TENTATIVE AGENDA*

Times shown are approximate. Some items may take more or less time than scheduled, or the Chair may grant requests to hear items in an order other than shown.

1. Consideration of Action to Approve the Minutes of December 5, 2019 Public Policy Committee - Cesare

2. Report on State Issues that Could Affect CAP and Possible Consideration of a Recommendation that the Board Take Action on State Issues that Could Impact CAP, Including but not Limited to Direct Distribution of Long-Term Storage Credits *(Leadership and Public Trust: Relationships - Other Stakeholders^) - Gray


4. Public Comment

5. Adjourn

* Please note that this tentative agenda may be changed prior to the scheduled meeting by modifying or deleting listed matters or adding new ones. Anyone interested in the final agenda for the meeting should contact the CAP office (623.869.2333) or consult CAP's website(www.cap-az.com) twenty-four (24) hours in advance of the meeting.

^ Linkage to 2016 CAWCD Board of Directors Strategic Plan.

In accordance with the Americans with Disabilities Act (ADA), if you need reasonable accommodations due to a disability, please contact the CAP office at (623.869.2333) or TDD (623.869.2183) at least seventy-two (72) hours in advance of the meeting.
A meeting of the Public Policy Committee ("Committee") of the Central Arizona Water Conservation District's ("CAP" or "CAWCD") Board of Directors was called to order by Chair Karen Cesare on 12/5/2019 at 09:03 AM. The meeting was held at the Central Arizona Project, 23636 North Seventh Street, Phoenix, Arizona, in the Board Room.

Committee Members present were: Chair Karen Cesare, Pima County; Jennifer Brown, Maricopa County; Benjamin W. Graff, Maricopa County; and Heather Macre, Maricopa County.

Committee Members not present were: Jim Hartdegen, Pinal County.

Staff members present were: Ted Cooke, General Manager; Jay Johnson, General Counsel; Bridget Schwartz-Manock, Director, Public Affairs; Jeff Gray, Legislative Affairs Manager; Jessica Newland, Legislative Affairs Analyst; Megan Casey, Public Affairs Management Analyst; Jenn Miller, Board Support Specialist; and Michelle Oldfield, Public Affairs Specialist.

1. CONSIDERATION OF ACTION TO APPROVE THE MINUTES OF NOVEMBER 7, 2019
   PUBLIC POLICY COMMITTEE - CESARE
On a motion (Board Member Macre) and a second (Board Member Brown), approved the minutes of the November 7, 2019 meeting. Motion passed.
   Voting yes: Karen Cesare, Jennifer Brown, Benjamin W. Graff, Heather A. Macre

2. REPORT ON STATE ISSUES THAT COULD AFFECT CAP AND POSSIBLE CONSIDERATION OF A RECOMMENDATION THAT THE BOARD TAKE ACTION ON STATE ISSUES THAT COULD IMPACT CAP - GRAY
Jeff Gray, Legislative Affairs Manager, provided an update on state legislative issues. He updated the Committee that the House Ad Hoc Committee on Groundwater Supply in Pinal County has finished their scheduled meetings. No legislative recommendations have come out of these meetings. He reported that they did announce the creation of a local study committee to look at Pinal County groundwater issues, noting that the CAGRD has been asked to join this committee.

Mr. Gray informed the Committee that a Recovery Planning Advisory Group has been meeting to discuss creating updates to the 2014 Joint Recovery Plan, which could include possible legislative changes. Mr. Gray will keep the committee informed on developments as these discussions continue.

3. REPORT ON FEDERAL ISSUES THAT COULD AFFECT CAP AND POSSIBLE CONSIDERATION OF A RECOMMENDATION THAT THE BOARD TAKE ACTION ON FEDERAL ISSUES THAT COULD IMPACT CAP - GRAY
Mr. Gray informed the Committee that the federal budget process has not progressed. Another continuing resolution to fund the government through December 20 has passed, and it is likely that another continuing resolution will take place before a comprehensive budget is finalized.

Mr. Gray updated the Committee on nominations and appointments. On November 19, the Senate Energy and Natural Resources Committee approved the nomination of Katharine MacGregor as Deputy Secretary of the Interior. The nomination awaits a vote by the full Senate. Additionally, Kiel Weaver has been appointed Associate Deputy Secretary of the Department of Interior.

Mr. Gray reviewed S.2862/H.R.5100 Drought Relief Through Innovative Projects (DRIP) Act, sponsored by Senator Sinema in the Senate and Representatives O’Halleran and Schweikert in the House, which was recently introduced.

Mr. Gray reported on the following bills that the CAP Board of Directors had taken a position of support, but have not had any substantial movement since the last update:
- H.R.2459/S.1277 Hualapai Tribe Water Rights Settlement Act
- S.1932 Drought Resiliency and Water Supply Infrastructure Act

4. **DISCUSSION AND CONSIDERATION OF ACTION TO RECOMMEND THAT THE BOARD APPROVE THE PROPOSED 2020 STATE LEGISLATIVE AGENDA - GRAY**

   On a motion (Board Member Graff) and a second (Board Member Macre), recommended that the Proposed 2020 State Legislative Agenda be submitted for approval to the Board of Directors. Motion passed.

   Voting yes: Karen Cesare, Jennifer Brown, Benjamin W. Graff, Heather A. Macre

5. **DISCUSSION AND CONSIDERATION OF ACTION TO RECOMMEND THAT THE BOARD APPROVE THE PROPOSED 2020 FEDERAL LEGISLATIVE AGENDA - GRAY**

   On a motion (Board Member Brown) and a second (Board Member Macre), recommended that the Proposed 2020 Federal Legislative Agenda be submitted for approval to the Board of Directors. Motion passed.

   Voting yes: Karen Cesare, Jennifer Brown, Benjamin W. Graff, Heather A. Macre

6. **PUBLIC COMMENT**

   None.

7. **ADJOURN**

   There being no further business to come before the Committee, the meeting adjourned at 09:15 AM.

