

Overview of Arizona State Trust Land

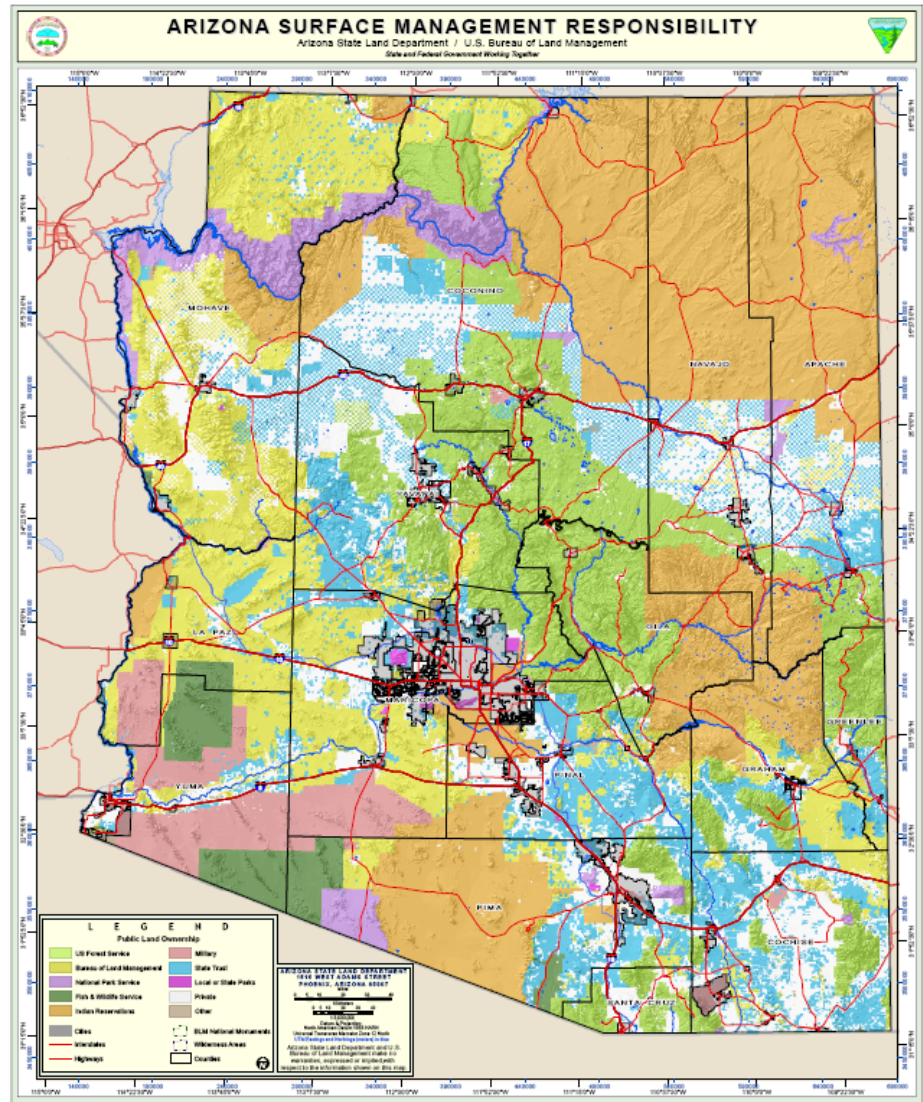
January 2017

History

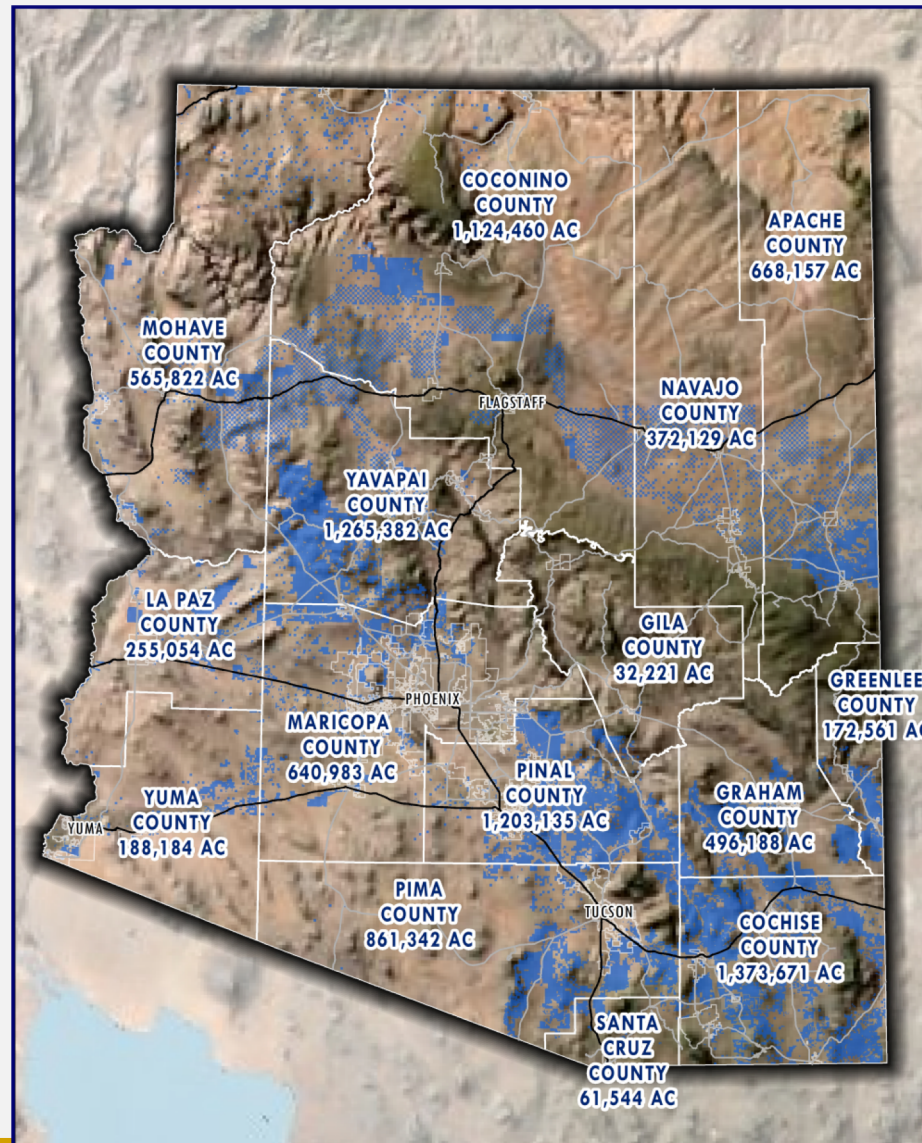
- Congress authorizes the Territory of Arizona to be established in 1863
- Enabling Act allowed the Arizona Territory to prepare for statehood in 1910
- The State Land Commission of Arizona was formed in 1912 to receive 10.4 million acres of Trust lands for the Beneficiaries
- Creation of the State Land Department occurred in 1915 to manage the Trust assets
- 50,000 acres were added in 1929, which gave the Trust a total of 10.9 million acres

State Trust Land (Blue)

- 9.2 million acres = 13% of the State
- Larger than Rhode Island, Delaware, Connecticut and Hawaii combined
- NOT PUBLIC LAND
- Challenges in distribution (inholdings) and limited fiscal resource
- Larger than many countries – is roughly the size of Turkey



