

## Water Infrastructure Finance Authority

	FY 2024 ACTUAL	FY 2025 ESTIMATE	FY 2026 BASELINE
<b>SPECIAL LINE ITEMS</b>			
Long-Term Water Augmentation Fund Deposit <sup>1/2/</sup>	189,200,000	0	0
Water Projects Assistance Grants	3,000,000	0	0
Gilbert Wells Project	27,800,000	0	0
Glendale Irrigation and Xeriscaping	810,000	0	0
Little Colorado River Levee	20,000,000	0	0
Mohave Wash Recharge Basin	3,400,000	0	0
Peoria Wells Project	10,000,000	0	0
<b>AGENCY TOTAL</b>	<b>254,210,000</b>	<b>0</b>	<b>0</b>
<b>FUND SOURCES</b>			
General Fund	254,210,000	0	0
<b>SUBTOTAL - Appropriated Funds</b>	<b>254,210,000</b>	<b>0</b>	<b>0</b>
Other Non-Appropriated Funds	70,723,900	196,027,700	196,027,700
Federal Funds	52,699,200	81,303,000	81,303,000
<b>TOTAL - ALL SOURCES</b>	<b>377,633,100</b>	<b>277,330,700</b>	<b>277,330,700</b>

**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 the Long-Term Water Augmentation Committee.

### Other Issues

This section includes information on the following topics:

- Long-Term Water Augmentation Fund
- Water Conservation Grant Fund
- Water Supply Development Revolving Fund
- FY 2024 Water Projects Funding

#### Long-Term Water Augmentation Fund

Laws 2022, Chapter 366 established the Long-Term Water Augmentation Fund. 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.

Laws 2022, Chapter 366 made a total 3-year commitment of \$1,000,000,000 to the fund as follows: a transfer of \$334,000,000 in FY 2023 from a diversion of the state's Transaction Privilege Tax and appropriations of \$333,000,000 from the General Fund in FY 2024 and FY 2025. The \$1,000,000,000 commitment excluded any interest earnings on the fund. Laws 2022, Chapter 366 requires that 75% of the monies from the 3-year funding allocation are reserved for 1 or more projects that import water from outside of Arizona.

With subsequent legislation amending Laws 2022, Chapter 366, the state's deposits to the LTWAF totaled \$445,200,000. These changes are as follows:

- The FY 2024 budget reduced the FY 2024 appropriation to \$189,200,000.
- The FY 2025 budget transferred \$78,000,000 in FY 2024 from previously deposited LTWAF amounts.
- The FY 2025 budget repealed an advance appropriation of \$333,000,000 from the General Fund in FY 2025 for the third year of funding to the LTWAF.

In addition to these changes, the FY 2025 budget transferred \$19,300,000 from earned interest to the General Fund. *(For additional background, please see the WIFA narrative in the FY 2023, FY 2024, and FY 2025 Appropriations Reports)*

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. WIFA is currently preparing a request for proposals to solicit projects for funding.

#### **Water Conservation Grant Fund**

Laws 2022, Chapter 366 established the Water Conservation Grant Fund to provide grants for water conservation. Eligible entities (cities/counties, public water systems, tribal communities, and other entities specified in statute) may apply to receive funds for voluntary water conservation programs such as: education, rainwater harvesting, drought-resistant landscaping/turf removal, groundwater storage and recovery and watershed protection and other initiatives specified in statute.

Chapter 366 did not make a deposit into this fund. The fund has been allocated \$200,000,000 of Federal Funds for this purpose. As of June 2024, WIFA has awarded all these funds.

#### **Water Supply Development Revolving Fund**

The Water Supply Development Revolving Fund as amended by Laws 2022, Chapter 366 provides monies for low-cost financing, grants, and technical assistance to water providers and political subdivisions for water supply development projects outside of Arizona's major centers.

The fund has received monies from legislative appropriations including \$40,000,000 from the General Fund from an FY 2021 supplemental and \$151,500,000 transferred to the fund from the former Drought Mitigation Revolving Fund (DMRF) by Laws 2022, Chapter 366. These monies were from a previous legislative appropriation to the DMRF from the General Fund.

After accounting for the FY 2025 budget's transfer of \$59,700,000 from the fund in FY 2024, the fund had an FY 2024 year-end balance of \$152,241,700. WIFA is currently soliciting funding applications for this fund.

