



ARIZONA HOUSE OF REPRESENTATIVES

Fifty-fifth Legislature
Second Regular Session

HB 2873: water infrastructure financing; supply; augmentation.

**Sponsor: Representative Griffin (with permission of committee on Rules), LD 14
Committee on Natural Resources, Energy & Water**

Overview

Re-establishes the Water Infrastructure Finance Authority as a separate state agency with a governing board and several committees to assist in reviewing applications for fund monies. Authorizes WIFA to engage in public-private partnerships for water supply development projects. Establishes the Long-Term Water Augmentation Fund to primarily fund projects to import water into Arizona. Amends the criteria for the Water Supply Development Revolving Fund and increases the amount of a single fund grant to \$2,000,000. Repeals the Drought Mitigation Board and transfer most of its fund monies to the Water Supply Development Revolving Fund.

History

Water Infrastructure Finance Authority

The Water Infrastructure Finance Authority (WIFA) provides financial assistance for water infrastructure to political subdivisions, tribal communities, and other eligible entities primarily through its Clean Water Revolving Fund and Drinking Water Revolving Fund. It also administers the Water Supply Development Revolving, which provides loans and grants for water supply development projects in rural Arizona.

WIFA was initially created as a separate state agency with a governing board in 1997 (Laws 1997, Chapter 130). However, a 2016 law placed this agency under the Arizona Finance Authority within the newly formed Office of Economic Opportunity ([Laws 2016, Chapter 372](#)). The Arizona Finance Authority Board serves as the governing body for WIFA with additional input on applications for fund monies provided by the WIFA Advisory Board ([A.R.S. § 41-5356](#)).

Drought Mitigation Board and Revolving Fund

The Drought Mitigation Board and its fund were created in 2021 to provide grants to facilitate forbearance of Colorado River water deliveries, utilizing water resources on state trust lands, and loans for projects to import water supplies into Arizona ([Laws 2021, Chapter 407, § 5](#)). Although some members were appointed to this board, it has never met and no fund monies have been allocated.

Water Resources Advisory Board

The Arizona Water Resources Advisory Board terminated on July 1, 2002 ([A.R.S. § 41-3002.09](#)). However, some references to this board remain in statute.

Provisions

WIFA Board

1. Transfers authority from the Arizona Finance Authority Board to the WIFA Board for evaluating and approving funding requests for monies from the Clean Water Revolving Fund, Safe Drinking Water Revolving Fund, Water Supply Development Revolving Fund, and Long-Term Water Augmentation Fund and perform other duties as prescribed. (Sec. 15)

<input type="checkbox"/> Prop 105 (45 votes)	<input type="checkbox"/> Prop 108 (40 votes)	<input type="checkbox"/> Emergency (40 votes)	<input type="checkbox"/> Fiscal Note
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2. Outlines the membership for the WIFA Board and specific requirements for the voting members. (Sec. 15)
3. Establishes a process for appointing voting members to the WIFA Board in which the Governor, Senate President, and Speaker of the House each appoint certain members. (Sec. 15)
4. Prescribes the terms of initial appointees to the WIFA Board. (Sec. 26)
5. For an appointed voting member:
 - a) States that a member serves a five-year term and is eligible for reappointment;
 - b) Allows a member to be removed only for cause by the person who holds the same office as the person who appointed the member;
 - c) Requires the member to be a resident of Arizona for at least two years; and
 - d) Instructs a member to submit fingerprints for a state and federal criminal background check. (Sec. 15)
6. Instructs the WIFA Board to elect a chairperson who may appoint subcommittees. (Sec. 15)
7. Allows WIFA Board members to be reimbursed for eligible expenses. (Sec. 15)
8. Prohibits WIFA Board members employed as public officers from receiving compensation if it is otherwise prohibited by law. (Sec. 15)
9. Declares that:
 - a) The majority of voting members (which includes the chairperson) constitutes a quorum;
 - b) An affirmative vote of the majority of voting members present is sufficient for the WIFA Board to take any action; and
 - c) Requires approval of funding or other financial assistance requires an affirmative vote of at least five voting members present. (Sec. 15)
10. Declares that the WIFA Board and its subcommittees are subject to the Open Meetings Laws except that:
 - a) The WIFA Board and its subcommittees may meet in executive session to discuss project opportunities and strategies that could cause harm if made public; and
 - b) Activities and events held in public for announcing projects are not public meetings. (Sec. 15)
11. Declares that the WIFA Board, its subcommittees, officers and employees are subject to the state's conflict of interest laws and additionally prohibits the following:
 - a) A person from participating in the consideration of or vote on any award or expenditure if the person or the person's spouse meets certain criteria;
 - b) A person from being a WIFA Board member or serving as general counsel to WIFA or its Board if that person is required to register as a lobbyist; and
 - c) An employee of a political subdivision who serves on the WIFA Board cannot participate in considering or voting on any award or expenditure by WIFA for projects that directly benefit that political subdivision. (Sec. 15)
12. Instructs the WIFA Board to adopt policies, procedures and guidelines for standards of conduct. (Sec. 15)
13. Authorizes the WIFA Board to request assistance from other state agencies. (Sec. 15)
14. Directs the Arizona Department of Water Resources (ADWR) to provide technical assistance to the WIFA Board. (Sec. 15)
15. Declares that the WIFA Board is a public body subject to the State's public records laws. (Sec. 15)

