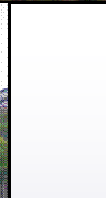




ARIZONA STATE LAND DEPARTMENT ANNUAL REPORT 2007 - 2008



Janet Napolitano
Governor

Mark Winkleman
State Land Commissioner

“Serving Arizona’s Schools and Public Institutions Since 1915”



Contents

- Message From the Commissioner..... 1
- Historical Overview 3
- Organizational Chart..... 5
- Management Team..... 6
- Real Estate Program 7
- Natural Resources Program 11
- Land Information, Title & Transfer Program 13
- Board of Appeals 14
- State Trust Land Uses 15
- Land Ownership and Management 16
- Fiscal Year 2008– A Historic Revenue Year 18
- Permanent Fund 20
- Expendable Revenue 21
- Fund and Beneficiary Summary 22
 - Common Schools K - 12 23
 - University Grants 25
 - Other Grants 29
- Financial Schedules..... 32
 - Receipts by Category..... 33
 - Rental Acreage and Receipts 34
 - Treasurer’s Formula Distribution..... 35
 - State Trust Land Acreage by Beneficiary 36
 - Auctions of Leases With and Without Preferred Right 37



Janet Napolitano
Governor
State of Arizona

Please visit our website at www.land.state.az.us

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, 2008

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 2008 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.

The Department had record receipts of \$382.4 million in fiscal year 2008. While land sales were down compared to recent years, the \$126 million for 1,994 acres ranks as the eighth best year in the history of the Land Department. The Department brought in a record \$77.6 million from rights-of-way and a record \$29.4 million from commercial leases.

The Department continues to carry a large outstanding balance for previous sales that are financed through the Department. The beneficiaries will earn interest on the balance at a rate averaging from 8% to 10% for an average term of seven years. The total outstanding receivable balance from term sales is \$927.6 million, which earns 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 sales price for the land will be deposited in the Permanent Fund in future years.

During this past year, the Department has worked closely with several of the buyers that financed their purchases through the Department. Many buyers bought at or near the peak of the housing market and are unable to make their scheduled payments in the current market at this time. They have not been able to progress as quickly with their development of the land, which has reduced their cash flow. Given the price paid for this land, it is usually in the best interest of the Trust to work with the buyers to extend their payment plans. We were fortunate that no land was returned.

The record \$458.3 million revenue generated this year by the Trust has been allocated as follows: \$255.9 million from the sale of land, rights-of-ways and minerals was deposited into the Trust Permanent Fund, increasing the Fund to \$2,163,383,000; the public schools and institutions received \$114.2 million from land rents and interest income, school leases of \$7.7 million as well as \$75.9 million from the Treasurer's formula distributions; and \$4.6 million was depos-

Message From the Commissioner

ited in the General Fund. Of the \$181.4 million in expendable earning for the schools (K-12), \$72.3 was distributed through the School Aid Formula, \$101.4 million went to the Classroom Site Fund, and \$7.7 million was used for school leases.

FY 2008 was a great opportunity to focus on the future of Arizona and the role of State Trust lands in that future. Trust land is strategically located around the Phoenix and Tucson metropolitan areas as well as many other Arizona cities and towns. Smart growth will require substantial planning and the inclusion of Trust land. The Department is currently working on the areas north of Desert Ridge (Azara), the Superstition Vistas, I-17 corridor, Peoria Loop 303 area, White Tanks, Marana and other areas across the state.

I also need to mention that the Forestry Division will report their activities separately. Through recent legislation and Executive Orders, the State Forester is appointed by you and reports directly to you on policy and administrative matters. As such, I no longer have any oversight over the Forestry Division.

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

Sincerely,



Mark Winkleman
Arizona State Land Commissioner

About the Commissioner

On January 6, 2003, Mark Winkleman was appointed to be 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 25 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. His goal is to encourage reform that will increase revenues to the beneficiaries, primarily public education. He hopes to promote better planning of lands directly in the path of growth and reduce urban sprawl while also providing for better management of the vast rural lands held by the Trust.

Historical Overview

Land Grant

The Territory of Arizona was established on February 24, 1863, by an Act of Congress. This Act granted sections 16 and 36 of each township for the benefit of the Common Schools. Endowment of public lands for educational purposes was a practice established by the Northwest Ordinance in 1787. Congress quickly recognized the value of the land and the importance of public schools to a developing nation.

The State Enabling Act, passed on June 20, 1910, allowed the Territory of Arizona to prepare for 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 through the Enabling Act, more than two million additional acres were allocated for their use.



State Land Commission on south boundary of Santa Teresa division, Crook National Forest. Standing: Senator W.W. Pace; left to right; W.A. Moody, Forest Ranger J.H. Kirby, Webster, Cy Byrne.

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 the temporary Land Department of the State. The members were Mulford Winsor, Chairman; Cy Byrne, Secretary; and William A. Moody, member. Appointed by Governor George W. P. Hunt, they were charged with assessing, evaluating, and making recommendations about the land granted by Congress to the State for the Common Schools and other institutions. The Commission was to report back to the Legislature with its findings and conclusions by the end of the second Legislative session.



State Land Commission riding Crook National Forest Boundary (Graham County). Horseman in foreground is Forest Supervisor Swift. Second Horseman is W.A. Moody. Third Horseman is Cy Byrne.

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.”

Historical Overview

The State Land Department 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 Department authority over all Trust lands and the natural products from these Trust lands.

Since the State Land Department's inception, its missions have 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.



Northern Arizona University c. 1913

Beneficiaries

There are 13 beneficiaries of State Trust land revenues. The Common Schools is the beneficiary with the largest Trust land acreage, originally receiving about 8.4 million acres of land. Other beneficiaries, which originally received a total of about 2.5 million acres, include the University Land Code; Legislative, Executive, and Judiciary Building Fund; Penitentiary Fund; State Hospital; School for the Deaf and Blind; Normal (Universities) Schools; State Charitable, Penal, and Reformatory Institutions; Agricultural and Mechanical Colleges; School of Mines; Military Institutions; University of Arizona (Act of 2-18-1881); and two grants for the Miners' Hospital. 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.

Trust Revenue

Revenues earned from Trust land are classified as either permanent or expendable. Revenues derived from the sale of State Trust land and natural products are deposited in 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.

State Trust land management priorities continually evolve to remain efficient in all areas of the Trust's maintenance. One change that dramatically increased the Department's revenue-generating potential was the passage of the Urban Lands Act in 1981. The Act allows the Department to increase the value of Trust land in urban areas by planning and zoning it in cooperation with the local governments. The Legislature has also expanded the Department's leasing capabilities, making long-term leases of up to 99 years possible for land that either has been planned under the urban planning process, or is rural commercial land.

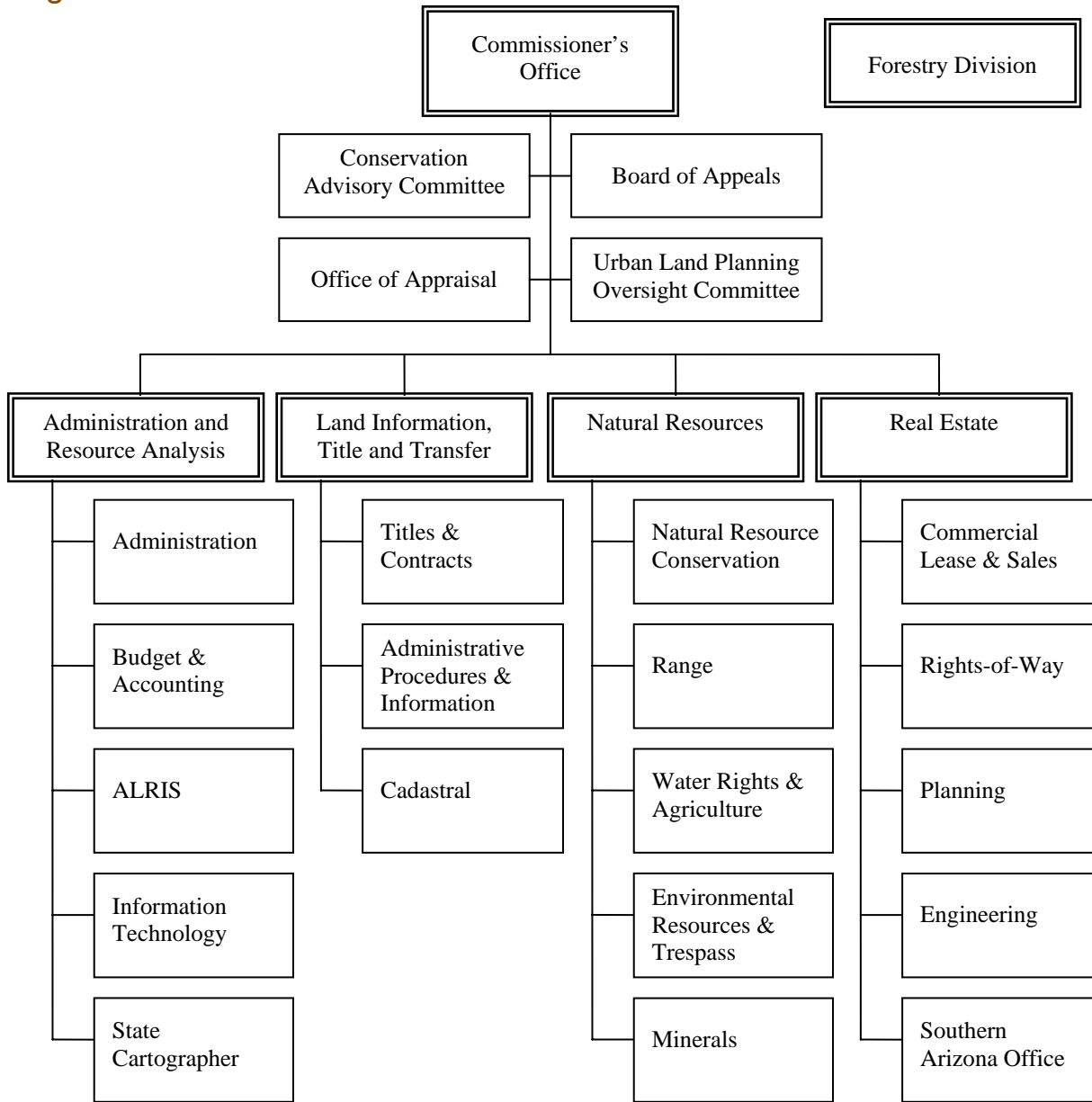
Today, the original school section pattern exists only in a few locations such as the remote Arizona Strip. About three-quarters of the school section acreage were relocated through selections and exchanges that have consolidated the Trust lands into large blocks in Pinal, Pima, Graham, Greenlee, and Cochise counties in central and south-eastern Arizona; north and northwest of Phoenix in Maricopa and Yavapai counties; and in the checkerboard railroad grant zone across Mohave, Yavapai, Coconino, Navajo, and Apache counties.

