

Department of Environmental Quality

JLBC: Tom Mikesell
 OSPB: Marcel Benberou

Subcommittee: Health & Welfare

DESCRIPTION	FY 2002	FY 2003	FY 2004	
	ACTUAL	ESTIMATE	OSPB	JLBC
PROGRAM BUDGET				
Department of Environmental Quality	20,748,200	22,155,400	22,181,200	21,896,500
Waste Program				
WQARF Priority Site Remediation SLI	5,000,000	10,000,000	10,000,000	10,000,000
Underground Storage Tank Program SLI	0	22,000	22,000	22,000
Hazardous Waste Program SLI	447,000	768,100	768,300	668,300
Solid Waste Program SLI	2,323,400	3,395,200	3,390,000	3,394,200
Waste Tire Program SLI	140,600	202,200	202,000	202,000
Water Program				
Aquifer Protection Permit Program SLI	776,000	814,000	809,100	809,200
Water Quality Program SLI	1,407,700	3,610,600	3,606,800	3,931,200
Water Infrastructure Finance Authority SLI	2,995,100	2,995,100	2,995,100	2,995,100
Air Programs				
Air Permits Administration Program SLI	4,877,200	5,294,000	5,262,400	5,262,400
Air Quality Program SLI	5,034,200	7,861,600	4,392,600	4,450,900
Emissions Control Program-Administration SLI	2,998,300	3,914,100	3,878,600	3,878,700
Emissions Control-Clean Air Fund Subsidy SLI	1,411,700	0	0	0
Emissions Control Contractor Payment SLI	13,803,800	31,739,600	31,739,600	31,739,600
Pima County Air Quality Programs SLI	230,000	165,000	165,000	165,000
<i>Program Subtotal - Department of Environmental Quality</i>	62,193,200	92,936,900	89,412,700	89,415,100
6th SS Lump Sum Reduction SLI	0	(1,655,200)	(1,655,200)	(1,655,200)
AGENCY TOTAL	62,193,200	91,281,700	87,757,500	87,759,900

OPERATING BUDGET

<i>Full Time Equivalent Positions</i>	559.8	496.1	496.1	495.1
Personal Services	11,054,300	12,118,900	12,118,900	11,895,200
Employee Related Expenditures	2,423,400	2,748,100	2,849,500	2,794,300
Professional and Outside Services	81,700	82,000	82,000	54,300
Travel - In State	229,800	255,800	255,800	251,500
Travel - Out of State	35,800	32,100	32,100	30,000
Other Operating Expenditures	5,868,900	6,651,600	6,576,000	6,604,300
Equipment	1,054,300	266,900	266,900	266,900
OPERATING SUBTOTAL	20,748,200	22,155,400	22,181,200	21,896,500
Special Line Items (SLI)	41,445,000	69,126,300	65,576,300	65,863,400
AGENCY TOTAL	62,193,200	91,281,700	87,757,500	87,759,900

FUND SOURCES

General Fund	20,699,600	22,717,200	22,796,500	21,909,900
<u>Other Appropriated Funds</u>				
Air Permits Administration Fund	4,877,200	5,294,000	5,262,400	5,262,400
Air Quality Fee Fund	5,264,200	8,026,600	4,557,600	4,615,900
Emissions Inspection Fund	18,213,800	35,653,700	35,618,200	35,618,300
Hazardous Waste Fund	447,000	768,100	768,300	668,300
Indirect Cost Recovery Fund	8,946,500	11,718,900	11,660,500	11,652,000
Recycling Fund	1,585,100	2,073,200	2,073,000	2,077,100
Solid Waste Fee Fund	666,700	1,267,600	1,262,900	1,263,000
Underground Storage Tank Fund	0	22,000	22,000	22,000
Used Oil Fund	85,400	129,800	129,300	129,300
Water Quality Fee Fund	1,407,700	3,610,600	3,606,800	4,541,700
SUBTOTAL - Other Appropriated Funds	41,493,600	68,564,500	64,961,000	65,850,000
SUBTOTAL - Appropriated Funds	62,193,200	91,281,700	87,757,500	87,759,900
Other Non-Appropriated Funds	134,284,700	156,093,700	NA	124,958,600
Federal Funds	14,597,800	18,295,700	NA	18,295,700
TOTAL - ALL SOURCES	211,075,700	265,671,100	NA	231,014,200

