

House Engrossed

physical availability credits; water supply.

State of Arizona
House of Representatives
Fifty-sixth Legislature
Second Regular Session
2024

HOUSE BILL 2647

AN ACT

AMENDING TITLE 45, CHAPTER 2, ARTICLE 5, ARIZONA REVISED STATUTES, BY
ADDING SECTION 45-465.05; AMENDING SECTION 45-576, ARIZONA REVISED
STATUTES; RELATING TO GROUNDWATER.

(TEXT OF BILL BEGINS ON NEXT PAGE)

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

2 Section 1. Title 45, chapter 2, article 5, Arizona Revised
3 Statutes, is amended by adding section 45-465.05, to read:

4 45-465.05. Permanent retirement of irrigation grandfathered
5 right for non-irrigation; physical availability
6 credit; assured water supply; definition

7 A. A PERSON WHO OWNS LAND THAT MAY BE LEGALLY IRRIGATED WITH
8 GROUNDWATER PURSUANT TO AN IRRIGATION GRANDFATHERED RIGHT AND THAT IS
9 LOCATED WITHIN AN ACTIVE MANAGEMENT AREA MAY PERMANENTLY RETIRE THE LAND
10 FROM IRRIGATION IN ANTICIPATION OF A FUTURE NON-IRRIGATION USE AND RETAIN
11 A PHYSICAL AVAILABILITY CREDIT.

12 B. A PHYSICAL AVAILABILITY CREDIT MAY BE USED TO WITHDRAW FROM OR
13 RECEIVE FOR THE LAND SUBJECT TO IRRIGATION THE AMOUNT OF GROUNDWATER
14 CALCULATED PURSUANT TO SUBSECTION C OF THIS SECTION FOR A NON-IRRIGATION
15 USE IF ALL OF THE FOLLOWING APPLY:

16 1. THE LAND HAS BEEN ACTIVELY FARMED IN ONE OF THE LAST FIVE
17 CALENDAR YEARS AND IS PERMANENTLY RETIRED FROM IRRIGATION USE PURSUANT TO
18 THIS SECTION.

19 2. THE NEW NON-IRRIGATION USE OF WATER REMAINS APPURTENANT TO THE
20 ORIGINAL IRRIGATION ACRES DESCRIBED IN THE CERTIFICATE OF GRANDFATHERED
21 RIGHT OR PORTION THEREOF RETIRED UNDER THIS SECTION.

22 3. THE WATER IS DELIVERED BY A MUNICIPAL PROVIDER WITHIN AN ACTIVE
23 MANAGEMENT AREA PURSUANT TO A CONTRACT THAT REQUIRES THE MUNICIPAL
24 PROVIDER TO DELIVER AT LEAST THE SAME QUANTITY OF WATER AVAILABLE UNDER
25 THIS SECTION TO THE RETIRED ORIGINAL IRRIGATION ACRES AND TO WITHDRAW ANY
26 GROUNDWATER THAT IS PART OF THE DELIVERY FROM WITHIN ITS SERVICE AREA.

27 C. THE AMOUNT OF GROUNDWATER THAT MAY BE WITHDRAWN OR RECEIVED
28 ANNUALLY PER ACRE PURSUANT TO THIS SECTION SHALL BE THE LESSER OF THE
29 FOLLOWING:

30 1. THE CURRENT MAXIMUM AMOUNT OF GROUNDWATER THAT MAY BE USED
31 PURSUANT TO THE IRRIGATION GRANDFATHERED RIGHT FOR THE ACRE AT THE TIME IT
32 IS RETIRED PURSUANT TO SECTION 45-465, SUBSECTION B.

33 2. THREE ACRE-FEET MULTIPLIED BY THE WATER DUTY ACRES IN THE FARM
34 OR PORTION THEREOF IN WHICH THE RIGHT IS APPURTENANT DIVIDED BY THE NUMBER
35 OF IRRIGATION ACRES IN THE FARM OR PORTION THEREOF.

