

REFERENCE TITLE: multifamily property; water; certificate

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

HB 2545

Introduced by
Representative Mathis

AN ACT

AMENDING SECTIONS 45-576, 48-3701, 48-3772, 48-3774.01 AND 48-3779,
ARIZONA REVISED STATUTES; RELATING TO REAL ESTATE.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Section 45-576, Arizona Revised Statutes, is amended to
3 read:

4 45-576. Certificates of assured water supply; designated
5 cities, towns and private water companies;
6 exemptions; rules; definitions

7 A. Except as provided in subsections G and J of this section, a
8 person who proposes to offer subdivided lands, as defined in section
9 32-2101, for sale or lease in an active management area shall apply for
10 and obtain a certificate of assured water supply from the director before
11 presenting the plat for approval to the city, town or county in which the
12 land is located, where such is required, and before filing with the state
13 real estate commissioner a notice of intention to offer such lands for
14 sale or lease, pursuant to section 32-2181, unless the subdivider has
15 obtained a written commitment of water service for the subdivision from a
16 city, town or private water company designated as having an assured water
17 supply pursuant to this section.

18 B. Except as provided in subsections G and J of this section, a
19 city, town or county may approve a subdivision plat only if the subdivider
20 has obtained a certificate of assured water supply from the director or
21 the subdivider has obtained a written commitment of water service for the
22 subdivision from a city, town or private water company designated as
23 having an assured water supply pursuant to this section. The city, town
24 or county shall note on the face of the approved plat that a certificate
25 of assured water supply has been submitted with the plat or that the
26 subdivider has obtained a written commitment of water service for the
27 proposed subdivision from a city, town or private water company designated
28 as having an assured water supply pursuant to this section.

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

33 1. The subdivider, owner or agent has paid any activation fee
34 required under section 48-3772, subsection A, paragraph 7 and any
35 replenishment reserve fee required under section 48-3774.01, subsection A,
36 paragraph 2 and has obtained a certificate of assured water supply from
37 the director.

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

43 D. The director shall designate private water companies in active
44 management areas that have an assured water supply. If a city or town
45 acquires a private water company that has contracted for central Arizona

1 project water, the city or town shall assume the private water company's
2 contract for central Arizona project water.

3 E. The director shall designate cities and towns in active
4 management areas where an assured water supply exists. If a city or town
5 has entered into a contract for central Arizona project water, the city or
6 town is deemed to continue to have an assured water supply until December
7 31, 1997. Commencing on January 1, 1998, the determination that the city
8 or town has an assured water supply is subject to review by the director
9 and the director may determine that a city or town does not have an
10 assured water supply.

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

37 G. This section does not apply in the case of the sale of lands for
38 developments that are subject to a mineral extraction and metallurgical
39 processing permit or an industrial use permit pursuant to sections 45-514
40 and 45-515.

41 H. The director shall adopt rules to carry out the purposes of this
42 section. The rules shall provide for a reduction in water demand for an
43 application for a designation of assured water supply or a certificate of
44 assured water supply if a gray water reuse system will be installed that
45 meets the requirements of the rules adopted by the department of

1 environmental quality for gray water systems and if the application is for
2 a certificate of assured water supply, the land for which the certificate
3 is sought must qualify as a member land in a conservation district
4 pursuant to title 48, chapter 22, article 4. For the purposes of this
5 subsection, "gray water" has the same meaning prescribed in section
6 49-201.

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

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

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

40 2. The director has not revoked the certificate of assured water
41 supply described in paragraph 1 of this subsection, and proceedings to
42 revoke the certificate are not pending before the department or a court.
43 The department shall post on its website a list of all certificates of
44 assured water supply that have been revoked or for which proceedings are
45 pending before the department or a court.

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

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

8 5. The subdivided land qualifies as a member land under title 48,
9 chapter 22 and the subdivider has paid any activation fee required under
10 section 48-3772, subsection A, paragraph 7 and any replenishment reserve
11 fee required under section 48-3774.01, subsection A, paragraph 2.