16. Authorizes WIFA, through its Board, to:
 - a) Issue water supply development bonds to provide financial assistance to eligible entities;
 - b) Hire a director who serves at the pleasure of the board and is therefore not subject to the State Personnel System;
 - c) Contract for or employ engineers and financial and other consultants; and
 - d) Provide grants, staff assistance or technical assistance to other eligible entities for:
 - i. Developing or financing wastewater, drinking water, water reclamation or related water infrastructure;
 - ii. Planning or designing water supply development projects. (Sec. 12)
17. Removes WIFA's authorization, through its Board, to:
 - a) Guarantee debt obligations of, and provide linked deposit guarantees through third-party lenders, to water providers that are issued for finance water supply development projects; and
 - b) Provide linked deposit guarantees through third-party lenders to water providers. (Sec. 12)

WIFA – Powers and Duties

18. Declares that:
 - a) WIFA succeeds the authority, powers, duties and responsibilities of the Arizona Finance Authority with respect to the Clean Water Revolving Fund Program, the Drinking Water Revolving Fund Program, Hardship Grant Fund and the Water Supply Development Revolving Fund;
 - b) Any administrative rules and orders adopted with respect to the above programs and funds continue until superseded by WIFA's administrative actions;
 - c) All administrative matters, contracts, judicial and quasi-judicial actions of the Arizona Finance Authority with respect to the above programs and funds are transferred to and retain the same status with WIFA;
 - d) All certificates, licenses, registrations, permits and other indicia that were issued by the Arizona Financial Authority and WIFA with respect to the Water Supply Development Revolving Fund retain their validity for the duration of their terms;
 - e) All property, data, investigative findings, obligations and appropriated monies that remain unexpended and unencumbered for the Water Supply Development Revolving Fund on this act's effective date are retained with WIFA; and
 - f) This act does not change actions taken or impair the obligations of the Arizona Finance Authority of Water Infrastructure Finance Authority in existence before this act's effective date. (Sec. 27)
19. Allows WIFA to:
 - a) Employ legal counsel or make an expenditure or incur indebtedness for legal services; (Sec. 1)
 - b) Adopt rules governing the application for and awarding of assistance it provides and the administration of its funds; and (Sec. 12)
 - c) Request the assistance of state agencies and requires these agencies to cooperate with WIFA and provide requested data related to the WIFA Board's functions. (Sec. 15)
20. Authorizes WIFA, except as limited by other laws and as reasonable or necessary to implement the Long-Term Water Augmentation Fund and Water Supply Development Revolving Fund, to:
 - a) Acquire, sell, lease, or dispose of real and personal property within Arizona;
 - b) Apply for and hold permits necessary to engage in its activities;
 - c) Negotiate and enter into intergovernmental agreements and agreements with private and public entities within and outside of Arizona, including the United States and other nations;

- d) Contract for or perform feasibility studies of water storage, storage facilities, and recovery wells;
 - e) Apply for and accept gifts, grants or donations or other property; and
 - f) Conduct other activities necessary and related to its powers and duties. (Sec. 13)
21. Authorizes WIFA, except as limited by other laws and as reasonable or necessary to implement the Long-Term Water Augmentation Fund, to:
- a) Issue long-term water augmentation bonds;
 - b) Issue refunding bonds;
 - c) Refund by issuing new bonds for any bonds issued by WIFA if these bonds are secured from the same sources of revenues as the bonds authorized by statute, regardless of whether the bonds to be refunded have matured;
 - d) Take, hold, and enforce a security interest in water-related facilities in connection with the terms of an agreement entered into by WIFA;
 - e) To facilitate an approved water supply development project;
 - i. Plan, construct, acquire, own, improve, and equip water-related facilities in Arizona to transport or deliver imported water within Arizona;
 - ii. Negotiate and executive agreements to acquire sell, lease, exchange, hold, sever or transfer imported water and rights to imported water, which WIFA may acquire in its own name;
 - iii. Enter into and carry out contracts or subcontracts to transport, treat and deliver imported water acquired by WIFA;
 - iv. Store imported water and acquire, hold, assign or otherwise dispose of long-term storage credits for imported water; and
 - v. Negotiate and enter into agreements to use existing water-related facilities;
 - f) Conduct investigations related to a security interest in water-related facilities and actions described above for water supply development projects;
 - g) Assess fees and charges related to WIFA's design, construction, acquisition, improvement, equipping and ownership of water-related facilities. (Sec. 13)
22. Declares that none of these provisions replace, supplant or diminish the powers and duties of the Arizona Department of Environmental Quality Director. (Sec. 13)
23. Requires WIFA to cooperate with established and existing state agencies and political subdivisions within Arizona and with the United States and other states in acquiring, constructing or developing water related facilities. (Sec. 15)
24. Prohibits WIFA from beginning negotiations on any agreement or entering into any agreement involving the use, storage or conservation of Colorado River water outside Arizona without the ADWR Director's approval (Sec. 15).
25. Prohibits WIFA from:
- a) Purchasing any mainstream Colorado River water or rights to this water and from providing funding or financial assistance to transfer, purchase or lease any such water or rights except that this prohibition does not apply to any way or rights held by a federally recognized tribe;
 - b) Entering into any agreements to convey or deliver water to a water user within a city's or town's boundaries or within the boundaries of a private water company's certificate of convenience and necessity without written consent;
 - c) Operating or maintaining any water-related facilities but allows WIFA to enter into agreements with public or private entities to operate or maintain water-related facilities owned or constructed by WIFA; or

