

State of Arizona  
Senate  
Fifty-first Legislature  
Second Regular Session  
2014

# SENATE BILL 1478

AN ACT

AMENDING TITLE 45, CHAPTER 1, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 15;  
AMENDING SECTIONS 45-2104, 45-2113, 45-2423, 45-2456, 45-2457 AND 45-2491,  
ARIZONA REVISED STATUTES; RELATING TO WATER CONSERVATION RESOURCE MANAGEMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 45, chapter 1, Arizona Revised Statutes, is amended  
3 by adding article 15, to read:

4 ARTICLE 15. WATERSHED IMPROVEMENT PROGRAM

5 45-351. Watershed improvement program; purpose; projects;  
6 funding

7 A. THE WATERSHED IMPROVEMENT PROGRAM IS ESTABLISHED IN THE DEPARTMENT  
8 UNDER THE AUTHORITY OF THE DIRECTOR FOR THE PURPOSE OF SELECTIVE CONTROL,  
9 REDUCTION OR REMOVAL OF NOXIOUS BRUSH AND OTHER VEGETATION AND FOR THE  
10 REVEGETATION OF LAND ON WHICH BRUSH AND VEGETATION HAS BEEN CONTROLLED,  
11 REDUCED OR REMOVED.

12 B. THE WATERSHED IMPROVEMENT PROGRAM MAY PROVIDE FUNDING FOR PROJECTS  
13 THAT ARE DESIGNED TO CONTROL, REDUCE OR REMOVE BRUSH FROM A WATERSHED OR A  
14 PORTION OF A WATERSHED, CONSISTENT WITH THE PURPOSES OF THE PROGRAM.

15 C. ANY PERSON, ORGANIZATION OR POLITICAL SUBDIVISION IS ELIGIBLE TO  
16 APPLY FOR PROJECT FUNDING FROM THE PROGRAM.

17 D. THE WATERSHED IMPROVEMENT PROGRAM SHALL BE FUNDED FROM ANY MONIES  
18 MADE AVAILABLE FOR THAT PURPOSE FROM THE ARIZONA WATER PROTECTION FUND  
19 ESTABLISHED BY SECTION 45-2111, FROM ANY MONIES MADE AVAILABLE FOR THAT  
20 PURPOSE FROM THE DEPARTMENT AND FROM ANY OTHER MONIES RECEIVED BY THE  
21 PROGRAM.

22 45-352. Program administration; rules; project criteria; report

23 A. THE DEPARTMENT SHALL ADOPT RULES TO CARRY OUT THE PURPOSES OF THIS  
24 ARTICLE, INCLUDING RULES THAT PRESCRIBE CRITERIA FOR PROJECT PROPOSALS AND  
25 THAT ESTABLISH PRIORITIES FOR PROJECTS FOR EACH FUNDING CYCLE, INCLUDING A  
26 PRIORITY FOR PROJECTS THAT BALANCE THE MOST CRITICAL NEEDS.

27 B. THE DEPARTMENT MAY EMPLOY OR CONTRACT WITH PERSONS AS REASONABLY  
28 NECESSARY TO IMPLEMENT THIS ARTICLE.

29 C. THE DEPARTMENT SHALL REPORT TO THE SPEAKER OF THE HOUSE OF  
30 REPRESENTATIVES, THE PRESIDENT OF THE SENATE AND THE GOVERNOR ON OR BEFORE  
31 DECEMBER 31 EACH YEAR REGARDING THE ACTIVITIES OF THE WATERSHED IMPROVEMENT  
32 PROGRAM DURING THE PRECEDING FISCAL YEAR AND SHALL PROVIDE A COPY OF THE  
33 REPORT TO THE SECRETARY OF STATE. THE DEPARTMENT SHALL MAKE THE REPORT  
34 AVAILABLE TO THE PUBLIC BY POSTING THE REPORT ON THE DEPARTMENT'S WEBSITE.

35 45-353. Program termination

36 THE PROGRAM ESTABLISHED BY THIS ARTICLE ENDS ON JULY 1, 2024 PURSUANT  
37 TO SECTION 41-3102.

38 Sec. 2. Section 45-2104, Arizona Revised Statutes, is amended to read:

39 45-2104. Powers and duties; limitations

40 A. The powers and authority vested in and the duties imposed on the  
41 members of the commission shall be exercised by a quorum of members, which  
42 consists of a majority of members then in office, except that a lesser number  
43 may hold public meetings without taking legal action.