36 D. A PHYSICAL AVAILABILITY CREDIT TO WITHDRAW OR RECEIVE THE AMOUNT
37 OF GROUNDWATER CALCULATED IN SUBSECTION C OF THIS SECTION MUST BE USED ON
38 THE ORIGINAL IRRIGATION ACRES. IF THE AMOUNT OF WATER CALCULATED IN
39 SUBSECTION C OF THIS SECTION IS MORE THAN NEEDED TO MEET THE WATER DEMAND
40 ON THE ORIGINAL IRRIGATION ACRES, THE BALANCE OF THE PHYSICAL AVAILABILITY
41 CREDIT MAY BE USED ANYWHERE WITHIN THE MUNICIPAL PROVIDER'S SERVICE AREA.
42 FOR THE PURPOSES OF THIS SUBSECTION, THE BALANCE OF THE PHYSICAL
43 AVAILABILITY CREDIT IS THE DIFFERENCE BETWEEN THE AMOUNT OF WATER
44 CALCULATED IN SUBSECTION C OF THIS SECTION AND THE WATER DEMAND FOR USE ON
45 THE ORIGINAL IRRIGATION ACRES.

1 E. IN DETERMINING WHETHER TO ISSUE A CERTIFICATE OF ASSURED WATER
2 SUPPLY OR TO DESIGNATE OR REDESIGNATE A MUNICIPAL PROVIDER AS HAVING AN
3 ASSURED WATER SUPPLY PURSUANT TO SECTION 45-576, THE DIRECTOR SHALL:

4 1. INCLUDE THE AMOUNT OF GROUNDWATER THAT MAY BE WITHDRAWN AND USED
5 ANNUALLY PURSUANT TO SUBSECTION C OF THIS SECTION.

6 2. INCLUDE THE AMOUNT OF GROUNDWATER THAT MAY BE WITHDRAWN UNDER
7 SUBSECTION C OF THIS SECTION BASED ON THE REDUCTION IN WATER USE RESULTING
8 FROM THE TRANSITION FROM AN IRRIGATION USE TO A NON-IRRIGATION USE AND,
9 BASED ON THAT REDUCTION, FIND THAT GROUNDWATER USED PURSUANT TO THIS
10 SECTION MEETS THE PHYSICAL AVAILABILITY REQUIREMENTS TO DEMONSTRATE AN
11 ASSURED WATER SUPPLY IN ACCORDANCE WITH SECTION 45-576, SUBSECTION N,
12 PARAGRAPH 1 AND RULES ADOPTED PURSUANT TO SECTION 45-576.

13 F. SECTION 45-114, SUBSECTIONS A AND B GOVERN ADMINISTRATIVE
14 PROCEEDINGS, REHEARING OR REVIEW AND JUDICIAL REVIEW OF FINAL DECISIONS OF
15 THE DIRECTOR UNDER THIS SECTION.

16 G. FOR THE PURPOSES OF THIS SECTION, "MUNICIPAL PROVIDER" HAS THE
17 SAME MEANING PRESCRIBED IN SECTION 45-561.

18 Sec. 2. Section 45-576, Arizona Revised Statutes, is amended to
19 read:

20 45-576. Certificate of assured water supply; designated
21 cities, towns and private water companies;
22 exemptions; definition

23 A. Except as provided in subsections G and J of this section, a
24 person who proposes to offer subdivided lands, as defined in section
25 32-2101, for sale or lease in an active management area shall apply for
26 and obtain a certificate of assured water supply from the director before
27 presenting the plat for approval to the city, town or county in which the
28 land is located, where such is required, and before filing with the state
29 real estate commissioner a notice of intention to offer such lands for
30 sale or lease, pursuant to section 32-2181, unless the subdivider has
31 obtained a written commitment of water service for the subdivision from a
32 city, town or private water company designated as having an assured water
33 supply pursuant to this section.

