REFERENCE TITLE: environment; 2026-2027

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

HB 4159

Introduced by
Representatives Livingston: Carbone, Carter N, Montenegro, Willoughby
(with permission of Committee on Rules)

AN ACT

AMENDING SECTIONS 45-611 AND 45-615.01, ARIZONA REVISED STATUTES; AMENDING LAWS 2019, CHAPTER 1, SECTIONS 2 AND 8; APPROPRIATING MONIES; RELATING TO THE ENVIRONMENT.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

Section 1. Section 45-611, Arizona Revised Statutes, is amended to read:

45-611. Groundwater withdrawal fee; amounts and purposes of fee; exception

A. Except as provided in subsection B of this section, the director shall levy and collect an annual groundwater withdrawal fee from each person withdrawing groundwater in the Prescott active management area or the person who owns the right to withdraw the groundwater, in an amount not to exceed $5 per acre-foot of groundwater withdrawn and beneficially used. The director shall levy and collect an annual withdrawal fee from each person withdrawing water, other than stored water, from a well in the Santa Cruz active management area or the person who owns the right to withdraw the water, in an amount not to exceed $5 per acre-foot of water, other than stored water, that is withdrawn and beneficially used. For the purposes of this article, the annual withdrawal fee levied and collected in the Santa Cruz active management area shall be considered a groundwater withdrawal fee. The actual amount of the fee levied and collected by the director pursuant to this subsection shall be set by the director as follows:

1. For administration and enforcement of this chapter, an amount not less than $.50 and not greater than $1 per acre-foot per year. The initial fee for administration and enforcement shall be levied as soon as practicable after the active management area is established.

2. For augmentation of the water supply of the active management area, conservation assistance to water users within the active management area and monitoring and assessing water availability within the active management area, an amount not greater than $2 per acre-foot per year.

3. For purchasing and retiring grandfathered rights, an amount not greater than $2 per acre-foot per year. The initial fee for purchasing and retiring grandfathered rights shall be levied in the first year in which the director develops and implements a program for the purchase and retirement of grandfathered rights as part of the management plan for the active management area, but not earlier than January 1, 2006. The director may not levy a fee under this paragraph on a district member of a groundwater replenishment district that withdraws groundwater in the district for a non-irrigation use in the district.

B. A person, other than an irrigation district, who withdraws groundwater in an active management area from a non-exempt well for use pursuant to an irrigation grandfathered right that is appurtenant to ten or fewer irrigation acres and the person who owns the right to withdraw the groundwater are exempt from the groundwater withdrawal fee requirements of subsections A and C of this section for those withdrawals unless the irrigation acres are part of an integrated farming operation.

C. Except as provided in section 45-411.01, subsection C and subsection B of this section, the director shall levy and collect an annual groundwater withdrawal fee from each person who withdraws groundwater in the Tucson, Phoenix and Pinal active management areas or the person who owns the right to withdraw the groundwater, in an amount of not more than $5 per acre-foot of groundwater withdrawn and beneficially used. The director shall set the actual amount of the fee as follows:

1. In the Tucson and Phoenix active management areas, beginning in 2017, for administration and enforcement of this chapter, an amount of at least $.50 but not more than $1 per acre-foot per year. In the Pinal active management area, beginning in 2017, for administration and enforcement of this chapter, an amount of not more than $1 per acre-foot per year.

2. For augmentation of the water supply of the active management area, conservation assistance to water users within the active management area and monitoring and assessing water availability within the active management area, an amount of not more than $2 per acre-foot per year. If a permanent board of directors of an active management area water district assumes office under section 48-4831, the fee for augmentation under this paragraph shall not be levied in that active management area.

3. In the Tucson and Phoenix active management areas, for Arizona water banking purposes, the amount of $2.50 per acre-foot per year. In the Pinal active management area, for Arizona water banking purposes, including replenishment under chapter 15, article 3 of this title, THE DIRECTOR SHALL SET THE FEE IN an amount of not more than $2.50 per acre-foot per year, except that no fee shall be levied in the Pinal active management area for this purpose during calendar years 2020 through ~~2026~~ 2030.

4. For purchasing and retiring grandfathered rights, an amount of not more than $2 per acre-foot per year. The initial fee for purchasing and retiring grandfathered rights shall be levied in the first year in which the director develops and implements a program for the purchase and retirement of grandfathered rights as part of the management plan for the active management area, but not earlier than January 1, 2006. The director may not levy a fee pursuant to this paragraph on a district member of a groundwater replenishment district that withdraws groundwater in the district for non-irrigation use in the district.

5. In the Pinal active management area, beginning from and after December 31, 2019 through December 31, ~~2026~~ 2030, an amount of not more than $2.50 per acre-foot per year for groundwater and irrigation efficiency projects.

Sec. 2. Section 45-615.01, Arizona Revised Statutes, is amended to read:

45-615.01. Temporary groundwater and irrigation efficiency projects fund; purpose; report; definition

A. The temporary groundwater and irrigation efficiency projects fund is established for the purpose of funding projects for the construction and rehabilitation of wells and related infrastructure for the withdrawal and efficient delivery of groundwater by qualified irrigation districts in the Phoenix active management area, the Pinal active management area and the Harquahala irrigation non-expansion area. The fund consists of legislative appropriations, groundwater withdrawal fees collected in the Pinal active management area pursuant to section 45-611, subsection C, paragraph 5, grants from federal agencies and monies deposited in the fund by qualified irrigation districts in the Phoenix active management area, the Pinal active management area and the Harquahala irrigation non-expansion area. Groundwater withdrawal fees deposited in the fund shall be accounted for separately from other monies in the fund and shall be used only for constructing and rehabilitating wells and related infrastructure in the Pinal active management area. Monies in the fund are continuously appropriated for the purposes of this section.