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Karen Cesare
Chair
CONTACT: Bridget Schwartz-Manock 623-869-2150 bschwartzmanock@cap-az.com
Jeff Gray 623-869-2425 jgray@cap-az.com

MEETING DATE: Thursday, January 9, 2020

AGENDA ITEM: Report on State Issues that Could Affect CAP and Possible Consideration of a Recommendation that the Board Take Action on State Issues that Could Impact CAP, Including but not Limited to Direct Distribution of Long-Term Storage Credits (Leadership and Public Trust: Relationships - Other Stakeholders^) - Gray

RECOMMENDATION: See attached documents and proposed staff recommendations.

FISCAL IMPLICATIONS: No

Impact on Budget:
None

Additional spending authority requested: None

Impact on Reserves:
None

Impact on Rates:
None

LINKAGE TO STRATEGIC PLAN, POLICY, STATUTE OR GUIDING PRINCIPLE:
2016 Board Strategic Plan:

- Leadership & Public Trust: Relationships – Improve Relationships with Customers and Stakeholders
- Leadership & Public Trust: CAP Board Leadership – Equip Board Members to Effectively Represent CAP and its Position
- Water Supply: Optimize Reliability and Sustainability of CAP Water Supply

PREVIOUS BOARD ACTION/ACTIVITY:
November 7, 2019 Public Policy Committee previewed and discussed the draft proposed 2020 State Legislative Agenda
December 5, 2019 Board adopted 2020 State Legislative Agenda

ISSUE SUMMARY/DESCRIPTION:
This report describes CAP’s state legislative agenda and provides an update on those issues. In addition, this update reports on and requests guidance on bills being considered by the State Legislature.

See attached documents and issue descriptions.
SUGGESTED MOTION:
I move that the Public Policy Committee recommend that the Board adopt a position on the following pending state legislation of interest to CAP: (staff recommendations in parentheses)

Direct Distribution of Long-Term Storage Credits discussion draft (SUPPORT)

ATTACHMENTS:
1. Direct Credit Distribution Discussion Draft
2. State Legislative Issues Update January
3. Presentation
Proposed Changes to A.R.S. § 45-2457.B.7 to Facilitate Direct Transfer of Credits

Be it enacted by the Legislature of the State of Arizona:

Section 1. Section 45-2457, Arizona Revised Statutes, is amended to read:

45-2457. Accounting; rules of operation
A. The authority shall develop an accounting system for the long-term storage credits accrued or purchased by the authority. The accounting system shall be designed to allow the authority to determine which funding source of the banking fund paid for each long-term storage credit accrued or purchased by the authority.

B. The authority shall operate in accordance with all of the following rules of operation:

1. The authority shall reserve a reasonable number of long-term storage credits accrued or purchased with general fund appropriations, other than general fund appropriations for replenishment under chapter 15, article 3 of this title, for the benefit of municipal and industrial users of Colorado river water in this state that are outside of the service area of CAWCD.

2. The authority may distribute long-term storage credits accrued or purchased with general fund appropriations, other than general fund appropriations for replenishment under chapter 15, article 3 of this title, for both of the following:
   (a) To make water available to a municipal and industrial user of Colorado river water in this state that is outside of the service area of CAWCD, if both of the following apply:
      (i) The municipal and industrial user would otherwise suffer a water shortage. The authority may distribute long-term credits to the extent reasonably necessary to offset the water shortage.
      (ii) The authority collects reimbursement for the cost to the authority of replacing the long-term storage credits distributed. The authority may replace the long-term storage credits in any year it deems appropriate but shall use good faith efforts to replace the long-term storage credits at a reasonable cost to the person who is responsible for reimbursing the authority for the credits distributed.
   (b) To make water available to CAWCD to the extent necessary for CAWCD to meet the demands of its municipal and industrial subcontractors, if all of the following apply:
      (i) CAWCD's normal diversions from the Colorado river have been or will be disrupted by shortages on the river or by disruptions in the operation of the central Arizona project.
      (ii) The authority does not distribute for this purpose the long-term storage credits reserved in accordance with paragraph 1 of this subsection.
      (iii) The authority collects reimbursement from CAWCD for the cost to the authority of replacing the long-term storage credits distributed. The authority may replace the long-term storage credits in any year it deems appropriate but shall use good faith efforts to replace the long-term storage credits at a reasonable cost to CAWCD.

3. The authority may distribute or extinguish long-term storage credits accrued or purchased with general fund appropriations, other than general fund appropriations for replenishment under chapter 15, article 3 of this title, to implement the settlement of water right claims by Indian communities in this state.

4. On request from the director, the authority may extinguish long-term storage credits accrued or purchased with general fund appropriations, other than general fund appropriations for replenishment under chapter 15, article 3 of this title, to fulfill the water management objectives set forth in chapter 2 of this title.

5. The authority may exchange long-term storage credits accrued or purchased with general fund appropriations for long-term storage credits held by other persons if the long-term storage credits received by the authority were stored in a location that better enables the authority to fulfill the purposes and policies of this chapter than were the long-term storage credits exchanged by the authority. For the purposes of this paragraph, the authority may make exchanges of long-term storage credits stored in one active management area for long-term storage credits stored in a different active management area or of...
long-term storage credits stored in one groundwater basin for long-term storage credits stored in a different groundwater basin.

6. The authority shall distribute or extinguish long-term storage credits accrued or purchased with monies collected in accordance with section 45-611, subsection C, paragraph 3 only for the benefit of the active management area in which the monies were collected. The authority may distribute or extinguish these long-term storage credits to the extent necessary to meet the demands of CAWCD's municipal and industrial subcontractors during times in which CAWCD's diversions from the Colorado river have been or will be disrupted by shortages on the Colorado river or by disruptions in operation of the central Arizona project, to implement the settlement of water right claims by Indian communities in this state or, on request from the director, to meet the other water management objectives set forth in chapter 2 of this title. The authority may use the monies collected in the Pinal active management area under section 45-611, subsection C, paragraph 3 to acquire long-term storage credits for replenishment purposes under chapter 15, article 3 of this title.

