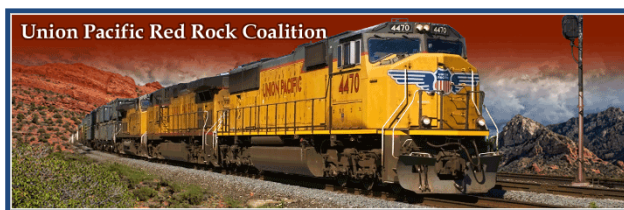


Background

Union Pacific has proposed to construct a new classification yard to meet demand for increased freight rail service in Arizona. The Arizona State Land Department (ASLD) received an application from Union Pacific Railroad (UPRR) to purchase approximately 1,873 acres of land (Proposed Sale Parcel) along I-10 in the Red Rock area of Pinal County. UPRR intends to use the site to construct a Classification Yard in order to improve the efficiency of its operations where rail cars would be separated and classified and trains assembled, improving Union Pacific's ability to create value for its many customers in Arizona. Thousands of acres of State Trust land surround the Proposed Sale Parcel and would be affected by the sale. The ASLD is processing the application and a final decision on the application and the appropriate size and shape of the Proposed Sale Parcel is yet to be made.

Role of the Arizona State Land Department

The Arizona State Land Department manages approximately 9.2 million acres of State Trust lands within Arizona. These lands



were granted to the State under the provisions of the federal Enabling Act that provided for Arizona's statehood in 1912. These lands are held in trust and managed for the sole purpose of generating revenues for the 13 State Trust land beneficiaries, the largest of which is Arizona's K-12 education. (Source: ASLD Website)

Economic Benefits of the Project

The project will serve as a driver for economic development in the region. Red Rock Classification Yard would have direct long-term and ongoing benefits to Arizona and Pinal County for the next 20 years*.



Union Pacific in Arizona

- 640 Miles of Track
- \$107.8 million Annual Payroll
- \$66.8 million In-State Purchases
- \$101.6 million Capital Spending
- 1,311 Employees

Source: Union Pacific Fact Sheet

- ✓ Cumulative economic impact: \$25.6 billion
- ✓ Employment: 6,276 direct and 6,206 indirect jobs
- ✓ Tax revenue: \$2.3 billion

*Based on research conducted by Insight Research corporation of Dallas, TX

Project Challenges

Since the ASLD is responsible to maximize the benefit it receives from the sale state trust land, it must ensure that the sale is of the highest and best use. Furthermore, the department must ensure the sale of this land does not adversely impact surrounding state trust land. According to a report by the ASLD's consultant (RBF) the project would have significant implications for transportation and circulation for State Trust land in the Red Rock area effectively eliminating access to I-10 for the State Trust land between the CAP canal and the Red Rock facility for a distance of approximately six miles. In addition, access at each end of the yard is complicated by the presence of two large washes. These complications would require significant drainage and transportation improvements to provide access to proposed surrounding industrial sites, and the State Trust land beyond.

AZAGC Position

- ✓ Encourage the Arizona State Land Department to approve the purchase of State Trust land by the Union Pacific Railroad.
- ✓ Supports the stakeholder process as initiated by Senator Worsley and Melvin.