

Director: Herb R. Guenther

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	FY 2003 Actual	FY 2004 Estimate	FY 2005 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	192.2	189.7	189.7
Personal Services	7,586,500	6,993,300	7,458,000
Employee Related Expenditures	1,787,900	2,010,200	2,088,800
Professional and Outside Services	544,100	610,200	610,200
Travel - In State	240,900	308,700	308,700
Travel - Out of State	19,500	30,000	30,000
Other Operating Expenditures	2,418,800	2,661,500	2,791,500
Equipment	513,400	289,700	289,700
OPERATING SUBTOTAL	13,111,100	12,903,600	13,576,900
SPECIAL LINE ITEMS			
Arizona Water Protection Fund Deposit	0	0	0
Rural Water Studies	475,300	500,000	500,000
Water Banking	0	500,000	0
AGENCY TOTAL	13,586,400	13,903,600	14,076,900^{1/}
FUND SOURCES			
General Fund	13,586,400	13,903,600	14,076,900
SUBTOTAL - Appropriated Funds	13,586,400	13,903,600	14,076,900
Other Non-Appropriated Funds	34,343,300	28,660,400	26,564,600
Federal Funds	512,100	571,600	180,700
TOTAL - ALL SOURCES	48,441,800	43,135,600	40,822,200

AGENCY DESCRIPTION — The Department of Water Resources administers and enforces Arizona’s groundwater and surface water law, as well as legally representing the state’s water rights. The department also participates in surveying water level and quality and planning flood control.

PERFORMANCE MEASURES	FY 2003 Appropriation	FY 2003 Actual	FY 2004 Appropriation	FY 2005 Recommend.
• Per capita water use in Active Management Areas (acre feet)	2.74	2.74	2.74	2.74
• % of Colorado River entitlement used	94	100	100	100
• % of Arizona’s unused Colorado River entitlement that is recharged via the Water Banking Authority	88	95	95	95
• Number of dams in a nonemergency unsafe condition	15	15	13	13
• % of rural watershed studies contract deliverables completed and accepted	100	100	100	100
• % of agency staff turnover	12	6	6	6
• Administration as a % of total cost	11.8	4.7	5.5	4.7
• Customer satisfaction rating for Hydrology Program (Scale 1-8)	6.0	8.0	7.7	8.0

^{1/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget provides \$13,576,900 from the General Fund for the operating budget in FY 2005. This amount includes an increase for statewide salary and other adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

Operations Backfill

The budget includes a General Fund shift of \$500,000 for operating expenditures. These monies derive from the elimination of the Water Banking Special Line Item *(see below)*. After FY 2003 budget reductions, the department began using funds from that Special Line Item to backfill its Operating Budget.

Special Line Items

Arizona Water Protection Fund Deposit

The budget provides \$0 from the General Fund for the Water Protection Fund in FY 2005. Laws 2004, Chapter 280, the Environmental Protection Budget Reconciliation Bill (BRB), suspends the A.R.S. § 45-2112 General Fund appropriation of \$5,000,000. Laws 2003, Chapter 263 suspended the appropriation to this fund in FY 2004.

The Arizona Water Protection Fund, administered by the Water Protection Fund Commission, provides grants to organizations for the preservation, enhancement, and restoration of rivers, streams, and riparian environments. When not suspended, A.R.S. § 45-2112 requires an annual \$5,000,000 General Fund appropriation to the Arizona Water Protection Fund.

Rural Water Studies

The budget provides \$500,000 from the General Fund for Rural Water Studies in FY 2005. This amount is unchanged from FY 2004.

Monies in this Special Line Item are used to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's Active Management Areas (AMAs). The current AMAs are Prescott, Phoenix, Pinal, Tucson, and Santa Cruz. These studies are administered through partnerships with local resource agency officials and stakeholders. Partnerships generally require local entities to provide some resources to match General Fund receipts. The studies are primarily conducted by the local entity, with the department providing technical advice and financial assistance.

Water Banking

The budget eliminates the Water Banking Special Line Item in FY 2005. This change represents a General Fund shift of \$500,000 to the Operating Budget *(see above)*. This Special Line Item primarily funded the storage of future water supplies for any county requiring distributions above its normal allotment.

An acre-foot of water represents the annual average water consumption of a four-person household. For each acre-foot purchased and stored with General Fund monies, the state received a credit. Currently, the state holds General Fund purchased credits for 396,000 acre-feet of water. Counties can use these credits to pump stored water if their needs exceed their usage allotment.

The state's AMAs also purchase water storage credits with groundwater withdrawal fees and a portion of the 4% property tax collected by the Central Arizona Project. Rural counties received credits solely through expenditure of General Fund monies.

The Arizona Water Banking Authority (AWBA) seeks to fully utilize Arizona's allocation of Colorado River water by using the Central Arizona Project to store water for the state's future needs. The AWBA is financed from the Arizona Water Banking Fund, which covers delivery of the state's unused allocation into central and southern Arizona for underground storage or irrigation in lieu of pumped groundwater. Fund expenditures are not subject to legislative appropriation, but AWBA rules require all contributions by an AMA to be used only for projects benefiting that AMA.

Monies in this Special Line Item also funded other state water management objectives and Native American water rights settlements.

Fund Transfers

Arizona Water Banking Fund

The General Appropriation Act transfers \$2,000,000 from the Arizona Water Banking Fund to the General Fund in FY 2005. This transfer is not part of the agency's appropriation and is not reflected in the table above.

Additional Legislation

Environmental Protection; Budget Reconciliation

The Environmental Protection BRB (Laws 2004, Chapter 280) includes a session law provision allowing the department to expend up to a total of \$1,551,600 of the unencumbered monies in the non-appropriated Augmentation and Conservation Assistance Fund and the non-appropriated Dam Repair Fund for operating expenditures in FY 2005. *(See Operations Backfill policy issue above.)* The department estimates that two-thirds of the statutory amount will come from the Augmentation and Conservation Assistance Fund, with the remaining third taken from the Dam Repair Fund. These monies replace \$1,823,700 used in FY 2004 from unencumbered amounts in the non-appropriated Arizona Water Banking Fund. The department negotiated this one-time use for FY 2004 operating expenditures with the consent of the Arizona Water Banking Authority.

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