

REFERENCE TITLE: county water authority; post-2024 authority

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

HB 2727

Introduced by
Representatives Biasiucci; Gillette; Senator Angius

AN ACT

AMENDING SECTIONS 45-2201, 45-2202, 45-2221, 45-2241 AND 45-2244, ARIZONA REVISED STATUTES; AMENDING TITLE 45, CHAPTER 13, ARTICLE 3, ARIZONA REVISED STATUTES, BY ADDING SECTION 45-2244.01; AMENDING SECTIONS 45-2245 AND 45-2281, ARIZONA REVISED STATUTES; AMENDING TITLE 45, CHAPTER 13, ARTICLE 5, ARIZONA REVISED STATUTES, BY ADDING SECTION 45-2281.01; AMENDING SECTION 45-2282, ARIZONA REVISED STATUTES; RELATING TO COUNTY WATER AUTHORITIES.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 45-2201, Arizona Revised Statutes, is amended to
3 read:

4 45-2201. Definitions

5 In this chapter, unless the context otherwise requires:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

45-2202. Formation

A. An authority may be formed in any county with a population of more than ~~ninety~~ FIFTEEN thousand persons and less than one hundred twenty thousand persons according to the most recent United States decennial census.

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

1. Municipal corporations in the county that:

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

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

2. THE COUNTY WHERE A MUNICIPAL CORPORATION THAT MEETS THE REQUIREMENTS PRESCRIBED IN PARAGRAPH 1 OF THIS SUBSECTION IS LOCATED.

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

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

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

(b) ONE OR MORE MUNICIPAL CORPORATIONS, NOT INCLUDING IRRIGATION DISTRICTS, IN THE COUNTY WHERE A MUNICIPAL CORPORATION THAT MEETS THE REQUIREMENTS PRESCRIBED IN SUBDIVISION (a) OF THIS PARAGRAPH IS LOCATED.

2. FOR AN AUTHORITY THAT IS FORMED BEFORE JANUARY 1, 2025, the transfer to the authority of the right to the delivery of eighteen thousand five hundred acre-feet per year of Colorado River water from a municipal corporation in the county where the authority is to be formed within seven hundred thirty days ~~of~~ AFTER the adoption of resolutions as prescribed by paragraph 1 of this subsection.

3. FOR AN AUTHORITY THAT IS FORMED FROM AND AFTER DECEMBER 31, 2024, THE TRANSFER OF A MEMBER'S CONTRACTUAL ENTITLEMENT TO THE DELIVERY OF COLORADO RIVER WATER TO THE AUTHORITY AT ANYTIME.

D. A MUNICIPAL CORPORATION SHALL CONCURRENTLY APPOINT THE PERSON WHO WILL REPRESENT THE MUNICIPAL CORPORATION ON THE AUTHORITY'S BOARD.

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

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

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

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

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

~~F.~~ G. By vote of the directors, the membership of the authority may be expanded to include municipal corporations in the county that obtain EITHER:

1. OBTAINS contracts for the delivery of Colorado River water from the United States after January 1, 1993.

2. OWNS, CONTROLS, CONTRACTS OR SERVES COLORADO RIVER WATER, GROUNDWATER, EFFLUENT OR WATER FROM ANY OTHER SOURCE.

Sec. 3. Section 45-2221, Arizona Revised Statutes, is amended to read:

45-2221. Board of directors; organization; compensation

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

B. The board consists of persons WHO ARE appointed by the resolutions of the municipal corporations AND THE COUNTY that are authority members and, if appointed, the person WHO IS appointed pursuant to subsection C OF THIS SECTION. Each authority member shall appoint one director to the board. Each director WHO IS appointed pursuant to this subsection shall serve at the pleasure of the authority member that appointed him. Each director WHO IS appointed pursuant to this subsection may be removed from the board by resolution of the authority member that appointed him. An authority member that removes a director from the board shall appoint another director to the board.

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

D. FOR AN AUTHORITY THAT IS FORMED BEFORE JANUARY 1, 2025, the board shall select a chairperson, vice-chairperson and secretary-treasurer

1 from among its appointed directors. FOR AN AUTHORITY THAT IS FORMED FROM
2 AND AFTER DECEMBER 31, 2024, THE BOARD SHALL SELECT A CHAIRPERSON AND
3 OFFICERS AS NEEDED FROM AMONG THE AUTHORITY'S APPOINTED DIRECTORS.
4 Officers shall serve at the pleasure of the directors.