B. The director may accept and deposit into the fund monies, grants, gifts, contributions and devises to assist in carrying out the purposes of this section.

C. The director shall administer the fund. On notice from the director, the state treasurer shall invest and divest monies in the fund as provided by section 35-313, and monies earned from investment shall be credited to the fund.

D. The director may grant monies from the fund to qualified irrigation districts established pursuant to title 48, chapter 19 in the Phoenix active management area, the Pinal active management area and the Harquahala irrigation non-expansion area for the purposes described in subsection A of this section. In granting monies from the fund, the director may give preference to wells and related infrastructure that would be used to recover stored water. Grants made to qualified irrigation districts are exempt from title 41, chapter 24.

E. Before December 31 of each year, the director shall submit to the speaker of the house of representatives and the president of the senate a written report describing the activities of the department for the preceding fiscal year related to expenditures from the fund. The report shall include an accounting for expenditures from the fund and how the monies were used to finance projects for the construction and rehabilitation of wells and related infrastructure for the withdrawal and efficient delivery of groundwater by qualified irrigation districts in the

Phoenix active management area, the Pinal active management area and the Harquahala irrigation non-expansion area.

F. Except as provided in subsection G of this section, monies in the fund are exempt from the provisions of section 35-190 relating to lapsing of appropriations.

G. On June 30, ~~2027~~ 2032, any unencumbered monies in the fund shall be proportionally distributed to the fund's contributors by December 31, ~~2027~~ 2032 according to the total amount of monies deposited in the fund by each contributor. The proportion of the unencumbered monies attributable to groundwater withdrawal fees levied under section 45-611, subsection C, paragraph 5 shall be deposited in the Arizona water banking fund established by section 45-2425 and shall be used only in the Pinal active management area in the same manner as groundwater withdrawal fees collected in the Pinal active management area pursuant to section 45-611, subsection C, paragraph 3.

H. All monies deposited in the temporary groundwater and irrigation efficiency projects fund shall be held in trust. The monies in the fund may be used only for the purposes prescribed in this section and may not be appropriated or transferred by the legislature to fund the general operations of this state or to otherwise meet the obligations of the state general fund. This subsection does not apply to any taxes or other levies that are imposed pursuant to title 42 or 43.

I. For the purposes of this section, "qualified irrigation district" means an irrigation district that meets all of the following requirements:

1. The irrigation district received central Arizona project water in any year after calendar year 2014 other than through a groundwater savings facility permit issued under chapter 3.1 of this title.

2. There are at least nine thousand acres that may be lawfully irrigated within the boundaries of the irrigation district.

3. For an irrigation district located in the Phoenix active management area only, the district did not deliver surface water other than central Arizona project water in calendar year 2017.

4. The irrigation district submitted an application to the department for monies from the fund established by this section to construct an irrigation efficiency project in the Phoenix active management area, the Pinal active management area or the Harquahala irrigation non-expansion area.

Sec. 3. Laws 2019, chapter 1, section 2 is amended to read:

Sec. 2. Delayed repeal

Section 45-118, Arizona Revised Statutes, as added by ~~this act~~ LAWS 2019, CHAPTER 1, SECTION 1, is repealed from and after March 31, ~~2027~~ 2031.

Sec. 4. Laws 2019, chapter 1, section 8 is amended to read:

Sec. 8. Delayed Repeal

Section 45-615.01, Arizona Revised Statutes, as added by ~~this act~~ LAWS 2019, CHAPTER 1, SECTION 7, is repealed from and after March 31, ~~2028~~ 2033.

Sec. 5. Underground storage tank revolving fund; use of monies

Notwithstanding any other law, in fiscal year 2026-2027, the department of environmental quality may use up to $6,531,000 from the underground storage tank revolving fund established by section 49-1015, Arizona Revised Statutes, in fiscal year 2026-2027 for:

1. Administrative costs of the department.

2. Remediating sewage discharge issues in Naco, Arizona and other border areas of this state.

Sec. 6. Arizona water banking fund; use of monies

In addition to the purposes provided in section 45-2425, Arizona Revised Statutes, monies appropriated to the Arizona navigable stream adjudication commission from the Arizona water banking fund established by section 45-2425, Arizona Revised Statutes, may be used in fiscal year 2026-2027 to pay legal fees.

Sec. 7. Arizona water protection fund; use of monies

Notwithstanding section 45-2114, Arizona Revised Statutes, in fiscal year 2026-2027, the Arizona water protection fund commission may grant to the department of water resources up to $336,000 of the unobligated balance in the Arizona water protection fund established by section 45-2111, Arizona Revised Statutes, to pay for administrative costs of the department in fiscal year 2026-2027.

Sec. 8. Department of environmental quality; vehicle emissions testing fees; definition

A. Notwithstanding any other law, in fiscal year 2026-2027, the director of the department of environmental quality shall maintain fees for tests conducted in area A at the area A emission fee level as of June 30, 2025.

B. For the purposes of this subsection, "area A" has the same meaning prescribed in section 49-541, Arizona Revised Statutes.

Sec. 9. Appropriation limit; water quality assurance revolving fund

Notwithstanding section 49-282, Arizona Revised Statutes, the appropriation from the state general fund to the water quality assurance revolving fund established by section 49-282, Arizona Revised Statutes, for fiscal year 2026-2027 may not exceed $15,000,000.