

State of Arizona  
Senate  
Fifty-fourth Legislature  
First Regular Session  
2019

**CHAPTER 1**  
**SENATE BILL 1227**

AN ACT

AMENDING TITLE 45, CHAPTER 1, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 45-118; REPEALING SECTION 45-118, ARIZONA REVISED STATUTES; AMENDING SECTIONS 45-514, 45-611, 45-613 AND 45-615, ARIZONA REVISED STATUTES; AMENDING TITLE 45, CHAPTER 2, ARTICLE 11, ARIZONA REVISED STATUTES, BY ADDING SECTION 45-615.01; REPEALING SECTION 45-615.01, ARIZONA REVISED STATUTES; AMENDING SECTION 45-802.01, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2012, CHAPTER 312, SECTION 2; AMENDING SECTION 45-802.01, ARIZONA REVISED STATUTES, AS AMENDED BY LAWS 2013, CHAPTER 168, SECTION 4; AMENDING SECTIONS 45-851.01, 45-852.01, 45-853.01 AND 45-2425, ARIZONA REVISED STATUTES; AMENDING TITLE 45, CHAPTER 14, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 45-2457.01; AMENDING LAWS 2017, CHAPTER 305, SECTION 132; APPROPRIATING MONIES; RELATING TO WATER.

(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, article 1, Arizona Revised  
3 Statutes, is amended by adding section 45-118, to read:

4 45-118. Arizona system conservation fund; purpose; report

5 A. THE ARIZONA SYSTEM CONSERVATION FUND IS ESTABLISHED CONSISTING  
6 OF LEGISLATIVE APPROPRIATIONS, GRANTS AND CONTRIBUTIONS FROM PRIVATE AND  
7 PUBLIC ENTITIES. THE DIRECTOR SHALL ADMINISTER THE FUND. MONIES IN THE  
8 FUND ARE CONTINUOUSLY APPROPRIATED FOR THE PURPOSES OF THIS SECTION. THE  
9 DIRECTOR MAY SPEND MONIES FROM THE FUND TO CONTRACT WITH COLORADO RIVER  
10 WATER USERS IN THIS STATE THAT HOLD ENTITLEMENTS TO COLORADO RIVER WATER  
11 UNDER THE DECREE IN ARIZONA V. CALIFORNIA TO FORGO WATER DELIVERIES OR  
12 DIVERSIONS FOR THE PURPOSE OF CREATING SYSTEM CONSERVATION. CONTRACTS  
13 ENTERED INTO PURSUANT TO THIS SECTION ARE EXEMPT FROM TITLE 41,  
14 CHAPTER 23.

15 B. SYSTEM CONSERVATION CREATED THROUGH THE USE OF THE FUND SHALL  
16 PROVIDE FOR COLORADO RIVER WATER TO BE CONSERVED IN LAKE MEAD THROUGH A  
17 VERIFIED REDUCTION IN EXISTING CONSUMPTIVE USE IN ORDER TO DECREASE THE  
18 LIKELIHOOD OF LAKE ELEVATIONS DROPPING TO LEVELS THAT COULD RESULT IN  
19 REDUCTIONS TO THIS STATE'S COLORADO RIVER ALLOCATION. SYSTEM CONSERVATION  
20 MUST BE CREATED FOR THE BENEFIT OF THE COLORADO RIVER SYSTEM AND NOT FOR  
21 THE BENEFIT OF ANY INDIVIDUAL COLORADO RIVER WATER USER.

22 C. ON NOTICE FROM THE DIRECTOR, THE STATE TREASURER SHALL INVEST  
23 AND DIVEST MONIES EARNED AS PROVIDED BY SECTION 35-313, AND MONIES EARNED  
24 FROM INVESTMENT SHALL BE CREDITED TO THE FUND. MONIES IN THE FUND ARE  
25 EXEMPT FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF  
26 APPROPRIATIONS.

27 D. BEGINNING JULY 1, 2021 AND ON JULY 1 EACH YEAR THEREAFTER, THE  
28 DIRECTOR SHALL SUBMIT A DETAILED REPORT TO THE GOVERNOR, THE PRESIDENT OF  
29 THE SENATE AND THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND PROVIDE A  
30 COPY OF THIS REPORT TO THE SECRETARY OF STATE. THE REPORT SHALL DESCRIBE  
31 THE EXPENDITURES MADE FROM THE FUND DURING THE PREVIOUS FISCAL YEAR AND  
32 THE VOLUME OF WATER THAT WAS CONSERVED IN LAKE MEAD.

33 Sec. 2. Delayed repeal

34 Section 45-118, Arizona Revised Statutes, as added by this act, is  
35 repealed from and after March 31, 2027.

36 Sec. 3. Section 45-514, Arizona Revised Statutes, is amended to  
37 read:

38 45-514. Mineral extraction and metallurgical processing  
39 permit; conditions for issuance; duration of permit

40 A. Except as provided in subsection D of this section, a person who  
41 is engaged in or proposes to engage in the extraction and processing of  
42 minerals shall be issued a permit to withdraw groundwater in the required  
43 amount, if all of the following apply:

1           1. The amount of groundwater available for mineral extraction,  
2 metallurgical processing and compliance with applicable environmental  
3 controls under a dewatering permit is insufficient.

4           2. Uncommitted municipal and industrial central Arizona project  
5 water is not available at the point where the operator's wellhead or  
6 distribution system would otherwise be, at a cost which does not exceed  
7 the current municipal and industrial central Arizona project delivery  
8 rates.

9           3. Other surface water of adequate quality or effluent of adequate  
10 quality is not available at the point where the operator's wellhead or  
11 distribution system would otherwise be, at a cost, including treatment  
12 costs, which does not exceed by twenty-five ~~per cent~~ PERCENT the cost the  
13 operator would otherwise incur in withdrawing groundwater.

14           4. The applicant does not own or lease type 2 non-irrigation  
15 grandfathered rights originally based on withdrawals of groundwater for  
16 the extraction or processing of minerals that the applicant is not using  
17 or leasing and that can be used at the proposed location without imposing  
18 an unreasonable economic burden on the applicant.

19           B. A permit issued pursuant to this section shall be granted for a  
20 period of up to fifty years, subject to renewal under the same criteria  
21 used in granting the original permit.

22           C. If, during the duration of a mineral extraction and  
23 metallurgical processing permit, the director determines that uncommitted  
24 municipal and industrial central Arizona project water is available or  
25 surface water of adequate quality or effluent of adequate quality is  
26 available to the permittee at a cost comparable to groundwater, the  
27 director may require the permittee to use such water in lieu of  
28 groundwater.

29           D. Beginning January 1 of the calendar year following the year in  
30 which a groundwater replenishment district is required to submit its  
31 preliminary plan pursuant to section 45-576.02, subsection A, paragraph 1,  
32 and except for an application to renew a mineral extraction and  
33 metallurgical processing permit, on receiving a permit application the  
34 director shall not issue a permit for a well in the district unless at the  
35 time the application is filed:

36           1. The director has determined that the district's plan for  
37 operation is consistent with achieving the management goal, according to  
38 section 45-576.03, subsection E, and the designation has not expired.

39           2. The master replenishment account, as established in section  
40 45-858.01, does not have a debit balance in an amount in excess of the  
41 amount allowed under section 45-576.01, subsection A, paragraph 3.

42           E. If, during the duration of a mineral extraction and  
43 metallurgical processing permit issued after the effective date of this  
44 amendment to this section, the permittee earns long-term storage credits  
45 under section 45-852.01, subsection B for the storage of central Arizona

1 project water in the active management area in which the permittee has the  
2 right to withdraw groundwater pursuant to the permit, and the central  
3 Arizona project water qualified as water that cannot reasonably be used  
4 directly due solely to the exclusion of groundwater withdrawn by the  
5 permittee for mineral extraction or metallurgical processing pursuant to  
6 section 45-802.01, paragraph ~~22~~ 23, subdivision (c), the director shall  
7 establish a separate subaccount for those credits pursuant to section  
8 45-852.01, subsection A. After each calendar year in which the permit is  
9 in effect, the director shall debit the subaccount by the amount of  
10 groundwater pumped by the permittee in the active management area during  
11 that calendar year pursuant to the permit, not to exceed the amount of  
12 long-term storage credits in the subaccount. This subsection shall not  
13 apply to:

14 1. A mineral extraction and metallurgical processing permit issued  
15 on or before the effective date of this amendment to this section,  
16 including any renewal or modification of the permit.

17 2. A mineral extraction and metallurgical processing permit unless  
18 the permittee was engaged in mineral extraction and metallurgical  
19 processing within an initial active management area on or before January  
20 1, 2011.

21 Sec. 4. Section 45-611, Arizona Revised Statutes, is amended to  
22 read:

23 45-611. Groundwater withdrawal fee; amounts and purposes of  
24 fee; exception

25 A. Except as provided in subsection B of this section, the director  
26 shall levy and collect an annual groundwater withdrawal fee from each  
27 person withdrawing groundwater in the Prescott active management area or  
28 the person who owns the right to withdraw the groundwater, in an amount  
29 not to exceed ~~five dollars~~ \$5 per acre-foot of groundwater withdrawn and  
30 beneficially used. The director shall levy and collect an annual  
31 withdrawal fee from each person withdrawing water, other than stored  
32 water, from a well in the Santa Cruz active management area or the person  
33 who owns the right to withdraw the water, in an amount not to exceed ~~five~~  
34 ~~dollars~~ \$5 per acre-foot of water, other than stored water, that is  
35 withdrawn and beneficially used. For THE purposes of this article, the  
36 annual withdrawal fee levied and collected in the Santa Cruz active  
37 management area shall be considered a groundwater withdrawal fee. The  
38 actual amount of the fee levied and collected by the director pursuant to  
39 this subsection shall be set by the director as follows:

40 1. For administration and enforcement of this chapter, an amount  
41 not less than ~~fifty cents~~ \$.50 and not greater than ~~one dollar~~ \$1 per  
42 acre-foot per year. The initial fee for administration and enforcement  
43 shall be levied as soon as practicable after the active management area is  
44 established.

1           2. For augmentation of the water supply of the active management  
2 area, conservation assistance to water users within the active management  
3 area and monitoring and assessing water availability within the active  
4 management area, an amount not greater than ~~two dollars~~ \$2 per acre-foot  
5 per year.

