
Mineral	54	5.13%	45,900	4.17%
Mineral Exploration	548	52.09%	275,926	25.07%
Mineral Material	20	1.90%	2,143	0.19%
Oil & Gas	430	40.87%	776,655	70.56%
SUBTOTAL SUBSURFACE_LEASES	1,052	100.00%	1,100,624	100.00%
TOTAL LEASES	11,433		10,247,876	

FY 2017

Beneficiary Summary

University Grants	A & M COLLEGES		MILITARY INSTITUTES		NORMAL SCHOOLS		SCHOOL OF MINES		UNIVERSITY LAND CODE		UNIVERSITY OF ARIZONA, 1881	
	ACRES	INCOME	ACRES	INCOME	ACRES	INCOME	ACRES	INCOME	ACRES	INCOME	ACRES	INCOME
SURFACE_LEASES												
Agriculture	251	\$ 6,372	-	\$ -	165	\$ 3,701	1,805	\$ 39,514	3,233	\$ 79,428	6,879	\$ 229,005
Commercial	10,172	\$ 7,998	1,677	\$ 2,400	22,546	\$ 47,999	8,483	\$ 37,163	8,272	\$ 353,822	307	\$ 147,608
Grazing	107,163	\$ 49,563	77,709	\$ 41,351	146,654	\$ 76,993	110,769	\$ 48,585	116,579	\$ 51,369	33,923	\$ 11,739
Rights Of Way	1,847	\$ 37,719	270	\$ 35,087	1,695	\$ 243,547	1,120	\$ 89,322	2,528	\$ 126,700	812	\$ 40,204
Use Permits	5,055	\$ 12,589	298	\$ 6,800	4,582	\$ 5,386	2,882	\$ 5,735	4,206	\$ 387,137	2,606	\$ 47,906
Institutional Taking	1,917	\$ -	-	\$ -	2,721	\$ -	-	\$ -	107	\$ 780	200	\$ -
U.S. Government	86	\$ -	-	\$ -	184	\$ 6,000	17	\$ -	8	\$ -	4	\$ -
Other	0	\$ -	-	\$ -	0	\$ -	0	\$ -	-	\$ -	-	\$ -
TOTAL SURFACE	126,491	\$ 114,241	79,955	\$ 85,638	178,547	\$ 383,625	125,075	\$ 220,318	134,933	\$ 999,236	44,731	\$ 476,462
SUBSURFACE_LEASES												
Mineral	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -	-	\$ -
Prospecting Permit	449	\$ 3,414	2,301	\$ 4,603	2,416	\$ 4,417	1,271	\$ 1,271	579	\$ 955	1,567	\$ 3,135
Mineral Material	24	\$ 8,833	-	\$ -	120	\$ -	-	\$ -	-	\$ -	164	\$ 43,200
Oil & Gas	18,291	\$ 14,107	12,561	\$ 1,280	16,772	\$ 22,915	7,279	\$ 19,015	7,447	\$ 17,425	-	\$ -
TOTAL SUBSURFACE	18,764	\$ 26,354	14,863	\$ 5,883	19,308	\$ 27,332	8,550	\$ 20,286	8,026	\$ 18,380	1,732	\$ 46,335
Penalty & Interest	-	\$ 126	-	\$ 273	-	\$ 568	-	\$ 946	-	\$ 1,830	-	\$ 19,382
Treasurer's Formula Distribution	-	\$ 752,340	-	\$ 41,472	-	\$ 286,260	-	\$ 850,968	-	\$ 1,475,527	-	\$ 4,613,704
GRAND TOTAL EXPENDABLE	145,254	\$ 893,061	94,817	\$ 133,265	197,855	\$ 697,785	133,625	\$ 1,092,519	142,959	\$ 2,494,973	46,462	\$ 5,155,882
Permanent Fund Receipts	-	\$ 5,064	-	\$ 38,222	-	\$ 411,787	-	\$ 118,810	-	\$ 136,949	-	\$ 7,389,615
Permanent Fund Balance (Book)	-	\$ 5,926,000	-	\$ 356,000	-	\$ 3,165,000	-	\$ 7,149,000	-	\$ 13,566,000	-	\$ 60,042,000
Permanent Fund Balance (Mrkt)	-	\$ 13,037,000	-	\$ 743,000	-	\$ 5,954,000	-	\$ 14,913,000	-	\$ 27,175,000	-	\$ 101,866,000