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

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

11 Sec. 4. Section 45-2241, Arizona Revised Statutes, is amended to
12 read:

13 45-2241. Cooperation with governmental entities

14 A. The authority shall cooperate, coordinate and confer with the
15 director of water resources, state agencies, municipal corporations,
16 special districts, authorities, other political subdivisions of this
17 state, private entities, Indian tribes and the United States on matters
18 within their jurisdiction relating to the augmentation and conservation of
19 the water supplies of the authority and its members.

20 B. Consistent with the purposes and policies of this chapter, the
21 authority shall cooperate with established and existing organizations in
22 acquiring, constructing and operating projects for use of or
23 interconnection with suitable diversion, withdrawal, transportation,
24 delivery, treatment, storage or recharge facilities.

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

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

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

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

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

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

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

3 Sec. 5. Section 45-2244, Arizona Revised Statutes, is amended to
 4 read:

5 45-2244. Acquisition and disposition of initial quantity of
 6 water; applicability

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

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

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

16 3. Notwithstanding the apportionment to municipal and industrial
 17 uses as prescribed by paragraphs 1 and 2 of this subsection, Colorado
 18 River water may be made available by the authority for industrial,
 19 agricultural or miscellaneous uses as prescribed by subsection F of this
 20 section until that water is needed for municipal or industrial uses.

21 B. The authority, acting through its board, shall make available
 22 Colorado River water that is apportioned for municipal uses as prescribed
 23 by subsection A, paragraph 1 of this section to authority members through
 24 subcontracts between the authority and the authority member for the sale
 25 and delivery of Colorado River water. The term of these subcontracts may
 26 be coextensive with the term of the contract with the United States
 27 pursuant to which the authority obtains the Colorado River water or the
 28 duration of the subcontracts may be for a lesser term. The rate charged
 29 for the Colorado River water made available to the authority members for
 30 municipal uses may be fixed for all or part of the subcontract term but
 31 shall be established by subcontract to ~~permit~~ ALLOW the authority member
 32 to provide the water to its customers at a reasonable cost as determined
 33 by the authority in the exercise of its discretion. Any subcontract may
 34 require the authority member to pay water supply fees or to assess and
 35 share the cost of water supply fees with the authority. Water supply fees
 36 include standby or holding charges, development impact fees, connection
 37 fees, extraction fees, user fees, administrative fees, other fees or
 38 charges that the subcontract requires and the member collects for new uses
 39 to be served with the water made available pursuant to subcontract or any
 40 other fees that the authority determines to be necessary or prudent to
 41 fund the acquisition of replacement supplies of water. Any such fees
 42 assessed or collected by the authority member shall be remitted to the
 43 authority and deposited in the funds of the authority as provided in this
 44 chapter.

1 C. The Colorado River water apportioned for municipal uses under
2 subsection B of this section shall be served by the authority member
3 within the service area established for the authority member in any water
4 service contract between the authority member and the United States. The
5 Colorado River water so apportioned may not be served to any single
6 industrial user for manufacturing purposes, processing purposes or
7 thermoelectric power generation, with a demand greater than two hundred
8 fifty acre-feet per year until the end of the seventh year after the
9 authority is formed.

10 D. If Colorado River water that is made available to authority
11 members for municipal uses pursuant to subsection B of this section is not
12 subcontracted for by authority members within one year ~~of~~ AFTER the
13 authority's formation pursuant to section 45-2202, subsection C, the
14 Colorado River water may be made available by subcontract to other
15 municipal water providers in the county in which the authority is formed
16 on terms consistent with this section.

17 E. The authority shall make Colorado River water that is
18 apportioned for industrial uses as provided in subsection A, paragraph 2
19 of this section available to applicants through subcontracts for the sale
20 and delivery of that water. The term of the subcontracts shall be set by
21 the authority and may be coextensive with the term of the contract with
22 the United States pursuant to which the authority obtains the Colorado
23 River water. The rate charged for Colorado River water made available to
24 applicants for industrial uses may be established by subcontract or by
25 tariff set by the authority. The rate charged may vary or may be fixed
26 for all or a part of the subcontract term. The initial rate charged per
27 acre-foot shall not be less than the rate charged per acre-foot by a
28 multi-county water conservation district, or its successors, for the
29 capital and fixed operation and maintenance charges associated with an
30 acre-foot of central Arizona project municipal and industrial water in the
31 year in which the authority subcontracts for the sale and delivery of the
32 water.