Original Land Endowment Pattern

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

Land Endowment by Township
 Township = 36 Sections
 Each Section = 1 Square Mile

Organizational Chart



Forestry Division Change

During FY 2008, the Forestry Division's administration was placed completely under the State Forester. Therefore, the Land Commissioner no longer has oversight of the Forestry Division or its activities.

History Timeline

- July 1966 – (Laws 1966 Chapter 20) The Land Commissioner is the State Forester and the Forestry Division is established to protect State and privately-owned commercial timber lands from fire and to manage the Trust's timber sales program.
- April 2000 – (Laws 2000 Chapter 185) In addition to fires, the Forester may respond to other unplanned all risk emergencies.
- June 2004 – (Laws 2004 Chapter 326) The Land Commissioner is no longer the State Forester. The State Forester is appointed by the Governor.
- August 2004 – (Executive Order 2004-21) The Forestry Division is established as a formal division within the Land Department. The State Forester is subject to administrative oversight by the Land Commissioner, but reports directly to the Governor on policy issues.
- July 2006 – (Laws 2006 Chapter 344) The Forestry Division's budget is separated as a special line item.
- July 2007 – (Executive Order 2007-18) The State Forester is responsible for the administration of the Forestry Division and reports to the Governor on administrative and policy issues.

Management Team



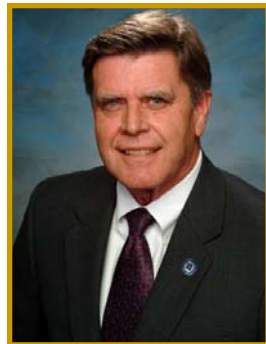
Mark Winkleman
Arizona State Land
Commissioner



Jamie L. Hogue
Deputy State Land
Commissioner



Jim Adams
Director
Real Estate Division



Richard Oxford
Director
Land Information, Title,
& Transfer Division



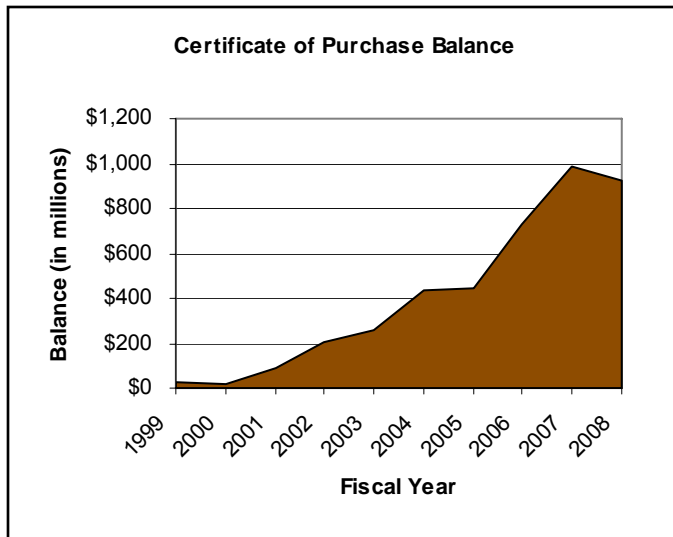
Lynn Larson
Director
Administration & Resource
Analysis Division
Retired 3/28/08



Bill Dowdle
Director
Natural Resources
Division

Real Estate Program

- Fiscal Year 2008 was impacted substantially by the housing market slow-down and repercussions in the credit industry. A total of eight auctions were held, with no competitive bidding. Nevertheless, the Department was able to complete several major land transactions.
- A total of 1,757 acres was sold to the City of Phoenix for \$107.4 million; most of the acreage will be incorporated into the Sonoran Preserve, with the remainder to be developed as improved park land. These sales represent the third and fourth parcels purchased for the Sonoran Preserve, adding to almost 2,035 acres already purchased between 2000 and 2003. Additionally, there are approximately 6,000 acres under application for purchase for the Sonoran Preserve (see map on page 9), as well as 235 acres in north Phoenix and 243 acres in south Phoenix for park or other municipal uses.
- The Department welcomes the efforts of the City of Phoenix to expend the funds to purchase these lands that are well suited for preserve and park uses. It has often been said that the Trust's greatest asset is the diversity of its holdings, and that attribute has proved highly beneficial in the current challenged market, and should continue to do so.



- The interest payment on the certificate of purchase balances was \$51.5 million in FY 2008. The Department is negotiating extensions of time for payment of interest on certain certificates of purchase; the predominantly infill nature, and in many cases highly desirable areas, of the major sales within the last few years will more than likely mean the buyers will ride out the current downturn and bring the payments current during FY 2009 and 2010.
- The beneficiaries received expendable revenues from commercial leases of \$29.4 million and rights-of-way leases of \$21.5 million. In addition, \$7.7 million in school facility lease revenue was earned.



Real Estate Program

Major Auctions

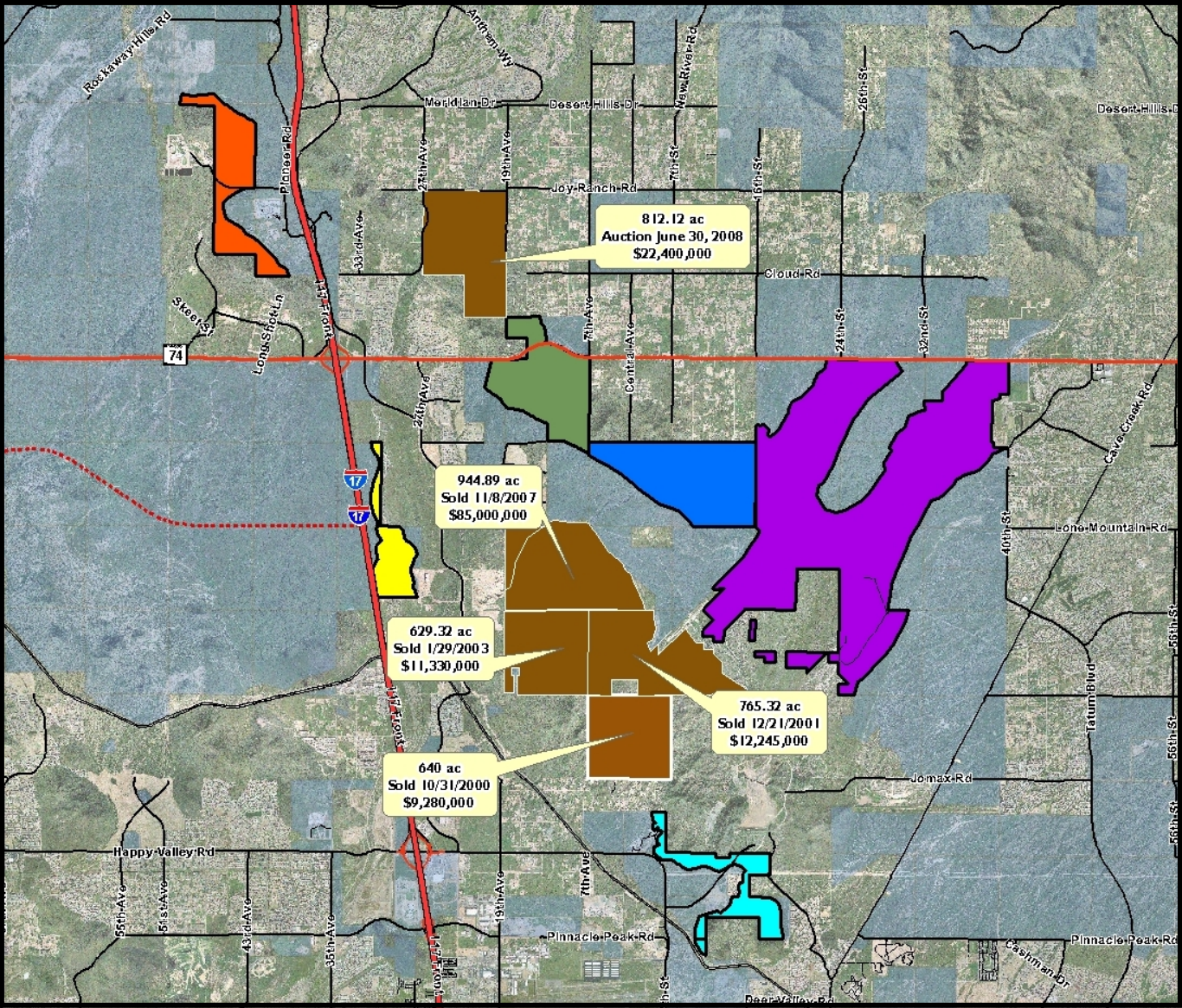
- \$85 Million Sale; Phoenix, November 8, 2007:** The City of Phoenix acquired two large parcels of land, most of which will be added to the City’s Sonoran Preserve. In November, the City bought 944.89 acres for \$85 million, representing almost \$90,000 per acre. On June 30th of 2008, the City bought an additional 812.22 acres for \$22.4 million, approximately \$28,000 per acre. Both parcels are in north Phoenix. The discrepancy in price was due to the terrain and ultimate ability to develop the parcels. The City has received grants from the State Parks Department for half of the purchase price for lands that had been classified as “Suitable for Conservation” under the Arizona Preserve Initiative, or approximately 863 acres and 639 acres, respectively. For the November sale, the 82 acres that were not classified as Suitable for Conservation are slated for an improved park. For the June sale, the 173 acres will likely be incorporated into the Sonoran Preserve, as the expense to develop is prohibitive.
- \$32 Million Lease; Phoenix, April 30, 2008:** Jaren Associates #4, an entity comprised of major retail and commercial developers in the southwest, was the successful bidder for a 99 year, 112 acre lease of some of the most prime property in Arizona. This property is located north of the Loop 101 on the west side of Scottsdale Road, in the Phoenix master planned community of Paradise Ridge. The property, branded as “Palisene” by Macerich, a national shopping center developer, is slated for a very dense mixed use project involving retail, office and residential uses. The land was valued at \$32 million, and the lessee is required to construct an estimated \$67 million in infrastructure, that will benefit hundreds of acres of additional land within Paradise Ridge. The lessee was required to deposit \$20 million to secure a portion of the infrastructure costs at the time of the auction. The base rent over the 99 year lease will total almost \$525 million, and the lease will bring in substantial additional revenue in participation rent.
- \$12.8 Million Sale; Scottsdale, June 30, 2008:** JTW Partners purchased 16.81 acres in North Scottsdale for \$12,750,000. The buyer has an interest in the adjacent Pinnacle Peak Patio steakhouse and has plans to develop a small resort on the site, which sits at the base of Pinnacle Peak. The parcel was a remnant piece off of the main arterial (Alma School Road), and its value was attributed to the assemblage opportunity with the restaurant site.
- \$1.3 Million Sale; Marana, December 10, 2007:** The Town of Marana purchased 90.71 acres for \$1.3 million in December, to expand the Pinal Airpark. The Airpark is ideally situated north of Tucson along the I-10 corridor and will likely become one of the busier reliever airports to Sky Harbor and Tucson International, similar to the Scottsdale Airpark and the Deer Valley Airport in the Phoenix metropolitan area. The Trust retains lands strategically located adjacent to the Pinal Airpark, which stand to benefit through value enhancement as the Airpark is expanded and improved.
- \$2.2 Million Sale; Surprise, May 20, 2008:** Similarly, the City of Surprise purchased 50.71 acres in May of 2008, for \$2.2 million to construct a wastewater treatment plant. Again, this infrastructure will benefit surrounding Trust holdings.