44 B. The commission shall:

- 45 1. Adopt rules necessary to perform its duties.

- 1           2. Administer the expenditure of monies in accordance with section  
2 45-2113.
- 3           3. Coordinate its staffing needs with the director and the state land  
4 commissioner.
- 5           4. Make and execute all necessary contracts, including grants and  
6 intergovernmental agreements pursuant to title 11, chapter 7, article 3.
- 7           5. Adopt an official seal for the authentication of its records,  
8 decisions and resolutions.
- 9           6. Keep the minutes of its meetings, ~~AND~~ AND all records, reports and  
10 other information relating to its work and programs in permanent form,  
11 systematically indexed and filed.
- 12           7. Designate the person or persons who shall execute all documents and  
13 instruments on behalf of the commission.
- 14           8. Each year elect two members to act as a chair and a vice-chair for  
15 the commission.
- 16           9. Manifest and record its actions by motion, resolution, order or  
17 other appropriate means.
- 18           10. In addition to those meetings required by law to be open, hold open  
19 public meetings as the commission considers appropriate.
- 20           11. Prepare an annual report of its activities.
- 21           C. The commission may:
- 22           1. Sue and be sued.
- 23           2. Contract with any person for the expenditure of monies, including  
24 the granting of monies, consistent with section 45-2113.
- 25           3. Meet jointly with federal or state authorities to consider matters  
26 of mutual interest.
- 27           4. Secure from any federal or state agency or department information  
28 necessary to enable the commission to carry out its purposes.
- 29           5. Accept, use and dispose of appropriations, gifts or grants of money  
30 or other property or donations of services, from whatever source, only to  
31 carry out the purposes authorized in this chapter.
- 32           6. Perform all other acts necessary to carry out the purposes of this  
33 chapter.
- 34           D. Nothing in this chapter shall be construed to authorize the  
35 commission to purchase real property or to use this state's right of eminent  
36 domain to acquire water or water rights ~~OR LONG-TERM STORAGE CREDITS~~ using  
37 monies derived from the Arizona water protection fund established by section  
38 45-2111.
- 39           Sec. 3. Section 45-2113, Arizona Revised Statutes, is amended to read:  
40 ~~45-2113.~~ Fund grants; applications
- 41           A. The commission shall grant monies from the fund consistent with the  
42 application guidelines developed pursuant to section 45-2105. The commission  
43 shall establish a procedure by which monies may be granted annually which  
44 shall include a maximum of six months between the receipt of the proposal by

1 the commission and the disbursement of monies. The commission shall give  
2 priority in funding to the following:

3 1. Projects for which matching monies or assets of comparable value,  
4 including in-kind contributions, will be provided by other sources.

5 2. Projects that provide for the continued maintenance of the portion  
6 of the river and stream and associated riparian habitat that are enhanced by  
7 the project.

8 3. Projects that include broad based local involvement.

9 4. Projects that directly benefit perennial or intermittent rivers or  
10 streams.

11 B. The commission shall require as a condition of approval of any  
12 proposal all of the following provisions:

13 1. Allowing access for inspection and evaluation of the project.

14 2. Controlling the expenditure of and accounting for any monies  
15 granted by the commission

16 3. Requiring that those persons responsible for the project submit all  
17 pertinent information and research gained from the project to the commission.

18 4. Requiring that any person receiving a grant spend no more than five  
19 per cent of the grant on costs of administration.

20 C. The commission shall provide for public involvement regarding the  
21 applications submitted to the commission which shall include notice to any  
22 person who requests notice of applications and which shall provide a  
23 reasonable opportunity for comment on the application which shall not be less  
24 than forty-five days.

25 D. On receipt of an application the commission shall notify cities,  
26 towns, counties, natural resource conservation districts, special districts  
27 and Indian communities affected by the proposal and shall provide a  
28 reasonable opportunity for comment on the application which shall not be less  
29 than forty-five days.

