

Douglas A. Ducey
Governor



Lisa A. Atkins
Commissioner

Arizona State Land Department

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September 1, 2018

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

Dear Governor Ducey:

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

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

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

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

Highlights of FY 2018 operations include:

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

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

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

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

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

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

Sincerely,



Lisa A. Atkins
Commissioner

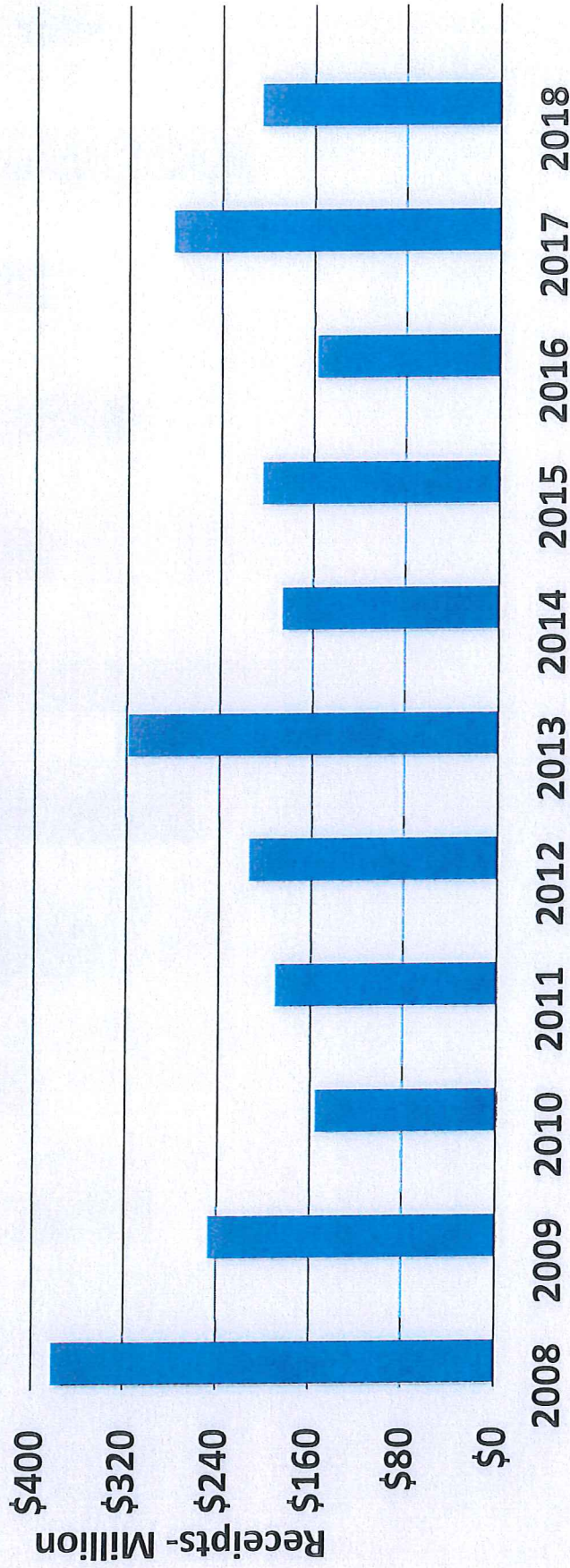


Annual Report Supplemental Schedules

