

PROPOSED
HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1335
(Reference to Senate engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 45-465.05, Arizona Revised Statutes, is amended
3 to read:

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

8 A. A person that owns land within the Phoenix or Pinal active
9 management area that may be legally irrigated with groundwater pursuant to
10 an irrigation grandfathered right may apply to the director to permanently
11 relinquish all of the irrigation grandfathered right in exchange for
12 groundwater savings credits. The director shall approve the application
13 if all of the following conditions apply:

14 1. The person's use of the irrigation grandfathered right complies
15 with this chapter and the applicable management plan.

16 2. For each irrigation grandfathered right that is relinquished,
17 the director determines that land to which the irrigation grandfathered
18 right is appurtenant has been legally irrigated with groundwater in at
19 least three of the preceding five years.

20 3. The person has filed all reports required pursuant to section
21 45-632 for the last five years.

22 4. The person does not maintain a negative balance in the person's
23 flexibility account established pursuant to section 45-467.

24 5. The department has not issued a certificate of assured water
25 supply for the acres associated with the relinquishment.

26 B. The director shall quantify groundwater savings credits. When
27 quantifying groundwater savings credits, the following apply:

28 1. The amount of groundwater savings ~~credit~~ CREDITS shall be
29 determined in acre-feet by multiplying the acres associated with the
30 relinquishment by the following conversion multiplier:

31 (a) In the Phoenix active management area, one hundred fifty.

32 (b) In the Pinal active management area, one hundred.

33 2. A person may not receive groundwater savings credits for a
34 volume of water that exceeds sixty times the mean amount of groundwater
35 used annually pursuant to the irrigation grandfathered right in the three
36 years with the highest use during the five years preceding an application
37 to permanently relinquish the irrigation grandfathered right. If a person
38 applies to relinquish an irrigation grandfathered right after conveyance
39 of an irrigation grandfathered right, the mean amount of groundwater used

1 annually shall be determined using a proportionate share of the total
2 amount of groundwater used annually pursuant to any irrigation
3 grandfathered rights appurtenant to the land included in the irrigation
4 grandfathered right that the person has applied to relinquish in the years
5 used to satisfy the requirements of subsection A, paragraph 2 of this
6 section.

7 C. When issuing groundwater savings credits, the director shall:

8 1. Identify all of the following:

9 (a) The amount of groundwater savings credits as calculated
10 pursuant to subsection B of this section.

11 (b) The number and location of the acres associated with the
12 relinquishment.

13 (c) The wells that have been used to serve land to which the
14 irrigation grandfathered right is appurtenant.

15 (d) The owner of the acres associated with the relinquishment at
16 the time of the relinquishment that holds the groundwater savings credits.

17 2. Determine whether the criteria prescribed in subsection D,
18 paragraph 3 or subsection E, paragraph 3 of this section would be
19 satisfied. This determination shall be applied to an assured water supply
20 application that is submitted to the department within two years after the
21 date the groundwater savings credits are issued and shall remain valid
22 until the director makes a final decision on the assured water supply
23 application.

24 D. For the purposes of a designation or modification of a
25 designation of assured water supply, the volume of groundwater withdrawn
26 or stored water recovered outside the area of impact of storage associated
27 with groundwater savings credits calculated pursuant to subsection B of
28 this section is exempt from the requirement to demonstrate that the
29 groundwater is physically available in accordance with section 45-576 if
30 all of the following apply:

31 1. The acres associated with the relinquishment and the location of
32 the proposed use associated with the groundwater savings credits are or
33 will be within the service area of a municipal provider that is designated
34 as having an assured water supply or that has applied for a designation of
35 assured water supply.

36 2. The applicant proposes to withdraw groundwater or stored water
37 recovered outside of the area of impact of storage associated with the
38 groundwater savings credits from one or more of the following locations:

39 (a) Any well that was used to serve land to which the irrigation
40 grandfathered right is appurtenant.

41 (b) Any well that is located within one mile of any well that was
42 used to serve land to which the irrigation grandfathered right is
43 appurtenant.

44 (c) Any well that is located on the acres associated with the
45 relinquishment.

1 (d) Any well that is located within one mile of the acres
2 associated with the relinquishment.

3 3. The applicant demonstrates that groundwater or stored water
4 recovered outside the area of impact of storage can be withdrawn to serve
5 the proposed use for one hundred years without exceeding the depth of the
6 aquifer or the applicable depth-to-static water level limit of the active
7 management area, whichever is less. For the purposes of this
8 demonstration:

9 (a) The director may not consider other withdrawals that exceed the
10 depth of the aquifer or the applicable depth-to-static water level limit
11 during the one hundred-year period as follows:

12 (i) In the Phoenix active management area, the depth-to-static
13 water level limit is one thousand feet below land surface.