30 E. Any person, state agency or political subdivision of this state may  
31 submit a request for funding from the fund for purposes prescribed by this  
32 section. A federal agency is not eligible for funding from the fund.  
33 Requests for funding shall be made to the commission. Requests for funding  
34 submitted to the commission may be accompanied by expressions of support from  
35 affected cities, towns, counties, natural resource conservation districts,  
36 special districts or Indian communities.

37 F. As a condition of approval by the commission, the applicant shall  
38 commit to work jointly with the affected cities, towns, counties, natural  
39 resource conservation districts, special districts and Indian communities  
40 that have contacted the commission pursuant to subsection D of this section  
41 on all aspects of the proposal's implementation and monitoring, unless the  
42 jurisdiction chooses not to participate.

43 G. Monies in the fund may only be spent to finance programs located in  
44 this state.

45 H. Monies in the fund may be spent for any of the following:

1           1. Granting monies to entities for the acquisition of central Arizona  
2 project water or effluent that will protect or restore rivers or streams  
3 consistent with state water law. No entity may exercise the right of eminent  
4 domain to acquire water or water rights using monies derived from this fund.

5           2. Granting monies to assist in developing, promoting and implementing  
6 water conservation programs, directly related to the purposes of this  
7 chapter, outside of the active management areas, except that no more than  
8 five per cent of the monies spent in any fiscal year may be spent for this  
9 purpose.

10          3. Granting monies in support of research and data collection,  
11 compilation and analysis directly related to the purposes of this chapter  
12 except that no more than five per cent of the monies deposited in the fund in  
13 any fiscal year may be spent for this purpose. Before the approval of any  
14 such project, the commission shall consult with the department of water  
15 resources and the state land department to determine whether any research of  
16 a similar nature has been or is in the process of being performed and is  
17 already available. The commission shall not approve a proposal if either  
18 department determines that sufficient data exists and notifies the commission  
19 in writing.

20          4. Granting monies for the development and implementation of capital  
21 projects or specific measures consistent with the purposes of this chapter.

22           I. Monies in the fund may not be spent for:

23           1. ANY PROJECT THAT INCLUDES THE PLANTING OF MESQUITE, TAMARISK OR  
24 OTHER NONNATIVE HIGH WATER USAGE TREES THAT CONSUME WATER TO A DEGREE THAT IS  
25 DETRIMENTAL TO WATER CONSERVATION EFFORTS, BUT MAY BE USED FOR REMOVAL OF  
26 MESQUITE, TAMARISK OR OTHER NONNATIVE HIGH WATER USAGE TREES THAT CONSUME  
27 WATER TO A DEGREE THAT IS DETRIMENTAL TO WATER CONSERVATION EFFORTS.

28           2. ANY remedial action purposes undertaken pursuant to the  
29 comprehensive environmental response, compensation, and liability act of  
30 1980, as amended (P.L. 96-510; 94 Stat. 2767; 42 United States Code section  
31 9601) or title 49, chapter 2, article 5.

32          Sec. 4. Section 45-2423, Arizona Revised Statutes, is amended to read:  
33 45-2423. Powers and duties of authority

34          A. The authority, acting through its commission, shall:

35           1. Administer the Arizona water banking fund in accordance with this  
36 chapter.

37           2. Coordinate its staffing needs with the director and CAWCD.

38           3. Coordinate the storage of water and distribution and extinguishment  
39 of long-term storage credits with the director in accordance with this  
40 chapter and the water management objectives set forth in chapter 2 of this  
41 title.

42           4. Coordinate with CAWCD for the purchase, delivery and storage of  
43 Colorado river water delivered through the central Arizona project in  
44 accordance with this chapter AND CONFER WITH CAWCD REGARDING THE PURCHASE OF  
45 LONG-TERM STORAGE CREDITS FOR WHICH CAWCD WILL BE THE RECOVERY AGENT.