- d) Acquiring or owning, unless otherwise allowed for, water-related facilities that are either located within Arizona and used to convey or deliver water that is not imported water or located outside Arizona. (Sec. 15)
- 26. Stipulates that if WIFA acquires imported water or long-term storage credits in its own name, it may not sell or lease that water or those credits for amounts greater than necessary to comply with repayment provisions of the Long-Term Water Storage Fund. (Sec. 15)
- 27. Allows WIFA to provide for developing or operating water-related facilities using a variety of project delivery methods and agreements including predevelopment agreements, design-build-maintain agreements, and any other project delivery method or agreement that is reasonable for carrying out its purpose. (Sec. 15)
- 28. Authorizes WIFA to procure services for developing, designing, acquiring, constructing, improving or equipping water-related facilities using certain prescribed methods. (Sec. 15)
- 29. Requires a request to generally set forth factors that will be evaluated and the manner in which responses will be evaluated for any procurement in which WIFA issues a request for qualifications, request for proposals or similar solicitation document. (Sec. 15)
- 30. Stipulates that if contractor insurance is required for procured services, the insurance must be placed with an insurer authorized to transact insurance in Arizona or an approved surplus lines insurer. (Sec. 15)
- 31. Mandates that WIFA, when evaluating proposals, consider the criteria for approving financial assistance through the Water Supply Development Revolving Fund. (Sec. 15)
- 32. Allows WIFA to deviate from any requirements to the extent necessary to make use of any available federal funding for designing, developing, acquiring, constructing, improving or equipping water-related facilities. (Sec. 15)
- 33. Makes the following conforming changes to the Arizona Finance Authority's statutes:
 - a) Eliminates WIFA bond proceeds as a revenue source for paying the Arizona Finance Authority's costs and expenses; and (Sec. 3)
 - b) Deletes AFA Board functions that involve WIFA and repeals the WIFA Advisory Board. (Sec. 4)
- 34. Transfers and renumbers A.R.S. § 49-193.01 as A.R.S. § 49-1205 and makes the following changes:
 - a) Repeals the Drought Mitigation Revolving Fund;
 - b) Add legislative findings;
 - c) States that WIFA may accomplish its purposes by developing or facilitating water conservation, reuse and augmentation projects; and
 - d) Allows WIFA to accomplish its purpose individually or by collaborating with other entities and may leverage existing resources and infrastructure while not interfering with already available usable water resources. (Sec. 14)
- 35. Defines *concession agreement*, *imported water*, *import water*, *long-term water augmentation bonds*, *private partner*, *public-private partnership project*, *unit of government* and *water-related facilities*. (Sec. 10)
- 36. Redefines *water provider* and *water supply development*. (Sec. 10)

WIFA – Public Private Partnerships (Sec. 15)

- 37. Allows any public-private partnership WIFA enters into to include provisions that:
 - a) Authorize WIFA or the private partner to establish and collect certain charges;
 - b) Allow payments to be made by this State to the private partner;

