

SENATE BILL 1611 SUBSTITUTED ON THIRD READING

House Engrossed

~~technical correction; management goals; AMAs~~
~~(now: physical availability exemption credit; groundwater)~~
(now: groundwater savings credit; ADWR)

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

HOUSE BILL 2298

AN ACT

AMENDING SECTION 9-463.01, ARIZONA REVISED STATUTES; AMENDING TITLE 9, CHAPTER 4, ARTICLE 8, ARIZONA REVISED STATUTES, BY ADDING SECTION 9-500.53; AMENDING TITLE 45, CHAPTER 2, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 45-465.05; REPEALING SECTION 45-465.05, ARIZONA REVISED STATUTES, AS ADDED BY THIS ACT; AMENDING TITLE 45, CHAPTER 2, ARTICLE 9, ARIZONA REVISED STATUTES, BY ADDING SECTION 45-563.03; AMENDING SECTIONS 45-576, 45-576.08 AND 48-3772, ARIZONA REVISED STATUTES; RELATING TO GROUNDWATER.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 9-463.01, Arizona Revised Statutes, is amended
3 to read:

4 9-463.01. Authority

5 A. Pursuant to this article, the legislative body of every
6 municipality shall regulate the subdivision of all lands within its
7 corporate limits.

8 B. The legislative body of a municipality shall exercise the
9 authority granted in subsection A of this section by ordinance
10 prescribing:

11 1. Procedures to be followed in the preparation, submission, review
12 and approval or rejection of all final plats.

13 2. Standards governing the design of subdivision plats.

14 3. Minimum requirements and standards for the installation of
15 subdivision streets, sewer and water utilities and improvements as a
16 condition of final plat approval.

17 C. By ordinance, the legislative body of any municipality shall:

18 1. Require the preparation, submission and approval of a
19 preliminary plat as a condition precedent to submission of a final plat.

20 2. Establish the procedures to be followed in the preparation,
21 submission, review and approval of preliminary plats.

22 3. Make requirements as to the form and content of preliminary
23 plats.

24 4. Either determine that certain lands may not be subdivided, by
25 reason of adverse topography, periodic inundation, adverse soils,
26 subsidence of the earth's surface, high water table, lack of water or
27 other natural or man-made hazard to life or property, or control the lot
28 size, establish special grading and drainage requirements and impose other
29 regulations deemed reasonable and necessary for the public health, safety
30 or general welfare on any lands to be subdivided affected by such
31 characteristics.

32 5. Require payment of a proper and reasonable fee by the subdivider
33 based upon the number of lots or parcels on the surface of the land to
34 defray municipal costs of plat review and site inspection.

35 6. Require the dedication of public streets, sewer and water
36 utility easements or rights-of-way, within the proposed subdivision.

37 7. Require the preparation and submission of acceptable engineering
38 plans and specifications for the installation of required street, sewer,
39 electric and water utilities, drainage, flood control, adequacy of water
40 and improvements as a condition precedent to recordation of an approved
41 final plat.

42 8. Require the posting of performance bonds, assurances or such
43 other security as may be appropriate and necessary to assure the
44 installation of required street, sewer, electric and water utilities,

1 drainage, flood control and improvements meeting established minimum
2 standards of design and construction.

3 D. The legislative body of any municipality may require by
4 ordinance that land areas within a subdivision be reserved for parks,
5 recreational facilities, school sites and fire stations subject to the
6 following conditions:

7 1. The requirement may only be made upon preliminary plats filed at
8 least thirty days after the adoption of a general or specific plan
9 affecting the land area to be reserved.

10 2. The required reservations are in accordance with definite
11 principles and standards adopted by the legislative body.

12 3. The land area reserved shall be of such a size and shape as to
13 permit the remainder of the land area of the subdivision within which the
14 reservation is located to develop in an orderly and efficient manner.

15 4. The land area reserved shall be in such multiples of streets and
16 parcels as to permit an efficient division of the reserved area in the
17 event that it is not acquired within the prescribed period.

18 5. IF GROUNDWATER SAVINGS CREDITS HAVE BEEN PLEDGED TO A
19 CERTIFICATE OF ASSURED WATER SUPPLY FOR A SUBDIVISION, A MUNICIPALITY MAY
20 NOT CONDITION FINAL APPROVAL OF THE SUBDIVISION PLAT ON INCLUSION OF A
21 SCHOOL SITE WITHIN THE SUBDIVISION PLAT UNLESS ALL OF THE FOLLOWING APPLY:

22 (a) THE MUNICIPALITY PLEDGES TO THE CERTIFICATE OF ASSURED WATER
23 SUPPLY A VOLUME OF WATER THAT IS EQUAL TO THE PROBABLE WATER USE ON THE
24 SCHOOL SITE AS DETERMINED BY THE DIRECTOR OF THE DEPARTMENT OF WATER
25 RESOURCES.

26 (b) THE WATER PLEDGED BY A MUNICIPALITY PURSUANT TO THIS PARAGRAPH
27 MEETS ALL REQUIREMENTS FOR INCLUSION AS AN ASSURED WATER SUPPLY AS
28 PRESCRIBED IN TITLE 45, CHAPTER 2.

29 (c) THE MUNICIPALITY DOES NOT REQUIRE AN APPLICANT FOR FINAL PLAT
30 APPROVAL TO PROCURE OR PROVIDE MONIES TO PROCURE WATER THAT IS REQUIRED TO
31 BE PLEDGED BY A MUNICIPALITY PURSUANT TO THIS PARAGRAPH.

32 E. The public agency for whose benefit an area has been reserved
33 shall have a period of one year after recording the final subdivision plat
34 to enter into an agreement to acquire such reserved land area. The
35 purchase price shall be the fair market value of the reserved land area at
36 the time of the filing of the preliminary subdivision plat plus the taxes
37 against such reserved area from the date of the reservation and any other
38 costs incurred by the subdivider in the maintenance of such reserved area,
39 including the interest cost incurred on any loan covering such reserved
40 area.

41 F. If the public agency for whose benefit an area has been reserved
42 does not exercise the reservation agreement set forth in subsection E of
43 this section within such one year period or such extended period as may be
44 mutually agreed upon by such public agency and the subdivider, the
45 reservation of such area shall terminate.

1 G. The legislative body of every municipality shall comply with
2 this article and applicable state statutes pertaining to the hearing,
3 approval or rejection, and recordation of:

4 1. Final subdivision plats.

5 2. Plats filed for the purpose of reverting to acreage of land
6 previously subdivided.

7 3. Plats filed for the purpose of vacating streets or easements
8 previously dedicated to the public.

9 4. Plats filed for the purpose of vacating or redescribing lot or
10 parcel boundaries previously recorded.

11 H. Approval of every preliminary and final plat by a legislative
12 body is conditioned upon compliance by the subdivider with:

13 1. Rules as may be established by the department of transportation
14 relating to provisions for the safety of entrance upon and departure from
15 abutting state primary highways.

16 2. Rules as may be established by a county flood control district
17 relating to the construction or prevention of construction of streets in
18 land established as being subject to periodic inundation.

19 3. Rules as may be established by the department of health services
20 or a county health department relating to the provision of domestic water
21 supply and sanitary sewage disposal.

22 I. If the subdivision is comprised of subdivided lands, as defined
23 in section 32-2101, and is within an active management area, as defined in
24 section 45-402, the final plat shall not be approved unless it is
25 accompanied by a certificate of assured water supply issued by the
26 director of water resources, or unless the subdivider has obtained a
27 written commitment of water service for the subdivision from a city, town
28 or private water company designated as having an assured water supply by
29 the director of water resources pursuant to section 45-576 or is exempt
30 from the requirement pursuant to section 45-576. The legislative body of
31 the municipality shall note on the face of the final plat that a
32 certificate of assured water supply has been submitted with the plat or
33 that the subdivider has obtained a written commitment of water service for
34 the proposed subdivision from a city, town or private water company
35 designated as having an assured water supply, pursuant to section 45-576,
36 or is exempt from the requirement pursuant to section 45-576.

37 J. Except as provided in subsections K and P of this section, if
38 the subdivision is composed of subdivided lands as defined in section
39 32-2101 outside of an active management area and the director of water
40 resources has given written notice to the municipality pursuant to section
41 45-108, subsection H, the final plat shall not be approved unless one of
42 the following applies:

43 1. The director of water resources has determined that there is an
44 adequate water supply for the subdivision pursuant to section 45-108 and
45 the subdivider has included the report with the plat.

1 2. The subdivider has obtained a written commitment of water
2 service for the subdivision from a city, town or private water company
3 designated as having an adequate water supply by the director of water
4 resources pursuant to section 45-108.

5 K. The legislative body of a municipality that has received written
6 notice from the director of water resources pursuant to section 45-108,
7 subsection H or that has adopted an ordinance pursuant to subsection O of
8 this section may provide by ordinance an exemption from the requirement in
9 subsection J or O of this section for a subdivision that the director of
10 water resources has determined will have an inadequate water supply
11 because the water supply will be transported to the subdivision by motor
12 vehicle or train if all of the following apply:

13 1. The legislative body determines that there is no feasible
14 alternative water supply for the subdivision and that the transportation
15 of water to the subdivision will not constitute a significant risk to the
16 health and safety of the residents of the subdivision.

17 2. If the water to be transported to the subdivision will be
18 withdrawn or diverted in the service area of a municipal provider as
19 defined in section 45-561, the municipal provider has consented to the
20 withdrawal or diversion.

21 3. If the water to be transported is groundwater, the
22 transportation complies with the provisions governing the transportation
23 of groundwater in title 45, chapter 2, article 8.

24 4. The transportation of water to the subdivision meets any
25 additional conditions imposed by the legislative body.

26 L. A municipality that adopts the exemption authorized by
27 subsection K of this section shall give written notice of the adoption of
28 the exemption, including a certified copy of the ordinance containing the
29 exemption, to the director of water resources, the director of
30 environmental quality and the state real estate commissioner. If the
31 municipality later rescinds the exemption, the municipality shall give
32 written notice of the rescission to the director of water resources, the
33 director of environmental quality and the state real estate
34 commissioner. A municipality that rescinds an exemption adopted pursuant
35 to subsection K of this section shall not readopt the exemption for at
36 least five years after the rescission becomes effective.

37 M. If the legislative body of a municipality approves a subdivision
38 plat pursuant to subsection J, paragraph 1 or 2 or subsection O of this
39 section, the legislative body shall note on the face of the plat that the
40 director of water resources has reported that the subdivision has an
41 adequate water supply or that the subdivider has obtained a commitment of
42 water service for the proposed subdivision from a city, town or private
43 water company designated as having an adequate water supply pursuant to
44 section 45-108.

1 N. If the legislative body of a municipality approves a subdivision
2 plat pursuant to an exemption authorized by subsection K of this section
3 or granted by the director of water resources pursuant to section
4 45-108.02 or 45-108.03:

5 1. The legislative body shall give written notice of the approval
6 to the director of water resources and the director of environmental
7 quality.