7. The authority shall distribute long-term storage credits accrued or purchased with monies deposited in the fund in accordance with section 48-3715.03, subsection B only for the benefit of the county in which the monies were collected. The authority shall distribute these long-term storage credits to CAWCD OR TO CAWCD'S MUNICIPAL AND INDUSTRIAL SUBCONTRACTORS to the extent necessary to meet the demands of CAWCD's municipal and industrial subcontractors during times in which CAWCD's diversions from the Colorado river have been or will be disrupted by shortages on the Colorado river or by disruptions in operation of the central Arizona project. LONG-TERM STORAGE CREDITS DISTRIBUTED TO A CAWCD MUNICIPAL AND INDUSTRIAL SUBCONTRACTOR PURSUANT TO THIS SECTION MAY NOT BE SOLD AND THE SUBCONTRACTOR SHALL BE RESPONSIBLE FOR ALL FEES ASSESSED BY THE DIRECTOR FOR THE DISTRIBUTION OF THE LONG-TERM STORAGE CREDITS AND ALL COSTS OF RECOVERY OF THE LONG-TERM STORAGE CREDITS.

8. For each county within the CAWCD service area, on a determination by the authority that the number of long-term storage credits accrued or purchased with monies deposited in the fund in accordance with section 48-3715.03, subsection B exceeds the needs specified in paragraph 7 of this subsection for that county, the authority shall distribute those excess long-term storage credits to municipal water providers within that county that are at the time of distribution experiencing surface water supply shortages not associated with the central Arizona project. The authority shall distribute to each such municipal water provider the lesser of the following number of long-term storage credits:
   (a) The total number of credits determined to be available by the authority under this paragraph multiplied by the percentage produced by dividing a numerator equaling the amount of revenues paid pursuant to section 48-3715.02, subsections B and C by taxpayers that are within both the boundaries of the municipal provider that is experiencing the shortage and the boundaries of the surface water supply system that is experiencing the shortage by a denominator equaling the total revenues paid pursuant to section 48-3715.02, subsections B and C by all taxpayers that are located within both the boundaries of a municipal water provider and the boundaries of a surface water supply system in the county. In making these computations, the authority shall use the amounts of revenue paid by taxpayers during the most recent tax year for which this information is available.
   (b) Twenty per cent of the total surface water shortage that the municipal and industrial water provider is experiencing.

9. The authority shall distribute or replace long-term storage credits accrued with monies collected pursuant to water banking services agreements in accordance with the terms of those agreements.

10. The authority shall acquire sufficient water supplies to perform its replenishment responsibilities under chapter 15, article 3 of this title. The authority shall acquire those water supplies with monies appropriated from the state general fund by the legislature for replenishment under chapter 15, article 3 of this title and to the extent that monies appropriated by the legislature for that purpose are not available, with monies collected in the Pinal active management area under section 45-611, subsection C, paragraph 3. The authority shall use the water supplies acquired pursuant to this paragraph
for any replenishment activity authorized by section 45-2623 and for implementation of the southside replenishment bank established by section 45-2624, including delivering water directly to the Gila river Indian community for those purposes.

C. Any other long-term storage credits accrued or purchased by the authority may be distributed or extinguished by the authority in accordance with the policy and purposes of this chapter.

D. Except as provided by subsection B, paragraph 7 of this section and except as provided by agreements entered into by the authority, the decision to distribute or extinguish any long-term storage credit accrued or purchased by the authority is at the complete discretion of the authority.
State Update

Upcoming Session

The 45th Legislature, Second Regular Session will convene on January 13, 2020. Opening day will include the Governor’s Annual State of the State Address, and the Governor is expected to release his proposed FY 2021 state budget on Friday, January 17. To date, more than 110 bills have been pre-filed. CAP staff are currently reviewing and analyzing introduced bills for impacts to CAP operations.

Session Deadlines

At this time, the Senate and House have released the following deadlines for 2020:

- January 13 – Session begins and pre-filing of bills ends.
- January 16 – House Members are limited to introducing 7 bills each after this date.
- February 3 – Last day for Senate bills to be introduced without special permission.
- February 10 – Last day for House bills to be introduced without special permission.
- February 21 – Last day for consideration of bills in the chamber of origin (e.g. House bills in House Committees).
- March 27 – Last day for consideration of bills in the opposite chamber (e.g. Senate bills in House Committees).
- April 17 – Last day for conference committees.
- April 21 – 100th day of session.

Legislative Interim Committees

The State Legislature has been out of session since May 28, however, various legislative interim committees relating to water have been meeting.

Laws 2019, Chapter 243 (H.B. 2467) established a Mohave County West Basin Water Users Study Committee and a La Paz County West Basin Water Users Study Committee to analyze all available groundwater data and make recommendations on programs and policies for the basins. The Mohave County Study Committee had its second meeting on December 9. The committee was provided presentations of the Peacock Ranch Operation in the Hualapai Basin, the use of gravity studies to assess groundwater levels and an overview of irrigation non-expansion areas (INAs). The La Paz County Study Committee had its second meeting on December 10. The committee was provided with an overview of INAs and the history of the creation of the transfer basins in La Paz County.
Arizona Department of Water Resources (ADWR) Sunset Review

Pursuant to statute, ADWR is set to terminate on July 1, 2020. In January 2019, the Office of the Auditor General released a Performance Audit and Sunset Review of ADWR, which included ADWR’s responses to the findings in the Audit. The House Natural Resources, Energy and Water Committee of Reference (COR) and Senate Water and Agriculture COR have until January 17 to review and submit a final sunset report containing recommendations for continuation, revision, consolidation or termination of the agency. The last sunset review of ADWR was completed in October of 2009 by the respective Senate and House Committees of Reference, where they recommended a ten-year continuation of the agency.

The following State Legislative Issues Update outlines the status of the Board-approved 2020 Legislative Agenda, as well as other relevant state issues. Legislative Affairs staff comes before the Public Policy Committee on a regular basis to seek guidance and direction on these and other proposed legislation and rules that may arise during the year.

Central Arizona Project Authorities and Operations

*CAP Position*: Monitor legislative and regulatory efforts that could impact CAP’s contractual authorities or directly impact CAP water supplies and operations.

No update to report at this time.

Colorado River Water Supply

*CAP Position*: Continue to support the implementation of the Lower Basin Drought Contingency Plan (DCP), including implementation of the Arizona DCP Plan.

Continue to cooperate with Federal, State, Tribal and other stakeholders to support conservation efforts that protect water elevations in Lake Mead.

No update to report at this time.

Arizona Water Resources

*CAP Position*: Continue to collaborate with elected officials and stakeholders on efforts to address in-state and interstate water resources issues.

