

Department of Water Resources

	FY 2011 ACTUAL	FY 2012 ESTIMATE	FY 2013 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	207.2	207.2	207.2
Personal Services	969,500	4,474,600	4,474,600
Employee Related Expenditures	363,700	1,232,400	1,232,400
Professional and Outside Services	36,000	64,400	64,400
Travel - In State	20,200	87,000	87,000
Travel - Out of State	11,400	24,900	24,900
Other Operating Expenditures	794,900	1,458,100	1,458,100
Equipment	2,800	102,000	102,000
OPERATING SUBTOTAL	2,198,500	7,443,400	7,443,400
SPECIAL LINE ITEMS			
Adjudication Support	1,251,800	1,212,900	1,212,900
Assured and Adequate Water Supply Administration	1,821,800	1,771,100	1,771,100
Automated Groundwater Monitoring	416,000	401,100	401,100
Conservation and Drought Program	404,700	395,700	395,700
Rural Water Studies	886,900	1,139,600	1,139,600
AGENCY TOTAL	6,979,700	12,363,800^{1/}	12,363,800
FUND SOURCES			
General Fund	6,719,100	5,698,300	5,698,300
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	260,600	265,300	265,300
Water Resources Fund	0	6,400,200	6,400,200
SUBTOTAL - Other Appropriated Funds	260,600	6,665,500	6,665,500
SUBTOTAL - Appropriated Funds	6,979,700	12,363,800	12,363,800
Other Non-Appropriated Funds	9,833,900	8,134,400	8,134,400
Federal Funds	386,800	198,300	198,300
TOTAL - ALL SOURCES	17,200,400	20,696,500	20,696,500

AGENCY DESCRIPTION — The Department of Water Resources (DWR) 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 \$7,443,400 and 155.2 FTE Positions in FY 2013 for the operating budget. These amounts consist of:

	FY 2013
General Fund	\$1,043,200
Water Resources Fund	6,400,200

These amounts are unchanged from FY 2012.

Adjudication Support

The Baseline includes \$1,212,900 and 14.5 FTE Positions from the General Fund in FY 2013 for Adjudication Support. These amounts are unchanged from FY 2012.

A.R.S. § 45-251 requires DWR to provide technical and administrative support to judicial proceedings involving water rights claims on the Gila and Little Colorado Rivers.

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.

^{1/} In addition to these amounts, a total of \$170,400 GF and \$5,900 OF is appropriated in FY 2012 for costs associated with an additional pay period.

Assured and Adequate Water Supply Administration

The Baseline includes \$1,771,100 and 19.8 FTE Positions in FY 2013 for the Assured and Adequate Water Supply (AAWS) Program. These amounts consist of:

General Fund	1,505,800
AAWS Administration Fund	265,300

These amounts are unchanged from FY 2012.

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 \$401,100 and 2 FTE Positions from the General Fund in FY 2013 for Automated Groundwater Monitoring. These amounts are unchanged from FY 2012.

Monies in this special line item (SLI) are to provide for automated measuring instruments, which provide daily measurements of groundwater levels. This information is used in determining assured and adequate water supply, recharge levels, rural water budgets, and water rights studies.

Conservation and Drought Program

The Baseline includes \$395,700 and 4.7 FTE Positions from the General Fund in FY 2013 for the Conservation and Drought Program Special Line Item. These amounts are unchanged from FY 2012.

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 \$1,139,600 and 11 FTE Positions from the General Fund in FY 2013 for Rural Water Studies. These amounts are unchanged from FY 2012.

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. The department is currently involved in 9 studies.

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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.

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.

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.

STATUTORY CHANGES

The Baseline would, as session law, state that it is legislative intent that the combination of increased fees for services and the fee levied on municipalities shall not exceed \$7,000,000.