#### **FY 2024 Water Projects Funding**

The FY 2024 budget included one-time funding from the General Fund for the following water projects:

- \$3,000,000 for water projects assistance grants 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.
- \$27,800,000 allocated to the Town of Gilbert to support the rehabilitation and drilling of new water wells to access previously conserved groundwater.
- \$810,000 to the City of Glendale for xeriscaping and irrigation system improvements.
- \$20,000,000 to Navajo County to support the reconstruction of the Little Colorado River levee. Navajo County along with the Army Corp of Engineers will reconstruct a levee to protect the City of Winslow and Interstate 40, along with nearby railroad lines and other infrastructure.
- \$3,400,000 to Mohave County for the Mohave Wash recharge basin to capture stormwater at the confluence of the Mohave Wash and Rattlesnake Wash.
- \$10,000,000 to the City of Peoria to support the construction of 5 new water wells and water infrastructure projects.

*(Please see the FY 2024 and FY 2025 Appropriations Reports for additional information.)*

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
<b>Clean Water Annual Debt Service Interest Fund (FAA4313/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Interest from issued loans.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	827,400	1,028,800
<b>Year-End Fund Balance</b>	25,511,300	27,689,500
<b>Clean Water Annual Debt Service Principal Fund (FAA4312/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Repayment on the principal of issued loans.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	0	25,233,000
<b>Year-End Fund Balance</b>	95,572,800	95,361,000
<b>Clean Water Debt Service Reserve - Clean Water Fund (FAA4315/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Upfront payment from loan recipients with lower credit ratings.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	4,062,200	4,236,300
<b>Clean Water Federal Loan Fund (FAA4310/A.R.S. § 49-1221)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	23,492,100	20,874,000
<b>Year-End Fund Balance</b>	0	0
<b>Clean Water Fee Program Income Fund (FAA4309/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Administrative fee from the issuance of a loan.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	2,560,500	55,000
<b>Year-End Fund Balance</b>	109,200	59,200
<b>Clean Water Fees Non Program Income Fund (FAA4317/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Administrative fees from Qualified Not Pledged (QNP) and Not Qualified (NQ) loans.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	11,598,500	5,609,400
<b>Year-End Fund Balance</b>	1,714,300	1,318,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
<b>Clean Water Financial Assistance Fund (FAA4319/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Principal and interest from Qualified Not Pledged (QNP) and Not Qualified (NQ) loan payments.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	16,152,300	16,636,800
<b>Year-End Fund Balance</b>	4,772,600	2,944,000
<b>Clean Water State Loan Fund (FAA4311/A.R.S. § 49-1221)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue generated from bond sales.		
<b>Purpose of Fund:</b> To make loans for water quality infrastructure projects of political subdivisions and Indian tribes. Eligible projects include the construction or improvement of wastewater treatment plants and systems, recharge facilities, stormwater management, and related projects. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Drinking Water Annual Debt Service Interest Fund (FAA4333/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Interest from issued loans.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	1,635,800	5,296,700
<b>Year-End Fund Balance</b>	4,631,100	1,570,400
<b>Drinking Water Annual Debt Service Principal Fund (FAA4332/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Repayment on the principal of issued loans.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	9,571,600	7,484,700
<b>Year-End Fund Balance</b>	87,101,100	102,838,800
<b>Drinking Water Debt Service Reserve Fund (FAA4320/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Upfront payment from loan recipients with lower credit ratings.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	2,375,100	2,885,400
<b>Drinking Water Federal Loan Fund (FAA4335/A.R.S. § 49-1261)</b>		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	29,028,500	60,119,000
<b>Year-End Fund Balance</b>	15,500	0