State Trust Land in Each County



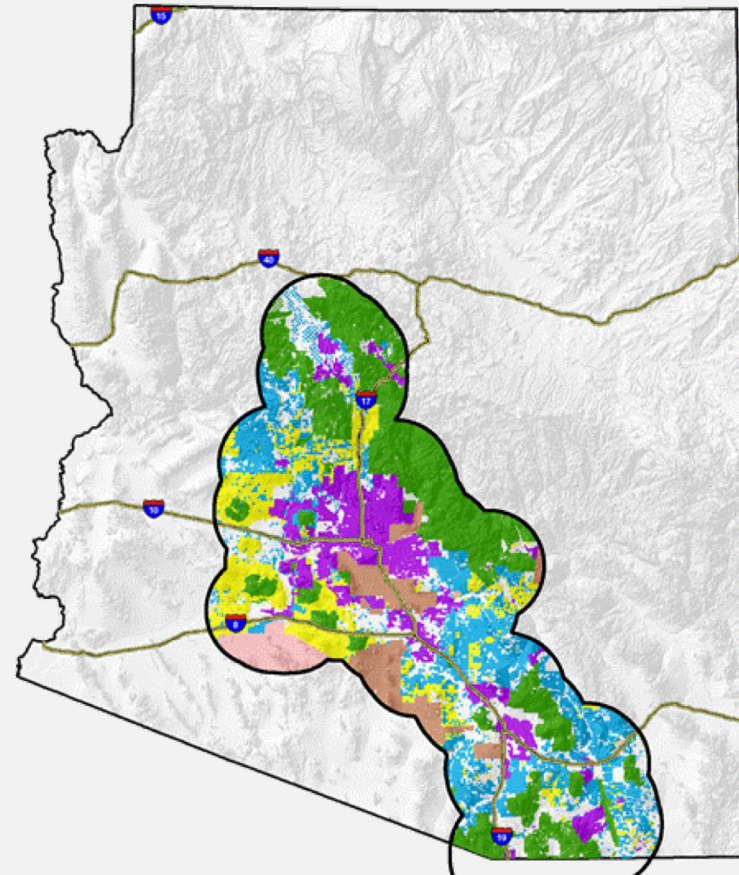
Land Use Patterns

SURFACE LEASES	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	100.00%
SUB-SURFACE LEASES	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%	1,114,231	100.00%
TOTAL	11,270		10,404,370	

Arizona's Trust Lands

Most growth in the Sun Corridor will take place on State Trust Land.

- Existing City Limits
- Tribal Lands
- National Parks, Forests & Wilderness
- Military Land
- Bureau of Land Management
- State Trust Land



Overview

- The Department serves as fiduciary for a multi-generational, perpetual Trust to enhance the value of the Trust's assets
- Trust revenues support 13 Beneficiaries – K-12 education being the largest

Trust Beneficiaries

Beneficiary	Original Acreage	Remaining Acreage
Commons 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 Institutions	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

Legal Requirements

Arizona/New Mexico enabling legislation dictates more stringent Trust land management provisions than other western land grant states

Enabling Act and Arizona Constitutional Mandates:

- Natural products and monetary proceeds belonging to the Trust are subject to the same laws as the lands producing them
- Trust lands and natural products shall be appraised at fair market value
- Trust lands and natural products cannot be sold for less than fair market value
- Land sales and leases in excess of ten years require a public auction
- Trust-related auctions must be advertised for 10 weeks

Trust Revenue

Permanent

- Realized from land sales or royalty collection
- One-time receipts
- Deposited into appropriate permanent fund with the State's Treasurer
- Beneficiaries receive monthly distribution from Treasurer – distribution formula per the Arizona Constitution

Expendable

- Realized from leasing (rental) revenues
- Recurring
- Distributed directly to the appropriate beneficiary on monthly basis

Brief History Revisited

- 1787 Northwest Ordinance
- 1910 AZ/NM Enabling Act
- 1957 Amendment for N.M. Equity Investment
- 1981 Urban Lands Act
- 1995 Auditor General Report
- 1997 “Growing Smarter” Prop 102—payout formula
- 1999 Congress Amends Enabling Act for AZ
- 2010 Zero Distribution
- 2012 Prop 118 2 ½% distribution
- 2015 Prop 123; Fall Prop on ASLD Funding

