



FACT SHEET

federal repayment

WHY IS THERE A CAP REPAYMENT OBLIGATION?

The U.S. government constructed Central Arizona Project (CAP) during a span of 20 years (1973–1993) at a cost of more than \$4 billion. The agreement from the beginning was that Arizona, through the Central Arizona Water Conservation District (CAWCD), would repay the government for a portion (the non-federal share) of construction costs.



WHAT IS INCLUDED IN ARIZONA'S REPAYMENT OBLIGATION?

Costs that Arizona must repay are directly linked to municipal and industrial (M&I) use, agricultural use and commercial power generation. The cost of construction for supplying water to tribal users is considered a federal cost and is not included in the CAP repayment obligation.



HOW MUCH IS CAP'S REPAYMENT OBLIGATION?

CAP's repayment obligation is \$1.646 billion, plus interest. Payments started in 1994 and are scheduled to be completed in 2045. As of January 2022, approximately \$697 million of the principal had been paid to date, or approximately 42%. In addition, \$12 million was paid in advance.

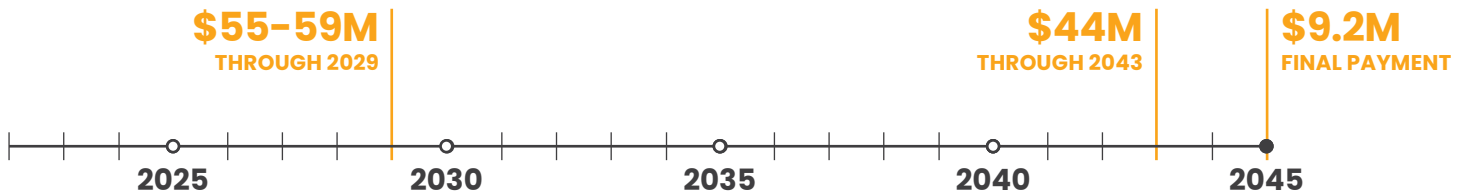
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HOW MUCH DOES CAP PAY EACH YEAR?

The annual payment is made in January. It is \$55–59 million through 2029, then decreases to \$44 million through 2043 with the final \$9.2 million payment in 2045. There are two portions to the repayment: interest bearing and non-interest bearing. The interest bearing is paid first and will be paid off in 2036. The remaining portion of the repayment is non-interest bearing, starting in 2036.

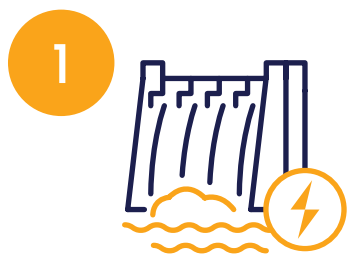


WHEN WILL THE FEDERAL DEBT BE PAID OFF?

CAWCD makes its final payment in January 2045. Even though the federal debt will be paid, the Bureau of Reclamation retains ownership of CAP.

HOW DOES CAP MAKE THIS PAYMENT?

CAP has three revenue sources to make this annual payment: **1)** surplus revenues in the Lower Colorado River Basin Development Fund, **2)** ad valorem property taxes, and **3)** municipal and industrial capital charges. The CAWCD Board of Directors determines the combination of taxes and capital charges to be applied towards the payment each year.



Colorado River Basin Development Fund revenues are primarily generated through a surcharge on Hoover and Parker–Davis energy sold in Arizona, net transmission revenues and land leases. These are estimated to satisfy approximately \$7–9 million of the debt payment annually.



CAWCD is authorized to levy two property taxes in Maricopa, Pinal and Pima counties. The first, limited to 10 cents per \$100 of assessed valuation, may be used for any authorized CAP purpose. The second, sometimes referred to as the “water storage tax,” is limited to 4 cents per \$100 of assessed valuation and is available to be used for CAP repayment, operation, maintenance and replacement costs and the Arizona water banking fund. CAWCD currently levies both ad valorem taxes at the maximum authorized amount.



Cities, water providers and other industrial long-term CAP subcontractors pay capital charges to assist in repaying the federal government for the costs of constructing the CAP infrastructure that supplies their water. Capital charges are based on allocations for M&I use regardless of the quantity of water actually delivered.

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