

House Engrossed

~~county water authority; post-2024 authority~~
(now: county water authority; Harquahala INA)

State of Arizona
House of Representatives
Fifty-seventh Legislature
First Regular Session
2025

HOUSE BILL 2727

AN ACT

AMENDING SECTIONS 45-2201 AND 45-2202, ARIZONA REVISED STATUTES; AMENDING TITLE 45, CHAPTER 13, ARTICLE 1, ARIZONA REVISED STATUTES, BY ADDING SECTION 45-2206; AMENDING SECTIONS 45-2221, 45-2241, 45-2244, 45-2245 AND 45-2281, ARIZONA REVISED STATUTES; 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. Section 45-2201, Arizona Revised Statutes, is amended to
3 read:

4 45-2201. Definitions

5 In this chapter, unless the context otherwise requires:

6 1. "Agricultural use" means water used primarily in the commercial
7 production of agricultural crops or livestock, including domestic uses
8 incidental to those uses, and used on tracts of land operated in units of
9 more than five acres.

10 2. "Authority" means a water authority established under this
11 chapter.

12 3. "Board" means the board of directors of the authority.

13 4. "Central Arizona project" means the reclamation project and
14 works authorized by section 301 (a) of the Colorado River basin project
15 act and constructed by the United States pursuant to the provisions of the
16 Colorado River basin project act and contract between the United States
17 and central Arizona water conservation district for delivery of water and
18 repayment of costs of the central Arizona project.

19 5. "Colorado River water" means water from the main stream of the
20 Colorado River.

21 6. "Conservation" means the preservation and planned management of
22 water resources to ensure the future availability of water resources.

23 7. "Effluent" means water that has been collected in a sanitary
24 sewer for subsequent treatment in a facility that is regulated pursuant to
25 title 49, chapter 2. Such water remains effluent until it acquires the
26 characteristics of groundwater or surface water.

27 8. "Industrial use" means a nonagricultural use of water not
28 supplied by a city, town or private water company, including animal
29 industry use and expanded animal industry use as defined in section
30 45-402.

31 9. "Multi-county water conservation district" means a multi-county
32 district ~~THAT IS~~ established under title 48, chapter 22, ~~which~~ **AND THAT**
33 has contracted with the United States for the repayment of the cost and
34 for the delivery of the water supply in accordance with ~~P.L.~~ **PUBLIC LAW**
35 90-537.

36 10. "Municipal use" means all nonagricultural uses of water supplied
37 by a city, town, private water company or irrigation district.

38 11. "Municipal water provider" means a city, town, private water
39 company or irrigation district that supplies water for ~~a~~ nonagricultural
40 use.

41 12. "Private water company" means any entity that distributes or
42 sells groundwater, except a political subdivision or any entity that is
43 established pursuant to title 48 and that is not regulated as a public
44 service corporation by the ~~Arizona~~ corporation commission under a
45 certificate of public convenience and necessity.

1 13. "Tentatively allocated" means water of the main stem of the
2 Colorado River water that has been recommended by the director to the
3 secretary of the interior for allocation, but for which a contract with
4 the secretary for delivery has not been signed.

5 14. "United States" means the secretary of the interior, acting for
6 the United States department of interior, or his duly authorized
7 representative.

8 Sec. 2. Section 45-2202, Arizona Revised Statutes, is amended to
9 read:

10 ~~45-2202.~~ Formation

11 A. An authority may be formed in any county with a population of
12 more than ninety thousand persons and less than one hundred twenty
13 thousand persons according to the most recent United States decennial
14 census OR IN A COUNTY THAT CONTAINS A PORTION OF THE HARQUAHALA IRRIGATION
15 NON-EXPANSION AREA AND THAT DOES NOT CONTAIN ANY PORTION OF AN ACTIVE
16 MANAGEMENT AREA.

17 B. The members of the authority ~~shall~~ MAY include:

18 1. Municipal corporations in the county that:

19 ~~1.~~ (a) Had contracts with the United States for the delivery of
20 Colorado River water as of January 1, 1993.