14 (ii) In the Pinal active management area, the depth-to-static water
15 level limit is one thousand one hundred feet below land surface.

16 (b) For withdrawals located within one mile of any well that was
17 used to serve land to which the irrigation grandfathered right is
18 appurtenant, the applicant may rely on the director's determination
19 pursuant to subsection C of this section, if applicable, or on the
20 director's most recent assured water supply projection to satisfy this
21 requirement. This subdivision ~~shall~~ DOES not apply if more than forty
22 percent of the water used during the period used in the director's most
23 recent assured water supply projection by land to which the irrigation
24 grandfathered right is appurtenant was in lieu water as defined in section
25 45-802.01.

26 (c) Except as provided by subdivision (b) of this paragraph, the
27 applicant must update the director's most recent assured water supply
28 projection only to make reasonable modifications to the locations or rates
29 of the withdrawals to reflect the changes that result from the proposed
30 use.

31 4. The applicant submits evidence to the department that the water
32 used pursuant to the groundwater savings program established under this
33 section will not be used on any of the following:

34 (a) Turf that is not located in a recreational use area or other
35 space that is regularly used for stormwater management or for civic,
36 community or other recreational purposes, including playgrounds, sports
37 fields, cemeteries or schoolyards.

38 (b) Water parks.

39 (c) Decorative water features, including lakes, ponds or lagoons,
40 except as provided in section 45-132, subsection B, paragraph 4,
41 subdivision (a).

42 E. For the purposes of an application for a certificate of assured
43 water supply that proposes to rely on groundwater savings credits, the
44 volume of groundwater or stored water recovered outside the area of impact
45 of storage associated with the amount of groundwater savings credits
46 calculated pursuant to subsection B of this section is exempt from the
47 requirement to demonstrate that the groundwater or stored water recovered

1 outside the area of impact of storage is physically available in
2 accordance with section 45-576 if all of the following apply:

3 1. The proposed use associated with the groundwater savings credits
4 is on the acres associated with the relinquishment or on land that is
5 located within one mile of the exterior boundary of the acres associated
6 with the relinquishment.

7 2. The applicant proposes to withdraw groundwater or stored water
8 recovered outside the area of impact of storage associated with the
9 groundwater savings credits from one or more of the following locations:

10 (a) Any well that was used to serve land to which the irrigation
11 grandfathered right is appurtenant.

12 (b) Any well that is located within one mile of any well that was
13 used to serve land to which the irrigation grandfathered right is
14 appurtenant.

15 (c) Any well that is located on the acres associated with the
16 relinquishment.

17 (d) Any well that is located within one mile of the acres
18 associated with the relinquishment.

19 3. The applicant demonstrates that groundwater or stored water
20 recovered outside of the area of impact of storage can be withdrawn to
21 serve the proposed use for one hundred years without exceeding the depth
22 of the aquifer or the applicable depth-to-static water level limit of the
23 active management area, whichever is less. For the purposes of this
24 demonstration:

25 (a) The director may not consider other withdrawals that exceed the
26 depth of the aquifer or the applicable depth-to-static water level limit
27 during the one hundred-year period as follows:

28 (i) In the Phoenix active management area, the depth-to-static
29 water level limit is one thousand feet below land surface.

30 (ii) In the Pinal active management area, the depth-to-static water
31 level limit is one thousand one hundred feet below land surface.

32 (b) For withdrawals located within one mile of any well that was
33 used to serve the irrigation grandfathered right, the applicant may rely
34 on the director's determination pursuant to subsection C of this section,
35 if applicable, or on the director's most recent assured water supply
36 projection to satisfy this requirement. This subdivision ~~shall~~ DOES not
37 apply if more than forty percent of the water used by the irrigation
38 grandfathered right during the period used in the director's most recent
39 assured water supply projection was in lieu water as defined in section
40 45-802.01.

41 (c) Except as provided by subdivision (b) of this paragraph, the
42 applicant must update the director's most recent assured water supply
43 projection only to make reasonable modifications to the locations or rates
44 of the withdrawals to reflect the changes that result from the proposed
45 use.

1 4. The applicant submits evidence to the department that the water
2 used pursuant to the groundwater savings program established under this
3 section will not be used on any of the following:

4 (a) Turf that is not located in a recreational use area or other
5 space that is regularly used for stormwater management or for civic,
6 community or other recreational purposes, including playgrounds, sports
7 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 F. An applicant that submits an application for a certificate of
13 assured water supply on or before December 31, 2030 may rely on
14 groundwater savings credits pledged to the certificate that is issued
15 based on that application. An applicant may not pledge groundwater
16 savings credits to an application for a certificate of assured water
17 supply that is submitted on or after January 1, 2031.

18 G. The director shall adopt rules on or before June 30, 2026
19 through expedited rulemaking to:

20 1. Set licensing time frames to issue groundwater savings credits.