Monitor legislative efforts that encourage in-state water conservation and augmentation activities.
Direct Transfer of Long Term Storage Credits to CAWCD M&I Subcontractors

The Recovery Planning Advisory Group (RPAG) has been meeting to discuss the creation of an update of the 2014 Joint Recovery Plan. As noted during the December 2019 Public Policy Committee meeting, related to these efforts, there have been discussions about possible changes to statute. One item that is being sought by the Arizona Municipal Water Users Association (AMWUA), with support from CAP’s Municipal and Industrial (M&I) subcontractors, is a change to statute to allow the direct transfer of Arizona Water Banking Authority (AWBA) credits to M&I subcontractors for them to perform independent recovery during times of Colorado River shortage when the AWBA is to firm M&I users. To facilitate this change, the proposal would amend A.R.S. § 45-2457(B)(7). CAWCD, ADWR and AWBA technical and legal staff have met with AMWUA and have conferred on the proposed statutory changes (attached).

**CAP Recommended Position:** SUPPORT.

Multi-Species Conservation Program (MSCP) Funding

**CAP Position:** Support the Arizona Game and Fish Department's efforts to collect and maintain revenues sufficient to continue its annual contribution toward the costs of the MSCP.

Monitor legislative and executive proposals that impact dedicated annual state funding of the MSCP.

No update to report at this time.

Funding of State Water Agencies and Commissions

**CAP Position:** Support the efforts of the Arizona Department of Water Resources and the Arizona Water Protection Fund Commission to secure sufficient state General Fund appropriations in order to carry out statutory functions.

Monitor legislative actions that propose to use funds available to the Arizona Water Banking Authority Commission for other purposes.

No update to report at this time.

Central Arizona Groundwater Replenishment District (CAGRD)

**CAP Position:** Monitor any proposed CAGRD-related legislation to ensure its operations are not adversely impacted.
Increase awareness of CAGRD’s statutory functions, operations, and funding to inform lawmakers of its contribution to Arizona’s water management and economic development.

No update to report at this time.

Agency Rulemaking

CAP Position: Continue to monitor state rulemaking and implementation related to energy, air quality, water quality and other issues that may affect CAP operations.

No update to report at this time.

If you have any questions or would like more information regarding any of the issues contained in this report, please contact CAP Legislative Affairs at 623-869-2425.
Overview of Session Dates

- Opening Day, January 13, 2020:
  - Governor’s State of the State address.

- Governor releases proposed FY 2021 state budget on Friday, January 17.

- Bill Deadlines:
  - January 16 – House bills limited to seven per member.
  - February 3 – Senate bill introduction deadline; House follows a week later.
  - February 21 – Last day for bills to be heard in chamber of origin.
  - March 27 – Last day for bills to be heard in the opposite chamber.
Legislative Interim Committees

• Since the Legislature’s adjournment, various water-related interim committees have been meeting.

➤ **Mohave County West Basin Water Users Study Committee**
  - First meeting on August 27
  - Second meeting on December 9
    - Committee was updated on the Peacock Ranch Operation in the Hualapai Basin, the use of gravity studies to assess groundwater levels and an overview of irrigation non-expansion areas (INAs).

➤ **La Paz County West Basin Water Users Study Committee**
  - First meeting on September 19
  - Second meeting on December 10
    - Committee was provided with an overview of INAs and the history of the creation of the transfer basins in La Paz County.

Arizona Water Resources

**Direct Transfer of Long Term Storage Credits to CAWCD M&I Subcontractors**

• Recovery Planning Advisory Group (RPAG) has been meeting to discuss the creation of an update of the 2014 Joint Recovery Plan.
• Related to these efforts, there have been discussions about possible changes to statute.
• Arizona Municipal Water Users Association (AMWUA) proposal to amend A.R.S. § 45-2457(B)(7) to allow the direct transfer of Arizona Water Banking Authority (AWBA) credits to M&I subcontractors for them to perform independent recovery during times of Colorado River shortage when the AWBA is to firm M&I users.
• CAWCD, ADWR and AWBA technical and legal staff have met with AMWUA and have conferred on the proposed statutory changes.

**CAP Recommended Position:** SUPPORT.
ADWR Sunset Review

- Performance Audit and Sunset Review of ADWR was released in January 2019 by the Office of the Auditor General.

- The House Natural Resources, Energy and Water Committee of Reference (COR) and Senate Water and Agriculture COR have until January 17 to review and submit a final report with recommendations for continuation, revision, consolidation or termination of the agency.

- Legislation containing the provisions of the COR recommendations will likely be introduced shortly after.

- The last sunset review of ADWR was completed in October of 2009 by the respective Senate and House Committees of Reference, where they recommended a ten-year continuation of the agency.
December 31, 2019

Federal Update

FY 2020 Federal Budget

On December 20, President Trump signed into law a $1.4 trillion FY 2020 federal budget package. The two-bill spending package included all 12 annual appropriations bills for FY 2020. A comprehensive agreement by this date was important as funding for the federal government up until this point had been provided through two Continuing Resolutions (CRs), the most recent of which was set to expire on December 20. The Energy and Water portion of the budget funds the Bureau of Reclamation at $1.66 billion, which is an increase from the $1.55 billion from FY 2019. The Interior and Environment portion of the budget funds the Environmental Protection Agency at $9.057 billion, which represents a $208 million increase over FY 2019.

The budget package contains several provisions of interest to CAP, including:

- Reclamation’s WaterSMART grant program received $55 million in FY 2020 funding, an increase of $21 million from FY 2019.
- Reclamation’s Title XVI water reuse and recycling program saw an increase of $5 million in funding to $63.6 million in FY 2020.
- Reclamation’s salinity control program was appropriated $10 million in FY 2020, a $2 million increase from FY 2019.
- An extension of the enforceability date of the White Mountain Apache Tribe’s settlement through 2023.
- A repeal of a 40% excise tax on certain employer-provided health plans that would have become effective in 2022. This repeal is estimated to prevent a cost increase to CAP of approximately $400,000 had the tax become effective in 2022.

