

ARIZONA STATE LAND DEPARTMENT ANNUAL REPORT 2008 - 2009



Janice K. Brewer
Governor

Maria Baier
State Land Commissioner

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



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Janice K. Brewer
Governor
State of Arizona

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

Special Thanks: Annual Report photos of school children are courtesy of Alhambra Traditional School.

Message From the Commissioner



Maria Baier
Arizona State Land
Commissioner

September 1, 2009

The Honorable Janice K. Brewer
Governor of Arizona
1700 W. Washington Street
Phoenix, Arizona 85007

Dear Governor Brewer:

It is my privilege to deliver to you the State Land Department's Annual Report for Fiscal Year 2009 as required by A.R.S. §37-132. The report contains a summary of the Department's management activities and, more importantly, the revenue the Land Department earned during the fiscal year.

I began as Land Commissioner eight days prior to the end of Fiscal Year 2009, so the credit for the accomplishments contained in this report belong to the previous Land Commissioner and all of the exceptional employees who work at the Department. It is my primary and continuing goal to increase our ability to generate revenue for the beneficiaries of the State Trust and to protect its long term interest. In this fiscal year, Land Department staff continued their diligent work and sincere dedication to support the Trust. Even in the current recession, we were very successful in generating revenue for the beneficiaries. While the Department did not set new records, it did perform remarkably well in this economy. The following statistics help put last year's receipts into perspective:

\$247,043,134 Total Receipts – Ranks 5th all time
\$100,020,336 Expendable Receipts – Ranks 3rd all time
\$143,371,798 Permanent Receipts – Ranks 6th all time
\$71,752,000 Land Sales – Ranks 9th all time

The \$306.4 million revenue generated this year by the Trust has been allocated as follows: \$143.4 million from the sale of land, rights-of-way and minerals was deposited into the Trust Permanent Fund, increasing the Fund to \$2,247,252,000; and the public schools and institutions received \$89.1 million from land rents and interest income, as well as \$10.9 million from school leases, and \$59.4 million from the Treasurer's formula distributions. Another \$3.2 million was deposited in the General Fund. Of the \$139.3 million in expendable earnings for the schools (K-12), \$72.3 million was distributed through the School Aid Formula, \$56.2 million went to the Classroom Site Fund, and \$10.9 million was used for school leases.

During this past year, the Department has worked closely with several of the buyers that financed their prior year purchases through the Department. Many buyers bought at or near the peak of the real estate market and are unable to make their scheduled payments on time in the current market because they have not been able to progress as quickly with their development of the land, which has reduced their cash flow. (This is a nationwide, industry-wide circumstance many landowners and land purchasers, public and private, are working through, and not at all confined to trans-

Message From the Commissioner

actions negotiated with State Trust land.) Given the price paid for this land, it is often in the best interest of the Trust to work with buyers to extend their payment plans. Both the auction and the agreements with the buyers contemplated opportunities for these extensions.

The only truly unfortunate note is that nine financed sales were canceled in FY 2009. However, the effect is not as dire as it may appear “at first blush” inasmuch as all land involved in those sales returns to the Trust, where it will remain until the economy recovers and it can be re-auctioned at fair market value. Proceeds already paid toward the purchase of those properties are retained and were moved from the Permanent Fund and distributed to the appropriate beneficiaries.

FY 2009 was a great opportunity to focus on the future of Arizona and the role of State Trust lands in that future. The slower real estate market allowed the Department to focus on conservation sales and work with cities and counties on their conservation land acquisition programs. Six of the seven land sales in FY 2009 were to other government entities, and the vast majority of the 1,381.72 acres sold will be conserved as open space, a tribute to the effectiveness of the Arizona Preserve Initiative.

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, and I look forward to working alongside you, your staff, the staff at the Department and the citizens of Arizona to advance the interests of those we serve.

Sincerely,



Maria Baier
Arizona State Land Commissioner

About the Commissioner

Maria Baier was appointed as the Arizona State Land Commissioner in June, 2009.

Maria has held several executive positions, including President of MBC, Inc., a sustainability consulting firm specializing in sustainable land use and natural resource management practice; President and CEO of Valley Partnership, a trade organization representing 600 Metro Phoenix businesses, whose primary mission is to “advocate responsible development;” and Director of the Trust for Public Land Arizona Field Office.

She spent 10 years on the Executive Staff of the Office of the Governor, serving two administrations. She served as senior policy advisor in the areas of natural resources, growth and development, environmental quality and criminal justice. Maria also was elected to the Phoenix City Council and served from 2008 - 2009.

She is an active member of the Arizona State Bar and volunteers on numerous boards and commissions including the Trust for Public Land Arizona, Foundation for Blind Children, Great Hearts Academies, Valley Partnership, and Central Arizona Partnership.

Maria received her Bachelor of Arts Degree from Arizona State University, and her Juris Doctor from the James E. Rogers College of Law at the University of Arizona.

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.



(Photo courtesy of Arizona State Library, Archives and Public Records, History and Archives Division, Phoenix, #94-1573)

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.



(Photo courtesy of Arizona State Library, Archives and Public Records, History and Archives Division, Phoenix, #94-1434)

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 ir retrievable 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.



(Photo courtesy of Arizona State Library, Archives and Public Records, History and Archives Division, Phoenix, #94-1432)

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.

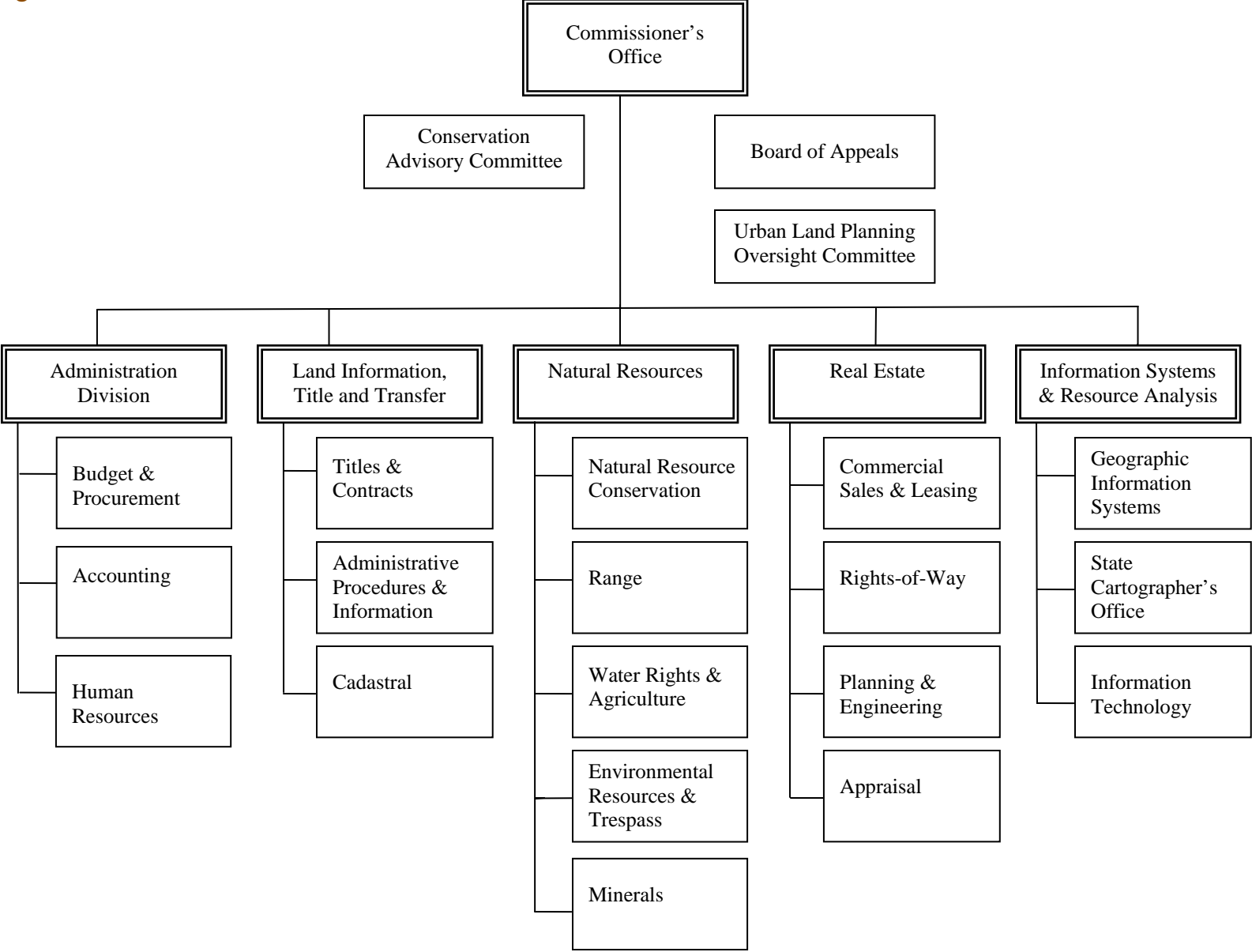
Today, the original school section pattern exists only in a few locations such as the remote Arizona Strip. About three-quarters of the school section acreage were relocated through selections and exchanges that have consolidated the Trust lands into large blocks in Pinal, Pima, Graham, Greenlee, and Cochise counties in central and southeastern 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



Dry Lake Wind Project

Dry Lake Wind Project was Arizona's first wind farm. The 30-turbine wind farm stretches over 95 acres of State Trust, private, and BLM lands. Each turbine is 412 feet tall. By December 2009, the wind project will produce power for 15,000 homes and 132,450 megawatt-hours of power per year. The project will generate over \$4.3 million in revenue to the Trust over the term of the lease.



Natural Resource Conservation

The Arizona State Land Department (ASLD) provided administrative support to 32 Natural Resource Conservation Districts (NRCDC), 31 of which sponsor 23 Environmental Education Centers. The Department conducted the 2008 biennial elections and appointments of 128 NRCDC Supervisors. The ASLD monitored, certified election procedures, and submitted the required Oath of Office to the Arizona Secretary of State for signature. Additionally, the agency served as the clearing house and certified all reporting requirements including annual reports, annual plans of operations, quarterly and annual financial reports, monthly / quarterly notices of public meetings, and associated minutes as required by Arizona Revised Statutes Title 37 Chapter 6. The ASLD also processed 220 requests for supplemental funding that required quarterly distributions of General Funds for NRCDC operations and Environmental Special License Plate Funds for individual Education Center operating expenses.

The Department developed and revised the NRCDC Administrative Operations Manual addressing requirements under the State's Open Meetings Act, procurement procedures, contracting guidelines, financial reporting procedures, and employee management guidelines. Standard reporting forms as well as the revised Operations Manual were posted on the ASLD web site and made available for download and use at the District and Environmental Education Center offices throughout Arizona.

The Department provided technical review and assessment of 85 lease applications and land use permits (i.e. agricultural, commercial, rights-of-way, etc.). The purpose of the assessment was to determine native plant value and compensation for the removal from State Trust Lands. Native plant materials returned to the state as a result of canceled Certificates of Purchase were inventoried and the Department established their assessed values. The ASLD deposited more than \$1 million into the permanent funds as the result of the native plant assessment program.