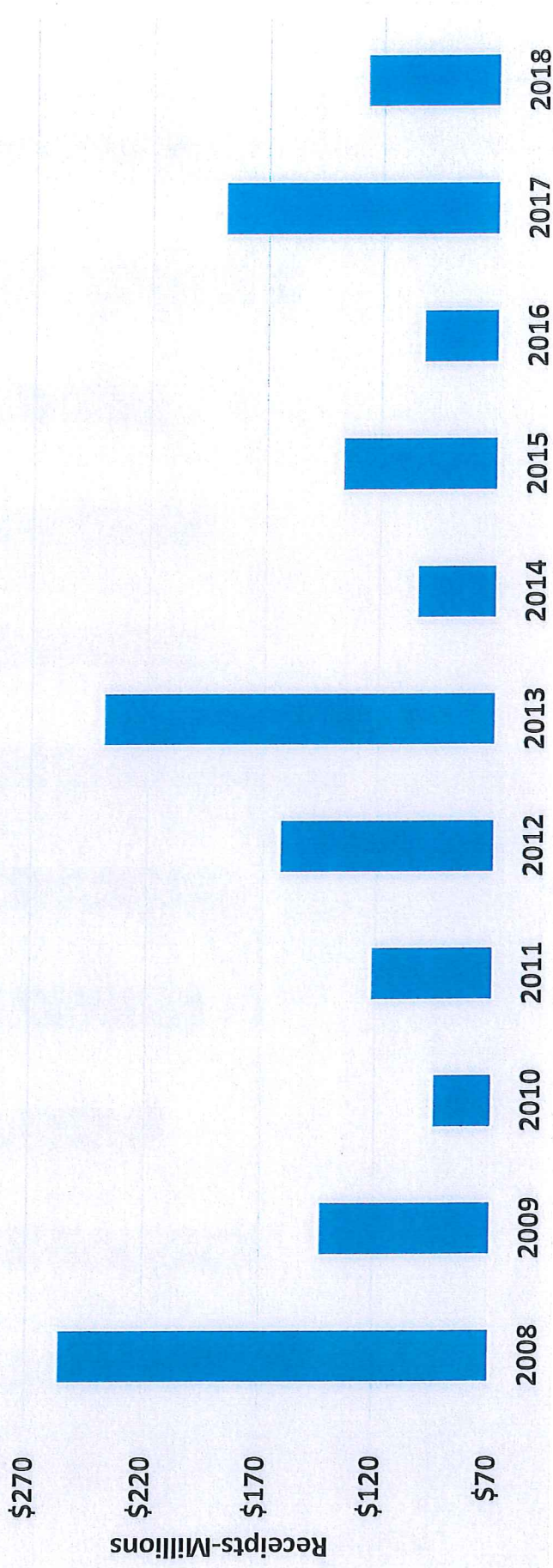
FY 2018



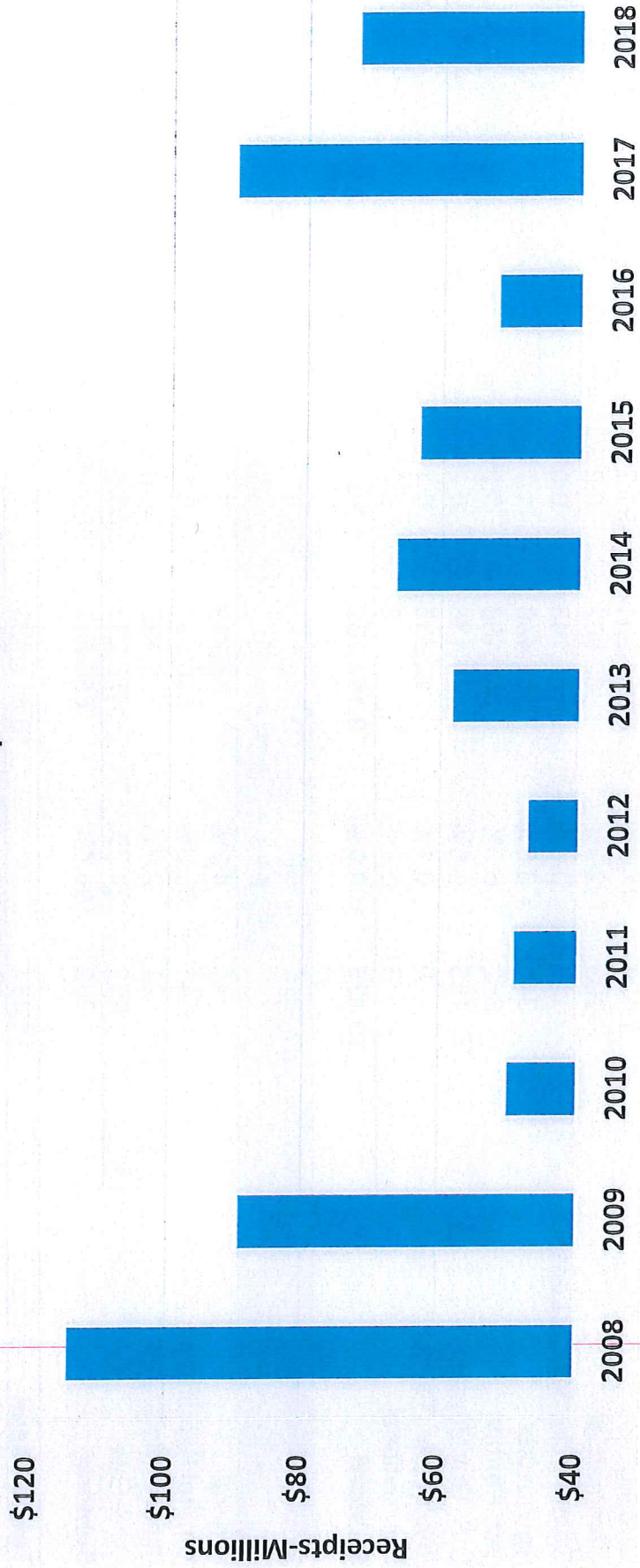
Total Trust Revenue FY 2008-2018



Permanent Receipts 2008-2018



Expendable Receipts 2008-2018



STATE TRUST LAND USES FY 2018

<u>SURFACE LEASES</u>	<u>NO. OF LEASES</u>	<u>% OF LEASES</u>	<u>TOTAL ACREAGE</u>	<u>% OF ACREAGE</u>
Rights of Way	58	0.6%	45,579	0.5%
Rights of Way	7,704	73.9%	141,755	1.5%
Grazing	1,194	11.5%	8,351,991	91.2%
Commercial	283	2.7%	69,962	0.8%
Commercial School Leases	21	0.2%	1,143	0.0%
Agriculture	346	3.3%	157,446	1.7%
Use Permits	652	6.3%	355,436	3.9%
U.S. Government	155	1.5%	18,136	0.2%
Institutional Taking	9	0.1%	12,685	0.1%
Recreational	3	0.0%	0	0.0%
Subtotal	10,425	100.0%	9,154,132	100.0%

<u>SUBSURFACE</u>	<u>NO. OF LEASES</u>	<u>% OF LEASES</u>	<u>TOTAL ACREAGE</u>	<u>% OF ACREAGE</u>
Mineral	46	4.7%	45,740	5.3%
Mineral Exploration	643	65.5%	330,737	38.6%
Mineral Material	21	2.1%	2,192	0.3%
Oil & Gas	272	27.7%	478,230	55.8%