8 2. The legislative body shall include on the face of the plat a
9 statement that the director of water resources has determined that the
10 water supply for the subdivision is inadequate and a statement describing
11 the exemption under which the plat was approved, including a statement
12 that the legislative body or the director of water resources, whichever
13 applies, has determined that the specific conditions of the exemption were
14 met. If the director subsequently informs the legislative body that the
15 subdivision is being served by a water provider that has been designated
16 by the director as having an adequate water supply pursuant to section
17 45-108, the legislative body shall record in the county recorder's office
18 a statement disclosing that fact.

19 O. If a municipality has not been given written notice by the
20 director of water resources pursuant to section 45-108, subsection H, the
21 legislative body of the municipality, to protect the public health and
22 safety, may provide by ordinance that, except as provided in subsections K
23 and P of this section, the final plat of a subdivision located in the
24 municipality and outside of an active management area will not be approved
25 by the legislative body unless the director of water resources has
26 determined that there is an adequate water supply for the subdivision
27 pursuant to section 45-108 or the subdivider has obtained a written
28 commitment of water service for the subdivision from a city, town or
29 private water company designated as having an adequate water supply by the
30 director of water resources pursuant to section 45-108. Before holding a
31 public hearing to consider whether to enact an ordinance pursuant to this
32 subsection, a municipality shall provide written notice of the hearing to
33 the board of supervisors of the county in which the municipality is
34 located. A municipality that enacts an ordinance pursuant to this
35 subsection shall give written notice of the enactment of the ordinance,
36 including a certified copy of the ordinance, to the director of water
37 resources, the director of environmental quality, the state real estate
38 commissioner and the board of supervisors of the county in which the
39 municipality is located. If a municipality enacts an ordinance pursuant
40 to this subsection, water providers may be eligible to receive monies in a
41 water supply development fund, as otherwise provided by law.

42 P. Subsections J and O of this section do not apply to:

43 1. A proposed subdivision that the director of water resources has
44 determined will have an inadequate water supply pursuant to section 45-108
45 if the director grants an exemption for the subdivision pursuant to

1 section 45-108.02 and the exemption has not expired or if the director
2 grants an exemption pursuant to section 45-108.03.

3 2. A proposed subdivision that received final plat approval from
4 the municipality before the requirement for an adequate water supply
5 became effective in the municipality if the plat has not been materially
6 changed since it received the final plat approval. If changes were made
7 to the plat after the plat received the final plat approval, the director
8 of water resources shall determine whether the changes are material
9 pursuant to the rules adopted by the director to implement section
10 45-108. If the municipality approves a plat pursuant to this paragraph
11 and the director of water resources has determined that there is an
12 inadequate water supply for the subdivision pursuant to section 45-108,
13 the municipality shall note this on the face of the plat.

14 Q. If the subdivision is composed of subdivided lands as defined in
15 section 32-2101 outside of an active management area and the municipality
16 has not received written notice pursuant to section 45-108, subsection H
17 and has not adopted an ordinance pursuant to subsection O of this section:

18 1. If the director of water resources has determined that there is
19 an adequate water supply for the subdivision pursuant to section 45-108 or
20 if the subdivider has obtained a written commitment of water service for
21 the subdivision from a city, town or private water company designated as
22 having an adequate water supply by the director of water resources
23 pursuant to section 45-108, the municipality shall note this on the face
24 of the plat if the plat is approved.

25 2. If the director of water resources has determined that there is
26 an inadequate water supply for the subdivision pursuant to section 45-108,
27 the municipality shall note this on the face of the plat if the plat is
28 approved.

29 R. Every municipality is responsible for the recordation of all
30 final plats approved by the legislative body and shall receive from the
31 subdivider and transmit to the county recorder the recordation fee
32 established by the county recorder.

33 S. Pursuant to provisions of applicable state statutes, the
34 legislative body of any municipality may itself prepare or have prepared a
35 plat for the subdivision of land under municipal ownership.

36 T. The legislative bodies of cities and towns may regulate by
37 ordinance land splits within their corporate limits. Authority granted
38 under this section refers to the determination of division lines, area and
39 shape of the tracts or parcels and does not include authority to regulate
40 the terms or condition of the sale or lease nor does it include the
41 authority to regulate the sale or lease of tracts or parcels that are not
42 the result of land splits as defined in section 9-463.

43 U. For any subdivision that consists of ten or fewer lots, tracts
44 or parcels, each of which is of a size as prescribed by the legislative
45 body, the legislative body of each municipality may expedite the

1 processing of or waive the requirement to prepare, submit and receive
2 approval of a preliminary plat as a condition precedent to submitting a
3 final plat and may waive or reduce infrastructure standards or
4 requirements proportional to the impact of the subdivision. Requirements
5 for dust-controlled access and drainage improvements shall not be waived.

6 Sec. 2. Title 9, chapter 4, article 8, Arizona Revised Statutes, is
7 amended by adding section 9-500.53, to read:

8 9-500.53. Initial active management areas; landscaping
9 requirements; prohibition; statewide concern;
10 definitions

11 A. NOTWITHSTANDING ANY OTHER LAW, A MUNICIPALITY THAT IS LOCATED
12 WITHIN AN INITIAL ACTIVE MANAGEMENT AREA MAY NOT ADOPT OR ENFORCE ANY
13 CODE, ORDINANCE, RULE, REGULATION, STANDARD, STIPULATION OR OTHER
14 REQUIREMENT THAT DIRECTLY OR INDIRECTLY REQUIRES ANY OF THE FOLLOWING IN A
15 SUBDIVISION WHERE GROUNDWATER SAVINGS CREDITS HAVE BEEN PLEDGED TO A
16 CERTIFICATE OF ASSURED WATER SUPPLY:

17 1. A MINIMUM NUMBER OF TREES, EXCEPT FOR TREES INCLUDED ON THE
18 LOW-WATER-USE AND DROUGHT-TOLERANT PLANT LIST THAT IS PUBLISHED BY THE
19 DEPARTMENT OF WATER RESOURCES FOR THE CURRENT MANAGEMENT PLAN FOR THE
20 INITIAL ACTIVE MANAGEMENT AREA.

21 2. A MINIMUM SIZE FOR TREES OR SHRUBS.

22 3. A MINIMUM PERCENTAGE OF IRRIGATED GROUND COVER.

23 4. A MINIMUM AMOUNT OF TURF.

24 5. AN AREA FOR ACTIVE OPEN SPACE THAT EXCEEDS THE GREATER OF THE
25 FOLLOWING:

26 (a) TEN PERCENT OF THE GROSS ACRES WITHIN THE SUBDIVISION.

27 (b) WHAT IS REQUIRED FOR RETENTION.

28 6. RIGHTS-OF-WAY THAT REQUIRE LANDSCAPING ON MORE THAN TWENTY
29 PERCENT OF THE CROSS SECTION.

30 7. CONSTRUCTION OR MAINTENANCE OF WATER PARKS OR DECORATIVE WATER
31 FEATURES, INCLUDING LAKES, PONDS OR LAGOONS, EXCEPT AS PROVIDED IN SECTION
32 45-132, SUBSECTION B, PARAGRAPH 4, SUBDIVISION (a).

33 B. IN A SUBDIVISION WHERE GROUNDWATER SAVINGS CREDITS HAVE BEEN
34 PLEDGED TO A CERTIFICATE OF ASSURED WATER SUPPLY, A MUNICIPALITY MAY NOT:

35 1. INCREASE LOT SIZES OR REDUCE LOT YIELD ONCE ZONING IS APPROVED.

36 2. INCREASE THE SIZE OF A RIGHT-OF-WAY REQUIRED AS OF THE EFFECTIVE
37 DATE OF THIS SECTION FOR THE PURPOSE OF ADDITIONAL LANDSCAPE AREA.

38 C. THE EFFICIENT USE OF WATER IS A MATTER OF STATEWIDE CONCERN.

39 D. FOR THE PURPOSES OF THIS SECTION:

40 1. "GROUNDWATER SAVINGS CREDIT" MEANS A GROUNDWATER SAVINGS CREDIT
41 AS PRESCRIBED IN SECTION 45-465.05.

42 2. "INITIAL ACTIVE MANAGEMENT AREA" HAS THE SAME MEANING PRESCRIBED
43 IN SECTION 45-402.

44 3. "SUBDIVISION" HAS THE SAME MEANING PRESCRIBED IN SECTION
45 32-2101.

1 Sec. 3. Title 45, chapter 2, article 5, Arizona Revised Statutes,
2 is amended by adding section 45-465.05, to read:

3 45-465.05. Permanent relinquishment of irrigation
4 grandfathered rights; groundwater savings
5 credits; assured water supply; rules; report;
6 definitions

7 A. A PERSON THAT OWNS LAND WITHIN THE PHOENIX OR PINAL ACTIVE
8 MANAGEMENT AREA THAT MAY BE LEGALLY IRRIGATED WITH GROUNDWATER PURSUANT TO
9 AN IRRIGATION GRANDFATHERED RIGHT MAY APPLY TO THE DIRECTOR TO PERMANENTLY
10 RELINQUISH ALL OF THE IRRIGATION GRANDFATHERED RIGHT IN EXCHANGE FOR
11 GROUNDWATER SAVINGS CREDITS. THE DIRECTOR SHALL APPROVE THE APPLICATION
12 IF ALL OF THE FOLLOWING CONDITIONS APPLY:

13 1. THE PERSON'S USE OF THE IRRIGATION GRANDFATHERED RIGHT COMPLIES
14 WITH THIS CHAPTER AND THE APPLICABLE MANAGEMENT PLAN.

15 2. FOR EACH IRRIGATION GRANDFATHERED RIGHT THAT IS RELINQUISHED,
16 THE DIRECTOR DETERMINES THAT LAND TO WHICH THE IRRIGATION GRANDFATHERED
17 RIGHT IS APPURTENANT HAS BEEN LEGALLY IRRIGATED WITH GROUNDWATER IN AT
18 LEAST THREE OF THE PRECEDING FIVE YEARS.

19 3. THE PERSON HAS FILED ALL REPORTS REQUIRED PURSUANT TO SECTION
20 45-632 FOR THE LAST FIVE YEARS.

21 4. THE PERSON DOES NOT MAINTAIN A NEGATIVE BALANCE IN THE PERSON'S
22 FLEXIBILITY ACCOUNT ESTABLISHED PURSUANT TO SECTION 45-467.

23 5. THE DEPARTMENT HAS NOT ISSUED A CERTIFICATE OF ASSURED WATER
24 SUPPLY FOR THE ACRES ASSOCIATED WITH THE RELINQUISHMENT.

