

# Department of Water Resources

JLBC: Matt Busby  
 OSPB: Marcel Benberou

DESCRIPTION	FY 2005 ACTUAL	FY 2006 ESTIMATE	FY 2007 JLBC
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	169.7	198.7	198.7
Personal Services	8,229,500	9,249,800	9,249,800
Employee Related Expenditures	2,339,100	2,800,900	2,725,600
Professional and Outside Services	584,100	832,100	832,100
Travel - In State	345,200	366,900	366,900
Travel - Out of State	27,000	28,000	28,000
Other Operating Expenditures	1,770,400	3,253,500	1,628,800
Equipment	347,300	354,400	354,400
<b>OPERATING SUBTOTAL</b>	<b>13,642,600</b>	<b>16,885,600</b>	<b>15,185,600</b>
<b>SPECIAL LINE ITEMS</b>			
AAWS Administration	0	0	2,000,000
Rural Water Studies	500,000	1,911,000	1,911,000
<b>AGENCY TOTAL</b>	<b>14,142,600</b>	<b>18,796,600</b>	<b>19,096,600</b>

<b>FUND SOURCES</b>			
General Fund	14,142,600	18,796,600	17,096,600
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	0	0	2,000,000
SUBTOTAL - Other Appropriated Funds	0	0	2,000,000
<b>SUBTOTAL - Appropriated Funds</b>	<b>14,142,600</b>	<b>18,796,600</b>	<b>19,096,600</b>
Other Non-Appropriated Funds			
Federal Funds	46,478,700	43,093,100	42,097,900
<b>TOTAL - ALL SOURCES</b>	<b>61,156,000</b>	<b>62,663,100</b>	<b>61,576,000</b>

## CHANGE IN FUNDING SUMMARY

	FY 2006 to FY 2007 JLBC	
	\$ Change	% Change
General Fund	(1,700,000)	(9.0%)
Other Appropriated Funds	2,000,000	0.0%
Total Appropriated Funds	300,000	1.6%
Non Appropriated Funds	(1,387,100)	(3.2%)
Total - All Sources	(1,087,100)	(1.7%)

**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 Actual	FY 2004 Actual	FY 2005 Actual	FY 2007 JLBC
• % of Colorado River entitlement used Comment: DWR reports that it is likely that 100% of its entitlement will always be used.	100	100	100	100
• % of Arizona's unclaimed Colorado River entitlement that is recharged via the Water Banking Authority	95	95	95	95
• Number of dams in a non-emergency unsafe condition	15	13	13	13

PERFORMANCE MEASURES (Continued)	FY 2003	FY 2004	FY 2005	FY 2007
	Actual	Actual	Actual	JLBC
<ul style="list-style-type: none"> <li>Customer satisfaction rating for Hydrology Program (Scale 1-8) Comment: 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.</li> </ul>	NA	NA	NA	8.0
<ul style="list-style-type: none"> <li>Number of rural water studies initiated (NEW)</li> </ul>	--	--	--	4

**RECOMMENDED CHANGES FROM FY 2006**

**Operating Budget**

The JLBC recommends \$15,185,600 from the General Fund for the General Fund in FY 2007. This amount would fund the following adjustments:

**Shift Assured and Adequate Water Supply Funding GF (1,700,000)**

The JLBC recommends 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 General Fund to the AAWS Administration Fund. (See the Assured and Adequate Water Supply Special Line Item for additional detail.)

**Special Line Items**

**Assured and Adequate Water Supply**

The JLBC recommends \$2,000,000 and 12 FTE positions from the AAWS Administration Fund for this Special Line Item in FY 2007. This amount would fund the following adjustments:

**Assured and Adequate Water Supply Operating OF 2,000,000**

The JLBC recommends an increase of \$2,000,000 and 12 FTE positions from the AAWS Administration Fund in FY 2007 to shift funding for the Assured and Adequate Water Supply program from the Operating Budget to the AAWS Line Item.

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 Department of Water Resources for applications relating to assured and adequate water supplies.

The fund began collecting revenue on August 12, 2005. It is estimated that \$90,000 will be deposited into the fund in FY 2006 and \$2,000,000 in FY 2007. The FY 2006 forecast is based on historical collections. 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 towards the end of FY 2006.

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.

**Arizona Water Protection Fund Deposit**

The JLBC recommends no funding from the General Fund and a session law change to A.R.S. § 45-2112 to suspend the statutory \$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 JLBC recommends \$1,911,000 and 9.5 FTE Positions from the General Fund for Rural Water Studies in FY 2007. This amount is unchanged from FY 2006.

With this appropriation, total funding provides up to \$700,000 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 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. Currently, models have been completed with only 3 of the 17 partnerships.

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**JLBC RECOMMENDED FORMAT** — Operating Lump Sum with Special Line Items by Agency

**JLBC RECOMMENDED FOOTNOTES**

*Standard Footnotes*

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.

