



ARIZONA HOUSE OF REPRESENTATIVES

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SB 1390: water infrastructure finance authority; amendments

Sponsor: Senator Kerr, LD 25

Transmitted to the Governor

Overview

An emergency measure revising several provisions of the Water Infrastructure Finance Authority's statutes that were enacted last year as part of Laws 2022, Chapter 366.

History

The Water Infrastructure Finance Authority (WIFA) provides financial assistance for water infrastructure to political subdivisions, tribal communities, and other eligible entities through several funds it administers. When it was created, WIFA oversaw the Clean Water Revolving Fund, the Drinking Water Revolving Fund and the Hardship Grant Fund ([Laws 1998, Chapter 72](#)). In 2007, the Legislature created the Water Supply Development Revolving Fund, which provided loans and grants for planning and designing water supply development projects, within WIFA ([Laws 2007, Chapter 226](#)). WIFA's Board was initially responsible for all decisions related to financial and technical assistance from these funds.

Oversight of WIFA and the funds it administers has shifted from when this agency was first established. WIFA was initially created as a separate state agency with its own governing board. However, a 2016 law placed this agency under the Arizona Finance Authority within the newly formed Office of Economic Opportunity. The Arizona Finance Authority Board served as the governing body for WIFA with additional input on applications for fund monies provided by the WIFA Advisory Board ([Laws 2016, Chapter 372](#)). In 2022, the Legislature overhauled WIFA's statutes and restored it to a standalone agency. WIFA is now overseen by its own governing board (Board) consisting of 9 voting members and 9 advisory members, which is responsible for hiring a director who in turn hires all necessary staff. As part of this overhaul, the Legislature created two new funds within WIFA (the Long-Term Water Augmentation Fund and Water Conservation Grant Fund) and committees to review and make recommendations to WIFA Board on applications for financial assistance. For example, the Federal Water Programs Committee reviews applications for financial assistance from the Clean Water Revolving Fund, Safe Drinking Water Revolving Fund and Hardship Grant Fund. This legislative overhaul also altered the criteria for which entities are eligible for financial assistance from each of WIFA's funds. Additionally, the Arizona Department of Water Resources (ADWR) was directed to conduct water supply and demand assessments of groundwater basins to assist WIFA in determining which projects will be funded from the Long-Term Water Augmentation Fund ([Laws 2022, Chapter 366](#)).

Provisions

Arizona Department of Water Resources (Sec. 1)

1. Clarifies that the ADWR Director will annually prepare and issue a water supply and demand assessment for at least 6 of the 51 (instead of 46) groundwater basins in Arizona starting by December 1, 2023.

2. Instructs the ADWR Director to ensure that this supply and demand assessment is completed for all initial active management areas at least once every five years.

Water Infrastructure Finance Authority (Sec. 2)

3. States that WIFA is not a public service corporation subject to regulation by the Arizona Corporation Commission.
4. Authorizes the WIFA Board to prescribe the terms and conditions for employing the director and staff as necessary.
5. Directs the WIFA Board to adopt written policies, procedures and guidelines similar to those adopted by the Arizona Department of Administration on officer and employee compensation, observed holidays and leave and travel expense reimbursement.
6. Allows WIFA officers and employees to participate in the Arizona State Retirement System.
7. Authorizes the WIFA Board to allow WIFA officers and employees to participate in the state employee health, disability and accident insurance programs.
8. Exempts WIFA officers and employees from any laws regulating state employment, including the State Personnel System, provisions involving covered service for state employees and being subject to the State Personnel Board.

Water Infrastructure Finance Authority Board

9. Clarifies that an affirmative vote of at least six of nine voting WIFA Board members is required only to approve funding or other financial assistance from the Water Conservation Grant Fund, the Water Supply Development Revolving Fund or the Long-Term Water Augmentation Fund. (Sec. 3)
10. States that a person is ineligible for appointment to the WIFA Board if that person's relative (instead of spouse) meets any of the following criteria:
 - a) Is employed by or participates in the management of a business entity or other organization that receives WIFA monies;
 - b) Owns, controls or has more than 10% interest in a business entity or other organization that receives WIFA monies;
 - c) Uses or receives a substantial amount of tangible goods, services or monies from WIFA; or
 - d) Has a personal financial interest in an award or expenditure, except that a personal financial interest does not include if the relative is a member of a class of people and it reasonably appears that a majority of that class's total membership will be affected by that action. (Sec. 3)
11. Clarifies that the initial terms of:
 - a) Four (instead of three) WIFA Board members from a county with 400,000 or more people end on January 31, 2026; and
 - b) Four (instead of three) WIFA Board members from a county with less than 400,000 people end on January 31, 2028. (Sec. 9)

Federal Water Programs Committee (Sec. 4)

12. Clarifies that one member of the Federal Water Programs Committee must be a member who represents a domestic water improvement district or sanitary district in a county with 500,000 or more people.

Water Supply Development Revolving Fund (Sec. 5)

13. Specifies that an *eligible entity* for financial assistance from the Water Supply Development Revolving Fund must either operate or be located outside the boundaries of an initial active

management area in which part of the Central Arizona Project aqueduct is located (instead of being outside of Maricopa, Pima or Pinal Counties).

Long-Term Water Augmentation Fund

- 14. Clarifies that when a city or town defaults on payments required as part of a loan from the Long-Term Water Augmentation Fund, the State Treasurer will withhold Shared State Revenues in the amount specified in WIFA's certificate of default and deposit those monies in the Long-Term Water Augmentation Fund. (Sec. 6)
- 15. States, for long-term water augmentation bonds issued by the WIFA Board, that a pledge of pledged revenues pursuant to a public-private partnership agreement is valid and binding at the time it is made. (Sec. 7)

Water Conservation Grant Fund (Sec. 8)

- 16. Replaces, for the purpose of qualifying for grants from the Water Conservation Grant Fund, a public entity organized under state law, a voter-approved charter or state initiative with an *eligible entity* as defined under the Long-Term Water Augmentation Fund's statutes.
- 17. Allows a nongovernment organization that focuses on water conservation or environmental protection to apply for grants from the Water Conservation Grant fund if it partners with an *eligible entity* as defined under the Long-Term Water Augmentation Fund's statutes.

Miscellaneous

- 18. Contains an emergency clause. (Sec. 10)
- 19. Makes technical and conforming changes. (Sec. 1-3 and 8-9)

<input type="checkbox"/> Prop 105 (45 votes)	<input type="checkbox"/> Prop 108 (40 votes)	<input checked="" type="checkbox"/> Emergency (40 votes)	<input type="checkbox"/> Fiscal Note
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