CHANGE IN FUNDING SUMMARY

	FY 2003 to FY 2004 JLBC	
	\$ Change	% Change
General Fund	(807,300)	(3.6%)
Other Appropriated Funds	(2,714,500)	(4.0%)
Total Appropriated Funds	(3,521,800)	(3.9%)

AGENCY DESCRIPTION — *The Department of Environmental Quality’s (ADEQ) purpose is to protect human health and the environment by enforcing standards of quality for Arizona’s air, water, and land. The department’s Office of Air Quality issues permits to regulate industrial air pollution sources, regulates vehicle emissions, monitors and assesses the ambient air, and develops air quality improvement strategies. The Office of Waste Programs implements programs to minimize waste generation, identifies and corrects improper waste management practices, and oversees the clean up (remediation) of hazardous waste sites. The Office of Water Quality regulates drinking water and waste water systems, monitors and assesses waters of the state, and provides hydrologic analysis to support hazardous site remediation.*

PERFORMANCE MEASURES	FY 2002 Appropriation	FY 2002 Actual	FY 2003 Appropriation	FY 2004 Recommend.
• % of contaminated sites closed requiring no further action (cumulative) versus known sites	74.3	71.5	78.0	78.0
• Number of remaining Aquifer Protection Permit actions in the inventory	208	268	126	--
• Vehicles that have failed inspection and later brought into compliance (in thousands)	180.0	166.0	180.0	166.0
• % of statutorily set permit timelines met through Licensing Time Frames rule	99	99	99	99
• Number of days per year exceeding National Ambient Air Quality Standards for Ozone, Carbon Monoxide, or Particulates	0	0	0	0
• % of agency staff turnover	13.0	11.7	13.0	11.7
• Administration as a % of total cost	12.6	15.0	12.6	12.6
• Customer satisfaction rating for citizens (Scale 1-8)	6.0	7.3	6.0	7.4

Comments: The estimates of administrative cost include approximately \$33,000,000 in Vehicle Emissions Inspection contractor fees as part of total agency costs in each year. The administrative cost percentages were calculated by dividing the Administration Program expenditures into total Agency expenditures as presented in the agency strategic plan.

RECOMMENDED CHANGES FROM FY 2003

		FY 2004
Standard Changes	GF	\$127,500
	OF	(150,300)
Aquifer Protection Permit Program	GF	(610,500)
	OF	610,500

The JLBC recommends a General Fund decrease and a Water Quality Fee Fund increase to reflect increasing aquifer protection permit fees to cover total program costs. The Aquifer Protection Permit (APP) Program is funded by appropriations from the General Fund and from permit fees deposited into the Water Quality Fee Fund. These permit fees are paid by regulated facilities whose operations impact groundwater quality. At their current rates, the fees cover approximately 62% of the permit program costs. The JLBC recommends that the department adjust the permit fees to cover the entire program costs beginning in FY 2004, allowing a reduction in General Fund support for the program. In order to allow a quick transition to the new fee, the JLBC further recommends that the department be given emergency

rulemaking authority for this process. The recommended funding levels reflect a fee change by October 1, 2003.

In addition to the recommended funding levels, the JLBC recommends suspending a session law provision that limits the APP Fees to the billable costs of the program. This will allow the fee to be set at a level that covers the total costs of the program. (*See JLBC Recommended Statutory Changes for additional information.*)

Arizona Pollution Discharge Elimination System Program	GF	(324,300)
	OF	324,300

The JLBC recommends a General Fund decrease and a Water Quality Fee Fund increase to reflect the creation of a fee to cover the costs of the Arizona Pollution Discharge Elimination System (AZPDES) Program. The AZPDES Program is the state version of a federal permit program that oversees discharge of pollutants into surface waters of the state. In 2002, the department was given the authority to operate the program, which previously had been handled by the Federal Environmental Protection Agency (EPA). The FY 2003 budget includes appropriations from the General Fund to cover the costs of the program.

All other major permit programs operated by the department include a fee to recover program costs. The JLBC recommends that the department institute a fee to cover the costs of the AZPDES program beginning in FY 2004, allowing a reduction in General Fund support for the program. In order to allow a quick transition to the new fee, the JLBC further recommends that the department be given emergency rulemaking authority for this process. The recommended funding levels reflect a fee change by October 1, 2003.

