



Public Policy Review

by Sharon Megdal

Interesting Times for the Arizona Water Banking Authority



In 1996 the Arizona Legislature created the Arizona Water Banking Authority (Authority) to assist with dealing with potential shortages of Colorado River water, water management, Indian settlements, and interstate water banking.

Since 1997, the Authority has been storing excess Central Arizona Project water at sites in the three-county Central Arizona Project service area (Maricopa, Pinal and Pima counties). Property tax revenues levied by the CAP Board and then transferred to the Authority, as well as General Fund revenues, have been funding this water storage. According to the Authority's most recent Annual Report, through December 2001 the Authority expended \$10.6 million General Fund revenues and \$29 million ad valorem tax revenues. Groundwater withdrawal fees levied annually by ADWR on groundwater withdrawals in the Phoenix, Pinal and Tucson Active Management Areas have been available to the Authority to fund storage primarily for water management and Indian settlement purposes. However, to date no withdrawal fees revenues have been expended for the benefit of the Phoenix and Tucson AMAs. Almost \$10 million and \$2.8 million remained in the withdrawal fee accounts for the Phoenix and Tucson AMAs, respectively. Most of the withdrawal fee revenues collected in Pinal AMA, on the other hand, have been expended. As of the end of 2001, the Authority has spent almost \$44 million of the \$76 million available to it since its inception. The Authority's expenditures have resulted in the accumulation of almost 1.3 million acre feet of long-term storage credits.

The Authority's role is not well known to the public. At a recent workshop on its interstate banking function, the Authority's genesis was reviewed by Herb Dishlip of the Arizona Department of Water Resources. He noted that, although the bill creating the Authority was an outgrowth of discussions regarding interstate water banking, interstate banking was not the primary focus of the authorizing legislation. He commented that the Authority gained legislative approval without much difficulty, because potentially controversial elements were omitted from the bill. In the end, an entity was created that has authority – you could say responsibility – to store Colorado River water for multiple, important purposes but has no legal authority to own and operate storage facilities.

The long-term storage credits funded by ad valorem tax revenues levied by the board operating the CAP are accumulated by the Authority but then are transferred to the CAWCD when there is shortage of CAP water. The Authority is not empowered to recover water for any purpose. Safeguards were written into the authorizing legislation to protect Arizona interests when storage is done on behalf of other states, but how credits accrued through an interstate agreement are "recovered" is still being worked on.

The Authority has some very important responsibilities, but it

faces significant limitations on what it can do. The Authority is last in line as a purchaser of excess CAP water. It is also last in line for the use of storage facilities. These constraints can become particularly important in times when the Legislature is dealing with sizable budget shortfalls and in times of drought. The recent announcement of proposed cuts in water allocations by the Salt River Project is a case in point.

In mid-August, SRP announced that its board will be asked to implement a reduction in water deliveries for only the second time in 51 years. To keep the allocation reduction as small as possible, SRP expects to acquire excess CAP water through purchase or exchange. SRP's announcement triggered announcements by many of its municipal customers that they too expect to offset some of the shortfall in SRP water deliveries with increased usage of CAP water. Increased orders for CAP water by municipal subcontractors and SRP will reduce the amount of excess CAP water available to the Water Banking Authority. Whereas the Authority has accrued on average approximately 255,000 acre feet of credits annually over the past five years, it is possible that well under 100,000 acre feet of CAP water will be available to the Authority for purchase and storage in 2003.

The finalization and implementation of interstate banking agreements are a difficult enough task for the Authority. However, a sizable reduction in excess CAP water affects the Authority's ability to store water for any of its statutory purposes. In the short run at least, there will be less water in storage to firm up CAP water supplies for municipal and industrial subcontractors, which is the Authority's primary objective. Limited water availability will likely result in even more accumulation of groundwater withdrawal fees and postponement of use of these revenues for water management and/or Indian water rights settlements. At a time when Nevada is interested in gearing up its interstate storage activities and finalization of the necessary agreements is pending, there may be precious little water available for interstate storage. This may not affect plans for interstate storage in 2002, however.

Earlier this year, the Authority recognized that Arizona's general fund problems were likely to continue and decided to carry over certain General Fund monies for storage activities in early 2003. In order to avoid interfering with implementing its 2002 Plan of Operation and wishing to satisfy additional demands for irrigation water by farmers, the Authority authorized the storage of approximately 40,000 acre feet of water during 2002 in Pinal County on behalf of Nevada. Will the General Fund dollars intended for carry-forward be tapped by the Legislature to help balance the budget? Will sufficient water be available in the future so that the important functions of the Authority can be achieved?

These are interesting and challenging times for all working on water resource matters. The Arizona Water Banking Authority is no exception. ■