- c) Allow WIFA to accept payments of monies and share revenues with the private partner;
 - d) Address how the partners will share management of the risks of the project;
 - e) Specify how the partners will share the costs of designing, developing, acquiring, constructing, improving and equipping the project;
 - f) Allocate financial responsibility for cost overruns;
 - g) Establish damages to be assessed for nonperformance;
 - h) Establish performance criteria and/or incentives;
 - i) Address the acquisition of rights-of-way and other property interests that may be required;
 - j) Establish recordkeeping, accounting and auditing standards to be used for this project;
 - k) For such partnerships that revert to public ownership, address responsibility for reconstruction or renovations required for water-related facilities to meet applicable government standards;
 - l) Identify any WIFA specifications that must be satisfied;
 - m) Require a private partner to provide forms of security such as performance and payment of bonds or letters of credit, the penal sum or amount of which may be less than 100% of the value of the contract involved based on WIFA's determination of what is required to adequately protect this State;
 - n) Allow the private partners in any concession agreement to establish and collect certain charges;
 - o) Specify remedies available and dispute resolution procedures; and
 - p) Authorize WIFA to acquire real property needed for water-related facilities.
38. Authorizes WIFA to approve any request from another unit of government to develop water-related facilities in a way similar to that used by WIFA for public-private partnerships.
39. Exempts from state and local ad valorem and property taxes agreements that are developed, operated or held by a private partner under a concession agreement pursuant to this act.
40. Requires a public-private partnership to contain a provision by which the private partner expressly agrees that it is prohibited from seeking injunctive or other equitable relief to delay, prevent or otherwise hinder WIFA or any jurisdiction from developing, constructing or maintaining water-related facilities that were planned and may impact the revenue the private partner would otherwise derive from the facilities developed under the agreement.
41. Stipulates that the agreement may provide for reasonable compensation to the private partner for the adverse effect on water delivery revenues resulting from developing, constructing and maintaining of an unplanned revenue impacting water-related facilities.
42. Requires a foreign private entity that enters into an agreement with WIFA to provide satisfactory evidence to the WIFA Board that it is in compliance with requirements of a certificate of authority to conduct business in Arizona.
43. Allows WIFA to submit to the Attorney General any public-private partnership agreement into which it enters.
44. Directs the Attorney General, upon receiving this agreement, to investigate and determine its validity.
45. Stipulates that if the agreement complies with statutes and the Attorney General determines that it will constitute a binding and legal obligation of WIFA that is enforceable according to its terms, the Attorney General will certify that the agreement has been entered into in accordance with the constitution and laws of this State.

Federal Water Programs Committee

46. Establishes the Federal Water Programs Committee to review and make recommendations to the WIFA Board regarding applications for assistance from the following programs:
 - a) Clean Water Revolving Fund Program;
 - b) Safe Drinking Water Revolving Fund Program; and
 - c) Hardship Grant Fund Program. (Sec. 15)
47. Prescribes membership requirements for this committee. (Sec. 15)
48. Allows all members of the WIFA Advisory Board currently serving on this act's effective date to continue serving on the Federal Water Programs Committee until their terms expire. (Sec. 24)

Water Supply Development Committee (Sec. 15)

49. Establishes the Water Supply Development Committee which consists of five specific WIFA Board members.
50. Directs this committee to review and make recommendations to the WIFA Board regarding applications for assistance from the Water Supply Development Revolving Fund.

Long-Term Water Augmentation Committee (Sec. 15)

51. Establishes the Long-Term Water Augmentation Committee which consists of five specific WIFA Board members.
52. Directs this committee to review and make recommendations to the WIFA Board regarding applications for financial assistance from the Long-Term Water Augmentation Fund.

Long-Term Water Augmentation Fund

53. Establishes the Long-Term Water Augmentation Fund, which consists of:
 - a) Monies received from issuing and selling long-term water augmentation bonds;
 - b) Legislative appropriations;
 - c) Monies received for any allowable purpose of the fund from the U.S. government;
 - d) Monies received as loan repayments, interest, administrative fees and penalties;
 - e) Monies from any lawful activities of WIFA;
 - f) Interest and other income received from investing fund monies; and
 - g) Gifts, grants and donations. (Sec. 21)
54. Declares that fund monies are continuously appropriated and exempt from lapsing. (Sec. 21)
55. Prohibits fund monies from being appropriated or transferred by the Legislature to fund the State's general obligations or otherwise meet the obligations of the state General Fund unless approved by a three-fourths vote of each legislative chamber. (Sec. 21)
56. Directs WIFA to administer the fund and establish as many accounts and subaccounts as required as well as bond proceeds accounts and bond debt service accounts if WIFA issues Long-Term Water Augmentation Bonds. (Sec. 21)
57. Authorizes WIFA to provide financial assistance from the Long-Term Water Augmentation Fund for water supply development projects inside or outside Arizona, which may include loans and credit enhancements for an eligible entity's bonds. (Sec. 21)
58. Allows Long-Term Water Augmentation Fund monies to be used for:
 - a) Funding water supply development projects that import water from outside Arizona;
 - b) Purchasing imported water or rights to imported water;
 - c) Acquiring or constructing water-related facilities in Arizona to convey or deliver imported water;
 - d) Conducting investigations;