21 ~~2.~~ (b) Have adopted resolutions approving the formation of the
22 authority as prescribed by subsection C, paragraph 1 OF THIS SECTION.

23 2. FOR AN AUTHORITY IN A COUNTY THAT CONTAINS A PORTION OF THE
24 HARQUAHALA IRRIGATION NON-EXPANSION AREA AND THAT DOES NOT CONTAIN ANY
25 PORTION OF AN ACTIVE MANAGEMENT AREA, ELIGIBLE ENTITIES AS PRESCRIBED IN
26 SECTION 45-554, SUBSECTION D THAT:

27 (a) OWN ACRES OR HAVE ADOPTED PLANS TO ACQUIRE ACRES THAT MAY BE
28 IRRIGATED IN THE HARQUAHALA IRRIGATION NON-EXPANSION AREA PURSUANT TO
29 SECTION 45-437, SUBSECTION B.

30 (b) HAVE ADOPTED RESOLUTIONS APPROVING THE FORMATION OF THE
31 AUTHORITY AS PRESCRIBED BY SUBSECTION C, PARAGRAPH 1 OF THIS SECTION.

32 (c) ARE NOT THE STATE.

33 C. The authority shall be formed on the occurrence of the following
34 events:

35 1. The adoption of resolutions approving the authority's formation
36 by EITHER OF THE FOLLOWING:

37 (a) A majority of the municipal corporations in the county that had
38 contracts with the United States for the delivery of Colorado River water
39 as of January 1, 1993. ~~A municipal corporation shall concurrently appoint~~
40 ~~the person who will represent the municipal corporation on the authority's~~
41 ~~board.~~

42 (b) FOR AN AUTHORITY IN A COUNTY THAT CONTAINS A PORTION OF THE
43 HARQUAHALA IRRIGATION NON-EXPANSION AREA AND THAT DOES NOT CONTAIN ANY
44 PORTION OF AN ACTIVE MANAGEMENT AREA, TWO OR MORE ELIGIBLE ENTITIES AS
45 PRESCRIBED IN SECTION 45-554, SUBSECTION D. FOR THE PURPOSES OF THIS

1 SUBDIVISION, ONE OF THE ELIGIBLE ENTITIES MUST BE THE BOARD OF SUPERVISORS
2 OF THE COUNTY IN WHICH THE AUTHORITY IS FORMED.

3 2. The transfer to the authority of the right to the delivery of
4 eighteen thousand five hundred acre-feet per year of Colorado River water
5 from a municipal corporation in the county where the authority is to be
6 formed within seven hundred thirty days ~~of~~ AFTER the adoption of
7 resolutions as prescribed by paragraph 1 of this subsection.

8 D. A MUNICIPAL CORPORATION AND ELIGIBLE ENTITY AS PRESCRIBED IN
9 SECTION 45-554, SUBSECTION D SHALL JOINTLY APPOINT A PERSON TO REPRESENT
10 THE MUNICIPAL CORPORATION ON THE AUTHORITY.

11 ~~D.~~ E. On full compliance with subsection C OF THIS SECTION, the
12 authority shall:

13 1. Notify the board of supervisors in the county in which the
14 authority is formed of the authority's formation.

15 2. Publish a notice of the authority's formation once each week for
16 two consecutive weeks in ~~three newspapers~~ A NEWSPAPER of general
17 circulation in the county in which the authority is formed.

18 3. Notify each APPLICABLE authority member that the events
19 prescribed by subsection C OF THIS SECTION have occurred.

20 ~~E.~~ F. An authority member that in connection with the formation of
21 the authority or after the formation of the authority transfers, or causes
22 to be transferred, to the authority all or a portion of its contractual
23 entitlement to the delivery of Colorado River water shall remain an
24 authority member after the transfer.

25 ~~F.~~ G. By vote of the directors, the membership of the authority
26 may be expanded to include municipal corporations in the county that
27 ~~obtain~~ OBTAINS contracts for the delivery of Colorado River water from the
28 United States after January 1, 1993 AND THAT HAVE ADOPTED A RESOLUTION
29 APPROVING THE INCLUSION.