Total Permanent Fund Receipts

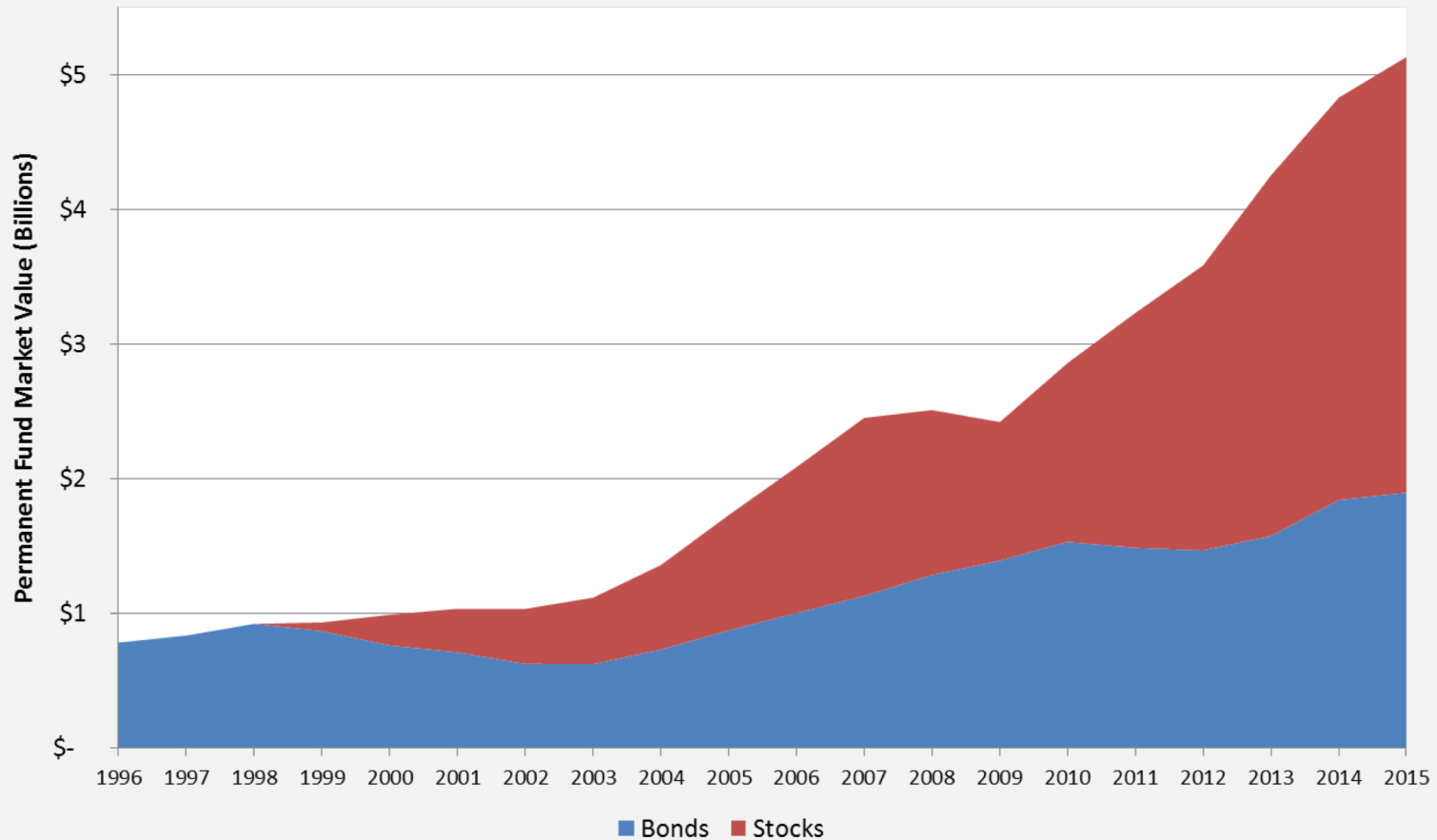
YEARS	TOTALS
1912 – 1981	\$123.89 Million
1982 – 2015	\$3.125 Billion (96% of the fund)

