

Department of Water Resources

	FY 2014 ACTUAL	FY 2015 ESTIMATE	FY 2016 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	90.0	96.0	96.0
Personal Services	3,238,200	4,178,900	4,178,900
Employee Related Expenditures	1,301,600	1,596,300	1,596,300
Professional and Outside Services	179,200	210,000	210,000
Travel - In State	146,100	224,400	224,400
Travel - Out of State	24,600	77,000	77,000
Other Operating Expenditures	1,810,900	1,934,500	1,934,500
Equipment	123,500	280,000	280,000
OPERATING SUBTOTAL	6,824,100	8,501,100	8,501,100
SPECIAL LINE ITEMS			
Adjudication Support	1,209,000	1,257,200	1,257,200
Assured and Adequate Water Supply Administration	1,727,500	1,990,300	1,990,300
Automated Groundwater Monitoring	403,400	410,300	410,300
Conservation and Drought Program	405,400	410,200	410,200
Lower Colorado River Litigation Expenses	330,900	500,000	500,000
Rural Water Studies	1,152,700	1,168,100	1,168,100
AGENCY TOTAL	12,053,000	14,237,200	14,237,200
FUND SOURCES			
General Fund	11,970,200	13,330,300	13,330,300
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	0	266,500	266,500
Water Resources Fund	82,800	640,400	640,400
SUBTOTAL - Other Appropriated Funds	82,800	906,900	906,900
SUBTOTAL - Appropriated Funds	12,053,000	14,237,200	14,237,200
Other Non-Appropriated Funds	7,239,200	8,905,600	8,905,600
Federal Funds	32,100	469,400	469,400
TOTAL - ALL SOURCES	19,324,300	23,612,200	23,612,200

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 \$8,501,100 and 44 FTE Positions in FY 2016 for the operating budget. These amounts consist of:

	FY 2016
General Fund	\$8,360,700
Water Resources Fund	140,400

These amounts are unchanged from FY 2015.

Adjudication Support

The Baseline includes \$1,257,200 and 14.5 FTE Positions from the General Fund in FY 2016 for Adjudication Support. These amounts are unchanged from FY 2015.

A.R.S. § 45-256 requires the Department of Water Resources to provide technical and administrative support to judicial proceedings involving water rights claims in the Gila River and Little Colorado River watersheds, which include approximately two-thirds of the land within the state. In 1952, Congress passed the McCarran Amendment, which waived the sovereign immunity of the United States to the adjudication of its federal reserved water right claims in state court on behalf of itself and

Indian tribes. Due to the ongoing state court proceedings, the federal court has declined to exercise its jurisdiction over the federal reserved water right claims of the United States and Indian Tribes. Absent a state court proceeding, the federal court could exercise jurisdiction over these federal reserved water rights claims. (Please see the *Lower Colorado River Litigation Expenses* section.)

Assured and Adequate Water Supply Administration

The Baseline includes \$1,990,300 and 19.8 FTE Positions in FY 2016 for the Assured and Adequate Water Supply (AAWS) Program. These amounts consist of:

General Fund	1,723,800
AAWS Administration Fund	266,500

These amounts are unchanged from FY 2015.

All new subdivisions within the state's 5 Active Management Areas (AMAs) must either obtain a Certificate of Assured Water Supply from the Department of Water Resources or obtain a commitment of water service from a municipal provider designated as having an Assured Water Supply. An applicant for a Certificate of Assured Water Supply or a Designation of Assured Water Supply must demonstrate the availability of water for the next 100 years.

New developers outside the 5 AMAs may obtain a commitment of water service from a municipal water provider designated as having an Adequate Water Supply or developers must obtain from the department a report of the water available to the new subdivision for 100 years before any lots may be sold. In most areas outside the AMAs, if the water supply report determined the water supply to be inadequate, lots may still be sold, but buyers must be notified of the determination. In certain areas outside the AMAs, lots may not be sold unless the water supply is determined to be adequate for 100 years.

Automated Groundwater Monitoring

The Baseline includes \$410,300 and 2 FTE Positions from the General Fund in FY 2016 for Automated Groundwater Monitoring. These amounts are unchanged from FY 2015.

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 to support the administration of all the water management programs that the Department of Water Resources is responsible for, including but not limited to, determining assured and adequate water supply, implementation and evaluation of recharge activities, rural water budgets, and water supply studies.

Conservation and Drought Program

The Baseline includes \$410,200 and 4.7 FTE Positions from the General Fund in FY 2016 for the Conservation and Drought Program. These amounts are unchanged from FY 2015.

