

Director: Stephen Owens

JLBC Analyst: Jeremy Olsen

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
PROGRAM BUDGET			
<i>Full Time Equivalent Positions</i>	495.1	428.4	428.4 ^{1/}
Administration			
Personal Services	6,092,400	7,489,000	6,268,400
Employee Related Expenditures	2,199,600	2,159,800	2,006,700
Professional and Outside Services	256,700	133,800	135,700
Travel - In State	49,200	76,700	16,300
Travel - Out of State	6,200	8,800	8,800
Other Operating Expenditures	5,828,600	7,987,200	6,337,600
Equipment	575,100	79,800	67,100
ADMINISTRATION LUMP SUM TOTAL	15,007,800	17,935,100	14,840,600
Air Programs			
Air Permits Administration Program	4,862,100	5,560,700	5,978,100 ^{2/}
Air Quality Program	3,884,700	4,664,800	5,023,900
Emissions Control Contractor Payment	29,622,000	31,739,600	31,739,600
Emissions Control Program - Administration	2,263,200	4,042,700	4,179,700
Maricopa, Pima, and Pinal Counties Travel Reduction Plan	0	0	1,676,900 ^{3/}
School Bus/Air Quality Grants	0	4,000,000	0
Transfers to Counties Program	0	165,000	165,000 ^{4/}
Waste Programs			
Hazardous Waste Program	532,700	1,266,800	1,757,700
Solid Waste Program	1,788,200	3,497,500	4,381,000
Underground Storage Tank Program	4,700	22,000	22,000
Waste Tire Program	39,500	220,400	224,900
WQARF Priority Site Remediation	10,000,000	11,000,000	15,000,000 ^{5/6/7/8/}
Water Programs			
Arizona Pollution Discharge Elimination System	0	0	714,400 ^{9/}
Drinking Water Regulation Program	1,320,100	1,676,300	1,794,700
Surface Water Regulation Program	1,730,900	1,480,600	1,055,900
Underground Water Regulation Program	2,152,200	2,153,800	2,498,000
Water Quality Program	1,863,300	3,879,300	4,000,400 ^{10/}
Clean Water Revolving Loan Program	1,551,900	1,551,900	1,551,900 ^{11/}
Drinking Water Revolving Loan Program	893,200	893,200	893,200 ^{11/}
Small Rural Water Systems	0	0	750,000 ^{12/}
AGENCY TOTAL	77,516,500	95,749,700	98,247,900 ^{13/14/}

FUND SOURCES

General Fund	23,138,700	24,510,300	32,295,700
<u>Other Appropriated Funds</u>			
Air Permits Administration Fund	4,862,100	5,558,300	5,816,200
Air Quality - Clean Air Subaccount	445,800	500,000	0
Air Quality Fund	3,884,700	8,826,300	4,938,900
Emissions Inspection Fund	31,885,200	35,782,300	35,919,300
Hazardous Waste Management Fund	86,900	752,200	780,000
Indirect Cost Recovery Fund	9,515,400	12,213,200	10,485,700 ^{15/}
Recycling Fund	1,058,900	2,144,300	2,169,500
Solid Waste Fee Fund	770,100	1,424,900	1,482,900
Underground Storage Tank Fund	4,700	22,000	22,000
Used Oil Fund	700	136,600	137,300
Water Quality Fee Fund	1,863,300	3,879,300	4,200,400
SUBTOTAL - Other Appropriated Funds	54,377,800	71,239,400	65,952,200
SUBTOTAL - Appropriated Funds	77,516,500	95,749,700	98,247,900

	FY 2005 Actual	FY 2006 Estimate	FY 2007 Approved
Other Non-Appropriated Funds	165,175,500	234,213,300	234,213,300
Federal Funds	17,774,900	19,220,000	19,227,900
TOTAL - ALL SOURCES	260,466,900	349,183,000	351,689,100

AGENCY DESCRIPTION — The Department of Environmental Quality (ADEQ) enforces air, water, and land quality standards. 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.