30 Sec. 3. Title 45, chapter 13, article 1, Arizona Revised Statutes,
31 is amended by adding section 45-2206, to read:

32 45-2206. Applicability

33 SECTION 45-2202, SUBSECTION C, PARAGRAPH 2 AND SECTION 45-2244 DO
34 NOT APPLY TO AN AUTHORITY FORMED IN A COUNTY THAT CONTAINS A PORTION OF
35 THE HARQUAHALA IRRIGATION NON-EXPANSION AREA AND THAT DOES NOT CONTAIN ANY
36 PORTION OF AN ACTIVE MANAGEMENT AREA.

37 Sec. 4. Section 45-2221, Arizona Revised Statutes, is amended to
38 read:

39 45-2221. Board of directors; organization; compensation

40 A. The authority shall have a board of directors. Each director
41 WHO IS appointed pursuant to this section shall have one vote.

42 B. The board consists of persons WHO ARE appointed by the
43 resolutions of the municipal corporations AND THE COUNTY that are
44 authority members and, if appointed, the person WHO IS appointed pursuant
45 to subsection C OF THIS SECTION. Each authority member shall appoint one

1 director to the board. Each director WHO IS appointed pursuant to this
2 subsection shall serve at the pleasure of the authority member that
3 appointed him. Each director WHO IS appointed pursuant to this subsection
4 may be removed from the board by resolution of the authority member that
5 appointed him. An authority member that removes a director from the board
6 shall appoint another director to the board.

7 C. The supervisors of the county in which the authority is formed
8 may appoint a director to the board from among the members of the board of
9 supervisors. A director WHO IS appointed pursuant to this subsection
10 shall serve a term of one year and shall be succeeded by another person
11 who is a member of the board of supervisors according to the terms of this
12 subsection. The term of the member WHO IS appointed by the board of
13 supervisors shall begin on January 1 of each year.

14 D. The board shall select a chairperson, vice-chairperson and
15 secretary-treasurer from among its appointed directors. Officers shall
16 serve at the pleasure of the directors. FOR AN AUTHORITY THAT IS IN A
17 COUNTY THAT CONTAINS A PORTION OF THE HARQUAHALA IRRIGATION NON-EXPANSION
18 AREA AND THAT DOES NOT CONTAIN ANY PORTION OF AN ACTIVE MANAGEMENT AREA,
19 THE BOARD SHALL SELECT A CHAIRPERSON AND OFFICERS AS NEEDED FROM AMONG THE
20 AUTHORITY'S APPOINTED DIRECTORS.

21 E. Board members are not eligible to receive compensation but are
22 eligible for reimbursement of actual and necessary expenses while engaged
23 in official business under order of the board.

24 F. The board members of the authority are public officers for
25 purposes of title 38, chapter 3, article 8. The employees of the
26 authority are employees for purposes of title 38, chapter 3, article 8.

27 Sec. 5. Section 45-2241, Arizona Revised Statutes, is amended to
28 read:

29 45-2241. Cooperation with governmental entities

30 A. The authority shall cooperate, coordinate and confer with the
31 director of water resources, state agencies, municipal corporations,
32 special districts, authorities, other political subdivisions of this
33 state, private entities, Indian tribes and the United States on matters
34 within their jurisdiction relating to the augmentation and conservation of
35 the water supplies of the authority and its members.

36 B. Consistent with the purposes and policies of this chapter, the
37 authority shall cooperate with established and existing organizations in
38 acquiring, constructing and operating projects for use of or
39 interconnection with suitable diversion, withdrawal, transportation,
40 delivery, treatment, storage or recharge facilities.

41 C. Any authority member may request the authority to exercise its
42 powers and privileges in making any project or proposed project, survey or
43 investigation or for assistance in initiating or completing any works or
44 projects authorized by this chapter.

1 D. The authority may act as any of the following:

2 1. A bargaining and negotiating agency in transactions and dealings
3 between various departments of the state or federal government at the
4 request of an authority member.