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

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

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

28 M. For the purposes of this section, the director shall find that
29 any volume of groundwater or stored water recovered outside the area of
30 impact of storage that is subject to groundwater savings credits issued
31 pursuant to section 45-465.05 or rules adopted by the director pursuant to
32 section 45-465.05, subsection L and pledged to an application for a
33 certificate or designation of assured water supply is exempt from the
34 physical availability requirement for an assured water supply. This
35 subsection does not exempt:

36 1. Any volume of groundwater or stored water recovered outside the
37 area of impact of storage that is subject to groundwater savings credits
38 from any requirement for an assured water supply other than the physical
39 availability requirement.

40 2. A water supply to be stored underground from the requirement to
41 demonstrate that the supply will be physically available for storage.

42 N. EXCEPT FOR APPLICATIONS SUBMITTED ON OR BEFORE SEPTEMBER 30,
43 2024, BEFORE PRESENTING A PERMIT APPLICATION FOR APPROVAL TO THE CITY,
44 TOWN OR COUNTY IN WHICH THE LAND IS LOCATED, A PERSON THAT SEEKS A
45 BUILDING PERMIT OR BUILDING PLAN FOR SIX OR MORE DETACHED SINGLE-FAMILY

1 RESIDENCES, A MULTIFAMILY RESIDENTIAL PROPERTY OR A CONDOMINIUM WITHIN ANY
2 ACTIVE MANAGEMENT AREA, WITHOUT REGARD TO ANY PROPOSED LEASE TERM FOR
3 THOSE DETACHED SINGLE-FAMILY OR MULTIFAMILY RESIDENCES, SHALL:

4 1. APPLY FOR AND OBTAIN A CERTIFICATE OF ASSURED WATER SUPPLY FROM
5 THE DIRECTOR UNLESS THE APPLICANT HAS OBTAINED A WRITTEN COMMITMENT OF
6 WATER SERVICE FOR THE RESIDENCES FROM A CITY, TOWN OR PRIVATE WATER
7 COMPANY THAT IS DESIGNATED AS HAVING AN ASSURED WATER SUPPLY PURSUANT TO
8 THIS SECTION.

9 2. PAY ALL APPLICABLE FEES PURSUANT TO SECTIONS 48-3772 AND
10 48-3774.01 AND ACCOMPANY THE PERMIT APPLICATION WITH PROOF THAT THE
11 APPLICABLE FEES HAVE BEEN PAID.

12 0. EXCEPT FOR APPLICATIONS SUBMITTED ON OR BEFORE SEPTEMBER 30,
13 2024, A CITY, TOWN OR COUNTY MAY APPROVE A BUILDING PERMIT OR BUILDING
14 PLAN APPLICATION THAT INCLUDES SIX OR MORE DETACHED SINGLE-FAMILY
15 RESIDENCES, A MULTIFAMILY RESIDENTIAL PROPERTY OR A CONDOMINIUM WITHIN ANY
16 ACTIVE MANAGEMENT AREA, WITHOUT REGARD TO ANY PROPOSED LEASE TERM FOR
17 THOSE DETACHED SINGLE-FAMILY OR MULTIFAMILY RESIDENCES, ONLY IF THE
18 RESIDENCES INCLUDED IN THE BUILDING PERMIT OR BUILDING PLAN HAVE OBTAINED
19 A CERTIFICATE OF ASSURED WATER SUPPLY FROM THE DIRECTOR OR A WRITTEN
20 COMMITMENT OF WATER SERVICE FOR THE RESIDENCES FROM A CITY, TOWN OR
21 PRIVATE WATER COMPANY THAT IS DESIGNATED AS HAVING AN ASSURED WATER SUPPLY
22 PURSUANT TO THIS SECTION.

23 ~~N.~~ P. For the purposes of this section: ~~;~~

24 1. "Assured water supply" means all of the following:

25 ~~1.~~ (a) Sufficient groundwater, surface water or effluent of
26 adequate quality will be continuously available to satisfy the water needs
27 of the proposed use for at least one hundred years. Beginning January 1
28 of the calendar year following the year in which a groundwater
29 replenishment district is required to submit its preliminary plan pursuant
30 to section 45-576.02, subsection A, paragraph 1, with respect to an
31 applicant that is a member of the district, "sufficient groundwater" for
32 the purposes of this ~~paragraph~~ SUBDIVISION means that the proposed
33 groundwater withdrawals that the applicant will cause over a period of one
34 hundred years will be of adequate quality and will not exceed, in
35 combination with other withdrawals from land in the replenishment
36 district, a depth to water of one thousand feet or the depth of the bottom
37 of the aquifer, whichever is less. In determining depth to water for the
38 purposes of this ~~paragraph~~ SUBDIVISION, the director shall consider the
39 combination of:

40 ~~(a)~~ (i) The existing rate of decline.