- 1           5. Coordinate and confer with state agencies, municipal corporations,  
2 special districts, authorities, other political subdivisions, private  
3 entities, Indian communities and the United States on matters within their  
4 jurisdiction relating to the policy and purposes of this chapter.
- 5           6. Determine, on an annual basis, the quantity of Colorado river  
6 water, surface water other than Colorado river water and effluent to be  
7 stored by the authority and where that storage will occur.
- 8           7. Account for, hold and distribute or extinguish long-term storage  
9 credits in accordance with this chapter.
- 10          8. Comply with all aspects of chapter 3.1 of this title.
- 11          9. Perform the authority's replenishment responsibilities under  
12 chapter 15, article 3 of this title with monies appropriated from the state  
13 general fund by the legislature for that purpose and to the extent that  
14 monies appropriated by the legislature for that purpose are not available,  
15 with monies collected in the Pinal active management area pursuant to section  
16 45-611, subsection C, paragraph 3.
- 17          10. Carry out the obligations of this state under section 105 of Public  
18 Law 108-451 as agent for this state, including the direct delivery of water  
19 to Indian communities in this state and the leasing of non-Indian  
20 agricultural priority and Indian priority central Arizona project water as  
21 prescribed by article 5 of this chapter.
- 22          11. Adopt an official seal for the authentication of its records,  
23 decisions and resolutions.
- 24          12. Keep the minutes of its meetings and all records, reports and other  
25 information relating to its work and programs in permanent form,  
26 systematically indexed and filed.
  - 27           B. The authority, acting through its commission, may:
    - 28            1. Apply for and hold water storage permits.
    - 29            2. Accrue, PURCHASE, exchange, assign, lend and hold long-term storage  
30 credits in accordance with this chapter, SUBJECT TO THE FOLLOWING:
      - 31            (a) EXCEPT FOR THE PURCHASE OF LONG-TERM STORAGE CREDITS FROM AN  
32 INDIAN COMMUNITY PURSUANT TO SECTION 45-841.01, THE AUTHORITY MAY PURCHASE  
33 LONG-TERM STORAGE CREDITS ONLY AFTER THE AUTHORITY HAS STORED OR SCHEDULED  
34 FOR STORAGE ALL AVAILABLE EXCESS CENTRAL ARIZONA PROJECT WATER OR WHEN  
35 CENTRAL ARIZONA PROJECT WATER IS OTHERWISE UNAVAILABLE OR UNDELIVERABLE.
      - 36            (b) LONG-TERM STORAGE CREDITS ACCRUED OR PURCHASED BY THE AUTHORITY  
37 MUST BE DISTRIBUTED OR EXTINGUISHED IN ACCORDANCE WITH THE RULES OF OPERATION  
38 SPECIFIED IN SECTION 45-2457 FOR THE MONIES USED BY THE AUTHORITY TO ACCRUE  
39 OR PURCHASE THE CREDITS.
- 40          3. Exchange Colorado river water for any type of water in accordance  
41 with chapter 4 of this title.
- 42          4. Enter into water banking services agreements.
- 43          5. Charge fees for water banking services.

1           6. Apply for and hold any water quality permit required for water  
2 storage by the department of environmental quality under title 49, chapter 2,  
3 article 3 or by federal law.

4           7. Make and execute all contracts, including intergovernmental  
5 agreements pursuant to title 11, chapter 7, article 3, that shall be signed  
6 by the chairperson, or in the chairperson's absence the vice-chairperson, and  
7 attested by the secretary, necessary to:

8           (a) Obtain for storage Colorado river water delivered through the  
9 central Arizona project. Agreements by which the authority obtains Colorado  
10 river water are exempt from the requirements of title 41, chapter 23.

11           (b) Obtain effluent or surface water other than Colorado river water  
12 for storage but only after the authority has stored ~~OR SCHEDULED FOR STORAGE~~  
13 all available excess Central Arizona project water or when central Arizona  
14 project water is otherwise unavailable or undeliverable.

15           (c) Affiliate water storage permits held by the authority with storage  
16 facility permits.

17           (d) Store water for purposes of this chapter at permitted storage  
18 facilities.

19           (e) Distribute long-term storage credits ~~earned~~ ACCRUED OR PURCHASED  
20 by the authority to make water available to municipal and industrial users of  
21 Colorado river water in this state that are inside or outside of the CAWCD  
22 service area, in accordance with the provisions of this chapter.

23           (f) Store Colorado river water in Arizona on behalf of appropriately  
24 authorized agencies in California and Nevada.