During the past year, ADEQ adopted a new budget structure in order to align its budget with the program structure of the department. Consequently, budget data has been restated for all funds in FY 2005, FY 2006, and FY 2007.

- 1/ Includes 114.6 GF and 169.2 OF FTE Positions funded from Special Line Items in FY 2007.
- 2/ The appropriation from the Air Permits Administration Fund is an estimate representing all monies distributed to this fund, including balance forward, revenue and transfers during FY 2007. 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 Air Permits Administration Fund. (General Appropriation Act footnote)
- 3/ Of the monies appropriated to the Maricopa, Pima and Pinal Counties Travel Reduction Plan Special Line Item in FY 2007, \$948,000 shall be allocated to Maricopa County, \$373,000 shall be allocated to the Pima Association of Governments, \$87,000 shall be allocated to Pinal County and \$268,300 shall be allocated to Pima County. (General Appropriation Act footnote) The Maricopa County transfer amount was incorrectly reported in the footnote as \$948,000. This amount is actually \$948,600.
- 4/ The monies appropriated in the Transfers to Counties Program Special Line Item are for use by Arizona Counties 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 Transfers to Counties Special Line Item in FY 2007, \$50,000 shall be used By Pima County for carbon monoxide monitoring as required by the Pima County Limited Maintenance Plan with the Federal Environmental Protection Agency. (General Appropriation Act footnote)
- 5/ A.R.S. § 49-282 requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. Although the transfer is not included in the annual General Appropriation Act, it is shown here as a General Fund expenditure.
- 6/ The Department of Environmental Quality shall report annually 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. This report shall also include a budget for the WQARF program which is developed in consultation with the WQARF Advisory Board. The FY 2007 report shall be submitted to the Joint Legislative Budget Committee by September 1, 2006. This budget shall specify the monies budgeted for each listed site during FY 2007. In addition, the Department and the Advisory Board shall prepare and submit to the Joint Legislative Budget Committee, by October 2, 2006, a report in a table format summarizing the current progress on remediation of each listed site on the WQARF registry. The table shall include the stage of remediation for each site at the end of FY 2006, whether the current stage of remediation is anticipated to be completed in FY 2007 and the anticipated stage of remediation at each listed site at the end of FY 2008 assuming FY 2007 funding levels. The Department and Advisory Board may include other relevant information about the sites listed in the table. (General Appropriation Act footnote)
- 7/ Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2008 budget for the Water Quality Assurance Revolving Fund before September 1, 2006, for review by the Senate and House of Representatives Appropriations Committees. (General Appropriation Act footnote)
- 8/ The Water Quality Assurance Revolving Fund Advisory Board shall report on improvements to the WQARF program that would result in efficiency savings of time or funding for the remediation of listed sites, the reduction of program costs not directly associated with a listed site, and the enhancement of the recovery of costs from responsible parties. The board shall present its findings in writing to the Governor, the President of the Senate, the Speaker of the House of Representatives, and the Joint Legislative Budget Committee, by no later than December 1, 2006. (General Appropriation Act footnote)
- 9/ Any transfer from the amount appropriated for the Arizona Pollution Discharge Elimination System Special Line Item shall require prior Joint Legislative Budget Committee review.
- 10/ The Department of Environmental Quality shall submit to the Joint Legislative Budget Committee for review a written report detailing the maximum, minimum and average water quality permit processing times for FY 2006 and FY 2007 by December 1, 2006. The FY 2007 data shall contain the year-to-date actual data and projected totals for FY 2007. This report shall also include total number of staff hours devoted to water quality permit processing in FY 2006 and FY 2007, the total costs to process these permits and the progress made in reducing water quality permit processing times. (General Appropriation Act footnote)
- 11/ The amounts appropriated for the Clean Water Revolving Loan Program and the Drinking Water Revolving Loan Program in FY 2007 shall be used to provide a 20% match of the FY 2007 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. (General Appropriation Act footnote)
- 12/ Laws 2006, Chapter 350 appropriation of \$750,000.
- 13/ 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 Chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 14/ General Appropriation Act funds are appropriated by Program with Special Line Items.
- 15/ All Indirect Cost Recovery Fund revenues received by the Department of Environmental Quality in excess of \$10,485,700 in FY 2007 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$10,485,700 in FY 2007, the Department of Environmental Quality shall submit the intended use of the monies to the Joint Legislative Budget Committee for review. (General Appropriation Act footnote, as adjusted for statewide allocations)