41 ~~(b)~~ (ii) The proposed withdrawals.

42 ~~(c)~~ (iii) The expected water requirements of all recorded lots
43 that are not yet served water and that are located in the service area of
44 a municipal provider.

1 ~~2.~~ (b) The projected groundwater use is consistent with the
2 management plan and achievement of the management goal for the active
3 management area.

4 ~~3.~~ (c) The financial capability has been demonstrated to construct
5 the water facilities necessary to make the supply of water available for
6 the proposed use, including a delivery system and any storage facilities
7 or treatment works. The director may accept evidence of the construction
8 assurances required by section 9-463.01, 11-822 or 32-2181 to satisfy this
9 requirement.

10 2. "CONDOMINIUM" HAS THE SAME MEANING PRESCRIBED IN SECTION
11 33-1202.

12 3. "MULTIFAMILY RESIDENTIAL PROPERTY" HAS THE SAME MEANING
13 PRESCRIBED IN SECTION 49-746.

14 Sec. 2. Section 48-3701, Arizona Revised Statutes, is amended to
15 read:

16 48-3701. Definitions

17 In this chapter, unless the context otherwise requires:

18 1. "Active management area" means an active management area
19 established under title 45, chapter 2, article 2.

20 2. "Board" means the board of directors of a multi-county water
21 conservation district.

22 3. "CONDOMINIUM" HAS THE SAME MEANING PRESCRIBED IN SECTION
23 33-1202.

24 ~~4.~~ 4. "Contract replenishment obligation" means an amount of
25 groundwater that the district contracts to replenish in a year on behalf
26 of a municipal provider pursuant to a contract authorized under section
27 48-3772, subsection B, paragraph 9.

28 ~~4.~~ 5. "Credits" means any groundwater in addition to the amount of
29 groundwater that may be used at a member land or delivered within a member
30 service area for use within the member service area pursuant to the
31 applicable assured water supply rules adopted by the department of water
32 resources.

33 ~~5.~~ 6. "Declaration" means an instrument recorded against real
34 property and conforming to the requirements prescribed by section 48-3774,
35 subsection A, paragraph 5.

36 ~~6.~~ 7. "District" means a multi-county water conservation district
37 organized under the authority of this chapter.

38 ~~7.~~ 8. "Excess groundwater" means an amount of groundwater equal to
39 that amount of groundwater delivered to a member land in a calendar year
40 or delivered within a member service area by the municipal provider for
41 that member service area in a calendar year in excess of the amount of
42 groundwater that may be used at the member land in that calendar year or
43 that may be delivered by the municipal provider for use within the member
44 service area in that calendar year and consistent with the applicable
45 assured water supply rules adopted by the department of water resources

1 for the active management area where the member land or the member service
2 area is located.

3 ~~8.~~ 9. "Excess groundwater increment" means the amount by which
4 excess groundwater reported for a member service area under section
5 48-3775, subsection B in any year exceeds the maximum amount of excess
6 groundwater reported for that member service area in any prior year.

7 ~~9.~~ 10. "Groundwater replenishment obligation" means, for each
8 active management area in which member lands or member service areas are
9 or may be located, the total of the cumulative parcel replenishment
10 obligation of all parcels of member land in that active management area
11 for a particular calendar year plus the cumulative service area
12 replenishment obligation of all member service areas in that active
13 management area for a particular calendar year.

14 ~~10.~~ 11. "Member land" means any real property that meets the
15 requirements of section 48-3774.

16 ~~11.~~ 12. "Member service area" means the service area of a
17 municipal provider that qualifies as a member service area under section
18 48-3780, including any additions to or extensions of the service area.

19 ~~12.~~ 13. "Multi-county water conservation district" means a
20 district composed of three or more counties that have joined together for
21 the creation of a district.

