

REFERENCE TITLE: **environment; 2026-2027.**

State of Arizona
Senate
Fifty-seventh Legislature
Second Regular Session
2026

SB 1852

Introduced by
Senator Farnsworth (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)

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

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

4 45-611. Groundwater withdrawal fee; amounts and purposes of
5 fee; exception

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10 not to exceed \$5 per acre-foot of groundwater withdrawn and beneficially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15 other than stored water, that is withdrawn and beneficially used.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

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

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

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

38 B. A person, other than an irrigation district, who withdraws
39 groundwater in an active management area from a non-exempt well for use
40 pursuant to an irrigation grandfathered right that is appurtenant to ten
41 or fewer irrigation acres and the person who owns the right to withdraw
42 the groundwater are exempt from the groundwater withdrawal fee
43 requirements of subsections A and C of this section for those withdrawals
44 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.

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

3 45-615.01. Temporary groundwater and irrigation efficiency
4 projects fund; purpose; report; definition

5 A. The temporary groundwater and irrigation efficiency projects
6 fund is established for the purpose of funding projects for the
7 construction and rehabilitation of wells and related infrastructure for
8 the withdrawal and efficient delivery of groundwater by qualified
9 irrigation districts in the Phoenix active management area, the Pinal
10 active management area and the Harquahala irrigation non-expansion area.
11 The fund consists of legislative appropriations, groundwater withdrawal
12 fees collected in the Pinal active management area pursuant to section
13 45-611, subsection C, paragraph 5, grants from federal agencies and monies
14 deposited in the fund by qualified irrigation districts in the Phoenix
15 active management area, the Pinal active management area and the
16 Harquahala irrigation non-expansion area. Groundwater withdrawal fees
17 deposited in the fund shall be accounted for separately from other monies
18 in the fund and shall be used only for constructing and rehabilitating
19 wells and related infrastructure in the Pinal active management area.
20 Monies in the fund are continuously appropriated for the purposes of this
21 section.

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

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

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

37 E. Before December 31 of each year, the director shall submit to
38 the speaker of the house of representatives and the president of the
39 senate a written report describing the activities of the department for
40 the preceding fiscal year related to expenditures from the fund. The
41 report shall include an accounting for expenditures from the fund and how
42 the monies were used to finance projects for the construction and
43 rehabilitation of wells and related infrastructure for the withdrawal and
44 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.

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

2 Sec. 8. Delayed Repeal

3 Section 45-615.01, Arizona Revised Statutes, as added by ~~this act~~
4 LAWS 2019, CHAPTER 1, SECTION 7, is repealed from and after March 31, ~~2028~~
5 2033.

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

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

12 1. Administrative costs of the department.

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

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

16 In addition to the purposes provided in section 45-2425, Arizona
17 Revised Statutes, monies appropriated to the Arizona navigable stream
18 adjudication commission from the Arizona water banking fund established by
19 section 45-2425, Arizona Revised Statutes, may be used in fiscal year
20 2026-2027 to pay legal fees.

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

22 Notwithstanding section 45-2114, Arizona Revised Statutes, in fiscal
23 year 2026-2027, the Arizona water protection fund commission may grant to
24 the department of water resources up to \$336,000 of the unobligated
25 balance in the Arizona water protection fund established by section
26 45-2111, Arizona Revised Statutes, to pay for administrative costs of the
27 department in fiscal year 2026-2027.

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

30 A. Notwithstanding any other law, in fiscal year 2026-2027, the
31 director of the department of environmental quality shall maintain fees
32 for tests conducted in area A at the area A emission fee level as of June
33 30, 2025.

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

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

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