25 B. THE DIRECTOR SHALL QUANTIFY GROUNDWATER SAVINGS CREDITS. WHEN
26 QUANTIFYING GROUNDWATER SAVINGS CREDITS, THE FOLLOWING APPLY:

27 1. THE AMOUNT OF GROUNDWATER SAVINGS CREDIT SHALL BE DETERMINED IN
28 ACRE-FEET BY MULTIPLYING THE ACRES ASSOCIATED WITH THE RELINQUISHMENT BY
29 THE FOLLOWING CONVERSION MULTIPLIER:

30 (a) IN THE PHOENIX ACTIVE MANAGEMENT AREA, ONE HUNDRED FIFTY.

31 (b) IN THE PINAL ACTIVE MANAGEMENT AREA, ONE HUNDRED.

32 2. A PERSON MAY NOT RECEIVE GROUNDWATER SAVINGS CREDITS FOR A
33 VOLUME OF WATER THAT EXCEEDS SIXTY TIMES THE MEAN AMOUNT OF GROUNDWATER
34 USED ANNUALLY PURSUANT TO THE IRRIGATION GRANDFATHERED RIGHT IN THE THREE
35 YEARS WITH THE HIGHEST USE DURING THE FIVE YEARS PRECEDING AN APPLICATION
36 TO PERMANENTLY RELINQUISH THE IRRIGATION GRANDFATHERED RIGHT. IF A PERSON
37 APPLIES TO RELINQUISH AN IRRIGATION GRANDFATHERED RIGHT AFTER CONVEYANCE
38 OF AN IRRIGATION GRANDFATHERED RIGHT, THE MEAN AMOUNT OF GROUNDWATER USED
39 ANNUALLY SHALL BE DETERMINED USING A PROPORTIONATE SHARE OF THE TOTAL
40 AMOUNT OF GROUNDWATER USED ANNUALLY PURSUANT TO ANY IRRIGATION
41 GRANDFATHERED RIGHTS APPURTENANT TO THE LAND INCLUDED IN THE IRRIGATION
42 GRANDFATHERED RIGHT THAT THE PERSON HAS APPLIED TO RELINQUISH IN THE YEARS
43 USED TO SATISFY THE REQUIREMENTS OF SUBSECTION A, PARAGRAPH 2 OF THIS
44 SECTION.

1 C. WHEN ISSUING GROUNDWATER SAVINGS CREDITS, THE DIRECTOR SHALL:

2 1. IDENTIFY ALL OF THE FOLLOWING:

3 (a) THE AMOUNT OF GROUNDWATER SAVINGS CREDITS AS CALCULATED
4 PURSUANT TO SUBSECTION B OF THIS SECTION.

5 (b) THE NUMBER AND LOCATION OF THE ACRES ASSOCIATED WITH THE
6 RELINQUISHMENT.

7 (c) THE WELLS THAT HAVE BEEN USED TO SERVE LAND TO WHICH THE
8 IRRIGATION GRANDFATHERED RIGHT IS APPURTENANT.

9 (d) THE OWNER OF THE ACRES ASSOCIATED WITH THE RELINQUISHMENT AT
10 THE TIME OF THE RELINQUISHMENT THAT HOLDS THE GROUNDWATER SAVINGS CREDITS.

11 2. DETERMINE WHETHER THE CRITERIA PRESCRIBED IN SUBSECTION D,
12 PARAGRAPH 3 OR SUBSECTION E, PARAGRAPH 3 OF THIS SECTION WOULD BE
13 SATISFIED. THIS DETERMINATION SHALL BE APPLIED TO AN ASSURED WATER SUPPLY
14 APPLICATION THAT IS SUBMITTED TO THE DEPARTMENT WITHIN TWO YEARS AFTER THE
15 DATE THE GROUNDWATER SAVINGS CREDITS ARE ISSUED AND SHALL REMAIN VALID
16 UNTIL THE DIRECTOR MAKES A FINAL DECISION ON THE ASSURED WATER SUPPLY
17 APPLICATION.

18 D. FOR THE PURPOSES OF A DESIGNATION OR MODIFICATION OF A
19 DESIGNATION OF ASSURED WATER SUPPLY, THE VOLUME OF GROUNDWATER WITHDRAWN
20 OR STORED WATER RECOVERED OUTSIDE THE AREA OF IMPACT OF STORAGE ASSOCIATED
21 WITH GROUNDWATER SAVINGS CREDITS CALCULATED PURSUANT TO SUBSECTION B OF
22 THIS SECTION IS EXEMPT FROM THE REQUIREMENT TO DEMONSTRATE THAT THE
23 GROUNDWATER IS PHYSICALLY AVAILABLE IN ACCORDANCE WITH SECTION 45-576 IF
24 ALL OF THE FOLLOWING APPLY:

25 1. THE ACRES ASSOCIATED WITH THE RELINQUISHMENT AND THE LOCATION OF
26 THE PROPOSED USE ASSOCIATED WITH THE GROUNDWATER SAVINGS CREDITS ARE OR
27 WILL BE WITHIN THE SERVICE AREA OF A MUNICIPAL PROVIDER THAT IS DESIGNATED
28 AS HAVING AN ASSURED WATER SUPPLY OR THAT HAS APPLIED FOR A DESIGNATION OF
29 ASSURED WATER SUPPLY.

30 2. THE APPLICANT PROPOSES TO WITHDRAW GROUNDWATER OR STORED WATER
31 RECOVERED OUTSIDE OF THE AREA OF IMPACT OF STORAGE ASSOCIATED WITH THE
32 GROUNDWATER SAVINGS CREDITS FROM ONE OR MORE OF THE FOLLOWING LOCATIONS:

33 (a) ANY WELL THAT WAS USED TO SERVE LAND TO WHICH THE IRRIGATION
34 GRANDFATHERED RIGHT IS APPURTENANT.

35 (b) ANY WELL THAT IS LOCATED WITHIN ONE MILE OF ANY WELL THAT WAS
36 USED TO SERVE LAND TO WHICH THE IRRIGATION GRANDFATHERED RIGHT IS
37 APPURTENANT.

38 (c) ANY WELL THAT IS LOCATED ON THE ACRES ASSOCIATED WITH THE
39 RELINQUISHMENT.

40 (d) ANY WELL THAT IS LOCATED WITHIN ONE MILE OF THE ACRES
41 ASSOCIATED WITH THE RELINQUISHMENT.

42 3. THE APPLICANT DEMONSTRATES THAT GROUNDWATER OR STORED WATER
43 RECOVERED OUTSIDE THE AREA OF IMPACT OF STORAGE CAN BE WITHDRAWN TO SERVE
44 THE PROPOSED USE FOR ONE HUNDRED YEARS WITHOUT EXCEEDING THE DEPTH OF THE
45 AQUIFER OR THE APPLICABLE DEPTH-TO-STATIC WATER LEVEL LIMIT OF THE ACTIVE

1 MANAGEMENT AREA, WHICHEVER IS LESS. FOR THE PURPOSES OF THIS
2 DEMONSTRATION:

3 (a) THE DIRECTOR MAY NOT CONSIDER OTHER WITHDRAWALS THAT EXCEED THE
4 DEPTH OF THE AQUIFER OR THE APPLICABLE DEPTH-TO-STATIC WATER LEVEL LIMIT
5 DURING THE ONE HUNDRED-YEAR PERIOD AS FOLLOWS:

6 (i) IN THE PHOENIX ACTIVE MANAGEMENT AREA, THE DEPTH-TO-STATIC
7 WATER LEVEL LIMIT IS ONE THOUSAND FEET BELOW LAND SURFACE.

8 (ii) IN THE PINAL ACTIVE MANAGEMENT AREA, THE DEPTH-TO-STATIC WATER
9 LEVEL LIMIT IS ONE THOUSAND ONE HUNDRED FEET BELOW LAND SURFACE.

10 (b) FOR WITHDRAWALS LOCATED WITHIN ONE MILE OF ANY WELL THAT WAS
11 USED TO SERVE LAND TO WHICH THE IRRIGATION GRANDFATHERED RIGHT IS
12 APPURTENANT, THE APPLICANT MAY RELY ON THE DIRECTOR'S DETERMINATION
13 PURSUANT TO SUBSECTION C OF THIS SECTION, IF APPLICABLE, OR ON THE
14 DIRECTOR'S MOST RECENT ASSURED WATER SUPPLY PROJECTION TO SATISFY THIS
15 REQUIREMENT. THIS SUBDIVISION SHALL NOT APPLY IF MORE THAN FORTY PERCENT
16 OF THE WATER USED DURING THE PERIOD USED IN THE DIRECTOR'S MOST RECENT
17 ASSURED WATER SUPPLY PROJECTION BY LAND TO WHICH THE IRRIGATION
18 GRANDFATHERED RIGHT IS APPURTENANT WAS IN LIEU WATER AS DEFINED IN SECTION
19 45-802.01.

20 (c) EXCEPT AS PROVIDED BY SUBDIVISION (b) OF THIS PARAGRAPH, THE
21 APPLICANT MUST UPDATE THE DIRECTOR'S MOST RECENT ASSURED WATER SUPPLY
22 PROJECTION ONLY TO MAKE REASONABLE MODIFICATIONS TO THE LOCATIONS OR RATES
23 OF THE WITHDRAWALS TO REFLECT THE CHANGES THAT RESULT FROM THE PROPOSED
24 USE.

25 4. THE APPLICANT SUBMITS EVIDENCE TO THE DEPARTMENT THAT THE WATER
26 USED PURSUANT TO THE GROUNDWATER SAVINGS PROGRAM ESTABLISHED UNDER THIS
27 SECTION WILL NOT BE USED ON ANY OF THE FOLLOWING:

28 (a) TURF THAT IS NOT LOCATED IN A RECREATIONAL USE AREA OR OTHER
29 SPACE THAT IS REGULARLY USED FOR STORMWATER MANAGEMENT OR FOR CIVIC,
30 COMMUNITY OR OTHER RECREATIONAL PURPOSES, INCLUDING PLAYGROUNDS, SPORTS
31 FIELDS, CEMETERIES OR SCHOOLYARDS.

32 (b) WATER PARKS.

33 (c) DECORATIVE WATER FEATURES, INCLUDING LAKES, PONDS OR LAGOONS,
34 EXCEPT AS PROVIDED IN SECTION 45-132, SUBSECTION B, PARAGRAPH 4,
35 SUBDIVISION (a).