22 ~~13.~~ 14. "Municipal provider" means a city, town or private water
23 company or an irrigation district that supplies water for non-irrigation
24 use.

25 ~~14.~~ 15. "Parcel of member land" means any portion of member land
26 for which the tax assessor for the county in which the member land is
27 located has issued a separate county parcel number.

28 ~~15.~~ 16. "Parcel replenishment obligation" means, with respect to
29 any particular parcel of member land, an amount of groundwater that is
30 equal to the amount of groundwater delivered to the parcel of member land
31 in a calendar year multiplied by the percentage that the excess
32 groundwater of the applicable member land for that year bears to the total
33 amount of groundwater delivered to the applicable member land during that
34 year.

35 ~~16.~~ 17. "Population" means the population determined in the most
36 recent United States decennial census.

37 ~~17.~~ 18. "Private water company" has the same meaning prescribed in
38 section 45-402.

39 ~~18.~~ 19. "Projected replenishment obligation" means for each active
40 management area, the district's total projected annual groundwater
41 replenishment obligation for each of the one hundred years following
42 submission of the district plan of operation.

43 ~~19.~~ 20. "Replenish" means to increase the amount of groundwater in
44 an aquifer through water storage pursuant to title 45, chapter 3.1 for the
45 purpose of meeting the obligations of article 4 of this chapter.

1 ~~20.~~ 21. "Reserve target" means the volume calculated for each
2 active management area as prescribed by section 48-3772, subsection E.

3 22. "RESIDENTIAL LEASE COMMUNITY":

4 (A) MEANS SIX OR MORE DETACHED RESIDENTIAL DWELLING UNITS THAT ARE
5 ON ONE OR MORE LOTS, PARCELS OR FRACTIONAL INTERESTS, WITHOUT REGARD TO
6 THE ZONING CLASSIFICATION OF THE LOTS, PARCELS OR FRACTIONAL INTERESTS,
7 AND THAT ARE INTENDED TO BE OFFERED FOR THE PURPOSE OF LEASE, WHETHER
8 IMMEDIATE OR FUTURE, WITHOUT REGARD TO THE LEASE TERM, UNDER A COMMON
9 PROMOTIONAL PLAN AS DEFINED IN SECTION 32-2101.

10 (B) INCLUDES MULTIFAMILY RESIDENTIAL PROPERTIES AS DEFINED IN
11 SECTION 49-746.

12 ~~21.~~ 23. "Resolution" means a resolution adopted by the governing
13 body of a city or town, by the board of directors of a private water
14 company that is a corporation, by the general partners of a private water
15 company that is a partnership or by the individual owners of a private
16 water company that is individually owned.

17 ~~22.~~ 24. "Secretary" means the secretary of the interior of the
18 United States of America.

19 ~~23.~~ 25. "Service area" has the same meaning prescribed in section
20 45-402.

21 ~~24.~~ 26. "Service area replenishment obligation" means, with
22 respect to any particular member service area, the excess groundwater of
23 that member service area in a particular calendar year reduced by the
24 replenishment credits, if any, applied by the municipal provider with
25 respect to the member service area under section 48-3772, subsection H.

26 ~~25.~~ 27. "Water storage" has the same meaning prescribed in section
27 45-802.01.

28 Sec. 3. Section 48-3772, Arizona Revised Statutes, is amended to
29 read:

30 48-3772. Duties and powers of district regarding
31 replenishment

32 A. The district shall:

33 1. Establish annually the costs and expenses to replenish
34 groundwater pursuant to this article with respect to all parcels of member
35 lands and all member service areas located in each active management area,
36 including capital expenses, debt service expenses, the operation,
37 maintenance, replacement and administrative costs and expenses of the
38 district, replenishment reserve costs and expenses as provided in
39 subsection E of this section and reasonable reserves. Separate
40 calculations of costs and expenses shall be made for each active
41 management area in which member lands or member service areas are located
42 and for each membership category. Costs and expenses attributed by the
43 district to contract replenishment obligations shall not be included in
44 these calculations.

