

Department of Water Resources

	FY 2016 ACTUAL	FY 2017 ESTIMATE	FY 2018 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	100.0	129.0	139.0 ^{1/}
Personal Services	3,948,400	4,055,900	4,321,900
Employee Related Expenditures	1,511,400	1,515,500	1,699,300
Professional and Outside Services	106,300	235,000	235,000
Travel - In State	69,900	83,200	83,200
Travel - Out of State	62,100	55,500	55,500
Other Operating Expenditures	2,573,200	3,031,700	3,014,900
Equipment	235,700	200,000	209,800
OPERATING SUBTOTAL	8,507,000	9,176,800	9,619,600
SPECIAL LINE ITEMS			
Adjudication Support	749,300	1,247,800	1,749,500 ^{2/}
Assured and Adequate Water Supply Administration	1,523,800	1,977,000	1,998,600 ^{3/}
Automated Groundwater Monitoring	143,900	408,700	413,100
Conservation and Drought Program	300,500	406,900	412,300
Drought Contingency Program	0	0	2,000,000 ^{4/ 5/}
Lower Colorado River Litigation Expenses	1,000	500,000	500,000 ^{5/6/}
Rural Water Studies	1,155,900	1,164,500	1,178,400 ^{7/}
Water Banking Fund	237,400	0	0
Water Protection Fund Deposit	0	250,000	250,000
AGENCY TOTAL	12,618,800	15,131,700	18,121,500 ^{8/}
FUND SOURCES			
General Fund	11,810,100	13,012,600	16,001,900
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	26,600	266,300	266,800
Water Banking Fund	237,400	1,211,400	1,211,400
Water Resources Fund	544,700	641,400	641,400
SUBTOTAL - Other Appropriated Funds	808,700	2,119,100	2,119,600
SUBTOTAL - Appropriated Funds	12,618,800	15,131,700	18,121,500
Other Non-Appropriated Funds	9,772,200	8,610,700	8,610,700
Federal Funds	290,200	339,800	339,800
TOTAL - ALL SOURCES	22,681,200	24,082,200	27,072,000

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 60 GF FTE Positions funded from Special Line Items in FY 2018.

^{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/} The sum of \$2,000,000 is appropriated from the state General Fund in each of FY 2018, FY 2019, and FY 2020 to the Department of Water Resources to use for this state's financial contributions to efforts by Arizona's Colorado River water users to conserve water in Lake Mead to reduce the likelihood of lake elevations dropping to levels that could result in reductions to Arizona's Colorado River allocation. (General Appropriation Act footnote)

^{5/} 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)

Operating Budget

The budget includes \$9,619,600 and 79 FTE Positions in FY 2018 for the operating budget. These amounts consist of:

	FY 2018
General Fund	\$8,266,800
Water Banking Fund	1,211,400
Water Resources Fund	141,400

These amounts fund the following adjustments:

Active Management Area Personnel

The budget includes an increase of \$166,300 and 2 FTE Positions from the General Fund in FY 2018 for personnel to aid in enforcement of the 1980 Groundwater Management Act in Active Management Areas. *(For more information on water regulation, please see the Assured and Adequate Water Supply Administration line item.)*

Legal Support

The budget includes an increase of \$121,300 and 1 FTE Position from the General Fund in FY 2018 for personnel to aid providing legal support for the adjudication cases and the ongoing Colorado River litigation.

Geographic Information System (GIS) Personnel

The budget includes an increase of \$93,800 and 1 FTE Position from the General Fund in FY 2018 for personnel to update its GIS system and to improve the data they can provide regarding groundwater usage.

Statewide Adjustments

The budget includes an increase of \$61,400 from the General Fund in FY 2018 for statewide adjustments. *(Please see the Agency Detail and Allocations section.)*

Adjudication Support

The budget includes \$1,749,500 and 21 FTE Positions from the General Fund in FY 2018 for Adjudication Support. These amounts fund the following adjustments:

General Streams Adjudication Personnel

The budget includes an increase of \$477,000 and 6 FTE Positions from the General Fund in FY 2018 for personnel to aid in providing technical data to the Superior Court system in determining, quantifying, and prioritizing water rights.

- 6/ 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)
- 7/ 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)
- 8/ General Appropriation Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Statewide Adjustments

The budget includes an increase of \$24,700 from the General Fund in FY 2018 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.

Assured and Adequate Water Supply Administration

The budget includes \$1,998,600 and 21 FTE Positions in FY 2018 for the Assured and Adequate Water Supply (AAWS) Administration Program. These amounts consist of:

General Fund	1,731,800
AAWS Administration Fund	266,800

These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$21,600 in FY 2018 for statewide adjustments. This amount consists of:

General Fund	21,100
AAWS Administration Fund	500

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 \$413,100 and 2 FTE Positions from the General Fund in FY 2018 for Automated Groundwater Monitoring. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$4,400 from the General Fund in FY 2018 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 \$412,300 and 5 FTE Positions from the General Fund in FY 2018 for the Conservation and Drought Program. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$5,400 from the General Fund in FY 2018 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.

Drought Contingency Program

The budget includes \$2,000,000 from the General Fund in FY 2018 for the Drought Contingency Program line item. This amount funds the following adjustments:

Lake Mead Conservation Efforts

The budget includes \$2,000,000 from the General Fund in FY 2018 for efforts to conserve water at Lake Mead.

These monies are to be used for Arizona's financial contributions to efforts by Arizona Colorado River water users to conserve water in Lake Mead to reduce the likelihood of lake elevations dropping to levels that could result in reductions to Arizona's Colorado River allocation. If the water level in Lake Mead drops below 1,075 feet, current agreements mandate a reduction of Arizona share of the waters. By paying other water users to keep their water in the lake, the proposal would preserve 410,000 acre feet of Arizona's water allotment in Lake Mead. The state's share for this proposed plan is estimated at \$6.0 million. Of the estimated \$61.5 million cost, the federal government's proposed share is \$42.0 million. The remaining \$19.5 million would come from other Arizona entities.

The monies in this line item are non-lapsing. The FY 2018 General Appropriation Act appropriates \$2,000,000 in funding for FY 2019 and FY 2020 for this item to meet the state's total commitment of \$6.0 million.

Lower Colorado River Litigation Expenses

The budget includes \$500,000 from the Water Resources Fund in FY 2018 for Lower Colorado River Litigation Expenses. This amount is unchanged from FY 2017.

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 \$1,178,400 and 11 FTE Positions from the General Fund in FY 2018 for Rural Water Studies. These amounts fund the following adjustments:

Statewide Adjustments

The budget includes an increase of \$13,900 from the General Fund in FY 2018 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 Protection Fund Deposit

The budget includes \$250,000 from the General Fund in FY 2018 for the Water Protection Fund Deposit line item. This amount is unchanged from FY 2017.

The FY 2017 budget appropriated \$250,000 from General Fund to the Water Protection Fund on a one-time basis in FY 2017, and the FY 2018 budget makes this an ongoing appropriation.

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 2018 Environment Budget Reconciliation Bill (BRB) (Laws 2017, Chapter 308) continues to allow the Director to maintain prior year fees in FY 2018. The bill specifies that the fee revenue be deposited in the Water Resources Fund with the intent that the fee increases are not to exceed \$100,200.

Administrative Costs

The FY 2018 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 2018.