6           3. For purchasing and retiring grandfathered rights, an amount not  
7 greater than ~~two dollars~~ \$2 per acre-foot per year. The initial fee for  
8 purchasing and retiring grandfathered rights shall be levied in the first  
9 year in which the director develops and implements a program for the  
10 purchase and retirement of grandfathered rights as part of the management  
11 plan for the active management area, but not earlier than January 1, 2006.  
12 The director may not levy a fee under this paragraph on a district member  
13 of a groundwater replenishment district that withdraws groundwater in the  
14 district for a non-irrigation use in the district.

15           B. A person, other than an irrigation district, who withdraws  
16 groundwater in an active management area from a non-exempt well for use  
17 pursuant to an irrigation grandfathered right that is appurtenant to ten  
18 or fewer irrigation acres and the person who owns the right to withdraw  
19 the groundwater are exempt from the groundwater withdrawal fee  
20 requirements of subsections A and C of this section for those withdrawals  
21 unless the irrigation acres are part of an integrated farming operation.

22           C. Except as provided in section 45-411.01, subsection C and  
23 subsection B of this section, the director shall levy and collect an  
24 annual groundwater withdrawal fee from each person who withdraws  
25 groundwater in the Tucson, Phoenix and Pinal active management areas or  
26 the person who owns the right to withdraw the groundwater, in an amount of  
27 not more than ~~five dollars~~ \$5 per acre-foot of groundwater withdrawn and  
28 beneficially used. The director shall set the actual amount of the fee as  
29 follows:

30           1. In the Tucson and Phoenix active management areas, beginning in  
31 2017, for administration and enforcement of this chapter, an amount of at  
32 least ~~fifty cents~~ \$.50 but not more than ~~one dollar~~ \$1 per acre-foot per  
33 year. In the Pinal active management area, beginning in 2017, for  
34 administration and enforcement of this chapter, an amount of not more than  
35 ~~one dollar~~ \$1 per acre-foot per year.

36           2. ~~Through 2016,~~ For augmentation of the water supply of the active  
37 management area, conservation assistance to water users within the active  
38 management area and monitoring and assessing water availability within the  
39 active management area, ~~an amount of not more than fifty cents per acre-~~  
40 ~~foot per year, and after 2016,~~ an amount of not more than ~~two dollars~~ \$2  
41 per acre-foot per year. If a permanent board of directors of an active  
42 management area water district assumes office under section 48-4831, the  
43 fee for augmentation under this paragraph shall not be levied in that  
44 active management area.

1           3. In the Tucson and Phoenix active management areas, for Arizona  
2 water banking purposes, the amount of ~~two dollars fifty cents~~ \$2.50 per  
3 acre-foot per year. In the Pinal active management area, ~~through 2016,~~  
4 ~~for Arizona water banking purposes, including replenishment under chapter~~  
5 ~~15, article 3 of this title, the amount of two dollars fifty cents per~~  
6 ~~acre-foot per year and, beginning in 2017,~~ for Arizona water banking  
7 purposes, including replenishment under chapter 15, article 3 of this  
8 title, an amount of not more than ~~two dollars fifty cents~~ \$2.50 per  
9 acre-foot per year, EXCEPT THAT NO FEE SHALL BE LEVIED IN THE PINAL ACTIVE  
10 MANAGEMENT AREA FOR THIS PURPOSE DURING CALENDAR YEARS 2020 THROUGH 2026.

11           4. For purchasing and retiring grandfathered rights, an amount of  
12 not more than ~~two dollars~~ \$2 per acre-foot per year. The initial fee for  
13 purchasing and retiring grandfathered rights shall be levied in the first  
14 year in which the director develops and implements a program for the  
15 purchase and retirement of grandfathered rights as part of the management  
16 plan for the active management area, but not earlier than January 1, 2006.  
17 The director may not levy a fee pursuant to this paragraph on a district  
18 member of a groundwater replenishment district that withdraws groundwater  
19 in the district for non-irrigation use in the district.

20           5. IN THE PINAL ACTIVE MANAGEMENT AREA, BEGINNING FROM AND AFTER  
21 DECEMBER 31, 2019 THROUGH DECEMBER 31, 2026, AN AMOUNT OF NOT MORE THAN  
22 \$2.50 PER ACRE-FOOT PER YEAR FOR GROUNDWATER AND IRRIGATION EFFICIENCY  
23 PROJECTS.

24           Sec. 5. Section 45-613, Arizona Revised Statutes, is amended to  
25 read:

26           45-613. Use of withdrawal fees collected for augmentation and  
27 conservation and purchase and retirement of  
28 grandfathered rights, Arizona water banking  
29 purposes and groundwater and irrigation efficiency  
30 projects

31           A. Except as provided in section 45-615, paragraph 2 and sections  
32 45-1972 and 48-4504, monies collected in an active management area for  
33 purposes of augmentation, conservation assistance and monitoring and  
34 assessing water availability under section 45-611, subsection A, paragraph  
35 2 and subsection C, paragraph 2 shall be used only to finance the  
36 augmentation and conservation assistance programs that are part of the  
37 management plan for the active management area and to fund any projects  
38 that are authorized by the director for monitoring and assessing water  
39 availability within the active management area.

40           B. Monies collected in an active management area for the purpose of  
41 purchasing and retiring grandfathered rights under section 45-611,  
42 subsection A, paragraph 3 and subsection C, paragraph 4 shall be used only  
43 to finance the program for the purchase and retirement of grandfathered  
44 rights that is part of the management plan for the active management area.

1 C. Monies collected in an active management area for the purpose of  
2 Arizona water banking under section 45-611, subsection C, paragraph 3  
3 shall be used only for the benefit of the active management area in which  
4 they are collected.

5 D. EXCEPT AS PROVIDED IN SECTION 45-615.01, SUBSECTION G, MONIES  
6 COLLECTED IN THE PINAL ACTIVE MANAGEMENT AREA FOR THE PURPOSE OF  
7 GROUNDWATER AND IRRIGATION EFFICIENCY PROJECTS UNDER SECTION 45-611,  
8 SUBSECTION C, PARAGRAPH 5 SHALL BE USED ONLY TO FINANCE PROJECTS FOR THE  
9 CONSTRUCTION AND REHABILITATION OF WELLS AND RELATED INFRASTRUCTURE FOR  
10 THE WITHDRAWAL AND EFFICIENT DELIVERY OF GROUNDWATER BY IRRIGATION  
11 DISTRICTS IN THE PINAL ACTIVE MANAGEMENT AREA.

12 Sec. 6. Section 45-615, Arizona Revised Statutes, is amended to  
13 read:

14 45-615. Deposits; divisions of collections into funds

15 Except as provided in section 45-113, subsection C, the director  
16 shall deposit, pursuant to sections 35-146 and 35-147, all monies  
17 collected by the department pursuant to section 45-611, subsection A,  
18 paragraphs 2 and 3 and subsection C, paragraphs 2, 3 and 4 and any other  
19 monies received for that purpose. Based on the statement of the director  
20 transmitted pursuant to section 45-614, subsection B, the monies collected  
21 shall be allocated as follows:

22 1. Except as provided in paragraph 2 of this section, monies  
23 received for the purpose of augmentation of the water supply of the active  
24 management area, conservation assistance to water users within the active  
25 management area and monitoring and assessing water availability within the  
26 active management area shall be kept in an augmentation and conservation  
27 assistance fund. Separate accounts for each active management area shall  
28 be maintained within the fund. On notice from the director, the state  
29 treasurer shall invest and divest monies in the fund as provided by  
30 section 35-313, and monies earned from investment shall be credited to the  
31 fund.

32 2. If an active management area water district has been established  
33 in an active management area, all monies received pursuant to section  
34 45-611, subsection A, paragraph 2 for the purpose of augmentation of the  
35 water supply of that active management area shall be transmitted to the  
36 secretary-treasurer of the district for deposit in the general fund of the  
37 district.

38 3. Monies received for the purpose of purchase and retirement of  
39 grandfathered rights shall be kept in a purchase and retirement fund.  
40 Separate accounts for each active management area shall be maintained  
41 within the fund. On notice from the director, the state treasurer shall  
42 invest and divest monies in the fund as provided by section 35-313, and  
43 monies earned from investment shall be credited to the fund.

1 4. Monies received for the purpose of Arizona water banking shall  
2 be deposited, pursuant to sections 35-146 and 35-147, in the Arizona water  
3 banking fund.

4 5. MONIES COLLECTED BY THE DIRECTOR PURSUANT TO SECTION 45-611,  
5 SUBSECTION C, PARAGRAPH 5 SHALL BE DEPOSITED IN THE TEMPORARY GROUNDWATER  
6 AND IRRIGATION EFFICIENCY PROJECTS FUND ESTABLISHED BY SECTION 45-615.01.

7 Sec. 7. Title 45, chapter 2, article 11, Arizona Revised Statutes,  
8 is amended by adding section 45-615.01, to read:

9 45-615.01. Temporary groundwater and irrigation efficiency  
10 projects fund: purpose: report: definition

11 A. THE TEMPORARY GROUNDWATER AND IRRIGATION EFFICIENCY PROJECTS  
12 FUND IS ESTABLISHED FOR THE PURPOSE OF FUNDING PROJECTS FOR THE  
13 CONSTRUCTION AND REHABILITATION OF WELLS AND RELATED INFRASTRUCTURE FOR  
14 THE WITHDRAWAL AND EFFICIENT DELIVERY OF GROUNDWATER BY QUALIFIED  
15 IRRIGATION DISTRICTS IN THE PHOENIX ACTIVE MANAGEMENT AREA, THE PINAL  
16 ACTIVE MANAGEMENT AREA AND THE HARQUAHALA IRRIGATION NON-EXPANSION AREA.  
17 THE FUND CONSISTS OF LEGISLATIVE APPROPRIATIONS, GROUNDWATER WITHDRAWAL  
18 FEES COLLECTED IN THE PINAL ACTIVE MANAGEMENT AREA PURSUANT TO SECTION  
19 45-611, SUBSECTION C, PARAGRAPH 5, GRANTS FROM FEDERAL AGENCIES AND MONIES  
20 DEPOSITED IN THE FUND BY QUALIFIED IRRIGATION DISTRICTS IN THE PHOENIX  
21 ACTIVE MANAGEMENT AREA, THE PINAL ACTIVE MANAGEMENT AREA AND THE  
22 HARQUAHALA IRRIGATION NON-EXPANSION AREA. GROUNDWATER WITHDRAWAL FEES  
23 DEPOSITED IN THE FUND SHALL BE ACCOUNTED FOR SEPARATELY FROM OTHER MONIES  
24 IN THE FUND AND SHALL BE USED ONLY FOR CONSTRUCTING AND REHABILITATING  
25 WELLS AND RELATED INFRASTRUCTURE IN THE PINAL ACTIVE MANAGEMENT AREA.  
26 MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED FOR THE PURPOSES OF THIS  
27 SECTION.