25           (g) Cause a decrease in Arizona diversions from the Colorado river,  
26 ensuring that Arizona will use less than its full entitlement to Colorado  
27 river water in years in which California and Nevada agencies are  
28 contractually authorized to call on the water stored on their behalf by the  
29 authority.

30           (h) Distribute long-term storage credits earned by the authority on  
31 behalf of agencies in California and Nevada to Colorado river water users in  
32 Arizona to use in place of Colorado river water that would have otherwise  
33 been used by those Arizona users.

34           (i) Replenish water pursuant to chapter 15, article 3 of this title,  
35 including entering into an intergovernmental agreement with the Gila river  
36 Indian community pursuant to section 45-2624.

37           (j) Distribute long-term storage credits ~~earned~~ ACCRUED OR PURCHASED  
38 by the authority to make water available to Indian communities in this state  
39 for Indian firming measures pursuant to article 5 of this chapter.

40           8. Sue and be sued.

41           9. Perform all other acts necessary for the authority to carry out its  
42 purposes, powers and duties in accordance with this chapter.

43           10. Submit a request for a general fund appropriation to the  
44 legislature each year. A request shall be accompanied by a budget detailing

1 how the appropriation would be used and justifying the need for the  
2 appropriation.

3 11. Form temporary committees as deemed necessary by the authority to  
4 provide the authority with advice on issues identified by the  
5 authority. Advisory committees may consist of members of the public selected  
6 by the authority, members of the authority and authority staff.

7 ~~12. Purchase long term storage credits accrued by an Indian community~~  
8 ~~pursuant to section 45-841.01, provided such long term storage credits are~~  
9 ~~distributed or extinguished in accordance with the rules of operation~~  
10 ~~specified in section 45-2457 for the funds used by the authority to purchase~~  
11 ~~the credits.~~

12 Sec. 5. Section 45-2456, Arizona Revised Statutes, is amended to read:  
13 45-2456. Annual plan of operation

14 A. By January 1 of each year, the authority shall adopt a plan of  
15 operation for that calendar year.

16 B. In developing the plan of operation, the authority shall consider  
17 all of the following:

18 1. The amount of Colorado river water available for storage.

19 2. The advice of the department of water resources regarding where  
20 water storage would most contribute to fulfilling the water management  
21 objectives set forth in chapter 2 of this title.

22 3. The advice of CAWCD regarding the amount and location of water  
23 delivery and storage that is feasible.

24 4. The respective costs of storing water at available storage  
25 facilities.

26 5. The amount of storage allowed by water storage permits held by the  
27 authority.

28 6. The monies available from the banking fund.

29 7. The way in which water stored could be used by the authority to  
30 achieve the policy and purposes of this chapter.

31 8. The obligations of the authority under any water banking services  
32 agreement into which the authority has entered.

33 9. Any other factor the authority determines to be relevant.

34 C. The authority shall prepare a draft plan of operation each year.  
35 The authority shall solicit public comment on the draft plan of operation by  
36 presenting the draft plan of operation:

37 1. To the groundwater users advisory councils for the Tucson, Phoenix  
38 and Pinal active management areas. The presentation shall be made at  
39 publicly noticed open meetings of each advisory council at which members of  
40 the public shall be allowed to comment on the draft plan of operation.

41 2. If any water storage during the year is to occur outside of an  
42 active management area, to the county board of supervisors for each county in  
43 which the storage is to occur. The presentation shall be made at a publicly  
44 noticed open meeting of the county board of supervisors at which members of  
45 the public shall be allowed to comment on the draft plan of operation.

1 D. The authority may revise the draft plan of operation based on the  
2 public comment received.

3 E. An adopted plan of operation shall include all of the following:

4 1. A projection of expenditures for acquiring water.

5 2. A projection of the amount of water to be acquired each month by  
6 the authority.

7 3. A projection of the cost of delivering that water through the  
8 central Arizona project to a storage facility, including fees for the  
9 operation, maintenance, pumping energy and capital costs of the central  
10 Arizona project as established by CAWCD.

