

Director: Herb R. Guenther

JLBC Analyst: Matt Busby

	FY 2006 Actual	FY 2007 Estimate	FY 2008 Approved	FY 2009 Approved
OPERATING BUDGET				
Full Time Equivalent Positions	198.7	212.7	231.7 ^{1/}	231.7 ^{1/}
Personal Services	9,055,000	8,667,400	8,668,700	8,410,400
Employee Related Expenditures	2,700,400	2,832,200	2,939,900	2,739,500
Professional and Outside Services	512,200	1,538,500	1,538,500	1,538,500
Travel - In State	405,400	407,200	287,200	287,200
Travel - Out of State	30,300	30,300	30,300	30,300
Other Operating Expenditures	3,142,300	2,563,600	2,502,700	2,327,000
Equipment	1,172,300	139,500	39,500	39,500
OPERATING SUBTOTAL	17,017,900	16,178,700	16,006,800	15,372,400
SPECIAL LINE ITEMS				
Adjudication Support	0	500,000	2,105,000 ^{2/}	2,105,000 ^{2/}
Arizona Water Protection Fund Deposit	0	0	1,000,000	2,000,000
Assured and Adequate Water Supply				
Administration	0	2,800,000	2,824,600 ^{3/4/}	2,800,400 ^{3/4/}
Automated Groundwater Monitoring	0	500,000	506,200	500,000
Conservation and Drought Program	0	0	500,000	491,200
Rural Water Studies	1,903,900	1,999,100	2,006,600 ^{5/6/}	1,999,100 ^{5/6/}
Upper San Pedro Water District Technical Assistance	0	0	250,000 ^{7/8/}	0
AGENCY TOTAL	18,921,800	21,977,800	25,199,200^{9/}	25,268,100^{9/}
FUND SOURCES				
General Fund	18,921,800	20,877,800	24,074,600	24,167,700
<u>Other Appropriated Funds</u>				
Assured and Adequate Water Supply				
Administration Fund	0	1,100,000	1,124,600	1,100,400
SUBTOTAL - Other Appropriated Funds	0	1,100,000	1,124,600	1,100,400
SUBTOTAL - Appropriated Funds	18,921,800	21,977,800	25,199,200	25,268,100
Other Non-Appropriated Funds	23,545,700	64,752,400	35,752,400	37,752,400
Federal Funds	697,100	843,600	284,300	208,800
TOTAL - ALL SOURCES	43,164,600	87,573,800	61,235,900	63,229,300

^{1/} Includes 62.8 GF FTE Positions from Special Line Items in FY 2008 and FY 2009.

^{2/} Monies in the Adjudication Support Line Item shall only be used for the exclusive purposes prescribed in A.R.S. § 45-256 and 45-257(B)(4). The Department of Water Resources shall not transfer any funds into or out of the Adjudication Support Line Item. (General Appropriation Act footnote)

^{3/} Monies in the Assured and Adequate Water Supply Administration Line Item shall only be used for the exclusive purposes prescribed in sections A.R.S. § 45-108 and 45-576 through 45-579. The Department of Water Resources shall not transfer any funds into or out of the Assured and Adequate Water Supply Administration Line Item. (General Appropriation Act footnote)

^{4/} 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)

^{5/} It is the intent of the Legislature that monies in the Rural Water Studies line item will only be spent to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state's AMAs and not be made available for other department operating expenditures. (General Appropriation Act footnote)

^{6/} Monies appropriated for the purposes of Rural Water Studies are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations through June 30, 2010. (General Appropriation Act footnote)

^{7/} The appropriation for the Department of Water Resources includes a line item of \$250,000 from the state General Fund in FY 2008 for the department to provide technical assistance to the organizing board of the Upper San Pedro Water District. If Senate Bill 2300 or similar legislation to address the organizing board of the Upper San Pedro Water District is not enacted into law during the 48th Legislature, 1st Regular Session, the sum of \$250,000 reverts to the state General Fund. (General Appropriation Act footnote)