Subtotal	982	100.0%	856,898	100.0%

Total Leases	11,407		10,011,030	
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REVENUE BY BENEFICIARY

BENEFICIARIES	TOTAL COLLECTED	EXPENDABLE	PERMANENT
COMMON SCHOOLS	\$ 188,821,033	\$ 63,929,271	\$ 124,891,763
UNIVERSITY	\$ 1,372,342	\$ 1,337,010	\$ 35,331
U OF A 1881	\$ 686,677	\$ 430,008	\$ 256,669
A & M COLLEGES	\$ 295,208	\$ 290,326	\$ 4,883
NORMAL SCHOOLS	\$ 294,464	\$ 150,284	\$ 144,181
SCHOOL OF MINES	\$ 181,019	\$ 180,171	\$ 847
SCHOOL FOR THE DEAF AND BLIND	\$ 178,584	\$ 175,450	\$ 3,134
MILITARY INSTITUTE	\$ 67,779	\$ 67,779	\$ -
SUBTOTAL EDUCATION	\$ 191,897,107	\$ 66,560,299	\$ 125,336,808
STATE CHARITABLE, PEN	\$ 2,789,065	\$ 2,521,388	\$ 267,676
MINER'S HOSPITAL	\$ 2,207,215	\$ 1,619,521	\$ 587,694
PENITENTIARY	\$ 1,273,611	\$ 1,180,330	\$ 93,281
STATE HOSPITAL	\$ 618,218	\$ 354,522	\$ 263,696
LEG. EX. JUD	\$ 221,593	\$ 164,598	\$ 56,994
GRAND TOTAL	\$ 199,006,807	\$ 72,400,658	\$ 126,606,150