In addition to the recommended funding levels, the JLBC recommends suspending a session law provision that prohibits the department from charging a fee for AZPDES permits. This change will allow the department to proceed in setting a fee at a level that covers the costs of the program. (*See JLBC Recommended Statutory Changes for additional information.*)

WQARF Priority
Site Remediation **GF** **-0-**

The JLBC recommends a suspension of the statutory funding formula increase for the Water Quality Assurance Revolving Fund (WQARF) program. The recommended suspension will continue funding for the WQARF program at the FY 2003 level (\$10,000,000 in General Fund monies). The WQARF program is similar to the federal Superfund program in that it is designed to monitor and remediate contaminated groundwater at specified sites. Program expenditures include searching for responsible polluters, conducting risk assessments and remediation feasibility studies, and contracting for remediation services.

WQARF is funded in part from an annual \$15,000,000 transfer from the Corporate Income Tax (CIT), as stipulated in A.R.S. § 49-282. In addition, WQARF generates other revenue from various license and registration fees. A.R.S. § 49-282 directs the State Treasurer to adjust the \$15,000,000 CIT transfer so that, when combined with the WQARF fee generated revenue, the program receives \$18,000,000 annually. Some types of revenue, including cost recovery collections and interest, are not included in this calculation. Therefore, actual program revenues can exceed \$18,000,000 in a year depending on how much is deposited from these other sources.

For FY 2003, the statutory transfer formula was temporarily suspended in favor of a fixed \$10,000,000 CIT transfer. For FY 2004, the JLBC recommends continuing both the suspension of the funding formula and the FY 2003 level of funding. Although the CIT transfer is not included in the General Appropriation Act, the estimated amount of the transfer is shown as a General Fund expenditure (*See JLBC Recommended Statutory Changes for additional information.*)

Brown Cloud Study **OF** **(3,400,000)**

The JLBC recommends an Air Quality Fund decrease to adjust program expenditures for one-time FY 2003 appropriations associated with the Brown Cloud Study. Laws 2001, Chapter 371 appropriated \$3,400,000 from the Air Quality Fund in FY 2003 for a variety of air quality purposes, including the development of a visibility index, the development of an emissions cap trading program, a random roadside diesel testing pilot program, and vehicle emissions repair grants.

Hazardous Waste
Inspection **OF** **(100,000)**

The JLBC recommends a Hazardous Waste Fund decrease and (1) FTE Position to align program expenditures with revenue projections. In FY 2002 and FY 2003, \$243,000 and 3 Hazardous Waste Inspector positions were appropriated to address hazardous waste transportation issues at the Arizona-Mexico border. The department has not filled any of these positions due to concerns about the sufficiency of future revenues to the Hazardous Waste Fund. The reduced level of expenditures should allow the department to hire 2 of the previously approved inspectors without exceeding revenue estimates for FY 2004. The department reports that Federal Resource Conservation and Resource Recovery grant monies may be available to support the third Hazardous Waste Inspector Position. The JLBC recommends that the department continue to investigate the availability of federal grant monies to support the eliminated position.

Legal Services Cost Allocation **OF** **1,000**

The JLBC recommends an Air Quality Fund increase to cover higher Attorney General legal services due to the cost allocation of the Attorney General's Risk Management charge to client agencies.

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JLBC RECOMMENDED FORMAT — Detailed Line Item by Agency (*In the FY 2003 budget, the department had a Lump Sum by Agency with Special Line Items format.*)

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2005 budget for the Water Quality Assurance Revolving Fund before September 1, 2003, for review by the House and Senate Appropriations Committees.

The amounts appropriated for the Water Infrastructure Finance Authority in FY 2004 shall be used to provide a 20% match of the FY 2004 federal Safe Drinking Water and Clean Water Revolving Fund allocations to this state. Of the amount appropriated, any amount in excess of the required 20% match reverts to the state General Fund.

The appropriation from the Permit Administration Fund is an estimate representing all monies distributed to this fund, including balance forward, revenue and transfers during FY 2004. These monies are appropriated to the Arizona Department of Environmental Quality for the purposes established in A.R.S. § 49-455. The appropriation shall be adjusted as necessary to reflect actual final receipts credited to the Permit Administration Fund.

The monies appropriated in the Pima County Air Quality Programs Special Line Item are for use by Pima County to avoid being declared in non-attainment of particulate matter standards by establishing public notification and outreach programs, minimizing exposure to particulate matter concentrations and to abatement and minimization of controllable sources of particulate matter through Best Available Control Measures. Of the monies in the Pima County Air Quality Programs Special Line Item in FY 2004, \$50,000 shall be used for carbon monoxide monitoring as required by the Pima County Limited Maintenance Plan with the Federal Environmental Protection Agency.