Major Auctions

- October 7, 2008 — 4.83 acres were sold for \$1.1 million to the Calvary Chapel of Sierra Vista
- December 16, 2008 — 737.13 acres were sold for \$46 million to the City of Phoenix (Sonoran Preserve)
- February 23, 2009 — 321.79 acres were sold for \$4.7 million to Pima County (Tumomac Hill)
- April 2, 2009 — 247.00 acres were sold for \$18 million to the City of Phoenix (South Mountain)
- June 16, 2009 — 36.03 acres were sold for \$977,000 to the City of Peoria
- June 25, 2009 — 21.13 acres were sold for \$445,000 to the Maricopa County Flood Control District
- June 29, 2009 — 13.81 acres were sold for \$530,000 to the Gilbert Unified School District



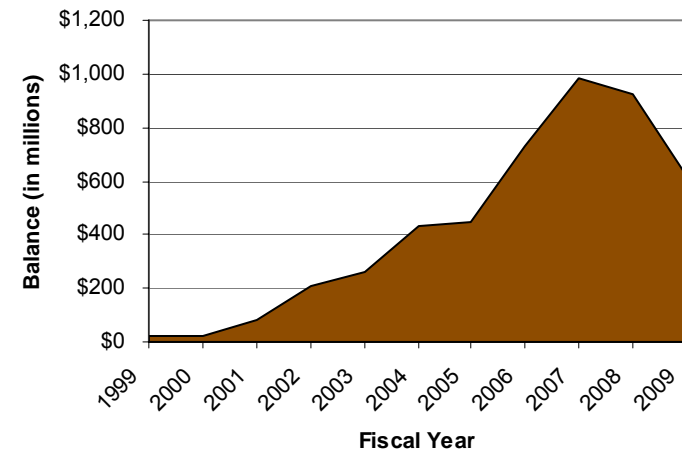
State Land Commission on south boundary of Santa Teresa division, Crook National Forest. Standing: Senator W.W. Pace; left to right; W.A. Moody, Forest Ranger J.H. Kirby, Webster, Cy Byrne. (Photo courtesy of Arizona State Library, Archives and Public Records, History and Archives Division, Phoenix, #94-1435)

Facts and Figures

Land Auctioned FY 2009

	Acres Sold	Total Sales Price	Acres Leased	Minimum Cumulative Lease Revenue
Urban	1,371.72	\$71,541,398.96	0	\$0.00
Rural	10.00	\$210,601.04	0	\$0.00
Total	1,381.72	\$71,752,000.00	0	\$0.00

Certificate of Purchase Balance



Fort Huachuca and the Gila River Indian Community Reservation

Land Management

For several years the State of Arizona, through the Arizona State Land Department, has been working with the federal government to resolve two land administrative issues: a federal land condemnation of Trust lands within the Fort Huachuca East Range, near Sierra Vista, Cochise County; and, a long standing land ownership dispute over a parcel of Trust land within the Gila River Indian Community, Pinal County.

Fort Huachuca (East Range) Condemnation

Pursuant to the Defense Authorization Act of 2000, the U.S. Department of Defense and the Department of Interior were authorized to facilitate a federal condemnation action to acquire 1,536 acres of State Trust surface estate and 11,360 acres of Trust mineral estate within the East Range of Fort Huachuca. The State Trust is to be compensated with federal land of equal value for the State land taken.

Gila River Indian Community Reservation (GRIC) Expansion

A parcel of State Trust land, located entirely within the boundaries of the GRIC reservation, has been involved in an ownership dispute for several years. Neither the State nor the Community could effectively use this parcel of land.

In 2009, the State and the federal government determined that, because of the history of the parcel and its location within the GRIC Reservation, the State was qualified to select another parcel of federal land of like character and value in lieu of the parcel in question. At that time, the issue was settled with the State receiving credit for another land selection elsewhere in the State.

To facilitate mediation to the land management issues, the Department identified several blocks of federal land under the management of the U.S. Bureau of Land Management (BLM) within a 20, 40, and 60 mile radius of metropolitan Phoenix that the State of Arizona may want to consider in order to complete the federal Ft. Huachuca Condemnation action and the Gila River Indian Community Settlement. The areas included BLM lands southwest of Phoenix in Rainbow Valley, Maricopa County, and west of Stanfield along Hidden Valley and Haley Hills in Pinal County. In October/November 2008, a field survey team conducted a cursory review of several thousand acres of BLM land to ascertain the selection qualities of the identified BLM lands. This information will be instrumental in the Department's final selection of the land.

Did You Know?

- The Department reviewed and/or wrote appraisals for approximately \$1 billion worth of real estate this fiscal year.
- In 2008, the ASLD utilized external expertise to re-evaluate the existing Five Year Plan (FYP). The FYP team successfully developed a model and database process that incorporated market demand, site constraints, core infrastructure, entitlements and area development trends into the evaluation and classification of a parcel. The end result was the assignment of parcels to three time-to-market classifications: 112 near-term parcels (approximately 20,840 acres), 106 mid-term parcels (approximately 51,870 acres), and 84 long-term parcels (approximately 38,190 acres). In the FYP database, each parcel holds additional unique information relating to its specific attributes, giving the Department a qualitative assessment tool that enhances the decision making process and the ability to be proactive in marketing land for future dispositions. The next step is to submit a formal Five Year Disposition Plan to the Urban Oversight Committee for final approval.

Agricultural Stakeholder Process

In FY 2009, the Department created an agricultural stakeholder process to discuss issues related to State agricultural leases. One key issue discussed was whether agricultural rentals collected by the Department were achieving market value. The discounts currently applied to the lease rentals were implemented in the 1980's. At the time of these discussions, the Department's farmed rate was discounted by 50%, this consists of 40% for improvements and 10% for management.

The discounts were reviewed with the stakeholder group, and a consensus for how to move forward was not reached. The Department decided to hire a private consultant to evaluate the Department's position as landlord in comparison to a typical private landlord. The consultant's report identified some differences between State and private leases and recommended the continuation of the adjustment of State agricultural farmed rates. The consultant stated "market rents for agricultural properties are sensitive to a number of characteristics, including soils, water costs, growing seasons, water quality, water supplies, farmland improvements, crop adaptability, and landlord and tenant responsibilities or contributions in the lease arrangements." The consultant identified some of the core differences with State leases, particularly the lessee's role in placing improvements and maintaining those improvements, payments of irrigation district assessments and property improvement taxes. The consultant stated that it was reasonable for the Department to retain the 50% discount from market rents, based on their observation of downward adjustments to rentals ranging from 48% to 64%. The Department plans to continue the discount, but decided to label it as a 50% market adjustment instead of splitting it into separate percentages for improvements and management.

One change immediately accepted by the stakeholder group was the adjustment of the due date for agricultural rentals from May to February to coincide with the lease term of February 15th to February 14th. Lessees were notified of this change prior to its implementation in the FY 2010 fiscal year. This change was well received overall.

LEASES AND PERMITS FY 2009 Facts & Figures

	Acres	Number of Leases
Agriculture	166,152	379
Grazing	8,405,371	1,246
Mineral Material	1,521	14
Exploration Permits	177,380	378
Mineral	12,395	95
Oil & Gas	992,660	513
Mineral SLUPs	4,477	27

Number of Registrations and Water Rights Claims

Stockpond Registrations	4,307
Certificated Surface Water Rights	117
Well Registrations	2,873
Adjudication Statements of Claimant	7,022
Water Right Registrations	7,405
Grandfathered Groundwater Rights	234

REVENUE PRODUCTION FY 2009 Lease Rentals

Agriculture	\$4,448,855
Grazing	\$2,559,337
Mineral Material	\$325,291
Exploration Permits	\$220,052
Mineral	\$71,932
Oil & Gas	\$1,149,669
Mineral SLUPs	\$149,232
TOTAL	\$8,924,368

Sale of Products

Public Auction Water Sales	\$338,001
Lease Water Charges	\$240,964
Mineral Royalties	\$2,562,652
Natural Products	\$4,274,515
TOTAL	\$7,416,131

Trespass Revenues

Settlements	\$546
Trespass Revenue	\$34,470
TOTAL	\$35,016
GRAND TOTAL	\$16,375,515

Freeway Expansions

The Arizona Department of Transportation's (ADOT's) Loop 303 project, from Happy Valley Road to I-17 is successfully underway. The Loop will consist of two traffic interchanges at 67th and 51st avenues and construction of a frontage road on a portion of the southern boundary. With five lanes in each direction and 13 miles of new roadway, the total revenue expected for the Trust is roughly \$34 million. Completion is expected to be early 2012.



After many years into the planning process, the widening of I-17 became a reality when construction started on Phase 1, State Route 101 to Carefree Highway, in 2008. Planned improvements include four new traffic interchanges at Jomax, Dixileta, Loop 303 and Dove Valley, in addition to interchange improvements at Deer Valley Road and Carefree Highway. Each direction will include four lanes of traffic, and extensive utility relocations and upgrades are scheduled as well. Revenue expected for the Trust is roughly \$34 million. Completion is expected to be in 2010.

Arizona Open Space Sales

Since passage of the Arizona Preserve Initiative in 1996, the Department has sold over 5,000 acres of reclassified lands, resulting in roughly \$200 million in revenue. The City of Phoenix, the biggest customer, has purchased over 4,500 acres in the Sonoran Preserve for approximately \$186 million. An additional 4,500 acres has been reclassified for conservation and is planned for future purchase by the City. In FY 2009, the Department sold 1,059 acres of land that had been reclassified as suitable for conservation, generating \$50.7 million in proceeds. The City of Phoenix purchased 737 acres for its Sonoran Preserve, and Pima County purchased 322 acres known as Tumamoc Hill. From time to time, the Department sells lands that are ultimately preserved for open space but have not been reclassified as suitable for conservation.



Tumamoc Hill

The first State Trust Land property to be reclassified for conservation under the Arizona Preserve Initiative Program of 1996 was auctioned successfully in February, 2009. Pima County purchased Tumamoc Hill for \$4.7 million. Now, Tumamoc Hill's rich archeological and cultural history will be permanently conserved.