^{8/} Monies appropriated for the purposes of providing technical assistance to the Upper San Pedro Water District are exempt from the provisions of A.R.S. § 35-190, relating to the lapsing of appropriations. (General Appropriation Act footnote)

^{9/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

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 2004	FY 2005	FY 2006	FY 2008
	Actual	Actual	Actual	Approved
• % of Colorado River entitlement used Comments: 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	13	13	13	13
• Number of rural water studies initiated	--	--	4	4
• Number of rural water studies completed in current year	--	--	--	4
• Customer satisfaction rating for Hydrology Program (Scale 1-8)	NA	NA	8.0	8.0

Operating Budget

The budget provides \$16,006,800 and 168.9 FTE Positions from the General Fund for the operating budget in FY 2008 and \$15,372,400 and 168.9 FTE Positions in FY 2009. These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$433,100 from the General Fund in FY 2008 and a decrease of \$(201,300) in FY 2009 for statewide adjustments. *(Please see the Statewide Adjustments section at the end of this Appropriations Report for details. The annualization of these adjustments for FY 2009 will be addressed in the 2008 budget process.)*

Shift Adjudication Support Funding

The budget provides a decrease of \$(605,000) and (8.3) FTE Positions from the General Fund in FY 2008 and FY 2009 to shift funding for Adjudication Support from the Operating Budget to the Adjudication Support Special Line Item (SLI).

Special Line Items

Adjudication Support

The budget provides \$2,105,000 and 21.3 FTE Positions from the General Fund for Adjudication Support in FY 2008 and FY 2009. These amounts include the continuation of \$500,000 from the General Fund originally designated as one-time in FY 2007. These amounts also include the following adjustments:

Shift Funding from Operating Budget

The budget provides an increase of \$605,000 and 8.3 FTE Positions from the General Fund in FY 2008 and FY 2009 to shift funding for Adjudication Support from the Operating Budget to this Adjudication Support SLI.

New Staff

The budget provides an increase of \$1,000,000 and 13 FTE Positions from the General Fund in FY 2008 and FY 2009 for additional staff to assist general stream adjudications.

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. The purpose of the adjudications is to determine the nature, extent, and priority of the water rights claims on the 2 rivers. Technical support for the adjudication courts includes the preparation of hydrographic survey reports and technical reports on specific issues within the adjudications. In addition, DWR is required to keep track of the Statement of Claimants and implement court rulings that are in favor of the claimants.

In 1953, Congress passed the McCarran Amendment, granting state courts jurisdiction over the adjudication of the tribal water rights. As part of this amendment, if the states are unsuccessful in completing the adjudications, the adjudications will be moved to federal courts.

Arizona Water Protection Fund Deposit

The budget provides \$1,000,000 from the General Fund for the Water Protection Fund Deposit in FY 2008 and \$2,000,000 in FY 2009. The Environment Budget Reconciliation Bill (Laws 2007, Chapter 262) includes a

session law change to A.R.S. § 45-2112 suspending the statutory \$5,000,000 General Fund appropriation to the Water Protection Fund in FY 2008 and FY 2009 and notes that the amount shall be as specified in the General Appropriation Act.

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 had previously been suspended since FY 2004.

Assured and Adequate Water Supply Administration

The budget provides \$2,824,600 and 24 FTE Positions for the Assured and Adequate Water Supply Program in FY 2008 and \$2,800,400 and 24 FTE Positions in FY 2009. These amounts consist of:

	<u>FY 2008</u>	<u>FY 2009</u>
General Fund	\$1,700,000	\$1,700,000
AAWS Administration Fund	1,124,600	1,100,400

These amounts fund the following adjustments:

Statewide Adjustments

The budget provides an increase of \$24,600 from the AAWS Administration Fund in FY 2008 and an increase of \$400 in FY 2009 for statewide adjustments.

Continuation of One-Time Funding

The budget provides for the continuation of \$1,700,000 and 12 FTE Positions from the General Fund in FY 2008 and FY 2009 for the Assured and Adequate Water Supply (AAWS) Program.

