

Department of Water Resources

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	179.0	204.0	210.0
Personal Services	8,505,500	8,833,400	8,833,400
Employee Related Expenditures	2,957,700	3,419,900	4,173,700
Professional and Outside Services	412,100	202,200	413,900
Travel - In State	94,200	87,500	87,500
Travel - Out of State	95,400	52,900	52,900
Other Operating Expenditures	3,237,600	2,551,100	2,580,100
Equipment	111,900	101,800	101,800
OPERATING SUBTOTAL	15,414,400	15,248,800	16,243,300
SPECIAL LINE ITEMS			
Adjudication Support	1,889,400	1,914,400	1,957,900 ^{1/}
Assured and Adequate Water Supply Administration	2,361,300	2,531,200	2,591,200 ^{2/}
Automated Groundwater Monitoring	404,100	421,100	427,000
Arizona Water Protection Fund Deposit	1,250,000	750,000	750,000
Brackish Groundwater Study	90,400	0	0
Colorado River Legal Expenses	394,700	500,000	500,000 ^{3/4/}
Colorado River Litigation Fund Deposit	0	0	1,000,000 ^{5/}
Conservation and Drought Program	427,700	433,500	443,300
Rural Water Studies	1,271,800	1,296,000	1,317,700 ^{6/}
Santa Rosa Canal Groundwater Delivery	2,995,100	0	0
Statewide Water Resources Planning	205,000	0	0
Water Supply and Demand Assessment	3,248,900	3,541,500	3,614,400
AGENCY TOTAL	29,952,800	26,636,500	28,844,800 ^{7/}
FUND SOURCES			
General Fund	28,106,500	24,618,200	25,077,500
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	231,600	291,800	301,300
Long-Term Water Augmentation Fund	0	0	1,741,100
Water Resources Fund	1,614,700	1,726,500	1,724,900
SUBTOTAL - Other Appropriated Funds	1,846,300	2,018,300	3,767,300
SUBTOTAL - Appropriated Funds	29,952,800	26,636,500	28,844,800
Other Non-Appropriated Funds	7,225,400	13,185,500	11,810,500
Federal Funds	14,669,800	12,505,900	12,505,900
TOTAL - ALL SOURCES	51,848,000	52,327,900	53,161,200

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.

FOOTNOTES

- ^{1/} Monies in the adjudication support line item may be used only for the exclusive purposes prescribed in section 45-256, Arizona Revised Statutes, and section 45-257, subsection B, paragraph 4, Arizona Revised Statutes. The department of water resources may not transfer any monies into or out of the adjudication support line item. (General Appropriations Act footnote)
- ^{2/} Monies in the assured and adequate water supply administration line item may be used only for the exclusive purposes prescribed in sections 45-108, 45-576, 45-577, 45-578 and 45-579, Arizona Revised Statutes. The department of water

resources may not transfer any monies into or out of the assured and adequate water supply administration line item. (General Appropriations Act footnote)

- 3/ This appropriation is a continuing appropriation and is exempt from the provisions of section 35-190, Arizona Revised Statutes, relating to lapsing of appropriations. (General Appropriations Act footnote)
- 4/ The department of water resources may not transfer any monies from the Colorado River legal expenses line item without prior review by the joint legislative budget committee. (General Appropriations Act footnote)
- 5/ The following unexpended and unencumbered amounts from the following sources are transferred in fiscal year 2025-2026 to the Colorado River litigation fund established by section 45-119, Arizona Revised Statutes:
 1. The amount appropriated in the Lower Colorado River litigation expenses line item appropriation by Laws 2015, chapter 8, section 110.
 2. The amount appropriated in the Lower Colorado River litigation expenses line item appropriation by Laws 2016, chapter 117, section 109.
 3. The amount appropriated in the Colorado River legal expenses line item appropriation by Laws 2020, chapter 58, section 96.
 4. The amount appropriated in the Colorado River legal expenses line item appropriation by Laws 2021, chapter 408, section 98. (General Appropriations Act footnote - Section 125)
- 6/ The legislature intends 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 this state's active management areas and not be made available for other department operating expenditures. (General Appropriations Act footnote)
- 7/ General Appropriations Act funds are appropriated as an Operating Lump Sum with Special Line Items by Agency.