28 B. THE DIRECTOR MAY ACCEPT AND DEPOSIT INTO THE FUND MONIES,  
29 GRANTS, GIFTS, CONTRIBUTIONS AND DEVICES TO ASSIST IN CARRYING OUT THE  
30 PURPOSES OF THIS SECTION.

31 C. THE DIRECTOR SHALL ADMINISTER THE FUND. ON NOTICE FROM THE  
32 DIRECTOR, THE STATE TREASURER SHALL INVEST AND DIVEST MONIES IN THE FUND  
33 AS PROVIDED BY SECTION 35-313, AND MONIES EARNED FROM INVESTMENT SHALL BE  
34 CREDITED TO THE FUND.

35 D. THE DIRECTOR MAY GRANT MONIES FROM THE FUND TO QUALIFIED  
36 IRRIGATION DISTRICTS ESTABLISHED PURSUANT TO TITLE 48, CHAPTER 19 IN THE  
37 PHOENIX ACTIVE MANAGEMENT AREA, THE PINAL ACTIVE MANAGEMENT AREA AND THE  
38 HARQUAHALA IRRIGATION NON-EXPANSION AREA FOR THE PURPOSES DESCRIBED IN  
39 SUBSECTION A OF THIS SECTION. IN GRANTING MONIES FROM THE FUND, THE  
40 DIRECTOR MAY GIVE PREFERENCE TO WELLS AND RELATED INFRASTRUCTURE THAT  
41 WOULD BE USED TO RECOVER STORED WATER. GRANTS MADE TO QUALIFIED  
42 IRRIGATION DISTRICTS ARE EXEMPT FROM TITLE 41, CHAPTER 24.

43 E. BEFORE DECEMBER 31 OF EACH YEAR, THE DIRECTOR SHALL SUBMIT TO  
44 THE SPEAKER OF THE HOUSE OF REPRESENTATIVES AND THE PRESIDENT OF THE  
45 SENATE A WRITTEN REPORT DESCRIBING THE ACTIVITIES OF THE DEPARTMENT FOR

1 THE PRECEDING FISCAL YEAR RELATED TO EXPENDITURES FROM THE FUND. THE  
2 REPORT SHALL INCLUDE AN ACCOUNTING FOR EXPENDITURES FROM THE FUND AND HOW  
3 THE MONIES WERE USED TO FINANCE PROJECTS FOR THE CONSTRUCTION AND  
4 REHABILITATION OF WELLS AND RELATED INFRASTRUCTURE FOR THE WITHDRAWAL AND  
5 EFFICIENT DELIVERY OF GROUNDWATER BY QUALIFIED IRRIGATION DISTRICTS IN THE  
6 PHOENIX ACTIVE MANAGEMENT AREA, THE PINAL ACTIVE MANAGEMENT AREA AND THE  
7 HARQUAHALA IRRIGATION NON-EXPANSION AREA.

8 F. EXCEPT AS PROVIDED IN SUBSECTION G OF THIS SECTION, MONIES IN  
9 THE FUND ARE EXEMPT FROM THE PROVISIONS OF SECTIONS 35-190 RELATING TO  
10 LAPSING OF APPROPRIATIONS.

11 G. ON JUNE 30, 2027, ANY UNENCUMBERED MONIES IN THE FUND SHALL BE  
12 PROPORTIONALLY DISTRIBUTED TO THE FUND'S CONTRIBUTORS BY DECEMBER 31, 2027  
13 ACCORDING TO THE TOTAL AMOUNT OF MONIES DEPOSITED IN THE FUND BY EACH  
14 CONTRIBUTOR. THE PROPORTION OF THE UNENCUMBERED MONIES ATTRIBUTABLE TO  
15 GROUNDWATER WITHDRAWAL FEES LEVIED UNDER SECTION 45-611, SUBSECTION C,  
16 PARAGRAPH 5 SHALL BE DEPOSITED IN THE ARIZONA WATER BANKING FUND  
17 ESTABLISHED BY SECTION 45-2425 AND SHALL BE USED ONLY IN THE PINAL ACTIVE  
18 MANAGEMENT AREA IN THE SAME MANNER AS GROUNDWATER WITHDRAWAL FEES  
19 COLLECTED IN THE PINAL ACTIVE MANAGEMENT AREA PURSUANT TO SECTION 45-611,  
20 SUBSECTION C, PARAGRAPH 3.

21 H. ALL MONIES DEPOSITED IN THE TEMPORARY GROUNDWATER AND IRRIGATION  
22 EFFICIENCY PROJECTS FUND SHALL BE HELD IN TRUST. THE MONIES IN THE FUND  
23 MAY BE USED ONLY FOR THE PURPOSES PRESCRIBED IN THIS SECTION AND MAY NOT  
24 BE APPROPRIATED OR TRANSFERRED BY THE LEGISLATURE TO FUND THE GENERAL  
25 OPERATIONS OF THIS STATE OR TO OTHERWISE MEET THE OBLIGATIONS OF THE STATE  
26 GENERAL FUND. THIS SUBSECTION DOES NOT APPLY TO ANY TAXES OR OTHER LEVIES  
27 THAT ARE IMPOSED PURSUANT TO TITLE 42 OR 43.

28 I. FOR THE PURPOSES OF THIS SECTION, "QUALIFIED IRRIGATION  
29 DISTRICT" MEANS AN IRRIGATION DISTRICT THAT MEETS ALL OF THE FOLLOWING  
30 REQUIREMENTS:

31 1. THE IRRIGATION DISTRICT RECEIVED CENTRAL ARIZONA PROJECT WATER  
32 IN ANY YEAR AFTER CALENDAR YEAR 2014 OTHER THAN THROUGH A GROUNDWATER  
33 SAVINGS FACILITY PERMIT ISSUED UNDER CHAPTER 3.1 OF THIS TITLE.

34 2. THERE ARE AT LEAST NINE THOUSAND ACRES THAT MAY BE LAWFULLY  
35 IRRIGATED WITHIN THE BOUNDARIES OF THE IRRIGATION DISTRICT AND THE  
36 DISTRICT DID NOT DELIVER SURFACE WATER OTHER THAN CENTRAL ARIZONA PROJECT  
37 WATER IN CALENDAR YEAR 2017.

38 3. THE IRRIGATION DISTRICT SUBMITTED AN APPLICATION TO THE  
39 DEPARTMENT FOR MONIES FROM THE FUND ESTABLISHED BY THIS SECTION TO  
40 CONSTRUCT AN IRRIGATION EFFICIENCY PROJECT IN THE PHOENIX ACTIVE  
41 MANAGEMENT AREA, THE PINAL ACTIVE MANAGEMENT AREA OR THE HARQUAHALA  
42 IRRIGATION NON-EXPANSION AREA.

43 Sec. 8. Delayed repeal

44 Section 45-615.01, Arizona Revised Statutes, as added by this act,  
45 is repealed from and after March 31, 2028.

1           Sec. 9. Section 45-802.01, Arizona Revised Statutes, as amended by  
2 Laws 2012, chapter 312, section 2, is amended to read:

3           45-802.01. Definitions

4           Unless the context otherwise requires, the terms defined in section  
5 45-402 have the same meanings in this chapter and:

6           1. "Aquifer" means a geologic formation that contains sufficient  
7 saturated material to be capable of storing water and transmitting water  
8 in usable quantities to a well.

9           2. "Area of impact" means, as projected on the land surface, the  
10 area where the stored water has migrated or is located.

11           3. "CERCLA" means the comprehensive environmental response,  
12 compensation, and liability act of 1980, as amended (P.L. 96-510; 94 Stat.  
13 2767; 42 United States Code sections 9601 through 9657), commonly known as  
14 "superfund".

15           4. "Constructed underground storage facility" means a facility that  
16 meets the requirements of section 45-811.01 and that is designed and  
17 constructed to store water underground pursuant to permits issued under  
18 this chapter.

19           5. "District" means a groundwater replenishment district  
20 established under title 48, chapter 27.

21           6. "District member" means a member of the groundwater  
22 replenishment district as provided by title 48, chapter 27.

23           7. "Electrical district" means a corporate body established  
24 pursuant to title 48, chapter 12.

25           8. "EXISTING EFFLUENT MANAGED UNDERGROUND STORAGE FACILITY" MEANS A  
26 MANAGED UNDERGROUND STORAGE FACILITY THAT MEETS ONE OF THE FOLLOWING  
27 CONDITIONS:

28           (a) THE FACILITY IS OPERATED PURSUANT TO A STORAGE FACILITY PERMIT  
29 THAT THE DIRECTOR ISSUED BEFORE JANUARY 1, 2019 AND THAT AUTHORIZES THE  
30 STORAGE OF EFFLUENT AT THE FACILITY.

31           (b) THE FACILITY IS OPERATED PURSUANT TO A RENEWED OR MODIFIED  
32 STORAGE FACILITY PERMIT THAT THE DIRECTOR ISSUED AFTER JANUARY 1, 2019 IF  
33 THE FACILITY QUALIFIED AS AN EXISTING EFFLUENT MANAGED UNDERGROUND STORAGE  
34 FACILITY UNDER SUBDIVISION (a), (c) OR (d) OF THIS PARAGRAPH AT ANY TIME  
35 BEFORE THE RENEWAL OR MODIFICATION.

36           (c) THE FACILITY IS OPERATED PURSUANT TO A PERMIT THAT THE DIRECTOR  
37 ISSUED AFTER JANUARY 1, 2019 AND THAT AUTHORIZES THE STORAGE OF EFFLUENT  
38 AT A LOCATION WHERE THE PERMIT HOLDER WAS AUTHORIZED TO STORE EFFLUENT  
39 PURSUANT TO A STORAGE FACILITY PERMIT THAT THE DIRECTOR ISSUED BEFORE  
40 JANUARY 1, 2019.