34 B. Except as provided in subsections G and J of this section, a
35 city, town or county may approve a subdivision plat only if the subdivider
36 has obtained a certificate of assured water supply from the director or
37 the subdivider has obtained a written commitment of water service for the
38 subdivision from a city, town or private water company designated as
39 having an assured water supply pursuant to this section. The city, town
40 or county shall note on the face of the approved plat that a certificate
41 of assured water supply has been submitted with the plat or that the
42 subdivider has obtained a written commitment of water service for the
43 proposed subdivision from a city, town or private water company designated
44 as having an assured water supply pursuant to this section.

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

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

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

15 D. The director shall designate private water companies in active
16 management areas that have an assured water supply. If a city or town
17 acquires a private water company that has contracted for central Arizona
18 project water, the city or town shall assume the private water company's
19 contract for central Arizona project water.

20 E. The director shall designate cities and towns in active
21 management areas where an assured water supply exists. If a city or town
22 has entered into a contract for central Arizona project water, the city or
23 town is deemed to continue to have an assured water supply until December
24 31, 1997. Commencing on January 1, 1998, the determination that the city
25 or town has an assured water supply is subject to review by the director
26 and the director may determine that a city or town does not have an
27 assured water supply.

28 F. The director shall notify the mayors of all cities and towns in
29 active management areas and the chairmen of the boards of supervisors of
30 counties in which active management areas are located of the cities, towns
31 and private water companies designated as having an assured water supply
32 and any modification of that designation within thirty days ~~of~~ AFTER the
33 designation or modification. If the service area of the city, town or
34 private water company has qualified as a member service area pursuant to
35 title 48, chapter 22, article 4, the director shall also notify the
36 conservation district of the designation or modification and shall report
37 the projected average annual replenishment obligation for the member
38 service area based on the projected and committed average annual demand
39 for water within the service area during the effective term of the
40 designation or modification subject to any limitation in an agreement
41 between the conservation district and the city, town or private water
42 company. For each city, town or private water company that qualified as a
43 member service area under title 48, chapter 22 and THAT was designated as
44 having an assured water supply before January 1, 2004, the director shall
45 report to the conservation district on or before January 1, 2005 the

1 projected average annual replenishment obligation based on the projected
2 and committed average annual demand for water within the service area
3 during the effective term of the designation subject to any limitation in
4 an agreement between the conservation district and the city, town or
5 private water company. Persons proposing to offer subdivided lands served
6 by those designated cities, towns and private water companies for sale or
7 lease are exempt from applying for and obtaining a certificate of assured
8 water supply.

9 G. This section does not apply in the case of the sale of lands for
10 developments that are subject to a mineral extraction and METALLURGICAL
11 processing permit or an industrial use permit pursuant to sections 45-514
12 and 45-515.

13 H. The director shall adopt rules to carry out the purposes of this
14 section. ~~On or before January 1, 2008,~~ The rules shall provide for a
15 reduction in water demand for an application for a designation of assured
16 water supply or a certificate of assured water supply if a gray water
17 reuse system will be installed that meets the requirements of the rules
18 adopted by the department of environmental quality for gray water systems
19 and if the application is for a certificate of assured water supply, the
20 land for which the certificate is sought must qualify as a member land in
21 a conservation district pursuant to title 48, chapter 22, article 4. For
22 the purposes of this subsection, "gray water" has the same meaning
23 prescribed in section 49-201.