PERFORMANCE MEASURES	FY 2003 Actual	FY 2004 Actual	FY 2005 Actual	FY 2007 Approved
• % of contaminated sites closed requiring no further action (cumulative) versus known sites	72.6	74.0	75.7	77.0
• Number of non-attainment areas exceeding national ambient air quality standards	--	15	13	5
• % of statutorily set permit timelines met through Licensing Time Frames rule	99	100	98.9	99
• Number of days per year exceeding National Ambient Air Quality Standards for Ozone, Carbon Monoxide, or Particulates	0	0	0	0
• % of facilities from Drinking Water Priority Log assigned to enforcement staff Comments: The agency did not submit information for this measure in FY 2005.	--	48	NA	50
• Customer satisfaction rating for citizens (Scale 1-8) Comments: Over the past 30 months, the agency has held roundtables and outreach events with the business community and public officials to improve their working relationships, and attributes the increase in customer satisfaction to these events.	6.6	7.4	7.6	7.4

Operating Budget

The budget provides \$14,840,600 for the operating budget in FY 2007. This amount consists of:

	FY 2007
General Fund	\$ 4,354,900
Indirect Cost Recovery Fund	10,485,700

These amounts include an increase of \$627,400 for statewide adjustments. This amount consists of:

General Fund	203,900
Indirect Cost Recovery Fund	423,500

(Please see the Statewide Adjustments section at the end of this Appropriations Report for details.)

The budget also includes the following adjustments:

Standard Changes

The budget provides an increase of \$43,500 from the Indirect Cost Recovery Fund in FY 2007 for rent standard changes.

Indirect Cost Recovery Fund Excess Capacity

The budget provides a decrease of \$(2,194,500) from the Indirect Cost Recovery Fund in FY 2007. Using FY 2005 expenditures as a baseline, this reduction will eliminate the fund's excess expenditure authority to more accurately match the appropriation to expected expenditures.

The appropriated amount will fund operating costs for the full fiscal year, but will require the department to submit

items which are beyond typical operating expenses to the JLBC for review before expending any indirect cost recovery funds for such projects.

Funding Shift

The budget includes a General Fund decrease of \$(1,570,900) in FY 2007 to transfer funding from the operating budget to certain Special Line Items. This transfer does not affect the agency's total appropriation, but shifts funding for specific programs from the agency's operating budget to these programs' budgets. Of the total amount, \$148,400 was transferred to the Air Permits Administration Program, \$226,900 was transferred to the Air Quality Program, \$428,400 was transferred to the Hazardous Waste Program, and \$767,200 was transferred to the Solid Waste Program. *(See the Air Permits Administration, Air Quality, Hazardous Waste, and Solid Waste Special Line Items below for more details.)*

Special Line Items

Air Programs

Air Permits Administration Program

The budget provides \$5,978,100 and 57.2 FTE Positions for the Air Permits Administration Program in FY 2007. This amount consists of:

General Fund	161,900
Air Permits Administration Fund	5,816,200

These amounts include an increase of \$269,000 for statewide adjustments. This amount consists of:

General Fund	11,100
Air Permits Administration Fund	257,900

The budget also includes the following adjustment:

Funding Shift

The budget includes an increase of \$148,400 from the General Fund in FY 2007 to transfer funding from the operating budget to the Air Permits Administration Special Line Item. This transfer does not affect the agency's total appropriation, but shifts funding for the Air Permits Administration Program from the agency's operating budget to this Special Line Item. (See the Operating Budget Section above for more details.)

