

Department of Water Resources

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	179.0	204.0	204.0
Personal Services	8,505,500	8,833,400	8,833,400
Employee Related Expenditures	2,957,700	3,419,900	3,419,900
Professional and Outside Services	412,100	202,200	202,200
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	2,551,100
Equipment	111,900	101,800	101,800
OPERATING SUBTOTAL	15,414,400	15,248,800	15,248,800
SPECIAL LINE ITEMS			
Adjudication Support	1,889,400	1,914,400	1,914,400 ^{1/}
Assured and Adequate Water Supply Administration	2,361,300	2,531,200	2,531,200 ^{2/}
Automated Groundwater Monitoring	404,100	421,100	421,100
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/}
Conservation and Drought Program	427,700	433,500	433,500
Rural Water Studies	1,271,800	1,296,000	1,296,000 ^{5/}
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	3,541,500
AGENCY TOTAL	29,952,800	26,636,500	26,636,500 ^{6/}
FUND SOURCES			
General Fund	28,106,500	24,618,200	24,618,200
<u>Other Appropriated Funds</u>			
Assured and Adequate Water Supply Administration Fund	231,600	291,800	291,800
Water Resources Fund	1,614,700	1,726,500	1,726,500
SUBTOTAL - Other Appropriated Funds	1,846,300	2,018,300	2,018,300
SUBTOTAL - Appropriated Funds	29,952,800	26,636,500	26,636,500
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	50,952,900

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

Operating Budget

The Baseline includes \$15,248,800 and 105 FTE Positions in FY 2026 for the operating budget. These amounts consist of:

	FY 2026
General Fund	\$14,022,300
Water Resources Fund	1,226,500

These amounts are unchanged from FY 2025.

Adjudication Support

The Baseline includes \$1,914,400 and 21 FTE Positions from the General Fund in FY 2026 for Adjudication Support. These amounts are unchanged since FY 2025.

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 Baseline includes \$2,531,200 and 25 FTE Positions in FY 2026 for Assured and Adequate Water Supply (AAWS) Administration. These amounts consist of:

General Fund	2,239,400
AAWS Administration Fund	291,800

These amounts are unchanged since FY 2025.

Within the state's 6 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 6 existing AMAs, which cover the following general regions: Douglas, Prescott, Phoenix, Pinal, Tucson and Santa Cruz.

New developers outside the 6 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 \$421,100 and 3 FTE Positions from the General Fund in FY 2026 for Automated Groundwater Monitoring. These amounts are unchanged since FY 2025.

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 Baseline 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 Baseline 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 the information in studies on the availability of brackish groundwater in this state. The monies in this line item are non-lapsing.

Colorado River Legal Expenses

The Baseline 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. *(See the FY 2022 Appropriations Report for more historical information.)*

Conservation and Drought Program

The Baseline includes \$433,500 and 5 FTE Positions from the General Fund in FY 2026 for the Conservation and Drought Program. These amounts are unchanged from FY 2025.

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 Baseline includes \$1,296,000 and 11 FTE Positions from the General Fund in FY 2026 for Rural Water Studies. These amounts are unchanged from FY 2025.

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 Baseline 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 Baseline 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 Baseline includes \$3,541,500 and 34 FTE Positions from the General Fund in FY 2026 for the Water Supply and Demand Assessment line item. These amounts are unchanged from FY 2025.

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

This section includes information on the following topics:

- Statutory Changes
- DWR It Modernization Project
- Colorado River Usage Reductions

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 2026.

DWR IT Modernization Project

The FY 2025 budget included an FY 2024 transfer of \$2,500,000 from the Water Resources Fund to the Automation Projects Fund for a cost overrun for the information technology modernization project. Given a prior transfer of \$1.7 million from the Water Resources Fund in FY 2023, the Automations Project Fund received a total \$4,200,000 for the project.

(Please see the Department of Administration - Automation Projects Fund narrative for details regarding this information technology project.)

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.

