

**STATE OF ARIZONA**  
**FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Water Resources**

We have made several assumptions in the preparation of the FY 2010 Budget Reduction schedules and issue descriptions. The most important are noted below:

1. We anticipate that Personnel Rules will be temporarily suspended in order to allow us to restructure and reorganize remaining personnel into the most efficient and effective workgroups possible. This is imperative to our plan to reduce staffing by approximately 40% and still complete mandated programs.
2. Our estimated Personnel and ERE cost savings were estimated by assuming 13 pay periods were worked and paid. We then took the current leave balances, added six more accruals to bring us to half year, and estimated payoff amounts. We assumed that no leave would be taken before year end to reduce the payout amounts. Those employees who were over the 240 or 320 hour limits were restricted to those upper limits. If leave is taken, the savings to the agency would be greater than estimated here.
3. Licensing Time Frame Rules will also need to be suspended. The current rules are based on completion of tasks with the current workforce, and provide monetary penalties for exceptions. With limited staff, these time frames cannot be met and we need the suspension so that severely decreased funds are not further depleted by refunds and penalties.
4. We expect all remaining Special Line Items to be merged into the Operating Budget so that we have the flexibility to assign remaining personnel as needed to each area.
5. We have complied with the request to show a 15% funding level reduction for General Fund; however, we feel that the 15% funding level reduction request for Non-appropriated funds should exclude more than just Federal funds. The Water Banking Fund, IGA & ISA Fund, General Adjudication Fund and Colorado River Water Use Fee Clearing Fund are all essentially pass-through funds. Monies collected are passed through to other governmental agencies, private contractors and the court system. The Statewide Donations Fund contains only monies received as restricted donations. These funds can only be spent for the purposes defined by the donors. Since we are required to meet a target of 15% for all of these funds, we will propose taking the balance from the Arizona Water Banking Fund.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
DEPARTMENT OF WATER RESOURCES**

**GENERAL FUND**

**FY 2010 General Fund Budget      18,248,500**

**AGENCY REDUCTION TARGET - GENERAL FUND      \$2,737,300**

<b>Priority</b>	<b>Issue Title<sup>1</sup></b>	<b>Reductions Amount</b>	
3	Eliminate remaining non-mission critical General Fund expenditures	\$557,100	3.1%
4	Reduce Administrative Support	\$881,845	7.9%
5	Eliminate Statewide Planning Division	\$424,066	10.2%
6	Reduce adjudication support to the courts	\$242,564	11.5%
7	Reduce Hydrology Division	\$201,231	12.6%
8	Reduce Surface Water Division	\$149,609	13.5%
9	Reduce Water Management Division	\$280,860	15.0%
	<b>Issue Total</b>	<b>\$2,737,275</b>	
	<b>Fund Total as a Percentage of General Fund Reduction Target</b>		<b>100%</b>

<sup>1</sup> Please complete the attached Description and Impact Statement for each issue.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
DEPARTMENT OF WATER RESOURCES**

**ALL NON-GENERAL FUNDS**

FY 2010 All Non-General Funds Budget (less Federal Funds) (See NOTE below) 9,159,800

AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds) \$1,373,900

Fund	Reductions Amount	Percent Reductions
Water Protection Fund	\$476,623	34.7%
Conservation / Augmentation Fund	\$111,902	8.1%
Arizona Water Banking Fund	\$785,445	57.2%
<b>Issue Total</b>	<b>\$1,373,970</b>	

All Non-General Funds Total as a Percentage of Agency Non-GF Reduction Target 100%

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
DEPARTMENT OF WATER RESOURCES**

**ARIZONA WATER BANKING FUND**

**FY 2010 All Non-General Funds Budget (less Federal Funds)      9,159,800**

**AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds)      \$1,373,900**

<b>Priority</b>	<b>Issue Title<sup>1</sup></b>	<b>Reductions Amount</b>
10	Fund taking to make up balance of required target for non-general funds	\$785,445
	<b>Issue Total</b>	<b>\$785,445</b>

**Fund Total as a Percentage of Non-General Fund Reduction Target      57%**

<sup>1</sup> Please complete the attached Description and Impact Statement for each issue.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
DEPARTMENT OF WATER RESOURCES  
ARIZONA WATER PROTECTION FUND**

**FY 2010 All Non-General Funds Budget (less Federal Funds)      9,159,800**

**AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds)      \$1,373,900**

<b>Priority</b>	<b>Issue Title<sup>1</sup></b>	<b>Reductions Amount</b>
1	Reduction of Water Protection Fund Grants	\$476,623
	<b>Issue Total</b>	<b>\$476,623</b>

Fund Total as a Percentage of Non-General Fund Reduction Target      35%

<sup>1</sup> Please complete the attached Description and Impact Statement for each issue.