In accordance with usual budget practice, Congress provided report language to inform agencies of how to implement certain provisions of the appropriations bills. This year, this language was contained in joint explanatory statements published by the House Committee on Rules. These explanatory statements maintained report language from when the budget bills passed the committees earlier this year in places where the enacted appropriations are consistent with the previous versions, and added new language as part of the current budget package in places where changes were made meriting explanation. The explanatory statements published by the House Committee on Rules have the same force as a conference report.

Energy & Water Section – Bureau of Reclamation

- Retained from Senate Report Language: “Drought Contingency Plans.—The Committee commends Reclamation, the Department of Interior, and the seven Colorado River Basin states for completing drought contingency plans to conserve water and reduce risks from ongoing drought for the Upper and Lower Colorado River basins. The completion of these plans mark a major milestone in protecting a critical water source in the western United States.”
States. The Committee encourages Reclamation to provide sufficient funding for activities that support these plans."

- **Explanatory Statement Language**: “Of the additional funding provided under the heading of “Water Conservation and Delivery,” $20,000,000 [was $40,000,000 in the original House Report language] shall be for water conservation activities in areas that are experiencing extended drought conditions. These water conservation activities shall include well construction and irrigation related structural or other measures, programs and projects that result in conservation of other surface water or groundwater, or improve water system efficiency, resilience, reliability, delivery, and conveyance.”

**Interior-Environment Section – Salinity**

- **Retained from Senate Report Language**: “Salinity Control Program.—The Committee supports the Bureau’s Salinity Control Program and the Bureau’s involvement in the Colorado River Salinity Control Forum. The Program should continue the mission of addressing sediment and salt discharges to ensure usable water supplies for downstream users. The Committee directs that the Program be funded and maintained consistent with prior years.”

**Agriculture Section – U.S. Department of Agriculture**

- **Retained from Senate Report Language**: “Drought Resilience.—The Committee is particularly concerned about the severe and prolonged drought in the West and applauds the passage of the Colorado River Basin Drought Contingency Plans. The Committee appreciates NRCS’s efforts to increase efficiencies in current water use and expects NRCS to utilize all available opportunities to assist producers, irrigators, and irrigation districts in implementing area-wide plans to address drought resiliency and mitigation in a way that maintains strong rural and agriculture communities and protects our natural resources. In providing this assistance, the Committee further expects the NRCS to prioritize support for implementation of Drought Contingency Plans, agreements, or programs that would conserve surface or ground water, improve drought resiliency, and address current and anticipated conservation needs and severe drought-related resource concerns.”

- **Retained from Senate Report Language**: “Innovative Water Conservation.—The Committee recognizes the devastating impacts wrought by severe and prolonged drought across many regions of the country. The Committee notes that the Agriculture Improvement Act of 2018 (Public Law 115–334) made several updates to address water conservation and drought mitigation, including eligibility changes for water conservation and irrigation efficiency practices. NRCS is encouraged to work with eligible entities, including but not limited to producers, States, irrigation districts, and acequias, to help them implement critical innovative drought resiliency and mitigation efforts, which maintain strong rural and agriculture communities while protecting natural resources.”
The following Federal Legislative Issues Update outlines the status of the Board-approved 2020 Legislative Agenda, as well as other relevant federal issues. Legislative Affairs staff comes before the Public Policy Committee on a regular basis to seek guidance and direction on these and other proposed legislation and rules that may arise during the year.

**CAP Authorities and Operations**

**CAP Position:** Monitor立法 and regulatory efforts that could impact CAP’s contractual authorities or directly impact CAP water supplies and operations.

**Middle Class Health Benefits Tax Repeal Act of 2019**

On July 17, 2019, the House approved H.R. 748, the Middle Class Health Benefits Tax Repeal Act of 2019, by a vote of 419-6 to repeal a 40% excise tax on certain employer-provided health plans. The excise tax, established by the Affordable Care Act and set to become effective in 2022, had been estimated to impose costs on CAP of $400,000 annually beginning in 2022. While H.R. 748 passed the House, the Senate version, S. 684, did not receive a hearing. The federal appropriations bill that was signed on December 20 included the permanent repeal of this excise tax.

**Colorado River Water Supply**

**CAP Position:** Continue to support the implementation of the Lower Basin Drought Contingency Plan (DCP), including support for the Bureau of Reclamation to achieve the goal to conserve up to 100,000 acre-feet per year as part of the DCP.

Continue to cooperate with Federal, State, Tribal, and other stakeholders to mitigate potential impacts on the CAP water supply and support water conservation and augmentation activities, such as desalination, weather modification, and water reuse and recycling programs, as well as other programs.

Continue to support the operation of the Yuma Desalting Plant or suitable alternatives to reduce system losses.

**Drought Resiliency and Water Supply Infrastructure Act**

On July 18, 2019, the Senate Energy and Natural Resources Subcommittee on Water and Power convened a hearing on S. 1932, the Drought Resiliency and Water Supply Infrastructure Act. The bill, introduced in June by Senators Cory Gardner (R-CO), Diane Feinstein (D-CA), Martha McSally (R-AZ), and Kyrsten Sinema (D-AZ) supports water infrastructure in Reclamation states and provides for grant funding for both federally-owned and state-led storage projects. On June 2, 2019, the CAWCD Board voted to monitor the legislation and seek a clarifying amendment, which was included in the introduced bill. On August 1, 2019, the CAWCD Board voted to support the bill. CAWCD submitted a written statement of support for the bill.
**FEDERAL LEGISLATIVE ISSUES UPDATE**

**CAP Position: SUPPORT**

No update to report at this time.

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**Cybersecurity**

*CAP Position: Monitor legislative efforts to address cybersecurity and potential threats to critical infrastructure and vital computer systems.*

No update to report at this time.

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**Central Arizona Project Water Infrastructure**

*CAP Position: Monitor proposals by the Executive and Congress to provide financing opportunities to modernize U.S. infrastructure and determine possible opportunities for CAP.*

No update to report at this time.

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**Energy Legislation**

*CAP Position: Monitor legislative efforts that may impact CAP operations, including CAP’s ability to secure affordable energy and ensure reliable transmission delivery.*

No update to report at this time.