5 2. A connecting, intermediate or contracting medium for members
6 ~~when~~ IF for united or joint participation such a medium is convenient or
7 essential to the receipt, acceptance or enjoyment of any financial
8 proposals, grants or other benefits to authority members that are made
9 available under any statute or by any entity.

10 3. A coordinating, clearing, administering or supervising
11 instrumentality through which members may cooperate or unite through
12 contracts or agreements in applying or pooling their resources, functional
13 rights or privileges for common purposes contemplated under this chapter.

14 4. A supervising instrumentality through which authority members
15 may request the development of conservation plans for the use of Colorado
16 River water OR OTHER WATER.

17 E. Nothing in this section or in this chapter ~~shall be construed to~~
18 ~~after~~ ALTERS any debt limitation of any authority member.

19 Sec. 6. Section 45-2244, Arizona Revised Statutes, is amended to
20 read:

21 45-2244. Acquisition and disposition of initial quantity of
22 water; applicability

23 A. The authority, acting through its board, shall apportion the
24 rights to the delivery of the first eighteen thousand five hundred acre-
25 feet per year of Colorado River water that it obtains as follows:

26 1. The right to the delivery of fifteen thousand acre-feet per year
27 of Colorado River water shall be apportioned by subcontract and made
28 available to authority members for municipal uses.

29 2. The right to the delivery of three thousand five hundred
30 acre-feet per year of Colorado River water shall be apportioned by
31 subcontract and made available for industrial uses.

32 3. Notwithstanding the apportionment to municipal and industrial
33 uses as prescribed by paragraphs 1 and 2 of this subsection, Colorado
34 River water may be made available by the authority for industrial,
35 agricultural or miscellaneous uses as prescribed by subsection F of this
36 section until that water is needed for municipal or industrial uses.

37 B. The authority, acting through its board, shall make available
38 Colorado River water that is apportioned for municipal uses as prescribed
39 by subsection A, paragraph 1 of this section to authority members through
40 subcontracts between the authority and the authority member for the sale
41 and delivery of Colorado River water. The term of these subcontracts may
42 be coextensive with the term of the contract with the United States
43 pursuant to which the authority obtains the Colorado River water or the
44 duration of the subcontracts may be for a lesser term. The rate charged
45 for the Colorado River water made available to the authority members for

1 municipal uses may be fixed for all or part of the subcontract term but
2 shall be established by subcontract to ~~permit~~ ALLOW the authority member
3 to provide the water to its customers at a reasonable cost as determined
4 by the authority in the exercise of its discretion. Any subcontract may
5 require the authority member to pay water supply fees or to assess and
6 share the cost of water supply fees with the authority. Water supply fees
7 include standby or holding charges, development impact fees, connection
8 fees, extraction fees, user fees, administrative fees, other fees or
9 charges that the subcontract requires and the member collects for new uses
10 to be served with the water made available pursuant to subcontract or any
11 other fees that the authority determines to be necessary or prudent to
12 fund the acquisition of replacement supplies of water. Any such fees
13 assessed or collected by the authority member shall be remitted to the
14 authority and deposited in the funds of the authority as provided in this
15 chapter.

16 C. The Colorado River water apportioned for municipal uses under
17 subsection B of this section shall be served by the authority member
18 within the service area established for the authority member in any water
19 service contract between the authority member and the United States. The
20 Colorado River water so apportioned may not be served to any single
21 industrial user for manufacturing purposes, processing purposes or
22 thermoelectric power generation, with a demand greater than two hundred
23 fifty acre-feet per year until the end of the seventh year after the
24 authority is formed.

25 D. If Colorado River water that is made available to authority
26 members for municipal uses pursuant to subsection B of this section is not
27 subcontracted for by authority members within one year ~~of~~ AFTER the
28 authority's formation pursuant to section 45-2202, subsection C, the
29 Colorado River water may be made available by subcontract to other
30 municipal water providers in the county in which the authority is formed
31 on terms consistent with this section.

