

House Engrossed

brackish groundwater recovery program

State of Arizona
House of Representatives
Fifty-seventh Legislature
Second Regular Session
2026

HOUSE BILL 2055

AN ACT

AMENDING SECTION 49-1303, ARIZONA REVISED STATUTES; AMENDING TITLE 49, CHAPTER 8, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 6; RELATING TO THE WATER INFRASTRUCTURE FINANCE AUTHORITY.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 49-1303, Arizona Revised Statutes, is
3 amended to read:

4 49-1303. Long-term water augmentation fund; purposes; limit

5 A. Monies and other assets in the long-term water augmentation fund
6 may be used for the following purposes:

7 1. Funding water supply development projects that import water from
8 outside the boundaries of this state. At least seventy-five percent of
9 the monies in the fiscal years 2022-2023, 2023-2024 and 2024-2025
10 appropriations to the fund shall be reserved for one or more projects with
11 this purpose, and those monies shall be accounted for separately.

12 2. Purchasing imported water or rights to imported water.

13 3. Acquiring or constructing water-related facilities in this state
14 to convey or deliver imported water within ~~the~~ THIS state.

15 4. Conducting investigations, including performing environmental or
16 other reviews.

17 5. Contracting for water needs assessments.

18 6. Providing financial assistance to eligible entities ~~for the~~
19 ~~purposes of financing or refinancing~~ TO FINANCE OR REFINANCE water supply
20 development projects within this state, including projects for
21 conservation through reducing existing water use or more efficient uses of
22 existing water supplies.

23 7. Guaranteeing debt obligations of eligible entities that are
24 issued or incurred to finance or refinance water supply development
25 projects within this state or providing credit enhancements in connection
26 with these debt obligations.

27 8. Paying the costs to administer the fund.

28 9. Funding not more than ten full-time equivalent positions of the
29 authority.

30 10. DEVELOPING ONE OR MORE BRACKISH GROUNDWATER RECOVERY PROJECTS
31 PURSUANT TO ARTICLE 6 OF THIS CHAPTER THAT CREATE NEW SOURCES OF POTABLE
32 WATER WITHIN THE BOUNDARIES OF THIS STATE.

33 B. In providing financial assistance from the LONG-TERM WATER
34 AUGMENTATION fund, the authority shall comply with section 49-1304.

35 C. Monies in the LONG-TERM WATER AUGMENTATION fund may not be used
36 to purchase conservation or other similar easements on real property.

37 D. If the monies pledged to secure long-term water augmentation
38 bonds issued pursuant to section 49-1309 become insufficient to pay the
39 principal and interest on the long-term water augmentation bonds
40 guaranteed by the LONG-TERM WATER AUGMENTATION fund, the authority shall
41 direct the state treasurer to liquidate securities in the LONG-TERM WATER
42 AUGMENTATION fund as ~~may be~~ necessary and shall apply those proceeds to
43 make current all payments then due on the long-term water augmentation
44 bonds. The state treasurer shall immediately notify the attorney general
45 and auditor general of the insufficiency. The auditor general shall audit

1 the circumstances surrounding the depletion of the LONG-TERM WATER
2 AUGMENTATION fund and report the findings to the attorney general. The
3 attorney general shall conduct an investigation and report those findings
4 to the governor and the legislature.

5 E. The authority shall take necessary actions to obtain full
6 repayment for monies or financial assistance provided from the LONG-TERM
7 WATER AUGMENTATION fund by the recipients of the funding or financial
8 assistance or the recipients of any water supply development project made
9 available from monies from the LONG-TERM WATER AUGMENTATION fund through
10 water subcontracts, loan repayments, rates, fees, charges or otherwise, as
11 appropriate. This subsection does not apply to monies spent by the
12 authority for investigations and studies or monies spent in connection
13 with loan guarantees or credit enhancement.

14 Sec. 2. Title 49, chapter 8, Arizona Revised Statutes, is amended
15 by adding article 6, to read:

16 ARTICLE 6. BRACKISH GROUNDWATER RECOVERY PROGRAM

17 49-1341. Brackish groundwater recovery program fund

18 A. THE BRACKISH GROUNDWATER RECOVERY PROGRAM FUND IS ESTABLISHED
19 CONSISTING OF ALL OF THE FOLLOWING:

20 1. MONIES APPROPRIATED BY THE LEGISLATURE.