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**Water Quality and Salinity Issues**

*CAP Position: Monitor water quality issues impacting the Colorado River that may affect CAP operations.*

*Support the activities of the Colorado River Basin Salinity Control Forum, including efforts to secure adequate funding and improve water management.*

*Support the efforts of the Lower Colorado River Water Quality Partnership to address water quality issues of the Colorado River.*

No update to report at this time.
Indian Water Rights and Settlements

**CAP Position:** Continue to collaborate with Arizona Tribes and other stakeholders on issues related to resolving water rights claims and support opportunities to provide Arizona Tribes with Colorado River decreed water rights greater flexibility to manage their resources.

Continue to support legislation necessary and appropriate to enact the Hualapai Tribe water rights settlement.

**Hualapai Tribe Water Rights Settlement Act of 2019**

On June 26, the House Natural Resources Subcommittee on Water, Oceans, and Wildlife held a hearing on H.R.2459, Hualapai Tribe Water Rights Settlement Act of 2019, introduced by Rep. Tom O’Halleran (D-AZ-1). The legislation would approve the settlement of water rights claims of the Hualapai Tribe and certain allottees in the State of Arizona, to authorize water project construction. ADWR Director Tom Buschatzke testified in support and CAWCD submitted a written statement of support for the bill to the committee. During testimony at the hearing, the administration outlined its concerns. A companion measure (S.1277) was introduced by Sen. Martha McSally (R-AZ) and cosponsored by Sen. Kyrsten Sinema (D-AZ) in the Senate Committee on Indian Affairs.

**CAP Position:** SUPPORT

No update to report at this time.

**White Mountain Apache Tribe Settlement Extension**

On May 21, the House Appropriations Committee approved a two-year extension for the White Mountain Apache Tribe’s water settlement as authorized by the Claims Resettlement Act of 2010 (Public Law No. 111-291). In a manager’s amendment offered by Rep. Marcy Kaptur (D-OH) to the FY 2020 Energy and Water Development appropriations bill, the deadline would be extended from 2021 to 2023. The final version of the budget deal signed by the President on December 20 included the extension of the settlement through 2023.

**Federal Rulemaking**

**CAP Position:** Continue to monitor federal rulemaking and implementation related to energy, air quality, water quality, and other issues that may affect CAP operations.

No update to report at this time.

If you have any questions or would like more information regarding any of the issues contained in this report, please contact CAP Legislative Affairs at 623-869-2425.
Federal Legislative Update

Public Policy Committee
January 9, 2020

Jeff Gray, CAP Legislative Affairs Manager

Federal Update

FY 2020 Federal Budget

• On December 20, President Trump signed a $1.4 trillion FY 2020 federal budget package. The two-bill spending package included all 12 annual appropriations bills for FY 2020.

• The Energy and Water portion of the budget funds the Bureau of Reclamation at $1.66 billion, which is an increase from the $1.55 billion from FY 2019.

• The Interior and Environment portion of the budget funds the Environmental Protection Agency at $9.057 billion, which represents a $208 million increase over FY 2019.
Federal Update

FY 2020 Federal Budget

The budget package contains several provisions of interest to CAP, including:

• Reclamation’s WaterSMART grant program received $55 million in FY 2020 funding, an increase of $21 million from FY 2019.

• Reclamation’s Title XVI water reuse and recycling program saw an increase of $5 million in funding to $63.6 million in FY 2020.

• Reclamation’s salinity control program was appropriated $10 million in FY 2020, a $2 million increase from FY 2019.

• An extension of the enforceability date of the White Mountain Apache Tribe’s settlement through 2023.

• A repeal of a 40% excise tax on certain employer-provided health plans that would have become effective in 2022.

Indian Water Rights Settlements

• The White Mountain Apache Tribe received a two-year extension on their settlement in the House version of the energy and water spending bill.

• The final version of the budget deal signed by the President included the extension of the settlement through 2023.
Central Arizona Project Authorities and Operations

H.R.748/S.684 Middle Class Health Benefits Tax Repeal Act

• The Legislation repeals a 40% excise tax on certain employer-provided health plans. The excise tax was established by the Affordable Care Act and would become effective in 2022. If the tax is not repealed, it is estimated to impose costs on CAP of $400,000 annually beginning in 2022.

• On July 17, the House approved H.R.748 by a vote of 419-6. The Senate version, S.684, did not receive a hearing.

• The federal appropriations bill that was signed on December 20 included the permanent repeal of this excise tax.
Fiscal Year 2020 Government Funding

On December 20, President Trump signed into law a $1.4 trillion FY 2020 federal budget package. The two-bill spending package included all 12 annual appropriations bills for FY 2020. A comprehensive agreement by this date was important as funding for the federal government up until this point had been provided through two Continuing Resolutions (CRs), the most recent of which was set to expire on December 20. The Energy and Water portion of the budget funds the Bureau of Reclamation at $1.66 billion, which is an increase from the $1.55 billion from FY 2019. The Interior and Environment portion of the budget funds the Environmental Protection Agency at $9.057 billion, which represents a $208 million increase over FY 2019.

The budget package contains several provisions of interest to CAP, including:

- Reclamation’s WaterSMART grant program received $55 million in FY 2020 funding, an increase of $21 million from FY 2019.
- Reclamation’s Title XVI water reuse and recycling program saw an increase of $5 million in funding to $63.6 million in FY 2020.
- Reclamation’s salinity control program was appropriated $10 million in FY 2020, a $2 million increase from FY 2019.
- An extension of the enforceability date of the White Mountain Apache Tribe’s settlement through 2023.
- A repeal of a 40% excise tax on certain employer-provided health plans that would have become effective in 2022. This repeal is estimated to prevent a cost increase to CAP of approximately $400,000 had the tax become effective in 2022.
In accordance with usual budget practice, Congress provided report language to inform agencies of how to implement certain provisions of the appropriations bills. This year, this language was contained in joint explanatory statements published by the House Committee on Rules. These explanatory statements maintained report language from when the budget bills passed the committees earlier this year in places where the enacted appropriations are consistent with the previous versions, and added new language as part of the current budget package in places where changes were made meriting explanation. The explanatory statements published by the House Committee on Rules and have the same force as a conference report.