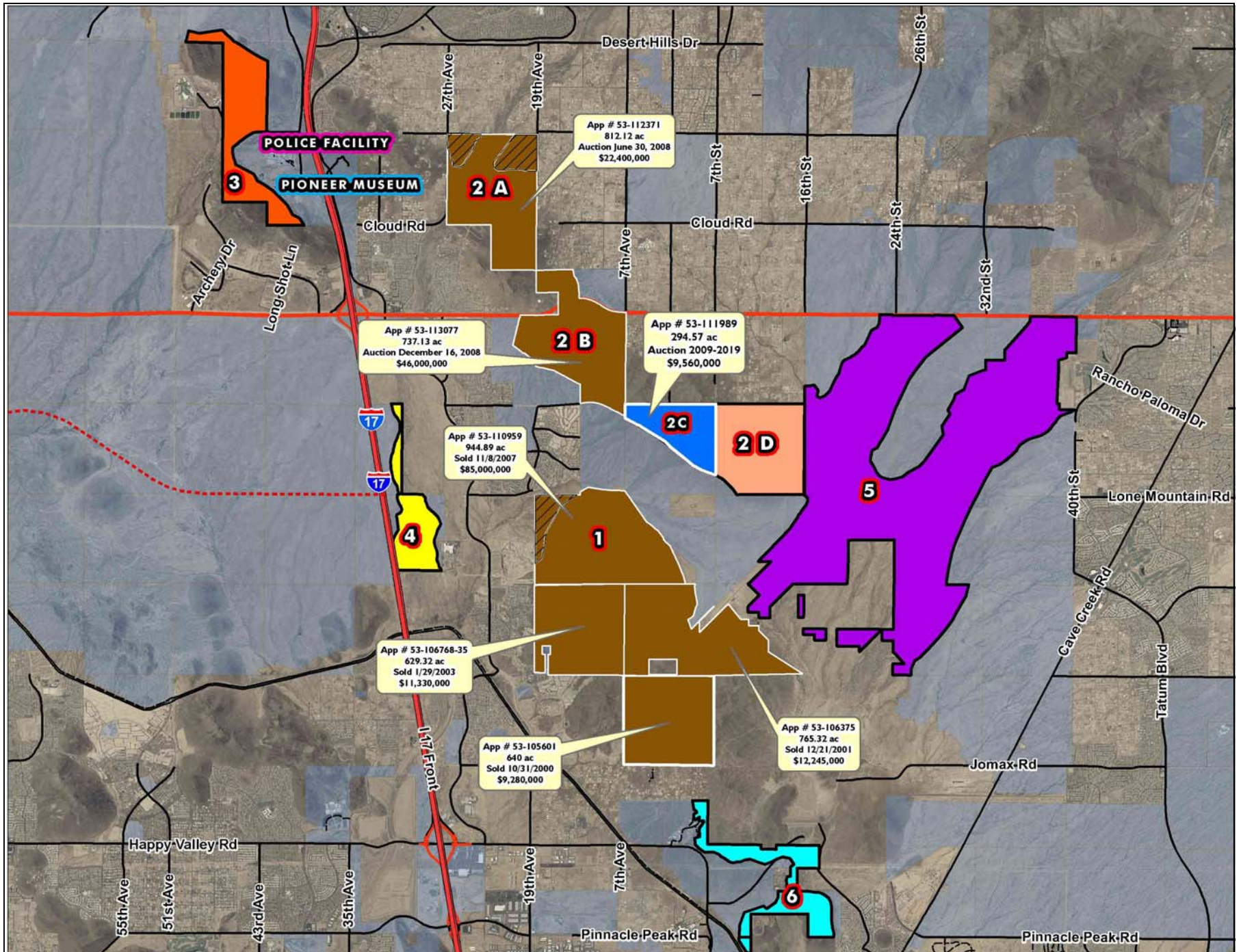


South Mountain 620

In 1988, the planning of what became known as South Mountain 620 began. Through years of negotiating with the City of Phoenix, and after many unsuccessful auctions, the 247 acre parcel north of Chandler Boulevard was auctioned successfully on April 2, 2009 for \$18 million. The Development Agreement for the parcel provides for a preserve, fire station and park, and also paves the way for sale and development of approximately 350 acres south of Chandler Boulevard when the market recovers.



Sonoran Preserve History



Off Highway Vehicles

In 2008, the Arizona State Legislature approved SB 1167, relating to Off-Highway Vehicle (OHV) use. Changes were enacted in Laws 2008, Chapter 294. The Arizona State Land Department was identified as one of the agencies to receive funds. Five percent of the monies in the off-highway vehicle recreational fund is distributed to the Department for costs associated with off-highway vehicle use of Trust lands. The Department has entered into agreements with local law enforcement jurisdictions, purchased signs and fencing supplies, and initiated mitigation projects as authorized by Arizona Revised Statute § 28-1176 (D).

The agency has assumed additional administration responsibilities for recreational special land use permits in response to environmental concerns and new regulatory measures enacted by municipalities as directed by Arizona Revised Statute § 9-500.04.

Standards for issuance of recreational permits for activities ranging from OHV events and BMX bicycle tracks to casual family outings were developed. New web pages about OHV are among the most visited on the Land Department website.



Oil and Gas

After a seven year effort, the Department finally completed work on a Unit Agreement with Ridgeway Arizona Oil Company for the St. Johns CO₂ and helium field. Ridgeway is now committed to developing the field, which is primarily intended to supply CO₂ for enhanced recovery from oil wells in the Permian Basin area of southeastern New Mexico and west Texas. Under the terms of the Unit Agreement, Ridgeway will be drilling at least five new wells per year on the 137,000 acres of State Trust lands included in the unit area (this represents about 80% of the total field acreage of 171,000 acres). If the field is not producing within five years, the Unit Agreement will be terminated.

Campomoch

In late 2002 and early 2003, ADEQ awarded a \$300,000 Water Quality Improvement Grant to construct seven flood control structures on State leased land within the Campomoch and Sacaton washes. The primary purpose of these structures was to control sediment runoff and reduce flow velocity that during high rainfall events impacted the City of Willcox, which lies directly downstream of these washes. Additionally, the structures were to provide water to stock and wildlife on the ranches involved. Construction was completed on the structures in mid 2005.

Unfortunately, shortly after the structures were completed, extremely heavy storm events occurred in the watershed. These rainfall events exceeded the design capacity of the structures causing severe erosion to the structures and resulted in failure of two of the structures.

During fiscal years 2008 and 2009, the ASLD conducted a comprehensive technical investigation of the earthen dams on the grazing leases involved. The project included an extensive dam safety review, discussions with affected parties about design of the structures, discussions with the Arizona Department of Environmental Quality (ADEQ) regarding the possibility of funding for repairs necessary to bring the structures into compliance, and discussions with the Arizona Department of Water Resources (ADWR) for modifications to Permits to Appropriate Public Water and issuance of Certificates of Water Rights upon completion of the improvements. The project also required coordination with the Natural Resource Conservation District, the Campomoch-Sacaton Watershed Group, and the lessees.

The two failed structures have been reconstructed, and extensive repairs to the highly eroded structures were sufficient to meet or exceed minimum engineering and safety standards. All structures have been inspected by both the ASLD and the ADWR, and Certificates of Water Rights have been issued.

Portalis Project

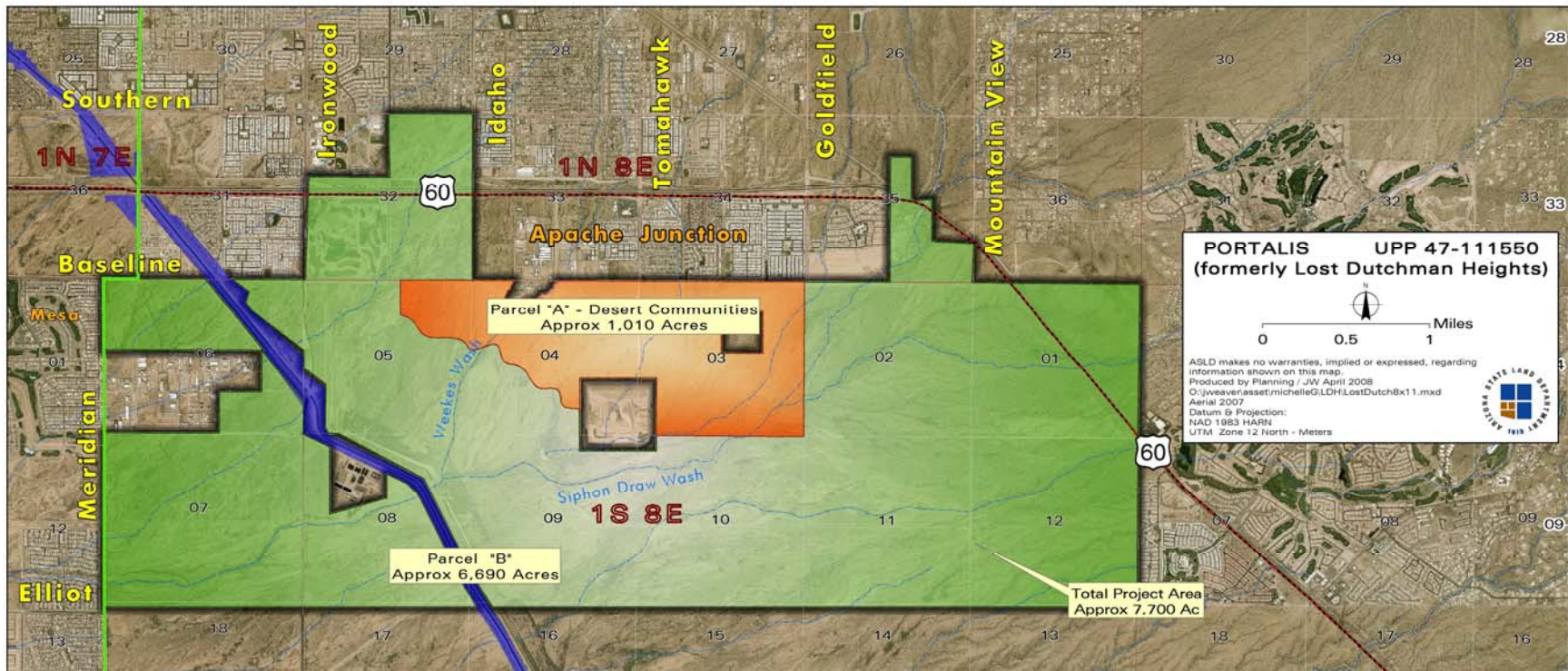
Given the market conditions, the path of development, and other circumstances, the Arizona State Land Department decided it would be in the best interest of the Trust beneficiaries to master plan and ultimately dispose of 7,700 acres of State Trust land (Lost Dutchman Heights/Portalis) within the City of Apache Junction as an integrated master planned community. The Commissioner determined that through quality planning and conducting comprehensive studies as stipulated in the sale of the first parcel (Parcel A:1,010 acres), the proceeds from the future disposition of the adjoining 6,600 acres of urban Trust land, identified as Parcel B, would substantially increase. This work would also reduce uncertainty about the development potential of the land, thereby, increasing the value of the Trust land, and would help the ASLD produce a singularly superior and unified master planned development.

At public auction on December 7, 2006, Rhodes Homes/Desert Communities (DC) became the successful bidder of Parcel A, the first 1,010 acres. As a stipulation of that sale, the successful bidder became the planning permittee under Urban Planning Permit No. 47-111550 and was required to place \$6.25 million

dollars in an escrow account to secure master planning and entitlement of the 7,700 acre project.

Through the Urban Planning Permit process, DC and the ASLD entered into a contract, whereby, both partners agreed the entire 7,700 acre project would be planned, entitled, and developed as an integrated master planned community.

In Fiscal Year 2009, the City of Apache Junction, DC, and the ASLD worked together to draft the new Planned Community District ordinance. This ordinance was approved by City Council on April 7, 2009. The team has been diligently working to complete the required master plans for formal submittal of the Portalis entitlement package to the city. As part of the Urban Planning Permit process, the ASLD and DC are drafting multiple tri-party agreements to achieve the integrated development of the project. These agreements will include a Development Agreement with City of Apache Junction and an Infrastructure and Development Agreement with the Apache Junction Water Company.



Potash

The high level of interest in the potash deposit in the Holbrook Basin that started in March and April of 2008 continued in FY 2009. Potash is the primary source of the element potassium which, along with nitrogen and phosphorus, is one of the three components of fertilizer. In late 2007, due to a surge in demand for fertilizer, mainly to grow corn for conversion into ethanol for alternate fuels, the price of potash went from less than \$200 per ton to around \$750 per ton in mid 2008. It was projected to exceed \$1,000 per ton by the end of 2008. Although the price eventually topped out at approximately \$800 per ton in September 2008, it has since fallen back to around \$650 per ton.

The general area of the Holbrook Basin potash is shown on the page 16 map. The presence of the potash in Arizona had been known since the 1920's from exploration drilling for oil and gas (and helium) in the Holbrook Basin salt deposit. During an earlier boom in potash production and prices due to an agricultural revolution in the late 1960's and early 1970's, several exploration and mining companies drilled approximately 132 holes to delineate the potash in the Holbrook Basin. By the time this exploration was completed in the mid 1970's, over-production from mines in Saskatchewan, Canada, had again dropped the price of potash and with it the interest in the Holbrook Basin potash deposit. Mines were developed in potash deposits in New Mexico and Utah at that time, and those have been, more-or-less, in continuous production to the present.

The Holbrook Basin potash deposit is part of the Upper Permian Supai Formation (270 – 220 million years old) of east-central Arizona. The top of the potash ranges in depth from 700 to 2,000 feet below the ground surface, with most of the deposit at depths of 1,000 to 1,450 feet. Maximum thickness of the potash is about 40 feet. At this depth, all of the mining would

be done underground using either conventional mining methods equipment or solution mining.