**JLBC RECOMMENDED STATUTORY CHANGES**

The JLBC recommends a session law change to A.R.S. § 45-2112 to suspend the statutory \$5,000,000 transfer from the General Fund to the Arizona Water Protection Fund in FY 2007.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

**Water Banking**

The Arizona Water Banking Authority (AWBA) provides for the storage of future water supplies for any county requiring distributions above its normal allotment. In addition, the state’s AMAs may purchase water storage credits with groundwater withdrawal fees and a portion of the 4% property tax collected by the Central Arizona Project. Rural counties receive credits solely through expenditure of General Fund monies. The AWBA may also enter into interstate water banking agreements. The AWBA entered into an agreement with the State of Nevada and will receive a total of \$330 million in exchange for 1.25 million acre feet of water banking credits. Of the \$330 million, AWBA received \$27 million in FY 2005 and \$73 million FY 2006. The remaining \$230 million will be paid in 10 annual payments of \$23 million beginning in Calendar Year 2009.

DWR spent \$27 million in FY 2005 to purchase water pursuant to the agreement with Nevada and anticipates spending an additional \$27 million each year through FY 2008. These expenditures are used for purposes related to the water banking agreement with Nevada and are non-appropriated. Laws 2005, Chapter 332 requires the Water Banking Authority to receive a legislative appropriation to expend funds received through the water banking agreement with Nevada that are used for purposes outside of the contractual agreement with Nevada.

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
<b>Administrative Fund (WCA3025/A.R.S. § 45-113)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A portion of application, certificate, license, permit, and inspection fees.		
<b>Purpose of Fund:</b> To refund, without interest, fees paid to the department in error.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)</b>		<b>Appropriated</b>
<b>Source of Revenue:</b> Fees for applications relating to adequate and assured water supplies.		
<b>Purpose of Fund:</b> To support the costs and expenses incurred when determining and declaring assured and adequate water supplies.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	90,000
<b>Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
<b>Purpose of Fund:</b> Generally, to support water supply augmentation projects, such as groundwater recharge, as well as AMA conservation programs. In FY 2005 only, also to support department operations pursuant to Laws 2004, Chapter 280. By law, each AMA has its own sub-account within the fund. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.		
<b>Funds Expended</b>	2,098,300	1,159,900
<b>Year-End Fund Balance</b>	2,475,900	764,000

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
<b>Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Repayments for emergency remedial measures undertaken by the department on behalf of dam owners, as well as from dam safety inspection fees, filing fees, and legislative appropriations.		
<b>Purpose of Fund:</b> Generally, to implement emergency remedial measures on privately owned dams as necessary to protect life and property, as well as to offer loans and grants for private dam owners to make non-emergency repairs. In FY 2005 only, also to support department operations pursuant to Laws 2004, Chapter 280.		
<b>Funds Expended</b>	920,000	800,000
<b>Year-End Fund Balance</b>	1,666,400	1,036,400
<b>Federal Grants Fund (WCA2000/A.R.S. § 45-105)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants from the federal government.		
<b>Purpose of Fund:</b> To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
<b>Funds Expended</b>	534,700	773,400
<b>Year-End Fund Balance</b>	32,000	50,300
<b>Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, grants, and contributions from other public agencies.		
<b>Purpose of Fund:</b> To develop a flood warning system, purchase flood warning equipment, and provide assistance to local entities on a cost sharing basis for the planning, design, installation, operation, and maintenance of flood warning systems.		
<b>Funds Expended</b>	400	0
<b>Year-End Fund Balance</b>	72,200	72,700
<b>General Adjudications Fund (WCA2191/A.R.S. § 45-260)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Court fees paid by water claimants and from legislative appropriations.		
<b>Purpose of Fund:</b> To cover postage and other costs of serving legal notices to water rights claimants and of publicizing court proceedings. Also to remit filing fees to the courts.		
<b>Funds Expended</b>	45,300	41,800
<b>Year-End Fund Balance</b>	44,700	22,900
<b>Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Cost allocation transfers of federal and other non-appropriated funds.		
<b>Purpose of Fund:</b> To provide various indirect administrative services, including security and cashiering.		
<b>Funds Expended</b>	324,200	2,591,000
<b>Year-End Fund Balance</b>	1,877,300	306,900
<b>Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> From Arizona county payments.		
<b>Purpose of Fund:</b> To contract for flood plain management services.		
<b>Funds Expended</b>	35,300	60,000
<b>Year-End Fund Balance</b>	152,800	92,800
<b>Production and Copying Fund (WCA2411/A.R.S. § 45-115)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> From monies received for department publications and for copies of department records. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the General Fund.		
<b>Purpose of Fund:</b> To produce and distribute department publications, as well as to copy department records.		
<b>Funds Expended</b>	63,800	60,000
<b>Year-End Fund Balance</b>	10,900	5,900