- e) Contracting for water needs assessments;
 - f) Providing financial assistance to eligible entities to finance or refinance water supply development projects in Arizona, including conservation projects that reduce existing water use or more efficiently use existing water supplies;
 - g) Guaranteeing debt obligations of eligible entities that are issued or incurred to finance or refinance water supply development projects in Arizona; and
 - h) Fund administration. (Sec. 21)
59. Requires that at least 75% of monies appropriated to this fund in FYs 2023-2025 be reserved for one or more projects to import water from outside Arizona. (Sec. 21)
60. Prohibits fund monies from being used to purchase conservation or other similar easements on real property. (Sec. 21)
61. Stipulates that if monies pledged to secure Long-Term Water Augmentation Bonds become insufficient to pay the principal and interest on bonds guaranteed by this fund:
- a) WIFA will direct the State Treasurer to liquidate securities in the fund and apply the proceeds to payments due on the bonds;
 - b) The State Treasurer will notify the Attorney General and Auditor General;
 - c) The Auditor General will audit the circumstances surrounding the depletion of the fund and report the findings to the Attorney General; and
 - d) The Attorney General will conduct an investigation and report those findings to the Governor and Legislature (Sec. 21)
62. Requires any monies other financial assistance provided from the fund and monies spent in connection with loan guarantees to be fully repaid by the recipients of the funding or financial assistance or recipients of the water supply through water subcontracts, loan repayments, rates, fees and charges collected by WIFA, or otherwise, as appropriate. (Sec. 21)
63. Allows an eligible entity to apply to WIFA for and accept and incur indebtedness as a result of financial assistance from the Long-Term Water Augmentation Fund for water supply development projects. (Sec. 21)
64. Allows an entity with a Colorado River water entitlement, including water delivery through the Central Arizona Project, whose deliveries of Colorado River water have been reduced to participate in any project to import water. (Sec. 21)
65. Outlines criteria that (as applicable) WIFA must use to determine the order and priority of water supply development projects proposed to be funded with fund monies, participation in importation projects, or allocation of imported water. (Sec. 21)
66. Instructs the WIFA to conduct background checks, financial checks and over reviews as necessary for the applicants, the applicant's board of directors and other partners. (Sec. 21)
67. Instructs WIFA to consider applications for financial assistance from this fund based on the water supply development criteria established in this act and Long-Term Water Augmentation Committee's recommendations. (Sec. 21)
68. Requires WIFA to:
- a) Prescribe a form and procedure to apply for and approve financial assistance;
 - b) Establish by rule criteria by which financial assistance will be awarded, including assessments of the applicability ability to manage the project and requirements for local participation in project costs (if deemed advisable by WIFA) and specific requirements for loans;
 - c) Determine the order and priority of projects based on the merits of the application with respect to the water supply development criteria established in this act; and

- d) Review each application on its merits and inform the applicant of the final determination, including the reasons an application is not approved. (Sec. 21)
- 69. Allows WIFA to condition approval of the application on assurances WIFA deems necessary to ensure that financial or other assistance will be used according to law and the application's terms. (Sec. 21)
- 70. Stipulates that WIFA is not required to pay taxes or assessments on any property acquired or constructed for long-term water augmentation purposes or on its agreements related to maintaining and operating water-related facilities or in revenues derived from these facilities. (Sec. 21)
- 71. Exempts Long-Term Water Augmentation Bonds, their transfer and income these bonds produce from taxation by this State or any political subdivision (Sec. 21)
- 72. Authorizes WIFA to take all actions to comply with federal income tax laws. (Sec. 21)
- 73. Defines *eligible entity*, *financial assistance*, *loan*, *loan repayment agreement*, and *pledged revenues*. (Sec. 21)

Long-Term Water Augmentation Loans

- 74. Requires Long-Term Water Augmentation loans to be evidenced by a loan repayment agreement, a lease purchase agreement, or (for political subdivisions with bonding authority) bonds that are delivered and held by WIFA. (Sec. 21)
- 75. Mandates that these loans:
 - a) Be repaid during a period approved by WIFA;
 - b) Require interest payments begin not later than the next date that either principal or interest must be paid by WIFA to holders of any long-term water augmentation bonds that provided funding for the loan;
 - c) Specify the amount of principal, interest and redemption premium due on any payment date;
 - d) Be conditioned on the identification of pledge revenues for repaying the loan;
 - e) Be secured by a debt service reserve account held in trust and that is in an amount, if any, as determined by WIFA and
 - f) Contain covenants and conditions pertaining to constructing, acquiring, improving or equipping water supply development projects and repaying the loan as WIFA deems proper. (Sec. 21)
- 76. Allows these loans to:
 - a) Provide for paying interest on the unpaid principal balance of the loan at rates established in the loan repayment agreement; and
 - b) Provide for paying the eligible entity's proportionate share of expense of administering the Long-Term Water Augmentation Fund and may require the eligible entity pay financing and loan administration fees approved by WIFA. (Sec 21)
- 77. Directs WIFA to prescribe the rate(s) of interest on these loans, which cannot exceed the prevailing market rate for similar types of loans. (Sec. 21)
- 78. Authorizes an eligible entity that is a political subdivision to negotiate the sale of its bonds to, or a loan repayment agreement with, WIFA without complying with any public or accelerated bidding requirements imposed by any other law for selling its bonds. (Sec. 21)
- 79. Requires the approval of a loan to be condition on a written commitment by an eligible entity to complete all applicable reviews and approvals and to secure all permits in a timely manner. (Sec. 21)

