

## Water Resources FY 2010 Budget Issue

In FY 2008 the Arizona Department of Water Resources (ADWR) budget was \$24.1 million, **\$23 million** from the general fund and \$1.1 million from the assured and adequate water supply fund. As of January 30, 2009 our FY 2009 budget was \$22.4 million but our general fund component had been reduced to **\$11.6 million** and a one time backfill of \$9.8 million from the Arizona Water Bank in addition to \$1 million from the assured and adequate water supply fund. At the House Appropriations committee budget hearing on February 17, 2009, and the Senate Appropriations committee budget hearing on February 18, 2009, ADWR expressed concern that our general fund base had been reduced by 50% and what would happen if there was no more backfill money in FY 2010 or FY 2011. We had suggested that it would be better to leave our base at a reduced dollar amount consistent with other agencies and sweep the rest of the funds directly from the Water Bank to the general fund. However in the rush to get the FY 2009 budget adjustment completed, that did not happen. Now as the Legislature considers a FY 2010 budget we find ourselves in the early draft budgets with a **\$10.1 million** general fund base and no recommendation for any backfill funding. That means that ADWR's FY 2010 budget would be 56% below their FY 2008 budget while the rest of the state agency budgets average a 20% reduction. If ADWR was assessed a reduction comparable to the other agencies, their FY 2010 general fund share would be **\$18.4 million**.

We believe ADWR should do its part to help solve this unprecedented budget crisis but not in such a devastating and disproportional way. The proposed ADWR FY 2010 budget would require us to cut up to 105 of our 182 employees in addition to the 50 vacancies that are currently frozen. We could not begin to accomplish our mission with that few employees. Our primary mission is to protect Arizona's existing water supplies and provide sustainable water supplies for our future needs. A sustainable water supply is essential for economic recovery and growth.

One possible revenue neutral solution would be to restore our general fund base to \$18.4 million using general fund revenues and take \$8.3 million of resource (incentive/insurance) money from the Nevada Interstate Banking Fund to replenish the general fund. There is currently \$10.3 million in the resource account. The Nevada Interstate Banking Agreement has 2 funding components. A \$100 million resource (incentive/insurance) account that was established when the contract was signed and a \$230 million operating (water acquisition and storage) account to consist of 10 annual payments of \$23 million beginning in 2009. Since interstate water was available to the Water Bank before the \$23 million annual payments were due, the Water Bank used money from the \$100 million resource account to get a head start on the contract obligation. In turn Nevada agreed to repay by 2018, that money plus all interest that it would have earned had it been invested by our State Treasurer. To date the Water Bank has utilized just over \$80 million and has stored 47% of the water required by the agreement. Even in the event the Water Bank would have to purchase fallow water (the most expensive water) to fulfill the remainder of our Nevada obligation, the Water Bank would need at a maximum \$70 to \$75 million from the resource (incentive/insurance) account.

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