32 E. The authority shall make Colorado River water that is
33 apportioned for industrial uses as provided in subsection A, paragraph 2
34 of this section available to applicants through subcontracts for the sale
35 and delivery of that water. The term of the subcontracts shall be set by
36 the authority and may be coextensive with the term of the contract with
37 the United States pursuant to which the authority obtains the Colorado
38 River water. The rate charged for Colorado River water made available to
39 applicants for industrial uses may be established by subcontract or by
40 tariff set by the authority. The rate charged may vary or may be fixed
41 for all or a part of the subcontract term. The initial rate charged per
42 acre-foot shall not be less than the rate charged per acre-foot by a
43 multi-county water conservation district, or its successors, for the
44 capital and fixed operation and maintenance charges associated with an
45 acre-foot of central Arizona project municipal and industrial water in the

1 year in which the authority subcontracts for the sale and delivery of the
2 water.

3 F. Notwithstanding the apportionment to municipal and industrial
4 uses as provided in subsection A, paragraphs 1 and 2 of this section, the
5 authority may subcontract for the delivery of Colorado River water for
6 industrial, agricultural or miscellaneous uses for which subcontracts have
7 not been executed as provided in subsections B and E of this section or
8 for which subcontracts have been executed as provided in subsections B and
9 E of this section if there is no current demand for the water by the
10 subcontractors. A subcontract for the delivery of Colorado River water
11 for an industrial, agricultural or miscellaneous use under this subsection
12 shall not be for a term of more than five years. A subcontract under this
13 subsection may serve an existing use of Colorado River water ~~which~~ THAT
14 was not supported by a contract for the delivery of Colorado River water
15 on January 1, 1994, or a new use of Colorado River water initiated after
16 January 1, 1994. A subcontract under this subsection shall be subject to
17 the approval of subcontractors with subcontracts entered into pursuant to
18 subsection B of this section. Any subcontract under this subsection shall
19 impose the charge per acre-foot of Colorado River water delivered that the
20 authority in its discretion determines to be adequate. Any subcontract
21 under this subsection may be renewed or extended successively for the same
22 or a shorter period of time. For THE purposes of this subsection,
23 "miscellaneous use" means a use of water for recreational or fish and
24 wildlife purposes.

25 G. The authority may accept transfers of the Colorado River water
26 entitlements of its members and may contract with the United States for
27 the delivery to the authority of the initial eighteen thousand five
28 hundred acre-feet a year of Colorado River water obtained by the
29 authority. The authority may contract with the United States for the
30 delivery of any additional amounts of water obtained by the authority from
31 its members and may contract as provided in section 45-2245.

32 H. Any subcontract under this section shall require the Colorado
33 River water delivered pursuant to the subcontract to be used in the county
34 in which the authority is formed.

35 I. THIS SECTION APPLIES ONLY TO AN AUTHORITY THAT IS NOT LOCATED IN
36 A COUNTY THAT CONTAINS A PORTION OF THE HARQUAHALA IRRIGATION
37 NON-EXPANSION AREA AND THAT DOES NOT CONTAIN ANY PORTION OF AN ACTIVE
38 MANAGEMENT AREA.

39 Sec. 7. Section 45-2245, Arizona Revised Statutes, is amended to
40 read:

41 45-2245. Acquisition and disposition of water in excess of
42 initial quantity

43 A. The authority may contract with the United States for the
44 delivery of Colorado River water ~~in excess of the initial eighteen~~

1 ~~thousand five hundred acre-feet a year~~ that the United States makes
2 available to the authority.

3 B. The authority may apportion Colorado River water, **GROUNDWATER**
4 **FROM THE HARQUAHALA IRRIGATION NON-EXPANSION AREA AS OTHERWISE AUTHORIZED**
5 **BY THE LAWS OF THIS STATE**, water credits or effluent that it obtains ~~in~~
6 ~~excess of the initial eighteen thousand five hundred acre-feet a year~~
7 between municipal and industrial uses in the manner that the authority
8 determines to be appropriate after considering the water needs of the
9 county in which the authority is formed.

10 C. The authority may contract with a multi-county water
11 conservation district or its successors or with subcontractors of a
12 multi-county water conservation district or their successors for the
13 delivery to the authority of Colorado River water available to the central
14 Arizona project.