Facts and Figures

Land Auctioned FY 2008

	Acres Sold	Total Sales Price	Acres Leased	Minimum Cumulative Lease Revenue
Urban	1,783.20	\$122,392,000.00	112.03	\$524,157,476.27
Rural	211.12	\$ 3,605,000.00	0	0
Total	1,994.32	\$125,997,000.00	112.03	\$524,157,476.27

Sonoran Preserve History



Natural Resources Program

The Natural Resources Division administers natural resource related leases, Conservation Districts and any natural resource issue affecting State Trust land. The main leasing categories include grazing, agriculture and minerals. Other areas of natural resource administration include mineral material sales, exploration permits, water sales, water rights administration, trespass, recreational permits, environmental contamination, cultural resources, and dam safety. The Division includes five sections and a dam safety program.

- Range Section
 - Reviewed applications to place improvement and land treatment applications and provided environmental and cultural clearances.
 - Participated in statewide efforts to coordinate rangeland management activities with landowners, lessees and other land management and natural resource management agencies on ranch units with intermingled land ownership patterns.
 - Experienced a 5% decrease in the appraised value of forage on State Trust rangeland from the previous year.
- Water Rights & Agriculture Section
 - Administered three distinct water programs for State Trust lands: wells, water rights/claims, and water contracts/agreements, as well as provided water right evaluations for land sale and other lease applications. The agricultural leasing program reviews the following types of applications: improvements, sublease, assignment, renewal and new lease for agricultural purposes.
 - The Department is claiming federal reserved water rights for State Trust land. On September 28, 2007, the Special Master filed a report with the adjudication court concluding that the Department's claim is not supported by record. On December 17, 2007, the Attorney General's Office, on behalf of the Department, filed an objection to the Special Master's decision in support of the claim. This matter is currently before the adjudication court.
 - The Department held four agricultural stakeholder meetings to focus on potential modifications to the leasing program. Next fiscal year, the Department plans to hire a consultant to perform agricultural rental studies in a few counties.



LEASES AND PERMITS FY 2008 Facts & Figures

	Acres	Number of Leases
Agriculture	170,487	387
Grazing	8,405,902	1,247
Mineral Material	1,827	17
Exploration Permits	164,842	376
Mineral	12,605	99
Oil & Gas	1,004,792	519
Mineral SLUPs	3,229	27

Number of Registrations and Water Rights Claims

Stockpond Registrations	4,308
Certificated Surface Water Rights	110
Well Registrations	2,868
Adjudication Statements of Claimant	7,022
Water Right Registrations	7,406
Grandfathered Groundwater Rights	234

REVENUE PRODUCTION FY 2008 Lease Rentals

Agriculture	\$4,201,576
Grazing	\$2,471,763
Mineral Material	\$230,091
Exploration Permits	\$213,836
Mineral	\$95,624
Oil & Gas	\$1,006,274
Mineral SLUPs	\$179,711
TOTAL	\$8,344,875

Sale of Products

Public Auction Water Sales	\$345,336
Lease Water Charges	\$300,711
Mineral Royalties	\$3,859,592
Natural Products	\$4,888,808
TOTAL	\$9,394,447

Trespass Revenues

Settlements	\$6,547,825
Trespass Revenue	\$129,155
TOTAL*	\$6,676,980
GRAND TOTAL	\$24,416,302

*In addition, \$61,512 was collected in leasing revenue as a result of trespass resolution.

Natural Resources Program

- Natural Resource Conservation Section
 - Provided administrative support to 32 Natural Resource Conservation Districts, 30 of which sponsor 23 Environmental Education Centers. Served as the clearing house and certified all statutory requirements. Processed 85 requests for supplemental funding that required quarterly distributions totaling \$470,000 General Funds for individual NRCD operations and \$180,000 from the Environmental Special License Plate Fund for individual Education Center operating expenses.
 - Participated in 45 local, state, and federal meetings involving a variety of natural resource conservation issues ranging from Rapid Watershed Assessments, reclamation and reforestation of wildlife habitat, and eradication and control of noxious and invasive plants on State Trust lands. Represented the ASLD on the Arizona Invasive Species Council established by Governor Napolitano's Executive Order 2007-07. The council presented a comprehensive invasive species strategic plan for the Governor's signature on June 30, 2008.
 - Provided technical review and assessment of 55 lease applications and land use permits (i.e. agricultural, commercial, Right of Way, etc.). The purpose was to determine native plant value and compensation for the removal from State Trust lands. Issued billing notices totaling \$1,153,982 as part of the Department's fiduciary responsibilities to the Trust.



- Minerals Section
 - Administered five permitting/leasing programs, including: exploration permits, mineral leases (hard rock minerals like copper and gold), mineral materials leases (common varieties like sand and gravel), energy leases (oil, gas, helium, CO₂, and geothermal), and special land use permits (surface use in split estate areas). Also provided mineral resource evaluations and geologic information for land sales, conservation proposals and conceptual plans.
 - In June 2008, the ASLD joined in a cooperative effort with other state agencies, the Arizona offices of several federal agencies, and some private groups, to address the problem of Abandoned Mine Lands (AML) in the state. Cooperative agreements and MOUs are being put in place to allow the various agencies to pool resources and funds to start reclaiming AML sites.
 - Continued high mineral commodity prices, especially for copper, resulted in an increase in royalties from mineral production, and, mainly due to higher prices for potash and uranium. The downturn in urban expansion and construction resulted in reduced royalties from mineral material operations.
 - Due to world-wide increase in crude oil and natural gas prices, leasing activity for oil and gas rights more than doubled, with just over one million acres of State Trust lands now covered by oil and gas leases. Exploration activity in the St. John's—Springerville area has taken place over the last several years, and the Department anticipates that CO₂ and helium may be produced from this field within the next two to three years.
- Environmental Resources and Trespass Section
 - \$12.1 million was collected in an environmental damages settlement. Believed to be the largest single environmental action in Arizona, the money was distributed among partner agencies, including the Arizona Game and Fish Department, the Arizona Department of Environmental Quality and the Arizona State Museum. \$6.54 million was deposited into the Permanent Fund to compensate the beneficiaries for loss of natural product. Other trespass actions collected an additional \$129,155.

Natural Resources Program



- Environmental Resources and Trespass Section (continued)
 - Working in conjunction with Arizona State Parks and their Site Steward volunteers, the Department helped protect Arizona's heritage by placing erosion control devices and fencing at two cultural resource sites, Las Tusas Cemetery and the McClellan platform mound. A motion detection camera was placed at a site to help deter vandalism. 171 newly documented register eligible sites were determined to be on Trust land.
 - Initiated numerous cooperative efforts with various municipalities and volunteer groups to improve air quality on Trust land in the Phoenix metropolitan area. Of the 68 violations received from the Maricopa County Air Quality Division since 2002, 30 were issued this last fiscal year. A county island in Mesa was fenced to prohibit unauthorized OHV activity after the fourth violation in four years, and more than \$90,000 was spent to respond to just one complaint on that vacant urban site in an effort to avoid legal action. Remediation efforts will continue on the other 29 locations.
 - Provided roll-off and dump fees for 41 volunteer clean-up projects on Trust land; more than 227 tons of trash (not including 308 tires) were removed by Eagle Scouts and other concerned citizens. 16 vehicles abandoned on Trust land were removed. Cooperative efforts with other government entities, including the town of St. Johns, Bureau of Land Management, and the Bureau of Reclamation resulted in trash (including large dump sites and squatter camps) removal from Trust land across the state.

- Dam Safety Program
 - The Dam Safety Program's (DSP) main objective is to develop and maintain an emergency protocol system that will facilitate the Department's goal to reduce the State's liability associated with potential dam failures and floods.
 - DSP Data Base—Finalized the identification, investigation and data gathering for the development of a data base for the statewide DSP to be integrated with existing Department information systems.
 - IGA—FDC 2007A001—Participated in the preparation of the IGA between Maricopa County FCG and ASLD for the Dam Safety Program Repair Cost for Powerline, Vineyard and Rittenhouse FRSs. Provided technical review of the Work Plan and managed the utilization of the allocated funds and approved the final disbursement for \$230,600.
 - Campomochito NRCS Project—Identified and initiated a data gathering and investigation in past approved ranch improvements (stock ponds), with the primary objective of providing flood control protection of downstream private lands and properties.
 - Jurisdictional Dams (JD) - Managed the ASLD JDs inventory, interacted with ADWR on all related issues, and participated in performing yearly JD inspections.
 - Drainage and Flooding Issues—Provided technical review, recommendations and monitoring for drainage and flooding issues that are related to non-disposition parcels (i.e. Killian Ranches, 15th Lane and Rose Garden, Santa Cruz River, KAI Lease, etc.)
 - Improvement Applications—Provided technical review and comments on applications to place drainage improvements on existing Department leases.
 - Lake Havasu City (LHC) Levees & SR 95 Realignment—Investigated, located and identified several unauthorized levees built in the north and east area surrounding LHC jurisdiction.



Land Information, Title & Transfer Program

The Land Information, Title & Transfer Division ensures the integrity of the State's title to 9.3 million acres of Trust land, is accountable for the accuracy of public records and land surveys, processes applications, finalizes contracts and addresses legal and administrative issues that come before the Department.

Public Records and Survey Information

State Trust lands have always been an integral part of Arizona's growth. Customer requests for Trust land information, whether associated with land use planning, economic development or conservation, have steadily increased with the State's growth. The Department prides itself in its ability to serve its computer adept customers with a state-of-the-art computerized records information system covering 9.3 million acres, while at the same time, providing the same level of service to customers who have limited computer use skills. In FY 2008, the Public Records and Cadastral Unit staff provided accurate and timely records and survey information to over 2,000 "walk-in" customers, responded to over 2,300 e-mail and telephonic inquiries and retrieved 8,882 physical files for customer and staff research. In addition, the staff entered 1,422 new State Trust land applications into the Department's computer processing system for new, renewal and other transactions involving Trust land and issued 5,857 recreational permits to the public.

Public Response to the Department

Since 1998, the Department has provided a customer service rating survey to its customers in order to obtain customer service feedback. Customer ratings and comments related to the Department's service and programs are used to determine where customer service can be improved. Most of the Department's customers, including lessees,

members of the legal profession, land use, planning and development interests, title companies and members of the general public are repeat customers. However, some customers may be visiting from out-of-state and contact the Department only once, so we've got one opportunity to get it right. Customer comments are excellent tools for measuring program success as well as showing where improvement is needed. For FY 2008, 88% rated our customer service as a 4 or 5 on a 1-5 scale.