33 F. Notwithstanding the apportionment to municipal and industrial
34 uses as provided in subsection A, paragraphs 1 and 2 of this section, the
35 authority may subcontract for the delivery of Colorado River water for
36 industrial, agricultural or miscellaneous uses for which subcontracts have
37 not been executed as provided in subsections B and E of this section or
38 for which subcontracts have been executed as provided in subsections B and
39 E of this section if there is no current demand for the water by the
40 subcontractors. A subcontract for the delivery of Colorado River water
41 for an industrial, agricultural or miscellaneous use under this subsection
42 shall not be for a term of more than five years. A subcontract under this
43 subsection may serve an existing use of Colorado River water ~~which~~ THAT
44 was not supported by a contract for the delivery of Colorado River water
45 on January 1, 1994, ~~or~~ or a new use of Colorado River water initiated after

January 1, 1994. A subcontract under this subsection shall be subject to the approval of subcontractors with subcontracts entered into pursuant to subsection B of this section. Any subcontract under this subsection shall impose the charge per acre-foot of Colorado River water delivered that the authority in its discretion determines to be adequate. Any subcontract under this subsection may be renewed or extended successively for the same or a shorter period of time. For **THE** purposes of this subsection, "miscellaneous use" means a use of water for recreational or fish and wildlife purposes.

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

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

I. THIS SECTION APPLIES ONLY TO AN AUTHORITY THAT IS FORMED BEFORE JANUARY 1, 2025.

Sec. 6. Title 45, chapter 13, article 3, Arizona Revised Statutes, is amended by adding section 45-2244.01, to read:

45-2244.01. Post-2024 authority; acquisition of water

FOR AN AUTHORITY THAT IS FORMED FROM AND AFTER DECEMBER 31, 2024:

1. THE AUTHORITY, ACTING THROUGH ITS BOARD, MAY APPORTION ANY RIGHTS TO DELIVERY OF COLORADO RIVER WATER THAT IT OBTAINS IN SUCH MANNER AS DETERMINED BY THE BOARD.

2. THE AUTHORITY, ACTING THROUGH ITS BOARD, SHALL MAKE AVAILABLE COLORADO RIVER WATER TO AUTHORITY MEMBERS THROUGH SUBCONTRACTS BETWEEN THE AUTHORITY AND THE AUTHORITY MEMBER FOR THE SALE AND DELIVERY OF COLORADO RIVER WATER. THE TERM OF THESE SUBCONTRACTS MAY BE COEXTENSIVE WITH THE TERM OF THE CONTRACT WITH THE UNITED STATES PURSUANT TO WHICH THE AUTHORITY OBTAINS THE COLORADO RIVER WATER OR THE DURATION OF THE SUBCONTRACTS MAY BE FOR A LESSER TERM. THE RATE CHARGED FOR THE COLORADO RIVER WATER MADE AVAILABLE TO THE AUTHORITY MEMBERS FOR MUNICIPAL USES MAY BE FIXED FOR ALL OR PART OF THE SUBCONTRACT TERM BUT SHALL BE ESTABLISHED BY SUBCONTRACT TO ALLOW THE AUTHORITY MEMBER TO PROVIDE THE WATER TO ITS CUSTOMERS AT A REASONABLE COST AS DETERMINED BY THE AUTHORITY IN THE EXERCISE OF ITS DISCRETION. ANY SUBCONTRACT MAY REQUIRE THE AUTHORITY MEMBER TO PAY WATER SUPPLY FEES OR TO ASSESS AND SHARE THE COST OF WATER SUPPLY FEES WITH THE AUTHORITY. WATER SUPPLY FEES INCLUDE STANDBY OR HOLDING CHARGES, DEVELOPMENT IMPACT FEES, CONNECTION FEES, EXTRACTION FEES, USER FEES, ADMINISTRATIVE FEES AND OTHER FEES OR CHARGES THAT THE SUBCONTRACT REQUIRES AND THE MEMBER COLLECTS FOR NEW USES TO BE SERVED