Laws 2005, Chapter 217 established the Assured and Adequate Water Supply Administration Fund to provide for the costs and expenses incurred by DWR 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. Previously, fees were deposited into the General Fund.

Prior to the creation of this SLI, 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 SLI and received one-time funding from the General Fund in FY 2007 due to the creation of the new fund. These monies are continued in FY 2008 and FY 2009.

The fund began collecting revenue on August 12, 2005 and approximately \$536,900 has been deposited into the fund through the first 3 quarters of FY 2007. Part of the reason for the low collections in FY 2007 may be due to applications being submitted before new fees became

effective in September 2006. It is also unclear what effect the slowing in the housing market will have on collections. DWR assumed \$1,100,000 in revenue for FY 2008 and FY 2009 in their budget request.

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.

Automated Groundwater Monitoring

The budget provides \$506,200 and 2 FTE Positions from the General Fund for Automated Groundwater Monitoring in FY 2008 and \$500,000 and 2 FTE Positions in FY 2009. These amounts include the following adjustments:

Statewide Adjustments

The budget provides an increase of \$6,200 from the General Fund in FY 2008 and no change in FY 2009 for statewide adjustments.

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.

Conservation and Drought Program

The budget provides \$500,000 and 6 FTE Positions from the General Fund for a new Conservation and Drought Office SLI in FY 2008 and \$491,200 and 6 FTE Positions in FY 2009.

The Conservation and Drought Office was originally requested in the Executive’s FY 2007 budget. The Legislature did not appropriate funding for the new program in FY 2007. However, the department used \$500,000 and 6 FTE Positions from the Rural Water Studies SLI to fund the new program. As a part of the final FY 2008 budget, this line item was created and ongoing funding is provided to continue this program.

Monies in this Special Line Item are used to assist local communities to assess conservation needs and assist rural communities in the development of conservation programs, promote water education throughout the state,

create guidelines for more efficient use of water, and provide suggestions for funding and implementing conservation programs.

Rural Water Studies

The budget provides \$2,006,600 and 9.5 FTE Positions from the General Fund for Rural Water Studies in FY 2008 and \$1,999,100 and 9.5 FTE Positions in FY 2009. These amounts include the following adjustments:

Statewide Adjustments

The budget provides \$7,500 from the General Fund in FY 2008 and no change in FY 2009 for statewide adjustments.

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 are in progress in 4 of the 17 partnerships.

As discussed above in the Conservation and Drought Program narrative, \$500,000 of the FY 2007 appropriated amount for Rural Water Studies was used to fund the Conservation and Drought Office. By providing separate funding for the office, \$500,000 of this line item is freed up for Rural Water Studies. In addition, a new footnote was included in the General Appropriation Act prohibiting any of the monies appropriated to this line item to be used for any other purpose other than rural water studies. (*See footnote 5 above.*)

Upper San Pedro Water District Technical Assistance

The budget provides a one-time increase of \$250,000 from the General Fund in FY 2008 for a new Upper San Pedro Water District Technical Assistance line item. Laws 2007, Chapter 252 allows the Upper San Pedro Water District and Board of Directors to be established if approved by qualified voters of the District. The bill also creates an Organizing Board to prepare organizational, financial, comprehensive, and election plans for the district. The funding in the General Appropriation Act will provide for the operating costs associated with providing technical assistance to the Organizing Board and Board of Supervisors and is non-lapsing.

The Upper San Pedro groundwater basin is located in southeastern Arizona, specifically in Cochise County with portions expanding into Pima County and Santa Cruz County. The groundwater basin is a major source of water for the residents of Cochise County and for Fort Huachuca. The district would include Fort Huachuca, Sierra Vista,

Tombstone, Huachuca City and a portion of Bisbee, all of which are located within Cochise County and the groundwater basin. Federal law (P.L. 108-136) requires consideration of water issues in evaluating the future of Fort Huachuca and requires that water levels in the basin remain at a defined level. The district would assist in ensuring the water supply to Fort Huachuca and its surrounding communities.