Legal and Administrative

For several years, the Department has, in coordination with the Attorney General's Office, worked to collect outstanding debt owed to the Trust for the use of the Trust lands. In FY 2008, these efforts culminated in the Department collecting in excess of \$200,000 in past due rents owed to the Trust.

In addition to the general public records request received in the Public Records area, the Department continues to receive an increasingly large number of public records requests for legal issues. Many of these requests are under the Freedom of Information Act or relate to lawsuits or other legal transactions in which the Department may or may not be a party or have a legal interest. These requests, often under a court or media deadline, require hundreds of hours of staff time to respond. In FY 2008, the Administrative Procedures and Information Section addressed 32 public records requests which totaled over 142,000 documents.

The Department continues to address various litigation issues, including but not limited to, sales of subsurface rights, the issuance of minerals leases, federal rights-of-way, quiet title land claim actions, lessee improvement reimbursement rights, auction protests and water rights.

Application and Contract Processing

The Division develops and processes all surface lease, sale, and use applications; prepares, drafts and revises all surface lease, permit, and right-of-way documents, ensuring compliance with laws, rules and guidelines of the Department; and prepares land use and title reports for all legal actions and special projects addressing Trust lands.

This fiscal year, the Division processed 1,337 new applications, finalized 1,344 contracts, and researched 5.8 million acres of land associated with the sale, lease, use and title records maintenance of the State's Trust and sovereign lands for its customers. The Division processed a federal land use condemnation of 18.79 acres in San Luis, Yuma County involving a 90 ft. strip of land along the U.S.-Mexico border. The condemnation facilitated the U.S. Department of Homeland Security's continuing construction of border security facilities. The Department continues to work with the U.S. Department of Homeland Security in various other land management issues and expects additional Trust land condemnation actions as the border security program progresses.



Remodeled Public Records Room

Board of Appeals

CURRENT BOARD MEMBERS



Jeffrey Covill, Chair
Phoenix

Represents the Second District consisting of Maricopa, Pinal, Gila, Yuma and La Paz counties.



Norman R. Brown, Vice-Chair
St. Johns

Represents the Third District consisting of Mohave, Yavapai, Coconino, Apache and Navajo counties.



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.



Jolene U. Dance
Phoenix

Member-at-Large.

Arizona Revised Statute A.R.S. § 37-132(A)(7) 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 file an appeal with the Board of a final decision of the State Land Commissioner relating to appraisals and classifications.

The 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.

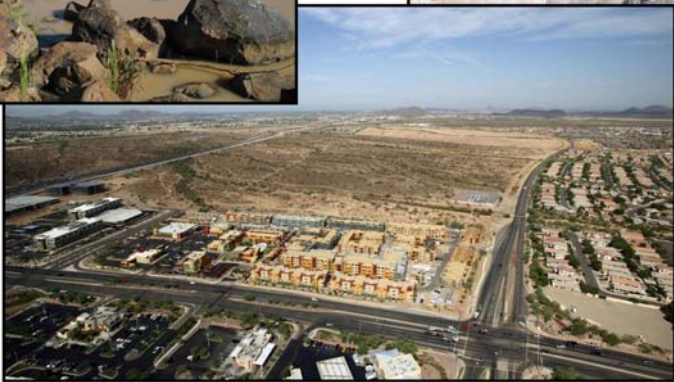
During the fiscal year, the Board approved five commercial leases, including four long-term leases, one for 75 years, and three for 99 years; 97 rights-of-way sales appraisals; and seven land sales appraisals, three of which were urban land sales.

Seven new appeals were filed with the Board. Two appeals modified the Commissioner's decisions. One appeal sustained the Commissioner's decision. Three appeals were withdrawn and dismissed by the Board. Two appeals were carried over to the next fiscal year. One appeal is pending until September 11, 2008.

State Trust Land Uses

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

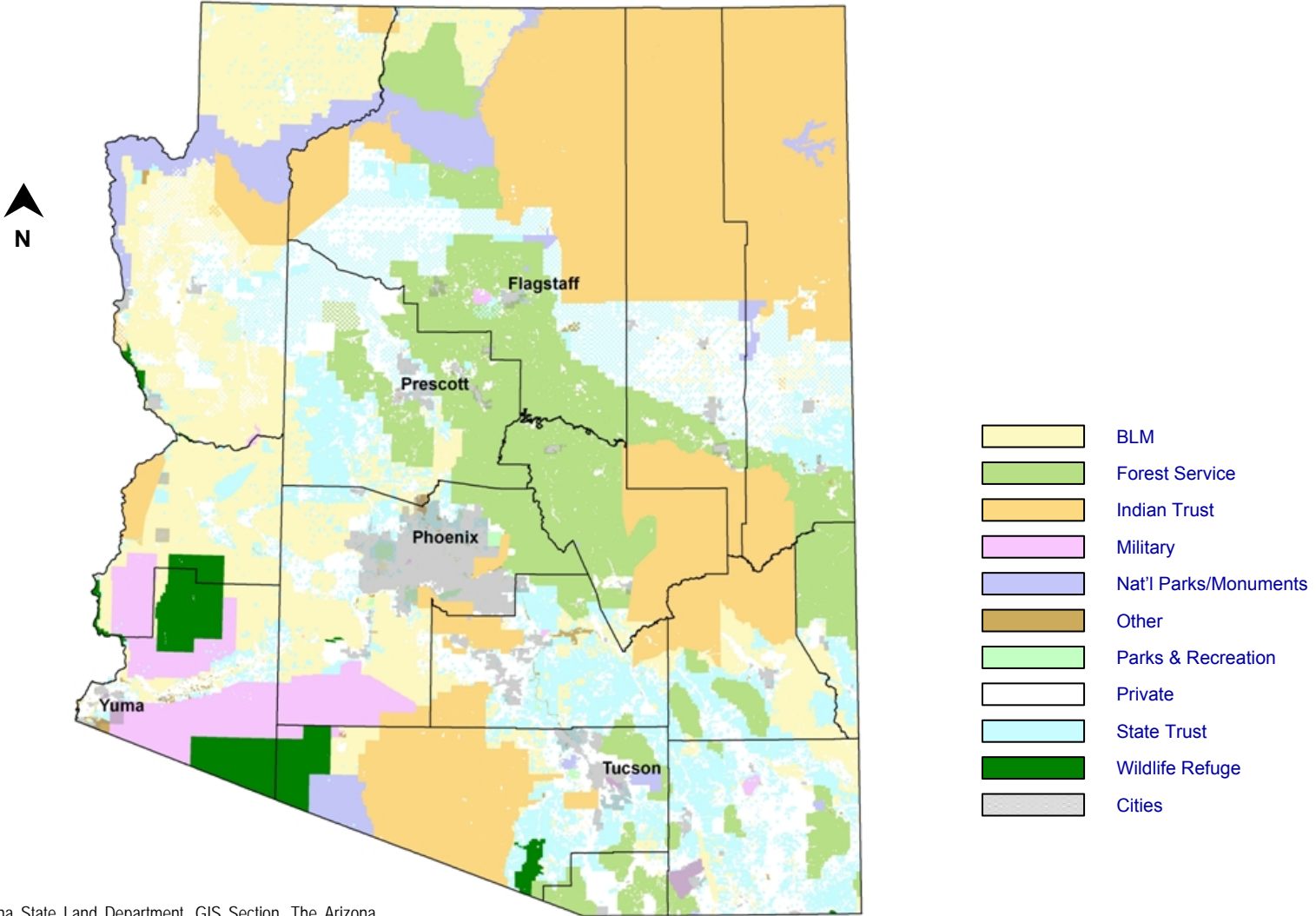
- 9,121,656.25 acres of the surface are under 10,103 leases and other contracts.
- 1,187,064.61 acres of the subsurface are under 1,011 leases and other contracts.



STATE TRUST LAND USES - FY 2008

	NO. OF LEASES	% OF LEASES	TOTAL ACREAGE	% OF ACREAGE
SURFACE				
Rights-Of-Way	7,335	73%	149,330.26	2%
Grazing	1,247	12%	8,405,901.74	92%
Commercial	328	3%	92,575.93	1%
Commercial School Leases	20	0%	1,083.15	0%
Agricultural	387	4%	170,487.35	2%
Use Permits	595	6%	236,816.23	3%
U.S. Government	156	2%	18,265.36	0%
Homesite	3	0%	18.13	0%
Institutional	10	0%	12,891.56	0%
Recreational	22	0%	34,286.54	0%
Subtotal (Leases)	10,103	100%	9,121,656.25	100%
SUBSURFACE				
Mineral	99	10%	12,604.58	1%
Mineral Exploration	376	37%	164,841.70	14%
Mineral Materials	17	2%	1,826.67	0%
Oil & Gas	519	51%	1,004,791.66	85%
Subtotal (Leases)	1,011	100%	1,184,064.61	100%
TOTAL LEASES	11,114		10,305,720.86	

Land Ownership and Management

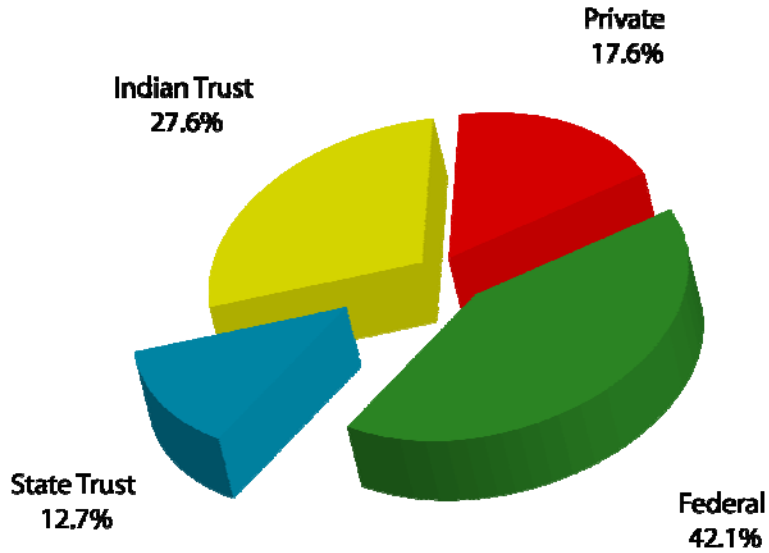


Produced by the Arizona State Land Department, GIS Section. The Arizona State Land Department makes no warranties, implied or expressed, with respect to the information shown on this map.

Land Ownership and Management

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 into 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	652,660
Cochise	1,370,922
Coconino	1,125,118
Gila	31,231
Graham	496,321
Greenlee	172,104
La Paz	254,411
Maricopa	641,952
Mohave	564,885
Navajo	370,168
Pima	860,658
Pinal	1,205,178
Santa Cruz	61,154
Yavapai	1,264,280
Yuma	186,670
Misc*	2,540
TOTAL	<u>9,260,253</u>

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

Fiscal Year 2008 - A Historic Revenue Year

Record Revenues

- FY 2008 was an exceptional year for Trust revenues. The Department received \$382.4 million and the Treasurer distributed \$75.9 million for a grand total of \$458.3 million.
- Sold 1,994.32 acres for \$126.0 million through seven successful auctions, including 1,757 acres sold to the City of Phoenix at two auctions for \$107.4 million.
- Auctioned a long-term lease of 112 acres that will generate at least \$524 million over the 99-year term.
- The Department deposited \$101.0 million into the Classroom Site Fund, a 51% increase.