21 2. MONIES RECEIVED FROM THE UNITED STATES GOVERNMENT FOR ANY
22 ALLOWABLE PURPOSE OF THE BRACKISH GROUNDWATER RECOVERY PROGRAM.

23 3. MONIES RECEIVED AS LOAN REPAYMENTS, INTEREST, ADMINISTRATIVE
24 FEES AND PENALTIES.

25 4. MONIES FROM ANY LAWFUL ACTIVITY OF THE AUTHORITY, INCLUDING
26 PUBLIC-PRIVATE PARTNERSHIP AGREEMENTS RELATING TO WATER SUPPLY DEVELOPMENT
27 PROJECTS.

28 5. INTEREST AND OTHER INCOME RECEIVED FROM INVESTING MONIES IN THE
29 BRACKISH GROUNDWATER RECOVERY PROGRAM FUND.

30 6. GIFTS, GRANTS AND DONATIONS RECEIVED FROM ANY PUBLIC OR PRIVATE
31 SOURCE FOR THE PURPOSES OF THE BRACKISH GROUNDWATER RECOVERY PROGRAM FUND.

32 B. MONIES IN THE FUND ARE CONTINUOUSLY APPROPRIATED AND ARE EXEMPT
33 FROM THE PROVISIONS OF SECTION 35-190 RELATING TO LAPSING OF
34 APPROPRIATIONS. ON NOTICE FROM THE AUTHORITY, THE STATE TREASURER SHALL
35 INVEST AND DIVEST MONIES IN THE FUND AS PROVIDED BY SECTIONS 35-313 AND
36 35-314.03, AND MONIES EARNED FROM INVESTMENT SHALL BE CREDITED TO THE
37 FUND.

38 C. ALL MONIES SHALL BE DEPOSITED, PURSUANT TO SECTIONS 35-146 AND
39 35-147, IN THE FUND AND SHALL BE HELD IN TRUST. THE MONIES IN THE FUND
40 MAY NOT BE APPROPRIATED OR TRANSFERRED BY THE LEGISLATURE TO FUND THE
41 GENERAL OPERATIONS OF THIS STATE OR TO OTHERWISE MEET THE OBLIGATIONS OF
42 THE STATE GENERAL FUND UNLESS APPROVED BY A THREE-FOURTHS VOTE OF THE
43 MEMBERS OF EACH HOUSE OF THE LEGISLATURE.

1 D. THE AUTHORITY SHALL ADMINISTER THE FUND. THE AUTHORITY SHALL
2 ESTABLISH AS MANY OTHER ACCOUNTS AND SUBACCOUNTS AS REQUIRED TO ADMINISTER
3 THE FUND.

4 E. NOT MORE THAN TEN PERCENT OF THE MONIES IN THE FUND MAY BE USED
5 TO COVER STAFFING AND ADMINISTRATIVE COSTS.

6 F. THE AUTHORITY SHALL USE THE MONIES AND OTHER ASSETS IN THE FUND
7 SOLELY FOR THE PURPOSES AUTHORIZED BY THIS ARTICLE.

8 49-1342. Brackish groundwater recovery program fund;
9 purposes; criteria

10 A. THE AUTHORITY SHALL USE THE MONIES IN THE BRACKISH GROUNDWATER
11 RECOVERY PROGRAM FUND ESTABLISHED BY SECTION 49-1341 TO PROVIDE MATCHING
12 DOLLARS FOR THE DEVELOPMENT AND CONSTRUCTION OF QUALIFYING BRACKISH
13 GROUNDWATER RECOVERY AND DESALINATION PROJECTS WITHIN THIS STATE BUT
14 OUTSIDE THE BOUNDARIES OF AN INITIAL ACTIVE MANAGEMENT AREA. NOT MORE
15 THAN \$1 SHALL BE AWARDED PER \$3 OF TOTAL CAPITAL EXPENDITURES PER
16 QUALIFYING PROJECT. NOT MORE THAN ONE QUALIFYING PROJECT SHALL BE AWARDED
17 MONIES PER REQUEST FOR PROPOSALS.

18 B. THE AUTHORITY MAY NOT GRANT MONIES FROM THE BRACKISH GROUNDWATER
19 RECOVERY PROGRAM FUND ESTABLISHED BY SECTION 49-1341 WITHOUT FIRST ISSUING
20 A REQUEST FOR PROPOSALS TO DEVELOP AND CONSTRUCT A QUALIFYING BRACKISH
21 GROUNDWATER RECOVERY AND DESALINATION PROJECT PURSUANT TO THIS SECTION.