Up to \$1,250,000 of the state General Fund appropriation may be used temporarily to maintain existing environmental programs for which an application for Federal Funds has been submitted.

When expenditures from the Hazardous Waste or Environmental Health Reserves are authorized, the Director of the Department of Environmental Quality shall report the nature of the emergency and the authorized expenditure amount to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees and the Director of the Joint Legislative Budget Committee.

The Department of Environmental Quality shall report ~~quarterly~~ ANNUALLY to the Legislature in writing on the progress of WQARF activities, including emergency response, priority site remediation, cost recovery activity, revenue and expenditure activity and other WQARF-funded program activity. The department shall submit the report to the members of the Joint Legislative Budget Committee and to the Director of the Joint Legislative Budget Committee Staff BY SEPTEMBER 1, 2003.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote concerning a report on delays in issuing water quality permits as a result of budget reductions. The current recommendation allows the department to increase its water quality permit fees to cover total program costs in FY 2004. Since total costs will be covered by the higher fee, permitting delays are not anticipated.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends reducing the statutory transfer of Corporate Income Tax revenues into the Water Quality Assurance Revolving Fund from \$15,000,000 to \$10,000,000. (See the “WQARF Priority Site Remediation” policy issue above for additional information.)

The JLBC recommends suspending a provision that limits the type of Aquifer Protection Permit (APP) Program costs that can be covered by permit fees to only billable program costs. The current recommendation reduces the appropriation from the General Fund for the APP Program and allows the department to adjust its current fees to cover total program costs in FY 2004. The recommended statutory change will allow the department to make this fee adjustment. In addition, the JLBC recommends that the agency be given emergency rulemaking authority to carry out the fee revision by October 1, 2003. (See the “Aquifer Protection Permit Program” policy issue above for additional detail.)

The JLBC recommends suspending a provision that prohibits the department from charging a fee for the AZPDES program. The current recommendation reduces the appropriation from the General Fund for the AZPDES Program and allows the department to implement a fee to cover the program costs in FY 2004. The recommended statutory change will allow the department to make this fee adjustment. In addition, the JLBC recommends that the agency be given emergency rulemaking authority to implement the new fee by October 1, 2003. (See the “Arizona Pollution Discharge Elimination System Program” policy issue above for additional detail.)

SUMMARY OF FUNDS	FY 2002 Actual	FY 2003 Estimate
Air Quality (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Monies received from a \$1.50 fee assessed on motor vehicle registrations and gifts, grants and donations, and legislative appropriations. Beginning July 1, 2003 the fund will receive a fee that owners of vehicles 5 years old or newer may pay in-lieu of the vehicle emission inspections (A.R.S. § 49-543).		
Purpose of Fund: To pay the costs of air quality research, experiments, education, and programs conducted by or for the department. Also to provide an annual \$400,000 transfer to the Department of Administration for state employee travel reduction programs and annual appropriations for the Department of Weights and Measures Oxygenated Fuels and Vapor Recovery programs. <i>(See individual agencies for further description.)</i>		
Funds Expended	5,394,800	8,026,600
Funds Appropriated		
Weights and Measures (Oxygenated Fuel)	610,800	610,800
Weights and Measures (Vapor Recovery)	365,800	780,800
Department of Transportation	48,000	51,100
Department of Administration (Bus Subsidy)	475,400	475,400
Funds Transferred		
Department of Administration (Travel Reduction)	400,000	400,000
Year-End Fund Balance	5,341,600	2,231,100
Brownfields Cleanup Revolving Loan (EVA2456/A.R.S. § 49-218)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal grants, loan repayments, interest, penalties, gifts and donations.		
Purpose of Fund: To provide loans to eligible parties to perform non time-crucial removal of hazardous waste contamination on sites accepted into the State Voluntary Remediation Program.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Arizona Clean Air (EVA1238/A.R.S. § 41-411)		Non-Appropriated
Source of Revenue: The Arizona Clean Air Fund (ACAF) has 5 revenue sources. Their descriptions are as follows:		
1) State agency appropriations for purchasing or converting alternative fuel vehicles that have not been spent by the end of each fiscal year. To date, this source has not generated any revenue for the fund.		
2) Monies from the ADEQ Vehicle Repair Grant program that have not been spent at the end of each fiscal year.		
3) A fee that owners of vehicles 5 years old or newer may pay in lieu of the vehicle emission inspections (A.R.S. § 49-543). This revenue source shifts to the Air Quality Fund beginning July 1, 2003.		
4) A minimum of 29% of revenues from computerized bingo or Pick-3 games and a minimum of 21.5% of revenues from instant bingo games after obligations are met to the Heritage Fund.		
5) Gifts, grants, donations and interest.		
Purpose of Fund: To provide grants for alternative fuel vehicles and diesel vehicle conversion grants. For this table we assume that all monies available for discretionary spending will be fully utilized in the fiscal year that the funds become available. Laws 2002, Chapter 296 shifted this fund from the Department of Commerce to the Department of Environmental Quality from and after July 1, 2002. <i>(See Department of Commerce section for information on FY 2002 actuals.)</i>		
Revenues:		
Balance Forward	0	7,454,600
In-lieu Fees	0	11,700,000
Interest	0	0
Total Revenues	0	19,154,600
Funds Expended:		
<u>Required Transfers</u>		
Air Quality Fund	0	3,400,000
General Fund	0	9,300,000
<u>Prior Year Diesel Grants</u>	0	5,002,000
<u>Discretionary Spending</u>	0	196,100
Funds Expended	0	15,898,100
Year-End Fund Balance*	0	(481,200)