There are several potassium-bearing minerals in the Holbrook Basin deposit, the main one being sylvite (KCl), with carnallite (KMgCl₃) and polyhalite (K₂Ca₂Mg(SO₄)₄·2H₂O) also present. Much additional exploration and drilling will be required before any commercial production of potash occurs in Arizona. The current drill spacing is one hole for approximately every three or four sections of land, or per square mile. To effectively “prove up” the deposit would require four or five holes per section, which equates to several thousand additional drill holes needed across the known area of the Holbrook Basin. The potash underlies approximately 620 square miles of the basin. The ASLD has issued 87 Exploration Permits to eight different companies or individuals covering about 78.5 square miles. The first drill holes in this new round of exploration were started in late June 2009.

Ownership of the potash deposit is a checkerboard of private (57.2%), State Trust (24.0%), federal (13.1%) and Indian (5.7% Navajo Nation) lands. Arizona State Trust lands cover approximately 149 square miles of the total known area of the potash deposit in the Holbrook Basin and represent about 28% of the total known area outside of the Petrified Forest National Park (PFNP). It is assumed that no exploration or mining will be allowed within the boundaries of the PFNP, which covers about 69.5 square miles or 11.2% of the total known area. And based on the older drilling, the thickest and highest grade potash is directly under the existing park lands. However, some of the State Trust lands included above have been closed to mineral exploration and development in anticipation of the expansion of the PFNP, accounting for approximately 7.4% (46 square miles) of the total known area,



(Photo courtesy of the U.S. federal government - the image is in the public domain)

which effectively closes an area twice that size due to the checkerboard ownership in this area. Remarkably, the next thickest and best grade potash is under this closed area.

Based on recent resource estimates prepared by the Arizona Geological Survey in August 2008, which relied on the older drilling information noted above, and using the current price of potash, the potential royalty income to the State Trust is in the billions of dollars over the projected 40 to 50 year lives of operation of the mines. However, there are several issues with the development and mining of the potash deposits in the Holbrook Basin.


The first issue is the proximity of the deposits to the Petrified Forest National Park. While all mining would be underground, the requisite surface operations would be seen as despoiling and disrupting the natural beauty of the park, even though they would not be visible from within the park. And, second, there will likely be water issues. There are typically water issues and complaints with any mine, especially those in Arizona. Potash mining in general and solution mining in particular would use large amounts of water, although most would be saline to start with and would be re-circulated and reused.

Holbrook Basin Potash

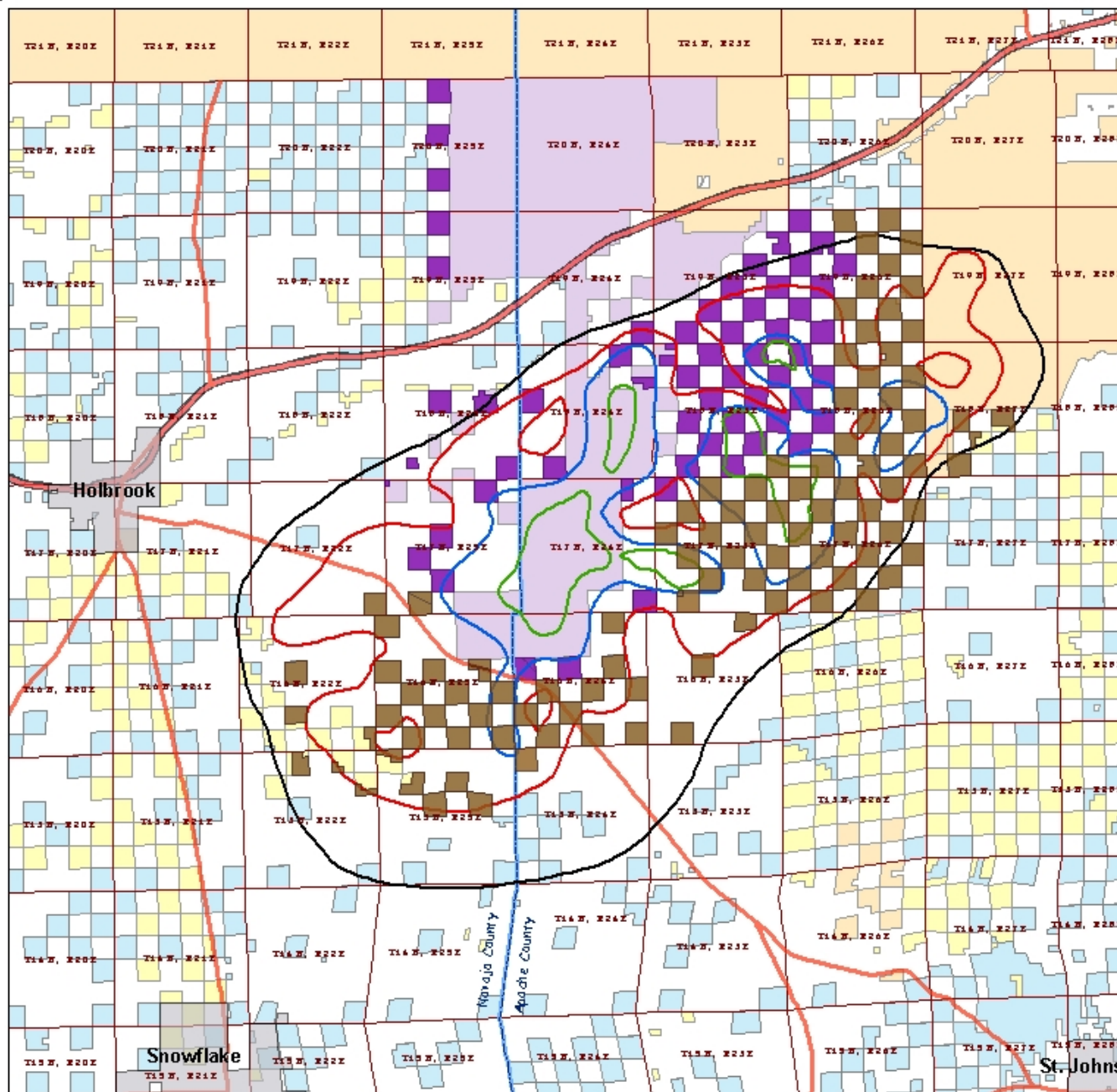
Legend

-  Potash Depositional Limit
-  10 ft Potash Thickness
-  20 ft Potash Thickness
-  30 ft Potash Thickness
-  Potash Exploration Permits
Closure Order 192-2003/2004
and 047-2005/2006
-  City

Land Ownership

-  Private
-  State Trust
-  BLM
-  Natl. Parks
-  Indian Reservation

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Forage Resource Study Group

FY 2009 marked the 19th year of Department participation with the Forage Resource Study Group (FRSG) in utilization monitoring on the Coconino Plateau east of Flagstaff. The FRSG was created in 1990 and stemmed from elk-livestock competition for forage. The collaborative work of the FRSG became the model for the Arizona Game and Fish Department's (AGFD) creation of Habitat Partnership Committees within Arizona. The AGFD uses the utilization data and recommendations from the Forage Resource Study Group in its hunt recommendations for big game species in Game Management Units 5A, 5B, and 6A. State grazing lessees use the data to plan yearly livestock grazing schedules within their ranches.



An ASLD utilization cage

Did You Know?

The Department responds to tens of thousands of land use and land title information requests from the public. The Department's customers represent many levels and types of private businesses, industries, and professions.

This past year, the Department processed 1,126 new customer applications, assisted 1,350 customers, pulled 10,199 lease and contract files for customers, researched over 5.8 million acres of Trust land involving title transactions, special projects, as well as lease and contract developments to meet customer needs. Public Records Central Files answered more than 2,500 email and telephone customer contacts.

To measure the Department's customer service, the agency conducts a continuous customer survey containing a numeric valuation, which measures the Department's services, as well as an area for written comments. Over the past five years, an average of 85% of the Department's customers has expressed satisfaction with the Department's customer service through the survey. In addition to the survey, many customers expressed written gratification for the professional attitude and for the service they received from all levels of the Department.

The Department's cadastral survey and mapping unit is responsible for ensuring the accurate location of and for the legal description of each parcel of the Trust's 9.3 million acres of land. The unit resolves disputes relating to leased land boundaries, is responsible for legal changes of state-private boundary disputes, as well as prepares and finalizes land legal descriptions for lease applications and sale or patent of Trust lands. The unit also helps maintain the Department's computerized Parcel and Land Mapping System (PALMS) for the public and for the Department's customers. PALMS provides detailed land location, land status, land use, and land availability of Trust lands. This past year, the Department produced more than 300 land status maps for customers, drafted over 1,100 new and amended land legal descriptions for use in application and other contracts, and responded to more than 100 special project map requests by Departmental customers.

Board of Appeals

CURRENT BOARD MEMBERS



**Sanders K. Solot, Chair
Tucson**

Represents the First District, consisting of Pima, Santa Cruz, Cochise, Graham and Greenlee counties.



**Norman R. Brown, Vice-Chair
St. Johns**

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



**Jeffrey Covill
Phoenix**

Represents the Second District consisting of Maricopa, Pinal, Gila, Yuma and La Paz 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 appeal to the Board a final decision of the State Land Commissioner relating to appraisals and classifications.

The State Land Department Board of Appeals consists of five board members (pictured to the left) 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 changed its meeting schedule this fiscal year from meeting monthly to meeting every other month to ease budget concerns and still address appeals of Commissioner decisions related to reclassification and appraisals, as directed by statute. All meetings were held in Phoenix this fiscal year.

During the fiscal year, the Board approved six commercial leases, including one long-term lease and one for 65 years; 103 rights-of-way sales appraisals; and six land sales appraisals, two of which were urban land sales; five amendments; and 24 renewals.

Twelve new appeals were filed with the Board. One appeal modified the Commissioner's decision. Five appeals were withdrawn and dismissed by the Board, and no appeals sustained the Commissioner's decision. By close of FY 2009, six appeals were still pending.