1 WITH THE WATER MADE AVAILABLE PURSUANT TO SUBCONTRACT OR ANY OTHER FEES
2 THAT THE AUTHORITY DETERMINES TO BE NECESSARY OR PRUDENT TO FUND THE
3 ACQUISITION OF REPLACEMENT SUPPLIES OF WATER. ANY FEES ASSESSED OR
4 COLLECTED BY THE AUTHORITY MEMBER SHALL BE REMITTED TO THE AUTHORITY AND
5 DEPOSITED IN THE FUNDS OF THE AUTHORITY AS PROVIDED IN THIS CHAPTER.

6 3. THE AUTHORITY MAY MAKE COLORADO RIVER WATER FOR INDUSTRIAL USES
7 AVAILABLE TO APPLICANTS THROUGH SUBCONTRACTS FOR THE SALE AND DELIVERY OF
8 THAT WATER. THE TERM OF THE SUBCONTRACTS SHALL BE SET BY THE AUTHORITY
9 AND MAY BE COEXTENSIVE WITH THE TERM OF THE CONTRACT WITH THE UNITED
10 STATES PURSUANT TO WHICH THE AUTHORITY OBTAINS THE COLORADO RIVER WATER.
11 THE RATE CHARGED FOR COLORADO RIVER WATER MADE AVAILABLE TO APPLICANTS FOR
12 INDUSTRIAL USES MAY BE ESTABLISHED BY SUBCONTRACT OR BY TARIFF SET BY THE
13 AUTHORITY. THE RATE CHARGED MAY VARY OR MAY BE FIXED FOR ALL OR A PART OF
14 THE SUBCONTRACT TERM.

15 4. THE AUTHORITY MAY SUBCONTRACT FOR THE DELIVERY OF COLORADO RIVER
16 WATER FOR INDUSTRIAL, AGRICULTURAL OR MISCELLANEOUS USES FOR WHICH
17 SUBCONTRACTS HAVE NOT BEEN EXECUTED AS PROVIDED IN PARAGRAPHS 2 AND 3 OF
18 THIS SECTION OR FOR WHICH SUBCONTRACTS HAVE BEEN EXECUTED AS PROVIDED IN
19 PARAGRAPHS 2 AND 3 OF THIS SECTION IF THERE IS NO CURRENT DEMAND FOR THE
20 WATER BY THE SUBCONTRACTORS. A SUBCONTRACT UNDER THIS PARAGRAPH MAY SERVE
21 AN EXISTING USE OF COLORADO RIVER WATER THAT WAS NOT SUPPORTED BY A
22 CONTRACT FOR THE DELIVERY OF COLORADO RIVER WATER ON JANUARY 1, 1994 OR A
23 NEW USE OF COLORADO RIVER WATER INITIATED AFTER JANUARY 1, 1994. A
24 SUBCONTRACT UNDER THIS PARAGRAPH SHALL BE SUBJECT TO THE APPROVAL OF
25 SUBCONTRACTORS WITH SUBCONTRACTS ENTERED INTO PURSUANT TO PARAGRAPH 2 OF
26 THIS SECTION. ANY SUBCONTRACT PURSUANT TO THIS PARAGRAPH SHALL IMPOSE THE
27 CHARGE PER ACRE-FOOT OF COLORADO RIVER WATER DELIVERED THAT THE AUTHORITY
28 IN ITS DISCRETION DETERMINES TO BE ADEQUATE. ANY SUBCONTRACT UNDER THIS
29 PARAGRAPH MAY BE RENEWED OR EXTENDED SUCCESSIVELY FOR THE SAME OR A
30 SHORTER PERIOD OF TIME. FOR THE PURPOSES OF THIS PARAGRAPH,
31 "MISCELLANEOUS USE" INCLUDES A USE OF WATER FOR RECREATIONAL OR FISH AND
32 WILDLIFE PURPOSES.