FUNDS

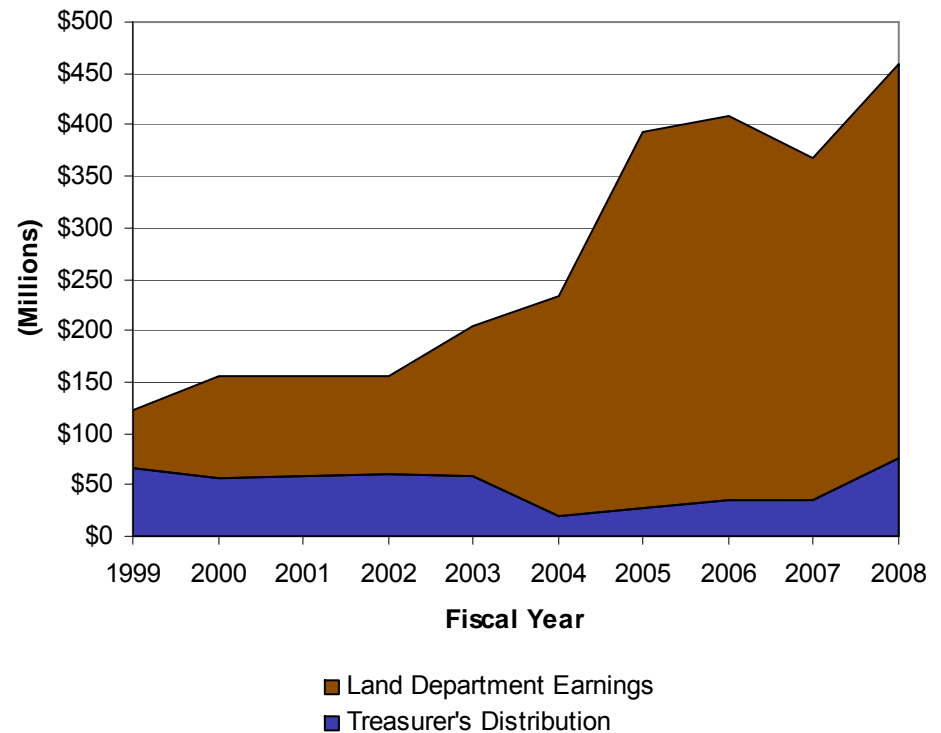
Expendable	114,159,641.30
Commercial Prepayment	16,173.00
School Leases	7,710,695.00
General	4,619,562.67
Permanent	255,879,519.56

TOTAL LAND DEPARTMENT	382,385,591.53
------------------------------	-----------------------

Treasurer's Distribution	75,906,357.00
--------------------------	---------------

GRAND TOTAL - FY 2008	458,291,948.53
------------------------------	-----------------------

Total Trust Revenue FY 1999 - 2008



Fiscal Year 2008 - A Historic Revenue Year

REVENUES BY BENEFICIARY FY 2008

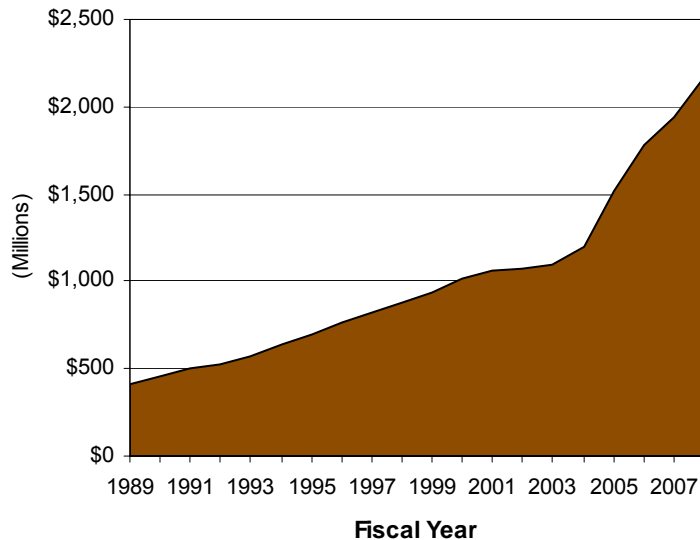
BENEFICIARIES	TRUST ACRES	STATE LAND EXPENDABLE EARNINGS	TREASURER'S FORMULA DISTRIBUTION	TOTAL EXPENDABLE RECEIPTS	TOTAL PERMANENT FUND RECEIPTS	TOTAL RECEIPTS
Common Schools (K - 12) (Includes County Bonds)	8,098,658	112,087,536	69,297,633	181,385,169	238,474,714	419,859,882
Normal Schools	174,798	1,129,075	100,995	1,230,070	131,180	1,361,250
Agricultural & Mechanical Colleges	124,944	209,648	392,769	602,417	28,280	630,697
Military Institutes	80,168	103,767	20,229	123,996	10,732	134,728
School of Mines	123,254	138,740	322,836	461,576	69,461	531,038
University Land Code	137,907	877,159	504,909	1,382,068	1,302,579	2,684,647
University of Arizona (Act Of 2/18/1881)	54,101	579,723	1,167,414	1,747,137	281,656	2,082,793
School for the Deaf & Blind	82,560	253,899	165,981	419,880	8,787	428,666
Subtotal Education	8,876,390	\$115,379,546	\$71,972,766	\$187,352,312	\$240,307,389	\$427,659,701
Legislative, Executive & Judicial Buildings	64,257	93,626	258,219	351,845	1,209	353,054
State Hospital	71,248	440,349	195,531	635,880	601,918	1,237,798
Miners' Hospital*	95,429	1,775,746	312,123	2,087,869	3,065,341	5,153,210
State Charitable, Penal, and Reformatory	76,818	3,109,798	2,885,109	5,994,907	11,748,548	17,743,455
Penitentiary	76,111	1,071,272	282,609	1,353,881	155,114	1,508,995
TOTAL	9,260,253	\$121,870,336	\$75,906,357	\$197,776,693	\$255,879,520	\$453,656,213

*Miners' Hospital and Miners' 1929 combined.

Permanent Fund

- The Department deposited \$255.9 million into the Permanent Funds in FY 2008, increasing the book value to \$2,163,383,000.
- The balance of Department managed sales contracts is \$927.6 million.
- The Permanent Funds consist of revenues earned from the sale of State Trust land or 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.

**Permanent Fund Balance
FY 1989 - 2008**



BENEFICIARY SHARE OF PERMANENT FUND JUNE 30, 2008

	BOOK VALUE	MARKET VALUE
Common Schools (K - 12)	2,001,153,000	2,382,654,000
Normal Schools	2,161,000	2,745,000
Agricultural & Mechanical Colleges	6,267,000	8,315,000
Military Institutes	363,000	474,000
School of Mines	7,617,000	9,371,000
University Land Code	12,437,000	15,423,000
University of Arizona (Act of 2/18/1881)	25,429,000	32,150,000
School for the Deaf & Blind	2,974,000	3,932,000
Legislative, Executive & Judicial	5,241,000	6,703,000
State Hospital	3,549,000	4,696,000
Miners' Hospital	9,642,000	11,263,000
State Charitable, Penal & Reformatory	81,117,000	96,250,000
Penitentiaries	5,434,000	7,159,000
TOTAL**	2,163,384,000	2,581,135,000

*Miners' Hospital and Miners' 1929 combined.

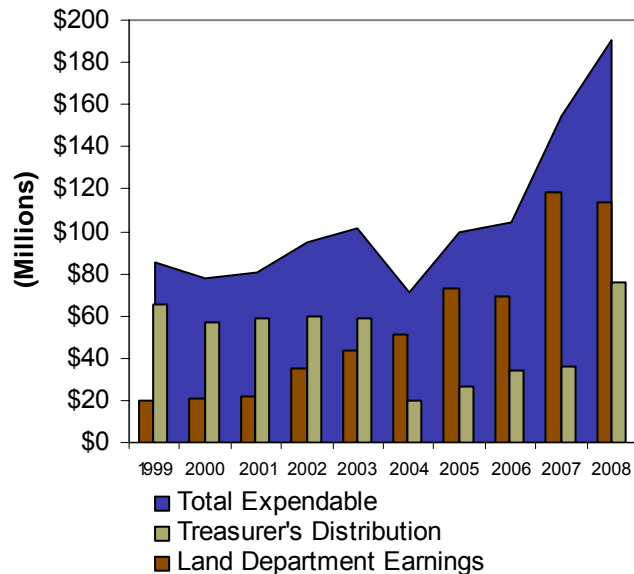
**Values are provided by the State Treasurer's Office and are rounded to the nearest thousand.

The Department celebrated a book value of \$2 billion with the August 17, 2007 deposit!

Expendable Revenue

- Expendable revenue includes lease revenue from Trust land leases and permits, interest from sales contracts, and the Treasurer's formula distribution of the Permanent Fund.
- Expendable revenues are distributed directly to the beneficiaries.
- Expendable revenue totaled \$197.8 million in FY 2008.
- Revenue from Trust land leases, permits, and interest earnings from sales financed through the Department totaled \$121.9 million.
- The Treasurer distributed \$75.9 million according to the constitutional formula based on the 5-year average net return and the 60 month average market value.

**Trust Expendable Earnings
FY 1999 - 2008**



EXPENDABLE REVENUE BY BENEFICIARY FY 2008

BENEFICIARIES	TREASURER'S FORMULA DISTRIBUTION	LEASE & SALES CONTRACT INTEREST	TOTAL EXPENDABLE REVENUE
Common Schools (K-12)*	69,297,633.00	112,087,535.60	181,385,168.60
Normal Schools Grant	100,995.00	1,129,074.90	1,230,069.90
Agricultural & Mechanical Colleges	392,769.00	209,648.19	602,417.19
Military Institutes Grant	20,229.00	103,767.23	123,996.23
School of Mines Grant	322,836.00	138,740.22	461,576.22
University Land Code	504,909.00	877,158.70	1,382,067.70
University of Arizona (Act Of 2/18/1881)	1,167,414.00	579,722.97	1,747,136.97
School for the Deaf and Blind	165,981.00	253,898.53	419,879.53
Subtotal Education	71,972,766.00	115,379,546.34	187,352,312.34
Legislative, Executive & Judicial Buildings	258,219.00	93,626.08	351,845.08
State Hospital Grant	195,531.00	440,348.57	635,879.57
Miners' Hospital Grant	312,123.00	1,775,745.55	2,087,868.55
State Charitable, Penal & Reformatory	2,885,109.00	3,109,798.12	5,994,907.12
Penitentiary Grant	282,609.00	1,071,271.64	1,353,880.64
TOTAL	75,906,357.00	121,870,336.30	197,776,693.30

*The amount for expendable earnings includes \$7,710,695.00 from the school leases in accordance with 37-221, D.

