

What is the Arizona Water Authority?

The recent announcement proposing a new state water entity raises questions about what it means for our state, what impact it will have on our water supplies, and at what cost. Before addressing those questions, let's first look at the role this new Arizona Water Authority would play.

The Arizona Water Authority (Authority) would be responsible for developing new water supplies, constructing infrastructure, and financing augmentation, conservation, and water reuse projects. These efforts could range from initiating large water augmentation projects, such as desalination, to providing start-up financing for a variety of water projects throughout Arizona, as well as owning and selling water rights.



This proposed new state entity would significantly change how Arizona approaches water. Currently, the state, through the Arizona Department of Water Resources (ADWR), regulates and manages water, which it would continue to do if the Authority is established. Yet, the state would expand its involvement in water by giving the proposed Arizona Water Authority a broad set of powers to do the following:

- Acquire, own, and sell water for the Authority and then sell or lease the water to public and private water entities.
- Plan, construct, acquire, and own water-related infrastructure but not operate such water-related facilities.
- Acquire, sell, lease, exchange, or dispose of property necessary for water-related facilities.
- Engage in Private/Public Partnerships.
- Provide loans, grants, or other financial assistance to support the development of water supplies and infrastructure.
- Issue revenue bonds.

It is not clear if the centralization of these powers into a new governmental entity would inadvertently or deliberately create a monopoly over water throughout the state. It is also not well-defined how the Authority would constructively work with existing water entities, including municipal water providers, or if it would have a competitive edge over such entities in pursuing new water supplies and infrastructure.

When it comes to financing water projects, the Arizona Water Authority would administer two funds that would primarily be financed by taxpayers through the state's general funds:

- Water Supply Development Revolving Fund – This fund would provide loans and grants only to eligible entities outside of Maricopa, Pinal, Pima counties for planning and developing water supplies. The maximum loan amount would be \$2 million, and grants could not exceed \$250,000 per project. Based on monies that would be transferred and appropriated, this fund would start with \$100 million.
- Long-term Water Augmentation Fund – This fund is eligible to all entities in the state for funding water augmentation and conservation projects within or outside of Arizona. This fund would be used to provide loans, and all monies “expended in connection with loan guarantees” must be fully repaid by the beneficiaries. The Authority is required to use at least 75 percent of this fund for one or more large-scale projects to import water into the state. Depending on how the Legislature decides on its budget, this fund could receive up to \$1 billion.

These two funds would be a significant fiduciary responsibility for the new Authority. While the intent is that those who benefit would pay, the legislative language is unclear how that would be done, especially to ensure that a large augmentation project would have users committed upfront to use the water once the project is online. Ultimately, \$1 billion may just be a drop in the bucket of what would be needed.

Overseeing the responsibilities of this new Authority would be a nine-member board, which would hire an executive director to staff the Authority. The board would include the Directors of the Arizona Department of Water Resources (ADWR), the Arizona Department of Environmental Quality (ADEQ), and the Arizona Department of Administration (ADOA).

The remaining six members would be appointed by the Governor and must meet the following criteria:

- No more than three appointed members may be of the same political party.
- No two appointed members may be residents of the same county.
- Not more than two appointed members can be Maricopa, Pinal, or Pima counties residents. This means that the most populated county, Maricopa County, may not have any representation on the Authority's board.

This governance structure favors rural Arizona even though 85 percent of Arizona's population, the bulk of the funding source for this Authority, resides in Maricopa, Pinal, and Pima counties.

The Arizona Water Authority would centralize a broad range of power into a new governmental entity. No other similar water entity exists in the West. Therefore, it is critical that all aspects of this Authority be vetted. As we look at its proposed capabilities, structure, and procedures, it is important to ask questions and contemplate the positive and negative implications of this new entity. While getting more water may be a worthy goal, especially here in the desert, without a

clear objective, defined criteria and processes, and an assessment of water needs around the state and who will ultimately benefit and who will pay, we could find ourselves chasing windmills. If this Authority is to be established, we must get as much as possible right from the beginning.

As we consider the pros and cons of this new Authority, discussion on finding new water and funding specific projects will continue. That is why the AMWUA cities have identified the need for [a clear position on augmentation and how to evaluate specific water projects](#), such as those funded and overseen by the newly proposed Arizona Water Authority.

For over 50 years, the Arizona Municipal Water Users Association has worked to protect our member cities' ability to provide assured, safe, and sustainable water supplies to their communities. For more information, visit www.amwua.org.