

Water Infrastructure Finance Authority

	FY 2022 ACTUAL	FY 2023 ESTIMATE	FY 2024 APPROVED
SPECIAL LINE ITEMS			
Long-Term Water Augmentation Fund Deposit	0	0 ^{1/}	189,200,000 ^{2/3/}
Water Projects Assistance Grants	5,000,000	10,000,000	3,000,000 ^{4/5/6/7/8/}
Water Supply Development Revolving Fund Deposit	6,000,000	0	0
Small Drinking Water Systems Fund Deposit	1,000,000	0	0
Gilbert Wells Project	0	0	27,800,000 ^{9/}
Glendale Irrigation and Xeriscaping	0	0	810,000 ^{10/}
Little Colorado River Levee	0	0	20,000,000 ^{11/}
Mohave Wash Recharge Basin	0	0	3,400,000 ^{12/}
Peoria Wells Project	0	0	10,000,000 ^{13/}
AGENCY TOTAL	12,000,000	10,000,000	254,210,000 ^{14/}
FUND SOURCES			
General Fund	12,000,000	10,000,000	254,210,000
SUBTOTAL - Appropriated Funds	12,000,000	10,000,000	254,210,000
Other Non-Appropriated Funds	138,190,100	254,840,300	254,840,300
Federal Funds	18,865,400	33,321,400	33,321,400
TOTAL - ALL SOURCES	169,055,500	298,161,700	542,371,700

AGENCY DESCRIPTION — The Water Infrastructure Finance Authority (WIFA) finances the construction, rehabilitation, and/or improvement of drinking water, waste water, reclamation, and other water quality facilities/projects from federal funds. The WIFA board also authorizes grants and issues bonds to support water supply development, conservation, and long-term water augmentation projects with state funds. WIFA staff support the statutory Federal Water Programs Committee, Water Supply Development Committee, and Long-Term Water Augmentation Committee. Prior to FY 2023, WIFA was operationally located within the Office of Economic Opportunity.

FOOTNOTES

- ^{1/} Laws 2022, Chapter 366 transferred \$334,000,000 from a diversion of the state's share of Transaction Privilege Tax (TPT) for deposit to the Long-Term Water Augmentation Fund. Because this was a revenue transfer to the fund, it is not displayed as an agency expenditure in the table.
- ^{2/} Laws 2022, Chapter 366, as amended by Laws 2023, Chapter 133, appropriated \$189,200,000 from the General Fund in FY 2024 and \$333,000,000 in FY 2025 for deposit to the Long-Term Water Augmentation Fund. Because this appropriation is in separate legislation, it is not included in the FY 2024 General Appropriation Act or the agency section of the General Appropriation Act
- ^{3/} The appropriation made in Laws 2022, chapter 366, section 32, to the long-term water augmentation fund established by section 49-1302, Arizona Revised Statutes, in fiscal year 2023 2024 is reduced by \$(143,800,000). (General Appropriation Act footnote)
- ^{4/} The water projects assistance grants are allocated to provide financial assistance to cities and towns that provide water in Navajo and Apache counties and to provide financial assistance to irrigation districts in Cochise and Graham counties to contract for services of outside advisors, attorneys, consultants and aides that are reasonably necessary to enable these cities and towns and irrigation districts to adequately perform their duties. (General Appropriation Act footnote)
- ^{5/} Of the amount appropriated to the water projects assistance grants line item, \$1,000,000 is allocated to provide financial assistance to cities and towns that provide water in Navajo and Apache counties to contract for services of outside advisors, attorneys, consultants and aides that are reasonably necessary or desirable to enable the cities and towns to adequately perform their duties. (General Appropriation Act footnote)
- ^{6/} Of the amount appropriated to the water projects assistance grants line item, \$1,000,000 is allocated to provide financial assistance to irrigation districts in Graham county to contract for services of outside advisors, attorneys, consultants and aides that are reasonably necessary or desirable to enable the irrigation districts to adequately perform their duties. (General Appropriation Act footnote)
- ^{7/} Of the amount appropriated to the water projects assistance grants line item, \$1,000,000 is allocated to provide financial assistance to irrigation districts in Cochise county along the San Pedro River to contract for services of outside advisors,

attorneys, consultants and aides that are reasonably necessary or desirable to enable the irrigation districts to adequately perform their duties. (General Appropriation Act footnote)