11 4. A projection of expenditures for water storage **AND LONG-TERM**  
12 **STORAGE CREDITS, INCLUDING THE FUNDING SOURCES TO BE USED FOR THOSE**  
13 **EXPENDITURES.**

14 5. A projection of water storage permits to be obtained and a  
15 projection of with which storage facility permit each water storage permit  
16 will be affiliated.

17 6. A projection of the amount of water to be stored, accounted for by  
18 active management area, and if water storage will occur outside of an active  
19 management area, by groundwater basin or subbasin.

20 **7. A PROJECTION OF THE AMOUNT OF LONG-TERM STORAGE CREDITS TO BE**  
21 **PURCHASED BY THE AUTHORITY, ACCOUNTED FOR BY ACTIVE MANAGEMENT AREA.**

22 ~~7.~~ 8. A projection of long-term storage credits that will be  
23 distributed or extinguished, accounted for by location where the long-term  
24 storage credits were stored, the purpose for which the distribution or  
25 extinguishment will occur and the persons to whom the long-term storage  
26 credits will be distributed.

27 ~~8.~~ 9. A projection of long-term storage credits that will be stored,  
28 loaned, replaced or distributed pursuant to any water banking services  
29 agreement into which the authority has entered.

30 ~~9.~~ 10. Any other matter determined to be relevant by the authority.

31 F. The authority may modify an adopted plan of operation.

32 G. The authority shall operate in accordance with its adopted or  
33 modified plan of operation.

34 Sec. 6. Section 45-2457, Arizona Revised Statutes, is amended to read:

35 **45-2457. Accounting; rules of operation**

36 A. The authority shall develop an accounting system for the long-term  
37 storage credits accrued **OR PURCHASED** by the authority. The accounting system  
38 shall be designed to allow the authority to determine which funding source of  
39 the banking fund paid for each long-term storage credit accrued **OR PURCHASED**  
40 by the authority.

41 B. The authority shall operate in accordance with all of the following  
42 rules of operation:

43 1. The authority shall reserve a reasonable number of long-term  
44 storage credits accrued **OR PURCHASED** with general fund appropriations, other  
45 than general fund appropriations for replenishment under chapter 15, article

1 3 of this title, for the benefit of municipal and industrial users of  
2 Colorado river water in this state that are outside of the service area of  
3 CAWCD.

4 2. The authority may distribute long-term storage credits accrued OR  
5 PURCHASED with general fund appropriations, other than general fund  
6 appropriations for replenishment under chapter 15, article 3 of this title,  
7 for both of the following:

8 (a) To make water available to a municipal and industrial user of  
9 Colorado river water in this state that is outside of the service area of  
10 CAWCD, if both of the following apply:

11 (i) The municipal and industrial user would otherwise suffer a water  
12 shortage. The authority may distribute long-term credits to the extent  
13 reasonably necessary to offset the water shortage.

14 (ii) The authority collects reimbursement for the cost to the  
15 authority of replacing the long-term storage credits distributed. The  
16 authority may replace the long-term storage credits in any year it deems  
17 appropriate but shall use good faith efforts to replace the long-term storage  
18 credits at a reasonable cost to the person who is responsible for reimbursing  
19 the authority for the credits distributed.

20 (b) To make water available to CAWCD to the extent necessary for CAWCD  
21 to meet the demands of its municipal and industrial subcontractors, if all of  
22 the following apply:

23 (i) CAWCD's normal diversions from the Colorado river have been or  
24 will be disrupted by shortages on the river or by disruptions in the  
25 operation of the central Arizona project.

26 (ii) The authority does not distribute for this purpose the long-term  
27 storage credits reserved in accordance with paragraph 1 OF THIS SUBSECTION.

28 (iii) The authority collects reimbursement from CAWCD for the cost to  
29 the authority of replacing the long-term storage credits distributed. The  
30 authority may replace the long-term storage credits in any year it deems  
31 appropriate but shall use good faith efforts to replace the long-term storage  
32 credits at a reasonable cost to CAWCD.

33 3. The authority may distribute or extinguish long-term storage  
34 credits accrued OR PURCHASED with general fund appropriations, other than  
35 general fund appropriations for replenishment under chapter 15, article 3 of  
36 this title, to implement the settlement of water right claims by Indian  
37 communities in this state.

