

Director: Herb R. Guenther

JLBC Analyst: Matt Busby

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	169.7	198.7	212.7 ^{1/}
Personal Services	8,229,500	9,402,400	8,886,300
Employee Related Expenditures	2,339,100	2,829,900	2,950,600
Professional and Outside Services	584,100	832,100	812,100
Travel - In State	345,200	366,900	339,900
Travel - Out of State	27,000	28,000	28,000
Other Operating Expenditures	1,770,400	3,253,500	2,933,900
Equipment	347,300	354,400	227,900
OPERATING SUBTOTAL	13,642,600	17,067,200	16,178,700
SPECIAL LINE ITEMS			
Assured and Adequate Water Supply Administration	0	0	2,800,000 ^{2/3/4/5/}
Adjudication Support	0	0	500,000
Automated Groundwater Monitoring	0	0	500,000 ^{6/}
Arizona Water Protection Fund Deposit	0	0	0
Rural Water Studies	500,000	1,918,600	1,999,100 ^{7/}
AGENCY TOTAL	14,142,600	18,985,800	21,977,800^{8/}
FUND SOURCES			
General Fund	14,142,600	18,985,800	20,877,800
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	0	0	1,100,000
SUBTOTAL - Other Appropriated Funds	0	0	1,100,000
SUBTOTAL - Appropriated Funds	14,142,600	18,985,800	21,977,800
Other Non-Appropriated Funds	46,478,700	43,093,100	42,097,900
Federal Funds	534,700	773,400	381,500
TOTAL - ALL SOURCES	61,156,000	62,852,300	64,457,200

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.

1/ Includes 35.5 General Fund FTE Positions from Special Line Items in FY 2007
 2/ It is the intent of the Legislature that monies in the Assured and Adequate Water Supply Special Line Item will only be spent for the Assured and Adequate Water Supply Program and not be made available for other department operating expenditures. (General Appropriation Act footnote)
 3/ Any transfer to or from the amount appropriated for the Assured and Adequate Water Supply Special Line Item shall require review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
 4/ Prior to August 1, 2006, the department shall submit an expenditure plan to the Joint Legislative Budget Committee describing how the monies in the Assured and Adequate Water Supply Special Line Item will be used to accelerate the Assured and Adequate Water Supply Program application process. The expenditure plan shall include information on the number and processing time of applications received by the program. (General Appropriation Act footnote)
 5/ The department shall report to the Joint Legislative Budget Committee on the amount of fees collected by the Assured and Adequate Water Supply Program within 30 days after the end of each calendar year quarter. (General Appropriation Act footnote)
 6/ The appropriation includes \$500,000 for Automated Groundwater Monitoring to establish automated groundwater monitoring sites that monitor hydrologic behavior of groundwater basins and assess groundwater levels over time. Of the \$500,000 appropriation, \$325,000 shall be used for the costs associated with the installation, operation and maintenance of field equipment. The remaining \$175,000 shall be used to fund 2 FTE positions. (General Appropriation Act footnote)
 7/ Funding appropriated for the purposes of Rural Water Studies is exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations through June 30, 2008. (General Appropriation Act footnote)
 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2005	FY 2007
	Actual	Actual	Actual	Approved
<ul style="list-style-type: none"> • % of Colorado River entitlement used Comments: DWR reports that it is likely that 100% of its entitlement will always be used.	100	100	100	--
<ul style="list-style-type: none"> • % of Arizona's unclaimed Colorado River entitlement that is recharged via the Water Banking Authority 	95	95	95	--
<ul style="list-style-type: none"> • Number of dams in a non-emergency unsafe condition 	15	13	13	--
<ul style="list-style-type: none"> • Customer satisfaction rating for Hydrology Program (Scale 1-8) Comments: The agency did not submit information for this measure. To date the department has not conducted a Hydrology Program customer satisfaction survey based on overall customer satisfaction. They do report that 100% of users are satisfied with the use of map products and Geographic Information Systems tools support in the Hydrology Program.	NA	NA	NA	8.0
<ul style="list-style-type: none"> • Number of rural water studies initiated 	--	--	--	4

Operating Budget

The budget provides \$16,178,700 from the General Fund for the operating budget in FY 2007. The amount includes an increase of \$811,500 from the General Fund for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)*

Shift Assured and Adequate Water

Supply Funding

The budget provides a decrease of \$(1,700,000) and (12) FTE Positions from the General Fund in FY 2007 to shift funding for the Assured and Adequate Water Supply (AAWS) Program from the Operating Budget to the AAWS Special Line Item. *(See the Assured and Adequate Water Supply Special Line Item for additional detail.)*

Special Line Items

Assured and Adequate Water Supply Administration

The budget provides \$2,800,000 and 24 FTE Positions for the Assured and Adequate Water Supply (AAWS) Administration in FY 2007. This amount consists of:

	FY 2007
General Fund	\$1,700,000
AAWS Administration Fund	1,100,000

Laws 2005, Chapter 217 established the Assured and Adequate Water Supply Administration Fund to provide for the costs and expenses incurred by the Department of Water Resources when determining and declaring assured and adequate water supplies. The AAWS Administration Fund is subject to appropriation and consists of monies that are paid to the DWR for applications relating to assured and adequate water supplies.