15 D. The authority may purchase, lease, sever, transfer or retire
16 water rights to the Colorado River in this state.

17 E. The authority may lease Colorado River water apportioned to this
18 state from Indian tribes that are entitled by decree to that water and
19 whose reservations are located in the lower basin of the Colorado River
20 system in this state.

21 F. The authority may store, recharge and recover any water or
22 effluent available to the authority to the extent allowed under ~~any~~
23 ~~provision of~~ chapter 3.1 of this title and may enter into exchanges of
24 water or of water credits within or outside the county in which the
25 authority is formed to the extent allowed under ~~any provision of~~ chapter 4
26 of this title.

27 G. The authority may contract for:

28 1. The storage or recovery of effluent to the extent allowed under
29 ~~any provision of~~ chapter 3.1 of this title and may contract for the
30 delivery or purchase of effluent.

31 2. **ELIGIBLE ACRES IN OR GROUNDWATER FROM THE HARQUAHALA IRRIGATION**
32 **NON-EXPANSION AREA.**

33 H. Under terms specified by the authority and subject to subsection
34 **B OF THIS SECTION**, the authority may enter into subcontracts with
35 authority members and other water providers in the county where the
36 authority is formed for the sale, exchange or other disposition of
37 Colorado River water, **GROUNDWATER FROM THE HARQUAHALA IRRIGATION**
38 **NON-EXPANSION AREA AS OTHERWISE AUTHORIZED BY THE LAWS OF THIS STATE**,
39 water credits or effluent acquired by the authority pursuant to this
40 section. In connection with those subcontracts, the authority may charge
41 or impose standby or holding charges, development impact fees, connection
42 fees, extraction fees, user fees, administrative fees or any other fees or
43 charges that the authority determines to be necessary to recover the
44 authority's costs of making the water, water credits or effluent available
45 under the subcontract. The authority may impose additional fees or charges

1 as the authority determines to be necessary or prudent to fund the
2 acquisition of replacement supplies of water for the authority.

3 I. Any subcontract under this section shall require Colorado River
4 water delivered pursuant to the subcontract to be used in the county in
5 which the authority is formed.

6 Sec. 8. Section 45-2281, Arizona Revised Statutes, is amended to
7 read:

8 45-2281. Establishment of funds; allocation of authority
9 revenues; member dues; applicability

10 A. On the authority's formation, a grant fund, a water acquisition
11 fund and an operating fund are established. The authority's revenues
12 shall be deposited in and disbursed from the funds as provided by this
13 section. Revenues deposited in the grant fund may be used to make grants
14 to authority members for water acquisition, water conservation and water
15 reuse. Revenues deposited in the water acquisition fund may be used to
16 acquire water pursuant to section 45-2245. Revenues deposited in the
17 operating fund shall be used as provided in subsection E of this section.

18 B. Except as provided in subsection D of this section **AND FOR AN**
19 **AUTHORITY THAT IS FORMED IN A COUNTY THAT CONTAINS A PORTION OF THE**
20 **HARQUAHALA IRRIGATION NON-EXPANSION AREA AND THAT DOES NOT CONTAIN ANY**
21 **PORTION OF AN ACTIVE MANAGEMENT AREA**, all revenues of the authority shall
22 be deposited in the grant fund except the following:

23 1. Dues paid by authority members which shall be deposited in the
24 operating fund.

25 2. Ten ~~per cent~~ **PERCENT** of all amounts paid by municipal
26 subcontractors under subcontracts entered into as provided in section
27 45-2244, subsection B which may be deposited in the operating fund or the
28 water acquisition fund as determined by the board.

29 3. Fifty ~~per cent~~ **PERCENT** of all amounts paid by subcontractors of
30 the authority pursuant to subcontracts entered into as provided in section
31 45-2244, subsection E or F.

32 4. That portion of the monies earned by the authority under
33 subcontracts entered into pursuant to section 45-2245, subsection H that
34 is equal to the cost to the authority of obtaining the water transferred
35 under those subcontracts and, after payment of ~~seven million five hundred~~
36 ~~thousand dollars~~ **\$7,500,000** as adjusted pursuant to subsection C of this
37 section, all of the monies earned from those subcontracts.

