

Director: Herb R. Guenther

JLBC Analyst: Leah Kritzer

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Approved
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	212.7	231.7	231.7 ^{1/}
Personal Services	8,667,400	8,668,700	8,668,700
Employee Related Expenditures	2,832,200	2,873,500	2,873,500
Professional and Outside Services	1,538,500	1,538,500	1,538,500
Travel - In State	407,200	287,200	287,200
Travel - Out of State	30,300	30,300	30,300
Other Operating Expenditures	2,563,600	2,575,300	2,578,400
Equipment	139,500	39,500	39,500
OPERATING SUBTOTAL	16,250,000	16,013,000	16,016,100
SPECIAL LINE ITEMS			
Adjudication Support	499,900	2,105,800	2,106,100 ^{2/}
Arizona Water Protection Fund Deposit	0	0	2,000,000
Assured and Adequate Water Supply Administration	1,856,400	2,825,000	2,825,500 ^{3/4/}
Automated Groundwater Monitoring	494,900	506,300	506,300
Conservation and Drought Program	0	500,200	491,500
Rural Water Studies	1,626,200	2,006,900	2,007,100 ^{5/6/}
Upper San Pedro Water District Technical Assistance	0	250,000 ^{7/}	0
Lump Sum Reduction	0	(75,200)	(75,400)
AGENCY TOTAL	20,645,400	24,132,000	25,877,200^{8/}
FUND SOURCES			
General Fund	20,645,400	23,013,100	17,858,100
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	156,600	1,118,900	1,119,100
Arizona Water Banking Fund	0	0	6,900,000
SUBTOTAL - Other Appropriated Funds	156,600	1,118,900	8,019,100
SUBTOTAL - Appropriated Funds	20,802,000	24,132,000	25,877,200
Other Non-Appropriated Funds	78,311,900	36,862,500	38,955,000
Federal Funds	721,500	324,800	309,800
TOTAL - ALL SOURCES	99,835,400	61,319,300	73,161,100

1/ Includes 62.8 GF FTE Positions from Special Line Items in 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/ 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)

8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

PERFORMANCE MEASURES	FY 2005	FY 2006	FY 2007	FY 2009
	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	4
• Number of rural water studies completed in current year	--	--	--	4
• Customer satisfaction rating for Hydrology Program (Scale 1-8)	NA	8.0	8.0	8.0

This agency's FY 2008 and FY 2009 budget was originally appropriated in Laws 2007, Chapter 255. For details on this agency's original FY 2008 and FY 2009 budgets, please see the *FY 2008 Appropriations Report*. The following narrative provides a comprehensive listing of all FY 2009 changes, whether as part of Chapter 255 or this year's budget.

Operating Budget

The budget provides \$16,016,100 and 168.9 FTE Positions from the General Fund for the operating budget in FY 2009. These amounts fund the following adjustments:

Continue FY 2008 Statewide Adjustments

The budget continues an increase of \$640,600 from the General Fund in FY 2009 for FY 2008 statewide adjustments. *(Please see the FY 2008 Statewide Adjustments narrative at the end of this Appropriations Report for details.)*

New Statewide Adjustments

The budget provides an increase of \$3,100 from the General Fund in FY 2009 for new statewide adjustments. *(Please see the New Statewide Adjustments narrative at the end of this Appropriations Report for details.)*

Adjudication Support

The budget provides \$2,106,100 and 21.3 FTE Positions from the General Fund for Adjudication Support in FY 2009. These amounts fund the following adjustments:

Continue FY 2008 Statewide Adjustments

The budget continues an increase of \$800 from the General Fund in FY 2009 for FY 2008 statewide adjustments.

New Statewide Adjustments

The budget provides an increase of \$300 from the General Fund in FY 2009 for new statewide adjustments.

Shift Adjudication Support Increase

The budget provides a decrease of \$(500,000) from the General Fund and a corresponding increase from the Arizona Water Banking Fund in FY 2009. Total funding for the SLI was unchanged by the shift.

In FY 2009, a total of \$6,900,000 is appropriated from the Arizona Water Banking Fund across the entire department to offset General Fund reductions. *(Please see the Arizona Water Protection Fund Deposit SLI, Assured and Adequate Water Supply SLI, and Lump Sum Reduction sections for more information.)*

Background – 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, the Department of Water Resources (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 \$2,000,000 from the General Fund for the Water Protection Fund Deposit in FY 2009. These amounts fund the following adjustments:

Shift Water Protection Fund Deposit

The budget provides a decrease of \$(2,000,000) from the General Fund and a corresponding increase from the Arizona Water Banking Fund in FY 2009.

The Arizona Water Protection Fund was originally appropriated \$1,000,000 in FY 2008 and \$2,000,000 in FY 2009 from the General Fund. Laws 2008, Chapter 285 eliminated the \$(1,000,000) for FY 2008. The FY 2009 budget eliminates the \$(2,000,000) deposit from the General Fund in FY 2009 and provides an increase of \$2,000,000 from the Arizona Water Banking Fund to offset the General Fund reduction.

