

House Engrossed

designation; assured water supply; offset

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

HOUSE BILL 2297

AN ACT

AMENDING TITLE 45, CHAPTER 2, ARTICLE 9, ARIZONA REVISED STATUTES, BY
ADDING SECTION 45-576.11; RELATING TO GROUNDWATER MANAGEMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 45, chapter 2, article 9, Arizona Revised
3 Statutes, is amended by adding section 45-576.11, to read:

4 45-576.11. Alternative designation of assured water supply;
5 groundwater offset; groundwater allowance;
6 calculation; definitions

7 A. FOR A NEW APPLICATION FOR A DESIGNATION OF ASSURED WATER SUPPLY
8 IN AN ACTIVE MANAGEMENT AREA, THE DIRECTOR SHALL DEEM A VOLUME OF
9 GROUNDWATER AND STORED WATER RECOVERED OUTSIDE OF THE AREA OF IMPACT AS
10 PHYSICALLY AVAILABLE IF THE DIRECTOR DETERMINES THAT A NEW ALTERNATIVE
11 WATER SUPPLY INCLUDED IN THE APPLICATION COMPLIES WITH THIS SECTION. THE
12 DIRECTOR SHALL CALCULATE THE VOLUME OF GROUNDWATER AND STORED WATER
13 RECOVERED OUTSIDE OF THE AREA OF IMPACT AS FOLLOWS:

14 1. ADD THE TOTAL VOLUME OF GROUNDWATER WITHDRAWN AND STORED WATER
15 RECOVERED OUTSIDE OF THE AREA OF IMPACT WITHIN THE SERVICE AREA OF THE
16 APPLICANT DURING THE 2023 CALENDAR YEAR TO THE ESTIMATED GROUNDWATER AND
17 STORED WATER RECOVERED OUTSIDE OF THE AREA OF IMPACT DEMAND FOR UNBUILT
18 PORTIONS OF ISSUED CERTIFICATES OF ASSURED WATER SUPPLY AS OF 2023 THAT
19 ARE OR WILL BE WITHIN THE SERVICE AREA OF THE APPLICANT AND MULTIPLY THE
20 SUM BY ONE HUNDRED.

21 2. MULTIPLY FIVE PERCENT OF EACH NEW ALTERNATIVE WATER SUPPLY
22 INCLUDED IN THE DESIGNATION BY ONE HUNDRED.

23 3. SUBTRACT THE TOTAL VOLUME CALCULATED IN PARAGRAPH 2 OF THIS
24 SUBSECTION FROM THE TOTAL VOLUME CALCULATED IN PARAGRAPH 1 OF THIS
25 SUBSECTION.

26 4. FOR THE PURPOSES OF CALCULATION, THE DIRECTOR SHALL USE THE
27 ANNUAL REPORT SUBMITTED BY THE MUNICIPAL PROVIDER FOR CALENDAR YEAR 2023,
28 AS VERIFIED BY THE DIRECTOR.

29 B. FOR AN APPLICATION THAT SEEKS TO MODIFY A DESIGNATION OF ASSURED
30 WATER SUPPLY AND THAT INCLUDES A VOLUME OF GROUNDWATER AND STORED WATER
31 RECOVERED OUTSIDE OF THE AREA OF IMPACT PURSUANT TO SUBSECTION A OF THIS
32 SECTION, THE FOLLOWING APPLY:

33 1. THE ONE HUNDRED-YEAR VOLUME CALCULATED PURSUANT TO SUBSECTION A
34 OF THIS SECTION SHALL BE REDUCED BY THE VOLUME OF GROUNDWATER WITHDRAWN
35 AND STORED WATER RECOVERED OUTSIDE OF THE AREA OF IMPACT BY THE APPLICANT
36 SINCE THE ISSUANCE OF A PREVIOUS DESIGNATION ORDER.

37 2. THE ONE HUNDRED-YEAR VOLUME CALCULATED PURSUANT TO SUBSECTION A
38 OF THIS SECTION SHALL BE FURTHER REDUCED BY FIVE PERCENT OF THE ONE
39 HUNDRED-YEAR VOLUME OF EACH NEW ALTERNATIVE WATER SUPPLY INCLUDED IN ANY
40 MODIFIED DESIGNATION BUT NOT INCLUDED IN THE PREVIOUS DESIGNATION.

41 C. THE DIRECTOR MAY NOT INCLUDE ANY ADDITIONAL SOURCES OF
42 GROUNDWATER WITHDRAWN FROM AN ACTIVE MANAGEMENT AREA OR STORED WATER
43 RECOVERED OUTSIDE OF THE AREA OF IMPACT IN AN ACTIVE MANAGEMENT AREA IN A
44 DESIGNATION OF ASSURED WATER SUPPLY THAT INCLUDES A VOLUME OF GROUNDWATER

1 AND STORED WATER RECOVERED OUTSIDE OF THE AREA OF IMPACT PURSUANT TO
2 SUBSECTION A OR B OF THIS SECTION.

3 D. A DESIGNATION GRANTED PURSUANT TO THIS SECTION SHALL BE FOR AN
4 INITIAL TERM OF NOT MORE THAN FIFTEEN YEARS.

5 E. DURING THE TERM OF THE DESIGNATION, A DESIGNATED PROVIDER MAY
6 REQUEST AN EXPEDITED MODIFICATION OF THE DESIGNATION TO INCLUDE ADDITIONAL
7 WATER SUPPLIES THAT DO NOT INCLUDE GROUNDWATER OR STORED WATER RECOVERED
8 OUTSIDE OF THE AREA OF IMPACT FROM AN ACTIVE MANAGEMENT AREA. THE DIRECTOR
9 SHALL REVIEW ONLY THE FOLLOWING FOR AN EXPEDITED MODIFICATION UNDER THIS
10 SUBSECTION:

11 1. THE PROPOSED CURRENT, COMMITTED AND PROJECTED DEMANDS UNDER THE
12 CURRENT TERM OF THE DESIGNATION.