41           (d) THE FACILITY IS OPERATED PURSUANT TO A PERMIT THAT THE DIRECTOR  
42 ISSUED AFTER JANUARY 1, 2019 AND THAT AUTHORIZES THE STORAGE OF EFFLUENT  
43 AT THE FACILITY, AND THE APPLICATION TO OPERATE THE FACILITY WAS ON FILE  
44 WITH THE DIRECTOR AS OF JANUARY 1, 2019.

1           ~~8.~~ 9. "Groundwater savings facility" means a facility that meets  
2 the requirements of section 45-812.01 in an active management area or an  
3 irrigation non-expansion area at which groundwater withdrawals are  
4 eliminated or reduced by recipients who use in lieu water on a  
5 gallon-for-gallon substitute basis for groundwater that otherwise would  
6 have been pumped from within that active management area or irrigation  
7 non-expansion area.

8           ~~9.~~ 10. "In lieu water" means water that is delivered by a storer  
9 to a groundwater savings facility pursuant to permits issued under this  
10 chapter and that is used in an active management area or an irrigation  
11 non-expansion area by the recipient on a gallon-for-gallon substitute  
12 basis for groundwater that otherwise would have been pumped from within  
13 that active management area or irrigation non-expansion area.

14           ~~10.~~ 11. "Long-term storage account" means an account established  
15 pursuant to section 45-852.01.

16           ~~11.~~ 12. "Long-term storage credit" means stored water that meets  
17 the requirements of section 45-852.01 and that has been credited to a  
18 long-term storage account.

19           ~~12.~~ 13. "Managed underground storage facility" means a facility  
20 that meets the requirements of section 45-811.01 and that is designed and  
21 managed to utilize the natural channel of a stream to store water  
22 underground pursuant to permits issued under this chapter through  
23 artificial and controlled releases of water other than surface water  
24 naturally present in the stream. Surface water flowing in its natural  
25 channel is not a managed underground storage facility.

26           ~~13.~~ 14. "Master replenishment account" means an account established  
27 pursuant to section 45-858.01 for a groundwater replenishment district.

28           ~~14.~~ 15. "Recipient" means a person who receives in lieu water for  
29 use at a groundwater savings facility.

30           ~~15.~~ 16. "Recoverable amount" means the amount of water, as  
31 determined by the director, that will reach the aquifer through water  
32 storage.

33           ~~16.~~ 17. "Replenishment" means the storage of water or use of  
34 long-term storage credits by a groundwater replenishment district to  
35 fulfill its duties under title 48, chapter 27, article 3, by a  
36 multi-county water conservation district to fulfill its duties under title  
37 48, chapter 22, article 4 or by an active management area water district  
38 to fulfill its duties under title 48, chapter 28, article 7.

39           ~~17.~~ 18. "Reserve target" has the same meaning prescribed in section  
40 48-3701.

41           ~~18.~~ 19. "Storage facility" means a groundwater savings facility or  
42 an underground storage facility.

1       ~~19.~~ 20. "Stored water" means water that has been stored or saved  
2 underground pursuant to a storage permit issued under this chapter.

3       ~~20.~~ 21. "Storer" means the holder of a water storage permit issued  
4 pursuant to section 45-831.01 or a person to whom a water storage permit  
5 has been conveyed pursuant to section 45-831.01, subsection F.

6       ~~21.~~ 22. "Underground storage facility" means a constructed  
7 underground storage facility or a managed underground storage facility.

8       ~~22.~~ 23. "Water that cannot reasonably be used directly" means water  
9 that the storer cannot reasonably put to a direct use during the calendar  
10 year, including:

11       (a) Except as provided in subdivision (b) or except for an  
12 agricultural improvement district as provided in subdivision (d), if the  
13 storer is a municipal provider, the amount of central Arizona project  
14 water that exceeds the amount of mined groundwater withdrawn during the  
15 calendar year by the storer in the active management area in which the  
16 storer's service area is located. If the storer withdrew mined  
17 groundwater during a calendar year in which the storer stored central  
18 Arizona project water underground pursuant to the storage permit, the  
19 amount of central Arizona project water stored underground during that  
20 year equal to the amount of mined groundwater withdrawn from the active  
21 management area in which the storer's service area is located shall not be  
22 credited to the storer's long-term storage account but may be considered  
23 as being available for recovery by the storer on an annual basis under  
24 section 45-851.01. In calculating the amount of mined groundwater  
25 withdrawn by the storer from the active management area, the director, at  
26 the request of the storer, shall exclude any groundwater withdrawn,  
27 treated and delivered for direct use as part of a remedial action  
28 undertaken pursuant to CERCLA or title 49, chapter 2, article 5. For the  
29 purposes of this subdivision, "mined groundwater" and "municipal provider"  
30 have the same meanings prescribed in section 45-561.

31       (b) If the storer is a municipal provider that has been designated  
32 as having an assured water supply pursuant to section 45-576, the amount  
33 of central Arizona project water that exceeds the amount of deficit  
34 groundwater withdrawn during the calendar year by the storer in the active  
35 management area in which the storer's service area is located. If the  
36 storer withdrew deficit groundwater during a calendar year in which the  
37 storer stored central Arizona project water underground pursuant to the  
38 storage permit, the amount of the central Arizona project water stored  
39 underground during that year equal to the amount of deficit groundwater  
40 withdrawn from the active management area in which the storer's service  
41 area is located shall not be credited to the storer's long-term storage  
42 account but may be considered as being available for recovery by the  
43 storer on an annual basis pursuant to section 45-851.01. In calculating  
44 the amount of deficit groundwater withdrawn by the storer from the active  
45 management area, the director, at the request of the storer, shall exclude

1 any groundwater withdrawn, treated and delivered for direct use as part of  
2 a remedial action undertaken pursuant to CERCLA or title 49, chapter 2,  
3 article 5. For the purposes of this subdivision, "municipal provider" has  
4 the same meaning prescribed in section 45-561 and "deficit groundwater"  
5 means that amount of groundwater withdrawn within an active management  
6 area for delivery and use within a service area by a municipal provider in  
7 excess of the amount of groundwater that may be withdrawn by the municipal  
8 provider consistent with the achievement of the active management area's  
9 management goals as prescribed by rules adopted by the director pursuant  
10 to section 45-576.

11 (c) Except as provided in subdivision (d), if the storer is not a  
12 municipal provider, the amount of central Arizona project water stored in  
13 an active management area that exceeds the amount of groundwater withdrawn  
14 during the calendar year by the storer in that active management area. If  
15 the storer withdrew groundwater in an active management area during a  
16 calendar year in which the storer stored central Arizona project water  
17 underground in that active management area pursuant to the storage permit,  
18 the amount of central Arizona project water stored underground during that  
19 year equal to the amount of groundwater withdrawn from the active  
20 management area shall not be credited to the storer's long-term storage  
21 account but may be considered as being available for recovery by the  
22 storer on an annual basis under section 45-851.01. For the purposes of  
23 this subdivision, "municipal provider" has the same meaning prescribed in  
24 section 45-561. In calculating the amount of groundwater withdrawn by the  
25 storer from the active management area, the director, at the request of  
26 the storer, shall exclude:

27 (i) The amount of groundwater withdrawn, treated and delivered for  
28 direct use as part of a remedial action undertaken pursuant to CERCLA or  
29 title 49, chapter 2, article 5.

30 (ii) The amount of groundwater withdrawn by the storer during the  
31 year for mineral extraction and metallurgical processing and delivered  
32 during that year for direct use to an irrigation district that is  
33 established pursuant to title 48, chapter 19 and that is located in the  
34 same active management area from which the amount of groundwater was  
35 withdrawn to the extent that the irrigation district or its customers  
36 demonstrate a reduction in the amount of groundwater that they otherwise  
37 would have withdrawn during that year within the irrigation district.

38 (iii) The amount of groundwater withdrawn by the storer during the  
39 year for mineral extraction or metallurgical processing if the storer was  
40 engaged in mineral extraction and metallurgical processing within an  
41 initial active management area on or before January 1, 2011.

1 (d) The amount of central Arizona project water stored in an active  
2 management area in any year after 1994 by an agricultural improvement  
3 district established pursuant to title 48, chapter 17 for use at those  
4 portions of electrical generating facilities that are constructed or  
5 expanded after June 12, 1980, subject to both of the following:

6 (i) If groundwater was used during a year in an active management  
7 area at those portions of the electrical generating facilities that were  
8 owned and operated by the agricultural improvement district and that were  
9 constructed or expanded after June 12, 1980, the amount of the central  
10 Arizona project water stored during that year equal to the amount of the  
11 groundwater withdrawn during the year for use at those portions of the  
12 facilities that were owned and operated by the agricultural improvement  
13 district and that were constructed or expanded after June 12, 1980 shall  
14 not be credited to the agricultural improvement district's long-term  
15 storage account but may be considered as being available for recovery by  
16 the agricultural improvement district on an annual basis under section  
17 45-851.01.

18 (ii) Long-term storage credits accrued as a result of the storage  
19 of the central Arizona project water may be recovered within the active  
20 management area by the agricultural improvement district only for the  
21 purpose of providing central Arizona project water to electrical  
22 generating facilities that were owned and operated by the agricultural  
23 improvement district and only pursuant to any water requirement included  
24 in a facility's certificate of environmental compatibility. Subject to  
25 section 45-854.01, the long-term storage credits may be assigned by the  
26 agricultural improvement district only to the owner of an electrical  
27 generating facility for use pursuant to any water requirement included in  
28 that facility's certificate of environmental compatibility.

29 (e) Surface water made available by dams constructed or modified  
30 after August 13, 1986.

31 ~~(f) Until the year 2025:~~

32 ~~(i)~~ (f) Effluent.

33 ~~(ii)~~ (g) If the storage facility is in an active management area,  
34 water from outside the active management area that would not have reached  
35 the active management area without the efforts of the storer.

36 ~~(iii)~~ (h) If the storage facility is outside of an active  
37 management area, water from outside the groundwater basin in which the  
38 storage facility is located that would not have reached the groundwater  
39 basin without the efforts of the storer.

40 ~~(g)~~ (i) Water that is delivered through the central Arizona  
41 project and that is acquired by the Arizona water banking authority.

42 ~~23:~~ 24. "Water storage" means adding water to an aquifer or saving  
43 water in an aquifer pursuant to permits issued under this chapter.

44 ~~24:~~ 25. "Water storage permit" means a permit issued pursuant to  
45 section 45-831.01 to store water at a storage facility.