80. Allows WIFA, by a board resolution to impose additional requirements it considers necessary to ensure that the loan principal and interest are timely paid. (Sec. 21)
81. Requires all monies received from eligible entities as loan repayments, interest and penalties to be deposited into the Long-Term Water Augmentation Fund. (Sec. 21)
82. Authorizes the Attorney General, if requested by WIFA, to take whatever actions are necessary to enforce the loan repayment agreement and achieve repayment of the loans. (Sec. 21)
83. Specifies that an eligible entity that is a political subdivision:
 - a) May pledge revenues from its utility system(s) to the payment of the loan repayment agreement without an election provided that this pledge of revenues does not violate any covenant pertaining the utility system(s) or the revenues pledged to secure outstanding bonds or other obligations or indebtedness of the eligible entity; and
 - b) Is not required to submit to a vote the question of entering a loan repayment agreement if the revenues from a secondary property tax levy constitute pledge revenues. (Sec.21)
84. Exempts payments made pursuant to a loan repayment agreement from the prohibition against a county, city or town:
 - a) Spending money for a purpose not included in its budget; and
 - b) Spending money or incurring or creating a debt, obligation or liability exceeding the amount stated for each purpose in the adopted budget. (Sec. 21)
85. Declares that, for eligible entities that are political subdivisions, a loan repayment agreement does not create a debt of the eligible entities and WIFA may not require the payment of a loan repayment agreement from other than the revenues pledged by the eligible entities. (Sec. 21)
86. Allows an eligible entity to employ attorneys, accountants, financial consultants and other experts to perform services related to the loan repayment agreement. (Sec. 21)
87. Instructs the eligible entity to pay, at WIFA's direction, WIFA's costs in issuing bonds or otherwise borrowing to fund a loan. (Sec. 21)

Long-Term Water Augmentation Bonds

88. Authorizes WIFA, through the WIFA Board, to issue negotiable Long-Term Water Augmentation Bonds in a principal amount necessary to:
 - a) Provide sufficient monies for water supply development projects and financial assistance for approved projects;
 - b) Refund these bonds, when WIFA deems it expedient to do so;
 - c) Increase the Long-Term Water Augmentation Fund's capitalization;
 - d) Maintain sufficient reserves in this fund to secure these bonds; and
 - e) Pay the costs of issuing, selling and redeeming these bonds. (Sec. 21)
89. Instructs the WIFA Board to authorize these bonds by resolution and prescribes requirements for this resolution. (Sec. 21)
90. Requires these bonds to be sold at public or private sale at the price and on the terms determined by the WIFA Board and stipulates that all net proceeds from issuing these bonds will be deposited in the Long-Term Water Augmentation Fund or a separately held account specified in the resolution. (Sec. 21)
91. Authorizes the WIFA Board to take additional measures to secure these bonds by resolution. (Sec. 21)
92. Declares that:
 - a)

- b) The pledge of pledged revenues by an eligible entity or WIFA's pledge of any other revenues is valid and binding;
 - c) A WIFA Board member or any person executing these bonds is not personally liable for payment of these bonds;
 - d) These bonds are valid and binding obligations, regardless of whether those who signed the bonds cease to serve on the WIFA Board; and
 - e) From and after the sale and delivery of these bonds, the bonds are incontestable by the WIFA Board (Sec. 21)
93. Authorizes the WIFA Board to purchase bonds which may then be cancelled, at a price that does not exceed either:
- a) The applicable redemption price plus any accrued interest if the bonds are redeemable; or
 - b) The applicable redemption price on the first date after WIFA's purchase on which these bonds would become subject to redemption plus accrued interest if these bonds are not redeemable. (Sec. 21)
94. Allows the WIFA Board to submit Long-Term Water Augmentation Bonds issued to the Attorney General. (Sec. 21)
95. Requires the Attorney General to:
- a) Examine and pass on the validity of these bonds and the regularity of the proceedings; and
 - b) Certify on the back of each bond that it is issued according to the constitution and laws of this State if the proceedings comply with statute and this official determines the bonds will constitute binding and legal obligations of WIFA. (Sec 21)
96. Declares that:
- a) Long-Term Water Augmentation Bonds:
 - i. Are obligations of WIFA;
 - ii. Are payable only according to their terms;
 - iii. Are not general, special or other obligations of this State;
 - iv. Do not constitute a legal debt to this state, are not enforceable against this state, and cannot be enforced out of any state monies other than income and revenue pledged and assigned to the bond holders;
 - v. Are securities:
 - In which those who are authorized to invest in obligations of this State may legally invest;
 - That may be deposited with public officers or bodies of this State and municipalities and political subdivisions for purposes that require deposit of state bonds or obligations;
 - b) The State will not limit or alter the rights vested in WIFA or any successor agency to collect monies necessary to produce revenue to fulfill the terms of agreements made with those who hold Long-Term Water Augmentation Bonds or impair the rights and remedies of the bondholders until all bonds issue along with interest and all costs and expenses are fully met and discharged. (Sec. 21)