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
<b>Publications and Mailings Fund (WCA2410/A.R.S. § 45-116)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> From monies received for the publication and mailing of legal notices as required by law. Any amount in excess of \$20,000 at the end of each fiscal year reverts to the General Fund.		
<b>Purpose of Fund:</b> To publish and mail legal notices.		
<b>Funds Expended</b>	21,400	20,000
<b>Year-End Fund Balance</b>	8,400	8,400
<b>Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> A portion of fees for groundwater withdrawal in AMAs.		
<b>Purpose of Fund:</b> To purchase and retire grandfathered groundwater rights, those entitlements legally owned or used before the creation of an AMA in a given area. By law, each AMA has its own sub-account within the fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	17,300	17,300
<b>Statewide Donations Fund (WCA2025/A.R.S. § 45-105)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Grants, gifts or donations of money or other property from any source.		
<b>Purpose of Fund:</b> Funds may be used for any purpose consistent with the duties and powers of the Director of the Department of Water Resources as described in statute.		
<b>Funds Expended</b>	31,800	64,700
<b>Year-End Fund Balance</b>	64,700	0
<b>State Water Storage Fund (WCA2287/A.R.S. § 45-897.01)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Since January 1, 1997, from interest only. Prior to that date, from property taxes levied by multi-county water conservation districts. These taxes are now directed to the Water Banking Fund.		
<b>Purpose of Fund:</b> To build underground water storage demonstration projects in conservation districts and to purchase excess Central Arizona Project (CAP) water. The department provides administrative support for this fund, but control of expenditures is vested with the Central Arizona Water Conservation District (CAWCD).		
<b>Funds Expended</b>	3,648,600	15,700
<b>Year-End Fund Balance</b>	15,700	0
<b>Arizona Water Banking Fund (WCA2110/A.R.S. § 45-2425)</b>		<b>Partially-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations and fees associated with the purchase, lease, storage, accreditation, and delivery of Colorado River water to municipalities and industrial water users. The Legislature appropriated \$500,000 in both FY 2003 and FY 2004, but did not appropriate any funds in FY 2005 or FY 2006. Also from a portion of the 4% property tax collected by CAWCD to pay for water storage. By law, each AMA has its own sub-account within the fund. This fund operates on the calendar year. Because fees and taxes are collected at the end of the fiscal year, the Year-End Fund Balances are not reflective of the calendar year-end balances. Pursuant to an interstate water banking agreement with Nevada, the fund received \$27 million in FY 2005 and will receive an additional \$73 million in FY 2006. The only expenditures subject to appropriation from this fund are for any monies received through the Nevada water banking agreement that are used for purposes outside of the contractual agreement with Nevada (Laws 2005, Chapter 332).		
<b>Purpose of Fund:</b> To purchase and store the unused portion of Arizona's Colorado River water allotment. The department provides administrative support for this fund, but control of expenditures is vested with AWBA. In addition, pursuant to an interstate water banking agreement with Nevada, monies are used to obtain, store, and retrieve water for Nevada. The Funds Expended totals below include \$27 million for this purpose in each of FY 2005 and 2006.		
<b>Appropriated Funds Expended</b>	0	0
<b>Non-appropriated Funds Expended</b>	35,594,600	35,600,700
<b>Year-End Fund Balance</b>	19,751,300	61,590,600

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
<b>Arizona Water Protection Fund</b> (WCA1302/A.R.S. § 45-2111)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> General Fund appropriations, as well as from purchases or leases of CAP water. Since FY 2000, session law changes have suspended the statutory General Fund appropriation.		
<b>Purpose of Fund:</b> To provide grants for projects that protect water quality and quantity, as well as to maintain, enhance, and restore rivers, streams, and associated riparian habitats. The Water Protection Fund Commission reviews grant applications and determines annual recipients. The department provides administrative support for this fund, but control of expenditures is vested with the commission. The Year-End Fund Balances represent non-obligated cash and do not reflect monies already granted but not yet paid.		
<b>Funds Expended</b>	2,635,800	1,248,900
<b>Year-End Fund Balance</b>	5,908,600	1,573,300
<b>Arizona Water Quality Fund</b> (WCA2304/A.R.S. § 45-618)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> From annual Water Quality Assurance Revolving Fund (WQARF) transfers negotiated with the Arizona Department of Environmental Quality (ADEQ), as well as from legislative appropriations, grants, and contributions from other public agencies.		
<b>Purpose of Fund:</b> To inspect wells for groundwater contamination and to take appropriate remedial action on contaminated wells. Inspections are done in conjunction with the ADEQ WQARF program.		
<b>Funds Expended</b>	584,900	628,200
<b>Year-End Fund Balance</b>	248,300	125,200
<b>Well Administration and Enforcement Fund</b> (WCA2491/A.R.S. § 45-606)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Well-drilling filing and permit fees.		
<b>Purpose of Fund:</b> To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.		
<b>Funds Expended</b>	474,300	802,200
<b>Year-End Fund Balance</b>	581,700	484,500