1           Sec. 10. Section 45-802.01, Arizona Revised Statutes, as amended by  
2 Laws 2013, chapter 168, section 4, is amended effective from and after  
3 December 31, 2024, to read:

4           45-802.01. Definitions

5           Unless the context otherwise requires, the terms defined in section  
6 45-402 have the same meanings in this chapter and:

7           1. "Aquifer" means a geologic formation that contains sufficient  
8 saturated material to be capable of storing water and transmitting water  
9 in usable quantities to a well.

10          2. "Area of impact" means, as projected on the land surface, the  
11 area where the stored water has migrated or is located.

12          3. "CERCLA" means the comprehensive environmental response,  
13 compensation, and liability act of 1980, as amended (P.L. 96-510; 94 Stat.  
14 2767; 42 United States Code sections 9601 through 9657), commonly known as  
15 "superfund".

16          4. "Constructed underground storage facility" means a facility that  
17 meets the requirements of section 45-811.01 and that is designed and  
18 constructed to store water underground pursuant to permits issued under  
19 this chapter.

20          5. "District" means a groundwater replenishment district  
21 established under title 48, chapter 27.

22          6. "District member" means a member of the groundwater  
23 replenishment district as provided by title 48, chapter 27.

24          7. "Electrical district" means a corporate body established  
25 pursuant to title 48, chapter 12.

26          8. "EXISTING EFFLUENT MANAGED UNDERGROUND STORAGE FACILITY" MEANS A  
27 MANAGED UNDERGROUND STORAGE FACILITY THAT MEETS ONE OF THE FOLLOWING  
28 CONDITIONS:

29           (a) THE FACILITY IS OPERATED PURSUANT TO A STORAGE FACILITY PERMIT  
30 THAT THE DIRECTOR ISSUED BEFORE JANUARY 1, 2019 AND THAT AUTHORIZES THE  
31 STORAGE OF EFFLUENT AT THE FACILITY.

32           (b) THE FACILITY IS OPERATED PURSUANT TO A RENEWED OR MODIFIED  
33 STORAGE FACILITY PERMIT THAT THE DIRECTOR ISSUED AFTER JANUARY 1, 2019 IF  
34 THE FACILITY QUALIFIED AS AN EXISTING EFFLUENT MANAGED UNDERGROUND STORAGE  
35 FACILITY UNDER SUBDIVISION (a), (c) OR (d) OF THIS PARAGRAPH AT ANY TIME  
36 BEFORE THE RENEWAL OR MODIFICATION.

37           (c) THE FACILITY IS OPERATED PURSUANT TO A PERMIT THAT THE DIRECTOR  
38 ISSUED AFTER JANUARY 1, 2019 AND THAT AUTHORIZES THE STORAGE OF EFFLUENT  
39 AT A LOCATION WHERE THE PERMIT HOLDER WAS AUTHORIZED TO STORE EFFLUENT  
40 PURSUANT TO A STORAGE FACILITY PERMIT THAT THE DIRECTOR ISSUED BEFORE  
41 JANUARY 1, 2019.

42           (d) THE FACILITY IS OPERATED PURSUANT TO A PERMIT THAT THE DIRECTOR  
43 ISSUED AFTER JANUARY 1, 2019 AND THAT AUTHORIZES THE STORAGE OF EFFLUENT  
44 AT THE FACILITY, AND THE APPLICATION TO OPERATE THE FACILITY WAS ON FILE  
45 WITH THE DIRECTOR AS OF JANUARY 1, 2019.

1           ~~8.~~ 9. "Groundwater savings facility" means a facility that meets  
2 the requirements of section 45-812.01 in an active management area or an  
3 irrigation non-expansion area at which groundwater withdrawals are  
4 eliminated or reduced by recipients who use in lieu water on a  
5 gallon-for-gallon substitute basis for groundwater that otherwise would  
6 have been pumped from within that active management area or irrigation  
7 non-expansion area.

8           ~~9.~~ 10. "In lieu water" means water that is delivered by a storer  
9 to a groundwater savings facility pursuant to permits issued under this  
10 chapter and that is used in an active management area or an irrigation  
11 non-expansion area by the recipient on a gallon-for-gallon substitute  
12 basis for groundwater that otherwise would have been pumped from within  
13 that active management area or irrigation non-expansion area.

14           ~~10.~~ 11. "Long-term storage account" means an account established  
15 pursuant to section 45-852.01.

16           ~~11.~~ 12. "Long-term storage credit" means stored water that meets  
17 the requirements of section 45-852.01 and that has been credited to a  
18 long-term storage account.

19           ~~12.~~ 13. "Managed underground storage facility" means a facility  
20 that meets the requirements of section 45-811.01 and that is designed and  
21 managed to utilize the natural channel of a stream to store water  
22 underground pursuant to permits issued under this chapter through  
23 artificial and controlled releases of water other than surface water  
24 naturally present in the stream. Surface water flowing in its natural  
25 channel is not a managed underground storage facility.

26           ~~13.~~ 14. "Master replenishment account" means an account established  
27 pursuant to section 45-858.01 for a groundwater replenishment district.

28           ~~14.~~ 15. "Recipient" means a person who receives in lieu water for  
29 use at a groundwater savings facility.

30           ~~15.~~ 16. "Recoverable amount" means the amount of water, as  
31 determined by the director, that will reach the aquifer through water  
32 storage.

33           ~~16.~~ 17. "Replenishment" means the storage of water or use of  
34 long-term storage credits by a groundwater replenishment district to  
35 fulfill its duties under title 48, chapter 27, article 3, by a  
36 multi-county water conservation district to fulfill its duties under title  
37 48, chapter 22, article 4 or by an active management area water district  
38 to fulfill its duties under title 48, chapter 28, article 7.

39           ~~17.~~ 18. "Reserve target" has the same meaning prescribed in section  
40 48-3701.

41           ~~18.~~ 19. "Storage facility" means a groundwater savings facility or  
42 an underground storage facility.

43           ~~19.~~ 20. "Stored water" means water that has been stored or saved  
44 underground pursuant to a storage permit issued under this chapter.

1       ~~20.~~ 21. "Storer" means the holder of a water storage permit issued  
2 pursuant to section 45-831.01 or a person to whom a water storage permit  
3 has been conveyed pursuant to section 45-831.01, subsection F.

4       ~~21.~~ 22. "Underground storage facility" means a constructed  
5 underground storage facility or a managed underground storage facility.

6       ~~22.~~ 23. "Water that cannot reasonably be used directly" means water  
7 that the storer cannot reasonably put to a direct use during the calendar  
8 year, including:

9       (a) Except as provided in subdivision (b) or except for an  
10 agricultural improvement district as provided in subdivision (d), if the  
11 storer is a municipal provider, the amount of central Arizona project  
12 water that exceeds the amount of mined groundwater withdrawn during the  
13 calendar year by the storer in the active management area in which the  
14 storer's service area is located. If the storer withdrew mined  
15 groundwater during a calendar year in which the storer stored central  
16 Arizona project water underground pursuant to the storage permit, the  
17 amount of central Arizona project water stored underground during that  
18 year equal to the amount of mined groundwater withdrawn from the active  
19 management area in which the storer's service area is located shall not be  
20 credited to the storer's long-term storage account but may be considered  
21 as being available for recovery by the storer on an annual basis under  
22 section 45-851.01. In calculating the amount of mined groundwater  
23 withdrawn by the storer from the active management area, the director, at  
24 the request of the storer, shall exclude any groundwater withdrawn,  
25 treated and delivered for direct use as part of a remedial action  
26 undertaken pursuant to CERCLA or title 49, chapter 2, article 5. For the  
27 purposes of this subdivision, "mined groundwater" and "municipal provider"  
28 have the same meanings prescribed in section 45-561.

29       (b) If the storer is a municipal provider that has been designated  
30 as having an assured water supply pursuant to section 45-576, the amount  
31 of central Arizona project water that exceeds the amount of deficit  
32 groundwater withdrawn during the calendar year by the storer in the active  
33 management area in which the storer's service area is located. If the  
34 storer withdrew deficit groundwater during a calendar year in which the  
35 storer stored central Arizona project water underground pursuant to the  
36 storage permit, the amount of the central Arizona project water stored  
37 underground during that year equal to the amount of deficit groundwater  
38 withdrawn from the active management area in which the storer's service  
39 area is located shall not be credited to the storer's long-term storage  
40 account but may be considered as being available for recovery by the  
41 storer on an annual basis pursuant to section 45-851.01. In calculating  
42 the amount of deficit groundwater withdrawn by the storer from the active  
43 management area, the director, at the request of the storer, shall exclude  
44 any groundwater withdrawn, treated and delivered for direct use as part of  
45 a remedial action undertaken pursuant to CERCLA or title 49, chapter 2,

1 article 5. For the purposes of this subdivision, "municipal provider" has  
2 the same meaning prescribed in section 45-561 and "deficit groundwater"  
3 means that amount of groundwater withdrawn within an active management  
4 area for delivery and use within a service area by a municipal provider in  
5 excess of the amount of groundwater that may be withdrawn by the municipal  
6 provider consistent with the achievement of the active management area's  
7 management goals as prescribed by rules adopted by the director pursuant  
8 to section 45-576.

9 (c) Except as provided in subdivision (d), if the storer is not a  
10 municipal provider, the amount of central Arizona project water stored in  
11 an active management area that exceeds the amount of groundwater withdrawn  
12 during the calendar year by the storer in that active management area. If  
13 the storer withdrew groundwater in an active management area during a  
14 calendar year in which the storer stored central Arizona project water  
15 underground in that active management area pursuant to the storage permit,  
16 the amount of central Arizona project water stored underground during that  
17 year equal to the amount of groundwater withdrawn from the active  
18 management area shall not be credited to the storer's long-term storage  
19 account but may be considered as being available for recovery by the  
20 storer on an annual basis under section 45-851.01. For the purposes of  
21 this subdivision, "municipal provider" has the same meaning prescribed in  
22 section 45-561. In calculating the amount of groundwater withdrawn by the  
23 storer from the active management area, the director, at the request of  
24 the storer, shall exclude:

25 (i) The amount of any groundwater withdrawn, treated and delivered  
26 for direct use as part of a remedial action undertaken pursuant to CERCLA  
27 or title 49, chapter 2, article 5.