Water Supply Development Revolving Fund

97. Adds, to the revenue sources for the Water Supply Development Revolving Fund, any other monies received by WIFA in connection with the fund's purpose. (Sec. 17)
98. Deletes a legislative finding involving the intent of this fund to provide financial assistance to water providers in rural Arizona. (Sec. 17)

99. Prohibits fund monies from being appropriated or transferred by the Legislature to fund this State's general operations or to otherwise meet the obligations of the state General Fund unless approved by a three-fourth vote of each legislative chamber. (Sec. 17)
100. Clarifies that this prohibition does not apply to any taxes or other levies that are imposed pursuant to statute. (Sec. 17)
101. Directs WIFA to administer this fund and establish as many accounts and subaccounts necessary to administer it, including bond proceeds accounts and bond debt service accounts if any bonds are issued. (Sec. 17)
102. Requires monies and other assets in this fund to be used solely for authorized uses. (Sec. 17)
103. Clarifies that fund monies may be used for making:
 - a) Loans to eligible entities in Arizona for water supply development projects in Arizona; and
 - b) Making grants or providing technical assistance to eligible entities for water supply development projects in Arizona. (Sec. 18)
104. Caps each loan at \$3,000,000. (Sec. 18)
105. Increases the maximum size of grant from \$250,000 to \$3,000,000. (Sec. 18)
106. Removes the following authorizations from the fund:
 - a) Purchasing or refinancing the debt obligations of water providers that were issued for water supply development;
 - b) Providing financial assistance to water providers with bonding authority to purchase insurance for local bonding obligations incurred for water supply development; and
 - c) Providing linked deposit guarantees through third-party lenders. (Sec. 18)
107. Repeals a prohibition on fund monies providing financial assistance to a water provider (other than an Indian tribe) unless:
 - a) The county board of supervisors or the city or town council has adopted an ordinance mandating an adequate water supply as condition of approving subdivision plats;
 - b) The water provider is in an AMA;
 - c) The water provider is outside an AMA and either has a designation of adequate water supply or will use the financial assistance for a water supply development project and there is an adequate water supply for the subdivided lands served by this project; or
 - d) The water provider is not located in Maricopa County. (Sec. 18)
108. Allows an eligible entity to apply to WIFA and:
 - a) Accept and incur indebtedness as a result of a loan or other financial assistance for water supply development projects in Arizona; or
 - b) Accept grants from water supply development projects in Arizona. (Sec. 19)
109. Repeals language allowing a water provider that applies and accepts financial assistance from this fund to apply for and accept financial assistance from the Clean Water Revolving Fund, the Safe Drinking Water Revolving Fund, the Hardship Grant Fund, or any other law. (Sec. 19)
110. Instructs WIFA to establish in rule criteria by which assistance will be awarded, including an evaluation of the applicant's financial ability to implement a project if financial assistance is received and ability to meet applicable environmental requirements and, for loans, an assessment of the applicant's ability to repay the loan and legal capability to enter into the loan repayment agreement. (Sec. 19)

111. Requires WIFA to determine the order and priority of projects based on the merits of each application, including the project's cost-effectiveness, the reliability and long-term security of the water supply to be development, and other criteria as the WIFA deems appropriation. (Sec. 19)
112. Directs WIFA to conduct background checks, financial checks and other reviews appropriate for individual applicants, the applicant's board of directors and other partners. (Sec. 19)
113. Instructs WIFA to review each application received, notify the applicant of its determination and (when appropriated) explain why the application was not approved. (Sec. 19)
114. Clarifies that WIFA may condition an application's approval on assurance it deems necessary to ensure that its financial assistance will be used according to law and the application's terms. (Sec. 19)
115. Clarifies that a loan from this fund with either be evidenced by bonds (if the eligible entity has bonding authority) or a loan repayment agreement delivered to and held by WIFA. (Sec. 20)
116. Requires a loan from this fund to be conditioned on establishing a dedicated revenue source for repaying the loan and repaid in a period and on terms determined by WIFA. (Sec. 20)
117. Stipulates that WIFA does not required its board's recommendation on interest rates on the loans, including adopting rules that provide for flexible interest rates and interest-free loans. (Sec. 20)
118. Allows a loan made to an eligible entity that is a political subdivision to be secured additionally by an irrevocable pledge of any shared state revenues due to it for the duration of the loan as prescribed by WIFA. (Sec. 20)
119. Authorizes WIFA, for loans secured in part with shared state revenues, to enter into agreements that specify the allocation of these revenues in relation to individual borrowers from these authorities. (Sec. 20)
120. Clarifies that if an eligible entity which has pledged shared state revenues as additional security for a loan fails to make any payment due to WIFA under this agreement or its bonds, WIFA will certify to the State Treasurer and notify the entity's governing body of the default and will direct the withholding of shared state revenues according to the prescribed process. (Sec. 20)
121. Allows WIFA, by board resolution to imposed additional requirements it considers necessary to ensure that the loan principal and interest are paid on time. (Sec. 20)
122. Requires all monies received as loan repayments, interest and penalties to be deposited into the Water Supply Development Revolving Fund. (Sec. 20)
123. Allows an eligible entity that is a political subdivision to pledge revenues from its utility system(s) to the loan payment without an election if pledging the revenues does not violate any covenant involving the utility system(s) or revenues pledged to secure outstanding bonds or other obligations or indebtedness of the eligible entity. (Sec. 20)
124. Requires an eligible entity that is a political subdivision and pledges revenues from a secondary property tax levy to repay a loan to submit the question of entering and performing a loan repayment agreement to its qualified electors at a November election. (Sec. 20)
125. Stipulates that this election is not required if voter approval has previously been obtained for substantially the same project with another funding sources. (Sec. 20)