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

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

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

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

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

18 7. Levy an activation fee as follows:

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

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

28 (c) FOR RESIDENTIAL LEASE COMMUNITIES AND CONDOMINIUMS WITHIN
29 MEMBER LANDS AND MEMBER SERVICE AREAS THAT ARE ENROLLED ON OR AFTER
30 JANUARY 1, 2027, THE DISTRICT SHALL LEVY A ONETIME ACTIVATION FEE AGAINST
31 EACH HOUSING UNIT TO BE CONSTRUCTED WITHIN THE RESIDENTIAL LEASE COMMUNITY
32 OR CONDOMINIUM.

33 ~~(c)~~ (d) The activation fee shall be paid to the district according
34 to ~~either~~ ONE of the following schedules, whichever the ~~subdivider~~ PAYOR
35 elects:

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

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

1 issuance of a public report as prescribed in section 32-2183, subsection G
2 and section 45-576, subsection C, except that on failure to pay the
3 remaining amount, the commissioner shall suspend the public report for
4 that subdivision pursuant to section 32-2183.

5 (iii) PAID IN FULL PURSUANT TO SECTION 45-576, SUBSECTION N.

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

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

29 B. The district may:

30 1. Acquire, develop, construct, operate, maintain, replace and
31 acquire permits for water storage, storage facilities and recovery wells
32 for replenishment purposes.

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

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

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

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

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

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

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

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

16 10. Adopt resolutions granting water availability status to a
17 member service area of a city, town or private water company and
18 committing to replenish a specified average annual volume of water in a
19 location where the city, town or private water company may physically
20 access the water for service to its customers, if all of the following
21 apply:

22 (a) The district has reviewed its requirements for transportation
23 of central Arizona project water, its contracts, subcontracts, letter
24 agreements, excess water contracts and other contractual obligations and
25 its member service area and member land requirements and has determined
26 that the district can meet those obligations and that capacity remains in
27 the central Arizona project to meet the obligations undertaken through the
28 resolution.

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

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

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

44 (c) The average annual volume of water specified in the resolution,
45 when added to the average annual volume of water specified in all other

1 resolutions adopted pursuant to this paragraph, does not exceed twenty
2 thousand acre-feet.

3 (d) The district has entered into an agreement with the city, town
4 or private water company under which the city, town or private water
5 company will hold for the district's future use, and provide to the
6 district when needed, sufficient water to meet the obligations undertaken
7 by the district through the resolution.

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

12 (f) The director of water resources has found, pursuant to section
13 45-576.07, subsection H, that the district has the capability to grant
14 water availability status to member service areas.

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

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

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

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

36 13. Issue revenue bonds pursuant to article 3 of this chapter to
37 fund the costs and expenses of the district for the acquisition, lease or
38 exchange of water or water rights and the development of infrastructure
39 necessary for the district to perform its replenishment obligations
40 subject to the following:

41 (a) The principal of, interest and premiums, if any, on revenue
42 bonds issued pursuant to article 3 of this chapter to acquire, lease or
43 exchange water or water rights and develop infrastructure necessary for
44 the district to perform its replenishment obligations are not payable from
45 any revenues of the district other than revenues generated or collected

1 pursuant to this article that are legally available to the district for
2 those purposes and revenues from the investment of the proceeds of the
3 bonds.

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

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

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

11 (c) Subdivision (b) of this paragraph does not prohibit the
12 district from acquiring or leasing central Arizona project water.

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

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

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

27 E. The district shall establish and maintain a replenishment
28 reserve of long-term storage credits as follows:

29 1. The district shall calculate a reserve target for each of the
30 three active management areas within the district and shall identify the
31 reserve target in the plan of operation prepared pursuant to section
32 45-576.02. The reserve target for each active management area shall be
33 calculated as follows:

34 (a) For each active management area, add together the projected
35 replenishment obligation for each of the twenty years following submission
36 of the plan of operation. For the purposes of this subdivision, each
37 active management area's projected replenishment obligation does not
38 include replenishment obligations under resolutions adopted pursuant to
39 subsection B, paragraph 10 of this section or replenishment obligations
40 for category 2 member lands.

41 (b) Divide each sum from subdivision (a) of this paragraph by
42 twenty to determine the twenty-year average annual projected replenishment
43 obligations for each active management area and multiply by five. Each
44 product is the reserve target for the applicable active management area.
45 If the replenishment reserve account balance in any active management area

1 exceeds the reserve target as of September 26, 2025, the excess shall
2 remain in the account.

