

Senate Engrossed

water banking; storage credits; subcontractors.

State of Arizona  
Senate  
Fifty-fifth Legislature  
First Regular Session  
2021

# SENATE BILL 1147

AN ACT

AMENDING SECTION 45-2457, ARIZONA REVISED STATUTES; RELATING TO THE  
ARIZONA WATER BANKING AUTHORITY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 45-2457, Arizona Revised Statutes, is amended to  
3 read:

4 45-2457. Accounting; rules of operation

5 A. The authority shall develop an accounting system for the  
6 long-term storage credits accrued or purchased by the authority. The  
7 accounting system shall be designed to allow the authority to determine  
8 which funding source of the banking fund paid for each long-term storage  
9 credit accrued or purchased by the authority.

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

12 1. The authority shall reserve a reasonable number of long-term  
13 storage credits accrued or purchased with general fund appropriations,  
14 other than general fund appropriations for replenishment under chapter 15,  
15 article 3 of this title, for the benefit of municipal and industrial users  
16 of Colorado River water in this state that are outside of the service area  
17 of CAWCD.

18 2. The authority may distribute long-term storage credits accrued  
19 or purchased with general fund appropriations, other than general fund  
20 appropriations for replenishment under chapter 15, article 3 of this  
21 title, for both of the following:

22 (a) To make water available to a municipal and industrial user of  
23 Colorado River water in this state that is outside of the service area of  
24 CAWCD, if both of the following apply:

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

28 (ii) The authority collects reimbursement for the cost to the  
29 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  
32 storage credits at a reasonable cost to the person who is responsible for  
33 reimbursing the authority for the credits distributed.

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

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

40 (ii) The authority does not distribute for this purpose the  
41 long-term storage credits reserved in accordance with paragraph 1 of this  
42 subsection.

43 (iii) The authority collects reimbursement from CAWCD for the cost  
44 to the authority of replacing the long-term storage credits distributed.  
45 The authority may replace the long-term storage credits in any year it

1 deems appropriate but shall use good faith efforts to replace the  
2 long-term storage credits at a reasonable cost to CAWCD.

3 3. The authority may distribute or extinguish long-term storage  
4 credits accrued or purchased with general fund appropriations, other than  
5 general fund appropriations for replenishment under chapter 15, article 3  
6 of this title, to implement the settlement of water right claims by Indian  
7 communities in this state.

8 4. On request from the director, the authority may extinguish  
9 long-term storage credits accrued or purchased with general fund  
10 appropriations, other than general fund appropriations for replenishment  
11 under chapter 15, article 3 of this title, to fulfill the water management  
12 objectives set forth in chapter 2 of this title.

13 5. The authority may exchange long-term storage credits accrued or  
14 purchased with general fund appropriations for long-term storage credits  
15 held by other persons if the long-term storage credits received by the  
16 authority were stored in a location that better enables the authority to  
17 fulfill the purposes and policies of this chapter than were the long-term  
18 storage credits exchanged by the authority. For the purposes of this  
19 paragraph, the authority may make exchanges of long-term storage credits  
20 stored in one active management area for long-term storage credits stored  
21 in a different active management area or of long-term storage credits  
22 stored in one groundwater basin for long-term storage credits stored in a  
23 different groundwater basin.

24 6. The authority shall distribute or extinguish long-term storage  
25 credits accrued or purchased with monies collected in accordance with  
26 section 45-611, subsection C, paragraph 3 only for the benefit of the  
27 active management area in which the monies were collected. The authority  
28 may distribute or extinguish these long-term storage credits to the extent  
29 necessary to meet the demands of CAWCD's municipal and industrial  
30 subcontractors during times in which CAWCD's diversions from the Colorado  
31 River have been or will be disrupted by shortages on the Colorado River or  
32 by disruptions in operation of the central Arizona project, to implement  
33 the settlement of water right claims by Indian communities in this state  
34 or, on request from the director, to meet the other water management  
35 objectives set forth in chapter 2 of this title. The authority may use  
36 the monies collected in the Pinal active management area under section  
37 45-611, subsection C, paragraph 3 to acquire long-term storage credits for  
38 replenishment purposes under chapter 15, article 3 of this title.

