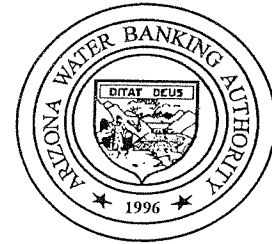


**Arizona Water Banking Authority**  
500 North Third Street, Phoenix, Arizona 85004  
Telephone 602-417-2418  
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June 30, 2003

The Honorable Janet Napolitano  
Governor of the State of Arizona  
1700 West Washington  
Phoenix, Arizona 85007

**AUTHORITY MEMBERS**  
Herbert R. Guenther, Chairman  
George R. Renner, Vice Chairman  
Charles L. Cahoy, Secretary  
Maureen R. George  
John Mawhinney

**EX OFFICIO MEMBERS**  
Senator Linda Binder  
Representative Jake Flake

Dear Governor Napolitano:

This letter is written to express my deep concern over action recently taken by the legislature pursuant to House Bill 2531, the General Appropriations Act. Specifically, I am referring to the \$9 million fund transfer from the Arizona Water Banking Fund listed in line 2, page 95 of the bill. I feel strongly that the potential long-term ramifications of this action have not been given due consideration.

As you are aware, the Arizona Water Banking Authority (Authority) was established by the 42nd legislature in 1996 with clearly defined goals and funding sources. The goals of the Authority include providing a secure water supply for the tri-county Central Arizona Project (CAP) service area and the on-river communities, meeting water management objectives of the state and assisting the state with settlement of water rights claims by Indian communities. Further, the funding sources are statutorily limited in the manner in which they can be utilized dependent on type and location. It is the Authority's opinion that the \$9 million identified for transfer could only come from one funding source; the groundwater withdrawal fees collected by the Authority pursuant to A.R.S. § 45-611. The groundwater withdrawal fees and annual general fund appropriations to the Authority are the only revenues available to store water to assist the state in settlement of water rights claims by Indian communities.

Under Senator Kyl's Arizona Water Settlement Act, Arizona is poised to settle the long-standing water rights dispute with the Gila River Indian Community and finalize the settlement with the Tohono O'odham Nation. Authorization of the Act will obligate the State of Arizona to provide water to the tribal entities in times of water shortage and the Authority is being evaluated as the entity that will allow the state to meet its obligation. Loss of \$9 million in withdrawal fee revenues will seriously impact the Authority's ability to assist the state. Based on an average annual cost per long-term storage credit, the \$9 million would have purchased more than 200,000 acre-feet of credits that will now be lost.

While the Authority recognizes the financial struggle being faced by the State, continued dependence on the Arizona Water Banking Fund is not a valid solution. To date, approximately \$4 million has already been withheld or transferred from it. Additionally, attempting to balance the budget utilizing funds collected for the Authority in specific geographic locations for specific purposes could ultimately undermine the vision held by the 42<sup>nd</sup> legislature when the Authority was created.

Sincerely,

Herbert R. Guenther, Chairman  
Arizona Water Banking Authority

The Honorable Janet Napolitano

June 30, 2003

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cc: Governor Janet Napolitano  
George R. Renner, Vice-chairman, Arizona Water Banking Authority  
Charles L. Cahoy, Secretary, Arizona Water Banking Authority  
Maureen R. George, Arizona Water Banking Authority  
John Mawhinney, Arizona Water Banking Authority  
David S. "Sid" Wilson, General Manager, Central Arizona Project  
Lisa Atkins, CAWCD Board Member  
Frank M. Barrios, CAWCD Board Member  
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Mike Boyd, CAWCD Board Member  
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James A. Hardtegan, CAWCD Board Member  
Diana Kai, CAWCD Board Member  
Mark Lewis, CAWCD Board Member  
David V. Modeer, CAWCD Board Member  
William K. Perry, CAWCD Board Member  
Carol E. Zimmerman, CAWCD Board Member