RECEIPTS BY CATEGORY - FY 2018

	LEASE RENTAL	OTHER RECEIPTS	PENALTY & INTEREST	ROYALTY	SALES INTEREST	SALES PRINCIPAL	TOTAL
School							
A&M Colleges	56,393,857	322,712	1,451,180	7,556,236	14,555,621	119,049,913	199,329,519
Commercial Prepayment	289,754	0	572	3,791	0	1,091	295,208
Common Schools	47,937,611	322,712	0	0	0	0	322,712
Leg., Exec & Judicial	163,756	0	1,436,039	6,257,629	14,555,621	118,634,134	188,821,033
Military Institutes	67,550	0	842	0	0	56,994	221,593
Miners' Hospital	1,618,629	0	229	0	0	0	67,779
Normal Schools	149,321	0	891	301,800	0	285,894	2,207,215
Penitentiaries	1,177,350	0	963	143,486	0	695	294,464
School for the Deaf & Blind	174,922	0	2,980	93,281	0	0	1,273,611
School of Mines	179,821	0	528	2,908	0	226	178,584
St Char., Pen. & Ref	2,519,077	0	350	255	0	592	181,019
State Hospital	352,745	0	2,311	251,796	0	15,880	2,789,065
U of A (Act of 2/18/1881)	426,662	0	1,777	263,696	0	0	618,218
University Land Code	1,336,659	0	3,346	210,579	0	46,090	686,677
General Fund	172,362	5,392,818	351	27,014	0	8,317	1,372,342
F.E.M.A. Lands	33,289	0	195	0	0	0	5,565,374
Farm Loan Lands	4,548	0	0	0	0	0	33,289
Fees: Lease, Sale & Misc	0	0	35	0	0	0	4,583
Lands Held in Trust	10,514	0	0	0	0	0	0
Navigable Streambeds	124,011	0	160	0	0	0	10,514
TRUST LAND MGT FUND FEES	0	5,392,818	0	0	0	0	124,171
TOTAL RECEIPTS	56,566,219	5,715,530	1,451,375	7,556,236	14,555,621	119,049,913	204,894,894

*Miners' Hospital & Miners' Hospital 1929 Combined - Common Schools (K-12) Including County Bonds

STATE TRUST LAND ACREAGE BY BENEFICIARY

BENEFICIARY	FY 1978	FY 2018
Common Schools (K - 12)*	8,342,469	8,058,940
Normal Schools	172,405	174,786
Agricultural & Mechanical Colleges	134,469	124,944
Military Institutes	82,945	80,168
School of Mines	132,882	123,256
University Land Code	166,354	137,778
University of Arizona (Act of 2/18/1881)	62,216	48,916
School for the Deaf & Blind	84,209	82,558
Legislative, Executive & Judicial Buildings	66,660	64,229
State Hospital	79,198	71,248
Miners' Hospital	48,648	47,545
Miners' Hospital (1929)	53,311	47,686
State Charitable, Penal & Reformatory	80,010	77,228
Penitentiaries	80,830	76,111
0	TOTAL: 9,586,606	: 9,215,392

*Includes County Bonds

	A&M Colleges			Military Institutes			Normal Schools			School of Mines			University Land Code			University of Arizona 1881		
	Acres	Income		Acres	Income		Acres	Income		Acres	Income		Acres	Income		Acres	Income	
Surface Leases																		
Agriculture	251	7,010.26																
Commercial	10,678	185,554.22	1,677	2,400.00	165	4,024.69	1,805	27,134.39	3,233	70,221.72	6,879	129,369.05						
Grazing	107,232	46,697.10	77,709	38,530.32	22,539	12,818.17	8,482	38,114.09	8,271	328,153.95	324	149,562.94						
Rights of Way	1,849	12,761.93	287	1,092.34	146,654	63,279.86	109,729	40,842.64	116,579	51,311.89	33,923	10,565.17						
Use Permits	5,053	7,401.88	298	4,300.00	1,784	8,934.40	1,149	9,556.57	2,556	63,022.37	823	55,077.13						
Institutional Taking	1,917	0.00			4,582	4,123.72	2,242	4,032.97	4,206	802,622.31	2,606	38,881.96						
U.S. Government	86	0.00			2,721	0.00	17	0.00	8	1,050.65	200	0.00						
Other					184	6,000.03					4	0.00						
Total Surface	127,066	259,425.39	79,971	46,322.66	178,630	99,180.87	123,423	119,680.66	134,959	1,316,382.89	44,758	383,456.25						
Subsurface Leases																		
Mineral																		
Prospecting Permit	5,759	14,713.51	2,368	21,227.62	2,551	41,951.08	2,551	41,951.08	208	2,010.92	1,570	5.25						
Mineral Material	24	8,833.00			6,152	18,189.60	6,152	18,189.60	6,246	18,265.18	164	43,200.00						
Oil & Gas	7,891	6,781.84																
Total Subsurface	13,674	30,328.35	2,368	21,227.62	8,703	60,140.68	8,703	60,140.68	6,453	20,276.10	1,734	43,205.25						
Penalty & Interest		571.77		229.00		962.53		350.02		351.32		3,346.16						
Treasurer's Formula Distribution		797,850.00		43,703.00		313,378.00		903,281.00		1,595,955.00		5,198,203.00						
Grand Total Expendable	140,740	1,088,175.51	82,339	111,482.28	187,333	473,662.08	132,126	1,083,452.36	141,413	2,932,965.31	46,493	5,628,210.66						
Permanent Fund Receipts		4,882.80		0.00		144,180.81		847.31		35,331.32		256,668.93						
Permanent Fund Balance (Book)		5,583,000.00		336,000.00		3,098,000.00		6,739,000.00		12,827,000.00		57,289,000.00						
Permanent Fund Balance (Mkt)		13,405,000.00		765,000.00		6,319,000.00		15,335,000.00		280,929,000.00		106,029,000.00						

