

Department of Environmental Quality

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DESCRIPTION	FY 2005 ACTUAL	FY 2006 ESTIMATE	FY 2007 JLBC
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	495.1	428.4	428.4
Personal Services	7,214,500	8,611,000	8,250,700
Employee Related Expenditures	2,384,800	2,509,600	2,409,200
Professional and Outside Services	258,800	146,800	146,800
Travel - In State	57,100	86,700	86,700
Travel - Out of State	6,200	8,800	8,800
Other Operating Expenditures	5,836,100	8,008,100	8,015,200
Equipment	575,100	88,800	85,900
OPERATING SUBTOTAL	16,332,600	19,459,800	19,003,300
SPECIAL LINE ITEMS			
Air Programs			
Air Permits Administration Program	4,862,100	5,502,000	5,502,000
Air Quality Program	3,884,700	2,677,700	2,677,700
Emissions Control Contractor Payment	29,622,000	31,739,600	31,739,600
Emissions Control Program - Administration	2,263,200	4,012,500	4,012,500
School Bus/Air Quality Grants	0	4,000,000	0
Transfers to Counties Program	0	165,000	165,000
Waste Programs			
Hazardous Waste Program	532,700	1,246,100	1,246,100
Solid Waste Program	1,788,200	3,467,400	3,467,400
Waste Tire Program	39,500	219,800	219,800
WQARF Priority Site Remediation	10,000,000	11,000,000	11,000,000
Water Programs			
Surface Water Regulation Program	1,730,900	1,465,000	1,465,000
Underground Water Regulation Program	2,152,200	2,119,500	2,119,500
Water Quality Program	1,863,300	3,853,200	3,853,200
Clean Water Revolving Loan Program	1,551,900	1,551,900	1,551,900
Drinking Water Revolving Loan Program	893,200	893,200	893,200
AGENCY TOTAL	77,516,500	93,372,700	88,916,200
FUND SOURCES			
General Fund	23,138,700	24,347,000	24,347,000
<u>Other Appropriated Funds</u>			
Air Permits Administration Fund	4,862,100	5,502,000	5,502,000
Air Quality - Clean Air Subaccount	445,800	500,000	0
Air Quality Fund	3,884,700	6,842,700	2,842,700
Emissions Inspection Fund	31,885,200	35,752,100	35,752,100
Hazardous Waste Management Fund	86,900	746,100	746,100
Indirect Cost Recovery Fund	9,515,400	12,120,400	12,163,900
Recycling Fund	1,058,900	2,138,800	2,138,800
Solid Waste Fee Fund	770,100	1,411,800	1,411,800
Underground Storage Tank Fund	4,700	22,000	22,000
Used Oil Fund	700	136,600	136,600
Water Quality Fee Fund	1,863,300	3,853,200	3,853,200
SUBTOTAL - Other Appropriated Funds	54,377,800	69,025,700	64,569,200
SUBTOTAL - Appropriated Funds	77,516,500	93,372,700	88,916,200
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	346,806,000	342,357,400

CHANGE IN FUNDING SUMMARY

	FY 2006 to FY 2007 JLBC	
	\$ Change	% Change
General Fund	0	0.0%
Other Appropriated Funds	(4,456,500)	(6.5%)
Total Appropriated Funds	(4,456,500)	(4.8%)
Non Appropriated Funds	7,900	0.0%
Total - All Sources	(4,448,600)	(1.3%)

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.

PERFORMANCE MEASURES	FY 2003	FY 2004	FY 2005	FY 2007
	Actual	Actual	Actual	JLBC
• % 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

RECOMMENDED CHANGES FROM FY 2006

Operating Budget

The JLBC recommends \$19,003,300 for the operating budget in FY 2007. This amount consists of:

	FY 2007
General Fund	\$ 6,817,400
Indirect Cost Recovery Fund	12,163,900
Underground Storage Tank Fund	22,000

These amounts include the following adjustments:

Standard Changes OF 43,500
The JLBC recommends an increase of \$43,500 from the Indirect Cost Recovery Fund in FY 2007 for rent standard changes.

General Fund Transfer GF (500,000)
The JLBC recommends transferring \$(500,000) of General Fund monies from the agency’s operating budget to the Hazardous Waste Program Special Line Item in FY 2007. The JLBC recommends the transfer to offset the loss of revenue from the Clean Air In-Lieu Fee in the Hazardous Waste Program Special Line Item. This transfer will result in no net change to the department’s annual appropriation. (See the Hazardous Waste Special Line Item below for more information.)