SUMMARY OF FUNDS	FY 2002 Actual	FY 2003 Estimate
Clean Water Revolving (EVA2254/A.R.S. § 49-1221)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans for capital improvements at wastewater treatment facilities of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to wastewater treatment plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund.		
Funds Expended from the General Fund	1,443,200	1,433,200
Other Funds Expended	54,887,700	55,838,200
Year-End Fund Balance	62,937,100	26,367,900
Donations (EVA3006/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Various donations, settlements, and consent decrees.		
Purpose of Fund: To administer the intent of the donation, settlement or decree.		
Funds Expended	1,448,400	97,800
Year-End Fund Balance	523,200	457,200
Drinking Water Revolving (EVA4320/A.R.S. § 49-1241)		Non-Appropriated
Source of Revenue: Legislative appropriations, federal capitalization grants, loan repayments, loan servicing fees, donations, and interest.		
Purpose of Fund: To make loans to drinking water facilities, including forgivable principal, of political subdivisions and Indian tribes. The fund is also used for debt refinancing, bond insurance related to drinking water plants, and for fund administration. The Water Infrastructure Finance Authority administers the fund.		
Funds Expended from the General Fund	1,551,900	1,551,900
Other Funds Expended	28,742,300	28,262,900
Year-End Fund Balance	17,988,100	4,212,900
Emissions Inspection (EVA2082/A.R.S. § 49-544)		Appropriated
Source of Revenue: Legislative appropriations, test fees, fleet certificate fees, private grants, donations, and federal grants.		
Purpose of Fund: To pay for enforcement of fleet inspections, exemptions, and certificates of waiver programs; to pay Emissions Inspection program contract and administrative charges, including station auditing, contractor training and certification, and motorist assistance; to pay for state portion of catalytic converter program costs, and to pay for research studies of the feasibility and effectiveness of new emission control technologies.		
Other Funds Expended	18,254,800	35,653,700
Year-End Fund Balance	3,230,700	671,000
Federal (EVA2000/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Federal grants related to water quality management, underground storage tank enforcement provisions, air pollution control, a variety of research projects, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	14,597,800	18,295,700
Year-End Fund Balance	0	0
Greenfields Program (EVA2309/A.R.S. § 49-157)		Non-Appropriated
Source of Revenue: Legislative appropriations and program fees. Initial General Fund appropriations of \$100,000 in FY 1998 and \$70,000 in FY 1999 made at the beginning of the pilot program were intended as start-up monies and will be paid back as fees are collected.		
Purpose of Fund: To remediate parcels of land that have soil contamination and return them to productive use. ADEQ will review and approve remediation plans submitted by certified remediation specialists.		
Funds Expended	0	0
Year-End Fund Balance	165,700	165,700