In FY 2009, a total of \$6,900,000 is appropriated from the Arizona Water Banking Fund across the entire department to offset General Fund reductions. (Please see the Adjudication Support SLI, Assured and Adequate Water Supply SLI, and Lump Sum Reduction sections for more information.)

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 \$2,825,500 and 24 FTE Positions for the Assured and Adequate Water Supply (AAWS) Program in FY 2009. These amounts consist of:

General Fund	\$1,300,300
AAWS Administration Fund	1,124,800
Arizona Water Banking Fund	400,000

These amounts fund the following adjustments:

Continue FY 2008 Statewide Adjustments

The budget continues an increase of \$24,600 in FY 2009 for FY 2008 statewide adjustments. These amounts consists of:

General Fund	400
AAWS Administration Fund	24,200

New Statewide Adjustments

The budget provides an increase of \$500 in FY 2009 for new statewide adjustments. These amounts consists of:

General Fund	300
AAWS Administration Fund	200

Shift Assured and Adequate Water Program Costs

The budget provides a decrease of \$(400,000) from the General Fund and a corresponding increase from the Arizona Water Banking Fund in FY 2009.

The FY 2009 budget reduces the General Fund appropriation by \$(400,000). Total funding for the SLI was unchanged by the shift. In FY 2009, a total of \$6,900,000 is appropriated from the Arizona Water Banking Fund across the entire department to offset General Fund reductions. (Please see the Adjudication Support SLI, Arizona Water Protection Fund Deposit SLI, and Lump Sum Reduction sections for more information.)

Background – 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.

A total of \$776,600 was collected in FY 2007 and \$579,100 in FY 2008. Part of the reason for the low collections 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 future 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 \$506,300 and 2 FTE Positions from the General Fund for Automated Groundwater Monitoring in FY 2009. These amounts include the following adjustments:

Continue FY 2008 Statewide Adjustments

The budget continues an increase of \$6,300 from the General Fund in FY 2009 for FY 2008 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 \$491,500 and 6 FTE Positions from the General Fund for a new Conservation and Drought Office Special Line Item in FY 2009. These amounts fund the following adjustments:

Continue FY 2008 Statewide Adjustments

The budget continues an increase of \$200 from the General Fund in FY 2009 for FY 2008 statewide adjustments.

New Statewide Adjustments

The budget provides an increase of \$100 from the General Fund in FY 2009 for new statewide adjustments.

Funding Reduction

The budget provides a decrease of \$(8,700) from the General Fund in FY 2009. This change was enacted as part of the original FY 2008 budget.

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 \$2,007,100 and 9.5 FTE Positions from the General Fund for Rural Water Studies in FY 2009. These amounts fund the following adjustments:

Continue FY 2008 Statewide Adjustments

The budget continues an increase of \$7,800 from the General Fund in FY 2009 for FY 2008 statewide adjustments.

New Statewide Adjustments

The budget provides an increase of \$200 from the General Fund in FY 2009 for new 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.

Upper San Pedro Water District Technical Assistance

The budget provides no funding for the Upper San Pedro Water District Technical Assistance Special Line Item in FY 2009. This amount funds the following adjustments:

Eliminate One-Time Funding

The budget provides a decrease of \$(250,000) from the General Fund to eliminate one-time funding for a new Upper San Pedro Water District Technical Assistance line item in FY 2009. Laws 2007, Chapter 252 allowed the Upper San Pedro Water District and Board of Directors to be established if approved by qualified voters of the District. The bill also created an Organizing Board to prepare organizational, financial, comprehensive, and election plans for the district. The funding in the General Appropriation Act provided 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.

Lump Sum Reduction

The budget provides \$(75,400) in FY 2009 for a lump sum reduction. These amounts consists of:

General Fund	(69,700)
AAWS Administration Fund	(5,700)

These amounts fund the following adjustments:

Additional Hiring Freeze Reduction

The budget provides an additional decrease of \$(200) from the General Fund in FY 2009 for the hiring freeze originally enacted as part of the FY 2008 budget revisions. This amount represents the agency's share of a statewide hiring freeze reduction. *(Please see the Statewide Hiring Freeze Reduction section at the end of this Appropriations Report for details.)*

Lump Sum Reduction and Offset

The budget provides an agency-wide lump sum reduction of \$(4,000,000) from the General Fund and a corresponding increase from the Arizona Water Banking Fund in FY 2009. Agency-wide funding was unchanged by the shift.

In FY 2009, a total of \$6,900,000 is appropriated from the Arizona Water Banking Fund across the entire department to offset General Fund reductions. *(Please see the Adjudication Support SLI, Arizona Water Protection Fund Deposit SLI, and Assured and Adequate Water Supply SLI sections for more information.)*

Fund Transfers

The budget provides a transfer of \$5,500,000 from the Arizona Water Banking Fund in FY 2009. This transfer is not part of the \$6,900,000 Water Banking shift discussed elsewhere in the narrative and is not reflected in the table above.