36 E. FOR THE PURPOSES OF AN APPLICATION FOR A CERTIFICATE OF ASSURED
37 WATER SUPPLY THAT PROPOSES TO RELY ON GROUNDWATER SAVINGS CREDITS, THE
38 VOLUME OF GROUNDWATER OR STORED WATER RECOVERED OUTSIDE THE AREA OF IMPACT
39 OF STORAGE ASSOCIATED WITH THE AMOUNT OF GROUNDWATER SAVINGS CREDITS
40 CALCULATED PURSUANT TO SUBSECTION B OF THIS SECTION IS EXEMPT FROM THE
41 REQUIREMENT TO DEMONSTRATE THAT THE GROUNDWATER OR STORED WATER RECOVERED
42 OUTSIDE THE AREA OF IMPACT OF STORAGE IS PHYSICALLY AVAILABLE IN
43 ACCORDANCE WITH SECTION 45-576 IF ALL OF THE FOLLOWING APPLY:

44 1. THE PROPOSED USE ASSOCIATED WITH THE GROUNDWATER SAVINGS CREDITS
45 IS ON THE ACRES ASSOCIATED WITH THE RELINQUISHMENT OR ON LAND THAT IS

1 LOCATED WITHIN ONE MILE OF THE EXTERIOR BOUNDARY OF THE ACRES ASSOCIATED
2 WITH THE RELINQUISHMENT.

3 2. THE APPLICANT PROPOSES TO WITHDRAW GROUNDWATER OR STORED WATER
4 RECOVERED OUTSIDE THE AREA OF IMPACT OF STORAGE ASSOCIATED WITH THE
5 GROUNDWATER SAVINGS CREDITS FROM ONE OR MORE OF THE FOLLOWING LOCATIONS:

6 (a) ANY WELL THAT WAS USED TO SERVE LAND TO WHICH THE IRRIGATION
7 GRANDFATHERED RIGHT IS APPURTENANT.

8 (b) ANY WELL THAT IS LOCATED WITHIN ONE MILE OF ANY WELL THAT WAS
9 USED TO SERVE LAND TO WHICH THE IRRIGATION GRANDFATHERED RIGHT IS
10 APPURTENANT.

11 (c) ANY WELL THAT IS LOCATED ON THE ACRES ASSOCIATED WITH THE
12 RELINQUISHMENT.

13 (d) ANY WELL THAT IS LOCATED WITHIN ONE MILE OF THE ACRES
14 ASSOCIATED WITH THE RELINQUISHMENT.

15 3. THE APPLICANT DEMONSTRATES THAT GROUNDWATER OR STORED WATER
16 RECOVERED OUTSIDE OF THE AREA OF IMPACT OF STORAGE CAN BE WITHDRAWN TO
17 SERVE THE PROPOSED USE FOR ONE HUNDRED YEARS WITHOUT EXCEEDING THE DEPTH
18 OF THE AQUIFER OR THE APPLICABLE DEPTH-TO-STATIC WATER LEVEL LIMIT OF THE
19 ACTIVE MANAGEMENT AREA, WHICHEVER IS LESS. FOR THE PURPOSES OF THIS
20 DEMONSTRATION:

21 (a) THE DIRECTOR MAY NOT CONSIDER OTHER WITHDRAWALS THAT EXCEED THE
22 DEPTH OF THE AQUIFER OR THE APPLICABLE DEPTH-TO-STATIC WATER LEVEL LIMIT
23 DURING THE ONE HUNDRED-YEAR PERIOD AS FOLLOWS:

24 (i) IN THE PHOENIX ACTIVE MANAGEMENT AREA, THE DEPTH-TO-STATIC
25 WATER LEVEL LIMIT IS ONE THOUSAND FEET BELOW LAND SURFACE.

26 (ii) IN THE PINAL ACTIVE MANAGEMENT AREA, THE DEPTH-TO-STATIC WATER
27 LEVEL LIMIT IS ONE THOUSAND ONE HUNDRED FEET BELOW LAND SURFACE.

28 (b) FOR WITHDRAWALS LOCATED WITHIN ONE MILE OF ANY WELL THAT WAS
29 USED TO SERVE THE IRRIGATION GRANDFATHERED RIGHT, THE APPLICANT MAY RELY
30 ON THE DIRECTOR'S DETERMINATION PURSUANT TO SUBSECTION C OF THIS SECTION,
31 IF APPLICABLE, OR ON THE DIRECTOR'S MOST RECENT ASSURED WATER SUPPLY
32 PROJECTION TO SATISFY THIS REQUIREMENT. THIS SUBDIVISION SHALL NOT APPLY
33 IF MORE THAN FORTY PERCENT OF THE WATER USED BY THE IRRIGATION
34 GRANDFATHERED RIGHT DURING THE PERIOD USED IN THE DIRECTOR'S MOST RECENT
35 ASSURED WATER SUPPLY PROJECTION WAS IN LIEU WATER AS DEFINED IN SECTION
36 45-802.01.

37 (c) EXCEPT AS PROVIDED BY SUBDIVISION (b) OF THIS PARAGRAPH, THE
38 APPLICANT MUST UPDATE THE DIRECTOR'S MOST RECENT ASSURED WATER SUPPLY
39 PROJECTION ONLY TO MAKE REASONABLE MODIFICATIONS TO THE LOCATIONS OR RATES
40 OF THE WITHDRAWALS TO REFLECT THE CHANGES THAT RESULT FROM THE PROPOSED
41 USE.

42 4. THE APPLICANT SUBMITS EVIDENCE TO THE DEPARTMENT THAT THE WATER
43 USED PURSUANT TO THE GROUNDWATER SAVINGS PROGRAM ESTABLISHED UNDER THIS
44 SECTION WILL NOT BE USED ON ANY OF THE FOLLOWING:

1 (a) TURF THAT IS NOT LOCATED IN A RECREATIONAL USE AREA OR OTHER
2 SPACE THAT IS REGULARLY USED FOR STORMWATER MANAGEMENT OR FOR CIVIC,
3 COMMUNITY OR OTHER RECREATIONAL PURPOSES, INCLUDING PLAYGROUNDS, SPORTS
4 FIELDS, CEMETERIES OR SCHOOLYARDS.

5 (b) WATER PARKS.

6 (c) DECORATIVE WATER FEATURES, INCLUDING LAKES, PONDS OR LAGOONS,
7 EXCEPT AS PROVIDED IN SECTION 45-132, SUBSECTION B, PARAGRAPH 4,
8 SUBDIVISION (a).

9 F. AN APPLICANT THAT SUBMITS AN APPLICATION FOR A CERTIFICATE OF
10 ASSURED WATER SUPPLY ON OR BEFORE DECEMBER 31, 2030 MAY RELY ON
11 GROUNDWATER SAVINGS CREDITS PLEDGED TO THE CERTIFICATE THAT IS ISSUED
12 BASED ON THAT APPLICATION. AN APPLICANT MAY NOT PLEDGE GROUNDWATER
13 SAVINGS CREDITS TO AN APPLICATION FOR A CERTIFICATE OF ASSURED WATER
14 SUPPLY THAT IS SUBMITTED ON OR AFTER JANUARY 1, 2031.

15 G. THE DIRECTOR SHALL ADOPT RULES ON OR BEFORE JUNE 30, 2026
16 THROUGH EXPEDITED RULEMAKING TO:

17 1. SET LICENSING TIME FRAMES TO ISSUE GROUNDWATER SAVINGS CREDITS.

18 2. DEVELOP A SUMMARY PROCESS TO APPLY GROUNDWATER SAVINGS CREDITS
19 TO DESIGNATIONS OF ASSURED WATER SUPPLY.

20 H. BEFORE THE DIRECTOR ISSUES GROUNDWATER SAVINGS CREDITS, THE
21 DIRECTOR SHALL BOTH:

22 1. NOTIFY THE HOLDER OF THE IRRIGATION GRANDFATHERED RIGHT IN
23 WRITING OF THE DEPARTMENT'S PRELIMINARY RECOMMENDATIONS REGARDING THE
24 ITEMS DESCRIBED IN SUBSECTION C OF THIS SECTION.

25 2. REQUEST WRITTEN CONFIRMATION THAT THE HOLDER OF THE IRRIGATION
26 GRANDFATHERED RIGHT WOULD LIKE TO PROCEED WITH RELINQUISHMENT. ON RECEIPT
27 OF CONFIRMATION THAT THE APPLICANT WOULD LIKE TO RELINQUISH THE IRRIGATION
28 GRANDFATHERED RIGHT, THE DIRECTOR SHALL ISSUE GROUNDWATER SAVINGS CREDITS
29 PURSUANT TO SUBSECTION C OF THIS SECTION.

30 I. A PERSON THAT HOLDS GROUNDWATER SAVINGS CREDITS MAY ASSIGN THE
31 PERSON'S CREDITS TO THE SUBSEQUENT OWNER OF THE ACRES ASSOCIATED WITH THE
32 RELINQUISHMENT. A PERSON THAT HOLDS GROUNDWATER SAVINGS CREDITS MAY
33 PLEDGE THE CREDITS TO AN ASSURED WATER SUPPLY APPLICATION THAT PROPOSES TO
34 RELY ON THE CREDITS PURSUANT TO SUBSECTION D OR E OF THIS SECTION.

35 J. AFTER THE DIRECTOR ISSUES A CERTIFICATE OF ASSURED WATER SUPPLY
36 BASED ON GROUNDWATER SAVINGS CREDITS, IF A MUNICIPAL PROVIDER THAT SERVES
37 ACRES ASSOCIATED WITH THE RELINQUISHMENT BECOMES A DESIGNATED PROVIDER OR
38 IF THE SERVICE AREA OF A DESIGNATED PROVIDER IS EXTENDED TO INCLUDE THE
39 SUBDIVISION FOR WHICH A CERTIFICATE OF ASSURED WATER SUPPLY WAS ISSUED,
40 THE REMAINING GROUNDWATER SAVINGS CREDITS ASSOCIATED WITH THE CERTIFICATE
41 SHALL BE USED TO SUPPORT THE DESIGNATION.

42 K. ON ACRES ASSOCIATED WITH THE RELINQUISHMENT AND AREAS WITHIN ONE
43 MILE OF THE ACRES ASSOCIATED WITH THE RELINQUISHMENT THAT USE GROUNDWATER
44 PURSUANT TO SUBSECTION E OF THIS SECTION, THE FOLLOWING PROHIBITIONS
45 APPLY:

1 1. A MUNICIPAL PROVIDER OR ASSOCIATION AS DEFINED IN SECTION
2 33-1802 MAY NOT USE THE GROUNDWATER OR STORED WATER RECOVERED OUTSIDE THE
3 AREA OF IMPACT OF STORAGE FOR ANY OF THE FOLLOWING:

4 (a) APPLICATION TO TURF THAT IS NOT LOCATED IN A RECREATIONAL USE
5 AREA OR OTHER SPACE THAT IS REGULARLY USED FOR STORMWATER MANAGEMENT OR
6 FOR CIVIC, COMMUNITY OR RECREATIONAL PURPOSES, INCLUDING PLAYGROUNDS,
7 SPORTS FIELDS, CEMETERIES OR SCHOOLYARDS.

8 (b) WATER PARKS.

9 (c) DECORATIVE WATER FEATURES, INCLUDING LAKES, PONDS OR LAGOONS,
10 EXCEPT AS PROVIDED IN SECTION 45-132, SUBSECTION B, PARAGRAPH 4,
11 SUBDIVISION (a).