**FY 2010 BUDGET REDUCTIONS - SUMMARY OF ISSUES  
DEPARTMENT OF WATER RESOURCES**

**AUGMENTATION AND CONSERVATION ASSISTANCE FUND**

<b>FY 2010 All Non-General Funds Budget (less Federal Funds)</b>	<b>9,159,800</b>
<b>AGENCY REDUCTION TARGET - ALL NON-GENERAL FUNDS (w/o Federal Funds)</b>	<b>\$1,373,900</b>

<b>Priority</b>	<b>Issue Title<sup>1</sup></b>	<b>Reductions Amount</b>
2	Reduction of Conservation / Augmentation Grants	\$111,902
	<b>Issue Total</b>	<b>\$111,902</b>

Fund Total as a Percentage of Non-General Fund Reduction Target 8%

<sup>1</sup> Please complete the attached Description and Impact Statement for each issue.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Water Resources**

**Issue Title:** Reduction of planned Water Protection Fund Grants

**Issue Priority:** 1

**Reduction Amounts:**

Water Protection Fund: \$476,623

**Total:** \$476,623

**Issue Description and Statement of Effects**

Elimination of two planned grants from the Water Protection Fund

Two planned grants are being eliminated:

Sinclair Wash Riparian Enhancement Project:

The effect of not funding this project is that the channel function and stability will continue to deteriorate, riparian vegetation will not be enhanced and the resulting planned improvement to wildlife corridors will not be realized.

Eagle Creek Riparian Restoration at Filleman Crossing:

The effect of not funding this project is that the Filleman road crossing in Eagle Creek will not be completed. As a result, water quality will continue to deteriorate as sedimentation and turbidity caused by vehicles driving through Eagle Creek will not be mitigated. In addition, the resulting planned protection and enhancement of habitat for federally listed fish and wildlife species will not be realized. Note: The grantee also will lose their Partners for Fish and Wildlife Grant as a result of this action.

Other possible funding sources are the Water Quality Improvement Grant Program administered through ADEQ and the Partners for Fish and Wildlife Program administered through the US Fish and Wildlife Service. The problem is that they both require non-federal matching funds and the Water Protection Fund is usually that source.

The agency provides administrative support to the Water Protection Fund Commission.

A.R.S Title 45, Chapter 12

October 9, 2009

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Water Resources**

**Issue Title:** Reduce grants from Conservation / Augmentation Fund

**Issue Priority: 2**

**Reduction Amounts:**

Conservation / Augmentation Fund: \$111,902

**Total: \$111,902**

**Issue Description and Statement of Effects**

Reduce grants made from Conservation / Augmentation Fund

This reduction eliminates monies that might have been awarded to water providers, communities and other organizations to assist in water conservation program implementation and/or water augmentation activities. The effects of not performing this function in FY10 are manageable. Permanent reductions to this fund going forward, however, reduce one of the few funding sources for water conservation and augmentation programs available for water providers, industries, agriculture, education and children. There are federal funds available for some of these activities through the Bureau of Reclamation but these funds require a substantial non-federal match.

Included within Groundwater Management, Program 2.1  
A.R.S. Title 45, Chapter 2, Article 11.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Water Resources**

**Issue Title:** Eliminate remaining non-mission critical General Fund expenditures

**Issue Priority:** 3

**Reduction Amounts:**

General Fund: \$557,100

**Total:** \$557,100

**Issue Description and Statement of Effects**

Fund only flood warning gages through USGS Contract

Purchase only half of the transducers planned for FY10.

Defer planned computer-related equipment purchases.

Close Santa Cruz Active Management Area office.

Issue no additional Rural Water Studies contracts for FY 2010.

Turn in / turn off additional vehicles and phone equipment as a result of projected layoffs.