28 (ii) The amount of groundwater withdrawn by the storer during the  
29 year for mineral extraction or metallurgical processing if the storer was  
30 engaged in mineral extraction and metallurgical processing within an  
31 initial active management area on or before January 1, 2011.

32 (d) The amount of central Arizona project water stored in an active  
33 management area in any year after 1994 by an agricultural improvement  
34 district established pursuant to title 48, chapter 17 for use at those  
35 portions of electrical generating facilities that are constructed or  
36 expanded after June 12, 1980, subject to both of the following:

37 (i) If groundwater was used during a year in an active management  
38 area at those portions of the electrical generating facilities that were  
39 owned and operated by the agricultural improvement district and that were  
40 constructed or expanded after June 12, 1980, the amount of the central  
41 Arizona project water stored during that year equal to the amount of the  
42 groundwater withdrawn during the year for use at those portions of the  
43 facilities that were owned and operated by the agricultural improvement  
44 district and that were constructed or expanded after June 12, 1980 shall  
45 not be credited to the agricultural improvement district's long-term

1 storage account but may be considered as being available for recovery by  
2 the agricultural improvement district on an annual basis under section  
3 45-851.01.

4 (ii) Long-term storage credits accrued as a result of the storage  
5 of the central Arizona project water may be recovered within the active  
6 management area by the agricultural improvement district only for the  
7 purpose of providing central Arizona project water to electrical  
8 generating facilities that were owned and operated by the agricultural  
9 improvement district and only pursuant to any water requirement included  
10 in a facility's certificate of environmental compatibility. Subject to  
11 section 45-854.01, the long-term storage credits may be assigned by the  
12 agricultural improvement district only to the owner of an electrical  
13 generating facility for use pursuant to any water requirement included in  
14 that facility's certificate of environmental compatibility.

15 (e) Surface water made available by dams constructed or modified  
16 after August 13, 1986.

17 ~~(f) Until the year 2025:~~

18 ~~(i)~~ (f) Effluent.

19 ~~(ii)~~ (g) If the storage facility is in an active management area,  
20 water from outside the active management area that would not have reached  
21 the active management area without the efforts of the storer.

22 ~~(iii)~~ (h) If the storage facility is outside of an active  
23 management area, water from outside the groundwater basin in which the  
24 storage facility is located that would not have reached the groundwater  
25 basin without the efforts of the storer.

26 ~~(g)~~ (i) Water that is delivered through the central Arizona  
27 project and that is acquired by the Arizona water banking authority.

28 ~~23.~~ 24. "Water storage" means adding water to an aquifer or saving  
29 water in an aquifer pursuant to permits issued under this chapter.

30 ~~24.~~ 25. "Water storage permit" means a permit issued pursuant to  
31 section 45-831.01 to store water at a storage facility.

32 Sec. 11. Section 45-851.01, Arizona Revised Statutes, is amended to  
33 read:

34 45-851.01. Recovery of stored water on an annual basis

35 A. Except as provided in subsections B, ~~and~~ E AND F of this  
36 section, a storer may recover the recoverable amount of water stored after  
37 January 1 of a calendar year on or before December 31 of the same calendar  
38 year.

39 B. If water is stored pursuant to a water storage permit and its  
40 use is based on a decreed or appropriative water right, the approximate  
41 recoverable amount of water stored in a month shall be recovered on or  
42 before the last day of the following month or within the same calendar  
43 year, whichever is earlier, unless the water is credited to a long-term  
44 storage account as prescribed by section 45-852.01.

1 C. Water stored after January 1 of a calendar year and not  
2 recovered on or before December 31 of the same calendar year may be  
3 credited to the storer's long-term storage account to the extent that the  
4 stored water is eligible for long-term storage credits as prescribed by  
5 section 45-852.01.

6 D. Water that is stored after January 1 of a calendar year, that is  
7 not recovered on or before December 31 of the same calendar year and that  
8 is not eligible to be credited to the storer's long-term storage account  
9 may not be recovered at any other time.

10 E. If the water stored was effluent stored at a managed underground  
11 storage facility that has not been designated as a facility that could add  
12 value to a national park, national monument or state park **AND SUBSECTION F**  
13 **OF THIS SECTION DOES NOT APPLY**, the storer may recover during a year only  
14 fifty ~~per cent~~ **PERCENT** of the recoverable amount of water stored between  
15 January 1 and December 31 of that year. If the storer recovers during the  
16 year less than fifty ~~per cent~~ **PERCENT** of the recoverable amount of the  
17 water stored during that year, the difference between fifty ~~per cent~~  
18 **PERCENT** of the recoverable amount and the amount of stored water recovered  
19 during the year may be credited to the storer's long-term storage account  
20 to the extent that the stored water is eligible for long-term storage  
21 credits as prescribed by section 45-852.01.

22 **F. IF THE WATER STORED WAS EFFLUENT STORED AT A MANAGED UNDERGROUND**  
23 **STORAGE FACILITY THAT QUALIFIES AS AN EXISTING EFFLUENT MANAGED**  
24 **UNDERGROUND STORAGE FACILITY AND THAT HAS NOT BEEN DESIGNATED AS A**  
25 **FACILITY THAT COULD ADD VALUE TO A NATIONAL PARK, NATIONAL MONUMENT OR**  
26 **STATE PARK, THE STORER MAY RECOVER DURING A YEAR ONLY NINETY-FIVE PERCENT**  
27 **OF THE RECOVERABLE AMOUNT OF THE WATER STORED BETWEEN JANUARY 1 AND**  
28 **DECEMBER 31 OF THAT YEAR. IF THE STORER RECOVERS DURING THE YEAR LESS**  
29 **THAN NINETY-FIVE PERCENT OF THE RECOVERABLE AMOUNT OF THE WATER STORED**  
30 **DURING THAT YEAR, THE DIFFERENCE BETWEEN NINETY-FIVE PERCENT OF THE**  
31 **RECOVERABLE AMOUNT AND THE AMOUNT OF STORED WATER RECOVERED DURING THE**  
32 **YEAR MAY BE CREDITED TO THE STORER'S LONG-TERM STORAGE ACCOUNT TO THE**  
33 **EXTENT THAT THE STORED WATER IS ELIGIBLE FOR LONG-TERM STORAGE CREDITS AS**  
34 **PRESCRIBED BY SECTION 45-852.01.**

35 Sec. 12. Section 45-852.01, Arizona Revised Statutes, is amended to  
36 read:

37 **45-852.01. Long-term storage accounts**

38 A. The director shall establish one long-term storage account for  
39 each person holding long-term storage credits. The director shall  
40 establish subaccounts within the long-term storage account according to  
41 each active management area, irrigation non-expansion area, groundwater  
42 basin or groundwater subbasin in which the person's stored water is  
43 located. The long-term storage account shall be further subdivided by  
44 type of water, if the person holds long-term storage credits for more than  
45 one type of water.

1 B. Water stored pursuant to a water storage permit at a storage  
2 facility may be credited to a long-term storage account if the director  
3 determines that all of the following apply:

4 1. EITHER:

5 (a) The water that was stored was water that cannot reasonably be  
6 used directly.

7 (b) THE WATER WAS STORED IN A GROUNDWATER SAVINGS FACILITY LOCATED  
8 IN AN ACTIVE MANAGEMENT AREA THAT DOES NOT HAVE A MANAGEMENT GOAL OF  
9 ACHIEVING OR MAINTAINING A SAFE YIELD CONDITION, THE WATER WAS STORED  
10 BETWEEN JANUARY 1, 2020 AND DECEMBER 31, 2026 AND THE DIRECTOR DETERMINES  
11 THAT THE STORAGE ASSISTS IN IMPLEMENTING WITHIN THIS STATE A DROUGHT  
12 CONTINGENCY PLAN FOR THE LOWER BASIN OF THE COLORADO RIVER. THE TOTAL  
13 MAXIMUM AMOUNT THAT MAY QUALIFY UNDER THIS SUBDIVISION IS FIFTEEN THOUSAND  
14 ACRE-FEET PER YEAR.

15 2. If the stored water was stored at a storage facility within an  
16 active management area, either:

17 (a) The water would not have been naturally recharged within the  
18 active management area.

19 (b) If the water was stored at a managed underground storage  
20 facility that has been designated as a facility that could add value to a  
21 national park, national monument or state park and the water stored is  
22 effluent, the water stored is water that could have been used or disposed  
23 of by the storer by means other than discharging the effluent into the  
24 stream.

25 3. The stored water was not recovered on an annual basis pursuant  
26 to section 45-851.01.

27 C. The director shall credit ninety-five ~~per cent~~ PERCENT of the  
28 recoverable amount of stored water that meets the requirements of  
29 subsection B of this section to the storer's long-term storage account,  
30 except that:

31 1. If the water was stored at a managed underground storage  
32 facility that DOES NOT QUALIFY AS AN EXISTING EFFLUENT MANAGED UNDERGROUND  
33 STORAGE FACILITY AND THAT had not been designated at the time of storage  
34 as a facility that could add value to a national park, national monument  
35 or state park and the water stored is effluent, the director shall credit  
36 to the storer's long-term storage account fifty ~~per cent~~ PERCENT of the  
37 recoverable amount of water that meets the requirements of subsection B of  
38 this section. For storage of effluent in a managed underground storage  
39 facility that is located in a recreational corridor channelization  
40 district established pursuant to title 48, chapter 35, the director may  
41 increase the storage credits earned from fifty ~~per cent~~ PERCENT to  
42 ninety-five ~~per cent~~ PERCENT if both of the following apply:

43 (a) The effluent was not discharged into the stream where the  
44 facility is located before the permit application for that facility was  
45 filed.

1 (b) The director determines that the storage of effluent in the  
2 facility will provide a greater benefit to aquifer conditions in the  
3 active management area or, if outside an active management area, to the  
4 groundwater basin than would accrue to the active management area or  
5 groundwater basin if the effluent is used or disposed of in another  
6 manner.

7 2. If the water was stored at a groundwater savings facility and  
8 the storer has not met the burden of proving that one hundred ~~per cent~~  
9 PERCENT of the in lieu water was used on a gallon-for-gallon substitute  
10 basis for groundwater, the director shall credit to the storer's long-term  
11 storage account only the percentage of the in lieu water that meets the  
12 requirements of subsection B of this section and that was proven to the  
13 director's satisfaction as being used on a gallon-for-gallon substitute  
14 basis for groundwater.