**Energy & Water Section – Bureau of Reclamation**

Retained from Senate Report Language: “Drought Contingency Plans.—The Committee commends Reclamation, the Department of Interior, and the seven Colorado River Basin states for completing drought contingency plans to conserve water and reduce risks from ongoing drought for the Upper and Lower Colorado River basins. The completion of these plans mark a major milestone in protecting a critical water source in the western United States. The Committee encourages Reclamation to provide sufficient funding for activities that support these plans.”

Explanatory Statement Language: “Of the additional funding provided under the heading of ‘Water Conservation and Delivery,’ $20,000,000 [was $40,000,000 in the original House Report language] shall be for water conservation activities in areas that are experiencing extended drought conditions. These water conservation activities shall include well construction and irrigation related structural or other measures, programs and projects that result in conservation of other surface water or groundwater, or improve water system efficiency, resilience, reliability, delivery, and conveyance.”

**Interior-Environment Section – Salinity**

Retained from Senate Report Language: “Salinity Control Program.—The Committee supports the Bureau’s Salinity Control Program and the Bureau’s involvement in the Colorado River Salinity Control Forum. The Program should continue the mission of addressing sediment and salt discharges to ensure usable water supplies for downstream users. The Committee directs that the Program be funded and maintained consistent with prior years.”

**Agriculture Section – U.S. Department of Agriculture**

Retained from Senate Report Language: “Drought Resilience.—The Committee is particularly concerned about the severe and prolonged drought in the West and applauds the passage of the Colorado River Basin Drought Contingency Plans. The Committee appreciates NRCS’s efforts to increase efficiencies in current water use and expects NRCS to utilize all available opportunities to assist producers, irrigators, and irrigation districts in implementing area-wide plans to address drought resiliency and mitigation in a way that maintains strong rural and agriculture communities and protects our natural resources. In providing this assistance, the Committee further expects the NRCS to prioritize support for implementation of Drought Contingency Plans, agreements, or programs that would conserve surface or ground water,
improve drought resiliency, and address current and anticipated conservation needs and severe
drought-related resource concerns.”

Retained from Senate Report Language: “Innovative Water Conservation.—The Committee
recognizes the devastating impacts wrought by severe and prolonged drought across many
regions of the country. The Committee notes that the Agriculture Improvement Act of 2018
(Public Law 115–334) made several updates to address water conservation and drought
mitigation, including eligibility changes for water conservation and irrigation efficiency
practices. NRCS is encouraged to work with eligible entities, including but not limited to
producers, States, irrigation districts, and acequias, to help them implement critical innovative
drought resiliency and mitigation efforts, which maintain strong rural and agriculture
communities while protecting natural resources.”

WOTUS

On September 12, the U.S. Environmental Protection Agency and the U.S. Army Corps of
Engineers completed the first step of a two-step process in repealing and replacing the 2015 rule
that defined “waters of the United States” for purposes of federal jurisdiction over wetlands. The
“step one” repeal of the 2015 rule puts back in place the regulatory regime that existed prior to
2015. This move was meant to clear up the varied application of the 2015 rule that had been
invalidated in some courts and upheld in others. Before the “step two” rule is finalized, a former
version of the regulation promulgated in 1986 is being applied on an interim basis. The decision
to revert back to the 1986 regulations on an interim basis has now been challenged in the courts.
The “step two” rule which will replace the 2015 rule and create a new “waters of the United
States” definition was planned for December 2019 and is now expected to be finalized in January
2020.

Legislation to Watch

Drought Bills

- **S. 1932, Drought Resilience and Water Supply Infrastructure Act**: S. 1932 was
introduced in June by Senator Cory Gardner (R-CO). The bill would support water
infrastructure in Reclamation states and provides for grant funding for both federally-
owned and state-led storage projects. On Thursday, July 18, the Senate Energy and
Natural Resources Subcommittee on Water and Power convened a hearing to examine
opportunities to increase water storage and conservation through rehabilitation and water
supply infrastructure development. The subcommittee received testimony from the
Department of Interior, water resource organizations and conservation groups regarding
S. 1932, as well as the Aquifer Recharge Flexibility Act (S. 1570) and the Water Supply
Infrastructure Rehabilitation and Utilization Act (S. 2044). Subcommittee chair Senator
Martha McSally (R-AZ) stated her support for the bill during the hearing. In August
2019, a letter of support for S. 1932 was sent from the CAWCD Board of Directors to the
Subcommittee Chair and Ranking Member, and also distributed to the Arizona House
delegation.
• **S. 1570, Aquifer Recharge Flexibility Act**: This bill, introduced by Sen. James Risch (R-ID), intends to optimize federal water systems and allow for broader state and community access to recharge sites. On September 25, the Senate Energy and Natural Resources Committee voted to report the bill favorably out of committee by voice vote.

• **S. 2044, Water Supply Infrastructure Rehabilitation and Utilization Act**: Senator Martha McSally (R-AZ) introduced this bill in June, prior to it receiving a Senate Energy and Natural Resources Subcommittee on Water and Power hearing in July. This legislation would: (1) establish a Reclamation account to allow operators to fund extraordinary maintenance projects by repaying the costs over a longer period of time with interest; (2) increase transparency and provide greater authority to Congress; and (3) create a pilot program to modernize reservoir operations at existing dams without any new construction. On September 25, the Senate Energy and Natural Resources Committee voted to report the bill favorably out of committee by voice vote. Senate report number 116-156 has been prepared to accompany the bill. A related bill, H.R.4659, was introduced in the House on October 11.

• **S. 2718, Western Water Security Act of 2019**: This bill was introduced on October 28, and is sponsored by Senator Tom Udall (D-NM). The bill has a companion measure in the House, H.R. 4891, that is sponsored by Rep. Xochitl Torres Small (D-NM). The aim of the bill is focused on encouraging long-term drought adaptation strategies. The legislation would increase funding for the WaterSMART program, among other water infrastructure investments. The bill also includes a program for rural desalination. The bill would also reauthorize and expand the transboundary aquifer assessment program.

• **H.R. 5217, Water Optimization for the West (WOW) Act**: On November 21, House Republicans introduced their own drought bill. The legislation is sponsored by Rep. Tom McClintock (R-CA) and supported by House Natural Resources Committee Ranking Member Dan Bishop (R-UT). The bill starts with titles that focus on California water management issues, and also has several provisions addressing water issues West-wide. The bill would make the Bureau of Reclamation the lead agency for coordinating all surface water storage project reviews, permits, licenses, or other approvals or decisions and aims to streamline NEPA for water projects. The bill would also transfer Endangered Species Act responsibilities from the Commerce Department to the Department of the Interior. The bill is not bipartisan, and is unlikely to move in the Democratically-controlled House.

