

Department of Water Resources

	FY 2015 ACTUAL	FY 2016 ESTIMATE	FY 2017 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	96.0	100.0	129.0 ^{1/}
Personal Services	3,160,000	4,285,300	4,285,300
Employee Related Expenditures	1,268,600	1,766,600	1,736,300
Professional and Outside Services	161,700	266,000	266,000
Travel - In State	74,500	168,800	168,800
Travel - Out of State	30,600	83,000	83,000
Other Operating Expenditures	1,941,300	2,436,400	2,441,200
Equipment	183,900	198,700	198,700
OPERATING SUBTOTAL	6,820,600	9,204,800	9,179,300
SPECIAL LINE ITEMS			
Adjudication Support	1,223,400	1,251,800	1,247,800 ^{2/}
Assured and Adequate Water Supply Administration	1,774,300	1,983,200	1,977,300 ^{3/}
Automated Groundwater Monitoring	385,500	409,400	408,700
Conservation and Drought Program	409,800	408,300	406,900
Lower Colorado River Litigation Expenses	149,600	500,000	500,000 ^{4/5/}
Rural Water Studies	1,103,600	1,164,500	1,161,700 ^{6/}
Water Banking Fund	0	237,400	0
Water Protection Fund Deposit	0	0	250,000 ^{7/}
AGENCY TOTAL	11,866,800	15,159,400	15,131,700 ^{8/}
FUND SOURCES			
General Fund	11,808,700	12,803,100	13,012,600
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	52,500	266,600	266,300
Water Banking Fund	0	1,448,500	1,211,400
Water Resources Fund	5,600	641,200	641,400
SUBTOTAL - Other Appropriated Funds	58,100	2,356,300	2,119,100
SUBTOTAL - Appropriated Funds	11,866,800	15,159,400	15,131,700
Other Non-Appropriated Funds	11,072,600	10,799,400	10,799,400
Federal Funds	1,600	155,700	155,700
TOTAL - ALL SOURCES	22,941,000	26,114,500	26,086,800

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.

- ^{1/} Includes 54 GF FTE Positions funded from Special Line Items in FY 2017.
- ^{2/} 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. (General Appropriation Act footnote)
- ^{3/} 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. (General Appropriation Act footnote)
- ^{4/} This appropriation is a continuing appropriation and is exempt from the provisions of A.R.S. § 35-190, relating to lapsing of appropriations. (General Appropriation Act footnote)
- ^{5/} The Department of Water Resources may not transfer any monies from the Lower Colorado River Litigation Expenses line item without prior review by the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- ^{6/} 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 Active Management Areas and not be made available for other department operating expenditures. (General Appropriation Act footnote)
- ^{7/} The FY 2017 General Appropriation Act appropriates \$250,000 from the General Fund to the Water Protection Fund established by A.R.S. § 45-2111.
- ^{8/} General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$9,179,300 and 75 FTE Positions in FY 2017 for the operating budget. These amounts consist of:

	FY 2017
General Fund	\$7,826,500
Water Banking Fund	1,211,400
Water Resources Fund	141,400

These amounts fund the following adjustments:

FTE Increase

The budget includes an increase of 27 FTE Positions from the General Fund in FY 2017 to align the number of positions with the current funding level. *(Please see FTE Authority in Other Issues section for more information.)*

Statewide Adjustments

The budget includes a decrease of \$(25,500) in FY 2017 for statewide adjustments. These amounts consist of:

General Fund	(26,000)
Water Banking Fund	300
Water Resources Fund	200

(Please see the Agency Detail and Allocations section.)

Adjudication Support

The budget includes \$1,247,800 and 15 FTE Positions from the General Fund in FY 2017 for Adjudication Support. These amounts fund the following adjustments:

FTE Position Increase

The budget includes an increase of 0.5 FTE Positions from the General Fund in FY 2017 to align the number of positions with the current funding level.

Statewide Adjustments

The budget includes a decrease of \$(4,000) from the General Fund in FY 2017 for statewide adjustments.

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 budget includes \$1,977,300 and 21 FTE Positions in FY 2017 for the Assured and Adequate Water Supply (AAWS) Program. These amounts consist of:

General Fund	1,711,000
AAWS Administration Fund	266,300

These amounts fund the following adjustments:

FTE Position Increase

The budget includes an increase of 1.2 FTE Positions from the General Fund in FY 2017 to align the number of positions with the current funding level.