Operating Budget

The budget includes \$16,243,300 and 111 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$14,277,300
Water Resources Fund	1,224,900
Long-Term Water Augmentation Fund	741,100

Adjustments are as follows:

Additional Water Staffing

The budget includes an increase of \$741,100 and 6 FTE Positions from the Long-Term Water Augmentation Fund (LTWAF) in FY 2026 for additional technical and legal support to protect Arizona's groundwater and the state's Colorado River water rights. The 3-year budget spending plan continues this support from the LTWAF in FY 2027 and FY 2028 on an ongoing basis.

Statewide Adjustments

The budget includes an increase of \$253,400 in FY 2026 for statewide adjustments. This amount consists of:

General Fund	255,000
Water Resources Fund	(1,600)
<i>(Please see the Agency Detail and Allocations section.)</i>	

Adjudication Support

The budget includes \$1,957,900 and 21 FTE Positions from the General Fund in FY 2026 for Adjudication Support.

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$43,500 from the General Fund in FY 2026 for statewide adjustments.

A.R.S. § 45-256 requires the Department of Water Resources (DWR) 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 \$2,591,200 and 25 FTE Positions in FY 2026 for Assured and Adequate Water Supply (AAWS) Administration. These amounts consist of:

General Fund	2,289,900
AAWS Administration Fund	301,300

Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$60,000 in FY 2026 for statewide adjustments. This amount consists of:

General Fund	50,500
AAWS Administration Fund	9,500

Within the state's 7 Active Management Areas (AMAs), all new subdivisions 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.

The state has 7 AMAs, which cover the following general regions: Douglas, Prescott, Phoenix, Pinal, Tucson, Santa Cruz, and Willcox.

New developers outside the 7 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 \$427,000 and 3 FTE Positions from the General Fund in FY 2026 for Automated Groundwater Monitoring. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$5,900 from the General Fund in FY 2026 for statewide adjustments.

This line item funds automated measuring instruments, which provide daily measurements of groundwater levels. This information is used to support the administration of all the department's water management programs.

Arizona Water Protection Fund Deposit

The budget includes \$750,000 from the General Fund in FY 2026 for the Arizona Water Protection Fund Deposit line item. This amount is unchanged from FY 2025.

This line item funds an annual deposit to the Arizona Water Protection Fund. The 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 grants and determines annual recipients. The FY 2025 budget reduced the annual deposit from the General Fund to the Arizona Water Protection Fund from \$1,250,000 to \$750,000.

Brackish Groundwater Study

The budget includes no funding in FY 2026 for a Brackish Groundwater Study. This amount is unchanged from FY 2025.

The FY 2024 budget allocated \$100,000 from the General Fund and directed DWR to review and update studies on the availability of brackish groundwater in this state. The monies in this line item are non-lapsing.

Colorado River Legal Expenses

The budget includes \$500,000 from the Water Resources Fund in FY 2026 for Colorado River Legal Expenses. This amount is unchanged from FY 2025.

This line item is for the Department of Water Resources to use for legal expenses related to the Colorado River. The monies in this line item are non-lapsing. The FY 2026 budget transfers prior year unexpended and unencumbered appropriations totaling \$1.9 million to the new Colorado River Litigation Fund. (*See the Colorado River Litigation Fund Deposit line item below*).

Colorado River Litigation Fund Deposit

The budget includes \$1,000,000 from the Long-Term Water Augmentation Fund in FY 2026 for the Colorado River Litigation Fund Deposit line item. Adjustments are as follows:

One- Time Deposit

The budget includes an increase of \$1,000,000 from the Long-Term Water Augmentation Fund in FY 2026 for a one-time deposit to a new Colorado River Litigation Fund.

The FY 2026 Environment Budget Reconciliation Bill establishes a non-appropriated Colorado River Litigation Fund to be used by DWR for the sole purpose of participating in litigation defending the state's apportionment.

Section 125 of the FY 2026 General Appropriations Act transfers prior year unexpended and unencumbered appropriations for Colorado River Legal Expenses and Lower Colorado River Litigation Expenses to the new fund, which included remaining monies from the FY 2016, FY 2017, FY 2021 and FY 2022 appropriations. The remaining monies transferred are estimated to total \$1,965,000. Of this amount, \$965,000 was from the General Fund and \$1,000,000 from the Water Resources Fund. With these resources, the fund will have \$2,965,000 in available monies.