Prior to this new Special Line Item, the AAWS program was funded from the department's operating budget at a General Fund cost of approximately \$1,700,000 per year. This amount was shifted to this new Special Line Item (SLI) and represents one-time funding for FY 2007. The remaining \$1,100,000 appropriated from the AAWS Administration Fund represents new resources to the department.

The fund began collecting revenue on August 12, 2005 and approximately \$101,000 has been deposited into the fund through May 2006. It is estimated that \$1,100,000 will be deposited into the fund in FY 2007. The FY 2007 forecast is based on the increased fees that developers will pay when proposed rule changes to increase the fee amounts are adopted. DWR expects the new rules to be adopted by the beginning of FY 2007.

A footnote in the General Appropriation Act requires DWR to submit an expenditure plan to the JLBC by August 1, 2006 describing how the monies in this line item will be used to accelerate the AAWS program application process.

After FY 2007, the General Fund contribution will be evaluated in light of the expected long-run revenue projections of the AAWS Administration Fund.

Monies in this Special Line Item are to provide for the operating costs of the Assured and Adequate Water Supply Program. All new subdivisions must receive a Certificate of Assured or Adequate Water Supply. A Certificate of Assured Water Supply is awarded to developers within the 5 Active Management Areas (AMAs) and demonstrates the availability of water for the next 100 years. New developers outside the 5 AMAs must obtain a determination of the quantity and quality of water

available in the new subdivision before any lots may be sold. A Certificate of Adequate Water Supply is awarded if DWR determines the subdivision has a 100-year supply of water. If the water is determined to be inadequate, lots may still be sold, but buyers must be notified of the determination.

Adjudication Support

The budget provides \$500,000 from the General Fund for a new Adjudication Support SLI in FY 2007. A.R.S. § 45-251 requires the Department of Water Resources (DWR) to provide technical and administrative support to judicial proceedings involving general stream adjudications for the Gila and Little Colorado River. Technical support for the adjudication courts includes the preparation of hydrographic survey reports and technical reports on specific issues within the adjudications.

Automated Groundwater Monitoring

The budget provides \$500,000 and 2 FTE Positions from the General Fund for a new Automated Groundwater Monitoring SLI in FY 2007. The monies will provide for the installation, operation, and maintenance of new automated groundwater measuring instruments, or transducers. The transducers provide daily measurements of groundwater levels and expedite analysis for various program activities for assured and adequate water supply, recharge, developing rural water budgets, and water rights studies.

Arizona Water Protection Fund Deposit

The budget provides no funding from the General Fund for the Water Protection Fund in FY 2007. The Environmental Protection Budget Reconciliation Bill (BRB) (Laws 2006, Chapter 349) suspends the A.R.S. § 45-2112 \$5,000,000 General Fund appropriation to the Water Protection Fund in FY 2007. This amount is unchanged from FY 2006.

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. This appropriation has been suspended since FY 2004.

Rural Water Studies

The budget provides \$1,999,100 and 9.5 FTE Positions from the General Fund for Rural Water Studies in FY 2007. This amount includes an increase of \$80,500 from the General Fund for statewide adjustments.

With this appropriation, total funding provides up to \$799,100 for staffing and at least \$1,200,000 for grants and projects.

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 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. Currently, models have been completed with only 3 of the 17 partnerships.

Additional Legislation

Arizona Water Banking Fund Deposit

Laws 2006, Chapter 344 deposits \$13,500,000 from the General Fund into the Arizona Water Banking Fund in FY 2007 for the purpose of carrying out the obligations of the state related to Indian Firming.

The Federal Arizona Water Settlements Act required the state along with the federal government to develop a program that would ensure the delivery of Central Arizona Project (CAP) non-Indian agricultural water to Arizona Indian tribes involved in Indian water settlements at the same priority as CAP municipal and industrial water. The Arizona Water Settlements Act (Laws 2006, Chapter 114) authorizes the AWBA to act as the agent of the state for purposes of implementing and meeting the state's obligations related to Indian firming. The \$13,500,000 transfer to the AWBA Fund would allow the AWBA to fulfill Arizona's obligations to Indian tribe water settlements.

Environmental Protection Budget Reconciliation Bill

The Environmental Protection BRB requires the Arizona Water Banking Authority (AWBA) to provide a full report to the JLBC that accounts for all of the monies received or disbursed pursuant to the interstate water banking agreement with Nevada. The report is due by October 1 following any fiscal year for which the report is required. Chapter 349 also requires the AWBA to use money received through interstate water banking agreements only for associated costs and AWBA responsibilities. The department must notify Legislative Council when the obligations of the Arizona Water Banking Agreement are met.