15 3. The director shall credit to the storer's long-term storage  
16 account ninety ~~per cent~~ PERCENT of the recoverable amount of the water  
17 that meets the requirements of subsection B of this section if all of the  
18 following apply:

19 (a) The stored water was central Arizona project water that  
20 qualifies as water that cannot reasonably be used directly due solely to  
21 the exclusion of groundwater withdrawn by the storer for mineral  
22 extraction or metallurgical processing under section 45-802.01, paragraph  
23 ~~22~~ 23, subdivision (c).

24 (b) The storer was engaged in mineral extraction and metallurgical  
25 processing within an initial active management area on or before January  
26 1, 2011.

27 (c) All exterior boundaries of the storage facility that is used to  
28 store the stored water are more than twenty miles from a well owned by the  
29 storer on January 1, 2012 and that well is not an exempt well and any one  
30 or more of the following apply:

31 (i) The well is an existing well as defined in section 45-591,  
32 paragraph 1.

33 (ii) The department has issued a permit for the well under section  
34 45-599, subsection C.

35 (iii) The well was drilled pursuant to a mineral extraction and  
36 metallurgical processing permit issued by the department under section  
37 45-514.

38 4. Except as otherwise provided in ~~paragraphs 1, PARAGRAPH 2 and 3~~  
39 of this subsection, the director shall credit to the storer's long-term  
40 storage account or conservation district account one hundred ~~per cent~~  
41 PERCENT of the recoverable amount of water that meets the requirements of  
42 subsection B of this section if any of the following applies:

43 (a) The water stored was effluent **THAT WAS STORED AT A CONSTRUCTED**  
44 **UNDERGROUND STORAGE FACILITY, A GROUNDWATER SAVINGS FACILITY OR A MANAGED**  
45 **UNDERGROUND STORAGE FACILITY THAT WAS DESIGNATED AT THE TIME OF STORAGE AS**

1 A FACILITY THAT COULD ADD VALUE TO A NATIONAL PARK, NATIONAL MONUMENT OR  
2 STATE PARK.

3 (b) The water was stored in an active management area and the  
4 stored water is water from outside the active management area that would  
5 not have reached the active management area without the efforts of the  
6 holder of the long-term storage credits.

7 (c) The water was stored outside an active management area and the  
8 stored water is water from outside the groundwater basin in which the  
9 water was stored that would not have reached the groundwater basin without  
10 the efforts of the holder of the long-term storage credits.

11 (d) The water was stored for purposes of establishing and  
12 maintaining a replenishment reserve pursuant to section 48-3772,  
13 subsection E.

14 (e) The water was stored for replenishment purposes pursuant to  
15 section 48-3771 and credited directly to a conservation district account  
16 pursuant to section 45-859.01, subsection E.

17 D. The director shall credit a person's long-term storage account  
18 by the amount of long-term storage credits assigned to that person by  
19 another holder of long-term storage credits pursuant to section 45-854.01.

20 E. The director shall debit the appropriate subaccount of a  
21 person's long-term storage account:

22 1. One hundred ~~per cent~~ PERCENT of the amount of stored water that  
23 the holder of the long-term storage credits has recovered during the  
24 calendar year pursuant to the permit.

25 2. The amount of long-term storage credits that the person has  
26 assigned to another person or transferred to a master replenishment  
27 account, conservation district account or water district account.

28 3. If the water was stored in an active management area, the amount  
29 of water during the calendar year that migrates to a location outside the  
30 active management area or to a location within the active management area  
31 where it cannot be beneficially used within a reasonable period of time by  
32 persons other than the storer with rights to withdraw and use groundwater.

33 4. If the water was stored outside of an active management area,  
34 the amount of water during the calendar year that migrates to a location  
35 outside the groundwater basin in which the storage facility is located or  
36 to a location in the groundwater basin where it cannot be beneficially  
37 used within a reasonable period of time by persons other than the storer  
38 with rights to withdraw and use groundwater.

39 5. The amount of long-term storage credits that the storer,  
40 pursuant to section 45-853.01, subsection B, has applied to offset  
41 groundwater withdrawn or used in excess of the storer's per capita  
42 municipal conservation requirements under the second management plan.

43 6. The amount of long-term storage credits that are held by the  
44 Arizona water banking authority and that the authority has chosen to  
45 extinguish.

1 F. To the extent the total amount of water withdrawn by a person  
2 from wells designated as recovery wells pursuant to section 45-834.01  
3 during a calendar year exceeds the amount of stored water recovered by the  
4 person on an annual basis pursuant to section 45-851.01 and the amount of  
5 long-term storage credits recovered by the person, the excess amount of  
6 water recovered shall be considered groundwater withdrawn pursuant to  
7 chapter 2 of this title.

8 Sec. 13. Section 45-853.01, Arizona Revised Statutes, is amended to  
9 read:

10 45-853.01. Restricted uses of long-term storage credits

11 A. If the director has included an amount of long-term storage  
12 credits under section 45-855.01:

13 1. In determining whether to issue a certificate of assured water  
14 supply to the holder of the long-term storage credits, that amount of  
15 long-term storage credits shall be recovered only for a use that, as  
16 determined by the director, supplies water to the subdivision to which the  
17 certificate of assured water supply applies.

18 2. In designating or redesignating a city, town or private water  
19 company as having an assured water supply, that amount of long-term  
20 storage credits shall be recovered only for a use that, as determined by  
21 the director, supplies water to that city, town or private water company.

22 3. In determining whether to issue a report of adequate water  
23 supply for a subdivision to the holder of long-term storage credits, that  
24 amount of long-term storage credits shall be recovered only for a use  
25 that, as determined by the director, supplies water to the subdivision to  
26 which the report of adequate water supply applies.

27 4. In designating a city, town or private water company as having  
28 an adequate water supply, that amount of long-term storage credits shall  
29 be recovered only for a use that, as determined by the director, supplies  
30 water to that city, town or private water company.

31 B. The storer of long-term storage credits may apply those  
32 long-term storage credits to offset any amount of groundwater that the  
33 storer withdraws or uses before 2000 in excess of the storer's per capita  
34 municipal conservation requirement in violation of the second management  
35 plan if the storer proves to the satisfaction of the director that the  
36 following conditions are met:

37 1. The storer stored the water at a storage facility that is  
38 located in the same active management area as the storer's service area.

39 2. The long-term storage credits used to offset the storer's per  
40 capita municipal conservation requirements violation were earned before  
41 2000.

42 3. The water stored was effluent or central Arizona project water.

43 C. Long-term storage credits may not be used to demonstrate an  
44 assured water supply or an adequate water supply if the long-term storage  
45 credits were accrued by storing effluent at a managed underground storage

1 facility that has not been designated as a facility that could add value  
2 to a national park, national monument or state park AND ANY OF THE  
3 FOLLOWING APPLIES:

4 1. THE MANAGED UNDERGROUND STORAGE FACILITY DOES NOT QUALIFY AS AN  
5 EXISTING EFFLUENT MANAGED UNDERGROUND STORAGE FACILITY.

6 2. THE MANAGED UNDERGROUND STORAGE FACILITY QUALIFIES AS AN  
7 EXISTING EFFLUENT MANAGED UNDERGROUND STORAGE FACILITY AND THE LONG-TERM  
8 STORAGE CREDITS WERE ACCRUED BEFORE THE EFFECTIVE DATE OF THIS AMENDMENT  
9 TO THIS SECTION.

10 Sec. 14. Section 45-2425, Arizona Revised Statutes, is amended to  
11 read:

12 45-2425. Arizona water banking fund

13 A. The Arizona water banking fund is established and shall include  
14 subaccounts based on funding sources. The authority shall administer the  
15 banking fund in accordance with this chapter.

16 B. The banking fund consists of all of the following:

17 1. Monies appropriated from the state general fund by the  
18 legislature for water banking purposes other than replenishment under  
19 chapter 15, article 3 of this title.

20 2. Monies appropriated from the state general fund by the  
21 legislature for replenishment under chapter 15, article 3 of this title.

22 3. Reimbursement for the distribution of long-term storage credits,  
23 collected by the authority in accordance with section 45-2457, subsection  
24 B, paragraph 2.

25 4. Monies paid to the authority by the recipients of in lieu water  
26 at a groundwater savings facility, in accordance with section 45-2455,  
27 subsection C.

28 5. Monies collected in accordance with section 45-611, subsection  
29 C, paragraph 3.

30 6. Monies deposited in the banking fund in accordance with section  
31 48-3715.03, subsection B.

32 7. Monies paid to the authority by agencies that have entered into  
33 interstate water banking agreements with the authority in accordance with  
34 section 45-2471. All monies received through an interstate water banking  
35 agreement with the state of Nevada that are not used to purchase or store  
36 water or otherwise fulfill contractual obligations with the state of  
37 Nevada are subject to legislative appropriation.

38 8. Monies paid to the authority by persons and Indian communities  
39 in this state that have entered into water banking services agreements  
40 with the authority in accordance with section 45-2458.

41 9. MONIES DEPOSITED IN THE FUND IN ACCORDANCE WITH SECTION  
42 45-615.01, SUBSECTION G.

43 C. In addition to the monies prescribed in this section, the  
44 authority may accept any gifts, grants or donations and deposit those  
45 monies in the banking fund.

1 D. Monies in the banking fund are exempt from the provisions of  
2 section 35-190 relating to lapsing of appropriations. On notice from the  
3 authority, the state treasurer shall invest and divest monies in the fund  
4 as provided by section 35-313, and monies earned from investment shall be  
5 credited to the banking fund. The authority may invest the monies paid to  
6 the authority in accordance with section 45-2471 with the state treasurer  
7 pursuant to section 35-326.

8 E. The authority may use the banking fund to pay all reasonable  
9 expenses incurred in carrying out its duties and responsibilities in  
10 accordance with this chapter.

11 F. The authority shall establish a reserve subaccount in the fund  
12 for the deposit of monies to be used for the purposes of article 5 of this  
13 chapter.

