

## Department of Water Resources

JLBC: Aaron Galeener  
 OSPB: Thomas Soteros-McNamara

	FY 2009 ACTUAL	FY 2010 ESTIMATE	FY 2011 BASELINE
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	231.7	216.7	207.2
Personal Services	7,649,400	7,523,000	7,523,000
Employee Related Expenditures	2,864,100	2,565,200	2,565,200
Professional and Outside Services	(169,700)	537,600	537,600
Travel - In State	202,500	207,600	207,600
Travel - Out of State	10,300	32,500	32,500
Other Operating Expenditures	2,785,500	2,513,400	2,513,400
Equipment	92,400	45,000	45,000
<b>OPERATING SUBTOTAL</b>	<b>13,434,500</b>	<b>13,424,300</b>	<b>13,424,300</b>
<b>SPECIAL LINE ITEMS</b>			
Adjudication Support	1,601,600	1,256,200	1,256,200
Arizona Water Protection Fund Deposit	0	0	0
Assured and Adequate Water Supply Administration	1,781,000	2,513,700	1,839,100
Automated Groundwater Monitoring	505,200	422,300	422,300
Conservation and Drought Program	465,700	409,900	409,900
Rural Water Studies	1,409,300	1,173,700	1,173,700
5th Special Session Reduction	0	(1,368,600)	(1,368,600)
<b>AGENCY TOTAL</b>	<b>19,197,300</b>	<b>17,831,500</b>	<b>17,156,900</b>
<b>FUND SOURCES</b>			
General Fund	10,285,500	16,879,900	16,879,900
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	1,011,800	951,600	277,000
Water Banking Fund	7,900,000	0	0
<b>SUBTOTAL - Other Appropriated Funds</b>	<b>8,911,800</b>	<b>951,600</b>	<b>277,000</b>
<b>SUBTOTAL - Appropriated Funds</b>	<b>19,197,300</b>	<b>17,831,500</b>	<b>17,156,900</b>
Other Non-Appropriated Funds	14,812,700	7,668,700	7,668,700
Federal Funds	337,600	393,500	301,500
<b>TOTAL - ALL SOURCES</b>	<b>34,347,600</b>	<b>25,893,700</b>	<b>25,127,100</b>

### CHANGE IN FUNDING SUMMARY

	FY 2010 to FY 2011 Baseline	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	(674,600)	(70.9%)
Total Appropriated Funds	(674,600)	(3.8%)
Non-Appropriated Funds	0	0.0%
Total - All Sources	(674,600)	(2.6%)

**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.

### **Operating Budget**

The Baseline includes \$13,424,300 and 147.4 FTE Positions from the General Fund for the operating budget in FY 2011. These amounts are unchanged from FY 2010.

### **Adjudication Support**

The Baseline includes \$1,256,200 and 21.3 FTE Positions from the General Fund for Adjudication Support in FY 2011. These amounts are unchanged from FY 2010.

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 Rivers. 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 Baseline includes no funding for the Water Protection Fund Deposit in FY 2011. This amount is unchanged from FY 2010.

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. The Baseline 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 2011.

### **Assured and Adequate Water Supply Administration**

The Baseline includes \$1,839,100 and 21 FTE Positions for the Assured and Adequate Water Supply (AAWS) Program in FY 2011. These amounts consist of:

General Fund	\$1,562,100
AAWS Administration Fund	277,000

FY 2011 adjustments would be as follows:

### **Revenue Realignment OF (674,600)**

The Baseline would include a decrease of (\$674,600) and (2.5) FTE Positions from the AAWS Administration Fund in FY 2011 to bring its appropriation in line with annual revenue. A total of \$301,200 was collected in FY 2009 and \$252,000 is estimated for FY 2010. The department estimates \$277,000 in revenue for FY 2011. Part of the reason for the low collections may be due to decline in new home construction.

Laws 2005, Chapter 217 established the Assured and Adequate Water Supply Administration Fund to provide for the costs and expenses incurred by DWR 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.

Monies in this Special Lines Item (SLI) are to provide for the operating costs of the AAWS 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 Baseline includes \$422,300 and 2 FTE Positions from the General Fund for Automated Groundwater Monitoring in FY 2011. These amounts are unchanged from FY 2010.

Monies in this SLI are to 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 Baseline includes \$409,900 and 6 FTE Positions from the General Fund for the Conservation and Drought Program Special Line Item in FY 2011. These amounts are unchanged from FY 2010.

Monies in this SLI 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 Baseline includes \$1,173,700 and 9.5 FTE Positions from the General Fund for Rural Water Studies in FY 2011. These amounts are unchanged from FY 2010.

Monies in this SLI 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, there are 8 studies underway.

**5<sup>th</sup> Special Session Reduction**

The Baseline includes \$(1,368,600) from the General Fund in FY 2011 to continue the 5<sup>th</sup> Special Session FY 2010 Lump Sum Reduction. This lump sum reduction would be allocated to specific line items in the FY 2011 General Appropriation Act.

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

**FOOTNOTES**

*Standard Footnotes*

Monies in the Adjudication Support line item shall only be used for the exclusive purposes prescribed in A.R.S. § 45-

256 and 45-257B4. The Department of Water Resources shall not transfer any funds into or out of the Adjudication Support line item.