12 2. AN ASSOCIATION AS DEFINED IN SECTION 33-1802 MAY NOT ADOPT OR
13 ENFORCE ANY OF THE FOLLOWING:

14 (a) MINIMUM TURF REQUIREMENTS FOR TURF THAT IS NOT LOCATED IN A
15 RECREATIONAL USE AREA OR OTHER SPACE THAT IS REGULARLY USED FOR STORMWATER
16 MANAGEMENT OR FOR CIVIC, COMMUNITY OR RECREATIONAL PURPOSES, INCLUDING
17 PLAYGROUNDS, SPORTS FIELDS, CEMETERIES OR SCHOOLYARDS.

18 (b) REQUIREMENTS FOR THE INSTALLATION, FILLING OR REFILLING OF:

19 (i) WATER PARKS.

20 (ii) DECORATIVE WATER FEATURES, INCLUDING LAKES, PONDS OR LAGOONS,
21 EXCEPT AS PROVIDED IN SECTION 45-132, SUBSECTION B, PARAGRAPH 4,
22 SUBDIVISION (a).

23 L. THE DIRECTOR MAY ADOPT RULES TO IMPLEMENT THE GROUNDWATER
24 SAVINGS PROGRAM PRESCRIBED BY THIS SECTION FOR THE TUCSON ACTIVE
25 MANAGEMENT AREA THAT INCLUDE AN APPLICABLE CONVERSION MULTIPLIER AND
26 NECESSARY PARAMETERS TO ENSURE GROUNDWATER SAVINGS IN THE TUCSON ACTIVE
27 MANAGEMENT AREA IF THE DIRECTOR DETERMINES THAT ALL OF THE FOLLOWING
28 APPLY:

29 1. GROUNDWATER WITHDRAWALS IN THE TUCSON ACTIVE MANAGEMENT AREA
30 OVER A PERIOD OF ONE HUNDRED YEARS WILL EXCEED THE DEPTH-TO-STATIC WATER
31 LEVEL OF ONE THOUSAND FEET OR THE DEPTH OF THE AQUIFER, WHICHEVER IS LESS.

32 2. A GROUNDWATER SAVINGS PROGRAM ESTABLISHED IN THE TUCSON ACTIVE
33 MANAGEMENT AREA WOULD REDUCE GROUNDWATER USE OVER THE NEXT ONE HUNDRED
34 YEARS.

35 3. EXPANDING THE PROGRAM TO INCLUDE THE TUCSON ACTIVE MANAGEMENT
36 AREA WOULD BE IN THE BEST INTEREST OF THAT ACTIVE MANAGEMENT AREA AND OF A
37 CONSERVATION DISTRICT.

38 M. SECTION 45-114, SUBSECTIONS A AND B GOVERN ADMINISTRATIVE
39 PROCEEDINGS, REHEARING OR REVIEW AND JUDICIAL REVIEW OF FINAL DECISIONS OF
40 THE DIRECTOR PURSUANT TO THIS SECTION.

41 N. ON APPLICATION TO THE DIRECTOR BY THE CURRENT OWNER OF THE ACRES
42 ASSOCIATED WITH THE RELINQUISHMENT, THE DIRECTOR SHALL RESTORE A
43 RELINQUISHED IRRIGATION GRANDFATHERED RIGHT AND RESCIND ALL ISSUED
44 GROUNDWATER SAVINGS CREDITS IF THE GROUNDWATER SAVINGS CREDITS HAVE NOT

1 BEEN PLEDGED TO A CERTIFICATE OF ASSURED WATER SUPPLY OR A DESIGNATION OF
2 ASSURED WATER SUPPLY PURSUANT TO SECTION 45-576, SUBSECTION M.

3 0. FOR THE PURPOSES OF THIS SECTION:

4 1. "ACRES ASSOCIATED WITH THE RELINQUISHMENT" MEANS LAND TO WHICH
5 THE IRRIGATION GRANDFATHERED RIGHT THAT IS RELINQUISHED IN EXCHANGE FOR
6 GROUNDWATER SAVINGS CREDITS WAS APPURTENANT.

7 2. "MUNICIPAL PROVIDER" HAS THE SAME MEANING PRESCRIBED IN SECTION
8 45-561.

9 3. STORED WATER RECOVERED OUTSIDE THE AREA OF IMPACT DOES NOT
10 INCLUDE LONG-TERM STORAGE CREDITS ISSUED TO THE ARIZONA WATER BANKING
11 AUTHORITY OR HELD BY THE ARIZONA WATER BANKING AUTHORITY AT ANY TIME.

12 4. "WELL" INCLUDES A REPLACEMENT WELL AS PRESCRIBED IN SECTION
13 45-597 OR 45-598.

14 Sec. 4. Delayed repeal

15 Section 45-465.05, Arizona Revised Statutes, as added by this act,
16 is repealed from and after December 31, 2035.

17 Sec. 5. Title 45, chapter 2, article 9, Arizona Revised Statutes,
18 is amended by adding section 45-563.03, to read:

19 45-563.03. Turf and plant installation requirements;
20 prohibition; exception; definition

21 A. NOTWITHSTANDING ANY OTHER LAW, A MUNICIPALITY THAT IS LOCATED IN
22 AN INITIAL ACTIVE MANAGEMENT AREA MAY NOT ADOPT OR ENFORCE ANY REQUIREMENT
23 THAT ESTABLISHES, DIRECTLY OR INDIRECTLY, ANY OF THE FOLLOWING:

24 1. MINIMUM TURF REQUIREMENTS, EXCEPT FOR FUNCTIONAL TURF
25 REQUIREMENTS THAT ARE ASSOCIATED WITH PUBLIC RECREATIONAL USE AREAS OR
26 OTHER PUBLIC SPACES THAT ARE REGULARLY USED FOR CIVIC, COMMUNITY OR
27 RECREATIONAL PURPOSES, INCLUDING PLAYGROUNDS, SPORTS FIELDS, CEMETERIES,
28 SCHOOLYARDS AND STORMWATER MANAGEMENT, BUT NOT INCLUDING STORMWATER
29 DRAINAGE AREAS THAT ARE LOCATED IN SUBDIVISIONS.

30 2. THE INSTALLATION OF PLANTS THAT ARE NOT INCLUDED ON THE
31 LOW-WATER-USE AND DROUGHT-TOLERANT PLANT LIST THAT IS PUBLISHED BY THE
32 DEPARTMENT FOR THE CURRENT MANAGEMENT PLAN IN THE INITIAL ACTIVE
33 MANAGEMENT AREAS.

34 B. FOR THE PURPOSES OF THIS SECTION, "SUBDIVISION" HAS THE SAME
35 MEANING PRESCRIBED IN SECTION 32-2101.

36 Sec. 6. Section 45-576, Arizona Revised Statutes, is amended to
37 read:

38 45-576. Certificates of assured water supply; designated
39 cities, towns and private water companies;
40 exemptions; rules; definition

41 A. Except as provided in subsections G and J of this section, a
42 person who proposes to offer subdivided lands, as defined in section
43 32-2101, for sale or lease in an active management area shall apply for
44 and obtain a certificate of assured water supply from the director before
45 presenting the plat for approval to the city, town or county in which the

1 land is located, where such is required, and before filing with the state
2 real estate commissioner a notice of intention to offer such lands for
3 sale or lease, pursuant to section 32-2181, unless the subdivider has
4 obtained a written commitment of water service for the subdivision from a
5 city, town or private water company designated as having an assured water
6 supply pursuant to this section.

7 B. Except as provided in subsections G and J of this section, a
8 city, town or county may approve a subdivision plat only if the subdivider
9 has obtained a certificate of assured water supply from the director or
10 the subdivider has obtained a written commitment of water service for the
11 subdivision from a city, town or private water company designated as
12 having an assured water supply pursuant to this section. The city, town
13 or county shall note on the face of the approved plat that a certificate
14 of assured water supply has been submitted with the plat or that the
15 subdivider has obtained a written commitment of water service for the
16 proposed subdivision from a city, town or private water company designated
17 as having an assured water supply pursuant to this section.

18 C. Except as provided in subsections G and J of this section, the
19 state real estate commissioner may issue a public report authorizing the
20 sale or lease of subdivided lands only on compliance with either of the
21 following:

22 1. The subdivider, owner or agent has paid any activation fee
23 required under section 48-3772, subsection A, paragraph 7 and any
24 replenishment reserve fee required under section 48-3774.01, subsection A,
25 paragraph 2 and has obtained a certificate of assured water supply from
26 the director.

27 2. The subdivider has obtained a written commitment of water
28 service for the lands from a city, town or private water company
29 designated as having an assured water supply pursuant to this section and
30 the subdivider, owner or agent has paid any activation fee required under
31 section 48-3772, subsection A, paragraph 7.

32 D. The director shall designate private water companies in active
33 management areas that have an assured water supply. If a city or town
34 acquires a private water company that has contracted for central Arizona
35 project water, the city or town shall assume the private water company's
36 contract for central Arizona project water.

37 E. The director shall designate cities and towns in active
38 management areas where an assured water supply exists. If a city or town
39 has entered into a contract for central Arizona project water, the city or
40 town is deemed to continue to have an assured water supply until December
41 31, 1997. Commencing on January 1, 1998, the determination that the city
42 or town has an assured water supply is subject to review by the director
43 and the director may determine that a city or town does not have an
44 assured water supply.

1 F. The director shall notify the mayors of all cities and towns in
2 active management areas and the chairmen of the boards of supervisors of
3 counties in which active management areas are located of the cities, towns
4 and private water companies designated as having an assured water supply
5 and any modification of that designation within thirty days ~~of~~ AFTER the
6 designation or modification. If the service area of the city, town or
7 private water company has qualified as a member service area pursuant to
8 title 48, chapter 22, article 4, the director shall also notify the
9 conservation district of the designation or modification and shall report
10 the projected average annual replenishment obligation for the member
11 service area based on the projected and committed average annual demand
12 for water within the service area during the effective term of the
13 designation or modification subject to any limitation in an agreement
14 between the conservation district and the city, town or private water
15 company. For each city, town or private water company that qualified as a
16 member service area under title 48, chapter 22 and THAT was designated as
17 having an assured water supply before January 1, 2004, the director shall
18 report to the conservation district on or before January 1, 2005 the
19 projected average annual replenishment obligation based on the projected
20 and committed average annual demand for water within the service area
21 during the effective term of the designation subject to any limitation in
22 an agreement between the conservation district and the city, town or
23 private water company. Persons proposing to offer subdivided lands served
24 by those designated cities, towns and private water companies for sale or
25 lease are exempt from applying for and obtaining a certificate of assured
26 water supply.

27 G. This section does not apply in the case of the sale of lands for
28 developments that are subject to a mineral extraction and METALLURGICAL
29 processing permit or an industrial use permit pursuant to sections 45-514
30 and 45-515.