Fund and Beneficiary Summary

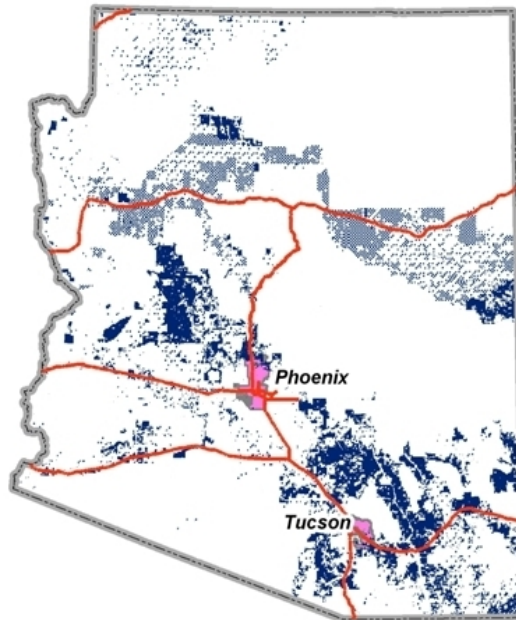
In 2008, State Trust revenues totaled \$458,291,949. A total of \$453,656,213 in receipts were earned for the beneficiaries, \$4,619,563 was deposited in the General Fund, and \$16,173 was received as commercial prepayments. Of the beneficiary amount, \$255,879,520 was deposited into the Permanent Funds. The Permanent Funds are managed by the State Treasurer. The remaining \$197,776,693 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
8,098,658	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	
137,907	University Land Code	
54,101	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
95,429	Miners' Hospital (2 Grants)	Pioneers' Home
76,818	State Charitable, Penal, and Reformatory	{ 50% Pioneers' Home 25% Department of Corrections 25% Department of Juvenile Corrections
76,111	Penitentiary	
<u>9,260,253</u>	TOTAL	

Fund and 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 remain in the Trust for common schools.
- In FY 2008, \$238.5 million from sales and royalties was deposited into the Permanent Fund for common schools bringing the total balance to \$2,001,153,000.
- In FY 2008, a record \$181.4 million was generated in expendable receipts from leases, interest on the outstanding sales balance and from the Treasurer's formula distribution. Of this total, \$7.7 million was transferred to the School Facilities Board, \$72.3 million was distributed through the School Aid Formula and \$101.4 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 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	124,844	\$3,090,537.85
Commercial	34,664	\$26,379,219.76
Grazing	7,409,648	\$2,058,352.98
Homesite	18	\$6,179.11
Rights-of-Way	109,063	\$19,142,318.24
Use Permits	191,027	\$2,039,373.73
Institutional Taking	5,406	\$324,913.80
U.S. Government	17,426	\$141,446.25
Other	0	\$116,393.54
TOTAL SURFACE	7,892,096	\$53,298,735.26
SUBSURFACE LEASES		
Mineral	12,265	\$62,959.67
Prospecting Permit	149,626	\$188,242.46
Mineral Material	1,270	\$100,348.67
Oil & Gas	882,106	\$876,700.77
U.S. Government	17,426	\$0.00
TOTAL SUBSURFACE	1,062,694	\$1,228,251.57
Penalty & Interest		\$497,589.53
Sales Interest		\$49,352,264.24
School Leases		\$7,710,695.00
Treasurer's Formula Distribution		\$69,297,633.00
GRAND TOTAL EXPENDABLE		\$181,385,168.60
Permanent Fund Receipts		\$238,474,713.76
Permanent Fund Balance		\$2,001,153,000.00

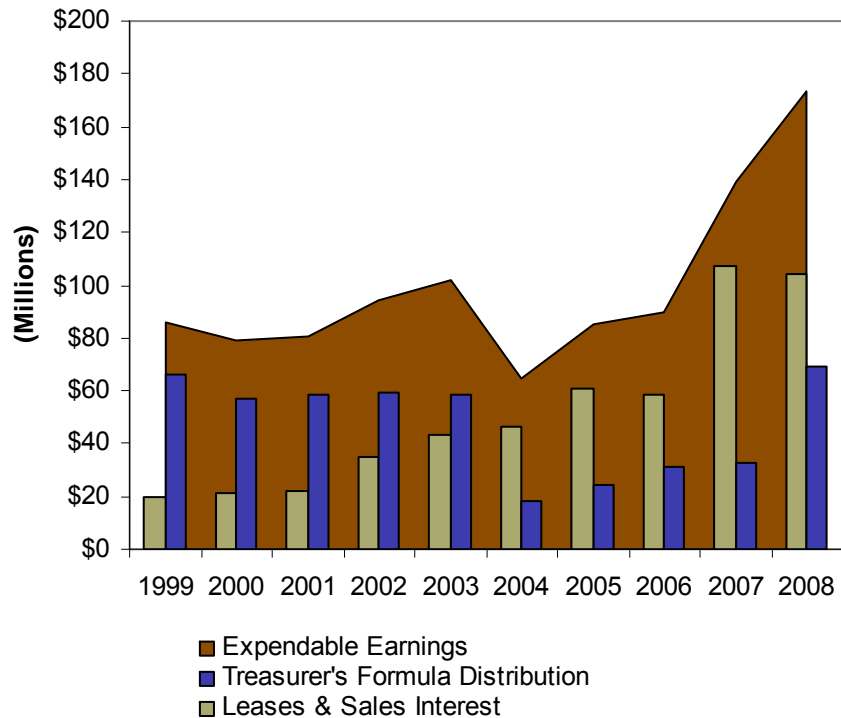
Fund and Beneficiary Summary Common Schools (K-12)

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 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 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.

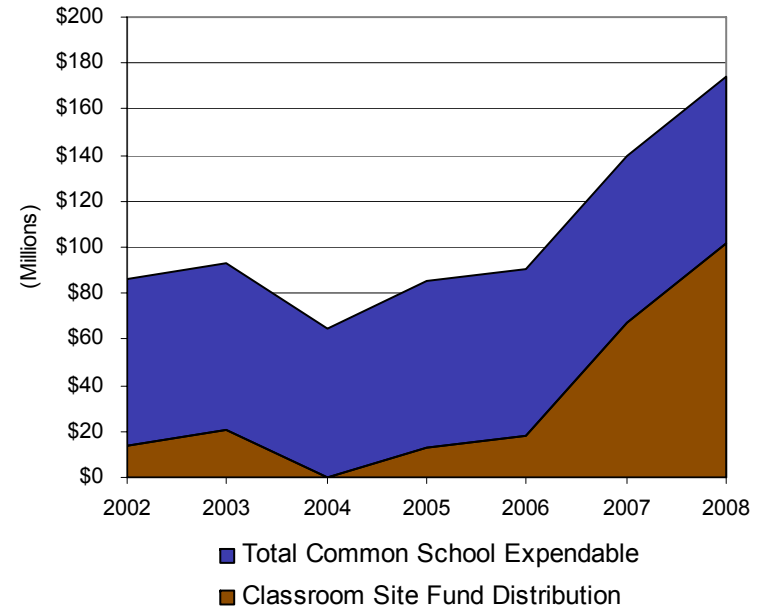
Common School Revenue (Millions)

Fiscal Year	2005	2006	2007	2008
Permanent Fund Revenue	264.4	264.3	182.7	238.5
Treasurer's Distribution	24.4	31.4	32.4	69.3
Rent & Interest	60.8	58.7	106.9	104.4
Total Expendable	85.2	90.1	139.2	173.7
Base Year Amount	(72.3)	(72.3)	(72.3)	(72.3)
Classroom Site Fund	12.9	17.8	67.0	101.4

Common Schools Expendable Earnings FY 1999 - 2008



Classroom Site Fund FY 2002 - 2008



Fund and Beneficiary Summary 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 that was distributed to the Board of Regents and then to the universities to fund their operations was \$5.5 million in FY 2008, a 112% increase over FY 2007. An additional \$1.8 million was earned and added to the permanent funds for the six grants bringing the total Permanent Fund balance to \$54.3 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:

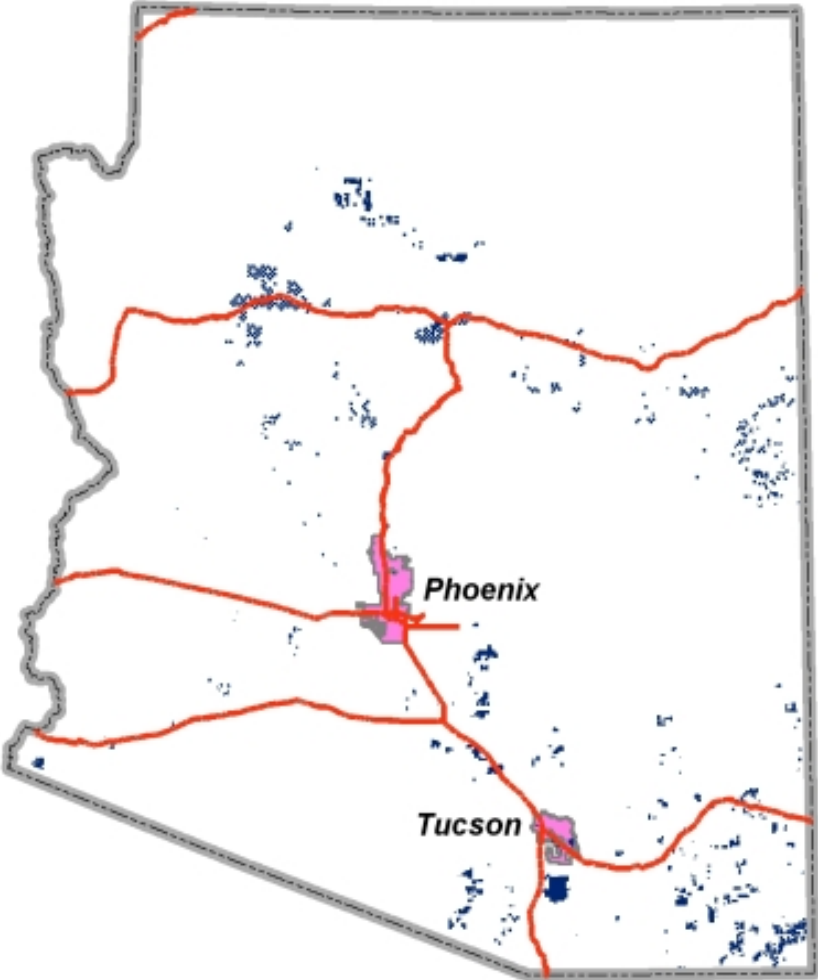
Board of Regents Distribution of Trust Revenues to the Universities

