

Arizona Water Banking Authority

3550 N. Central Avenue, Phoenix, Arizona 85012

Telephone 602-771-8487

Fax 602-771-8685



November 29, 2006

Mr. Richard Stavneak
Director
Joint Legislative Budget Committee
1718 West Adams Street
Phoenix, Arizona 85007

AUTHORITY MEMBERS
Herbert R. Guenther, Chairman
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William K. Perry
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EX OFFICIO MEMBERS
The Honorable Jake Flake
The Honorable Lucy Mason

Dear Mr. Stavneak:

This correspondence describes the Arizona Water Banking Authority's (AWBA) expenditure plans for the \$13.5 million received from the Arizona Legislature in October, 2006. We are providing the letter pursuant to Laws 2006, Chapter 344, Section 38, which directs the Arizona Water Banking Authority (AWBA) to report its expenditure plans for these monies to the Joint Legislative Budget Committee by November 30, 2006.

The Arizona Water Settlements Act (Settlements Act) P.L. 108-451 identifies firming responsibilities for the Secretary of the Interior (Secretary) and the State of Arizona (State). The Settlements Act includes a provision to ensure that 60,648 acre-feet of water be made available for re-allocation to Indian tribes. Of the 60,648 acre-feet, the Secretary has responsibility for 36,924 acre-feet; 28,200 acre-feet, as required by the Southern Arizona Water Rights Settlement Act and 8,724 acre-feet for yet unknown future settlements. The State agreed to firm 23,724 acre-feet; 15,000 acre-feet for the Gila River Indian Community and 8,724 acre-feet for future settlements.

In 2005, the Indian Firming Study Commission (Study Commission) was authorized and created by the Legislature to develop the Indian Firming program for Arizona's obligation. The Study Commission reviewed estimated shortages, water supply availability, mechanisms for ensuring water availability to the tribes in times of shortage, and potential costs and funding availability. The Study Commission identified that to firm the State's obligation of 23,724 acre-feet of delivery during water shortages over a 100-year period, approximately 550,000 acre-feet of credits would be required.

The Study Commission concluded that the Arizona Water Banking Authority (AWBA), in cooperation with the Arizona Department of Water Resources (ADWR) and the Central Arizona Water Conservation District (CAWCD), is the most appropriate and best-suited entity to fulfill the State's obligations described in Section 105(b) of the Settlements Act. The Study Commission recognized that in order to fulfill this role, the AWBA needs to be provided with sufficient funding to implement the Indian Firming program on behalf of the State and recommended that the Arizona Legislature provide the AWBA with appropriate funding to accomplish those goals.

The Arizona Legislature acted on these recommendations by providing the AWBA the statutory authorities to act as Arizona's agent in meetings its firming obligations. The Legislature also provided an initial \$13.5 million to assist the AWBA in meeting this obligation. The following table illustrates the manner in which the \$13.5 million provided by the Legislature will be expended.

Expenditure of General Fund Monies for State of Arizona Firming Obligations

Year	Long-term Storage Credits		Total LTSC	Expenditures General Fund	Percent of Goal Achieved
	Phoenix AMA (AF)	Pinal AMA (AF)			
2008	54,263	27,600	81,863	\$2,700,000	15%
2009	38,966	21,576	60,542	\$2,700,000	26%
2010	28,315	15,146	43,461	\$2,700,000	34%
2011	23,362	12,251	35,613	\$2,700,000	40%
2012	24,809	13,108	37,917	\$2,700,000	47%
Totals	169,715	89,681	259,396	\$13,500,000	47%

The calculations reflected in the table are based on the following assumptions: 1) monies are expended over a five-year period beginning in 2008, 2) cost projections are accurate, 3) sufficient capacity is available at storage facilities and, 4) sufficient delivery capacity of CAP water is available. The \$13.5 million, if expended in this manner, will meet about 47% of the State's obligations.

If you have any questions, please contact Kim Mitchell, Acting Manager, AWBA, at (602) 771-8490.

Sincerely,



Herbert R. Guenther
Chairman

CC: The Honorable Janet Napolitano, Governor, State of Arizona
The Honorable Ken Bennett, President of the Arizona State Senate
The Honorable James Weiers, Speaker of the Arizona House of Representatives
Arizona Water Banking Authority Members
The Honorable Jake Flake, Arizona State Senate, AWBA *ex officio* member
The Honorable Lucy Mason, Arizona House of Representatives, AWBA *ex officio* member