31 H. The director shall adopt rules to carry out the purposes of this
32 section. ~~On or before January 1, 2008,~~ The rules shall provide for a
33 reduction in water demand for an application for a designation of assured
34 water supply or a certificate of assured water supply if a gray water
35 reuse system will be installed that meets the requirements of the rules
36 adopted by the department of environmental quality for gray water systems
37 and if the application is for a certificate of assured water supply, the
38 land for which the certificate is sought must qualify as a member land in
39 a conservation district pursuant to title 48, chapter 22, article 4. For
40 the purposes of this subsection, "gray water" has the same meaning
41 prescribed in section 49-201.

42 I. If the director designates a municipal provider as having an
43 assured water supply under this section and the designation lapses or
44 otherwise terminates while the municipal provider's service area is a
45 member service area of a conservation district, the municipal provider or

1 its successor shall continue to comply with the consistency with
2 management goal requirements in the rules adopted by the director under
3 subsection H of this section as if the designation was still in effect
4 with respect to the municipal provider's designation uses. When
5 determining compliance by the municipal provider or its successor with the
6 consistency with management goal requirements in the rules, the director
7 shall consider only water delivered by the municipal provider or its
8 successor to the municipal provider's designation uses. A person is the
9 successor of a municipal provider if the person commences water service to
10 uses that were previously designation uses of the municipal provider. Any
11 groundwater delivered by the municipal provider or its successor to the
12 municipal provider's designation uses in excess of the amount allowed
13 under the consistency with management goal requirements in the rules shall
14 be considered excess groundwater for purposes of title 48, chapter 22.
15 For the purposes of this subsection, "designation uses" means all water
16 uses served by a municipal provider on the date the municipal provider's
17 designation of assured water supply lapses or otherwise terminates and all
18 recorded lots within the municipal provider's service area that were not
19 being served by the municipal provider on that date but that received
20 final plat approval from a city, town or county on or before that date.
21 Designation uses do not include industrial uses served by an irrigation
22 district under section 45-497.

23 J. Subsections A, B and C of this section do not apply to a person
24 who proposes to offer subdivided land for sale or lease in an active
25 management area if all the following apply:

26 1. The director issued a certificate of assured water supply for
27 the land to a previous owner of the land and the certificate was
28 classified as a type A certificate under rules adopted by the director
29 pursuant to subsection H of this section.

30 2. The director has not revoked the certificate of assured water
31 supply described in paragraph 1 of this subsection, and proceedings to
32 revoke the certificate are not pending before the department or a court.
33 The department shall post on its website a list of all certificates of
34 assured water supply that have been revoked or for which proceedings are
35 pending before the department or a court.

36 3. The plat submitted to the department in the application for the
37 certificate of assured water supply described in paragraph 1 of this
38 subsection has not changed.

39 4. Water service is currently available to each lot within the
40 subdivided land and the water provider listed on the certificate of
41 assured water supply described in paragraph 1 of this subsection has not
42 changed.

43 5. The subdivided land qualifies as a member land under title 48,
44 chapter 22 and the subdivider has paid any activation fee required under

1 section 48-3772, subsection A, paragraph 7 and any replenishment reserve
2 fee required under section 48-3774.01, subsection A, paragraph 2.

3 6. The plat is submitted for approval to a city, town or county
4 that is listed on the department's website as a qualified platting
5 authority.

6 K. Subsection J of this section does not affect the assignment of a
7 certificate of assured water supply as prescribed by section 45-579.

8 L. On or before December 31, 2023, the director shall study and
9 submit to the governor, president of the senate and speaker of the house
10 of representatives a report on whether and how a person that seeks a
11 building permit for six or more residences within an active management
12 area, without regard to any proposed lease term for those residences,
13 should apply for and obtain a certificate of assured water supply from the
14 director before presenting the permit application for approval to the
15 county in which the land is located, unless the applicant has obtained a
16 written commitment of water service for the residences from a city, town
17 or private water company designated as having an assured water supply
18 pursuant to this section.

19 M. FOR THE PURPOSES OF THIS SECTION, THE DIRECTOR SHALL FIND THAT
20 ANY VOLUME OF GROUNDWATER OR STORED WATER RECOVERED OUTSIDE THE AREA OF
21 IMPACT OF STORAGE THAT IS SUBJECT TO GROUNDWATER SAVINGS CREDITS ISSUED
22 PURSUANT TO SECTION 45-465.05 OR RULES ADOPTED BY THE DIRECTOR PURSUANT TO
23 SECTION 45-465.05, SUBSECTION L AND PLEDGED TO AN APPLICATION FOR A
24 CERTIFICATE OR DESIGNATION OF ASSURED WATER SUPPLY IS EXEMPT FROM THE
25 PHYSICAL AVAILABILITY REQUIREMENT FOR AN ASSURED WATER SUPPLY. THIS
26 SUBSECTION DOES NOT EXEMPT:

27 1. ANY VOLUME OF GROUNDWATER OR STORED WATER RECOVERED OUTSIDE THE
28 AREA OF IMPACT OF STORAGE THAT IS SUBJECT TO GROUNDWATER SAVINGS CREDITS
29 FROM ANY REQUIREMENT FOR AN ASSURED WATER SUPPLY OTHER THAN THE PHYSICAL
30 AVAILABILITY REQUIREMENT.

31 2. A WATER SUPPLY TO BE STORED UNDERGROUND FROM THE REQUIREMENT TO
32 DEMONSTRATE THAT THE SUPPLY WILL BE PHYSICALLY AVAILABLE FOR STORAGE.

33 ~~M.~~ N. For the purposes of this section, "assured water supply"
34 means all of the following:

35 1. Sufficient groundwater, surface water or effluent of adequate
36 quality will be continuously available to satisfy the water needs of the
37 proposed use for at least one hundred years. Beginning January 1 of the
38 calendar year following the year in which a groundwater replenishment
39 district is required to submit its preliminary plan pursuant to section
40 45-576.02, subsection A, paragraph 1, with respect to an applicant that is
41 a member of the district, "sufficient groundwater" for the purposes of
42 this paragraph means that the proposed groundwater withdrawals that the
43 applicant will cause over a period of one hundred years will be of
44 adequate quality and will not exceed, in combination with other
45 withdrawals from land in the replenishment district, a depth to water of

1 one thousand feet or the depth of the bottom of the aquifer, whichever is
2 less. In determining depth to water for the purposes of this paragraph,
3 the director shall consider the combination of:

4 (a) The existing rate of decline.

5 (b) The proposed withdrawals.

6 (c) The expected water requirements of all recorded lots that are
7 not yet served water and that are located in the service area of a
8 municipal provider.

9 2. The projected groundwater use is consistent with the management
10 plan and achievement of the management goal for the active management
11 area.

12 3. The financial capability has been demonstrated to construct the
13 water facilities necessary to make the supply of water available for the
14 proposed use, including a delivery system and any storage facilities or
15 treatment works. The director may accept evidence of the construction
16 assurances required by section 9-463.01, ~~11-823~~ 11-822 or 32-2181 to
17 satisfy this requirement.

18 Sec. 7. Section 45-576.08, Arizona Revised Statutes, is amended to
19 read:

20 45-576.08. Pinal active management area; assured water
21 supply; physical availability; exemption;
22 definitions

23 A. All of the following apply in the Pinal active management area
24 for an application to modify a designation of assured water supply:

25 1. ~~EXCEPT AS PROVIDED IN SUBSECTION B OF THIS SECTION,~~ if the total
26 volume of groundwater and stored water to be recovered outside the area of
27 impact of storage sought to be included in the designation does not exceed
28 the total volume of those sources of water included in the previous
29 designation minus the sum of the volume of groundwater actually withdrawn
30 and the volume of stored water recovered outside the area of impact of
31 storage by the applicant since issuance of the previous designation order:

32 (a) The director shall not review the physical availability of the
33 groundwater and stored water to be recovered outside of the area of impact
34 of storage sought to be included in the designation.

35 (b) The physical availability of the groundwater and stored water
36 to be recovered outside the area of impact of storage sought to be
37 included in the designation shall not be grounds for an objection.

38 2. Paragraph 1 of this subsection shall not affect the director's
39 review of assured water supply criteria other than the physical
40 availability of groundwater and stored water to be recovered outside the
41 area of impact of storage.

42 3. Both of the following are deemed physically available for
43 purposes of an assured water supply designation:

1 (a) Stored water that is to be recovered by the applicant within
2 the area of impact of storage pursuant to existing long-term storage
3 credits pledged to the designation of assured water supply.

4 (b) Stored water that is to be recovered by the applicant within
5 the area of impact of storage either on an annual basis pursuant to
6 section 45-851.01 or as long-term storage credits to be earned in the
7 future if the water to be stored meets the physical availability
8 requirements for the water supply under rules adopted pursuant to section
9 45-576, subsection H.

10 B. FOR THE CALCULATION PRESCRIBED BY SUBSECTION A OF THIS SECTION,
11 THE DIRECTOR SHALL EXCLUDE ANY VOLUME OF GROUNDWATER OR STORED WATER
12 RECOVERED OUTSIDE THE AREA OF IMPACT OF STORAGE THAT IS SUBJECT TO
13 GROUNDWATER SAVINGS CREDITS ISSUED PURSUANT TO SECTION 45-465.05 OR RULES
14 ADOPTED BY THE DIRECTOR PURSUANT TO SECTION 45-465.05, SUBSECTION L.

15 ~~B.~~ C. For the purposes of this section:

16 1. "Area of impact of storage" means any of the following:

17 (a) Within one mile of an existing or proposed underground storage
18 facility where the water to be recovered is or will be stored.

19 (b) Within the district boundaries of an irrigation district that
20 has a permit for a groundwater savings facility and where the water to be
21 recovered is or will be stored.

22 (c) An area not described in subdivision (a) or (b) of this
23 paragraph that has been shown to have been positively impacted by the
24 storage of the water to be recovered as demonstrated by a hydrologic model
25 approved by the director.

26 2. "Long-term storage credit" has the same meaning prescribed in
27 section 45-802.01.

28 3. "Stored water" has the same meaning prescribed in section
29 45-802.01.

30 Sec. 8. Section 48-3772, Arizona Revised Statutes, is amended to
31 read:

32 48-3772. Duties and powers of district regarding
33 replenishment

34 A. The district shall:

35 1. Establish annually the costs and expenses to replenish
36 groundwater pursuant to this article with respect to all parcels of member
37 lands and all member service areas located in each active management area,
38 including capital expenses, debt service expenses, the operation,
39 maintenance, replacement and administrative costs and expenses of the
40 district, replenishment reserve costs and expenses as provided in
41 subsection E of this section and reasonable reserves. Separate
42 calculations of costs and expenses shall be made for each active
43 management area in which member lands or member service areas are located
44 and for each membership category. Costs and expenses attributed by the

1 district to contract replenishment obligations shall not be included in
2 these calculations.

3 2. Provide for the payment of all costs and expenses to replenish
4 groundwater pursuant to this chapter and the payment of operation,
5 maintenance, replacement and administrative costs and expenses and debt
6 service expenses of the district.