SUMMARY OF FUNDS	FY 2002 Actual	FY 2003 Estimate
Hazardous Waste Management (EVA2178/A.R.S. § 49-927)		Appropriated
Source of Revenue: Legislative appropriations, hazardous waste treatment, storage, and disposal permit fees, and hazardous waste generation and transportation fees.		
Purpose of Fund: To pay educational, permitting, planning, and enforcement costs of the Hazardous Waste Program; to provide administration and state matching funds for federal source reduction grants. A portion of the fund is transmitted to the Emergency Response Fund for staffing and equipping local emergency management agencies.		
Funds Expended	563,700	824,300
Year-End Fund Balance	1,004,100	635,300
Indirect Cost (EVA9000/A.R.S. § 49-104)		Appropriated
Source of Revenue: Monies transferred from the department's appropriated and non-appropriated funds, including federal grants.		
Purpose of Fund: To pay departmentwide administrative and overhead costs. Administrative expenditures include supporting the Director's office, the Deputy Director's office, and other agencywide administrative functions. Overhead expenditures include rent, Risk Management, telephone contracts, copy service, data center charges, etc.		
Funds Expended	8,946,500	11,718,900
Year-End Fund Balance	2,567,300	2,614,000
Institutional and Engineering Control (EVA4240/A.R.S. § 49-159)		Non-Appropriated
Source of Revenue: Application fees for department's assessment and verification of restricted, non-residential, use of contaminated land, recovered costs for repair of engineering and institutional controls, grants, donations, and legislative appropriations.		
Purpose of Fund: To pay the department's cost of enforcing the use of engineering and institutional controls in environmental remediations on contaminated properties.		
Funds Expended	0	0
Year-End Fund Balance	0	0
Intergovernmental Agreements (EVA2180/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements from various public entities, including the Game and Fish Department and the Water Protection Commission.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	118,400	323,700
Year-End Fund Balance *	(7,700)	259,500
Monitoring Assistance (EVA2308/A.R.S. § 49-360)		Non-Appropriated
Source of Revenue: Fees from public water systems that participate in the Monitoring Assistance program.		
Purpose of Fund: To assist public water systems in complying with monitoring requirements under the federal Safe Drinking Water Act.		
Funds Expended	871,700	871,700
Year-End Fund Balance	1,259,100	1,093,000
Permit Administration (EVA2328/A.R.S. § 49-455)		Appropriated
Source of Revenue: Permit fees and interest.		
Purpose of Fund: To pay the reasonable direct and indirect costs required to develop and administer federal permit program requirements to pay the costs of administering permits or permit revisions, and to pay inspection costs.		
Funds Expended	4,891,500	5,294,000
Year-End Fund Balance	4,282,300	4,175,700
Recycling (EVA2289/A.R.S. § 49-837)		Appropriated
Source of Revenue: Landfill disposal (tipping) fees and legislative appropriations.		
Purpose of Fund: For grants to local governments and others for developing recycling markets and programs; for public information and assistance on source reduction and recycling; and for revenue collection and fund administration.		
Funds Expended	1,734,700	2,323,200
Year-End Fund Balance	2,821,000	1,384,000

SUMMARY OF FUNDS	FY 2002 Actual	FY 2003 Estimate
Small Water Systems (EVA2225/A.R.S. § 49-355)		Non-Appropriated
Source of Revenue: Penalties for violations related to potable water systems and interest.		
Purpose of Fund: To provide information and assistance to small water systems for improving compliance with drinking water system standards.		
Funds Expended	0	0
Year-End Fund Balance	100	100
Solid Waste Fee (EVA3110/A.R.S. § 49-881)		Appropriated
Source of Revenue: Fees, donations, and legislative appropriations.		
Purpose of Fund: To pay solid waste program costs, including tire fire cleanup expenses, special waste facility staff education, special waste management compliance monitoring, and used oil handling education and enforcement.		
Funds Expended	666,700	1,267,600
Year-End Fund Balance	499,300	341,700
Technical Appeals Program (EVA3411/A.R.S. § 49-116)		Non-Appropriated
Source of Revenue: Legislative appropriations and dispute resolution fees.		
Purpose of Fund: To pay the costs of implementing and administering a technical appeals process for specified WQARF site registry and work plan review decisions.		
Funds Expended	10,000	10,000
Year-End Fund Balance	0	0
Used Oil (EVA3500/A.R.S. § 49-818)		Appropriated
Source of Revenue: Legislative appropriations and penalties for misuse of used oil.		
Purpose of Fund: For costs associated with the collection and analysis of used oil fuel samples.		
Funds Expended	93,600	139,800
Year-End Fund Balance	186,800	178,600
NOTE: The Underground Storage Tank (UST) Fund is displayed first as a fund summary, then by individual account.		
Underground Storage Tank (UST Summary) (EVA2271/A.R.S. § 49-1015(A))		Non-Appropriated
Source of Revenue: See each account for specific revenue sources.		
Purpose of Fund: See each account for specific account purpose.		
Balance Forward	46,698,600	54,578,300
Revenue	31,473,200	30,003,800
Funds Available	78,171,800	84,582,100
Non-Appropriated Funds Expended	23,593,500	35,176,900
Appropriated Funds Expended	0	22,000
Year-End Fund Balance	54,578,300	49,383,200
UST - Area A Assurance Account (EVA2271/A.R.S. § 49-1051)		Non-Appropriated
Source of Revenue: Area A (Maricopa County) excise tax revenues, cost recovery, and interest. The excise tax is a 1¢/gallon tax on regulated substances, such as gasoline		
Purpose of Fund: To provide partial coverage of corrective actions to underground storage tanks and to reimburse ADEQ if the state is required to take corrective action in Area A.		
Balance Forward	15,744,300	19,538,000
Revenue	13,579,000	13,619,400
Funds Available	29,323,300	33,152,400
Funds Expended	9,785,300	14,485,500
Year-End Fund Balance	19,538,000	18,661,300