Monies in the Assured and Adequate Water Supply Administration line item shall only be used for the exclusive purposes prescribed in 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.

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.

**STATUTORY CHANGES**

The Baseline would, as session law, continue a change to A.R.S. § 45-2112 to suspend the statutory \$5,000,000 transfer from the General Fund to the Water Protection Fund in FY 2011.

**OTHER ISSUES FOR LEGISLATIVE CONSIDERATION**

**5% FTE Position Reduction**

The Department of Water Resources was originally budgeted 214.2 General Fund FTE Positions in FY 2010. Laws 2009, 3<sup>rd</sup> Special Session, Chapter 11, Section 17 mandates a 5% General Fund FTE Position reduction by February 1, 2010. Given the mid-year implementation, this provision requires the Department of Water Resources to reduce an additional 4 FTE Positions in FY 2010 and 11 General Fund FTE Positions in FY 2011. This reduction is allocated to the operating budget; the agency may allocate to Special Line Items.

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
<b>Administrative Fund</b> (WCA3025/A.R.S. § 45-113)		<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 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</b> (WCA2509/A.R.S. § 45-580)		<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>	1,011,800	951,600
<b>Year-End Fund Balance*</b>	493,900	(378,700)

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
<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. 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>	1,001,500	1,159,900
<b>Year-End Fund Balance</b>	1,357,400	474,100
<b>Colorado River Water Use Fee Clearing Fund (WCA2538/A.R.S. § 45-333)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
<b>Purpose of Fund:</b> Monies are transferred to the Lower River Multispecies Conservation Program.		
<b>Funds Expended</b>	9,300	5,000
<b>Year-End Fund Balance</b>	100	100
<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.		
<b>Funds Expended</b>	292,300	180,000
<b>Year-End Fund Balance</b>	603,900	2,500
<b>Federal Grants (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>	337,600	393,500
<b>Year-End Fund Balance</b>	23,800	12,300
<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>	3,300	3,000
<b>Year-End Fund Balance</b>	146,300	110,800
<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>	28,500	21,800
<b>Year-End Fund Balance</b>	47,200	31,400
<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>	1,199,400	1,258,100
<b>Year-End Fund Balance</b>	774,100	204,800

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
<b>Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Collections from other state and local agencies.		
<b>Purpose of Fund:</b> To pay for projects based upon interagency service agreements with other agencies.		
<b>Funds Expended</b>	164,500	140,000
<b>Year-End Fund Balance</b>	477,300	407,300
<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>	17,500	20,000
<b>Year-End Fund Balance</b>	10,400	10,200
<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>	11,500	12,000
<b>Year-End Fund Balance</b>	7,800	5,800
<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>	39,400	41,100
<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. The balance of the fund was expended in 2006.		
<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>	0	0
<b>Year-End Fund Balance</b>	0	0
<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>	96,500	95,000
<b>Year-End Fund Balance</b>	317,300	242,300

SUMMARY OF FUNDS	FY 2009 Actual	FY 2010 Estimate
<b>Water Banking Fund</b> (WCA2110/A.R.S. § 45-2425)		<b>Partially-Appropriated</b>
<p><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. Revenue also comes 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 a combined total of \$100,000,000 in FY 2005 and FY 2006. In 2004, the Southern Nevada Water Authority (SNWA) agreed to pay the Arizona Water Banking Authority (AWBA) an additional \$230,000,000 for delivery and storage of water. Equal payments of \$23,000,000 per year from Nevada to the AWBA were to begin in 2009 and continue through 2018. In FY 2009, the agreement was amended allowing SNWA to delay payment resulting in no payment in FY 2009. Appropriations from this fund may include monies received through the water banking agreement with Nevada that are used for purposes outside of contractual agreement with Nevada (Laws 2009, Chapter 332). In FY 2009, \$7,900,000 was appropriated from the Water Banking Fund to backfill General Fund reductions to the department's budget.</p> <p><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, to obtain, store, and retrieve water for Nevada. The Funds Expended totals below include \$2,700,000 for this purpose in FY 2010.</p>		
<b>Appropriated Funds Expended</b>	7,900,000	0
<b>Non-Appropriated Funds Expended</b>	8,068,000	3,720,800
<b>Year-End Fund Balance</b>	12,150,500	6,094,500
<b>Water Protection Fund</b> (WCA1302/A.R.S. § 45-2111)		<b>Non-Appropriated</b>
<p><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. In FY 2010, the \$2,000,000 statutory deposit from the Arizona Water Banking Fund was also suspended.</p> <p><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.</p>		
<b>Funds Expended</b>	2,848,500	514,600
<b>Year-End Fund Balance</b>	9,157,800	22,400
<b>Water Quality Fund</b> (WCA2304/A.R.S. § 45-618)		<b>Non-Appropriated</b>
<p><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.</p> <p><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.</p>		
<b>Funds Expended</b>	496,900	304,800
<b>Year-End Fund Balance</b>	249,800	4,900
<b>Well Administration and Enforcement Fund</b> (WCA2491/A.R.S. § 45-606)		<b>Non-Appropriated</b>
<p><b>Source of Revenue:</b> Well-drilling filing and permit fees.</p> <p><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.</p>		
<b>Funds Expended</b>	575,000	233,700
<b>Year-End Fund Balance</b>	35,200	0

\*As reported by the agency. Actual ending balance will not be negative.