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HB 2388: water supply development fund

Sponsor: Representative Griffin, LD 14

Transmitted to the Governor

Overview

Broadens the type of entities and activities that can qualify for financial assistance from the Water Supply Development Revolving Fund (Fund) and increases the limit on a single fund grant to \$250,000.

History

The Fund was created in 2007 as part of a legislative package that allowed municipalities and counties to enact ordinances to require an adequate water supply for subdivided lands before these lands could be offered for sale or lease (see Laws 2007, Chapters [226](#) and [240](#)). It is administered by the Arizona Finance Authority Board and provides financial assistance to *water providers* for constructing water supply projects and obtaining additional water supplies to meet long-term water demands (A.R.S. §§ [49-1271\(C\)](#) and [49-1272](#)). This financial assistance includes:

- Water supply development loans;
- Loans or grants to *water providers* for planning to designing water supply development projects. A single grant cannot exceed \$100,000;
- Acquiring or refinancing a *water provider's* debt obligations at below market rates if the obligation was issued for water supply development;
- Providing financial assistance to *water providers* with bonding authority to purchase insurance for local bond obligations that were incurred for water supply development; and
- Providing linked deposit guarantees through third party lenders by depositing monies with the lender provided that lender makes a loan (A.R.S. §§ [49-1273](#) and [49-1274](#)).

Additionally, the Water Infrastructure Finance Authority can issue bonds to provide financial assistance for water supply development. These bonds can be secured using Fund monies (A.R.S. §§ [49-1277](#), [49-1278](#) and [49-1279](#)).

Per statute, *water providers* that can qualify for Fund monies include certain municipal water delivery systems, the Pinal County Water Augmentation Authority, the Mohave County Water Authority, a tribe, a community facilities district and counties that enter into intergovernmental agreements with municipalities or other providers for water supply development projects ([A.R.S. § 49-1201\(13\)](#)).

Fund monies can be used for:

- 1) Making loans to *water providers* for water supply development purposes;
- 2) Making loans or grants to *water providers* to plan or design water supply development projects;
- 3) Purchasing or refinancing debt obligations of *water providers* at or below market rate if the obligation was for water supply development;

- 4) Providing financial assistance to *water providers* with bonding authority to purchase insurance for local bond obligations incurred for water supply development;
- 5) Paying the Fund's administration costs; and
- 6) Providing linked deposit guarantees through third party lenders by depositing monies with the lender provided the lender makes a loan on the terms and rate of return approved by the committee.

However, Fund monies cannot provide financial assistance to a *water provider* (other than an Indian tribe) unless one of the following apply:

- 1) The county board of supervisors where the *water provider* is located has adopted a regulation requiring that subdivided lands have an adequate water supply;
- 2) The municipality where the *water provider* is located has enacted an ordinance requiring subdivided lands to have an adequate water supply;
- 3) The *water provider* is in an active management area (AMA); or
- 4) The *water provider* is outside of an AMA and either:
 - a) Is designated as having an adequate water supply; or
 - b) Will use the financial assistance for a water supply development project and the Arizona Department of Water Resources has determined that there is an adequate water supply for all subdivided land that will be served by the project ([A.R.S. § 49-1273](#)).

The Fund consists of monies received from water supply development bonds, legislative appropriations, U.S. government monies for water supply development, monies from *water providers* that have taken loans and investment income ([A.R.S. § 49-1271\(A\)](#)). However, this fund is currently empty. At most, it received a one-time, \$1 million appropriation that was exempt from lapsing from the state General Fund in FY 2015 ([Laws 2014, Chapter 18, § 135](#)). However, that amount was ex-appropriated the following year ([Laws 2015, Chapter 8, § 5](#)) and it has not received any further legislative appropriations or other monies since then.

Provisions

1. Broadens the definition of *water provider* by:
 - a) Including all municipal water delivery systems; and
 - b) Adding a *public water system*, a county with a population of less than 300,000 persons and a natural resource conservation district. (Sec. 1)
2. Expands the definition of *water supply development* by including planning, designing, building or developing facilities and adding structures that actively or passively recharge stormwater to the list of qualifying facilities. (Sec. 1)
3. Increases the cap on the amount of a single Fund grant to *water providers* for planning or designing water supply development projects from \$100,000 to \$250,000. (Sec. 2)
4. Allows the Fund to provide financial assistance to a *water provider* if it is in a county with less than 1.5 million people. (Sec. 2)
5. Makes technical and conforming changes. (Sec. 1 and 2)

<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