38 C. Except as provided in subsection B of this section, all of the
39 authority's revenues shall be deposited in the grant fund until the full
40 amount of the initial grant and any additional amounts required in a grant
41 agreement between the authority and the member that receives the grant
42 have been disbursed from the grant fund as provided in this
43 subsection. The initial grant from the grant fund shall be made to the
44 authority member that transferred, or caused to be transferred, to the
45 authority the right to the delivery of eighteen thousand five hundred

1 acre-feet per year of Colorado River water in connection with the
2 authority's formation. The amount of the grant to that member shall equal
3 ~~seven million five hundred thousand dollars~~ \$7,500,000 plus any additional
4 monies that the authority and the member agree to in a grant agreement
5 between the authority and the member, which amount shall be adjusted
6 annually from the date of the authority's formation either for inflation
7 or as may otherwise be provided in the subcontracts of the authority or in
8 the grant agreement, until the amount of the initial grant required by
9 this subsection and any additional amounts required by the grant agreement
10 are paid in full. The initial grant may be disbursed in a lump sum or in
11 partial payments in accordance with the request of the authority member
12 that is entitled to receive the grant and as revenues become available to
13 the authority and are deposited in the grant fund. The authority member
14 that is entitled to receive the grant may request that disbursements be
15 made whenever revenues have been deposited in the grant
16 fund. Notwithstanding section 45-2282, the authority shall promptly
17 disburse those revenues that are deposited in the fund on receipt of a
18 request from that member.

19 D. After the disbursement of the full amount of the initial grant
20 and any additional amounts required in a grant agreement of the authority
21 from the grant fund as provided in subsection C of this section, the
22 authority's revenues, except dues paid by authority members, may be
23 deposited in the grant fund, water acquisition fund or operating fund as
24 determined by the board.

25 E. The authority shall establish a schedule of dues that is
26 sufficient, when aggregated with other monies available for the payment of
27 administrative expenses, to pay the estimated administrative expenses of
28 the authority. Dues shall be assessed and allocated equitably among
29 authority members as determined by the board. All dues received by the
30 authority shall be deposited in the operating fund. Expenditures may be
31 made from the operating fund to pay:

32 1. The authority's administrative expenses.

33 2. The costs of the authority's formation including an equitable
34 portion of the costs of the municipal corporation that transferred rights
35 to the delivery of Colorado River water as provided in section 45-2202.

36 3. The costs associated with holding any entitlement to water
37 acquired by the authority.

38 4. Subject to subsection C of this section, the costs incurred by
39 the authority in the operation of any project undertaken by the authority
40 pursuant to this chapter.

41 5. Amounts payable to the United States annually for the right to
42 hold and use the eighteen thousand five hundred acre-feet per year of
43 Colorado River water acquired by the authority pursuant to section
44 45-2202, subsection C which amounts may include any tax, fee or excise
45 imposed ~~upon~~ ON the sale or transfer of the water.

1 F. Any authority member that is in arrears in the payment of its
2 dues for more than sixty days shall lose the right of its appointed
3 director to vote on all authority matters until all of the dues that are
4 in arrears are fully paid. An authority member whose dues are in arrears
5 does not lose membership in the authority because of the arrearage.

6 G. ALL TRANSPORTATION FEES PAID TO THE AUTHORITY PURSUANT TO
7 SECTION 45-556 MAY BE DEPOSITED IN THE GRANT FUND, WATER ACQUISITION FUND
8 OR OPERATING FUND ESTABLISHED BY THIS SECTION AS DETERMINED BY THE BOARD.

9 H. FOR AN AUTHORITY THAT IS FORMED IN A COUNTY WITH A POPULATION OF
10 LESS THAN NINETY THOUSAND PERSONS, ALL REVENUES OF THE AUTHORITY SHALL BE
11 DEPOSITED IN THE GRANT FUND, WATER ACQUISITION FUND OR OPERATING FUND
12 ESTABLISHED BY THIS SECTION AS DETERMINED BY THE BOARD.