This program regulates and inspects stationary air pollution sources, including enforcement actions necessary to comply with federal clean air regulations.

Air Quality Program

The budget provides \$5,023,900 and 29.7 FTE Positions for the Air Quality Program in FY 2007. This amount consists of:

General Fund	250,000
Air Quality Fund	4,773,900

These amounts include an increase of \$132,200 for statewide adjustments. This amount consists of:

General Fund	19,600
Air Quality Fund	112,600

The budget also includes the following adjustment:

Funding Shift

The budget includes an increase of \$226,900 from the General Fund in FY 2007 to transfer funding from the operating budget to the Air Quality Special Line Item. This transfer does not affect the agency's total appropriation, but shifts funding for the Air Quality Program from the agency's operating budget to this Special Line Item. (See the Operating Budget Section above for more details.)

Expenditures are for air quality research and programs to bring non-attainment areas into attainment with federal clean air standards. Revenues to the fund are from the \$1.50 air quality fee collected at the time of vehicle registration.

Emissions Control Program

The Emissions Control Program is operated by an independent contractor in Maricopa and Pima Counties, with the purpose of identifying and repairing polluting motor vehicles. Vehicle owners in Maricopa County are subject to either an Inspection and Maintenance or On-Board Diagnostic inspection if the vehicle was manufactured in 1981 or after, or a loaded idle inspection

if the vehicle was manufactured prior to 1981. Pima County vehicle owners are subject only to the idle inspection. The program is funded through test fees that are charged to motorists at the time of inspection.

The contractor collects the test fee and remits the entire portion for deposit in the Emissions Inspection Fund. Monies are then appropriated from the Emissions Inspection Fund to either pay for ADEQ's program administration costs or to pay the independent contractor's operational expenses.

Table 1 displays the components of the Emission Control Program appropriation from the Emissions Inspection Fund for FY 2007.

Table 1	
Emissions Control Program	
	FY 2007
Contractor Payment	\$31,739,600
Program Administration	<u>4,179,700</u>
Total	\$35,919,300

Emissions Control Contractor Payment

The budget provides \$31,739,600 from the Emissions Inspection Fund for the Emissions Control Contractor Payment in FY 2007. This amount is unchanged from FY 2006.

Monies appropriated to this line item are to pay the Emissions Control Program contractor. Under the contract, the contractor remits the entire amount of the fee to ADEQ for deposit in the Emissions Inspection Fund. ADEQ then determines the amount due to the contractor, based on the number of vehicles inspected, and makes payments to the contractor on a regular basis.

Emissions Control Program - Administration

The budget provides \$4,179,700 and 34 FTE Positions from the Emissions Inspection Fund for the Emissions Control Program in FY 2007. The amount includes an increase of \$137,000 from the Emissions Inspection Fund for statewide adjustments.

This line item includes activities such as providing program information and assistance to the public, reviewing the eligibility of those seeking vehicle repair grants or test waivers, and overseeing the inspection contract. These activities are funded from the administrative portion of the inspection fee, which is set by ADEQ.

Maricopa, Pima, and Pinal Counties Travel Reduction Plan

The budget provides \$1,676,900 from the General Fund for the Maricopa, Pima, and Pinal Travel Reduction Plan in FY 2007.

Maricopa, Pima, and Pinal counties each manage air pollution control programs at the county level. The

monies in the Maricopa, Pima, and Pinal Counties Travel Reduction Plan provide funding to these counties to administer rideshare and other trip reduction programs. Funding for these programs had previously been provided from the non-appropriated Clean Air In-Lieu Fee Fund, which was repealed on June 30, 2006.