Grant	Distribution
Agricultural & Mechanical Colleges	1/2 to 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	Split between the three universities based on credit hours
Normal Schools	1/3 to each university
UA 1881 Grants	UA
School of Mines Grant	UA

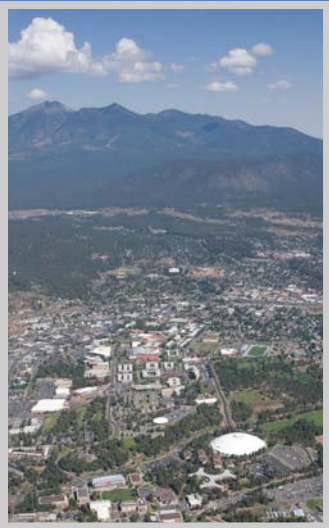
TOTAL UNIVERSITY GRANTS FY 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	14,764	\$194,978.69
Commercial	51,676	\$558,840.45
Grazing	597,156	\$210,112.28
Rights-of-Way	7,821	\$1,519,205.71
Use Permits	13,768	\$114,561.72
Institutional Taking	5,151	\$974.42
U.S. Government	299	\$4,000.02
Other	0	\$237.00
TOTAL SURFACE	690,634	\$2,602,910.29
SUBSURFACE LEASES		
Prospecting Permit	5,741	\$9,380.01
Mineral Material	140	\$11,760.09
Oil & Gas	103,814	\$117,349.79
U.S. Government	299	\$4,000.02
TOTAL SUBSURFACE	109,994	\$142,489.91
Penalty & Interest		\$5,919.85
Sales Interest		\$290,792.18
Treasurer's Formula Distribution		\$2,509,152.00
GRAND TOTAL EXPENDABLE		\$5,551,264.23
Permanent Fund Receipts		\$1,823,888.59
Permanent Fund Balance		\$54,274,000.00

Fund and Beneficiary Summary
University Grants



ASU Memorial Union Building



San Francisco Peaks and
NAU Campus



UA Dennis Deconcini Environment
and Natural Resources Building

Fund and Beneficiary Summary

University Grants

NORMAL SCHOOLS GRANT ACRES AND INCOME - FY 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	165	\$3,914.01
Commercial	22,539	\$11,426.94
Grazing	146,026	\$50,219.88
Rights-of-Way	1,619	\$1,010,334.64
Use Permits	3,364	\$5,202.30
Institutional Taking	2,721	\$0.00
U.S. Government	184	\$4,000.02
TOTAL SURFACE	<u>176,619</u>	<u>\$1,085,097.79</u>
SUBSURFACE LEASES		
Prospecting Permit	2,216	\$1,575.73
Mineral Material	120	\$10,560.09
Oil & Gas	31,041	\$31,324.48
U.S. Government	184	\$0.00
TOTAL SUBSURFACE	<u>33,561</u>	<u>\$43,460.30</u>
Penalty & Interest		\$516.81
Treasurer's Formula Distribution		<u>\$100,995.00</u>
GRAND TOTAL EXPENDABLE		<u>\$1,230,069.90</u>
Permanent Fund Receipts		\$131,179.72
Permanent Fund Balance		\$2,161,000.00

AGRICULTURAL & MECHANICAL COLLEGES ACRES AND INCOME - FY 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	251	\$2,617.78
Commercial	10,172	\$1,662.51
Grazing	106,443	\$35,907.53
Rights-of-Way	1,882	\$130,485.93
Use Permits	2,925	\$16,829.88
Institutional Taking	1,917	\$0.00
U.S. Government	86	\$0.00
TOTAL SURFACE	<u>123,676</u>	<u>\$187,503.63</u>
SUBSURFACE LEASES		
Prospecting Permit	380	\$700.00
Mineral Material	20	\$1,200.00
Oil & Gas	18,223	\$19,666.22
U.S. Government	86	\$0.00
TOTAL SUBSURFACE	<u>18,709</u>	<u>\$21,566.22</u>
Penalty & Interest		\$578.34
Treasurer's Formula Distribution		<u>\$392,769.00</u>
GRAND TOTAL EXPENDABLE		<u>\$602,417.19</u>
Permanent Fund Receipts		\$28,280.16
Permanent Fund Balance		\$6,267,000.00

MILITARY INSTITUTES ACRES AND INCOME - FY 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	480	\$960.00
Commercial	1,935	\$38,677.00
Grazing	76,749	\$30,278.62
Rights-of-Way	259	\$6,071.20
Use Permits	40	<u>\$2,580.47</u>
TOTAL SURFACE	<u>79,463</u>	<u>\$78,567.29</u>
SUBSURFACE LEASES		
Oil & Gas	24,868	<u>\$24,868.25</u>
TOTAL SUBSURFACE	<u>24,868</u>	<u>\$24,868.25</u>
Penalty & Interest		\$331.69
Treasurer's Formula Distribution		<u>\$20,229.00</u>
GRAND TOTAL EXPENDABLE		<u>\$123,996.23</u>
Permanent Fund Receipts		\$10,732.16
Permanent Fund Balance		\$363,000.00

Fund and Beneficiary Summary University Grants

SCHOOL OF MINES ACRES AND INCOME - FY 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	2,485	\$31,758.63
Commercial	8,483	\$9,625.34
Grazing	111,207	\$41,355.35
Rights-of-Way	1,045	\$27,936.43
Use Permits	1,291	\$3,486.13
U.S. Government	17	\$0.00
TOTAL SURFACE	<u>124,527</u>	<u>\$114,161.88</u>
SUBSURFACE LEASES		
Prospecting Permit	2,551	\$3,830.68
Oil & Gas	13,993	\$19,993.47
U.S. Government	17	\$0.00
TOTAL SUBSURFACE	<u>16,560</u>	<u>\$23,824.15</u>
Penalty & Interest		\$754.19
Treasurer's Formula Distribution		\$322,836.00
GRAND TOTAL EXPENDABLE		<u>\$461,576.22</u>
Permanent Fund Receipts		\$69,461.38
Permanent Fund Balance		\$7,617,000.00

UNIVERSITY LAND CODE ACRES AND INCOME - FY 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	4,276	\$59,675.90
Commercial	8,238	407,651.46
Grazing	117,855	\$40,596.24
Rights-of-Way	2,221	\$313,445.51
Use Permits	4,248	\$29,516.17
Institutional Taking	107	\$974.42
U.S. Government	8	\$0.00
Other	0	\$42.96
TOTAL SURFACE	<u>136,953</u>	<u>\$851,902.66</u>
SUBSURFACE LEASES		
Prospecting Permit	195	\$2,473.60
Oil & Gas	15,569	\$21,257.38
U.S. Government	8	\$0.00
TOTAL SUBSURFACE	<u>15,771</u>	<u>\$23,730.98</u>
Penalty & Interest		\$1,525.06
Treasurer's Formula Distribution		\$504,909.00
GRAND TOTAL EXPENDABLE		<u>\$1,382,067.70</u>
Permanent Fund Receipts		\$1,302,579.34
Permanent Fund Balance		\$12,437,000.00

UNIVERSITY OF ARIZONA - 1881 ACRES AND INCOME - FY 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	7,107	\$96,052.37
Commercial	308	\$89,797.20
Grazing	38,876	\$11,754.66
Rights-of-Way	782	\$30,932.00
Use Permits	1,900	\$56,946.77
Institutional Taking	406	\$0.00
U.S. Government	4	\$0.00
Other	0	\$194.04
TOTAL SURFACE	<u>49,383</u>	<u>\$285,677.04</u>
SUBSURFACE LEASES		
Prospecting Permit	400	\$800.00
Oil & Gas	120	\$239.99
U.S. Government	4	\$0.00
TOTAL SUBSURFACE	<u>524</u>	<u>\$1,039.99</u>
Penalty & Interest		\$2,213.76
Sales Interest		\$290,792.18
Treasurer's Formula Distribution		\$1,167,414.00
GRAND TOTAL EXPENDABLE		<u>\$1,747,136.97</u>
Permanent Fund Receipts		\$281,655.83
Permanent Fund Balance		\$25,429,000.00

Fund and Beneficiary Summary

Other Grants

- The remaining six Trust beneficiaries are 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 beneficiaries were authorized in the Enabling Act and received 100,000 acres, except for the State Charitable Grant which received 200,000 acres. A chart showing the connection between the grants and the beneficiaries is provided below.
- The Pioneers’ Home received a total of \$5,085,322 in expendable receipts and \$8,939,616 in Permanent Fund receipts in FY 2008.
- The Department of Juvenile Corrections received a total of \$1,498,727 in expendable receipts and \$2,937,137 in Permanent Fund receipts in FY 2008.
- The Department of Corrections received a total of \$2,852,608 in expendable receipts and \$3,092,252 in Permanent Fund receipts in FY 2008.

<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 Prison Complex—
Florence Historical Building



The “Insane Asylum of Arizona”, circa 1886

Fund and Beneficiary Summary Other Grants

SCHOOL FOR THE DEAF & BLIND ACRES AND INCOME - FY 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	2,638	\$71,354.51
Commercial	1,453	\$28,561.25
Grazing	72,540	\$31,397.88
Rights-of-Way	800	\$97,817.13
Use Permits	6,133	\$9,977.01
Institutional Taking	1	\$2,326.04
U.S. Government	32	\$0.00
TOTAL SURFACE	<u>83,597</u>	<u>\$241,433.82</u>
SUBSURFACE LEASES		
Prospecting Permit	2,692	\$960.00
Oil & Gas	9,967	\$10,340.51
U.S. Government	32	\$0.00
TOTAL SUBSURFACE	<u>12,691</u>	<u>\$11,300.51</u>
Penalty & Interest		\$1,164.20
Treasurer's Formula Distribution		<u>\$165,981.00</u>
GRAND TOTAL EXPENDABLE		<u>\$419,879.53</u>
Permanent Fund Receipts		\$8,786.56
Permanent Fund Balance		\$2,974,000.00

LEGISLATIVE, EXECUTIVE, & JUDICIAL BUILDINGS ACRES AND INCOME - FY 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	2,180	\$24,470.23
Commercial	5	\$19,800.00
Grazing	56,406	\$21,374.23
Rights-of-Way	1,387	\$19,989.34
Use Permits	5,061	\$2,500.62
U.S. Government	92	\$0.00
TOTAL SURFACE	<u>65,131</u>	<u>\$88,134.42</u>
SUBSURFACE LEASES		
Prospecting Permit	2,119	\$3,399.32
U.S. Government	92	0
TOTAL SUBSURFACE	<u>2,211</u>	<u>\$3,399.32</u>
Penalty & Interest		\$2,092.34
Treasurer's Formula Distribution		<u>\$258,219.00</u>
GRAND TOTAL EXPENDABLE		<u>\$351,845.08</u>
Permanent Fund Receipts		\$1,208.51
Permanent Fund Balance		\$5,241,000.00