- The elimination of the measurement of all but flood warning gages significantly reduces the amount of hydrologic data available to the state and the public. Many of these gages have very long periods of record and the ability to model future water supply conditions in Arizona depend in large part on the quality and amount of this kind of data, especially to assist in determining the surface water/groundwater relationship in many of Arizona's river systems. Our agency and the USGS are actively seeking alternative ways to fund the program through IGAs with other agencies, grants, donations and gifts.
- The USGS gage maintenance contract covers gages used by the Groundwater Management Program (2.1), Hydrology Division (2.5) and the Surface Water Division (3.0).

- Reducing the number of transducers purchased for automated groundwater monitoring sites in rural Arizona will be a manageable reduction for FY10, but if made permanent, will not allow the Department to use this kind of monitoring to gather additional information about groundwater supplies throughout the state. Automated groundwater monitoring is particularly effective and efficient in more remote locations. If this program is unable to continue, we will not be able to capture and record the water level data so important for communities in determining whether they have an assured or adequate water supply. We might explore opportunities to find cooperators in rural Arizona willing to help fund this program. These transducers are purchased as a part of the Groundwater Monitoring SLI, a part of the Hydrology Division (Program 2.5).
- This program has been approved by the Legislature as part of the appropriations process.
- Deferring the purchase of replacement computer-related equipment leaves us vulnerable to outages and downtime at a time when we need all of the technology available to continue the work of the agency.
- Our computer-related equipment is aging. At one time we were on a three-year replacement schedule. Funding cuts forced us to go to a four-year schedule, then a five year schedule. We are currently on an emergency replacement schedule – replace only upon equipment failure. There are no alternative ways to fund this requirement.
- Replacement equipment for the agency is considered to be a part of overhead which is shown within the Administrative program (1.1)
  
- We have maintained an office in Nogales, Arizona since the Santa Cruz Active Management Area was established in 1994. Closing this office will require all persons and businesses within the AMA to drive to Tucson to conduct agency business. As the Tucson AMA staff will take on the functions of this AMA, delays can be expected.
- This office is a part of the Groundwater Management Division (2.1) Establishment of this AMA is found in A.R.S. § 45-411.03.
  
- Elimination of the remaining monies available for rural water studies in FY10 effectively stops any new or continuing activities either contemplated or currently underway. To date there are nine studies in various stages of completion The effect of not continuing this program is that both momentum and information for water augmentation and water resource supplies in most of rural Arizona will be stopped. This program is the most effective program to develop this information and to establish watershed organizations and partnerships to see the work forward. There are no other ready sources of money. The Bureau of Reclamation has funds available for certain types of

studies, but requires a substantial non-federal match. The United States Geological Survey performs most of these studies for the Department through this program, and has no separate funding source available to continue them. Rural Water Studies is program 2.8 in the agency's budget submission and is a part of the Statewide Planning Division. The Legislature has supported this program through the appropriations process for at least 10 years as part of the Rural Watershed Initiative.

- The vehicles and phone equipment would come from all areas of the agency that would be reduced or eliminated as a part of this proposal. Any effect of this reduction is manageable.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Water Resources**

**Issue Title:** Reduce Administrative Support to the Agency

**Issue Priority:** 4

**Reduction Amounts:**

General Fund: \$881,845

**Total:** \$881,845

**Issue Description and Statement of Effects**

Significantly reduce size of Information Technology Division to reflect reduction in size of overall agency.

Significantly reduce size of Administrative Services, including Imaging, Mail Room, Information Management Support and other administrative support areas to reflect reduction in size of overall agency.

Significantly reduce size of Financial Services and Budget areas to reflect reduction in size of overall agency.

Eliminate position of Public Information Officer.

Reduce staff in the Legal Division.

- This would significantly reduce the Information Technology Division of the agency. The affected employees include technical support, network support, programmers, web development and GIS. The effects of not performing the functions are threefold: 1) the agency will be far more vulnerable to security risks than it currently is; 2) the planned efforts to increase program efficiency and improve customer satisfaction through e-government services is an Information Technology initiative that will not take place; and 3) the agency's efforts to enhance communication with its stakeholders and the citizens of the state will be far more difficult, as our ability to have the most current information available through our website and the use of agency listserves to broadcast news and other information will be impossible with such a small

staff as will remain. There are no known alternative ways to fund this program.