The JLBC further recommends that ADEQ use its available capacity from the Indirect Cost Recovery Fund to replace the \$500,000 in General Fund monies transferred out of the operating budget. In FY 2005, ADEQ reported that revenues to the Indirect Cost Recovery Fund were \$11,149,300. Expenditures from this fund in this same year were \$9,515,400, leaving an unused amount of \$1,633,900. ADEQ's appropriation for the Indirect Cost Recovery Fund in FY 2005 was \$11,852,700, which exceeded fund revenue by \$703,400. Therefore, existing capacity within the Indirect Cost Recovery Fund is sufficient and no additional appropriation is necessary.

The JLBC recommends reallocating General Fund money which the department currently uses for the Administrative Division to the Hazardous Waste Program, and substituting the General Fund allocation with Indirect Cost Recovery Fund monies. The Indirect Cost Recovery Fund can be used only for administrative costs and cannot be used for specific program expenses, necessitating the transfer from the General Fund.

Table 1 describes the recent history of the Indirect Cost Recovery Fund as reported by the department:

<u>Year</u>	<u>Revenue</u>	<u>Expended</u>	<u>Balance</u>
2002	\$10,040,400	\$8,946,500	\$2,567,300
2003	10,765,000	9,921,000	3,096,200
2004	11,155,700	9,850,000	4,308,800
2005	11,149,300	9,515,400	5,799,900

Administrative Cap OF 0

The JLBC recommends continuing to suspend the Underground Storage Tank (UST) Revolving Fund Assurance Account administrative cap amount for FY 2007 and allow the department to utilize up to \$6,031,000. 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. (See *JLBC Recommended Statutory Changes for additional information.*)

Special Line Items

Air Programs

Air Permits Administration Program

The JLBC recommends \$5,502,000 and 54.2 FTE Positions from the Air Permits Administration Fund for the Air Permits Administration Program in FY 2007. This amount is unchanged from FY 2006.

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

Air Quality Program

The JLBC recommends \$2,677,700 and 23.8 FTE Positions from the Air Quality Fund for the Air Quality Program in FY 2007. This amount is unchanged from FY 2006.

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 2 displays the components of the Emission Control Program appropriation from the Emissions Inspection Fund for FY 2006.

	<u>FY 2006</u>
Contractor Payment	\$31,739,600
Program Administration	<u>4,012,500</u>
Total	\$35,752,100

Emissions Control Contractor Payment

The JLBC recommends \$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 JLBC recommends \$4,012,500 and 34 FTE Positions from the Emissions Inspection Fund for the Emissions Control Program in FY 2007. This amount is unchanged from FY 2006.

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.

School Bus/Air Quality Grants

The JLBC recommends no funding for School Bus/Air Quality Grants in FY 2007. This amount includes the following adjustment:

Eliminate One-Time Appropriation OF (4,000,000)

The JLBC recommends 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 included an appropriation of \$4,000,000 from the Air Quality Fund in FY 2006 for school bus and air quality grants. This amount was an estimate dependent upon the amount of revenue received into the Air Quality Fund. Chapter 332 allocated the first \$10,000,000 received into the Air Quality Fund to the state General Fund. The next \$500,000 of revenue received into the Air Quality Fund was appropriated to ADEQ's operating budget and any revenues deposited into the fund in excess of \$10,500,000 were made available for school bus and air quality grants.

Of the \$4,000,000 estimated 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.

Transfers to Counties Program

The JLBC recommends \$165,000 from the Air Quality Fund for the Transfers to Counties Program in FY 2007. This program had previously been reported as the Pima County Air Quality Program. Funding for the Transfers to Counties Program in FY 2007 is unchanged from the amount allocated to the Pima County Air Quality Program in 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 JLBC recommends \$1,246,100 and 9.4 FTE Positions for the Hazardous Waste Program in FY 2007. This amount consists of:

General Fund	500,000
Hazardous Waste Management Fund	746,100

These amounts include the following adjustments:

In-Lieu Fee Fund Expiration OF (500,000)

The JLBC recommends 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.

General Fund Transfer GF 500,000

The JLBC recommends transferring \$500,000 of General Fund monies from the agency's operating budget to the Hazardous Waste Program Special Line Item in FY 2007. The JLBC recommends the transfer to offset the loss of revenue from the Clean Air In-Lieu Fee. This transfer will result in no net change to the department's annual appropriation. (See the Operating Budget section above for more information).

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 JLBC recommends \$3,467,400 and 19.4 FTE Positions for the Solid Waste Program in FY 2007. This amount consists of:

Recycling Fund	2,138,800
Solid Waste Fee Fund	1,192,000
Used Oil Fund	136,600

These amounts are unchanged from FY 2006.