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

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

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

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

18 4. The district shall levy a replenishment reserve fee against
19 category 1 member lands pursuant to section 48-3774.01 and against member
20 service areas pursuant to section 48-3780.01. For category 1 member lands
21 the fee is equal to twice the applicable replenishment reserve charge
22 multiplied by the total projected average annual replenishment obligation
23 for the member lands as reported by the director of water resources
24 pursuant to section 45-578, subsection F. For member service areas the
25 fee is equal to twice the applicable replenishment reserve charge
26 multiplied by the excess groundwater increment. With the approval of the
27 district and the director of water resources, long-term storage credits as
28 defined in section 45-802.01 may be assigned to the district's
29 replenishment reserve subaccount in lieu of paying the replenishment
30 reserve fee.

31 5. The district shall use replenishment reserve charges and
32 replenishment reserve fees collected within each active management area
33 together with all interest earned on the charges and fees to store water
34 in that active management area in advance of groundwater replenishment
35 obligations for the purpose of developing long-term storage credits as
36 defined in section 45-802.01 that shall be credited to the replenishment
37 reserve subaccount for that active management area as provided in section
38 45-859.01.

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

44 7. If the district transfers credits from the replenishment reserve
45 subaccount for an active management area pursuant to section 45-859.01,

1 subsection E, the district shall include in the annual replenishment
 2 assessment levied against all parcels of category 1 member land in that
 3 active management area and, except as provided in section 48-3780.01,
 4 subsection B, in the annual replenishment tax levied against all municipal
 5 providers that have member service areas in that active management area a
 6 reserve replacement component to fund the replacement of the transferred
 7 credits. The district shall use all monies from the reserve replacement
 8 component collected within an active management area together with all
 9 interest earned on the monies to develop long-term storage credits as
 10 defined in section 45-802.01 within that active management area to be
 11 credited to the replenishment reserve subaccount for that active
 12 management area as provided in section 45-859.01.

13 8. For the purposes of establishing and maintaining the
 14 replenishment reserve, the district shall have access to excess central
 15 Arizona project water equivalent to but not more than the access the
 16 Arizona water banking authority has for the purposes specified in section
 17 45-2401, subsection H, paragraph 2.

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

22 G. The district shall not enter into a contract authorized under
 23 subsection B, paragraph 9 of this section unless the district has
 24 determined that the contract will not adversely affect the district's
 25 ability to fulfill its obligations under this chapter. For each contract
 26 entered into under subsection B, paragraph 9 of this section, the district
 27 shall perform its contract replenishment obligations in the active
 28 management area in which the service area of the municipal provider that
 29 is the party to the contract is located.

30 H. If the district replenishes groundwater on behalf of a municipal
 31 provider pursuant to a contract to replenish groundwater under subsection
 32 B, paragraph 9 of this section, the amount of groundwater so replenished
 33 shall be a replenishment credit to the municipal provider that may be
 34 applied by the municipal provider on notice to the district to reduce the
 35 service area replenishment obligations applicable to the municipal
 36 provider.

37 I. In the Phoenix active management area, the district, to the
 38 extent reasonably feasible, shall replenish groundwater in the east
 39 portion of the active management area and in the west portion of the
 40 active management area in the approximate proportion that the groundwater
 41 replenishment obligation attributable in a particular year to member lands
 42 and member service areas located in the east portion of the active
 43 management area bears to the groundwater replenishment obligation
 44 attributable in that year to member lands and member service areas located
 45 in the west portion of the active management area. For the purposes of

1 this subsection, the boundary between the east Salt river valley subbasin
2 and the west Salt river valley subbasin is the boundary between the east
3 and west portions of the active management area.

4 J. The costs and expenses charged by the district to an active
5 management area water district established under chapter 28 of this title
6 for delivery of surplus central Arizona project water to such active
7 management area water district for replenishment purposes shall not exceed
8 the costs and expenses for delivery of such water that are or would be
9 included by the district in the costs and expenses of replenishment for
10 member lands and member service areas within the active management area in
11 which such active management area water district is situated.