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona System Conservation Fund (WCA9900/A.R.S. § 45-118)		Non-Appropriated
Source of Revenue: Legislative appropriations and grants and contributions from private and public entities.		
Purpose of Fund: Reduce Colorado River water use by funding conservation measures, water diversions, and forgoing water deliveries.		
Funds Expended	0	0
Year-End Fund Balance	9,414,300	9,723,900
Arizona Water Banking Fund (WCA2110/A.R.S. § 45-2425)		Non-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 subaccount 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.		
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.		
Funds Expended	1,620,700	2,552,300
Year-End Fund Balance	2,700,500	2,531,800

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Arizona Water Protection Fund (WCA1302/A.R.S. § 45-2111)		Non-Appropriated
Source of Revenue: From purchases or leases of CAP water and legislative appropriations.		
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.		
Funds Expended	1,351,000	2,591,300
Year-End Fund Balance	3,163,400	1,718,900
Arizona 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	211,200	243,300
Year-End Fund Balance	143,300	43,500
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	231,600	291,800
Year-End Fund Balance	126,900	20,100
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 subaccount within the fund.		
Funds Expended	1,875,500	925,000
Year-End Fund Balance	1,785,000	1,606,300
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	37,300	37,000
Year-End Fund Balance	0	0
Coronavirus State and Local Fiscal Recovery Fund (WCA2985/P.L. 117-2)		Federal Funds
Source of Revenue: Federal monies appropriated in the American Rescue Plan Act (P.L. 117-2).		
Purpose of Fund: To provide emergency support to households, small businesses, nonprofits, workers performing essential work, and certain industries negatively impacted by the COVID-19 pandemic. To extend government services that received a reduction in revenue as a result of the COVID-19 pandemic. To make investments in water, sewer, and broadband infrastructure.		
Funds Expended	14,305,600	11,856,800
Year-End Fund Balance	4,646,200	4,646,200
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	11,200	800,000
Year-End Fund Balance	8,089,100	7,821,100

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
Employee Recognition Fund (WCA2449/A.R.S. § 41-709)		Non-Appropriated
Source of Revenue: Gifts and donations from a public entity, a private entity, or any person.		
Purpose of Fund: To be used for the agency's employee recognition program.		
Funds Expended	3,800	2,100
Year-End Fund Balance	2,500	2,400
Federal Grants (WCA2000/A.R.S. § 45-105)		Federal Funds
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	364,200	649,100
Year-End Fund Balance	578,000	603,100
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	20,600	132,100
Year-End Fund Balance	365,200	248,100
General Adjudication Personnel and Support Fund (SPA1098/A.R.S. § 12-117)		Non-Appropriated
Source of Revenue: Monies appropriated to the fund by the Legislature.		
Purpose of Fund: For the Supreme Court to provide additional personnel for general adjudication, case management, and other support equipment and the Department of Water Resources for additional personnel, equipment, and services related to general adjudication. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations. Expenditures from this fund are not displayed to avoid double counting General Fund monies.		
Funds Expended	0	0
Year-End Fund Balance	695,100	142,800
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	15,900	16,000
Year-End Fund Balance	37,400	37,400
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.		
Funds Expended	(185,900)	1,788,300
Year-End Fund Balance	1,945,500	521,200
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	348,400	320,600
Year-End Fund Balance	201,800	181,200

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
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	0	1,000
Year-End Fund Balance	4,900	4,000
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	0	3,000
Year-End Fund Balance	8,600	5,600
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 subaccount within the fund.		
Funds Expended	0	0
Year-End Fund Balance	167,300	172,300
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	0	0
Year-End Fund Balance	177,500	177,500
Temporary Groundwater and Irrigation Efficiency Projects Fund (WCA9901/A.R.S. § 45-615.01)		Non-Appropriated
Source of Revenue: General Fund monies, groundwater withdrawal fees collected in the Pinal active management area, grants from federal agencies, and monies deposited in the fund by qualified irrigation districts in the Phoenix active management area, the Pinal active management area and the Harquahala irrigation non-expansion area.		
Purpose of Fund: Funding projects for the construction and rehabilitation of wells and related infrastructure for the withdrawal and efficient delivery of groundwater by qualified irrigation districts in the Phoenix active management area, the Pinal active management area, and the Harquahala irrigation non-expansion area.		
Funds Expended	1,324,500	2,500,000
Year-End Fund Balance	4,560,900	3,365,900
Water Resources Fund (WCA2398/A.R.S. § 45-117)		Appropriated
Source of Revenue: Consists of monies from legislative appropriations, donations, and fees collected by the Department of Water Resources 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 management of the state's water supplies, enforcing groundwater laws, and representing the state's water rights.		
Funds Expended	1,614,700	1,726,500
Year-End Fund Balance	2,676,400	2,161,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
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	591,200	1,273,500
Year-End Fund Balance	937,600	213,600