OTHER ISSUES FOR LEGISLATIVE CONSIDERATION

Fee Revenue

The FY 2011 budget reduced the General Fund appropriation by \$(5,662,900) and permitted the Director to increase fees with the intent that the additional revenues would not exceed \$5,662,900. Laws 2010, Chapter 282 established the Water Resources Fund for the fees collected by the department. The department raised assured and adequate water supply fees, well fees, dam safety fees, groundwater fees, and surface water fees; however, the department only collected \$744,100 from these fees in FY 2011.

As a result of the limited revenue collected in FY 2011, the FY 2012 Environment Budget Reconciliation Bill (Law 2011, Chapter 36) permitted the Director to assess a fee on municipalities in FY 2012. The fee was to be assessed proportionally based on the population of each municipality. The bill also allowed for increased fees for services. The bill states legislative intent was that the combination of increased fees for services and the fees levied on municipalities not exceed \$7,000,000. Municipalities can pay the fee in 2 installments, the first in October 2011 and the second in January 2012. The municipality fee has allowed the department to significantly increase the FY 2012 spending level. As of November 10, 2011, the department has collected \$4,795,200 from fees levied on municipalities.

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Administrative Fund (WCA3025/A.R.S. § 45-113)		Non-Appropriated
Source of Revenue: A portion of application, certificate, license, permit and inspection fees.		
Purpose of Fund: To refund, without interest, fees paid to department in error.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Assured and Adequate Water Supply Administration Fund (WCA2509/A.R.S. § 45-580)		Appropriated
Source of Revenue: Fees for applications relating to adequate and assured water supplies.		
Purpose of Fund: To support the costs and expenses incurred when determining and declaring assured and adequate water supplies.		
Funds Expended	260,600	265,300
Year-End Fund Balance	211,300	104,500
Augmentation and Conservation Assistance Fund (WCA2213/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in Active Water Management Areas (AMA).		
Purpose of Fund: 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.		
Funds Expended	894,500	524,300
Year-End Fund Balance	519,000	520,800
Colorado River Water Use Fee Clearing Fund (WCA2538/A.R.S. § 45-333)		Non-Appropriated
Source of Revenue: Fees assessed to those who divert and consume water from the mainstream of the Colorado River.		
Purpose of Fund: Monies are transferred to the Lower River Multispecies Conservation Program.		
Funds Expended	8,500	5,000
Year-End Fund Balance	1,100	1,100
Dam Repair Fund (WCA2218/A.R.S. § 45-1212.01)		Non-Appropriated
Source of Revenue: Legislative appropriations, dam safety inspection fees, and filing fees.		
Purpose of Fund: Generally, to offer loans and grants for private dam owners to make non-emergency repairs, and for program operations.		
Funds Expended	935,900	842,200
Year-End Fund Balance	520,700	160,200
Federal Grants (WCA2000/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants from the federal government.		
Purpose of Fund: To support water protection, rural water studies, and water banking initiatives, as well as certain operating expenses.		
Funds Expended	386,800	198,300
Year-End Fund Balance	17,300	54,400