12 Sec. 4. Section 48-3774.01, Arizona Revised Statutes, is amended to
13 read:

14 48-3774.01. Category 1 member lands; category 2 member lands;
15 fees

16 A. Except as provided in subsection B of this section, all real
17 property that qualifies under section 48-3774 shall be category 1 member
18 land. The district shall levy annual replenishment reserve charges and
19 ~~one-time~~ ONETIME replenishment reserve fees for category 1 member lands as
20 provided in section 48-3772, subsection E and as follows:

21 1. For category 1 member lands that qualified before January 1,
22 2004, the district shall levy annual replenishment reserve charges for
23 twenty-five years beginning in 2004.

24 2. For category 1 member land that qualifies on or after January 1,
25 2004, a replenishment reserve fee shall be paid before issuance of a
26 public report for each final plat within the member land as provided in
27 section 45-576, subsection C ~~OR PAID IN FULL PURSUANT TO SECTION 45-576,~~
28 ~~SUBSECTION N~~ and the district shall levy annual replenishment reserve
29 charges against the land included within the final plat for twenty-three
30 years beginning in the year after payment of the corresponding
31 replenishment reserve fee.

32 B. A parcel of member land shall be a category 2 member land if all
33 of the following apply:

34 1. The parcel of member land is or will be used as a golf course.

35 2. The parcel of member land is not served by a water provider that
36 has been designated by the director of water resources as having an
37 assured water supply pursuant to section 45-576.

38 3. The owner of the parcel notifies the district in writing at the
39 time of qualification that the parcel is to be category 2 member land.
40 For member land that qualified under section 48-3774 before January 1,
41 2004, ~~such~~ THE notification must be made ~~no~~ NOT later than January 30,
42 2004.

43 C. The district shall not levy replenishment reserve fees,
44 replenishment reserve charges or a reserve replacement component against
45 category 2 member lands.

1 D. The district shall not use credits from a replenishment reserve
2 subaccount established under section 45-859.01 to satisfy its groundwater
3 replenishment obligations for category 2 member lands. If as a result the
4 district incurs additional costs and expenses in meeting its replenishment
5 obligations for category 2 member lands, those additional costs and
6 expenses are attributed solely to category 2 member lands for THE purposes
7 of section 48-3772, subsection A, paragraph 1.

8 Sec. 5. Section 48-3779, Arizona Revised Statutes, is amended to
9 read:

10 48-3779. Annual membership dues

11 A. On or before the third Monday of August of each year, the
12 district may charge annual membership dues on all parcels of member lands,
13 ON EACH RESIDENCE WITHIN A RESIDENTIAL LEASE COMMUNITY OR UNIT WITHIN A
14 CONDOMINIUM and on all municipal providers having a member service area.

15 B. The annual membership dues shall be established annually by the
16 district. The district shall use revenues from the annual membership
17 dues, together with revenues from other revenue sources that are legally
18 available to the district for those uses, solely to pay costs associated
19 with the acquisition, lease or exchange of water or water rights and
20 development of infrastructure necessary for the district to perform its
21 replenishment obligations, including the payment of debt service expenses,
22 and necessary reserves and coverage requirements, on bonds issued for
23 replenishment purposes.

24 C. For any year in which the district has, or expects to have, any
25 revenue bonds outstanding that were issued for replenishment purposes
26 pursuant to section 48-3772, subsection B, paragraph 13, the annual
27 membership dues shall be established in an amount determined by the
28 district to be sufficient to provide, with other revenues legally
29 available to the district for those purposes, and taking into account the
30 requirements of section 48-3772, subsection A, paragraph 8, for the
31 payment of all debt service expenses, including necessary reserves and
32 coverage requirements with respect to the bonds.

33 D. When the district has determined the amount of revenues to be
34 raised through the annual membership dues, the district shall allocate the
35 amount to be raised between member lands, RESIDENCES WITHIN A RESIDENTIAL
36 LEASE COMMUNITY OR UNITS WITHIN CONDOMINIUMS and member service areas
37 prorated on the basis of the following two volumes:

38 1. For member lands, the projected groundwater use per lot
39 multiplied by the total number of residential, commercial and common area
40 lots that are included, or intended to be included, in each parcel of
41 member land.