22 C. THE AUTHORITY SHALL EVALUATE PROPOSALS THAT ARE SUBMITTED IN
23 RESPONSE TO THE REQUEST FOR PROPOSALS AND SELECT A WINNING PROJECT FOR
24 ISSUING MATCHING DOLLARS BASED ON THE CRITERIA ADOPTED PURSUANT TO THIS
25 SECTION.

26 D. THE AUTHORITY SHALL GRANT MONIES PURSUANT TO THIS SECTION
27 CONTINGENT ON THE EXECUTION OF PROPOSED PROJECTS AND EXPENDITURE OF
28 CAPITAL COSTS WITHIN A TIME FRAME THE AUTHORITY DETERMINES FOLLOWING THE
29 AWARD OF MONIES.

30 E. THE AUTHORITY, IN CONSULTATION WITH THE DEPARTMENT OF WATER
31 RESOURCES, SHALL ESTABLISH ALL OF THE FOLLOWING:

32 1. THE MINIMUM INFORMATION THAT A QUALIFYING BIDDER MUST INCLUDE
33 WITH A PROPOSED PROJECT TO BE CONSIDERED FOR EVALUATION, INCLUDING ALL OF
34 THE FOLLOWING:

35 (a) DESIGN AND ENGINEERING STUDIES OR REPORTS.

36 (b) SITE LOCATION, RIGHT-OF-WAY AND LAND OWNERSHIP INFORMATION.

37 (c) DEPTH-TO-WATER, SALINITY LEVELS AND OTHER HYDROLOGICAL
38 INFORMATION.

39 (d) WITHDRAWAL PERMIT AND GROUNDWATER RIGHTS AND ACCESS
40 INFORMATION.

41 (e) THE METHOD OF BRACKISH GROUNDWATER RECOVERY, TREATMENT AND
42 DESALINATION.

43 (f) THE METHOD OF DESALINATION BRINE DISPOSAL.

44 (g) THE TOTAL VOLUME OF BRACKISH GROUNDWATER EXPECTED TO BE
45 DESALINATED.

1 (h) THE TOTAL PROJECT CAPACITY AND EXPECTED OUTPUT.

2 (i) THE PROXIMITY TO LIKELY OFFTAKERS AND THE PROPOSED METHOD OF
3 TRANSPORTATION OR DELIVERY OF TREATED BRACKISH GROUNDWATER TO THE
4 OFFTAKERS IN THE BASIN.

5 (j) THE TOTAL ESTIMATED CAPITAL COST FOR THE PROJECT.

6 2. THE MINIMUM CRITERIA THAT THE AUTHORITY WILL USE TO EVALUATE THE
7 FEASIBILITY AND VIABILITY OF QUALIFYING PROJECTS SUBMITTED IN RESPONSE TO
8 A REQUEST FOR PROPOSALS AND TO SELECT A WINNING PROJECT. THE CRITERIA TO
9 SELECT A WINNING PROJECT SHALL INCLUDE ALL OF THE FOLLOWING:

10 (a) THE COST-EFFECTIVENESS OF THE PROJECT.

11 (b) THE RELIABILITY AND LONG-TERM SECURITY OF THE WATER SUPPLY TO
12 BE DEVELOPED THROUGH THE PROJECT.

13 (c) THE IMPACT TO THE REGIONAL AQUIFER AND LOCAL WATER USERS FROM
14 THE PROJECT'S BRACKISH GROUNDWATER WITHDRAWALS.

15 (d) THE IMPACTS TO THE REGIONAL AQUIFER AND LOCAL WATER USERS FROM
16 THE PROJECT'S BRINE DISPOSAL.

17 (e) COMMENTS FROM WATER USERS, LOCAL RESIDENTS AND AFFECTED
18 JURISDICTIONS.

19 3. THE MINIMUM CRITERIA THAT A BIDDER MUST SATISFY TO QUALIFY FOR
20 PARTICIPATION IN THE PROGRAM AND TO SUBMIT PROPOSALS IN RESPONSE TO A
21 REQUEST FOR PROPOSALS.

22 4. THE MINIMUM CRITERIA THAT THE AUTHORITY WILL USE TO EVALUATE THE
23 TECHNICAL, FINANCIAL AND MANAGERIAL CAPABILITIES OF A QUALIFYING BIDDER
24 THAT SUBMITS A PROPOSAL IN RESPONSE TO A REQUEST FOR PROPOSALS.