7 3. Levy an annual replenishment assessment against each parcel of
8 member land pursuant to section 48-3778 and an annual replenishment tax
9 against each municipal provider that has a member service area pursuant to
10 section 48-3781 to pay the district's costs and expenses as established
11 pursuant to paragraph 1 of this subsection.

12 4. Levy a contract replenishment tax against municipal providers
13 that are parties to contracts authorized under subsection B, paragraph 9
14 of this section to pay the district's costs and expenses to replenish
15 groundwater based on contract replenishment obligations.

16 5. Establish and maintain reserve accounts in amounts as may be
17 deemed necessary to perform the district's obligations under this article.

18 6. Fulfill all obligations under resolutions adopted pursuant to
19 subsection B, paragraph 10 of this section.

20 7. Levy an activation fee as follows:

21 (a) For subdivisions within member lands and member service areas
22 that are enrolled before May 6, 2004 and that had not been issued a public
23 report before August 12, 2005, the district shall levy a onetime
24 activation fee against each housing unit to be constructed within the
25 subdivision.

26 (b) For subdivisions within member lands and member service areas
27 that are enrolled on or after May 6, 2004, the district shall levy a
28 onetime activation fee against each housing unit to be constructed within
29 the subdivision.

30 (c) The activation fee shall be paid to the district according to
31 either of the following schedules, whichever the subdivider elects:

32 (i) Paid in full before issuance of a public report for each real
33 estate subdivision identified in subdivision (a) or (b) of this paragraph.

34 (ii) One-half paid before issuance of a public report for each real
35 estate subdivision identified in subdivision (a) or (b) of this paragraph
36 and the remaining amount paid no later than one year after the issuance of
37 the public report. The total amount of the activation fee must be the
38 amount of the activation fee in effect at the time of the initial payment.
39 Payment of the initial one-half of the activation fee pursuant to this
40 item constitutes sufficient payment of applicable fees for notice of
41 intent to subdivide as prescribed in section 32-2181, subsection C and for
42 issuance of a public report as prescribed in section 32-2183, subsection G
43 and section 45-576, subsection C, except that on failure to pay the
44 remaining amount, the commissioner shall suspend the public report for
45 that subdivision pursuant to section 32-2183.

1 (d) The activation fee shall be established annually by the
2 district. The amount of the activation fee to be paid to the district
3 under subdivision (c) of this paragraph must be the amount of the
4 activation fee in effect at the time of payment. Revenues from the
5 activation fee together with revenues from other sources that are legally
6 available to the district for those uses shall be used by the district to
7 acquire, lease or exchange water or water rights and develop
8 infrastructure necessary for the district to perform its replenishment
9 obligations.

10 8. For any year, set all of its rates and charges associated with
11 the acquisition, lease or exchange of water or water rights and
12 development of infrastructure necessary for the district to perform its
13 replenishment obligations, other than the annual membership dues
14 established pursuant to section 48-3779, so that the total projected
15 revenues from revenue sources other than the annual membership dues, that
16 are legally available to the district in that year to pay costs associated
17 with the acquisition, lease or exchange of water or water rights and
18 development of infrastructure necessary for the district to perform its
19 replenishment obligations, shall be at least three times the total
20 projected revenues from the annual membership dues in that year. For the
21 purposes of this paragraph, costs associated with the acquisition, lease
22 or exchange of water or water rights do not include the annual costs
23 associated with delivery of water for replenishment purposes.

24 B. The district may:

25 1. Acquire, develop, construct, operate, maintain, replace and
26 acquire permits for water storage, storage facilities and recovery wells
27 for replenishment purposes.

28 2. Acquire, transport, hold, exchange, own, lease, store or
29 replenish water, except groundwater withdrawn from an active management
30 area, subject to the provisions of title 45, for the benefit of member
31 lands and member service areas.

32 3. Acquire, hold, exchange, own, lease, retire or dispose of water
33 rights for the benefit of member lands and member service areas.

34 4. Require municipal providers to provide such information, in such
35 form and within the time limits prescribed by the district, as may be
36 necessary to carry out the purpose of this chapter.

37 5. Levy and collect assessments, fees, charges, taxes and other
38 revenues as are provided in this chapter for the financing of
39 replenishment activities.

40 6. Contract for or perform feasibility studies of water storage,
41 storage facilities and recovery wells for replenishment purposes.

42 7. Acquire real and personal property for water storage, storage
43 facilities and recovery wells for replenishment purposes by purchase,
44 lease, donation, dedication, exchange or other lawful means.

1 8. Use any facilities and any excess storage capacity of any state
2 demonstration projects undertaken pursuant to title 45, chapter 3.1 for
3 water storage for replenishment purposes.

4 9. Subject to subsection G of this section, contract with any
5 municipal provider having a member service area to replenish groundwater
6 on behalf of the municipal provider and with respect to the member service
7 area in an amount in excess of the sum of the service area replenishment
8 obligations applicable to the member service area for all years in which
9 the district has not completed the replenishment of the groundwater
10 replenishment obligation for the member service area.

11 10. Adopt resolutions granting water availability status to a member
12 service area of a city, town or private water company and committing to
13 replenish a specified average annual volume of water in a location where
14 the city, town or private water company may physically access the water
15 for service to its customers, if all of the following apply:

16 (a) The district has reviewed its requirements for transportation
17 of central Arizona project water, its contracts, subcontracts, letter
18 agreements, excess water contracts and other contractual obligations and
19 its member service area and member land requirements and has determined
20 that the district can meet those obligations and that capacity remains in
21 the central Arizona project to meet the obligations undertaken through the
22 resolution.

23 (b) The resolution acknowledges that the commitment to replenish
24 the specified average annual volume of water in the location cited in the
25 resolution shall be a permanent obligation of the district, unless one of
26 the following applies:

27 (i) A permanent substitute supply of water is found for the city,
28 town or private water company and the substitution is approved by the
29 director of water resources, thus terminating the water availability
30 status of the member service area.

31 (ii) The requirements of section 45-576.07, subsection A are not
32 met, and thus the director of water resources does not issue an order
33 granting or maintaining the city, town or private water company as having
34 an assured water supply based in whole or in part on section 45-576.07.
35 If no order is issued within two years of the district adopting the
36 resolution, the resolution may be repealed, and the district shall be
37 relieved of all obligations under the resolution.

38 (c) The average annual volume of water specified in the resolution,
39 when added to the average annual volume of water specified in all other
40 resolutions adopted pursuant to this paragraph, does not exceed twenty
41 thousand acre-feet.

42 (d) The district has entered into an agreement with the city, town
43 or private water company under which the city, town or private water
44 company will hold for the district's future use, and provide to the

1 district when needed, sufficient water to meet the obligations undertaken
2 by the district through the resolution.

3 (e) The district determines that the obligations undertaken by the
4 district through the resolution will not increase annual replenishment
5 assessment rates or costs to central Arizona project contract and
6 subcontract holders and its member service areas and member lands.

7 (f) The director of water resources has found, pursuant to section
8 45-576.07, subsection H, that the district has the capability to grant
9 water availability status to member service areas.

10 11. Provide in resolutions adopted pursuant to paragraph 10 of this
11 subsection that the district may fulfill its obligations under the
12 resolution in any year by directly delivering to the city, town or private
13 water company the water that otherwise would have been replenished
14 pursuant to the resolution, if all of the following apply:

15 (a) The district has reviewed its requirements for transportation
16 of central Arizona project water, its contracts, subcontracts, letter
17 agreements, excess water contracts and other contractual obligations and
18 its member service area and member land requirements and has determined
19 that the district can meet those obligations and that capacity remains in
20 the central Arizona project to make direct deliveries pursuant to this
21 paragraph.

22 (b) The district determines that the delivery will not increase
23 annual replenishment assessment rates or costs to central Arizona project
24 contract and subcontract holders, its member service area and member
25 lands.

26 12. Enter into agreements with a city, town or private water
27 company that will have water made available to it through a resolution
28 adopted pursuant to paragraph 10 of this subsection and under which the
29 city, town or private water company compensates the district for the costs
30 and fair value of the water supply provided by the district.

31 13. Issue revenue bonds pursuant to article 3 of this chapter to
32 fund the costs and expenses of the district for the acquisition, lease or
33 exchange of water or water rights and the development of infrastructure
34 necessary for the district to perform its replenishment obligations
35 subject to the following:

36 (a) The principal of, interest and premiums, if any, on revenue
37 bonds issued pursuant to article 3 of this chapter to acquire, lease or
38 exchange water or water rights and develop infrastructure necessary for
39 the district to perform its replenishment obligations are not payable from
40 any revenues of the district other than revenues generated or collected
41 pursuant to this article that are legally available to the district for
42 those purposes and revenues from the investment of the proceeds of the
43 bonds.

44 (b) The district may not use the proceeds of the bonds to acquire
45 or lease:

1 (i) Groundwater, as defined in section 45-101, except as expressly
2 authorized in sections 45-547, 45-553 and 45-554.

3 (ii) Surface water, as defined in section 45-101, that is the
4 subject of a general adjudication pursuant to title 45, chapter 1,
5 article 9.

6 (c) ~~Nothing in~~ Subdivision (b) of this paragraph ~~prohibits~~ DOES NOT
7 PROHIBIT the district from acquiring or leasing central Arizona project
8 water.

9 14. Except as provided in section 48-3780.01, subsection B, in
10 addition to any other assessments, fees, charges or taxes levied and
11 collected under this chapter, or under any declaration, contract or
12 agreement entered into under this chapter, charge annual dues for
13 membership pursuant to section 48-3779 against each parcel of member land
14 and each municipal provider that has a member service area.

15 C. The functions of the district under subsection B, paragraph 1 of
16 this section may be performed on behalf of the district by other persons
17 under contract with the district.

18 D. The capital costs of the facilities of any state demonstration
19 projects used by the district pursuant to subsection B, paragraph 8 of
20 this section shall not be included in the capital costs and expenses
21 established by the district under subsection A, paragraph 1 of this
22 section.

23 E. The district shall establish and maintain a replenishment
24 reserve OF LONG-TERM STORAGE CREDITS as follows:

25 1. The district shall calculate a reserve target for each of the
26 three active management areas within the district and shall identify the
27 reserve target in the plan of operation prepared pursuant to section
28 45-576.02. The reserve target for each active management area shall be
29 calculated as follows:

30 (a) For each active management area, add together the projected
31 replenishment obligation for each of the ~~one hundred~~ TWENTY years
32 following submission of the plan of operation. For the purposes of this
33 subdivision, each active management area's projected replenishment
34 obligation does not include replenishment obligations under resolutions
35 adopted pursuant to subsection B, paragraph 10 of this section or
36 replenishment obligations for category 2 member lands.