State Trust Land Uses

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

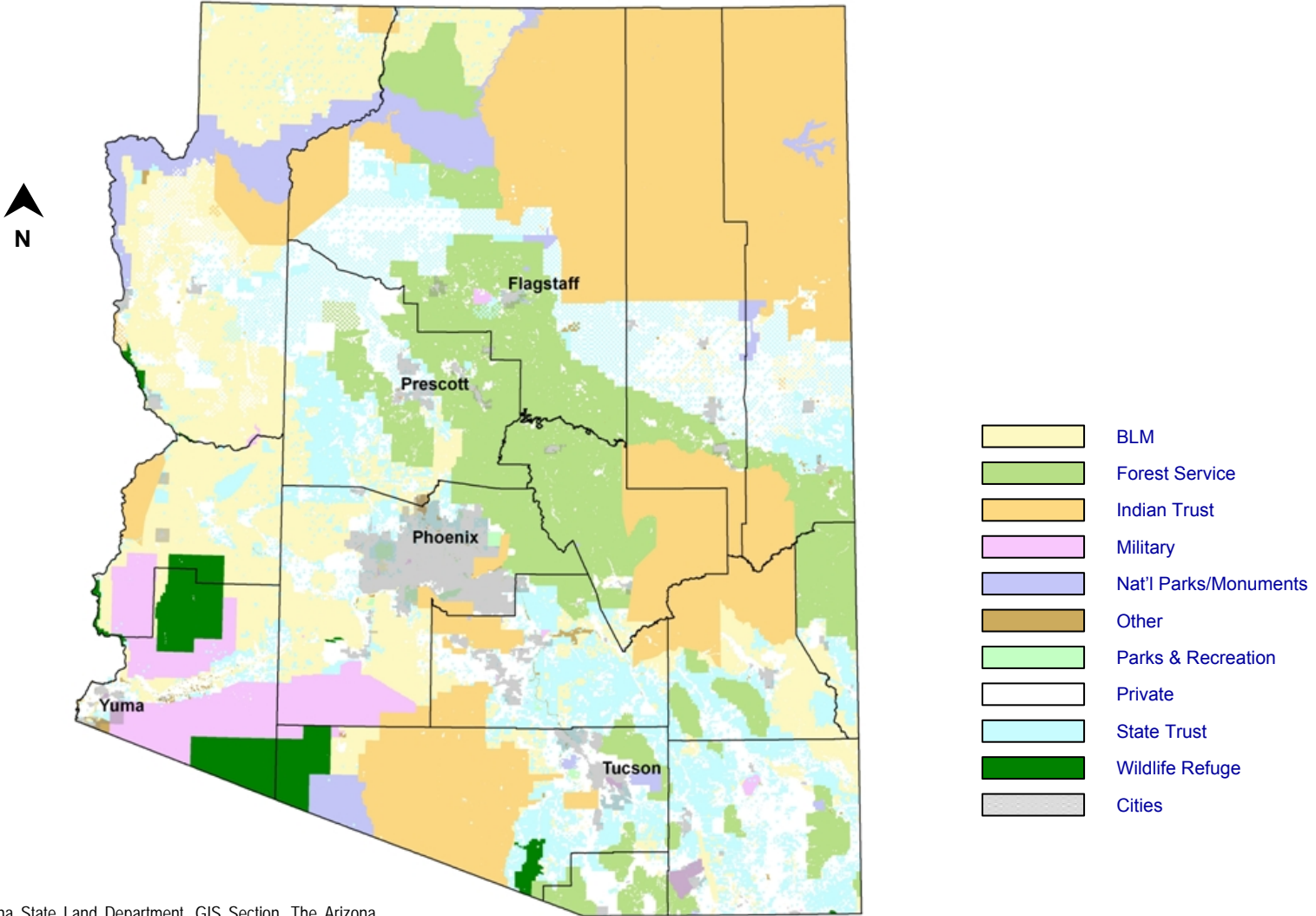
- 9,229,506.56 acres of the surface are under 10,196 leases and other contracts.
- 1,183,956.78 acres of the subsurface are under 1,000 leases and other contracts.



STATE TRUST LAND USES - FY 2009

	NO. OF LEASES	% OF LEASES	TOTAL ACREAGE	% OF ACREAGE
SURFACE				
Rights-Of-Way	7,437	73%	148,276.40	2%
Grazing	1,246	12%	8,405,370.82	91%
Commercial	322	3%	80,557.70	1%
Commercial School Leases	20	0%	1,083.15	0%
Agricultural	379	4%	166,151.76	2%
Use Permits	617	6%	396,075.68	4%
U.S. Government	157	2%	18,291.35	0%
Homesite	2	0%	8.13	0%
Institutional	10	0%	12,891.56	0%
Recreational	6	0%	800.01	0%
Subtotal (Leases)	10,196	100%	9,229,506.56	100%
SUBSURFACE				
Mineral	95	10%	12,394.65	1%
Mineral Exploration	378	38%	177,380.35	15%
Mineral Materials	14	1%	1,521.44	0%
Oil & Gas	513	51%	992,660.34	84%
Subtotal (Leases)	1,000	100%	1,183,956.78	100%
TOTAL LEASES	11,196		10,413,463.34	

Land Ownership and Management

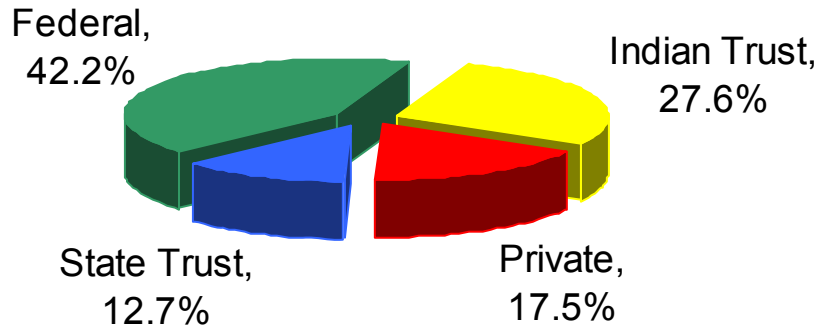


Produced by the Arizona State Land Department, GIS Section. The Arizona State Land Department makes no warranties, implied or expressed, with respect to the information shown on this map.

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	1,370,917
Coconino	1,125,118
Gila	31,231
Graham	496,321
Greenlee	172,104
La Paz	254,411
Maricopa	641,127
Mohave	565,350
Navajo	370,168
Pima	860,548
Pinal	1,204,538
Santa Cruz	61,154
Yavapai	1,264,280
Yuma	186,830
Misc*	2,540
TOTAL	<u>9,259,298</u>

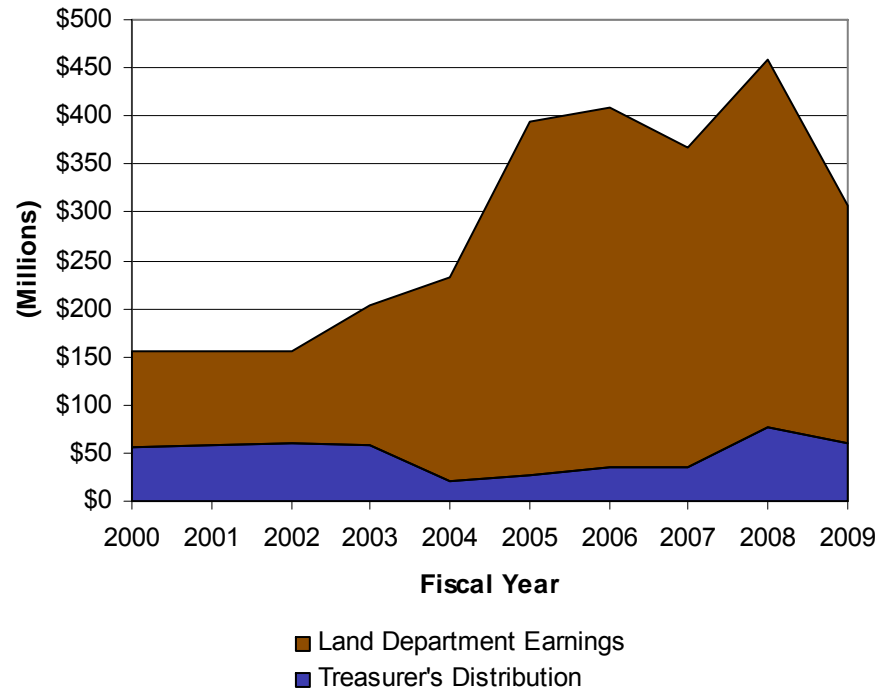
*Trust lands located in California or Nevada due to realignment of Colorado River

Fiscal Year 2009



FUNDS	FY 2009 TOTAL
Expendable	89,143,627.57
Commercial Prepayment	449,554.01
School Leases	10,876,708.20
General	3,201,446.62
Permanent	143,371,797.76
TOTAL LAND DEPARTMENT	247,043,134.16
Treasurer's Distribution	59,359,075.00
GRAND TOTAL - FY 2009	306,402,208.16

**Total Trust Revenue
FY 2000 - 2009**



Fiscal Year 2009

REVENUES BY BENEFICIARY FY 2009

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)	8,101,127	84,95,516	54,309,120	139,268,653	138,486,486	277,791,123
Normal Schools	174,798	882,999	76,203	959,202	68,975	1,028,177.29
Agricultural & Mechanical Colleges	124,944	456,563	272,442	729,005	8,528	737,533
Military Institutes	80,168	100,381	15,237	115,618	0	115,618
School of Mines	123,254	263,413	258,708	522,121	34,289	556,410
University Land Code	137,908	802,442	375,732	1,178,174	77,213	1,255,387
University of Arizona (Act Of 2/18/1881)	54,157	754,221	884,190	1,638,411	946,738	2,585,149
School for the Deaf & Blind	82,560	198,232	120,576	318,808	1,976	320,784
Subtotal Education	8,878,915	\$88,453,767	\$56,312,208	\$144,729,991	\$139,624,205	\$284,390,180
Legislative, Executive & Judicial Buildings	64,257	106,107	193,020	299,127	12,167	311,294
State Hospital	71,248	837,877	134,340	972,217	94,870	1,067,087
Miners' Hospital*	95,431	1,727,553	240,495	1,968,048	405,703	2,373,751
State Charitable, Penal, and Reformatory	76,818	7,871,460	2,276,353	10,147,813	926,818	11,074,632
Penitentiary	76,111	1,023,571	202,659	1,226,230	2,308,035	3,534,265
TOTAL	9,262,781	\$100,020,336	\$59,359,075	\$159,343,428	\$143,371,798	\$302,751,209

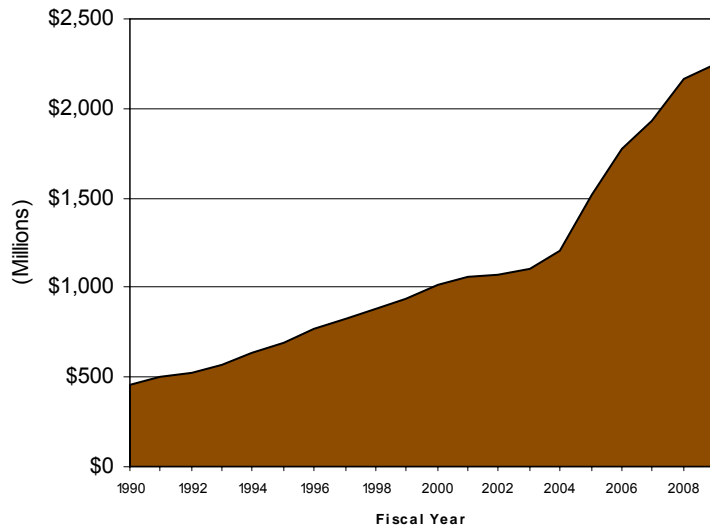
*Miners' Hospital and Miners' 1929 combined.

*The amount for expendable earnings includes \$10,876,708.20 from the school leases in accordance with 37-221, D.

Permanent Fund

- The Department deposited \$143.4 million into the Permanent Funds in FY 2009, increasing the book value to \$2,247,252,000.
- The balance of Department managed sales contracts is \$617.6 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 1990 - 2009**



BENEFICIARY SHARE OF PERMANENT FUND JUNE 30, 2009

	BOOK VALUE	MARKET VALUE
Common Schools (K - 12)	2,089,557,000	2,199,475,000
Normal Schools	2,211,000	2,481,000
Agricultural & Mechanical Colleges	6,080,000	7,154,000
Military Institutes	352,000	413,000
School of Mines	7,455,000	8,179,000
University Land Code	12,239,000	13,524,000
University of Arizona (Act of 2/18/1881)	25,796,000	28,858,000
School for the Deaf & Blind	2,894,000	3,417,000
Legislative, Executive & Judicial	5,117,000	5,854,000
State Hospital	3,556,000	4,142,000
Miners' Hospital	9,924,000	10,302,000
State Charitable, Penal & Reformatory	74,296,000	77,874,000
Penitentiaries	7,775,000	8,642,000
TOTAL **	2,247,252,000	2,370,315,000

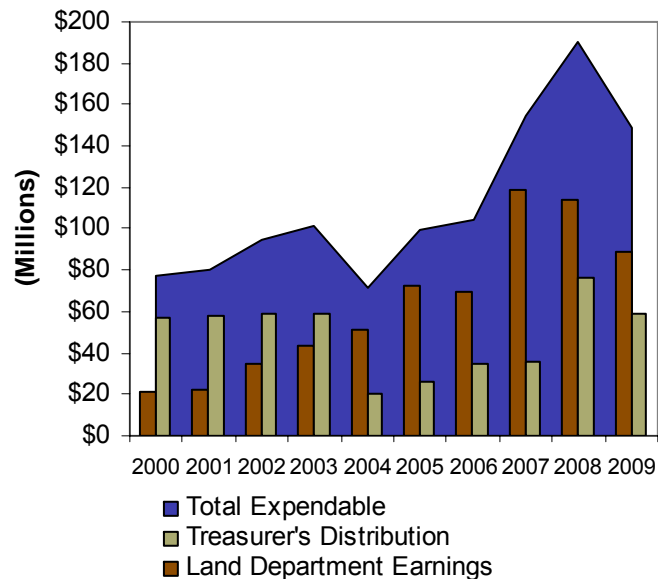
*Miners' Hospital and Miners' 1929 combined.