126. Exempts payments made pursuant to this loan agreement from the prohibition against a county, city or town:
 - a) Spending money for a purpose not included in its budget; and
 - b) Spending money or incurring or creating a debt, obligation or liability exceeding the amount stated for each purpose in the adopted budget. (Sec. 20)
127. Declares, for an eligible entity that is a political subdivision, that a loan repayment agreement does not create a debt of the eligible entity and prohibits WIFA from requiring payment of the loan repayment agreement from sources other than the revenues pledged. (Sec. 20)
128. Allows an eligible entity to employ attorneys, accountants, financial consultants and other experts necessary to perform services related to the loan repayment agreement. (Sec. 20)
129. Requires, at WIFA's direction, an eligible entity to pay WIFA's costs in issuing water supply development bonds or otherwise borrowing to fund a loan. (Sec. 20)
130. Repeals provisions that limited a \$40,000,000 appropriation to the Water Supply Development Revolving Fund to being used only for projects outside active management areas in an amount limited to \$1,000,000 per project. (Sec. 23)
131. Defines *eligible entity*, *loan*, *loan repayment agreement* and *water supply development revolving fund*. (Sec. 16)

Arizona Department of Water Resources

132. Instructs the ADWR Director to issue an annual water supply and demand assessment by December 1 for at least four of the 22 planning areas. (Sec. 5)
133. Requires the ADWR Director to ensure that this assessment is completed for all identified planning areas at least once every five years. (Sec. 5)
134. Authorizes the ADWR Director to contract with universities and non-governmental organizations to perform the assessments. (Sec. 3)
135. Removes the following references to the Arizona Water Resources Advisory Board:
 - a) Removes the ADWR Director's power to initiate and participate in Arizona Water Resources Advisory Board meetings; (Sec. 5)
 - b) Eliminates the requirement that the ADWR Director regularly report to and consult with the Arizona Water Resources Advisory Board; and (Sec. 5)
 - c) Removes the requirement that the ADWR Director's annual report on the department's operations include suggestions on amending existing laws or enacting new legislation as the Arizona Water Resources Advisory Board deems necessary. (Sec. 6)

Drought Mitigation Board and Revolving Fund

136. Transfers all unexpended and unencumbered monies in the Drought Mitigation Revolving Fund to the Water Supply Development Revolving Fund, except that \$10,000,000 designated for forbearing water deliveries is transferred to the Arizona System Conservation Fund. (Sec. 25)
137. Repeals the following sections of statute:
 - a) A.R.S. § 49-193, which contains definitions for this fund's statutes;
 - b) A.R.S. § 49-193.02, which establishes the Drought Mitigation Board and outlines membership requirements;
 - c) A.R.S. § 49-193.03, which dictates how this fund may be administered;
 - d) A.R.S. § 49-193.04, which describes allowable uses of fund monies; and
 - e) A.R.S. § 49-193.05, which prescribes a process for receiving financial assistance from this fund (Sec. 9).

138. Repeals the article heading for Drought Mitigation Revolving Fund Projects. (Sec. 8)

Appropriations

139. Appropriates the following amounts, all of which are exempt from lapsing:

- a) An unspecified amount from the state General Fund in FY 2023 to the Water Supply Development Revolving Fund; (Sec. 28)
- b) An unspecified amount from the state General Fund in FY 2023 to the Long-Term Water Augmentation Fund; (Sec. 29)
- c) \$3.5 million from the state General Fund in FY 2023 to ADWR for annual water supply and demand assessments; and (Sec. 30)
- d) An unspecified amount from the state General Fund in FY 2023 to WIFA to administer the Long-Term Water Augmentation Fund. (Sec. 31)

Miscellaneous

140. Transfers and renumbers Title 49, Chapter 9 (Natural Gas Facilities) for placement in Title 49, Chapter 11 and Title 49, Chapter 9, Article 1 for placement in Title 49, Chapter 11, Article 1. (Sec. 22)

141. Contains a Severability Clause. (Sec. 32)

142. Makes technical and conforming changes.