21 2. Develop a summary process to apply groundwater savings credits
22 to designations of assured water supply.

23 H. Before the director issues groundwater savings credits, the
24 director shall both:

25 1. Notify the holder of the irrigation grandfathered right in
26 writing of the department's preliminary recommendations regarding the
27 items described in subsection C of this section.

28 2. Request written confirmation that the holder of the irrigation
29 grandfathered right would like to proceed with relinquishment. On receipt
30 of confirmation that the applicant would like to relinquish the irrigation
31 grandfathered right, the director shall issue groundwater savings credits
32 pursuant to subsection C of this section. **THE HOLDER OF THE GROUNDWATER
33 SAVINGS CREDITS MAY CONTINUE TO IRRIGATE THE LAND IN ACCORDANCE WITH THE
34 IRRIGATION GRANDFATHERED RIGHT FOR A PERIOD OF NOT MORE THAN TWO YEARS
35 AFTER THE DATE OF ISSUANCE OF THE GROUNDWATER SAVINGS CREDITS.**

36 I. A person that holds groundwater savings credits may assign the
37 person's credits to the subsequent owner of the acres associated with the
38 relinquishment. A person that holds groundwater savings credits may
39 pledge the credits to an assured water supply application that proposes to
40 rely on the credits pursuant to subsection D or E of this section.

41 J. After the director issues a certificate of assured water supply
42 based on groundwater savings credits, if a municipal provider that serves
43 acres associated with the relinquishment becomes a designated provider or
44 if the service area of a designated provider is extended to include the
45 subdivision for which a certificate of assured water supply was issued,
46 the remaining groundwater savings credits associated with the certificate
47 shall be used to support the designation.

1 K. On acres associated with the relinquishment and areas within one
2 mile of the acres associated with the relinquishment that use groundwater
3 pursuant to subsection E of this section, the following prohibitions
4 apply:

5 1. A municipal provider or association as defined in section
6 33-1802 may not use the groundwater or stored water recovered outside the
7 area of impact of storage for any of the following:

8 (a) Application to turf that is not located in a recreational use
9 area or other space that is regularly used for stormwater management or
10 for civic, community or recreational purposes, including playgrounds,
11 sports fields, cemeteries or schoolyards.

12 (b) Water parks.

13 (c) Decorative water features, including lakes, ponds or lagoons,
14 except as provided in section 45-132, subsection B, paragraph 4,
15 subdivision (a).

16 2. An association as defined in section 33-1802 may not adopt or
17 enforce ~~any~~ EITHER of the following:

18 (a) Minimum turf requirements for turf that is not located in a
19 recreational use area or other space that is regularly used for stormwater
20 management or for civic, community or recreational purposes, including
21 playgrounds, sports fields, cemeteries or schoolyards.

22 (b) Requirements for the installation, filling or refilling of:

23 (i) Water parks.

24 (ii) Decorative water features, including lakes, ponds or lagoons,
25 except as provided in section 45-132, subsection B, paragraph 4,
26 subdivision (a).

27 L. The director may adopt rules to implement the groundwater
28 savings program prescribed by this section for the Tucson active
29 management area that include an applicable conversion multiplier and
30 necessary parameters to ensure groundwater savings in the Tucson active
31 management area if the director determines that all of the following
32 apply:

33 1. Groundwater withdrawals in the Tucson active management area
34 over a period of one hundred years will exceed the depth-to-static water
35 level of one thousand feet or the depth of the aquifer, whichever is less.

36 2. A groundwater savings program established in the Tucson active
37 management area would reduce groundwater use over the next one hundred
38 years.

39 3. Expanding the program to include the Tucson active management
40 area would be in the best interest of that active management area and of a
41 conservation district.

42 M. Section 45-114, subsections A and B govern administrative
43 proceedings, rehearing or review and judicial review of final decisions of
44 the director pursuant to this section.

45 N. On application to the director by the current owner of the acres
46 associated with the relinquishment, the director shall restore a
47 relinquished irrigation grandfathered right and rescind all issued

1 groundwater savings credits if the groundwater savings credits have not
2 been pledged to a certificate of assured water supply or a designation of
3 assured water supply pursuant to section 45-576, subsection M.

4 0. For the purposes of this section:

5 1. "Acres associated with the relinquishment" means land to which
6 the irrigation grandfathered right that is relinquished in exchange for
7 groundwater savings credits was appurtenant.

8 2. "Municipal provider" has the same meaning prescribed in section
9 45-561.

10 3. Stored water recovered outside the area of impact does not
11 include long-term storage credits issued to the Arizona water banking
12 authority or held by the Arizona water banking authority at any time.

13 4. "Well" includes a replacement well as prescribed in section
14 45-597 or 45-598."

15 Amend title to conform

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