37 ~~(b) Subtract from the sum of the active management area's projected~~
38 ~~replenishment obligation over the one hundred-year period the sum of the~~
39 ~~following volumes of water derived from sources identified in the plan as~~
40 ~~water that the district plans to use to meet its replenishment obligations~~
41 ~~for that active management area:~~

42 ~~(i) The annual volume of each nondeclining, long-term municipal and~~
43 ~~industrial subcontract for central Arizona project water multiplied by one~~
44 ~~hundred.~~

~~(ii) The annual volume of water under leases or contracts that can be made physically and legally available to the district consistent with the rules adopted pursuant to section 45-576, subsection H, multiplied by the number of years, not to exceed one hundred, in which the water is to be made available to the district. The water need not be continuously available to be included in this item. A lease or contract shall not be considered under this item if the water to be made available under the lease or contract is for a term of less than twenty years.~~

~~(iii) The total volume of groundwater that the district plans to transport to the active management area during the next one hundred years as allowed by title 45, chapter 2, article 8.1.~~

~~(iv) The total volume of all sources of water not identified in items (i), (ii) or (iii) of this subdivision that will not be held by the district under a lease or contract. Volumes to be included under this item must be consistent with the rules adopted by the director pursuant to section 45-576, subsection H.~~

~~(c)~~ (b) DIVIDE EACH SUM FROM SUBDIVISION (a) OF THIS PARAGRAPH BY TWENTY TO DETERMINE THE TWENTY-YEAR AVERAGE ANNUAL PROJECTED REPLENISHMENT OBLIGATIONS FOR EACH ACTIVE MANAGEMENT AREA AND multiply the result from subdivision (b) of this paragraph by twenty percent. The result BY FIVE. EACH PRODUCT is the reserve target for the APPLICABLE active management area. IF THE REPLENISHMENT RESERVE ACCOUNT BALANCE IN ANY ACTIVE MANAGEMENT AREA EXCEEDS THE RESERVE TARGET AS OF THE EFFECTIVE DATE OF THIS AMENDMENT TO THIS SECTION, THE EXCESS SHALL REMAIN IN THE ACCOUNT.

2. The reserve target for an active management area may be adjusted by the district, subject to the approval of the director of water resources, based on changes in either of the following:

(a) The active management area's projected replenishment obligation.

(b) The volumes of water identified in the plan of operation prepared pursuant to section 45-576.02 as water that the district plans to use to meet its replenishment obligations for that active management area.

3. The district shall include a replenishment reserve charge in the annual replenishment assessment levied against all parcels of category 1 member land as provided in section 48-3774.01 and in the annual replenishment tax levied against all municipal providers that have member service areas as provided in section 48-3780.01. The replenishment reserve charge for each active management area is established annually by the district based on the reserve target for that active management area.

4. The district shall levy a replenishment reserve fee against category 1 member lands pursuant to section 48-3774.01 and against member service areas pursuant to section 48-3780.01. For category 1 member lands the fee is equal to twice the applicable replenishment reserve charge multiplied by the total projected average annual replenishment obligation for the member lands as reported by the director of water resources

1 pursuant to section 45-578, subsection F. For member service areas the
2 fee is equal to twice the applicable replenishment reserve charge
3 multiplied by the excess groundwater increment. With the approval of the
4 district and the director of water resources, long-term storage credits as
5 defined in section 45-802.01 may be assigned to the district's
6 replenishment reserve subaccount in lieu of paying the replenishment
7 reserve fee.

8 5. The district shall use replenishment reserve charges and
9 replenishment reserve fees collected within each active management area
10 together with all interest earned on the charges and fees to store water
11 in that active management area in advance of groundwater replenishment
12 obligations for the purpose of developing long-term storage credits as
13 defined in section 45-802.01 that shall be credited to the replenishment
14 reserve subaccount for that active management area as provided in section
15 45-859.01.

16 6. Beginning on January 1, 2030 or earlier, on approval of the
17 director of water resources pursuant to section 45-859.01, subsection K,
18 the district may transfer credits from a replenishment reserve subaccount
19 to a conservation district account as provided in section 45-859.01 to
20 satisfy its groundwater replenishment obligations.

21 7. If the district transfers credits from the replenishment reserve
22 subaccount for an active management area pursuant to section 45-859.01,
23 subsection E, the district shall include in the annual replenishment
24 assessment levied against all parcels of category 1 member land in that
25 active management area and, except as provided in section 48-3780.01,
26 subsection B, in the annual replenishment tax levied against all municipal
27 providers that have member service areas in that active management area a
28 reserve replacement component to fund the replacement of the transferred
29 credits. The district shall use all monies from the reserve replacement
30 component collected within an active management area together with all
31 interest earned on the monies to develop long-term storage credits as
32 defined in section 45-802.01 within that active management area to be
33 credited to the replenishment reserve subaccount for that active
34 management area as provided in section 45-859.01.

35 8. For the purposes of establishing and maintaining the
36 replenishment reserve, the district shall have access to excess central
37 Arizona project water equivalent to but not more than the access the
38 Arizona water banking authority has for the purposes specified in section
39 45-2401, subsection H, paragraph 2.

40 F. Groundwater replenished by the district pursuant to a contract
41 to replenish groundwater under subsection B, paragraph 9 of this section
42 shall not be credited to a replenishment reserve subaccount established
43 under section 45-859.01.

44 G. The district shall not enter into a contract authorized under
45 subsection B, paragraph 9 of this section unless the district has

1 determined that the contract will not adversely affect the district's
2 ability to fulfill its obligations under this chapter. For each contract
3 entered into under subsection B, paragraph 9 of this section, the district
4 shall perform its contract replenishment obligations in the active
5 management area in which the service area of the municipal provider that
6 is the party to the contract is located.

7 H. If the district replenishes groundwater on behalf of a municipal
8 provider pursuant to a contract to replenish groundwater under subsection
9 B, paragraph 9 of this section, the amount of groundwater so replenished
10 shall be a replenishment credit to the municipal provider that may be
11 applied by the municipal provider on notice to the district to reduce the
12 service area replenishment obligations applicable to the municipal
13 provider.

14 I. In the Phoenix active management area, the district, to the
15 extent reasonably feasible, shall replenish groundwater in the east
16 portion of the active management area and in the west portion of the
17 active management area in the approximate proportion that the groundwater
18 replenishment obligation attributable in a particular year to member lands
19 and member service areas located in the east portion of the active
20 management area bears to the groundwater replenishment obligation
21 attributable in that year to member lands and member service areas located
22 in the west portion of the active management area. For the purposes of
23 this subsection, the boundary between the east Salt river valley subbasin
24 and the west Salt river valley subbasin is the boundary between the east
25 and west portions of the active management area.

26 J. The costs and expenses charged by the district to an active
27 management area water district established under chapter 28 of this title
28 for delivery of surplus central Arizona project water to such active
29 management area water district for replenishment purposes shall not exceed
30 the costs and expenses for delivery of such water that are or would be
31 included by the district in the costs and expenses of replenishment for
32 member lands and member service areas within the active management area in
33 which such active management area water district is situated.

34 Sec. 9. Establishment of a groundwater savings program
35 through rulemaking; department of water resources;
36 authority; report

37 A. Except as provided in subsection C of this section, the director
38 of the department of water resources shall not issue new groundwater
39 savings credits under sections 45-465.05, Arizona Revised Statutes, as
40 added by this act, on or after January 1, 2036.

41 B. On or before December 31, 2035, the director of the department
42 of water resources shall establish a program through rulemaking to
43 administer groundwater savings credits consistent with section 45-465.05,
44 Arizona Revised Statutes, as added by this act.

1 C. On or before December 31, 2033, the director shall determine
2 whether extending the groundwater savings program described in section
3 45-465.05, Arizona Revised Statutes, as added by this act, is in the best
4 interest of each active management area. If the director of the
5 department of water resources determines that extending the groundwater
6 savings program described in section 45-465.05, Arizona Revised Statutes,
7 as added by this act, is in the best interest of an active management
8 area, the director of the department of water resources shall include
9 provisions in the expedited rulemaking for the issuance of new groundwater
10 savings credits in the active management area for an additional ten years.

11 D. In making the determination described in subsection C of this
12 section, the director shall consider:

13 1. The use of groundwater savings credits.

14 2. The groundwater savings under the program.

15 3. The impact of the program on a multi-county water conservation
16 district organized pursuant to title 48, chapter 22, Arizona Revised
17 Statutes.

18 4. Whether a multi-county water conservation district organized
19 pursuant to title 48, chapter 22, Arizona Revised Statutes, has acquired
20 new supplies to meet its replenishment obligation since the establishment
21 of the program.

22 5. Whether certificates of assured water supply that relied on
23 groundwater savings credits have been incorporated into designations of
24 assured water supply.

25 6. The replenishment of groundwater withdrawals that are associated
26 with groundwater savings credits, as well as the use of groundwater
27 allowances and extinguishment credits.

28 7. The amount of development that has occurred using groundwater
29 savings credits pledged to certificates of assured water supply that is
30 not located within the exterior boundaries of the acres associated with
31 relinquishment under the program.

32 8. Any other information the director of the department of water
33 resources deems relevant.

34 E. On or before December 31, 2029, the director of the department
35 of water resources shall submit a report to the president of the senate,
36 the speaker of the house of representatives, the chairperson of the senate
37 natural resources committee, or its successor committee, and the
38 chairperson of the house of representatives natural resources, energy and
39 water committee, or its successor committee, on the progress of the
40 groundwater savings credit program to the extent the information
41 prescribed in subsection D of this section is reasonably ascertainable.

42 F. On or before December 31, 2033, the director of the department
43 of water resources shall submit a report to the president of the senate,
44 the speaker of the house of representatives, the chairperson of the senate
45 natural resources committee, or its successor committee, and the

1 chairperson of the house of representative's natural resources, energy and
2 water committee, or its successor committee, on the progress of the
3 groundwater savings credit program. At a minimum, the report shall
4 contain a summary of the director's findings under subsection D of this
5 section and state the director's determination of whether issuing new
6 groundwater savings credits is in the best interest of each active
7 management area. The director shall consult with a multi-county water
8 conservation district organized pursuant to Title 48, chapter 22, Arizona
9 Revised Statutes, before making this determination and submitting the
10 report required by this subsection. The director shall retain final
11 decision-making authority over the determination and contents of the
12 report.

13 Sec. 10. Legislative findings

14 The legislature finds that this act will likely increase the
15 projected replenishment obligations of a multi-county water conservation
16 district organized pursuant to title 48, chapter 22, Arizona Revised
17 Statutes. Therefore the legislature supports the acquisitions of
18 additional supplies to satisfy the district's obligations, including those
19 supplies identified in the 2025 plan of operations.

20 Sec. 11. Legislative intent

21 The legislature intends that the department of water resources
22 accept and process applications for the relinquishment of irrigation
23 grandfathered right and certificates of assured water supply before the
24 department adopts rules for a summary process or licensing time frame for
25 the groundwater savings credit program established pursuant to section
26 45-465.05, Arizona Revised Statutes, as added by this act.