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. Monies in this SLI are also used by the Department of Water Resources to administer the requirements of the Community Water System program, including but not limited to annual water use reporting (mailings, electronic notification and submittals), improvements to increase efficiencies of reporting and data collection, data analysis and compliance.

Lower Colorado River Litigation Expenses

The Baseline includes \$500,000 from the Water Resources Fund in FY 2016 for Lower Colorado River Litigation Expenses. This amount is unchanged from FY 2015.

Monies in this SLI are used to pay the litigation costs associated with the *Navajo Nation v. United States Department of the Interior* case, in which the Department of Water Resources is an intervening defendant. This case involves the Navajo Nation's claims to water from the Lower Colorado River and challenges operations that were put in place after the initial lawsuit was filed in 2003. The Navajo Nation filed an amended complaint on June 3, 2013 to begin litigating the case. The United States and the state interveners filed motions to dismiss in August 2013, which were granted in October 2014. The case is being appealed.

Rural Water Studies

The Baseline includes \$1,168,100 and 11 FTE Positions from the General Fund in FY 2016 for Rural Water Studies. These amounts are unchanged from FY 2015.

Monies in this SLI are used to support the department's administration, data collection and evaluation of rural water studies. The monies are also used to provide assistance to local communities 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, in most cases, through partnerships with local resource agency officials and stakeholders. Partnerships generally require local entities to provide some resources to match General Fund receipts, although if a community has a significant need

the department can waive this requirement. 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 may be used only for the exclusive purposes prescribed in A.R.S. § 45-256 and A.R.S. § 45-257B4. The Department of Water Resources may not transfer any monies into or out of the Adjudication Support line item.

Monies in the Assured and Adequate Water Supply Administration line item may be used only for the exclusive purposes prescribed in A.R.S. § 45-108 and A.R.S. § 45-576 through A.R.S. § 45-579. The Department of Water Resources may not transfer any monies into or out of the Assured and Adequate Water Supply Administration line item.

The Department of Water Resources may not transfer any monies from the Lower Colorado River Litigation

Expenses line item without the prior review by the Joint Legislative Budget Committee.

The \$500,000 appropriation from the Lower Colorado River Litigation Expenses Special Line Item is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations.

It is the intent of the Legislature that monies in the Rural Water Studies line item be spent only 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 to allow the department’s Water Protection Fund Commission to spend up to \$336,000 on administrative functions out of their unobligated balances in FY 2016.

Deleted Provisions

The Baseline would remove the session law provision allowing the department non-municipality special fee authority. The department has made those fees permanent.

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 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 cover the costs of administrative services and expenses.		
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 supply regulations for newly created subdivisions.		
Purpose of Fund: To support the costs and expenses incurred when determining and declaring compliance with assured and adequate water supply regulations.		
Funds Expended	0	266,500
Year-End Fund Balance	226,100	105,600
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	335,000	550,000
Year-End Fund Balance	2,581,300	2,827,000

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
Colorado River Water Use Fee Clearing Account (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	9,500	9,500
Year-End Fund Balance	0	0
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	47,600	312,800
Year-End Fund Balance	1,880,600	2,023,800
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	32,100	469,400
Year-End Fund Balance	83,700	83,700
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	1,300	52,000
Year-End Fund Balance	314,800	314,800
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	13,100	10,000
Year-End Fund Balance	31,200	26,200
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	202,200	675,600
Year-End Fund Balance	1,280,500	1,232,000
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	243,600	258,400
Year-End Fund Balance	497,700	339,300
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	6,900	3,000
Year-End Fund Balance	14,700	14,700

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
Publication and Mailing 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	3,700	3,000
Year-End Fund Balance	1,200	2,200
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	94,300	94,800
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 the duties and powers of the Director of the Department of Water Resources as described in statute.		
Funds Expended	10,000	50,000
Year-End Fund Balance	193,100	193,100
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. The agreement was further amended in 2013 to remove the FY 2015 payment resumption date and allow SNWA to pay as water is stored. 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	5,058,500	5,510,400
Year-End Fund Balance	6,684,500	7,409,100
Water Protection Fund (WCA1302/A.R.S. § 45-2111)		Non-Appropriated
Source of Revenue: From purchases or leases of CAP water.		
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	889,400	866,500
Year-End Fund Balance	3,719,200	971,400

SUMMARY OF FUNDS	FY 2014 Actual	FY 2015 Estimate
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	139,600	306,000
Year-End Fund Balance	331,700	326,700
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.		
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 representing the state's water rights.		
Funds Expended	82,800	640,400
Year-End Fund Balance	3,270,900	3,127,500
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	278,800	298,400
Year-End Fund Balance	267,900	317,500