Real Estate Cycles

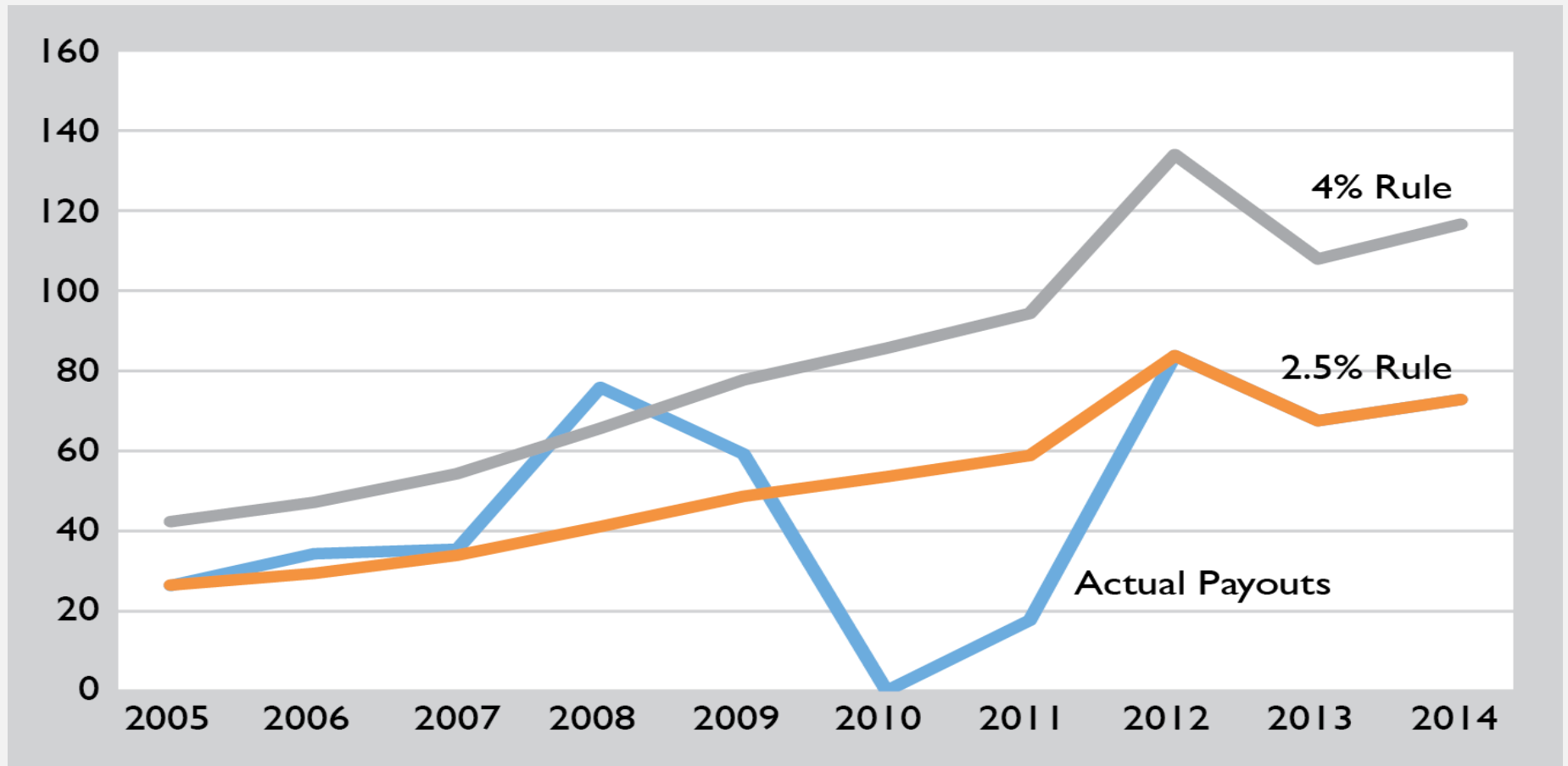
Economic ERA	Average Annual Permanent Fund Receipts	Average Annual Expendable Receipts
Post Urban Lands (1982 – 1987)	\$28,135,802	\$12,927,620
RTC/S&L (1988 – 1993)	\$35,930,425	\$15,143,188
Post RTC Expansion (1994 – 2001)	\$55,216,649	\$19,398,303
Post Tech Bubble Expansion (2002 – 2007)	\$173,878,060	\$65,086,873
Recession & Recovery (2008 – 2015)	\$157,003,840	\$67,206,346

Arizona's Trust Lands

Growth of the Permanent Fund since 1996



Recent Payout History



Fiscal Year 2016 Total Revenue

Natural Resources	\$11,193,069
Commercial Leasing	\$32,783,789
<u>Total Rental</u>	<u>\$48,783,209</u>
Sales	\$94,455,440
Royalties	\$10,306,098
<u>Total Land Department Receipts</u>	<u>\$157,102,454</u>
Treasurer's Formula Distribution	\$277,442,315
<u>Grand Total</u>	<u>\$434,544,769</u>

Budget

- Major funding sources:
 - General Fund (FY 2016 operating lump sum appropriation of \$11.4 million)
 - Trust Land Management Fund (FY 2016 operating lump sum appropriation of \$3.8 million)
- Line Item Appropriations:
 - Natural Resource Conservation Districts
 - Due Diligence Fund



A R I Z O N A S T A T E U N I V E R S I T Y

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