38 4. On request from the director, the authority may extinguish  
39 long-term storage credits accrued OR PURCHASED with general fund  
40 appropriations, other than general fund appropriations for replenishment  
41 under chapter 15, article 3 of this title, to fulfill the water management  
42 objectives set forth in chapter 2 of this title.

43 5. The authority may exchange long-term storage credits accrued OR  
44 PURCHASED with general fund appropriations for long-term storage credits held  
45 by other persons if the long-term storage credits received by the authority

1 were stored in a location that better enables the authority to fulfill the  
2 purposes and policies of this chapter than were the long-term storage credits  
3 exchanged by the authority. For the purposes of this paragraph, the  
4 authority may make exchanges of long-term storage credits stored in one  
5 active management area for long-term storage credits stored in a different  
6 active management area or of long-term storage credits stored in one  
7 groundwater basin for long-term storage credits stored in a different  
8 groundwater basin.

9 6. The authority shall distribute or extinguish long-term storage  
10 credits accrued OR PURCHASED with monies collected in accordance with section  
11 45-611, subsection C, paragraph 3 only for the benefit of the active  
12 management area in which the monies were collected. The authority may  
13 distribute or extinguish these long-term storage credits to the extent  
14 necessary to meet the demands of CAWCD's municipal and industrial  
15 subcontractors during times in which CAWCD's diversions from the Colorado  
16 river have been or will be disrupted by shortages on the Colorado river or by  
17 disruptions in operation of the central Arizona project, to implement the  
18 settlement of water right claims by Indian communities in this state or, on  
19 request from the director, to meet the other water management objectives set  
20 forth in chapter 2 of this title. The authority may use the monies collected  
21 in the Pinal active management area under section 45-611, subsection C,  
22 paragraph 3 to acquire long-term storage credits for replenishment purposes  
23 under chapter 15, article 3 of this title.

24 7. The authority shall distribute long-term storage credits accrued OR  
25 PURCHASED with monies deposited in the fund in accordance with section  
26 48-3715.03, subsection B only for the benefit of the county in which the  
27 monies were collected. The authority shall distribute these long-term  
28 storage credits to CAWCD to the extent necessary to meet the demands of  
29 CAWCD's municipal and industrial subcontractors during times in which CAWCD's  
30 diversions from the Colorado river have been or will be disrupted by  
31 shortages on the Colorado river or by disruptions in operation of the central  
32 Arizona project.

33 8. For each county within the CAWCD service area, on a determination  
34 by the authority that the number of long-term storage credits accrued OR  
35 PURCHASED with monies deposited in the fund in accordance with section  
36 48-3715.03, subsection B exceeds the needs specified in paragraph 7 OF THIS  
37 SUBSECTION for that county, the authority shall distribute those excess  
38 long-term storage credits to municipal water providers within that county  
39 that are at the time of distribution experiencing surface water supply  
40 shortages not associated with the central Arizona project. The authority  
41 shall distribute to each such municipal water provider the lesser of the  
42 following number of long-term storage credits:

43 (a) The total number of credits determined to be available by the  
44 authority under this paragraph multiplied by the percentage produced by  
45 dividing a numerator equaling the amount of revenues paid pursuant to section

1 48-3715.02, subsections B and C by taxpayers that are within both the  
2 boundaries of the municipal provider that is experiencing the shortage and  
3 the boundaries of the surface water supply system that is experiencing the  
4 shortage by a denominator equaling the total revenues paid pursuant to  
5 section 48-3715.02, subsections B and C by all taxpayers that are located  
6 within both the boundaries of a municipal water provider and the boundaries  
7 of a surface water supply system in the county. In making these  
8 computations, the authority shall use the amounts of revenue paid by  
9 taxpayers during the most recent tax year for which this information is  
10 available.

11 (b) Twenty per cent of the total surface water shortage that the  
12 municipal and industrial water provider is experiencing.

13 9. The authority shall distribute or replace long-term storage credits  
14 accrued with monies collected pursuant to water banking services agreements  
15 in accordance with the terms of those agreements.