39 7. The authority shall distribute long-term storage credits accrued  
40 or purchased with monies deposited in the fund in accordance with section  
41 48-3715.03, subsection B only for the benefit of the county in which the  
42 monies were collected. The authority shall distribute these long-term  
43 storage credits to CAWCD OR TO CAWCD'S MUNICIPAL AND INDUSTRIAL  
44 SUBCONTRACTORS to the extent necessary to meet the demands of CAWCD's  
45 municipal and industrial subcontractors during times in which CAWCD's

1 diversions from the Colorado River have been or will be disrupted by  
2 shortages on the Colorado River or by disruptions in operation of the  
3 central Arizona project. LONG-TERM STORAGE CREDITS THAT ARE DISTRIBUTED  
4 TO A CAWCD MUNICIPAL AND INDUSTRIAL SUBCONTRACTOR PURSUANT TO THIS  
5 PARAGRAPH MAY NOT BE SOLD, AND THE SUBCONTRACTOR IS RESPONSIBLE FOR ALL  
6 FEES ASSESSED BY THE AUTHORITY OR THE DIRECTOR FOR THE DISTRIBUTION OF THE  
7 LONG-TERM STORAGE CREDITS AND ALL COSTS OF RECOVERY OF THE LONG-TERM  
8 STORAGE CREDITS.

9 8. For each county within the CAWCD service area, on a  
10 determination by the authority that the number of long-term storage  
11 credits accrued or purchased with monies deposited in the fund in  
12 accordance with section 48-3715.03, subsection B exceeds the needs  
13 specified in paragraph 7 of this subsection for that county, the authority  
14 shall distribute those excess long-term storage credits to municipal water  
15 providers within that county that are at the time of distribution  
16 experiencing surface water supply shortages not associated with the  
17 central Arizona project. The authority shall distribute to each such  
18 municipal water provider the lesser of the following number of long-term  
19 storage credits:

20 (a) The total number of credits determined to be available by the  
21 authority under this paragraph multiplied by the percentage produced by  
22 dividing a numerator equaling the amount of revenues paid pursuant to  
23 section 48-3715.02, subsections B and C by taxpayers that are within both  
24 the boundaries of the municipal provider that is experiencing the shortage  
25 and the boundaries of the surface water supply system that is experiencing  
26 the shortage by a denominator equaling the total revenues paid pursuant to  
27 section 48-3715.02, subsections B and C by all taxpayers that are located  
28 within both the boundaries of a municipal water provider and the  
29 boundaries of a surface water supply system in the county. In making  
30 these computations, the authority shall use the amounts of revenue paid by  
31 taxpayers during the most recent tax year for which this information is  
32 available.

33 (b) Twenty ~~per cent~~ PERCENT of the total surface water shortage  
34 that the municipal and industrial water provider is experiencing.

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

38 10. The authority shall acquire sufficient water supplies to  
39 perform its replenishment responsibilities under chapter 15, article 3 of  
40 this title. The authority shall acquire those water supplies with monies  
41 appropriated from the state general fund by the legislature for  
42 replenishment under chapter 15, article 3 of this title and to the extent  
43 that monies appropriated by the legislature for that purpose are not  
44 available, with monies collected in the Pinal active management area under  
45 section 45-611, subsection C, paragraph 3. The authority shall use the

1 water supplies acquired pursuant to this paragraph for any replenishment  
2 activity authorized by section 45-2623 and for implementation of the  
3 southside replenishment bank established by section 45-2624, including  
4 delivering water directly to the Gila river Indian community for those  
5 purposes.

6 C. Any other long-term storage credits accrued or purchased by the  
7 authority may be distributed or extinguished by the authority in  
8 accordance with the policy and purposes of this chapter.

9 D. Except as provided by subsection B, paragraph 7 of this section  
10 and except as provided by agreements entered into by the authority, the  
11 decision to distribute or extinguish any long-term storage credit accrued  
12 or purchased by the authority is at the complete discretion of the  
13 authority.