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

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 \$159.4 million in FY 2009.
- Revenue from Trust land leases, permits, and interest earnings from sales financed through the Department totaled \$100.0 million.
- The Treasurer distributed \$59.4 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 2000 - 2009**



EXPENDABLE REVENUE BY BENEFICIARY FY 2009

BENEFICIARIES	TREASURER'S FORMULA DISTRIBUTION	LEASE & SALES CONTRACT INTEREST	TOTAL EXPENDABLE REVENUE
Common Schools (K-12)*	54,309,120.00	84,995,516.48	139,304,636.48
Normal Schools Grant	76,203.00	882,999.11	959,202.11
Agricultural & Mechanical Colleges	272,442.00	456,562.95	729,004.95
Military Institutes Grant	15,237.00	100,380.54	115,617.54
School of Mines Grant	258,708.00	263,412.73	522,120.73
University Land Code	375,732.00	802,441.57	1,178,173.57
University of Arizona (Act Of 2/18/1881)	884,190.00	754,220.96	1,638,410.96
School for the Deaf and Blind	120,576.00	198,232.27	318,808.27
Subtotal Education	56,312,208.00	88,453,766.61	144,765,974.61
Legislative, Executive & Judicial Buildings	193,020.00	106,107.08	299,127.08
State Hospital Grant	134,340.00	837,877.33	972,217.33
Miners' Hospital Grant	240,495.00	1,727,552.96	1,968,047.96
State Charitable, Penal & Reformatory	2,276,353.00	7,871,460.48	10,147,813.48
Penitentiary Grant	202,659.00	1,023,571.31	1,226,230.31
TOTAL	59,359,075.00	100,020,335.77	159,379,410.77

*The amount for expendable earnings includes \$10,876,708.20 from the school leases in accordance with 37-221, D.

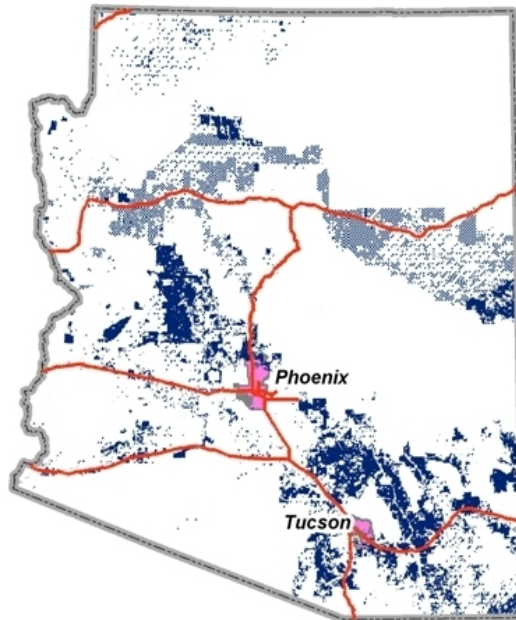
Fund and Beneficiary Summary

In FY 2009, State Trust receipts totaled \$306,402,209. A total of \$302,751,207 was earned for the beneficiaries, \$3,201,447 was deposited in the General Fund, and \$449,554 was received as commercial prepayments. Of the beneficiary amount, \$143,371,798 was deposited into the Permanent Funds. The Permanent Funds are managed by the State Treasurer. The remaining \$159,379,411 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
8,097,290	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
77,231	State Charitable, Penal, and Reformatory	} 50% Pioneers' Home 25% Department of Corrections 25% Department of Juvenile Corrections
76,111	Penitentiary	
<u>9,259,298</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 2009, \$138.5 million from sales and royalties was deposited into the Permanent Fund for common schools bringing the total balance to \$2,089,557,000.
- In FY 2009, \$139.3 million was generated in expendable receipts from leases, interest on the outstanding sales balance and from the Treasurer's formula distribution. Of this total, \$10.9 million was transferred to the School Facilities Board, \$72.3 million was distributed through the School Aid Formula and \$56.2 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 2009

SURFACE LEASES	ACRES	INCOME
Agriculture	121,048	\$3,220,839.68
Commercial	22,685	\$18,957,999.07
Grazing	7,408,558	\$2,182,074.36
Homesite	8	\$4,819.03
Rights-of-Way	106,701	\$5,186,327.80
Use Permits	322,496	\$2,152,004.67
Institutional Taking	5,406	\$120,109.41
U.S. Government	17,452	\$978,265.09
Other	0	\$32,867,626.85
TOTAL SURFACE	8,004,353	\$65,670,065.96
SUBSURFACE LEASES		
Mineral	12,055	\$53,935.95
Exploration Permit	154,173	\$187,441.38
Mineral Materials	908	\$109,548.67
Oil & Gas	871,847	\$1,002,543.79
U.S. Government	17,452	\$0.00
TOTAL SUBSURFACE	1,056,435	\$1,353,469.79
Penalty & Interest		\$180,724.06
Sales Interest		\$6,914,548.47
School Leases		\$10,876,708.20
Treasurer's Formula Distribution		\$54,309,120.00
GRAND TOTAL EXPENDABLE		\$139,304,636.48
Permanent Fund Receipts		\$138,486,486.45
Permanent Fund Balance		\$2,089,557,000.00

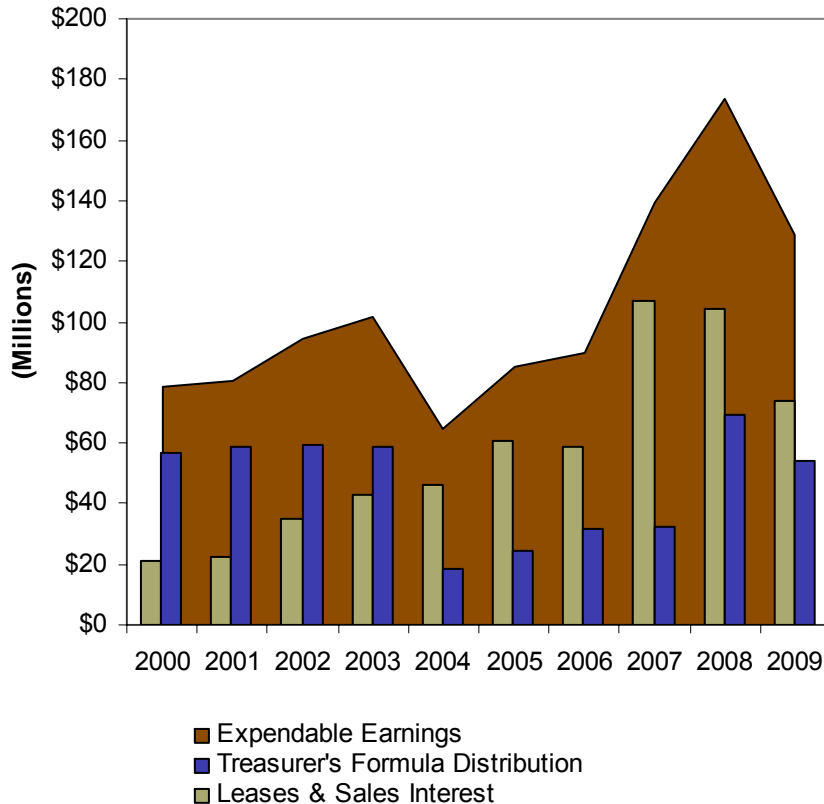
Fund and Beneficiary Summary Common Schools (K-12)

Proposition 301 (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.

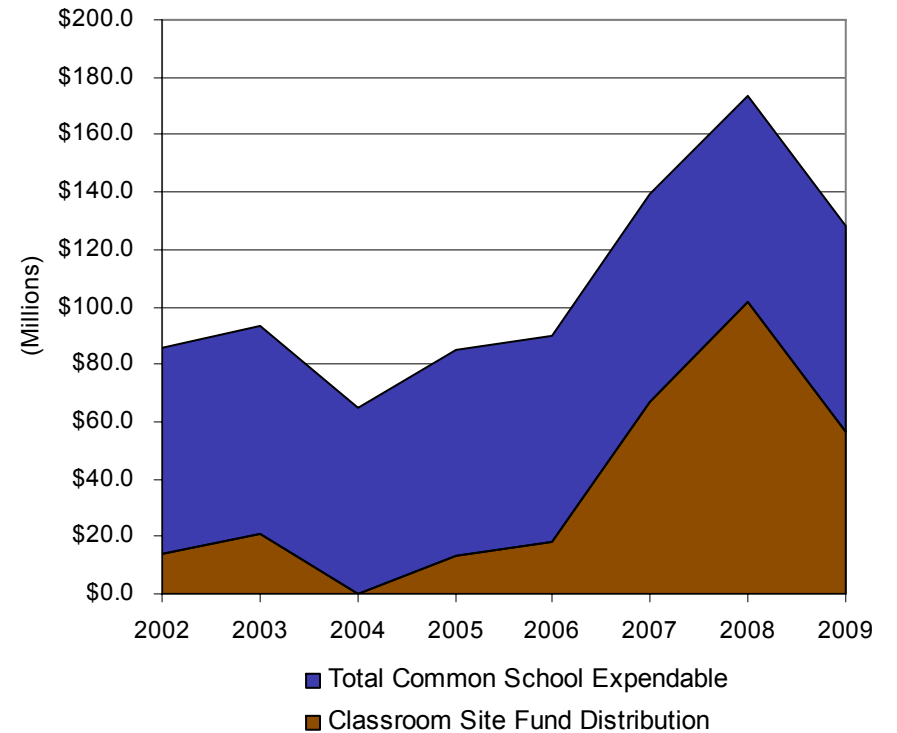
Common School Revenue (Millions)

Fiscal Year	2006	2007	2008	2009
Permanent Fund Revenue	264.3	182.7	238.5	138.5
Treasurer's Distribution	31.4	32.4	69.3	54.3
Rent & Interest	58.7	106.9	104.4	74.1
Total Expendable	90.1	139.2	173.7	128.4
Base Year Amount	(72.3)	(72.3)	(72.3)	(72.3)
Classroom Site Fund	17.8	67.0	101.4	56.2

Common Schools Expendable Earnings FY 2000 - 2009



Classroom Site Fund FY 2002 - 2009



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 \$5.1 million in FY 2009. An additional \$1.1 million was earned and added to the permanent funds for the six grants bringing the total Permanent Fund balance to \$54.1 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:

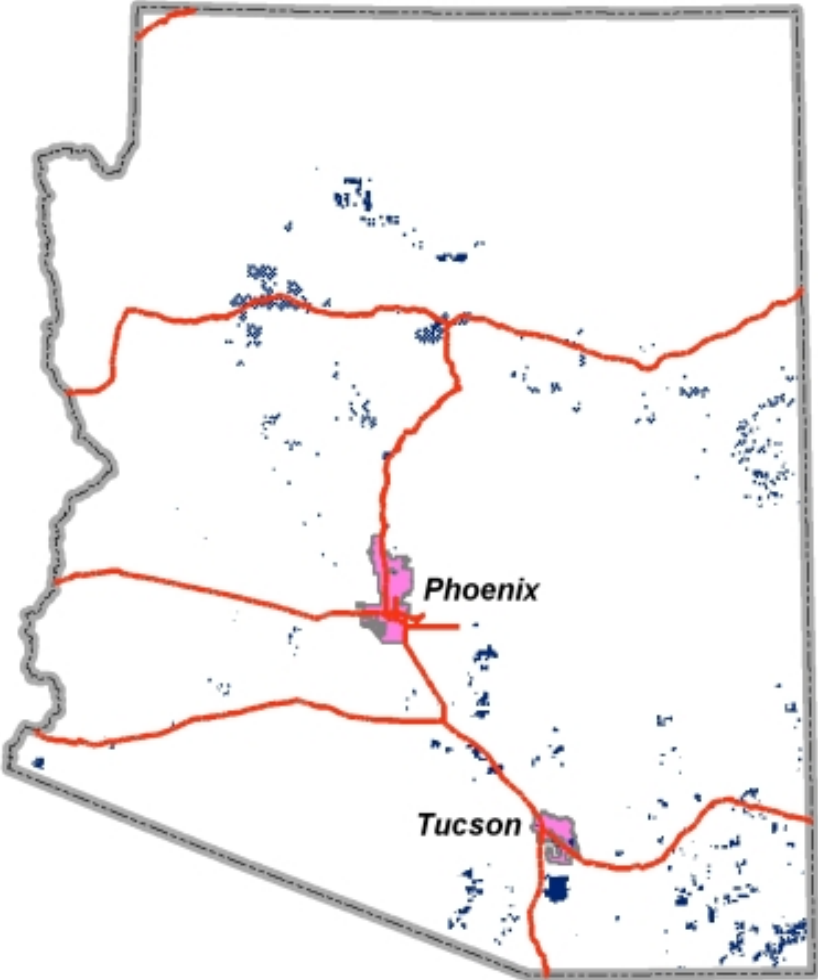
Board of Regents Distribution of Trust Revenues to the Universities

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

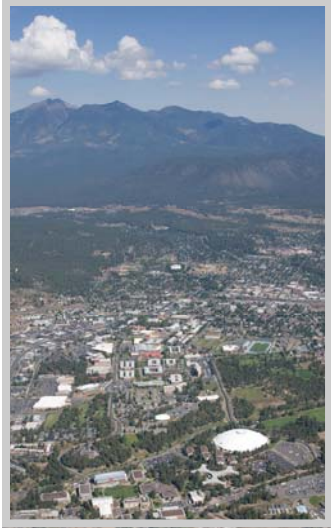
TOTAL UNIVERSITY GRANTS FY 2009

SURFACE LEASES	ACRES	INCOME
Agriculture	14,254	\$294,491.32
Commercial	51,676	\$609,607.91
Grazing	597,876	\$214,291.51
Rights-of-Way	7,885	\$1,850,814.28
Use Permits	28,032	\$112,273.92
Institutional Taking	5,151	\$745.44
U.S. Government	299	\$7,200.04
Other	0	\$1,200.00
TOTAL SURFACE	705,173	\$3,090,624.42
SUBSURFACE LEASES		
Prospecting Permit	13,799	\$21,411.53
Mineral Material	120	\$10,560.09
Oil & Gas	102,027	\$123,500.98
U.S. Government	299	\$0.00
TOTAL SUBSURFACE	116,244	\$155,472.60
Penalty & Interest		\$13,920.84
Treasurer's Formula Distribution		\$1,882,512.00
GRAND TOTAL EXPENDABLE		\$5,142,529.86
Permanent Fund Receipts		\$1,135,742.85
Permanent Fund Balance		\$54,133,000.00

Fund and Beneficiary Summary
University Grants



ASU Memorial Union Building
(Photo courtesy of Arizona State University)



San Francisco Peaks and
NAU Campus
*(Photo courtesy of Northern
Arizona University)*



UA Dennis Deconcini Environment
and Natural Resources Building
*(Photo courtesy of the University of
Arizona)*

Fund and Beneficiary Summary

University Grants

NORMAL SCHOOLS GRANT ACRES AND INCOME - FY 2009

SURFACE LEASES	ACRES	INCOME
Agriculture	165	\$3,692.92
Commercial	22,539	\$16,611.96
Grazing	146,026	\$53,791.99
Rights-of-Way	1,662	\$734,085.49
Use Permits	4,005	\$5,781.55
Institutional Taking	2,721	\$0.00
U.S. Government	184	\$7,200.04
TOTAL SURFACE	<u>177,302</u>	<u>\$821,163.95</u>
SUBSURFACE LEASES		
Prospecting Permit	9,468	\$17,200.85
Mineral Material	120	\$10,560.09
Oil & Gas	31,597	\$33,197.25
U.S. Government	184	\$0.00
TOTAL SUBSURFACE	<u>41,370</u>	<u>\$60,958.19</u>
Penalty & Interest		\$876.97
Treasurer's Formula Distribution		\$76,203.00
GRAND TOTAL EXPENDABLE		<u>\$959,202.11</u>
Permanent Fund Receipts		\$68,975.18
Permanent Fund Balance		\$2,211,000.00

AGRICULTURAL & MECHANICAL COLLEGES ACRES AND INCOME - FY 2009

SURFACE LEASES	ACRES	INCOME
Agriculture	251	\$2,617.78
Commercial	10,172	\$1,654.99
Grazing	107,163	\$38,328.73
Rights-of-Way	1,878	\$373,216.43
Use Permits	5,668	\$19,045.67
Institutional Taking	1,917	\$0.00
U.S. Government	86	\$0.00
TOTAL SURFACE	<u>127,135</u>	<u>\$434,863.60</u>
SUBSURFACE LEASES		
Prospecting Permit	100	\$60.00
Oil & Gas	17,583	\$21,263.34
U.S. Government	86	\$0.00
TOTAL SUBSURFACE	<u>17,769</u>	<u>\$21,323.34</u>
Penalty & Interest		\$376.01
Treasurer's Formula Distribution		\$272,442.00
GRAND TOTAL EXPENDABLE		<u>\$729,004.95</u>
Permanent Fund Receipts		\$8,527.82
Permanent Fund Balance		\$6,080,000.00

MILITARY INSTITUTES ACRES AND INCOME - FY 2009

SURFACE LEASES	ACRES	INCOME
Commercial	1,935	\$39,642.00
Grazing	76,749	\$29,070.96
Rights-of-Way	270	\$2,719.46
Use Permits	40	\$3,810.00
TOTAL SURFACE	<u>78,995</u>	<u>\$75,242.42</u>
SUBSURFACE LEASES		
Oil & Gas	24,868	\$24,868.25
TOTAL SUBSURFACE	<u>24,868</u>	<u>\$24,868.25</u>
Penalty & Interest		\$269.87
Treasurer's Formula Distribution		\$15,237.00
GRAND TOTAL EXPENDABLE		<u>\$115,617.54</u>
Permanent Fund Receipts		\$0.00
Permanent Fund Balance		\$352,000.00

Fund and Beneficiary Summary University Grants

SCHOOL OF MINES ACRES AND INCOME - FY 2009

SURFACE LEASES	ACRES	INCOME
Agriculture	2,485	\$44,984.89
Commercial	8,483	\$9,592.66
Grazing	111,207	\$40,465.43
Rights-of-Way	1,060	\$129,676.67
Use Permits	11,090	\$11,090.36
U.S. Government	17	\$0.00
TOTAL SURFACE	<u>134,341</u>	<u>\$235,810.01</u>
SUBSURFACE LEASES		
Prospecting Permit	2,551	\$3,830.68
Oil & Gas	12,393	\$22,126.44
U.S. Government	17	\$0.00
TOTAL SUBSURFACE	<u>14,961</u>	<u>\$25,957.12</u>
Penalty & Interest		\$1,645.60
Treasurer's Formula Distribution		\$258,708.00
GRAND TOTAL EXPENDABLE		<u>\$522,120.73</u>
Permanent Fund Receipts		\$34,289.11
Permanent Fund Balance		\$7,455,000.00

UNIVERSITY LAND CODE ACRES AND INCOME - FY 2009

SURFACE LEASES	ACRES	INCOME
Agriculture	4,271	\$57,964.29
Commercial	8,238	\$459,640.37
Grazing	117,855	\$41,238.47
Rights-of-Way	2,226	\$193,773.10
Use Permits	5,168	\$25,186.28
Institutional Taking	107	\$745.44
U.S. Government	8	\$0.00
TOTAL SURFACE	<u>137,874</u>	<u>\$778,547.95</u>
SUBSURFACE LEASES		
Prospecting Permit	1,280	\$320.00
Oil & Gas	15,465	\$21,805.71
U.S. Government	8	\$0.00
TOTAL SUBSURFACE	<u>16,752</u>	<u>\$22,125.71</u>
Penalty & Interest		\$1,767.91
Treasurer's Formula Distribution		\$375,732.00
GRAND TOTAL EXPENDABLE		<u>\$1,178,173.57</u>
Permanent Fund Receipts		\$77,212.96
Permanent Fund Balance		\$12,239,000.00

UNIVERSITY OF ARIZONA - 1881 ACRES AND INCOME - FY 2009

SURFACE LEASES	ACRES	INCOME
Agriculture	7,083	\$185,231.44
Commercial	308	\$82,465.93
Grazing	38,876	\$11,395.93
Rights-of-Way	787	\$417,343.13
Use Permits	2,061	\$47,360.06
Institutional Taking	406	\$0.00
U.S. Government	4	\$0.00
Other	0	\$1,200.00
TOTAL SURFACE	<u>49,526</u>	<u>\$744,996.49</u>
SUBSURFACE LEASES		
Prospecting Permit	400	\$0.00
Oil & Gas	120	\$239.99
U.S. Government	4	\$0.00
TOTAL SUBSURFACE	<u>524</u>	<u>\$239.99</u>
Penalty & Interest		\$8,984.48
Sales Interest		\$0.00
Treasurer's Formula Distribution		\$884,190.00
GRAND TOTAL EXPENDABLE		<u>\$1,638,410.96</u>
Permanent Fund Receipts		\$946,737.78
Permanent Fund Balance		\$25,796,000.00

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 \$7,041,955 in expendable receipts and \$869,112 in Permanent Fund receipts in FY 2009.
- The Department of Juvenile Corrections received a total of \$2,536,953 in expendable receipts and \$231,705 in Permanent Fund receipts in FY 2009.
- The Department of Corrections received a total of \$3,763,184 in expendable receipts and \$2,539,740 in Permanent Fund receipts in FY 2009.