**Water Rights Settlements**

• **S. 886/H.R. 1904, Indian Water Rights Settlement Extension Act**: On July 17, 2019 the Senate Committee on Indian Affairs voted to advance S. 886, the “Indian Water Rights Settlement Extension Act,” to the Senate floor. The bill is sponsored by Senator Tom Udall (D-NM), as well as Senators Heinrich (D-NM) and Cortez Masto (D-NV). Originally the bill would have amended the Omnibus Public Land Management Act of 2009 to make the Reclamation Water Settlements Fund permanent. A substitute amendment was offered by Senator Udall that instead extends the Fund by another ten
years (From FY2020-2029 to FY2020-2039). H.R. 1904 is the companion measure in the House. The House bill received a legislative hearing on April 4, 2019, but has not advanced from the committee.

- **H.R. 2459, Hualapai Tribe Water Rights Settlement Act:** On May 1, 2019, Rep. Tom O’Halleran (D-AZ-1) introduced H.R.2459, the Hualapai Tribe Water Rights Settlement Act of 2019. The legislation would approve the settlement of water rights claims of the Hualapai Tribe and certain allottees in the State of Arizona, to authorize water project construction. The bill is cosponsored by Arizona delegation Reps. Greg Stanton (D-AZ-9), Ann Kirkpatrick (D-AZ-2), Ruben Gallego (D-AZ-7), Andy Biggs (R-AZ-5), Paul Gosar (R-AZ-4), David Schweikert (R-AZ-6), Debbie Lesko (R-AZ-8). The bill was introduced in the House Natural Resources Subcommittee on Water, Oceans, and Wildlife. On the same day, a companion measure was introduced by Sen. Martha McSally (R-AZ) and cosponsored by Sen. Kyrsten Sinema (D-AZ) in the Senate Committee on Indian Affairs. On June 26, 2019 the House Natural Resources Subcommittee on Water, Oceans and Wildlife held a hearing on the House bill. The administration has indicated it is not supportive of the measure because of cost concerns, and therefore diminished the likelihood of passage. CAWCD submitted a statement of support for the bill to the committee.

**Water Quality and Salinity Issues**

- **H.R. 3723, the Desalination Development Act:** On July 11, Rep. Mike Levin (D-CA) introduced H.R. 3723, the Desalination Development Act. The bill will reportedly address desalination project development and drought resilience. On July 25, the House Natural Resources Subcommittee on Water, Oceans, and Wildlife will hold a markup on the bill. The bill is cosponsored by Rep. Jared Huffman (D-CA).

- **H.R. 1497, the Water Quality Protection and Job Creation Act:** On October 29, the House Transportation and Infrastructure Committee approved this bill. The bill is the first reauthorization for sewage treatment plant funding since 1987. The bill is sponsored by Rep. Peter DeFazio (D-OR) and has 50 cosponsors – including three Republicans. The bill includes provisions that would:
  
  - amend the Clean Water Act to allow municipal wastewater treatment plants to obtain 10-year point-source discharge permits (currently there is a five year duration for permits);
  - provide $14 billion for the Clean Water State Revolving Fund over five years, with 15% of those funds directed to projects that incorporate green infrastructure and water or energy efficiency projects; and
  - reauthorize programs such as sewer overflow and stormwater reuse municipal grants, a pilot program for alternative water source projects, and watershed pilot projects through 2024.
Navajo Generating Station

- **H.R. 4318, Providing Recovery Opportunities & Mitigating Industry's Shifting Economics (PROMISE) Act**: This bill was introduced by Rep. Tom O’Halleran (D-AZ-1) on September 12. The bill creates a program entitled the “Significantly Impacted Federal Community Economic Adjustment Program” administered by the Secretary of the Interior “to assist substantially and seriously affected communities, businesses, and workers from the effects of major federally owned, in part or whole, energy infrastructure closures taking place on Federal lands.” The bill provides for:
  
  o a “Community Adjustment And Economic Diversification Program” that will provide assistance funds where a 10 percent match is provided from local, tribal or state agency,
  
  o a directive to work with the Secretary of Labor to established dislocated worker demonstration project under section 169(c) of the Workforce Innovation and Opportunity Act (29 U.S.C. 3224(c));
  
  o and annual funds, where appropriated, to reflect losses in revenue, the proportion of which declines each of the seven listed award years.

The bill also directs the formation of an interagency committee to work across federal agencies and to create a new Office of Economic Adjustment within the Department of the Interior to administer the program. The bill is also sponsored by Reps. Greg Stanton, (D-AZ-9), Ann Kirkpatrick, (D-AZ-2), and Ruben Gallego (D-AZ-7).

Healthcare and Labor

- **H.R. 748, Middle Class Health Benefits Tax Repeal Act of 2019**: After languishing in the Senate, healthcare tax legislation was included in the final appropriations package signed into law on December 20. The excise tax, established by the Affordable Care Act and set to become effective in 2022, had been estimated impose costs on CAP of $400,000 annually beginning in 2022. On July 17, the House had approved H.R.748, the Middle Class Health Benefits Tax Repeal Act of 2019. The Legislation repeals a 40% excise tax on certain employer-provided health plans. H.R.748 passed the House with bipartisan support by a vote of 419-6. The Senate version, S.684, did not receive a hearing.

- **H.R. 3668, Asuncion Valdivia Heat Illness and Fatality Prevention Act**: On July 11, the House Education and Labor Subcommittee on Workforce Protections held a hearing on H.R. 3668, the Asuncion Valdivia Heat Illness and Fatality Prevention Act, titled after a farmworker that died in 2004. H.R. 3668 has 55 co-sponsors including Representatives Raúl Grijalva (D-AZ), Ruben Gallego (D-AZ) and Ann Kirkpatrick (D-AZ). The bill mandates the Occupational Safety and Health Administration (OSHA) to adopt a nationwide excessive heat standard for indoor and outdoor workers and outlines minimum requirements the standards must include.