- 8/ The applications for these monies shall be presented for approval to the water infrastructure finance authority of Arizona and the authority shall distribute these monies to the qualified entities before December 31, 2023. (General Appropriation Act footnote)
- 9/ The water infrastructure finance authority of Arizona shall distribute the monies in the Gilbert wells project line item to the town of Gilbert for the rehabilitation and drilling of new water wells. (General Appropriation Act footnote)
- 10/ The water infrastructure finance authority of Arizona shall distribute the monies in the Glendale irrigation and xeriscaping line item to the city of Glendale for irrigation system and xeriscaping. (General Appropriation Act footnote)
- 11/ The water infrastructure finance authority of Arizona shall distribute the monies in the Little Colorado River levee line item to Navajo County to reconstruct the Little Colorado River levee. (General Appropriation Act footnote, as amended by Laws 2023, Chapter 166)
- 12/ The water infrastructure finance authority of Arizona shall distribute the monies in the Mohave wash recharge basin line item to Mohave county to design and construct the Mohave wash recharge basin. (General Appropriation Act footnote)
- 13/ The water infrastructure finance authority of Arizona shall distribute the monies in the Peoria wells project line item to the city of Peoria for new water wells and water infrastructure projects. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated by Special Line Items by Agency.

Long-Term Water Augmentation Fund Deposit

The budget includes \$189,200,000 from the General Fund in FY 2024 for the Long-Term Water Augmentation Fund (LTWAF) Deposit line item. Adjustments are as follows:

FY 2024 Fund Deposit

Laws 2022, Chapter 366 appropriated \$333,000,000 from the General Fund in FY 2024 for a one-time deposit to the Long-Term Water Augmentation Fund in FY 2024. This advance appropriation amount was reduced by \$(143,800,000) in the FY 2024 General Appropriation Act (Laws 2023, Chapter 133), resulting in a net \$189,200,000 deposit from the General Fund in FY 2024.

The reduction in the FY 2024 deposit was associated with the budget funding the following water projects with direct appropriations:

Table 1	
FY 2024 Budget - Directly Funded Water Projects	
(\$ in Millions)	
Commerce - Water Infrastructure Grants	7.0
DEQ - PFAS (Forever Chemicals) Mitigation	5.0
DEQ - Water Quality Fee Fund Deposit	9.5
Universities - UA - On-Farm Irrigation Grants	15.2
WIFA - Water Projects Assistance Grants	3.0
WIFA - Local Distribution - Glendale Irrigation System	0.8
WIFA - Local Distribution - Gilbert Wells Project	27.8
WIFA - Local Distribution - Peoria Wells Project	10.0
WIFA - Local Distribution - Mohave Wash Recharge Basin	3.4
WIFA - Local Distribution - Little Colorado River Levee	20.0
DWR - Brackish Water Study	0.1
DWR - Brackish Groundwater Pilot	11.0
DWR - Statewide Water Resources Planning Program	5.0
DWR - Groundwater Infrastructure (Santa Rosa Canal)	25.0
Capital - ADOT - Canyon Water Improvement District	0.6
Total	\$143.4

The \$189,200,000 deposit in FY 2024 is the second year of a 3-year commitment for General Fund deposits to the LTWAF. Laws 2022, Chapter 366 created the LTWAF and included a 3-year commitment for total deposits of \$1,000,000,000 to the LTWAF comprised of a transfer of \$334,000,000 from a diversion of the state's share of Transaction Privilege Tax (TPT) in FY 2023, and \$333,000,000 appropriations from the General Fund to the LTWAF in FY 2024 and FY 2025. With the FY 2024 revision, the 3-year total is \$856,200,000.

Chapter 366 required that 75% of the LTWAF is reserved for 1 or more projects that import water from outside of Arizona.

The monies in this fund are to be used for funding water supply development projects that import water from outside of Arizona, purchasing imported water or rights to imported water, acquiring or constructing facilities to convey and deliver imported water, financial assistance to eligible entities to finance or refinance water supply development projects within Arizona and other expenses related to these endeavors including water studies, assessments, and environmental reviews. An eligible entity is a water provider or any city, town, county, district, commission, authority or other public entities for this fund as defined in A.R.S. § 49-1301. The fund may be used for administrative costs, but expenditures are limited to funding no more than 10 FTE Positions at WIFA.

The WIFA Board will approve assistance from this fund and will receive recommendations from a Long-Term Water Augmentation subcommittee comprised of board members. Awards of more than \$50,000,000 from the fund are required to be reviewed by the 9-member Joint Legislative Water Committee established by A.R.S. § 49-1215.

Water Projects Assistance Grants

The budget includes \$3,000,000 from the General Fund in FY 2024 for the Water Projects Assistance Grants line item. Adjustments are as follows:

One-Time Water Projects Funding

The budget includes an increase of \$3,000,000 from the General Fund in FY 2024 to provide one-time water project financial assistance grants. The monies are allocated as follows: 1) \$1,000,000 to cities and towns that provide water in Navajo and Apache Counties; 2) \$1,000,000 to irrigation districts in Graham County and 3) \$1,000,000 to irrigation districts in Cochise County along the San Pedro River. WIFA is required to distribute these monies by December 31, 2023.