33 5. THE AUTHORITY MAY ACCEPT TRANSFERS OF THE COLORADO RIVER WATER
34 ENTITLEMENTS OF ITS MEMBERS AND MAY CONTRACT WITH THE UNITED STATES FOR
35 THE DELIVERY TO THE AUTHORITY OF COLORADO RIVER WATER OBTAINED BY THE
36 AUTHORITY. THE AUTHORITY MAY CONTRACT WITH THE UNITED STATES FOR THE
37 DELIVERY OF ANY ADDITIONAL AMOUNTS OF WATER OBTAINED BY THE AUTHORITY FROM
38 ITS MEMBERS AND MAY CONTRACT AS PROVIDED IN SECTION 45-2245.

39 6. ANY SUBCONTRACT UNDER THIS SECTION SHALL REQUIRE THE COLORADO
40 RIVER WATER DELIVERED PURSUANT TO THE SUBCONTRACT TO BE USED IN THE COUNTY
41 IN WHICH THE AUTHORITY IS FORMED.

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

3 45-2245. Acquisition and disposition of other water

4 A. The authority may contract with the United States for the
5 delivery of Colorado River water ~~in excess of the initial eighteen~~
6 ~~thousand five hundred acre-feet a year~~ that the United States makes
7 available to the authority.

8 B. The authority may apportion Colorado River water, **GROUNDWATER**,
9 water credits, **WATER FROM ANY OTHER SOURCE** or effluent that it obtains ~~in~~
10 ~~excess of the initial eighteen thousand five hundred acre-feet a year~~
11 between municipal and industrial uses in the manner that the authority
12 determines to be appropriate after considering the water needs of the
13 county in which the authority is formed.

14 C. The authority may contract with a multi-county water
15 conservation district or its successors or with subcontractors of a
16 multi-county water conservation district or their successors for the
17 delivery to the authority of Colorado River water available to the central
18 Arizona project.

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

21 E. The authority may lease Colorado River water apportioned to this
22 state from Indian tribes that are entitled by decree to that water and
23 whose reservations are located in the lower basin of the Colorado River
24 system in this state.

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

31 G. The authority may contract for:

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

35 2. **GROUNDWATER OR WATER FROM ANY OTHER SOURCE.**

36 H. Under terms specified by the authority and subject to subsection
37 B **OF THIS SECTION**, the authority may enter into subcontracts with
38 authority members and other water providers in the county where the
39 authority is formed for the sale, exchange or other disposition of
40 Colorado River water, **GROUNDWATER**, water credits, **WATER FROM ANY OTHER**
41 **SOURCE** or effluent acquired by the authority pursuant to this section. In
42 connection with those subcontracts, the authority may charge or impose
43 standby or holding charges, development impact fees, connection fees,
44 extraction fees, user fees, administrative fees or any other fees or
45 charges that the authority determines to be necessary to recover the

1 authority's costs of making the water, **GROUNDWATER**, water credits, **WATER**
 2 **FROM ANY OTHER SOURCE** or effluent available under the subcontract. The
 3 authority may impose additional fees or charges as the authority
 4 determines to be necessary or prudent to fund the acquisition of
 5 replacement supplies of water for the authority.

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

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

11 **45-2281. Establishment of funds; allocation of authority**
 12 **revenues; member dues; applicability**

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

21 B. Except as provided in subsection D of this section, all revenues
 22 of the authority shall be deposited in the grant fund except the
 23 following:

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

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

30 3. Fifty ~~per cent~~ **PERCENT** of all amounts paid by subcontractors of
 31 the authority pursuant to subcontracts entered into as provided in section
 32 45-2244, subsection E or F.

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

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

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

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

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

32 1. The authority's administrative expenses.

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

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

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

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

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

G. THIS SECTION APPLIES ONLY TO AN AUTHORITY THAT IS FORMED BEFORE JANUARY 1, 2025.

Sec. 9. Title 45, chapter 13, article 5, Arizona Revised Statutes, is amended by adding section 45-2281.01, to read:

45-2281.01. Post-2024 authority: establishment of funds: member dues

FOR AN AUTHORITY THAT IS FORMED FROM AND AFTER DECEMBER 31, 2024:

1. THE AUTHORITY, ACTING THROUGH ITS BOARD OF DIRECTORS, SHALL ESTABLISH SUCH FUNDS AND ACCOUNTS AS THE BOARD DETERMINES ARE NECESSARY OR CONVENIENT. THE BOARD MAY USE THE FUNDS AS DETERMINED BY THE BOARD.