- Affected employees are shown in the Administrative Support Program (1.1) and Groundwater Management Program (2.1).
- The elimination of several functions within the Administrative and Financial Services area will require the agency to off-load most of its required records imaging to the State Library and Archives Division. This will be an additional expense, but there will be net savings. All functions will reduce in size commensurate with a much smaller agency. The effect will be on internal services to employees and will primarily result in delays in having vehicles serviced, mail routed, inventory updated, etc. There are no other ways we know of to fund these programs. There will also be an effect on external services to customers (consultants, public, realtors, etc.) as a result of a staffing reduction in Information Services as they provide assistance in researching well information, surface water registrations, groundwater rights and adjudications for customers.
- Affected employees are shown in the Administrative Support Program (1.1) and Groundwater Management Program (2.1).
- Elimination of the Public Information Officer position will mean that the agency will not have an easily available means of sharing news and information and responding to requests for same. Additionally, public records requests to the agency will be delayed in their processing. The Public Information Officer is a part of the Director's Office, charged to the Administrative Support Program (1.1).
- The Legal Division provides the director and the agency with advice and represents the Department in all legal matters before other departments and agencies of this state, in litigation involving the Department, and the State of Arizona in all matters pertaining to interstate streams, such as the Colorado and the Gila River. This budget reduction plan calls for reducing Legal Division expenses in ways that will not diminish the core activities before the Department. The Department has solicited funds in prior years to hire outside counsel to manage certain critical issues related to the Colorado River and those funds are kept separately in a restricted donations fund. Some of those funds would be available if a sudden legal issue arose in the context of the Colorado River. Some legal staff working on Department activities that require fees are paid partially through those fee funds.

These employees are charged to the Groundwater Management Program (2.1). The Department's authority to employ its own legal staff can be found at A.R.S. § 45-104(F).

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Water Resources**

**Issue Title:** Eliminate Statewide Planning Division

**Issue Priority:** 5

**Reduction Amounts:**

General Fund: \$424,066

**Total:** \$424,066

**Issue Description and Statement of Effects**

Eliminate Statewide Planning Division, as an organizational unit, and eliminate the Rural Water Studies Program and the Statewide Drought and Conservation Program.

- The agency's Statewide Planning Division has been responsible for many of the innovative water planning activities the agency has accomplished over the past 5 years. The publication of the Arizona Water Atlas, the partnerships with Arizona's watershed organizations, and the substantial support work performed for the Upper San Pedro Water Management District are just a few of its many accomplishments. With this level of budget reduction, however, the agency has no choice but to eliminate these activities because they are not required by statute. As well, the Rural Water Studies program provides substantial benefits to rural Arizona with technical assistance and support for partnerships to solve regional rural water issues. Yet this program is not a required program and so the agency proposes to eliminate it. Similarly, with the Statewide Drought and Conservation program, much needed and foundational work has been completed to create a drought reporting and analysis technical structure as well as an "on the ground" capability with local drought impact groups. Statewide conservation support has assisted rural Arizona with water conservation programs where no one else is available to do so. Yet neither of these two programs is a state requirement, and so the agency proposes their elimination.
- The effects of not performing these functions will be felt throughout rural Arizona, primarily because the Department provided the "glue" for Arizona water studies and efforts outside the Active Management Areas. It will cause

efforts underway to lose ground as those partners try to regroup without the Department's leadership.

The Bureau of Reclamation and other federal agencies may have some funds available to complete studies nearly finished, but they typically require a substantial non-federal match to do so.

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**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Water Resources**

**Issue Title:** Reduce adjudication support to the courts

**Issue Priority:** 6

**Reduction Amounts:**

General Fund: \$242,564

**Total:** \$242,564

**Issue Description and Statement of Effects**

Reduce adjudication support to the courts

- The Department has been on a see-saw relative to funding the significant technical work required by the Court to advance the General Streams Adjudication. In recent years, the agency saw an increase in funds available for this program and has been able to accomplish several key activities including technical reports for the settlement of Indian water right claims, the preparation of the preliminary Hopi Hydrographic Survey Report, the hydrogeologic mapping of the sub-slow zone of the San Pedro River and the commencement of geologic mapping of the Verde River. Additionally the Department has completed key well inventories in support of several Indian water rights settlements. With this proposed reduction plan, the Department will return to the days of limited funding for this program and will be able to provide only administrative-related services to the courts and will not be able to undertake any additional significant technical analysis or investigations. The effects of not performing these functions are additional delays in a proceeding that has been underway for more than 30 years.