School Bus / Air Quality Grants

The budget provides no funding for School Bus/Air Quality Grants in FY 2007. The amount includes a decrease of \$(4,000,000) from the Air Quality Fund in FY 2007 to eliminate one-time funding for school bus and air quality grants.

Laws 2005, Chapter 332 appropriated \$4,000,000 from the Air Quality Fund in FY 2006 for school bus and air quality grants. Of this amount, at least 40% was to be dedicated to grants for diesel vehicle filters; at least 40% was allocated for grants to school districts for buses which are fueled by Compressed Natural Gas (CNG); and the remaining funds were made available for expenditure by other air quality programs. Funding for this program had previously been provided from the non-appropriated Clean Air In-Lieu Fee Fund, which was repealed on June 30, 2006.

Transfers to Counties Program

The budget provides \$165,000 from the Air Quality Fund for the Transfers to Counties Program in FY 2007. This program has previously been reported as the Pima County Air Quality Program. This amount is unchanged from FY 2006.

Monies in this line item are for use by counties in Arizona to establish air quality public notification and outreach programs, to minimize exposure to particulate matter concentrations, and for abatement and minimization of controllable sources of particulate matter through the best available control measures.

Waste Programs

Hazardous Waste Program

The budget provides \$1,757,700 and 13.3 FTE Positions for the Hazardous Waste Program in FY 2007. This amount consists of:

General Fund	977,700
Hazardous Waste Management Fund	780,000

These amounts include an increase of \$62,500 for statewide adjustments. This amount consists of:

General Fund	34,700
Hazardous Waste Management Fund	27,800

The budget also includes the following adjustment:

Funding Shift

The budget includes an increase of \$428,400 from the General Fund in FY 2007 to transfer funding from the operating budget to the Hazardous Waste Special Line

Item. This transfer does not affect the agency's total appropriation, but shifts funding for the Hazardous Waste Program from the agency's operating budget to this Special Line Item. (See the Operating Budget Section above for more details.)

In-Lieu Fee Fund Shift

In addition, the budget provides a decrease of \$(500,000) from the Air Quality – Clean Air Subaccount in FY 2007. The Clean Air In-Lieu Fee was repealed with the passage of Laws 2005, Chapter 332, effective June 30, 2006, and consequently will not generate any revenue in FY 2007. These funds had been used to pay for costs associated with the Hazardous Waste Program. The budget provides a corresponding increase of \$500,000 from the General Fund in FY 2007 to replace the funding which had been allocated from the Air Quality - Clean Air Subaccount.

Monies in this line item are used to regulate and inspect hazardous waste treatment, storage, and disposal facilities. It educates hazardous waste handlers on how to comply with federal and state standards. It also oversees cleanup of hazardous waste sites.

Solid Waste Program

The budget provides \$4,381,000 and 26.3 FTE Positions for the Solid Waste Program in FY 2007. This amount consists of:

General Fund	816,200
Recycling Fund	2,169,500
Solid Waste Fee Fund	1,258,000
Used Oil Fund	137,300

These amounts include an increase of \$116,300 for statewide adjustments. This amount consists of:

General Fund	36,900
Recycling Fund	25,200
Solid Waste Fee Fund	53,500
Used Oil Fund	700

The budget also includes the following adjustment:

Funding Shift

The budget includes an increase of \$767,200 from the General Fund in FY 2007 to transfer funding from the operating budget to the Solid Waste Special Line Item. This transfer does not affect the agency's total appropriation, but shifts funding for the Solid Waste Program from the agency's operating budget to this Special Line Item. (See the Operating Budget Section above for more details.)

This program is responsible for issuing permits to landfills and other solid waste facilities, conducting facility inspections, initiating remediation actions related to compliance issues, and recycling grants and public information.

Underground Storage Tank Program

The budget provides \$22,000 from the Underground Storage Tank Fund for the Underground Storage Tank (UST) Program in FY 2007. This amount is unchanged from FY 2006.

