A DEVELOPMENT WILDCARD: STATE TRUST LANDS

Coconino County encompasses state trust lands totaling more than 1 million acres, an area larger than the state of Rhode Island. Approximately three quarters of these lands lie within the Coconino Plateau study area, the majority in the western subregion. (See Map 3, below.) Most occur in one-mile-square sections interspersed with comparable sections of private land in a vast “checkerboard” pattern. Because these state lands can be purchased or leased for commercial development, they represent a potential wildcard in the future of the Coconino Plateau. And because they are checkerboarded with private land, they have the potential to multiply the amount of private land available for development in many areas.

The amount and nature of state land that is sold or leased for development purposes is a largely uncontrollable variable that may affect future growth of the region. This suggests several critical issues for consideration.

CRITICAL ISSUES

- **State trust lands in the region could be developed.** State law currently requires that these lands be managed for maximum public benefit. That means the Arizona State Land Department can lease or sell parcels whenever the market is “right.”

- **The market will decide which trust parcels are developed.** The land commissioner’s discretion is strongly conditioned by the mandate to maximize each parcel’s economic yield. That means that the real estate market will effectively determine which lands are reclassified.

- **Development “hot spots” will be along the north-south highways.** Commercial development of state land in the region has been slow to date. But if conditions change, the action will likely follow major road corridors along which the proposed water pipeline might run – particularly State Highway 64 north from Williams, and U.S. Highway 89 north of Flagstaff.

- **Conservation efforts could preserve key state lands.** Existing and pending land preservation efforts could limit development in sensitive areas, but they will require substantial funding. Potential changes in state law may also alter Land Department mandates and allow no-cost conservation set asides.

HISTORY

The state’s trust lands are a legacy of land grants made to Arizona by the federal government. These grants took place on two occasions: first upon Arizona’s establishment as a territory in 1863, and later just prior to statehood in 1912. Altogether, Arizona received more than 9.4 million acres (13,500 square miles) to be held in trust for specified beneficiaries, principally the state’s public schools.

At the onset, provisions regarding trust lands were written into the Arizona Enabling Act and the Arizona Constitution. These provisions mandated quite specifically how the lands should be administered for the benefit of the trust. Additional direction was later furnished by the U.S. Supreme Court which, in 1967, ruled that lands granted to the state should “provide the most substantial support possible to the beneficiaries.” Consequently, the Arizona State Land Department sees its mission as producing the maximum financial yield from state lands.

Most often the Land Department chooses one of three options for generating income from its lands: leasing land for grazing purposes, collecting fees for public access, or selling mineral resources on state lands. When it is fiscally advantageous, however, the department also may lease or sell land for development projects. Revenues derived from these transactions are then deposited in the Permanent Fund, and the interest earned is made available to the trust beneficiaries. While the option of converting state lands into large-scale developments currently affects only a small minority of state lands, it is the possibility of conversion that makes them a potential source of new development in areas currently thought of as open space.

MAP 3: STUDY AREA:
STATE AND PRIVATE LAND OWNERSHIP

Source: Morrison Institute for Public Policy, data from Arizona Department of Water Resources and Arizona State Land Department.