STATE HOSPITAL ACRES AND INCOME - FY 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	4,251	\$118,371.39
Commercial	269	\$200,342.68
Grazing	58,240	\$22,039.34
Rights-of-Way	890	\$25,795.58
Use Permits	4,957	\$13,366.09
Institutional Taking	80	\$12,948.12
U.S. Government	108	\$0.00
Other	0	\$12,285.00
TOTAL SURFACE	<u>68,795</u>	<u>\$405,148.20</u>
SUBSURFACE LEASES		
Mineral	60	\$32,544.00
Oil & Gas	755	(\$1,748.44)
U.S. Government	108	\$0.00
TOTAL SUBSURFACE	<u>923</u>	<u>\$30,795.56</u>
Penalty & Interest		\$4,404.81
Treasurer's Formula Distribution		<u>\$195,531.00</u>
GRAND TOTAL EXPENDABLE		<u>\$635,879.57</u>
Permanent Fund Receipts		\$601,917.98
Permanent Fund Balance		\$3,549,000.00

Fund and Beneficiary Summary Other Grants

MINERS' HOSPITAL* ACRES AND INCOME - FY 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	13,031	\$384,680.88
Commercial	590	\$894,519.66
Grazing	73,515	\$23,125.86
Rights-of-Way	1,894	\$328,693.18
Use Permits	4,290	\$101,683.70
Institutional Taking	1	\$1,839.78
U.S. Government	168	\$0.00
Other	0	\$239.76
TOTAL SURFACE	93,489	\$1,734,782.82
SUBSURFACE LEASES		
Mineral	119	\$0.00
Prospecting Permit	4,384	\$9,239.12
Mineral Material	230	\$20,239.91
Oil & Gas	6,716	\$6,170.74
U.S. Government	168	\$0.00
TOTAL SUBSURFACE	11,618	\$35,649.77
Penalty & Interest		\$5,312.96
Treasurer's Formula Distribution		\$312,123.00
GRAND TOTAL EXPENDABLE		\$2,087,868.55
Permanent Fund Receipts		\$3,065,341.35
Permanent Fund Balance		\$9,642,000.00

STATE CHARITABLE, PENAL, & REFORMATORY ACRES AND INCOME - FY 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	3,997	\$79,882.75
Commercial	3,401	\$677,456.67
Grazing	63,005	\$22,851.02
Rights-of-Way	1,798	\$170,199.65
Use Permits	5,560	\$153,251.52
Institutional Taking	475	\$62,773.66
U.S. Government	117	\$0.00
TOTAL SURFACE	78,354	\$1,166,415.27
SUBSURFACE LEASES		
Mineral	160	\$120.00
Prospecting Permit	280	\$560.00
Mineral Material	186	\$97,742.33
Oil & Gas	1,268	(\$2,700.31)
U.S. Government	117	\$0.00
TOTAL SUBSURFACE	2,012	\$95,722.02
Penalty & Interest		\$7,010.83
Sales Interest		\$1,840,650.00
Treasurer's Formula Distribution		\$2,885,109.00
GRAND TOTAL EXPENDABLE		\$5,994,907.12
Permanent Fund Receipts		\$11,748,548.35
Permanent Fund Balance		\$81,117,000.00

PENITENTIARY ACRES AND INCOME - FY 2008

SURFACE LEASES	ACRES	INCOME
Agriculture	4,673	\$230,249.40
Commercial	478	\$641,503.40
Grazing	65,932	\$25,969.65
Rights-of-Way	497	\$89,181.44
Use Permits	5,763	\$72,791.28
Institutional Taking	1,778	\$0.00
U.S. Government	5	\$0.00
TOTAL SURFACE	79,125	\$1,059,695.00
SUBSURFACE LEASES		
Prospecting Permit	0	\$2,055.38
U.S. Government	5	\$0.00
TOTAL SUBSURFACE	5	\$2,055.38
Penalty & Interest		\$9,521.14
Treasurer's Formula Distribution		\$282,609.00
GRAND TOTAL EXPENDABLE		\$1,353,881.00
Permanent Fund Receipts		\$155,114.50
Permanent Fund Balance		\$5,434,000.00

*Miners' Hospital and Miners' 1929 combined

Financial Schedules



Receipts by Category	33
Rental Acreage and Receipts.....	34
Treasurer's Formula Distribution	35
State Trust Land Acreage by Beneficiary.....	36
Auctions of Leases with and without Preferred Right.....	37

Financial Schedules

RECEIPTS BY CATEGORY - FY 2008

	ROYALTY	SALES PRINCIPAL	SALES INTEREST	LEASE RENTAL	PENALTY & INTEREST	OTHER RECEIPTS	TOTAL
Common Schools (K - 12)	8,230,274.87	230,244,438.89	49,352,264.24	54,526,986.83	497,589.53	0.00	342,851,554.36
Normal Schools	125,786.56	5,393.16	0.00	1,128,558.09	516.81	0.00	1,260,254.62
A&M Colleges	17,735.05	10,545.11	0.00	209,069.85	578.34	0.00	237,928.35
Military Institutes	0.00	10,732.16	0.00	103,435.54	331.69	0.00	114,499.39
School of Mines	25,617.51	43,843.87	0.00	137,986.03	754.19	0.00	208,201.60
University Land Code	29,076.36	1,273,502.98	0.00	875,633.64	1,525.06	0.00	2,179,738.04
U of A (Act of 2/18/1881)	192,867.18	88,788.65	290,792.18	286,717.03	2,213.76	0.00	861,378.80
School for the Deaf & Blind	3,118.75	5,667.81	0.00	252,734.33	1,164.20	0.00	262,685.09
Leg., Exec & Judicial	668.92	539.59	0.00	91,533.74	2,092.34	0.00	94,834.59
State Hospital	104,902.39	497,015.59	0.00	435,943.76	4,404.81	0.00	1,042,266.55
Miners' Hospital*	149,967.60	2,915,373.75	0.00	1,770,432.59	5,312.96	0.00	4,841,086.90
St Char., Pen. & Ref	383,074.40	11,365,473.95	1,840,650.00	1,262,137.29	7,010.83	0.00	14,858,346.47
Penitentiaries	131,357.03	23,757.43	0.00	1,061,750.50	9,521.14	0.00	1,226,386.10
School Leases	0.00	0.00	0.00	7,710,695.00	0.00	0.00	7,710,695.00
Commercial Prepayment	0.00	0.00	0.00	0.00	0.00	16,173.00	16,173.00
Total Schools & Institutions	9,394,446.62	246,485,072.94	51,483,706.42	69,853,614.22	533,015.66	16,173.00	377,766,028.86
GENERAL FUND							
F.E.M.A. Lands	0.00	0.00	0.00	75,252.00	1,377.80	0.00	76,629.80
Farm Loan Lands	0.00	0.00	0.00	3,300.18	0.00	0.00	3,300.18
Navigable Streambeds	0.00	0.00	0.00	70,114.98	229.30	0.00	70,344.28
Lands Held in Trust	0.00	0.00	0.00	9,364.73	0.00	0.00	9,364.73
Fees: Lease, Sale & Misc	0.00	0.00	0.00	0.00	0.00	4,459,923.68	4,459,923.68
Total General Fund	0.00	0.00	0.00	158,031.89	1,607.10	4,459,923.68	4,619,562.67
Riparian Trust Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00
TOTAL RECEIPTS	9,394,446.62	246,485,072.94	51,483,706.42	70,011,646.11	534,622.76	4,476,096.68	382,385,591.53

*Miners' Hospital and Miners' 1929 combined

Financial Schedules

RENTAL ACREAGE AND RECEIPTS FY 2008 BY TYPE OF LEASE

SURFACE LEASES	ACRES	RECEIPTS
Agriculture	170,487	4,201,575.68
Commercial	92,576	29,432,007.23
School Leases	*	7,710,695.00
Grazing	8,405,902	2,417,763.42
Homesite	18	6,179.11
Rights-of-Way	124,278	21,465,644.27
Use Permits	236,816	2,551,578.63
Institutional Taking	12,892	405,775.82
U.S. Government	18,265	145,446.27
Other	0	129,155.30
TOTAL SURFACE	9,061,234	\$68,465,820.73
SUBSURFACE LEASES		
Mineral	12,605	95,623.67
Prospecting Permit	164,842	213,836.29
Mineral Material	1,827	230,091.00
Oil and Gas	1,004,792	1,006,274.42
TOTAL SUBSURFACE	1,184,066	\$1,545,825.38
NON-LEASE RECEIPTS		
Penalty & Interest		534,622.76
Sales Interest		51,483,706.42
Royalty		9,394,446.62
Land Sales Principal		183,843,359.80
Rights-of-Way Sales Principal		56,093,887.78
Settlements		6,547,825.36
Commercial Prepayments		16,173.00
Fees		4,459,923.68
TOTAL NON-LEASE REVENUES		\$312,373,945.42
GRAND TOTAL		\$382,385,591.53

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

Financial Schedules

TREASURER'S FORMULA DISTRIBUTION*

	YEAR ENDING JUNE 30 FY 2007	YEAR ENDING JUNE 30 FY 2008	INCREASE (DECREASE)	5/12/1912 TO DATE
Common Schools	32,351,317	69,297,633	36,946,316	1,092,063,108
Normal Schools Grant	46,082	100,995	54,913	2,401,692
Agricultural & Mechanical Colleges	201,319	392,769	191,450	8,172,736
Military Institutes Grant	9,949	20,229	10,280	1,189,699
School of Mines Grant	133,902	322,836	188,934	673,127
University Land Code	226,823	504,909	278,086	10,666,298
University of Arizona (Act Of 2/18/1881)	566,953	1,167,414	600,461	21,910,635
School for the Deaf & Blind	87,629	165,981	78,352	4,296,384
Legislative, Executive & Judicial Buildings	122,537	258,219	135,682	6,955,198
State Hospital Grant	124,204	195,531	71,327	3,342,665
Miners' Hospital Grant**	158,276	312,123	153,847	6,550,190
State Charitable, Penal, and Reformatory	1,403,184	2,885,109	1,481,925	23,699,080
Penitentiary Grant	140,515	282,609	142,094	4,203,052
TOTAL	35,572,690	75,906,357	40,333,667	1,186,123,864

*Information from the State Treasurer

**Miners' Hospital & Miners' Hospital 1929 combined

Financial Schedules

STATE TRUST LAND ACREAGE BY BENEFICIARY TRUST ACRES

BENEFICIARY	FY 1978	FY 2008
Common Schools (K - 12)*	8,342,469	8,098,658
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	137,907
University of Arizona (Act Of 2-18-1881)	62,216	54,101
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	47,742
Miners' Hospital (1929)	53,311	47,686
State Charitable, Penal, and Reformatory	80,010	76,818
Penitentiary Grant	<u>80,830</u>	<u>76,111</u>
TOTAL	<u><u>9,586,606</u></u>	<u><u>9,260,253</u></u>

*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
4/30/2008	03-111607	SWC Deer Valley Drive alignment and Scottsdale Road, Phoenix	Yes	1	No	\$32,000,000*	NA	\$524,157,476

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





1616 West Adams • Phoenix, Arizona 85007

www.land.state.az.us