2. THE AUTHORITY SHALL ESTABLISH A SCHEDULE OF DUES THAT IS SUFFICIENT, WHEN AGGREGATED WITH OTHER MONIES AVAILABLE FOR THE PAYMENT OF ADMINISTRATIVE EXPENSES, TO PAY THE ESTIMATED ADMINISTRATIVE EXPENSES OF THE AUTHORITY. DUES SHALL BE ASSESSED AND ALLOCATED EQUITABLY AMONG AUTHORITY MEMBERS AS DETERMINED BY THE BOARD. ALL DUES RECEIVED BY THE AUTHORITY SHALL BE DEPOSITED IN THE OPERATING FUND OF THE AUTHORITY. EXPENDITURES MAY BE MADE TO PAY ANY OF THE FOLLOWING:

(a) THE AUTHORITY'S ADMINISTRATIVE EXPENSES.

(b) THE COSTS OF THE AUTHORITY'S FORMATION.

(c) THE COSTS ASSOCIATED WITH HOLDING ANY ENTITLEMENT TO WATER ACQUIRED BY THE AUTHORITY.

(d) SUBJECT TO PARAGRAPH 3 OF THIS SECTION, THE COSTS INCURRED BY THE AUTHORITY IN THE OPERATIONS OF ANY PROJECT UNDERTAKEN BY THE AUTHORITY PURSUANT TO THIS CHAPTER.

3. ANY AUTHORITY MEMBER THAT IS IN ARREARS IN THE PAYMENT OF ITS DUES FOR MORE THAN SIXTY DAYS SHALL LOSE THE RIGHT OF ITS APPOINTED DIRECTOR TO VOTE ON ALL AUTHORITY MATTERS UNTIL THE MEMBER FULLY PAYS ALL OF THE DUES THAT ARE IN ARREARS. AN AUTHORITY MEMBER THAT HAS DUES IN ARREARS MAY NOT LOSE MEMBERSHIP IN THE AUTHORITY BECAUSE OF THE ARREARAGE.

Sec. 10. Section 45-2282, Arizona Revised Statutes, is amended to read:

45-2282. Operating budget

A. On or before the third Monday of July of each year, the authority shall adopt a budget for the fiscal year that begins on July 1 of that year. The budget shall include:

1. A complete statement of the sources and amount of all revenues received by the authority during the year ending June 30 and the funds into which the revenues were deposited.

1 2. A complete statement of expenditures and disbursements
2 identified by class that were made by the authority during the year ending
3 June 30 and the funds from which the expenditures were made.

4 3. An estimate of all revenues to be received by the authority
5 during the year beginning July 1 and a listing of the funds into which the
6 estimated revenues will be deposited.

7 4. An itemized estimate of the amount of expenditures or
8 disbursements that the authority may make from each fund during the year
9 beginning July 1 that, subject to the provisions of this section, may
10 include expenditures for contingencies and emergencies.

11 B. The authority shall not budget any expenditure or disbursement
12 from a fund that exceeds the amount of revenues estimated to be received
13 by the fund during the year beginning July 1 except that revenues
14 deposited in the grant fund may be expended for the purposes specified in
15 section 45-2281, subsection C. The authority shall not make any
16 expenditure or disbursement from a fund during the year that exceeds the
17 amount budgeted to be expended or disbursed from the fund during the year.

18 C. Subject to the requirements in section 45-2281, subsection C,
19 the authority may allocate unexpended revenues among funds on or before
20 June 30 and include the unexpended revenues of a fund in the budgeted
21 amount of expenditures or disbursements to be made in the fiscal year that
22 begins July 1.

23 D. **FOR AN AUTHORITY THAT IS FORMED BEFORE JANUARY 1, 2025**, the
24 allocation of revenues into the funds and the budgeting, expenditure and
25 disbursement of the funds is at all times subject to section 45-2281,
26 subsection C.

27 E. On or before the third Monday of July of each year, in
28 connection with the preparation of the budget required by subsection A of
29 this section the authority shall prepare a comprehensive statement of the
30 authority's assets and liabilities and sources and application of funds.

31 F. The board at any time may authorize the preparation of an
32 audited financial statement of the authority according to generally
33 accepted accounting principles applicable to public bodies.

34 G. The authority shall file copies of the budget and financial
35 statements with each member of the authority within thirty days **of AFTER**
36 their adoption by the authority.