

PROPOSED

HOUSE OF REPRESENTATIVES AMENDMENTS TO S.B. 1709

(Reference to Senate engrossed bill)

1 Strike everything after the enacting clause and insert:

2 "Section 1. Section 5-572, Arizona Revised Statutes, as amended by
3 Laws 2024, chapter 210, section 2, is amended to read:

4 5-572. Use of monies in state lottery fund; report

5 A. If there are any bonds or bond related obligations payable from
6 the state lottery revenue bond debt service fund, the state lottery revenue
7 bond debt service fund shall be secured by a first lien on the monies in
8 the state lottery fund after the payment of operating costs of the lottery,
9 as prescribed in section 5-555, subsection A, paragraph 1, until the state
10 lottery bond debt service fund contains sufficient monies to meet all the
11 requirements for the current period as required by the bond documents.
12 Debt service for revenue bonds issued pursuant to this chapter shall be
13 paid first from monies that would have otherwise been deposited pursuant to
14 this section in the state general fund. After the requirements for the
15 current period have been satisfied as required by the bond documents, the
16 monies in the state lottery fund shall be expended for the expenses of the
17 commission incurred in carrying out its powers and duties and in the
18 operation of the lottery.

19 B. Of the monies remaining in the state lottery fund each fiscal
20 year after appropriations and deposits authorized in subsection A of this
21 section, \$10,000,000 shall be deposited in the Arizona game and fish
22 commission heritage fund established by section 17-297.

23 C. Of the monies remaining in the state lottery fund each fiscal
24 year after appropriations and deposits authorized in subsections A and B of
25 this section, \$5,000,000 shall be allocated to the department of child

1 safety for the healthy families program established by section 8-481,
2 \$4,000,000 shall be allocated to the Arizona board of regents for the
3 Arizona area health education system established by section 15-1643,
4 \$3,000,000 shall be allocated to the department of health services to fund
5 the teenage pregnancy prevention programs established in Laws 1995, chapter
6 190, sections 2 and 3, \$2,000,000 shall be allocated to the department of
7 health services for the health start program established by section 36-697,
8 \$2,000,000 shall be deposited in the disease control research fund
9 established by section 36-274 and \$1,000,000 shall be allocated to the
10 department of health services for the federal women, infants and children
11 food program. The allocations in this subsection shall be adjusted
12 annually according to changes in the GDP price deflator as defined in
13 section 41-563, and the allocations are exempt from the provisions of
14 section 35-190 relating to lapsing of appropriations. If there are not
15 sufficient monies available pursuant to this subsection, the allocation of
16 monies for each program shall be reduced on a pro rata basis.

17 D. If the state lottery director determines that monies available to
18 the state general fund may not equal \$84,150,000 in a fiscal year, the
19 director shall not authorize deposits to the Arizona game and fish
20 commission heritage fund pursuant to subsection B of this section until the
21 deposits to the state general fund equal \$84,150,000 in a fiscal year.

22 E. Of the monies remaining in the state lottery fund each fiscal
23 year after appropriations and deposits authorized in subsections A through
24 D of this section, \$1,000,000 or the remaining balance in the fund,
25 whichever is less, is appropriated to the department of economic security
26 for grants to nonprofit organizations, including faith-based organizations,
27 for homeless emergency and transitional shelters and related support
28 services. The department of economic security shall submit a report on the
29 amounts, recipients, purposes and results of each grant to the governor,
30 the speaker of the house of representatives and the president of the senate
31 on or before December 31 of each year for the prior fiscal year and shall
32 provide a copy of this report to the secretary of state.

1 F. Of the monies remaining in the state lottery fund each fiscal
2 year after appropriations and deposits authorized in subsections A
3 through E of this section, and after a total of at least \$99,640,000 has
4 been deposited in the state general fund, \$1,750,000 shall be deposited in
5 the Arizona competes fund established by section 41-1545.01. The balance
6 in the state lottery fund remaining after deposits into the Arizona
7 competes fund shall be deposited in the university capital improvement
8 lease-to-own and bond fund established by section 15-1682.03, up to a
9 maximum of eighty percent of the total annual payments of lease-to-own and
10 bond agreements entered into by the Arizona board of regents.

11 G. OF THE MONIES REMAINING IN THE STATE LOTTERY FUND IN FISCAL YEARS
12 2025-2026 AND 2026-2027 AFTER APPROPRIATIONS AND DEPOSITS AUTHORIZED IN
13 SUBSECTIONS A THROUGH F OF THIS SECTION, \$10,000,000 SHALL BE DEPOSITED IN
14 THE ON-FARM IRRIGATION EFFICIENCY FUND ESTABLISHED BY LAWS 2022, CHAPTER
15 332 AND \$10,000,000 SHALL BE DEPOSITED IN THE AGRICULTURE AND WATER
16 INNOVATION FUND.

17 ~~G.~~ H. All monies remaining in the state lottery fund after the
18 appropriations and deposits authorized in this section shall be deposited
19 in the state general fund.

20 ~~H.~~ I. Except for monies expended for debt service of revenue bonds
21 as provided in subsection A of this section, monies expended under
22 subsection A of this section are subject to legislative appropriation.

23 ~~I.~~ J. The commission shall transfer monies prescribed in this
24 section on a quarterly basis.

25 Sec. 2. Agriculture and water innovation fund pilot program;
26 fund; grants; requirements; annual report; delayed
27 repeal; definitions

28 A. The agriculture and water innovation fund pilot program is
29 established to provide grants and collect data for water-focused innovation
30 in agriculture. The Arizona department of agriculture shall administer the
31 pilot program.