Monies in the UST Program are utilized to detect and clean up hazardous leakage from UST's. The program's regulatory component is funded from annual tank registration fees. The clean-up component is funded from a 1¢ per gallon excise tax on gasoline and diesel fuel.

The excise tax is deposited into the UST Fund's State Assurance Account (SAA). Monies in the SAA are used to partially reimburse tank owners for corrective actions due to leaking tanks and to reimburse ADEQ for actions taken by the agency. The vast majority of fund revenues are not appropriated by the Legislature; however, an amount of \$22,000 from the SAA in FY 2007 is allocated for the operating costs of the Underground Storage Tank Technical Appeals Panel and the Underground Storage Tank Policy Commission.

The Environment Budget Reconciliation Bill (Laws 2006, Chapter 349) suspends the UST Revolving Fund Assurance Account administrative cap amount for FY 2007 and allows the department to utilize up to \$6,331,000. This will allow the agency to continue funding 3 FTE Positions for the Leak Prevention and Compliance Program, and to provide funding for the Used Oil Program. Expenditures from the Assurance Account are not appropriated by the Legislature and, therefore, are not reflected in the data table above.

Waste Tire Program

The budget provides \$224,900 and 2.8 FTE Positions from the Solid Waste Fee Fund for the Waste Tire Program in FY 2007. This amount includes an increase of \$4,500 from the Solid Waste Fee Fund for statewide adjustments.

This program oversees county programs that dispose of and/or recycle waste tires.

WQARF Priority Site Remediation

The budget provides \$15,000,000 from the General Fund for the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation in FY 2007.

Operating Budget

The budget provides an increase of \$4,000,000 from the General Fund for Water Quality Assurance Revolving Fund program expenses in FY 2007. This amount will fully fund the statutory program funding requirement.

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. *Table 2* describes program activity for FY 2005 and FY 2006.

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.

Table 2		
WQARF Activity		
	Actual	Estimated
	FY 2005	FY 2006
Balance Forward	\$ 4,323,000	\$ 6,208,700
General Fund	10,000,000	11,000,000
Other Revenue	<u>12,179,300</u>	<u>3,893,300</u>
Total Funds Available	26,502,300	21,102,000
General Fund Expenditures	10,000,000	11,000,000
Other Funds Expended	9,643,600	7,945,500
<u>Funds Transferred</u>		
Dept. of Water Resources	500,000	500,000
Voluntary Remediation Fund	100,000	100,000
DHS Risk Assessment	<u>50,000</u>	<u>50,000</u>
Year-End Fund Balance	\$6,208,700	\$1,506,500

Water Programs

Arizona Pollution Discharge Elimination System

The budget provides \$714,400 and 9 FTE Positions for the Arizona Pollution Discharge Elimination System (AZPDES) in FY 2007. This amount consists of:

General Fund	614,400
Water Quality Fee Fund	100,000

These amounts include an increase of \$42,400 from the General Fund for statewide adjustments.

The budget also includes the following adjustments:

Funding Shift

The budget includes an increase of \$472,000 from the General Fund in FY 2007 to transfer funding from the Surface Water Regulation Special Line Item to the AZPDES Special Line Item. This transfer does not affect the agency's total appropriation, but shifts funding for the AZPDES Program to this Special Line Item. (See the *Surface Water Regulation Special Line Item* below for more details.)

Permit Contractors

The budget provides a one-time increase of \$100,000 from the General Fund and \$100,000 from the Water Quality Fee Fund for contracted AZPDES permit staff in FY 2007

The AZPDES regulates facilities that discharge pollutants from any point source into navigable waters. These permits may be required for agricultural, domestic or industrial activities. Previously, funding for the AZPDES program was reported in the agency's operating budget.

Drinking Water Regulation Program

The budget provides \$1,794,700 and 30.9 FTE Positions from the General Fund for the Drinking Water Regulation Program in FY 2007. This amount includes an increase of \$118,400 from the General Fund for statewide adjustments.