	Legislative, Executive & Judicial Buildings		Miner's Hospital		Penitentiaries		School for the Deaf & Blind		State Charitable, Penal, & Reformatory		State Hospital	
	Acres	Income	Acres	Income	Acres	Income	Acres	Income	Acres	Income	Acres	Income
Surface Leases												
Agriculture	1,155	28,137.56	12,866	353,463.38	4,717	235,796.36	2,636	83,660.44	3,858	97,516.17	4,094	129,195.62
Commercial	5	43,920.00	510	1,033,366.96	456	792,299.39	5	10,931.79	2,834	1,231,385.08	127	86,193.63
Grazing	56,406	22,623.70	73,322	28,455.39	66,025	28,113.91	74,633	27,902.56	62,941	33,904.62	60,473	27,111.17
Rights of Way	1,484	30,553.04	1,853	73,377.51	590	37,976.25	1,069	30,683.69	1,140	40,277.28	1,007	25,149.72
Use Permits	4,225	1,132.55	6,831	46,348.86	5,776	76,362.42	6,714	13,195.20	6,372	888,028.56	5,513	19,000.65
Institutional Taking	0	0.00	1	1,034.65	1,778	0.00	1	1,308.13	475	76,928.50	80	12,000.58
U.S. Government	92	0.00	168	0.00	5	0.00	32	0.00	117	0.00	108	0.00
Other												
Total Surface	63,367	126,366.85	95,552	1,536,046.75	79,346	1,170,548.33	85,091	167,681.81	77,738	2,368,040.21	71,402	298,701.37
Subsurface Leases												
Mineral			119	443.36					160	60,500.00	60	28,868.59
Prospecting Permit	4,810	37,123.88	9,780	41,339.40	2,186	6,801.65	4,258	1,041.90	1,181	0.00	2,658	13,510.52
Mineral Material			230	40,479.82					138	88,000.32	77	11,000.00
Oil & Gas	243	265.10	320	320.00	1,920	0.00	5,238	6,198.19	2,548	2,536.75	641	664.44
Total Subsurface	5,052	37,388.98	10,449	82,582.58	4,106	6,801.65	9,496	7,240.09	4,027	151,037.07	3,436	54,043.55
Penalty & Interest		842.23		891.34		2,979.91		528.47		2,311.04		1,777.15
Treasurer's Formula Distribution		658,764.00		1,723,690.00		1,144,218.00		427,139.00		8,883,473.00		515,904.00
Grand Total Expendable	68,419	823,362.06	106,001	3,343,210.67	83,452	2,324,547.89	94,587	602,589.37	81,765	11,404,861.32	74,838	870,426.07
Permanent Fund Receipts		56,994.44		587,694.06		93,280.91		3,133.96		267,676.42		263,696.00
Permanent Fund Balance (Book)		4,876,000.00		16,825,000.00		10,671,000.00		3,924,000.00		68,439,000.00		5,305,000.00
Permanent Fund Balance (Mfrkt)		11,218,000.00		32,572,000.00		21,712,000.00		8,180,000.00		151,359,000.00		10,615,000.00

Surface Leases	Common Schools	
	Acres	Income
Agriculture	115,680	3,257,111
Commercial	15,168	26,533,924
Grazing	7,356,126	2,471,978
Rights of Way	95,987	2,237,573
Use Permits	300,697	6,090,515
Institutional Taking	5,406	326,851
U.S. Government	17,296	175,994
Other	0	3,878,794
Total Surface	7,906,359	44,972,740
Subsurface Leases		
Mineral	45,400	472,476
Prospecting Permit	289,178	1,277,552
Mineral Material	1,413	294,247
Oil & Gas	431,492	920,195
Total Subsurface	767,484	2,964,471
Penalty & Interest		1,436,039
Treasurer's Formula Distribution		294,793,058
Grand Total Expendable		
Permanent Fund Receipts		124,891,763
Permanent Fund Balance (Book)		2,636,652,000
Permanent Fund Balance (Mkt)		5,502,918,000