24 I. If the director designates a municipal provider as having an
25 assured water supply under this section and the designation lapses or
26 otherwise terminates while the municipal provider's service area is a
27 member service area of a conservation district, the municipal provider or
28 its successor shall continue to comply with the consistency with
29 management goal requirements in the rules adopted by the director under
30 subsection H of this section as if the designation was still in effect
31 with respect to the municipal provider's designation uses. When
32 determining compliance by the municipal provider or its successor with the
33 consistency with management goal requirements in the rules, the director
34 shall consider only water delivered by the municipal provider or its
35 successor to the municipal provider's designation uses. A person is the
36 successor of a municipal provider if the person commences water service to
37 uses that were previously designation uses of the municipal provider. Any
38 groundwater delivered by the municipal provider or its successor to the
39 municipal provider's designation uses in excess of the amount allowed
40 under the consistency with management goal requirements in the rules shall
41 be considered excess groundwater for purposes of title 48, chapter 22.
42 For the purposes of this subsection, "designation uses" means all water
43 uses served by a municipal provider on the date the municipal provider's
44 designation of assured water supply lapses or otherwise terminates and all
45 recorded lots within the municipal provider's service area that were not

1 being served by the municipal provider on that date but that received
2 final plat approval from a city, town or county on or before that date.
3 Designation uses do not include industrial uses served by an irrigation
4 district under section 45-497.

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

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

12 2. The director has not revoked the certificate of assured water
13 supply described in paragraph 1 of this subsection, and proceedings to
14 revoke the certificate are not pending before the department or a court.
15 The department shall post on its website a list of all certificates of
16 assured water supply that have been revoked or for which proceedings are
17 pending before the department or a court.

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

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

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

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

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

34 L. On or before December 31, 2023, the director shall study and
35 submit to the governor, president of the senate and speaker of the house
36 of representatives a report on whether and how a person that seeks a
37 building permit for six or more residences within an active management
38 area, without regard to any proposed lease term for those residences,
39 should apply for and obtain a certificate of assured water supply from the
40 director before presenting the permit application for approval to the
41 county in which the land is located, unless the applicant has obtained a
42 written commitment of water service for the residences from a city, town
43 or private water company designated as having an assured water supply
44 pursuant to this section.

1 M. FOR THE PURPOSES OF THIS SECTION AND RULES ADOPTED PURSUANT TO
2 THIS SECTION, THE DIRECTOR SHALL FIND THAT THE AMOUNT OF GROUNDWATER
3 CALCULATED PURSUANT TO SECTION 45-465.05, SUBSECTION C IS PHYSICALLY
4 AVAILABLE FOR ASSURED WATER SUPPLY PURPOSES IN ACCORDANCE WITH SUBSECTION
5 N, PARAGRAPH 1 OF THIS SECTION.

6 ~~M.~~ N. For the purposes of this section, "assured water supply"
7 means all of the following:

8 1. Sufficient groundwater, surface water or effluent of adequate
9 quality will be continuously available to satisfy the water needs of the
10 proposed use for at least one hundred years. Beginning January 1 of the
11 calendar year following the year in which a groundwater replenishment
12 district is required to submit its preliminary plan pursuant to section
13 45-576.02, subsection A, paragraph 1, with respect to an applicant that is
14 a member of the district, "sufficient groundwater" for the purposes of
15 this paragraph means that the proposed groundwater withdrawals that the
16 applicant will cause over a period of one hundred years will be of
17 adequate quality and will not exceed, in combination with other
18 withdrawals from land in the replenishment district, a depth to water of
19 one thousand feet or the depth of the bottom of the aquifer, whichever is
20 less. In determining depth to water for the purposes of this paragraph,
21 the director shall consider the combination of:

22 (a) The existing rate of decline.

23 (b) The proposed withdrawals.

24 (c) The expected water requirements of all recorded lots that are
25 not yet served water and that are located in the service area of a
26 municipal provider.

27 2. The projected groundwater use is consistent with the management
28 plan and achievement of the management goal for the active management
29 area.

30 3. The financial capability has been demonstrated to construct the
31 water facilities necessary to make the supply of water available for the
32 proposed use, including a delivery system and any storage facilities or
33 treatment works. The director may accept evidence of the construction
34 assurances required by section 9-463.01, ~~11-823~~ 11-822 or 32-2181 to
35 satisfy this requirement.