16 10. The authority shall acquire sufficient water supplies to perform  
17 its replenishment responsibilities under chapter 15, article 3 of this  
18 title. The authority shall acquire those water supplies with monies  
19 appropriated from the state general fund by the legislature for replenishment  
20 under chapter 15, article 3 of this title and to the extent that monies  
21 appropriated by the legislature for that purpose are not available, with  
22 monies collected in the Pinal active management area under section 45-611,  
23 subsection C, paragraph 3. The authority shall use the water supplies  
24 acquired pursuant to this paragraph for any replenishment activity authorized  
25 by section 45-2623 and for implementation of the southside replenishment bank  
26 established by section 45-2624, including delivering water directly to the  
27 Gila river Indian community for those purposes.

28 C. Any other long-term storage credits accrued **OR PURCHASED** by the  
29 authority may be distributed or extinguished by the authority in accordance  
30 with the policy and purposes of this chapter.

31 D. Except as provided by subsection B, paragraph 7 of this section and  
32 except as provided by agreements entered into by the authority, the decision  
33 to distribute or extinguish any long-term storage credit accrued **OR PURCHASED**  
34 by the authority is at the complete discretion of the authority.

35 Sec. 7. Section 45-2491, Arizona Revised Statutes, is amended to read:  
36 **45-2491. State commitments to firm Indian settlement water**

37 A. The authority shall act as agent for this state in meeting this  
38 state's obligation to deliver water in times of shortage pursuant to Public  
39 Law 108-451, fulfilling the requirements of sections 105, 207(c)(I)(ii) and  
40 302(b)(8), and the Indian firming measures established pursuant to this  
41 article. In carrying out this obligation the authority may:

42 1. Store water at permitted recharge facilities for the purpose of  
43 Indian firming.

44 **2. PURCHASE LONG-TERM STORAGE CREDITS FOR THE PURPOSE OF INDIAN**  
45 **FIRMING USING THE FUNDING SOURCES IDENTIFIED IN SUBSECTION B OF THIS SECTION**

1 BUT ONLY AFTER THE AUTHORITY HAS STORED OR SCHEDULED FOR STORAGE ALL  
2 AVAILABLE EXCESS CENTRAL ARIZONA PROJECT WATER OR WHEN CENTRAL ARIZONA  
3 PROJECT WATER IS OTHERWISE UNAVAILABLE OR UNDELIVERABLE.

4 ~~2-~~ 3. Enter into contracts or agreements with the United States and  
5 Indian communities for storage, recovery or direct delivery of water for  
6 Indian firming.

7 ~~3-~~ 4. Enter into leasing agreements with one or more Indian  
8 communities in partnership with other entities for non-Indian agricultural  
9 priority or Indian priority central Arizona project water.

10 ~~4-~~ 5. Enter into contracts for the use of water sources including  
11 Colorado river water, surface water other than Colorado river water and  
12 effluent.

13 ~~5-~~ 6. Enter into contracts with eligible entities for the use of  
14 imported groundwater from allowable groundwater basins pursuant to sections  
15 45-552, 45-553 and 45-554 for the purposes of Indian firming.

16 ~~6-~~ 7. Enter into agreements with a multi-county water conservation  
17 district established pursuant to title 48, chapter 22 for delivery of water  
18 to Indian communities.

19 ~~7-~~ 8. Subject to periodic review of progress toward meeting this  
20 state's Indian firming obligation, allow for the use of existing long-term  
21 storage credits developed from withdrawal fees collected pursuant to section  
22 45-611, subsection C, paragraph 3.

23 ~~8-~~ 9. Transfer long-term storage credits to a multi-county water  
24 conservation district established pursuant to title 48, chapter 22 for  
25 recovery and subsequent delivery to Indian communities in times of shortage.

26 ~~9-~~ 10. Enter into agreements for the recovery of long-term storage  
27 credits for purposes of Indian firming.

28 B. Indian firming measures established pursuant to this article shall  
29 include funding from the following sources:

30 1. Legislative appropriations provided for Indian firming on an annual  
31 basis to carry out Indian firming measures.

32 2. To the extent necessary to carry out Indian firming measures after  
33 expenditure of legislative appropriations, the authority may use withdrawal  
34 fees collected from the Phoenix, Pinal and Tucson active management area  
35 water management accounts.