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
<b>Drinking Water Fees Non Program Fund (FAA4322/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Administrative fees from Qualified Not Pledged (QNP) and Not Qualified (NQ) loans.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	6,667,500	6,929,100
<b>Year-End Fund Balance</b>	752,500	1,391,300
<b>Drinking Water Fees Program Income Fund (FAA4336/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Administrative fee from the issuance of a loan.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	602,500	712,400
<b>Year-End Fund Balance</b>	1,911,500	3,781,400
<b>Drinking Water Financial Assistance Fund (FAA4324/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Principal and interest from Qualified Not Pledged (QNP) and Not Qualified (NQ) loan payments.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	16,884,500	0
<b>Year-End Fund Balance</b>	970,500	18,851,400
<b>Drinking Water State Loan Fund (FAA4331/A.R.S. § 49-1261)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Revenue generated from bond sales.		
<b>Purpose of Fund:</b> To make loans, including forgivable principal, to political subdivisions, Indian tribes, and private as well as non-profit non-community water systems regulated by the Corporation Commission for drinking water facilities and/or improvements that allow a system to source, store and transmit drinking water that meets health standards. The fund is also used for debt refinancing, bond insurance, and for fund administration.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	0	0
<b>Long-Term Water Augmentation Fund (WFA9999/A.R.S. § 49-1302)</b>		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal monies, interest, gifts, grants, donations, and any other monies received for the purpose of the fund. The fund may also receive revenues from the sale of long-term water augmentation bonds and from public-private partnership agreements.		
<b>Purpose of Fund:</b> To fund water supply development projects, including those that import water from outside of Arizona and other related expenses such as water studies, assessments, and environmental reviews. Eligible entities include water providers and cities, counties or another public entity/district/commission. The fund may be used for administrative costs, not to exceed 10 FTE Positions. Awards of more than \$50,000,000 from the fund are required to be reviewed by the Joint Legislative Water Committee. For any monies deposited in FY 2023, FY 2024, and FY 2025 by Laws 2022, Chapter 366 (as amended by subsequent reductions), 75% is reserved for 1 or more projects that import water from outside of Arizona.		
<b>Funds Expended</b>	2,270,400	2,645,200
<b>Year-End Fund Balance</b>	447,566,500	453,421,300

SUMMARY OF FUNDS	FY 2024 Actual	FY 2025 Estimate
<b>Small and Disadvantaged Communities Drinking Water Assistance Fund</b> (FAA2230/A.R.S. § 35-142)		<b>Federal Funds</b>
<b>Source of Revenue:</b> Federal monies.		
<b>Purpose of Fund:</b> To assist small and disadvantaged communities to comply with the Safe Drinking Water Act (SDWA).		
<b>Funds Expended</b>	178,600	310,000
<b>Year-End Fund Balance</b>	0	0
<b>Small Drinking Water Systems Fund</b> (FAA2225/A.R.S. § 49-355)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal monies and interest. The FY 2020 budget included a one-time deposit of \$500,000 from the General Fund. The FY 2022 budget included a one-time deposit of \$1,000,000 from the General Fund.		
<b>Purpose of Fund:</b> To provide information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency grants to small water systems for infrastructure repair. These expenditures are not displayed to avoid double counting the original General Fund appropriation to this fund.		
<b>Funds Expended</b>	0	0
<b>Year-End Fund Balance</b>	435,500	309,600
<b>Water Conservation Grant Fund</b> (WFA9998/A.R.S. § 49-1332)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal monies, interest, gifts, grants, donations, and any other monies received for the purpose of the fund.		
<b>Purpose of Fund:</b> Monies are to facilitate voluntary water conservation programs or projects by eligible entities that result in long-term reductions in water use and/or improvements in water use efficiency or water reliability. Eligible entities include public and private water providers, tribal entities, and cities, counties or another public entity/district/commission. Projects and eligible programs range include education, research and other programs for water conservation and efficiency activities, including but not limited to: rainwater harvesting, drought-resistant landscaping/turf removal, groundwater storage and recovery and watershed protection. Funds can be used for program implementation and the administrative costs for eligible programs. Monies may be used for an eligible entity to distribute rebates for the installation of gray water systems.		
<b>Funds Expended</b>	1,736,600	99,131,700
<b>Year-End Fund Balance</b>	0	0
<b>Water Supply Development Revolving Fund</b> (WFA2336/A.R.S. § 49-1271)		<b>Non-Appropriated</b>
<b>Source of Revenue:</b> Legislative appropriations, federal monies, gifts, grants, donations, loan repayments, administrative fees and penalties, and interest.		
<b>Purpose of Fund:</b> To be used for loans to construct water supply projects in Arizona by eligible entities, to provide technical assistance or grants to eligible entities. An eligible entity includes a water provider that distributes or sells water outside of the boundaries of an initial active management area in which part of the Central Arizona Project (CAP) aqueduct is located, or any city, county or public entity/district/commission located outside of the boundaries of an initial active management area in which part of the CAP aqueduct is located. A single loan may not exceed \$3,000,000, and a single grant shall not exceed \$2,000,000. The fund may also be used for debt refinancing, bond insurance for projects related to water supply development purposes, and water supply studies.		
<b>Funds Expended</b>	216,300	25,264,900
<b>Year-End Fund Balance</b>	152,241,700	132,226,800