

**Metropolitan Domestic Water Improvement District
Board of Directors Meeting**

March 10, 2014

Legislative Issues 2014

Report

The Arizona State Legislature has been in session for two months. It is now clear which legislation will be moving forward since the time period for committees to initially hear bills has passed. Staff continues to monitor water and special district legislation and watch for striker bills.

Last month, the Board of Directors approved support for HB 2326 and HB 2523 and to seek an amendment to HB 2386, which is no longer moving forward.

Arizona Water Banking Authority – HB 2326 would allow the Arizona Water Banking Authority (AWBA) to purchase long-term storage credits in order to meet current and long term obligations. According to the AWBA, the authority lacks adequate priority in the allocation of Colorado River water to meet its obligations, particularly regarding M&I firming. Obtaining storage credits will provide the AWBA with additional access to water resources. As reported last month, the Central Arizona Project sought a technical amendment to the legislation to clarify funding and coordination of acquiring long-term storage credits. However, agreement between CAP and the AWBA was not reached and the bill was held in committee with an admonition to all parties to resolve their differences. Discussions have continued between CAP and the AWBA with anticipation that a resolution can be reached for this legislation to continue. Attached is the letter that SAWUA sent regarding HB 2326 when it was held in committee.

Water Supply Development Revolving Fund – HB 2523 appropriates \$30 million from the general fund to the Water Supply Development Revolving Fund. This fund was originally envisioned to be used by rural Arizona communities that have water resource issues. Like WIFA's other funds, loans would be issued using the \$30 million to start the revolving fund. HB 2523 has passed through the House and is now in the Senate.

Financing of Special Districts – HB 2386 has not moved in committee and all indications are that this bill is dead for the session. The legislation would have put limitations on public bonds being issued by any entity that is not governed by an elected governing body, including public bonds issued by a special taxing district. It also means that special taxing districts would be required to have voter authorization for the assessment of secondary property taxes, which they are currently not required to do. Also, public bonds issued by a special taxing district established after 2014 would have to be

included in the calculation of the aggregate indebtedness of the County, City, or Town that includes any portion of the special taxing district. Staff worked with Stuart Goodman, SAWUA's lobbyist, to request having domestic water improvement districts added to a list of special districts that had sought exclusion. The bill sponsor had agreed to exclude domestic water improvement districts. While HB 2386 is not moving forward this session, it is anticipated that the legislation will be brought back next year and it would be advisable to meet with the bill sponsor this fall to understand his objective and to explain again about domestic water improvement districts.

Groundwater Extinguishment Credits – SB 1166 was noted at the February Board meeting; however, it has not moved forward and appears to be dead this legislative session. The bill would prohibit ADWR from adopting or implementing any administrative rule in the Pinal AMA that reduces the amount or quality of credits granted by the Department for the extinguishment of irrigation grandfathered rights to an amount that is less than the full amount of the irrigation grandfathered right held by the owner of the right. There has been some effort to have this legislation apply to the other AMAs. This legislation is in response to ADWR's new assured water supply rules for the Pinal AMA that gradually reduce the amount of groundwater credits given for the retirement of farmland in the Pinal AMA. However, the legislation would undermine the new assured water supply rules for Pinal AMA. Eliminating the steady decrease in groundwater credits may increase immediate economic yields for those farmers who wish to sell their land for development in the near term, but it harms those who wish to continue farming and reduces the ability to develop farmland in the future, as groundwater is depleted by all the water users (not just farmers).

Attached is the most recent legislative report from SAWUA, which covers other legislation that has been introduced.

Recommendation

It is recommended that the District Board of Directors discuss with staff any questions or issues regarding the legislative session. No action is requested.

Respectfully submitted,

Joseph Olsen, P.E.
General Manager