42 2. Total planned annual service area replenishment obligations for
43 all member service areas. The planned annual service area replenishment
44 obligation for a member service area is the lesser of:

1 (a) The annual service area replenishment obligation, as determined
2 by the district, associated with the current and committed water demands
3 projected within the member service area as of December 31 of the year
4 following the year in which the district is required to submit its next
5 plan under section 45-576.02, subsection C.

6 (b) The maximum amount of excess groundwater that may be reported
7 to the district as delivered by the municipal provider within the member
8 service area in any year as established in an agreement executed between
9 the municipal provider and the district.

10 E. The total amount allocated to member lands in any year, as
11 calculated pursuant to subsection D of this section, shall be prorated
12 among all parcels of member land based on a uniform fee ~~per lot~~ levied
13 against the total number of residential, commercial and common area lots,
14 ALL RESIDENCES WITHIN RESIDENTIAL LEASE COMMUNITIES AND ALL UNITS WITHIN
15 CONDOMINIUMS included, or intended to be included, in each parcel of
16 member land as determined in subsection D of this section. These dues are
17 a lien on each parcel of member land and shall be certified, collected and
18 enforced with respect to member land in the same manner as the annual
19 assessment pursuant to section 48-3778, except that any parcel of member
20 land that is included in the service area of a municipal provider that has
21 been designated as having an assured water supply under section 45-576 is
22 not subject to the annual membership dues.

23 F. The total amount allocated to member service areas in any year,
24 as calculated pursuant to subsection D of this section, shall be prorated
25 among all member service areas based on a uniform fee per acre-foot levied
26 against the member service area's dues volume. The dues volume for a
27 member service area is the greater of:

28 1. The planned annual service area replenishment obligation as
29 established pursuant to subsection D, paragraph 2 of this section for the
30 member service area.

31 2. Five percent of the service area's annual estimated water demand
32 to be satisfied with excess groundwater as identified in the service
33 area's most recent designation order issued by the director of water
34 resources. If the service area's most recent designation order issued by
35 the director of water resources does not identify the annual estimated
36 water demand to be satisfied with excess groundwater, the service area's
37 annual estimated water demand to be satisfied with excess groundwater
38 shall be calculated consistent with the rules adopted by the director
39 pursuant to section 45-576, subsection H.

40 G. Except in the first full year following the year in which the
41 director makes a determination that the district's most recent plan of
42 operation is consistent with achieving the management goals of the active
43 management areas pursuant to section 45-576.03, subsection M, for any year
44 in which the dues volume for a member service area, as determined pursuant
45 to subsection F of this section, exceeds the previous year's dues volume

1 for the member service area, a makeup charge shall be added to the annual
2 membership dues allocated under subsection F of this section to the member
3 service area. The makeup charge shall become part of the member service
4 area's annual membership dues for that year and is the sum of:

5 1. The difference between the current year's dues volume and the
6 previous year's dues volume, in acre-feet, multiplied by the sum of the
7 uniform fees per acre-foot established pursuant to subsection F of this
8 section for each year since the later of:

9 (a) The first full year following the year of the director's
10 determination that the district's most recent plan of operation is
11 consistent with achieving the management goals of the active management
12 areas pursuant to section 45-576.03, subsection M.

13 (b) The year in which the service area qualified as a member
14 service area pursuant to section 48-3780.

15 2. Interest on the amount established in paragraph 1 of this
16 subsection calculated at an interest rate determined by the district.

17 3. The amounts established in paragraphs 1 and 2 of this subsection
18 multiplied by ten percent.

19 H. The annual membership dues become an obligation of each
20 municipal provider that has a member service area and shall be stated,
21 collected and enforced with respect to the municipal provider in the same
22 manner as the annual replenishment tax pursuant to sections 48-3781 and
23 48-3782.

24 I. Annual membership dues collected by the district shall be
25 deposited in a special fund established by the state to be spent by the
26 district only for the purposes authorized by this article, including:

27 1. The payment of debt service expenses and funding reserves for
28 bonds issued for replenishment purposes.

29 2. The payment of the costs of acquiring, leasing or exchanging
30 water or water rights and development of infrastructure necessary for the
31 district to perform its replenishment obligations.

32 J. Amounts collected may be transferred to a bank or trust company
33 to be held in trust and spent with respect to bonds issued for
34 replenishment purposes.