Remove One-Time Water Projects Assistance Grants

The budget includes a decrease of \$(10,000,000) from the General Fund in FY 2024 to remove one-time funding for Eastern Arizona water project assistance grants.

Monies in this line item are for grants to be used to contract for services of outside advisors, attorneys, consultants and aides that are reasonably necessary or desirable to enable the relevant entity to adequately perform their duties. For the FY 2023 budget, this line item was named Eastern Arizona Water Projects Assistance Grants. The FY 2022 and FY 2023 appropriations for water projects assistance grants were non-lapsing. *(Please see the FY 2022 and FY 2023 Appropriations Reports for prior grant distribution amounts and requirements.)*

Gilbert Wells Project

The budget includes \$27,800,000 from the General Fund in FY 2024 for the Gilbert Wells Project line item. Adjustments are as follows:

One-Time Water Projects Funding

The budget includes an increase of \$27,800,000 from the General Fund in FY 2024 for a one-time distribution to the Town of Gilbert to support the rehabilitation and drilling of new water wells. This funding will allow Gilbert to access previously conserved groundwater.

Glendale Irrigation and Xeriscaping

The budget includes \$810,000 from the General Fund in FY 2024 for Glendale Irrigation and Xeriscaping line item. Adjustments are as follows:

One-Time Water Projects Funding

The budget includes an increase of \$810,000 from the General Fund in FY 2024 for a one-time distribution to the City of Glendale for xeriscaping and the irrigation system.

Little Colorado River Levee

The budget includes \$20,000,000 from the General Fund in FY 2024 for the Little Colorado River Levee line item. Adjustments are as follows:

One-Time Water Projects Funding

The FY 2024 budget as amended by Laws 2023, Chapter 166 includes an increase of \$20,000,000 from the General Fund in FY 2024 for a one-time distribution of monies to Navajo County to support the reconstruction of the Little Colorado River levee.

The FY 2024 General Appropriation Act distributed the monies to the City of Winslow. Laws 2022, Chapter 166 amended the General Appropriations Act to direct the monies to Navajo County. That entity will manage the rebuilding project along with the Army Corps of Engineers. The rebuilding of the levee will protect the City of Winslow and Interstate 40, along with nearby railroad lines and other infrastructure.

Mohave Wash Recharge Basin

The budget includes \$3,400,000 from the General Fund in FY 2024 for the Mohave Wash Recharge Basin line item. Adjustments are as follows:

One-Time Water Projects Funding

The budget includes an increase of \$3,400,000 from the General Fund in FY 2024 for a one-time distribution to Mohave County to design and construct the Mohave Wash recharge basin.

This basin would capture stormwater at the confluence of the Mohave Wash and Rattlesnake Wash.

Peoria Wells Project

The budget includes \$10,000,000 from the General Fund in FY 2024 for the Peoria Wells Project line item. Adjustments are as follows:

One-Time Water Projects Funding

The budget includes an increase of \$10,000,000 from the General Fund in FY 2024 for a one-time distribution to the City of Peoria to support the construction of 5 new water wells and water infrastructure projects.

Other Issues

Water Conservation Grant Fund

Laws 2022, Chapter 366 created the Water Conservation Grant Fund, which allocates funding for voluntary water conservation programs such as: rainwater harvesting, drought-resistant landscaping/turf removal, groundwater storage and recovery and watershed protection.

Chapter 366 did not provide an initial state funding allocation to the fund. The FY 2024 WIFA budget request estimates the fund will receive \$200,000,000 of Federal Funds: \$100,000,000 in FY 2023 and \$100,000,000 in FY 2024. As of June 2022, WIFA awarded 8 grants totaling \$15,000,000 for the first grant cycle and has opened a second grant cycle. Laws 2023, Chapter 197 expanded the fund eligibility to include tribal communities and private water systems.

Small Drinking Water Systems Fund

The Small Drinking Water Systems Fund provides information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency and non-emergency grants to small water systems for infrastructure repair. At the end of FY 2022, WIFA reported a balance of \$197,200. WIFA projects expenditures of \$92,500 in FY 2023 and FY 2024. At that level of expenditure, the balance at year's end is estimated at \$104,600 in FY 2023 and \$12,000 in FY 2024.

An FY 2022 General Appropriation Act footnote requires WIFA to report the previous fiscal year's Small Drinking Water Systems Fund expenditures to JLBC by December 31 of 2021, 2022, and 2023.