FY 2017

Beneficiary Summary

Institutional Grants	LEGISLATIVE, EXECUTIVE & JUDICIAL BUILDINGS		MINER'S 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
SURFACE_LEASES												
Agriculture	1,155	\$ 29,522	12,866	\$ 420,140	4,717	\$ 208,803	2,636	\$ 72,636	3,858	\$ 104,840	3,981	\$ 123,452
Commercial	5	\$ 43,920	608	\$ 1,201,944	457	\$ 777,927	55	\$ 94,548	2,834	\$ 1,177,387	128	\$ 159,326
Grazing	56,406	\$ 24,224	73,322	\$ 28,772	66,025	\$ 29,350	74,618	\$ 37,189	62,941	\$ 24,008	60,473	\$ 26,969
Rights Of Way	1,482	\$ 10,605	1,864	\$ 542,639	586	\$ 20,540	1,069	\$ 20,055	1,138	\$ 18,817	997	\$ 271,702
Use Permits	4,225	\$ 1,394	8,110	\$ 43,283	5,776	\$ 150,961	6,714	\$ 13,539	6,372	\$ 894,375	5,983	\$ 20,703
Institutional Taking	-	\$ -	1	\$ 1,013	1,778	\$ -	1	\$ 1,281	475	\$ 76,929	80	\$ 12,001
U.S. Government	92	\$ -	168	\$ -	5	\$ -	32	\$ -	117	\$ -	108	\$ -
Other	-	\$ -	-	\$ -	0	\$ -	0	\$ -	-	\$ -	-	\$ 85
TOTAL SURFACE	63,365	\$ 109,666	96,940	\$ 2,237,791	79,343	\$ 1,187,582	85,125	\$ 239,248	77,736	\$ 2,296,355	71,750	\$ 614,237
SUBSURFACE_LEASES												
Mineral	-	\$ -	119	\$ 434	-	\$ -	-	\$ -	160	\$ 60,500	60	\$ 15,972
Prospecting Permit	2,894	\$ 6,660	6,021	\$ 11,922	520	\$ 5,719	4,258	\$ 7,474	1,128	\$ 2,922	674	\$ 10,796
Mineral Material	-	\$ -	230	\$ -	-	\$ -	-	\$ -	138	\$ 88,000	77	\$ 11,000
Oil & Gas	243	\$ 265	7,457	\$ 4,598	6,720	\$ 6,720	9,888	\$ 8,608	4,468	\$ 5,736	641	\$ 664
TOTAL SUBSURFACE	3,137	\$ 6,925	13,828	\$ 16,954	7,240	\$ 12,439	14,146	\$ 16,082	5,894	\$ 157,158	1,452	\$ 38,432
Penalty & Interest	-	\$ 1,190	-	\$ 14,622	-	\$ 11,019	-	\$ 983	-	\$ 4,266	-	\$ 8,961
Treasurer's Formula Distribution	-	\$ 616,956	-	\$ 1,523,580	-	\$ 1,026,504	-	\$ 397,708	-	\$ 8,315,349	-	\$ 476,304
GRAND TOTAL EXPENDABLE	66,502	\$ 734,737	110,768	\$ 3,792,947	86,584	\$ 2,237,544	99,270	\$ 654,021	83,629	\$ 10,773,129	73,202	\$ 1,137,935
Permanent Fund Receipts	-	\$ 86,382	-	\$ 1,309,803	-	\$ 88,065	-	\$ 618,735	-	\$ 278,293	-	\$ 83,937
Permanent Fund Balance (Book)	-	\$ 5,146,000	-	\$ 17,416,000	-	\$ 11,205,000	-	\$ 3,954,000	-	\$ 72,486,000	-	\$ 4,345,000
Permanent Fund Balance (Mkt)	-	\$ 10,858,000	-	\$ 30,947,000	-	\$ 20,896,000	-	\$ 7,713,000	-	\$ 146,829,000	-	\$ 8,952,000

FY 2017

Beneficiary Summary

	COMMON SCHOOLS		
	SURFACE_LEASES	ACRES	INCOME
Agriculture	111,861	\$	3,350,476
Commercial	14,681	\$	21,525,187
Grazing	7,353,766	\$	2,633,907
Rights Of Way	95,906	\$	7,353,323
Use Permits	296,864	\$	3,816,650
Institutional Taking	5,406	\$	327,121
U.S. Government	17,296	\$	402,396
Other	-	\$	13,895,133
TOTAL SURFACE	7,895,780	\$	53,304,193
SUBSURFACE_LEASES	ACRES	INCOME	
Mineral	45,560	\$	214,030
Prospecting Permit	251,846	\$	527,182
Mineral Material	1,365	\$	187,744
Oil & Gas	684,889	\$	952,514
TOTAL SUBSURFACE	983,660	\$	1,881,471
Penalty & Interest	-	\$	209,453
Treasurer's Formula Distribution	-	\$	269,558,521
GRAND TOTAL EXPENDABLE	8,879,439	\$	324,953,638
Permanent Fund Receipts	-	\$	177,578,732
Permanent Fund Balance (Book)	-	\$	2,730,416,000
Permanent Fund Balance (Mkt)	-	\$	5,222,529,000