Conservation and Drought Program

The budget includes \$443,300 and 5 FTE Positions from the General Fund in FY 2026 for the Conservation and Drought Program. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$9,800 from the General Fund in FY 2026 for statewide adjustments.

This line item funds assistance to local communities to assess conservation needs and assists rural communities in the development of conservation programs. This also includes the Community Water Systems 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.

Rural Water Studies

The budget includes \$1,317,700 and 11 FTE Positions from the General Fund in FY 2026 for Rural Water Studies. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$21,700 from the General Fund in FY 2026 for statewide adjustments.

This line item funds the department’s administration, data collection, and evaluation of rural water studies. Local communities use these funds to assess local water use needs and to develop plans for sustainable future water supplies in rural areas outside the state’s AMAs. The studies are primarily conducted and administered by local and federal partners, with the department providing technical support as needed or financial assistance.

Santa Rosa Canal Groundwater Delivery

The budget includes no funding in FY 2026 for the Santa Rosa Canal Groundwater Delivery line item. This amount is unchanged from FY 2025.

The FY 2024 budget allocated \$25,000,000 from the General Fund to distribute monies for the construction of alternative infrastructure to deliver groundwater to the Ak-Chin Indian Community by means other than the Santa Rosa Canal.

An alternative delivery method is needed due to a settlement between the Maricopa-Stanfield Irrigation and Drainage District (MSIDD), the Central Arizona Irrigation and Drainage District (CAIDD) and the Ak-Chin Indian community related to water quality and water salinity issues. Pursuant to a FY 2024 budget footnote, the

monies are to be distributed equally between the MSIDD and the CAIDD. The monies in this line item are non-lapsing.

Statewide Water Resources Planning

The budget includes no funding in FY 2026 for statewide water resources planning. This amount is unchanged from FY 2025.

The FY 2024 budget included \$5,000,000 from the General Fund for additional support for statewide water resources planning. The monies in this line item are non-lapsing.

Water Supply and Demand Assessment

The budget includes \$3,614,400 and 34 FTE Positions from the General Fund in FY 2026 for the Water Supply and Demand Assessment line item. Adjustments are as follows:

Statewide Adjustments

The budget includes an increase of \$72,900 from the General Fund in FY 2026 for statewide adjustments.

The monies in this line item provide funding for the Department of Water Resources to meet the statutory requirement to prepare, issue and submit water supply and demand assessments for at least 6 of the 51 groundwater basins and initial AMAs established in statute no later than December 1, 2023 and on or before of December 1 of each following year. An assessment is to be completed for all of the groundwater basins at least once every 5 years. The Department of Water Resources may contract with outside entities to perform some or all of the assessments.

DWR completed studies in 2023 for the following groundwater basins: Douglas AMA, Willcox, San Bernardino Valley, Butler Valley, McMullen Valley, Harquahala INA, and Tiger Wash. For 2024, DWR conducted studies for the following basins: Agua Fria, Big Sandy, Cienega Creek, Donnelly Wash, Gila Bend, Lower San Pedro, Prescott AMA, Ranegras Plain, Santa Cruz AMA, San Rafael, Tonto Creek, Upper Hassayampa, Upper San Pedro, and Verde River.

Other Issues

Statutory Changes

The Environment BRB makes the following statutory changes:

- As permanent law, establish the Colorado River Litigation Fund and specify that the monies be used for the sole purpose of participating in litigation regarding the state's apportionment.
- 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 2026.

Colorado River Usage Reductions

The Colorado River system supplies water to 7 states and to Mexico. The use of water from the river was established by a compact between the states signed in 1922 and subsequent agreements about the delivery, storage, and use of water.

A 2007 agreement mandated a series of reductions to the state's allocation as the water levels decrease in the Colorado River system, measured by the water level in Lake Mead. Subsequently, the Drought Contingency Plan (DCP) signed in May 2019 by all the relevant states and federal government institutes more immediate reductions at amounts higher than the 2007 agreement to preserve water in Lake Mead.

Due to current declines, the federal government deemed additional usage reductions would be necessary through the end of 2026. After negotiations, Arizona, California, and Nevada agreed to reduce their combined water use by 3,000,000 acre-feet through the end of 2026. This agreement has been submitted and recognized as the preferred approach by the federal Bureau of Reclamation.

These agreements expire in 2026. Before the end of 2026, the US Department of Interior will develop new guidelines in consultation with the states and water users. Consultation and negotiations are currently occurring.