<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
(Photo courtesy of Department of
Corrections)



The “Insane Asylum of Arizona,” circa 1886
(Artwork courtesy of the Arizona State Hospital)

Fund and Beneficiary Summary Other Grants

SCHOOL FOR THE DEAF & BLIND ACRES AND INCOME - FY 2009

SURFACE LEASES	ACRES	INCOME
Agriculture	2,638	\$74,559.09
Commercial	1,453	\$17,856.48
Grazing	72,540	\$28,006.95
Rights-of-Way	817	\$39,396.92
Use Permits	10,314	\$18,285.90
Institutional Taking	1	\$1,163.03
U.S. Government	32	\$0.00
TOTAL SURFACE	87,795	\$179,268.37
SUBSURFACE LEASES		
Prospecting Permit	2,612	\$2,691.76
Oil & Gas	9,967	\$14,804.81
U.S. Government	32	\$0.00
TOTAL SUBSURFACE	12,611	\$17,496.57
Penalty & Interest		\$1,467.33
Treasurer's Formula Distribution		\$120,576.00
GRAND TOTAL EXPENDABLE		\$318,808.27
Permanent Fund Receipts		\$1,975.68
Permanent Fund Balance		\$2,894,000.00

LEGISLATIVE, EXECUTIVE, & JUDICIAL BUILDINGS ACRES AND INCOME - FY 2009

SURFACE LEASES	ACRES	INCOME
Agriculture	2,180	\$29,176.07
Commercial	5	\$24,600.00
Grazing	56,406	\$24,773.90
Rights-of-Way	1,388	\$16,084.86
Use Permits	5,060	\$6,809.05
U.S. Government	92	\$0.00
TOTAL SURFACE	65,131	\$101,443.88
SUBSURFACE LEASES		
Prospecting Permit	1,479	\$2,119.32
Oil & Gas	1,160	\$1,160.00
U.S. Government	92	\$0.00
TOTAL SUBSURFACE	2,731	\$3,279.32
Penalty & Interest		\$1,383.88
Treasurer's Formula Distribution		\$193,020.00
GRAND TOTAL EXPENDABLE		\$299,127.08
Permanent Fund Receipts		\$12,166.88
Permanent Fund Balance		\$5,117,000.00

STATE HOSPITAL ACRES AND INCOME - FY 2009

SURFACE LEASES	ACRES	INCOME
Agriculture	4,251	\$116,341.07
Commercial	269	\$283,277.15
Grazing	58,240	\$22,221.76
Rights-of-Way	900	\$359,197.75
Use Permits	4,958	\$21,390.49
Institutional Taking	80	\$0.00
U.S. Government	108	\$0.00
TOTAL SURFACE	68,806	\$802,428.22
SUBSURFACE LEASES		
Mineral	60	\$16,572.00
Mineral Material	77	\$11,000.00
Oil & Gas	315	\$314.60
U.S. Government	108	\$0.00
TOTAL SUBSURFACE	560	\$27,886.60
Penalty & Interest		\$7,562.51
Treasurer's Formula Distribution		\$134,340.00
GRAND TOTAL EXPENDABLE		\$972,217.33
Permanent Fund Receipts		\$94,869.68
Permanent Fund Balance		\$3,556,000.00

Fund and Beneficiary Summary Other Grants

MINERS' HOSPITAL* ACRES AND INCOME - FY 2009

SURFACE LEASES	ACRES	INCOME
Agriculture	13,001	\$419,165.95
Commercial	580	\$881,497.57
Grazing	73,515	\$27,321.39
Rights-of-Way	1,679	\$171,848.43
Use Permits	4,290	\$106,357.81
Institutional Taking	1	\$919.89
U.S. Government	168	\$0.00
TOTAL SURFACE	<u>93,234</u>	<u>\$1,607,111.04</u>
SUBSURFACE LEASES		
Mineral	119	\$1,304.34
Prospecting Permit	4,008	\$5,748.04
Mineral Material	230	\$96,439.91
Oil & Gas	6,076	\$6,076.48
U.S. Government	168	\$0.00
TOTAL SUBSURFACE	<u>10,602</u>	<u>\$109,568.77</u>
Penalty & Interest		\$10,873.15
Treasurer's Formula Distribution		\$240,495.00
GRAND TOTAL EXPENDABLE		<u>\$1,968,047.96</u>
Permanent Fund Receipts		\$405,702.97
Permanent Fund Balance		\$9,924,000.00

STATE CHARITABLE, PENAL, & REFORMATORY ACRES AND INCOME - FY 2009

SURFACE LEASES	ACRES	INCOME
Agriculture	3,997	\$74,432.32
Commercial	3,401	\$696,205.42
Grazing	62,845	\$31,241.54
Rights-of-Way	1,843	\$309,073.79
Use Permits	5,558	\$147,052.76
Institutional Taking	475	\$64,443.52
U.S. Government	117	\$0.00
Other	0	\$6,439,412.28
TOTAL SURFACE	<u>78,236</u>	<u>\$7,761,861.63</u>
SUBSURFACE LEASES		
Mineral	160	\$120.00
Mineral Material	186	\$97,742.33
Oil & Gas	1,268	\$1,268.37
U.S. Government	117	\$0.00
TOTAL SUBSURFACE	<u>1,732</u>	<u>\$99,130.70</u>
Penalty & Interest		\$10,468.15
Treasurer's Formula Distribution		\$2,276,353.00
GRAND TOTAL EXPENDABLE		<u>10,147,813.48</u>
Permanent Fund Receipts		\$926,818.30
Permanent Fund Balance		\$74,296,000.00

PENITENTIARY ACRES AND INCOME - FY 2009

SURFACE LEASES	ACRES	INCOME
Agriculture	4,673	\$212,829.53
Commercial	449	\$666,352.75
Grazing	65,932	\$25,954.45
Rights-of-Way	496	\$14,604.69
Use Permits	15,010	\$97,269.09
Institutional Taking	1,778	\$0.00
U.S. Government	5	\$0.00
TOTAL SURFACE	<u>88,343</u>	<u>\$1,017,010.51</u>
SUBSURFACE LEASES		
Prospecting Permit	1,310	\$640.00
U.S. Government	5	\$0.00
TOTAL SUBSURFACE	<u>1,315</u>	<u>\$640.00</u>
Penalty & Interest		\$5,920.80
Treasurer's Formula Distribution		\$202,659.00
GRAND TOTAL EXPENDABLE		<u>\$1,226,230.31</u>
Permanent Fund Receipts		\$2,308,034.95
Permanent Fund Balance		\$7,775,000.00

*Miners' Hospital and Miners' 1929 combined

Financial Schedules



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Financial Schedules

RECEIPTS BY CATEGORY - FY 2009

	ROYALTY	SALES PRINCIPAL	SALES INTEREST	LEASE RENTAL	PENALTY & INTEREST	OTHER RECEIPTS	TOTAL
Common Schools (K - 12)	5,855,340.33	132,631,146.12	6,914,548.47	67,023,535.75	180,724.06	0.00	212,605,294.73
Normal Schools	68,975.18	0.00	0.00	882,122.14	876.97	0.00	951,974.29
A&M Colleges	8,527.82	0.00	0.00	456,186.94	376.01	0.00	465,090.77
Military Institutes	0.00	0.00	0.00	100,110.67	269.87	0.00	100,380.54
School of Mines	34,289.11	0.00	0.00	261,767.13	1,645.60	0.00	297,701.84
University Land Code	5,464.70	71,748.26	0.00	800,673.66	1,767.91	0.00	879,654.53
U of A (Act of 2/18/1881)	257,117.41	689,620.37	0.00	745,236.48	8,984.48	0.00	1,700,958.74
School for the Deaf & Blind	1,975.68	0.00	0.00	196,764.94	1,467.33	0.00	200,207.95
Leg., Exec & Judicial	524.48	11,642.40	0.00	104,723.20	1,383.88	0.00	118,273.96
State Hospital	94,869.68	0.00	0.00	830,314.82	7,562.51	0.00	932,747.01
Miners' Hospital	343,897.97	61,805.00	0.00	1,716,679.81	10,873.15	0.00	2,133,255.93
St Char., Pen. & Ref	671,461.52	255,356.78	0.00	7,860,992.33	10,468.15	0.00	8,798,278.78
Penitentiaries	72,688.00	2,235,346.95	0.00	1,017,650.51	5,920.80	0.00	3,331,606.26
School Leases	0.00	0.00	0.00	10,840,725.00	35,983.20	0.00	10,876,708.20
Commercial Prepayment	0.00	0.00	0.00	0.00	0.00	449,554.01	449,554.01
Total Schools & Institutions	7,415,131.88	135,956,665.88	6,914,548.47	92,837,483.38	268,303.92	449,554.01	243,841,687.54
GENERAL FUND							
F.E.M.A. Lands	0.00	0.00	0.00	29,628.00	0.00	0.00	29,628.00
Farm Loan Lands	0.00	0.00	0.00	4,051.56	37.58	0.00	4,089.14
Navigable Streambeds	999.00	0.00	0.00	79,288.20	230.23	0.00	80,517.43
Lands Held in Trust	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Fees: Lease, Sale & Misc	0.00	0.00	0.00	0.00	0.00	3,087,212.05	3,087,212.05
Total General Fund	999.00	0.00	0.00	112,967.76	267.81	3,087,212.05	3,201,446.62
TOTAL RECEIPTS	7,416,130.88	135,956,665.88	6,914,548.47	92,950,451.14	268,571.73	3,536,766.06	247,043,134.16

*Miners' Hospital and Miners' 1929 combined

Financial Schedules

RENTAL ACREAGE AND RECEIPTS FY 2009 BY TYPE OF LEASE

SURFACE LEASES	ACRES	RECEIPTS
Agriculture	166,152	4,448,885.05
Commercial	80,558	22,160,870.72
School Leases	*	10,840,725.00
Grazing	8,405,371	2,559,337.42
Homesite	8	4,819.03
Rights-of-Way	121,840	7,987,461.52
Use Permits	395,975	2,698,522.50
Institutional Taking	12,892	187,381.29
U.S. Government	18,291	985,465.13
Other	0	39,310,039.13
TOTAL SURFACE	<u>9,201,086</u>	<u>\$91,183,506.79</u>
SUBSURFACE LEASES		
Mineral	12,395	71,932.29
Exploration Permit	177,380	220,052.03
Mineral Material	1,521	325,291.00
Oil and Gas	992,660	1,149,669.03
U.S. Government	18,291	0.00
TOTAL SUBSURFACE	<u>1,202,248</u>	<u>\$1,766,944.35</u>
NON-LEASE REVENUES		
Penalty & Interest		268,571.73
Sales Interest		6,914,548.47
Royalty		7,416,130.88
Land Sales Principal		108,150,633.33
Rights-of-Way Sales Principal		27,805,486.85
Settlements		545.70
Commercial Prepayments		449,554.01
Fees		3,087,212.05
TOTAL NON-LEASE REVENUES		<u>\$154,092,683.02</u>
GRAND TOTAL		<u>\$247,043,134.16</u>

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

Financial Schedules

TREASURER'S FORMULA DISTRIBUTION*

	YEAR ENDING JUNE 30 FY 2008	YEAR ENDING JUNE 30 FY 2009	INCREASE (DECREASE)	5/12/1912 TO DATE
Common Schools	69,297,633	54,309,120	(14,988,513)	1,146,372,228
Normal Schools Grant	100,995	76,203	(24,792)	2,477,895
Agricultural & Mechanical Colleges	392,769	272,442	(120,327)	8,445,178
Military Institutes Grant	20,229	15,237	(4,992)	1,204,936
School of Mines Grant	322,836	258,708	(64,128)	931,835
University Land Code	504,909	375,732	(129,177)	11,042,030
University of Arizona (Act Of 2/18/1881)	1,167,414	884,190	(283,224)	22,794,825
School for the Deaf & Blind	165,981	120,576	(45,405)	4,416,960
Legislative, Executive & Judicial Buildings	258,219	193,020	(65,199)	7,148,218
State Hospital Grant	195,531	134,340	(61,191)	3,477,005
Miners' Hospital Grant**	312,123	240,495	(71,628)	6,790,685
State Charitable, Penal, and Reformatory	2,885,109	2,276,353	(608,756)	25,975,433
Penitentiary Grant	282,609	202,659	(79,950)	4,405,711
TOTAL	75,906,357	59,359,075	(16,547,282)	1,245,482,939

*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 2009
Common Schools (K - 12)*	8,342,469	8,097,290
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	77,231
Penitentiary Grant	<u>80,830</u>	<u>76,111</u>
TOTAL	<u><u>9,586,606</u></u>	<u><u>9,259,298</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
		None						





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