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Flood Warning System Fund (WCA1021/A.R.S. § 45-1503)		Non-Appropriated
Source of Revenue: Legislative appropriations, grants, and contributions from other public agencies.		
Purpose of Fund: 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.		
Funds Expended	62,700	63,200
Year-End Fund Balance	50,600	11,600
General Adjudications Fund (WCA2191/A.R.S. § 45-260)		Non-Appropriated
Source of Revenue: Court fees paid by water claimants and from legislative appropriations.		
Purpose of Fund: 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.		
Funds Expended	10,600	10,000
Year-End Fund Balance	41,400	41,400
Indirect Cost Recovery Fund (WCA9000/A.R.S. § 45-104)		Non-Appropriated
Source of Revenue: Cost allocation transfers of federal and other non-appropriated funds.		
Purpose of Fund: To provide various indirect administrative services, including security and cashiering.		
Funds Expended	1,409,100	469,100
Year-End Fund Balance	448,100	186,800
Interagency Service Agreement Fund (WCA2500/A.R.S. § 35-142)		Non-Appropriated
Source of Revenue: Collections from other state and local agencies.		
Purpose of Fund: To pay for projects based upon interagency service agreements with other agencies.		
Funds Expended	467,600	549,300
Year-End Fund Balance	487,800	328,500
Production and Copying Fund (WCA2411/A.R.S. § 45-115)		Non-Appropriated
Source of Revenue: 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 Water Resources Fund.		
Purpose of Fund: To produce and distribute department publications, as well as to copy department records.		
Funds Expended	12,000	0
Year-End Fund Balance	10,900	14,900
Publications and Mailings Fund (WCA2410/A.R.S. § 45-116)		Non-Appropriated
Source of Revenue: 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 Water Resources Fund.		
Purpose of Fund: To publish and mail legal notices.		
Funds Expended	8,400	0
Year-End Fund Balance	1,200	3,200
Purchase and Retirement Fund (WCA2474/A.R.S. § 45-615)		Non-Appropriated
Source of Revenue: A portion of fees for groundwater withdrawal in AMAs.		
Purpose of Fund: 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.		
Funds Expended	0	0
Year-End Fund Balance	55,700	55,700

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Statewide Donations Fund (WCA2025/A.R.S. § 45-105)		Non-Appropriated
Source of Revenue: Grants, gifts or donations of money or other property from any source.		
Purpose of Fund: Funds may be used for any purpose consistent with this duties and powers of the Director of the Department of Water Resources as described in statute.		
Funds Expended	64,900	41,000
Year-End Fund Balance	109,800	108,800
Water Banking Fund (WCA2110/A.R.S. § 45-2425)		Partially-Appropriated
Source of Revenue: 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. The agreement was amended allowing SNWA to delay payment until FY 2015. In FY 2010, the AWBA received \$12,685,000 for storage and delivery of Nevada's own water in lieu of water purchased from Arizona. 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).		
Purpose of Fund: 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.		
Appropriated Funds Expended	0	0
Non-Appropriated Funds Expended	4,216,600	4,131,800
Year-End Fund Balance	2,547,800	1,959,000
Water Protection Fund (WCA1302/A.R.S. § 45-2111)		Non-Appropriated
Source of Revenue: From purchases or leases of CAP water. Prior to FY 2012, there was a statutory \$5,000,000 General Fund deposit. Since FY 2000, session law changes have suspended the statutory General Fund appropriation.		
Purpose of Fund: 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.		
Funds Expended	1,407,900	1,117,800
Year-End Fund Balance	7,545,100	652,400
Water Quality Fund (WCA2304/A.R.S. § 45-618)		Non-Appropriated
Source of Revenue: 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.		
Purpose of Fund: 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.		
Funds Expended	157,800	177,200
Year-End Fund Balance	53,600	84,200
Water Resources Fund (WCA2398/A.R.S. § 45-117)		Appropriated
Source of Revenue: Consists of monies from legislative appropriations, donations, and fees collected by ADWR to carry out its statutory functions, as well as existing fees that had been deposited into the General Fund. Beginning in FY 2012, fund revenue includes a fee levied on municipalities.		
Purpose of Fund: Fees deposited in the Water Resources Fund are to be held in trust and only used to carry out its statutory responsibilities, including managing the state's water supplies, enforcing groundwater laws, and represents the state's water rights.		
Funds Expended	0	6,400,200
Year-End Fund Balance	744,100	1,343,900

SUMMARY OF FUNDS	FY 2011 Actual	FY 2012 Estimate
Well Administration and Enforcement Fund (WCA2491/A.R.S. § 45-606)		Non-Appropriated
Source of Revenue: Well-drilling filing and permit fees.		
Purpose of Fund: To monitor, investigate, and enforce regulations concerning the construction, replacement, deepening, and abandonment of wells, as well as the capping of open wells.		
Funds Expended	177,400	203,500
Year-End Fund Balance	91,200	82,700