13 2. THE ASSURED WATER SUPPLY REQUIREMENTS FOR THE ADDITIONAL WATER
14 SUPPLY.

15 F. THE DIRECTOR SHALL DETERMINE THAT AN APPLICANT FOR A DESIGNATION
16 HAS THE FINANCIAL CAPABILITY TO CONSTRUCT ADEQUATE DELIVERY, STORAGE AND
17 TREATMENT WORKS IF THE APPLICANT DEMONSTRATES ONE OR MORE OF THE FOLLOWING
18 FOR EACH OF THOSE FACILITIES:

19 1. THE APPLICANT HAS CONSTRUCTED ADEQUATE DELIVERY, STORAGE AND
20 TREATMENT WORKS.

21 2. THE APPLICANT HAS ENTERED INTO WRITTEN AGREEMENTS REQUIRING THAT
22 A POTENTIAL DEVELOPER CONSTRUCT ADEQUATE DELIVERY, STORAGE AND TREATMENT
23 WORKS.

24 3. THE APPLICANT HAS SUBMITTED EVIDENCE DEMONSTRATING THAT
25 FINANCING MECHANISMS ARE IN PLACE TO CONSTRUCT ADEQUATE DELIVERY, STORAGE
26 AND TREATMENT WORKS IN A TIMELY MANNER.

27 4. IF THE APPLICANT IS A CITY OR TOWN, THE APPLICANT HAS ADOPTED A
28 FIVE-YEAR CAPITAL IMPROVEMENT PLAN THAT PROVIDES FOR THE CONSTRUCTION OR
29 THE COMMENCEMENT OF CONSTRUCTION OF ADEQUATE DELIVERY, STORAGE AND
30 TREATMENT WORKS IN A TIMELY MANNER AND HAS SUBMITTED A CERTIFICATION BY
31 THE APPLICANT'S CHIEF FINANCIAL OFFICER THAT FINANCES ARE AVAILABLE TO
32 IMPLEMENT THAT PORTION OF THE FIVE-YEAR PLAN.

33 5. IF THE APPLICANT IS A PRIVATE WATER COMPANY, THE APPLICANT HAS
34 RECEIVED APPROVAL FROM THE CORPORATION COMMISSION FOR FINANCING THE
35 CONSTRUCTION OF ADEQUATE DELIVERY, STORAGE AND TREATMENT WORKS.

36 G. FOR A DESIGNATION ISSUED PURSUANT TO THIS SECTION, AN APPLICANT
37 MAY ONLY APPLY EXTINGUISHMENT CREDITS DELIVERED TO THE SUBDIVISION SUBJECT
38 TO THE APPLICATION.

39 H. IF AN APPLICATION FOR A DESIGNATION INCLUDES A VOLUME OF
40 GROUNDWATER OR STORED WATER RECOVERED OUTSIDE OF THE AREA OF IMPACT, THE
41 GROUNDWATER ALLOWANCE SHALL BE CALCULATED BY MULTIPLYING THIRTY BY THE
42 APPLICANT'S TOTAL GROUNDWATER DELIVERIES DURING THE 2023 CALENDAR YEAR.
43 FOR THE PURPOSES OF THIS CALCULATION, THE DIRECTOR SHALL USE THE ANNUAL
44 REPORT SUBMITTED BY A MUNICIPAL PROVIDER FOR THE 2023 CALENDAR YEAR.

1 I. FOR THE PURPOSES OF THIS SECTION:

2 1. "AREA OF IMPACT" MEANS, AS PROJECTED ON THE LAND SURFACE, THE
3 AREA WHERE THE STORED WATER HAS MIGRATED OR IS LOCATED.

4 2. "ASSURED WATER SUPPLY" HAS THE SAME MEANING PRESCRIBED IN
5 SECTION 45-576.

6 3. "DESIGNATION" MEANS A DESIGNATION OF ASSURED WATER SUPPLY.

7 4. "NEW ALTERNATIVE WATER SUPPLY":

8 (a) MEANS A VOLUME OF WATER THAT IS NOT GROUNDWATER WITHDRAWN FROM
9 AN ACTIVE MANAGEMENT AREA AND THAT WAS NOT SERVED WITHIN THE SERVICE AREA
10 OF THE MUNICIPAL PROVIDER IN THE 2023 CALENDAR YEAR PER THE ANNUAL REPORT
11 SUBMITTED BY THE MUNICIPAL PROVIDER FOR THE 2023 CALENDAR YEAR.

12 (b) DOES NOT INCLUDE EFFLUENT.

13 5. "STORED WATER" HAS THE SAME MEANING PRESCRIBED IN SECTION
14 45-802.01.

15 Sec. 2. Requirements for enactment; two-thirds vote

16 Pursuant to article IX, section 22, Constitution of Arizona, this
17 act is effective only on the affirmative vote of at least two-thirds of
18 the members of each house of the legislature and is effective immediately
19 on the signature of the governor or, if the governor vetoes this act, on
20 the subsequent affirmative vote of at least three-fourths of the members
21 of each house of the legislature.

22 Sec. 3. Emergency

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