Statewide Adjustments

The budget includes a decrease of \$(5,900) in FY 2017 for statewide adjustments. These amounts consist of:

General Fund	(5,600)
AAWS Administration Fund	(300)

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 budget includes \$408,700 and 2 FTE Positions from the General Fund in FY 2017 for Automated Groundwater Monitoring. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(700) from the General Fund in FY 2017 for statewide adjustments.

Monies in this line item 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 budget includes \$406,900 and 5 FTE Positions from the General Fund in FY 2017 for the Conservation and Drought Program. These amounts fund the following adjustments:

FTE Position Increase

The budget includes an increase of 0.3 FTE Positions from the General Fund in FY 2017 to align the number of positions with the current funding level.

Statewide Adjustments

The budget includes a decrease of \$(1,400) from the General Fund in FY 2017 for statewide adjustments.

Monies in this 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. Monies in this line item 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 budget includes \$500,000 from the Water Resources Fund in FY 2017 for Lower Colorado River Litigation Expenses. This amount is unchanged from FY 2016.

Monies in this line item 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 budget includes \$1,161,700 and 11 FTE Positions from the General Fund in FY 2017 for Rural Water Studies. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes a decrease of \$(2,800) from the General Fund in FY 2017 for statewide adjustments.

Monies in this line item 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.

Water Banking Fund

The budget includes no funding in FY 2017 for the Water Banking Fund line item. Laws 2015, Chapter 149 appropriated \$237,400 from the Water Banking Fund in FY 2016 for the Water Banking Fund line item. These amounts fund the following adjustments:

Remove One-Time Funding

The budget includes a decrease of \$(237,400) from the Water Banking Fund in FY 2017 for the elimination of one-time funding.

Laws 2015, Chapter 149 allows the Arizona Water Banking Authority to spend during FY 2016 any unencumbered monies remaining in the Nevada Operating and Resource subaccounts of the Arizona Water Banking Fund as of June 30, 2015 for use in performing its responsibilities under A.R.S § 45-2624. The Authority will use this funding to provide water for the Southside Replenishment Bank as part of the Gila River Indian Community Water Settlement Program that was established under the Indian Water Settlement Act. This amount would allow the Authority to bank up to 1,324 acre-feet of water at current Central Arizona Project prices.

Water Protection Fund Deposit

The budget includes \$250,000 from the General Fund in FY 2017 for the Water Protection Fund Deposit line item. Laws 2016, Chapter 117, Section 151 appropriated \$250,000 from General Fund to the Water Protection Fund in FY 2017.

One-Time Deposit

The budget includes an increase of \$250,000 from the General Fund in FY 2017 to be used for a one-time deposit to the Water Protection Fund.

The Water Protection Fund provides 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 determine annual recipients.

Other Issues

Additional Legislation

Fee Revenue

The FY 2017 Environment Budget Reconciliation Bill (BRB) (Laws 2016, Chapter 120) continues to allow the Director to maintain prior year fees in FY 2017. The bill specifies that the fee revenue be deposited in the Water Resources Fund with the intent that the fee increase not exceed \$100,200.

Expanded Uses

Laws 2016, Chapter 217 expands the use of the Water Protection Fund to include projects that increase water

supply and removes the 5% spending cap of fund monies for water conservation programs outside of state AMAs.

Administrative Costs

The FY 2017 Environment BRB continues 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 2017.

Water Storage; Plan Report

Laws 2016, Chapter 164 requires the State Land Commissioner and the DWR Director to consult, use the resources of their departments, and conduct a preliminary investigation of acceptable sites to create additional water storage facilities on state trust land. The departments are required to issue a report on or before December 31, 2017.

FTE Position Authority

In FY 2013, DWR’s appropriation was reduced from 207.2 to 90.2 FTE Positions. With the addition of FTE Positions and funding in FY 2015 and FY 2016, DWR has sufficient monies to support a total of 129 FTE Positions in the operating budget and line items. For FY 2016, DWR was allocated 100 budgeted FTE Positions.

The FY 2017 budget adds an additional 29 FTE Positions from the General Fund for a new authority for 129 FTE Positions. Of this amount, DWR as of February 2016 had a staffing level of 117 FTE Positions. DWR will use the additional authority to hire up to 12 additional FTE Positions for increased staffing for statewide planning and Colorado River Management.