14 Sec. 15. Title 45, chapter 14, article 3, Arizona Revised Statutes,  
15 is amended by adding section 45-2457.01, to read:

16 45-2457.01. Exchange of long-term storage credits;  
17 limitations; fees

18 A. ON OR BEFORE DECEMBER 31, 2019, THE AUTHORITY MAY ENTER INTO  
19 AGREEMENTS TO EXCHANGE LONG-TERM STORAGE CREDITS ACCRUED OR PURCHASED IN  
20 ONE ACTIVE MANAGEMENT AREA WITH MONIES COLLECTED PURSUANT TO SECTION  
21 45-611, SUBSECTION C, PARAGRAPH 3 FOR LONG-TERM STORAGE CREDITS HELD BY  
22 OTHER PERSONS IN ANOTHER ACTIVE MANAGEMENT AREA, ON REQUEST OF THE  
23 DIRECTOR, IF THE DIRECTOR DETERMINES BOTH OF THE FOLLOWING:

- 24 1. THE EXCHANGE IS BENEFICIAL TO WATER MANAGEMENT IN THIS STATE.  
25 2. THE EXCHANGE WILL NOT SUBSTANTIALLY IMPAIR THE AUTHORITY'S  
26 ABILITY TO MEET ITS FIRING OBLIGATION UNDER SECTION 45-2491.

27 B. THE TERM OF ANY AGREEMENT ENTERED INTO PURSUANT TO SUBSECTION A  
28 OF THIS SECTION SHALL NOT EXTEND BEYOND DECEMBER 31, 2026.

29 C. NOTWITHSTANDING SECTION 45-2457, SUBSECTION B, PARAGRAPH 6, THE  
30 AUTHORITY MAY DISTRIBUTE OR EXTINGUISH LONG-TERM STORAGE CREDITS OBTAINED  
31 BY EXCHANGE PURSUANT TO SUBSECTION A OF THIS SECTION FOR ANY PURPOSE  
32 OTHERWISE AUTHORIZED UNDER SECTION 45-2457, SUBSECTION B, PARAGRAPH 6 FOR  
33 THE BENEFIT OF ANY ACTIVE MANAGEMENT AREA.

34 D. AN EXCHANGE OF LONG-TERM STORAGE CREDITS PURSUANT TO SUBSECTION  
35 A OF THIS SECTION IS EXEMPT FROM ANY FEE ESTABLISHED BY THE DEPARTMENT OF  
36 WATER RESOURCES FOR AN ASSIGNMENT OF LONG-TERM STORAGE CREDITS PURSUANT TO  
37 SECTION 45-854.01.

38 Sec. 16. Laws 2017, chapter 305, section 132 is amended to read:

39 Sec. 132. Department of water resources; appropriations;  
40 contributions to Lake Mead conservation efforts;  
41 temporary groundwater and irrigation efficiency  
42 projects fund; conservation and augmentation  
43 fund; exemption

44 A. The sum of \$2,000,000 is appropriated from the state general  
45 fund in ~~each of~~ fiscal ~~years~~ YEAR 2017-2018, ~~2018-2019~~ and ~~2019-2020~~ to

1 the department of water resources to use for this state's financial  
2 contributions to efforts by Arizona's Colorado River water users to  
3 conserve water in Lake Mead to reduce the likelihood of lake elevations  
4 dropping to levels that could result in reductions to Arizona's Colorado  
5 River allocation.

6 B. THE SUM OF \$2,000,000 IS APPROPRIATED FROM THE STATE GENERAL  
7 FUND IN FISCAL YEAR 2018-2019 TO THE TEMPORARY GROUNDWATER AND IRRIGATION  
8 EFFICIENCY PROJECTS FUND ESTABLISHED BY SECTION 45-615.01, ARIZONA REVISED  
9 STATUTES, AS ADDED BY THIS ACT.

10 C. THE SUM OF \$2,000,000 IS APPROPRIATED FROM THE STATE GENERAL  
11 FUND IN FISCAL YEAR 2019-2020 TO THE AUGMENTATION AND CONSERVATION  
12 ASSISTANCE FUND IN THE DEPARTMENT OF WATER RESOURCES FOR THE PURPOSE OF  
13 PROVIDING ADDITIONAL MONIES FOR CONSERVATION GRANTS FOR CONSERVATION OF  
14 GROUNDWATER IN THE ACTIVE MANAGEMENT AREAS AS PRESCRIBED IN SECTION  
15 45-617, ARIZONA REVISED STATUTES.

16 ~~B.~~ D. The appropriations made in ~~subsection A of~~ this section are  
17 exempt from the provisions of section 35-190, Arizona Revised Statutes,  
18 relating to lapsing of appropriations.

19 Sec. 17. Director of water resources; lower basin drought  
20 contingency plan implementation; notice; report

21 The director of water resources shall:

22 1. Promptly provide notice to the committees with jurisdiction over  
23 water issues in the house of representatives and the senate regarding any  
24 meeting of a public body to consider or take action on an agreement  
25 intended to implement the lower basin drought contingency plan.

26 2. Present information to the committees with jurisdiction over  
27 water issues in the house of representatives and the senate regarding the  
28 status of any agreement intended to implement the lower basin drought  
29 contingency plan before the director executes any such agreement.

30 3. Report to the president of the senate, the speaker of the house  
31 of representatives, the governor and the committees with jurisdiction over  
32 water issues in the house of representatives and the senate on the status  
33 of any agreement necessary to the intrastate drought contingency  
34 implementation plan thirty, sixty and ninety days after enactment of the  
35 joint resolution regarding the Colorado River drought contingency  
36 implementation plan.

37 Sec. 18. Legislative intent; possible Colorado River  
38 shortage; temporary groundwater and irrigation  
39 efficiency fund; projects

40 A. The legislature finds that the people of Arizona are dependent  
41 on Colorado River water to meet a significant portion of their water  
42 needs. In times of shortages in this state's annual Colorado River  
43 entitlement, deliveries through the central Arizona project are the first  
44 to be reduced. In particular, irrigation districts in central Arizona  
45 have relied on central Arizona project deliveries of Colorado River water

1 to replace the withdrawal of groundwater for agricultural purposes. As the  
2 junior priority users within the central Arizona project system,  
3 deliveries for agricultural use are reduced first.

4 B. It is anticipated that the prolonged drought in the Colorado  
5 River basin will require the Secretary of the Interior to declare a  
6 shortage as soon as 2020. The legislature finds that reductions in  
7 deliveries of central Arizona project water to irrigated agriculture in  
8 central Arizona would cause substantial injury to the local economy and  
9 seriously harm the general economy and welfare of this state and its  
10 citizens.

11 C. It is therefore declared to be the public policy of this state  
12 that in the interest of protecting and stabilizing the general economy and  
13 welfare of this state and its citizens it is necessary to establish the  
14 temporary groundwater and irrigation efficiency projects fund to be  
15 partially funded by a state general fund appropriation and a temporary  
16 groundwater withdrawal fee to be collected in the Pinal active management  
17 area in place of a groundwater withdrawal fee authorized to be collected  
18 in the active management area for Arizona water banking purposes.  
19 Contributions to the fund will also be made by the irrigation districts  
20 established pursuant to title 48, chapter 19, Arizona Revised Statutes,  
21 within the Phoenix active management area, the Pinal active management  
22 area and the Harquahala irrigation non-expansion area. Monies in the fund  
23 are to be used to fund projects to construct and rehabilitate groundwater  
24 wells and related infrastructure for the withdrawal and efficient delivery  
25 of groundwater by qualified irrigation districts established pursuant to  
26 title 48, chapter 19, Arizona Revised Statutes, in the Phoenix active  
27 management area, the Pinal active management area and the Harquahala  
28 irrigation non-expansion area. The legislature intends that these  
29 construction and rehabilitation projects be completed by the end of 2022,  
30 recognizing that completion by that date depends on action on applications  
31 for monies and the timely receipt of grants from federal agencies, in  
32 addition to the other monies in the fund. Because the timing for the  
33 issuance of grants from federal agencies is uncertain, the legislature may  
34 consider other appropriations to be made available to the irrigation  
35 districts for these construction and rehabilitation projects after  
36 reasonable attempts are made to secure the funding and that federal monies  
37 were not provided timely to carry out the purposes of the fund. On  
38 completion of these construction and rehabilitation projects, the fund  
39 will terminate. The legislature does not intend to grant authorities or  
40 imply authority to perform any tasks or accept any responsibilities not  
41 expressly set forth in this legislation.

42 Sec. 19. Legislative intent; lower Colorado River drought  
43 contingency plan

44 A. The drought contingency plan is a compromise between various  
45 states and Arizona stakeholders, is intended to help address shortages in

1 the Colorado River system and is the product of months of stakeholder  
2 meetings with input from a wide array of persons in this state.

3 B. The drought contingency plan is one of the most significant  
4 pieces of water legislation enacted in this state since the 1980  
5 groundwater management act. It is the first step, not the last step, in a  
6 renewed effort to create long-term solutions that protect Arizona's water  
7 future.

8 C. The health of the Colorado River is essential to the long-term  
9 economic welfare of the people of Arizona, and this state must continue to  
10 develop sustainable long-term plans that protect our water supply and  
11 encourage a culture of conservation.

12 Sec. 20. Appropriation; temporary groundwater and irrigation  
13 efficiency projects fund; exemption

14 A. The sum of \$7,000,000 is appropriated from the state general  
15 fund in fiscal year 2018-2019 to the temporary groundwater and irrigation  
16 efficiency projects fund established by section 45-615.01, Arizona Revised  
17 Statutes, as added by this act.

18 B. The appropriation made in subsection A of this section is exempt  
19 from the provisions of section 35-190, Arizona Revised Statutes, relating  
20 to lapsing of appropriations.

21 Sec. 21. Appropriation; Arizona system conservation fund;  
22 exemption

23 A. The sum of \$30,000,000 is appropriated from the state general  
24 fund in fiscal year 2019-2020 to the Arizona system conservation fund  
25 established by section 45-118, Arizona Revised Statutes, as added by this  
26 act.

27 B. The appropriation made in subsection A of this section is exempt  
28 from the provisions of section 35-190, Arizona Revised Statutes, relating  
29 to lapsing of appropriations.

30 Sec. 22. Severability

31 If a provision of this act or its application to any person or  
32 circumstance is held invalid, the invalidity does not affect other  
33 provisions or applications of the act that can be given effect without the  
34 invalid provision or application, and to this end the provisions of this  
35 act are severable.

36 Sec. 23. Emergency

37 This act is an emergency measure that is necessary to preserve the  
38 public peace, health or safety and is operative immediately as provided by  
39 law.

APPROVED BY THE GOVERNOR JANUARY 31, 2019.

FILED IN THE OFFICE OF THE SECRETARY OF STATE JANUARY 31, 2019.