We can think of no possible alternative ways to fund the program.

The Department's responsibility to serve as the technical adviser to the Courts is found in A.R.S. § 45-256 and its overall responsibilities are found in Title 45, Chapter 1, Article 9.

October 9, 2009

STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS

Department of Water Resources

Issue Title: Reduce Hydrology Division

Issue Priority: 7

**Reduction Amounts:**

General Fund: \$201,231

**Total: \$201,231**

**Issue Description and Statement of Effects**

Reduce Hydrology Division

- For the purposes of this budget reduction plan, the Department proposes to reduce the program staffing within the Hydrology Division to those required to sustain the agency's core activities related to basic data collection, management and implementation of the Groundwater Code and its requisite permitting programs such as the Assured and Adequate Water supply program. Activities related to other hydrology data collection and analysis will be sharply reduced, if occur at all. This will mean that the emphasis on basic data collection will remain solely within the AMAs and all groundwater modeling and other water study evaluations will only occur within the context of these critical permitting programs. Rural Arizona will see little to no activity in water measurement or data collection.

The Department is exploring the possibility of significant increases in its program fees that could help mitigate some of the effect of this reduction.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Water Resources**

**Issue Title:** Reduce Surface Water Division

**Issue Priority:** 8

**Reduction Amounts:**

General Fund: \$149,609

**Total:** \$149,609

**Issue Description and Statement of Effects**

Reduce Surface Water Division

- To reach the budget reduction level contemplated in this proposal, the Department is required to reduce its activities in all areas of this division: dam safety, flood management and surface water rights. We anticipate the agency will only be able to focus on high hazard dams to the exclusion of all other jurisdictional structures in the state that could become hazardous; will focus primarily on flood management activities paid for by federal grants; and will reduce the size of the surface water rights permitting and investigations unit. Permits will take longer to process and the agency's ability to understand the public safety picture in Arizona as it relates to dam safety and flooding will be curtailed.
- The Department does receive licensing fees associated with the dam safety program but these are not available to the agency for its operations. Instead these fees flow to a Dam Safety Repair Fund so that grants and loans can be made available to owners of structures in need of repair to make them safe. The Dam Safety Repair Fund has been swept several times over the past few years, but it may be possible to fund some agency dam safety operational expenses from this fund if it were made available for that purpose.

The Dam Safety program requirements are found in Title 45, Chapter 6. The Department's responsibilities in floodplain management are found in Title 48, Chapter 21.

October 9, 2009

STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS

Department of Water Resources

Issue Title: Reduce Water Management Division

Issue Priority: 9

Reduction Amounts:

General Fund: \$280,860

Total: \$280,860

Issue Description and Statement of Effects

Reduce Water Management Division

- To meet the budget reduction plan requirements, the Department must reduce expenses even within its core activities, including management of the Groundwater Code. In addition to eliminating the Santa Cruz AMA office, the Department proposes to eliminate certain positions related to non-Assured and Adequate Water supply permitting efforts. The effect of this reduction will be that permit processing times will take longer and will delay any business activities relying on these permits that are required to ensure there is a long-term water supply. The Department is exploring mechanisms to increase significantly the fees that are paid for permitting actions and to direct those fees now targeted to the General Fund back to the agency for its operations.

**STATE OF ARIZONA  
FY 2010 BUDGET REDUCTIONS - ISSUE DESCRIPTIONS**

**Department of Water Resources**

**Issue Title:** Arizona Water Banking Fund Taking

**Issue Priority:** 10

**Reduction Amounts:**

Arizona Water Banking Fund: \$785,445

**Total:** \$785,445

**Issue Description and Statement of Effects**

Arizona Water Banking Fund Taking

- To meet the budget reduction plan targets, the Department must reduce expenses and offer up balances in non-general fund lines of the budget. The Arizona Water Banking Fund has already contributed far more than its fair share to the General Fund, \$25 million in FY 2009 alone. Unfortunately, this fund is the only one which has a sufficient balance to make up the required reduction plan target. These funds are contractually obligated for the purchase of water. The Department continues to believe these funds are restricted in their use, but for the purpose of this exercise, lists them here.