32 B. The agriculture and water innovation fund is established
33 consisting of monies deposited from the state lottery fund pursuant to

1 section 5-572, Arizona Revised Statutes, as amended by this act,
2 legislative appropriations, grants from federal agencies and monies
3 appropriated by any other lawful source. Monies in the fund are
4 continuously appropriated and exempt from the provisions of section 35-190,
5 Arizona Revised Statutes, relating to lapsing of appropriations. The
6 Arizona department of agriculture shall administer the fund and may use not
7 more than three percent of the monies in the fund annually for the costs of
8 administering the fund and the agriculture and water innovation fund pilot
9 program.

10 C. The Arizona department of agriculture may grant monies from the
11 fund to qualified applicants to acquire or contract for implementing
12 innovative technology that improves water use efficiency by improving soil
13 health subject to the following conditions:

14 1. The grant may not exceed \$2,000,000 for a single qualified
15 applicant or for qualified applicants from the same farm unit or \$5,000,000
16 if the qualified applicant is an irrigation district that will implement
17 innovative technology pursuant to the pilot program on three or more farm
18 units within the irrigation district.

19 2. The innovative technology is currently implemented throughout
20 this state and has demonstrated consistent improvement in indicators of
21 water use efficiency on fields implementing the technology. For the
22 purposes of this paragraph, a demonstration of increased water use
23 efficiency may include third-party validated commercial implementation of
24 the innovative technology and does not require academic analysis.

25 3. The increase in water use efficiency proposed is a function of
26 improved soil health due to implementing the innovative technology.

27 4. The qualified applicant provides a record of active farming or
28 intentional water conservation for three of the previous five years for the
29 proposed acreage at the time of the application.

30 5. The proposed acreage proposed to receive the innovative
31 technology is located completely within this state.

1 D. In assessing an application, the Arizona department of
2 agriculture may give preference to implementing an innovative technology
3 that the Arizona department of agriculture determines:

4 1. Increases agricultural yields on fields that increase water use
5 efficiency.

6 2. Improves water use efficiency on high-water-demand crops or
7 high-value crops.

8 3. Maximizes benefits to soil health, including reduced need for
9 cover cropping, reduction in soil salinity and improved disease resilience.

10 4. Provides opportunities for data collection and public
11 demonstration of the technology for diverse high agricultural water use
12 regions in this state.

13 E. Recipients of grant monies may not receive a state tax credit for
14 the portion of an innovative technology that is purchased with grant
15 monies.

16 F. The director of the Arizona department of agriculture may prepay
17 the grantee for implementing the innovative technology if the
18 contracted-for innovative technology service provider agrees in the
19 contract to provide recourse to this state in the event of nonperformance.

20 G. As a condition of the grant, the Arizona department of
21 agriculture shall require the qualified applicant to:

22 1. Certify the installation of the new innovative technology.

23 2. Agree to use the new innovative technology for not less than
24 three years.

25 3. Report on the individual fields that receive the benefit of the
26 grant monies to demonstrate increased water use efficiency on the affected
27 fields.

28 H. For a qualified applicant that uses mainstream Colorado River
29 water or water delivered through the central Arizona project for
30 agricultural irrigation that is impacted by this program, water savings may
31 be used to farm fallowed irrigated acreage or be dedicated to system
32 conservation as approved by the director of the department of water
33 resources.

1 I. On or before December 31 of each year, the Arizona department of
2 agriculture shall submit a written report to the president of the senate
3 and the speaker of the house of representatives describing the activities
4 of the Arizona department of agriculture for the preceding fiscal year
5 related to the agriculture and water innovation fund and shall provide a
6 copy of the report to the secretary of state. The report shall include an
7 accounting of expenditures from the fund and how the monies were used to
8 improve water efficiency and soil health. The report shall identify at
9 least the following:

10 1. The specific fields where implementation of the innovative
11 technology occurred.

12 2. The legal character of the water used on those fields.

13 3. The soil type and types of crops produced.

14 4. The improvement in water use efficiency resulting from
15 implementing the innovative soil health technology and, if known, the
16 amount of water conserved.

17 5. Cobenefits arising from implementing the innovative soil health
18 technology, including yield increases, crop quality improvements and
19 nutrient use efficiencies.

20 6. Any other relevant data to better inform future decisions on
21 strategically implementing agriculture and water innovation technologies or
22 programs to use agricultural water more efficiently in this state.

23 J. This section is repealed from and after December 31, 2028.

24 K. For the purposes of this section:

25 1. "Farm unit" means one or more farms that are irrigated with
26 groundwater, surface water, mainstream Colorado River water or water
27 delivered through the central Arizona project and that are contiguous or in
28 proximity to each other with similar soil conditions.

29 2. "Innovative technology" means products or services that improve
30 water use efficiency by improving soil health in agriculture without
31 requiring nonnative soil amendments or improvements to irrigation
32 infrastructure.

- 1 3. "Qualified applicant" means either of the following:
- 2 (a) An agricultural landowner, beneficial owner of trust land or
- 3 lessee of agricultural land that has actively farmed the land or committed
- 4 the land to intentional water conservation in three of the five calendar
- 5 years immediately preceding the date of the application.
- 6 (b) An irrigation district established pursuant to title 48, chapter
- 7 19, Arizona Revised Statutes, that applies for the benefit of members of
- 8 the irrigation district."
- 9 Amend title to conform

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