SUMMARY OF FUNDS	FY 2002 Actual	FY 2003 Estimate
UST - Cleanup Municipalities (EVA2271/A.R.S. § 49-1051)		Non-Appropriated
Source of Revenue: A one-time transfer of \$5,000,000 of vehicle license tax revenues in FY 2001, as provided by Laws 2000, Chapter 354.		
Purpose of Fund: To partially reimburse school districts, counties, cities, towns, hospitals, and certain small businesses for costs of cleaning up leaking tanks.		
Balance Forward	3,368,500	2,540,200
Revenue	107,500	87,500
Funds Available	3,476,000	2,627,700
Funds Expended	935,800	1,410,000
Year-End Fund Balance	2,540,200	1,217,700
UST - Grant Account (EVA2271/A.R.S. § 49-1071)		Non-Appropriated
Source of Revenue: Ten percent of a 1¢/gallon excise tax on regulated substances, one-time tank fees levied in 1990, and interest. Amounts received from the excise tax are statutorily capped at \$5,600,000; the account reached this cap in August 1994, and since then the only fund revenue has been interest.		
Purpose of Fund: To provide grants, up to \$100,000, to UST owners/operators for the purposes of meeting tank performance standards, removing tanks for closure or replacement, or paying the portion of corrective action costs that are less than the deductible amount under the Assurance Fund. The Grant Account was divided into the Area A and Non-Maricopa County Accounts by Laws 1993, Chapter 1, 6 th Special Session. The table below depicts the entire Grant Account.		
Balance Forward	443,100	459,700
Revenue	37,400	16,100
Funds Available	480,500	475,800
Funds Expended	20,800	461,900
Year-End Fund Balance	459,700	16,100
UST - Municipal Tank Closure and Corrective Action (EVA2271 /A.R.S. § 49-1073) Program Account		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, donations. Laws 2001, Chapter 341 transferred all monies remaining in the UST Grant Account to this account on December 31, 2001. The estimated amount transferred was \$2,300,000.		
Purpose of Fund: To perform permanent closures and corrective actions on underground storage tanks in cities and towns requesting assistance. Cities and towns must have less than 15,000 people to be eligible for the program.		
Funds Expended	99,100	450,000
Year-End Fund Balance	1,862,100	1,481,700
UST - Non-Maricopa County Assurance Account (EVA2271/A.R.S. § 49-1051)		Non-Appropriated
Source of Revenue: Non-Maricopa County excise tax revenues, cost recovery, and interest. The excise tax is a 1¢/gallon tax on regulated substances, such as gasoline.		
Purpose of Fund: To provide partial coverage of corrective actions to underground storage tanks and to reimburse ADEQ if the state is required to take corrective action in areas other than Area A.		
Balance Forward	24,144,900	27,893,800
Revenue	15,482,100	15,439,200
Funds Available	39,627,000	43,333,000
Funds Expended	11,733,200	16,559,800
Year-End Fund Balance	27,893,800	26,761,800
UST - Regulatory Account (EVA2271/A.R.S. § 49-1051)		Non-Appropriated
Source of Revenue: Annual tank fees (\$100/tank) and interest.		
Purpose of Fund: To carry out the state regulatory program, state-initiated corrective actions, and cost recovery activities.		
Balance Forward	580,900	1,900,700
Revenue	2,182,800	750,000
Funds Available	2,763,700	2,650,700
Other Funds Expended	863,000	1,444,900
Year-End Fund Balance	1,900,700	1,205,800