The Drinking Water Regulation Program ensures drinking water standards are met through assessments of drinking water sources, reviews of water delivery system design and construction, and scheduled tests of drinking water for contaminants.

Surface Water Regulation Program

The budget provides \$1,055,900 and 18.3 FTE Positions from the General Fund for the Surface Water Regulation Program in FY 2007. This amount includes an increase of \$47,300 from the General Fund for statewide adjustments.

The budget also includes the following adjustment:

Funding Shift

The budget includes a decrease of \$(472,000) from the General Fund in FY 2007 to transfer funding from the Surface Water Regulation Special Line Item to the AZPDES Special Line Item. This transfer does not affect the agency's total appropriation, but shifts funding for the Surface Water Regulation Program to this Special Line Item. (See the AZPDES Special Line Item above for more details.)

Funding for this program has previously been reported in the department's operating budget. The Surface Water Regulation Program regulates the discharge and treatment of both domestic sewage and industrial waste derived from the manufacturing industry through a permitting process.

Underground Water Regulation Program

The budget provides \$2,498,000 and 36.7 FTE Positions for the Underground Water Regulation Program in FY 2007. This amount consists of:

General Fund	2,398,000
Water Quality Fee Fund	100,000

This amount includes an increase of \$144,200 from the General Fund for statewide adjustments.

Funding for this program has previously been reported in both the department's operating budget and the Aquifer Protection Permit Program.

This program issues aquifer protection permits to facilities whose activities, including waste discharges, pose a threat to groundwater. This program also issues permits for

residential wastewater systems, and administers the Drywell Program, which monitors water runoff that is collected and injected underground.

Permit Contractors

The budget provides a one-time increase of \$100,000 from the General Fund and \$100,000 from the Water Quality Fee Fund for contracted permitting staff in FY 2007.

Water Quality Program

The budget provides \$4,000,400 and 25.6 FTE Positions from the Water Quality Fee Fund for the Water Quality Program in FY 2007. This amount includes an increase of \$121,100 from the Water Quality Fee Fund for statewide adjustments.

This program ensures water quality by monitoring and regulating drinking and wastewater sources.

Water Infrastructure Finance Authority (WIFA)

Clean Water Revolving Loan Program

The budget provides \$1,551,900 from the General Fund for the Clean Water Revolving Loan Program in FY 2007. This program had previously been reported along with the Drinking Water Revolving Fund Program as the WIFA SLI. This amount is unchanged from FY 2006.

Public jurisdictions are eligible for financial assistance under WIFA's Clean Water Revolving Fund for planning, construction, rehabilitation, modification, and improvement costs of wastewater treatment and water reclamation projects. Under the Federal Clean Water Act, Arizona receives a Federal Fund allocation to be used for loans each year. The act requires that states match the federal allocation at 20%.

Drinking Water Revolving Loan Program

The budget provides \$893,200 from the General Fund for the Drinking Water Revolving Loan Program in FY 2007. This program had previously been reported along with the Clean Water Revolving Fund Program as the WIFA SLI. This amount is unchanged from FY 2006.

State and local public drinking water systems are eligible for financial assistance under WIFA's Drinking Water Revolving Fund (DWRP). DWRP monies can be used to plan, engineer, construct, or modify drinking water facilities. Funds may also be used for source water protection and land acquisition. Under the Federal Safe Drinking Water Act, Arizona receives a Federal Fund allocation to be used for loans each year. The act requires that states match the federal allocation at 20%.

Small Rural Water Systems

The State Government Budget Reconciliation Bill (Laws 2006, Chapter 350) provides a one-time appropriation of \$750,000 from the General Fund in FY 2007 for small rural water systems grants. These grants are to be administered by WIFA, and will be available to operators or managers of small, rural water systems which have been approved by the Arizona Corporation Commission.