SUMMARY OF FUNDS	FY 2002 Actual	FY 2003 Estimate
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Voluntary Lawn and Garden Equipment Emissions Reduction (EVA2306/A.R.S. § 49-474) Non-Appropriated

Source of Revenue: Legislative appropriations, gifts, grants and donations.
Purpose of Fund: To provide vouchers for the retirement of residential and commercial lawn mowers. Residential owners receive a \$100 voucher to be used toward the purchase of an electric mower. Commercial owners receive a \$200 voucher to be used toward the purchase of a mower that generates lower emissions.

Funds Expended	0	0
Year-End Fund Balance	0	0

Voluntary Remediation (EVA4230/A.R.S. § 49-187) Non-Appropriated

Source of Revenue: Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations. In addition, in FY 2001-FY 2004 the fund receives a transfer of \$350,000 from the Water Quality Assurance Revolving Fund.
Purpose of Fund: To pay the department's oversight costs of voluntary clean-ups of contaminated properties, including application, monitoring, and enforcement activities.

Funds Expended	247,000	335,000
Year-End Fund Balance	667,600	632,600

Voluntary Vehicle Repair and Retrofit (EVA2365/A.R.S. § 49-474.03) Non-Appropriated

Source of Revenue: Legislative appropriations, a \$10 fee on diesel vehicle registrations, gifts, grants and donations.
Purpose of Fund: To provide monies for local programs intended to repair or retrofit vehicles that fail emissions tests.

Funds Expended from the Arizona Clean Air Fund	400,000	0
Other Funds Expended	658,500	2,148,400
Year-End Fund Balance	1,748,400	0

Water Quality Assurance Revolving (WQARF) (EVA2221/A.R.S. § 49-282) Non-Appropriated

Source of Revenue: Fees and taxes related to municipal water use, pesticides, fertilizers, hazardous waste, and groundwater withdrawal. As required by A.R.S § 49-282, \$15,000,000 is to be transferred to WQARF from the Corporate Income Tax. The \$15,000,000 is adjusted at the close of the fiscal year so that when combined with other revenues the fund receives \$18,000,000 annually. This statutory transfer was suspended for both FY 2002 and FY 2003 in favor of a reduced amount. Laws 2001, Chapter 2, 2nd Special Session set the transfer at \$5,000,000 for FY 2002. For FY 2003, that transfer was set at \$10,000,000 by Laws 2002, Chapter 328.
Purpose of Fund: For the operation of the WQARF Priority Site Remediation Program. Expenditures include administration, legal support, identification of responsible polluters, community involvement, and contract costs for the clean-up of sites for which no responsible party can be found. There is an \$800,000 transfer to the Department of Water Resources for well inspection and data management and a \$350,000 transfer to the Voluntary Remediation Fund. Although this fund is not appropriated, A.R.S. § 49-282 requires the Appropriations Committees to review the FY 2004 and FY 2005 budget for WQARF.

Balance Forward	32,887,900	14,502,400
General Fund/Transfers In	5,000,000	10,000,000
Other Revenue	5,478,000	4,103,300
Total Funds Available	43,365,900	28,605,700
Funds Expended from the General Fund	5,000,000	10,000,000
Other Funds Expended	23,863,500	17,495,800
Funds Transferred		
Department of Water Resources	800,000	800,000
Voluntary Remediation Fund	350,000	0
DHS Risk Assessment	216,000	200,000
Year-End Fund Balance	14,502,400	1,109,900

Water Quality Fee (EVA4100/A.R.S. § 49-210) Appropriated

Source of Revenue: Legislative appropriations and fees received from several water quality protection programs.
Purpose of Fund: To pay the costs of aquifer protection permit registration, dry well registration, technical review, inspections, and issuance of aquifer protection permits.

Funds Expended	1,407,700	3,610,600
Year-End Fund Balance	217,100	169,200

* As reported by the agency. Actual ending balance will not be negative.
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