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.

Waste Tire Program

The JLBC recommends \$219,800 and 2.8 FTE Positions from the Solid Waste Fee Fund for the Waste Tire Program in FY 2007. This amount is unchanged from FY 2006.

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

WQARF Priority Site Remediation

The JLBC recommends \$11,000,000 from the General Fund for the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation in FY 2007. This amount is unchanged from FY 2006.

The JLBC recommends continuing to suspend the statutory funding formula in favor of a fixed transfer of \$11,000,000 for the WQARF program in FY 2007. (See *JLBC Recommended Statutory Changes for additional information.*)

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 3* describes program activity for FY 2005 and FY 2006.

Table 3		
	WQARF Activity	
	Actual FY 2005	Estimated 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
Funds Transferred		
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

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.

Water Programs

Surface Water Regulation Program

The JLBC recommends \$1,465,000 and 26.6 FTE Positions from the General Fund for the Surface Water Regulation Program in FY 2007. Funding for this program has previously been reported in the department's operating budget.

This program administers the Arizona Pollutant Discharge Elimination System (AZPDES) Permit Program, which regulates facilities that discharge pollutants from any point source into navigable waters. These permits may be required for agricultural, domestic or industrial activities.

On August 22, 2005 the U.S. Ninth Circuit Court of Appeals ruled on *Defenders of Wildlife v Environmental Protection Agency (EPA)*, in which the court considered whether the EPA had adequately considered how delegating the authority for the AZPDES to ADEQ would impact endangered species. In finding against the EPA, the Court also vacated ADEQ's authority to administer the AZPDES. Until the EPA issues a final rule, it is not known whether Arizona will ultimately receive authority to administer the AZPDES. In the interim, ADEQ has continued administering the program. If the authority to administer the AZPDES is removed from ADEQ, the JLBC recommends that all General Fund monies appropriated for the AZPDES revert back to the State General Fund. (See *New Footnotes section for additional information.*)

Underground Water Regulation Program

The JLBC recommends \$2,119,500 and 35.7 FTE Positions from the General Fund for the Underground Water Regulation Program in FY 2007. 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.

Water Quality Program

The JLBC recommends \$3,853,200 and 25.6 FTE Positions from the Water Quality Fee Fund for the Water Quality Program in FY 2007. This amount is unchanged from FY 2006.

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

Water Infrastructure Finance Authority (WIFA)

Clean Water Revolving Loan Program

The JLBC recommends \$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. Total funding to WIFA 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 JLBC recommends \$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. Total funding to WIFA is unchanged from FY 2006.

State and local public drinking water systems are eligible for financial assistance under WIFA's Drinking Water Revolving Fund (DWRF). DWRF 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%.

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JLBC RECOMMENDED FORMAT — Operating Lump Sum with Special Line Items by Agency

JLBC RECOMMENDED FOOTNOTES

Standard Footnotes

The Department of Environmental Quality shall report 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, 2006.

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.

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.

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.

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 Air Quality Programs 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.

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 of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee.

New Footnotes

If the authority to administer the Arizona Pollution Discharge Elimination System (AZPDES) is removed from the department and returned to the Environmental Protection Agency (EPA), all General Fund money appropriated to the Surface Water Regulation Program will revert back to the General Fund on the date the transfer of program authority is effective.

Deletion of Prior Year Footnotes

The JLBC recommends deleting the footnote that allows the department to use up to \$1,250,000 of state General Fund monies to temporarily maintain existing environmental programs for which an application for Federal Funds has been submitted.

JLBC RECOMMENDED STATUTORY CHANGES

The JLBC recommends reducing the statutory transfer of corporate income tax revenue into the Water Quality Assurance Revolving Fund from \$15,000,000 to \$11,000,000. (See the WQARF Priority Site Remediation SLI above for additional information.)

The JLBC recommends suspending the administrative cap for the Underground Storage Tank program and setting a limit of \$6,031,000. This would allow the department to continue to fund administrative costs associated with the Leak Prevention and Compliance Program, and the Used Oil Program. (See the Operating Budget section above for additional information.)

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
Air Permits Administration Fund (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	4,862,100	5,502,000
Year-End Fund Balance	2,510,400	1,908,400
Air Quality Fund (EVA2226/A.R.S. § 49-551)		Appropriated
Source of Revenue: Monies received from a \$1.50 fee assessed on motor vehicle registrations, legislative appropriations, gifts, grants, and donations. The fund also receives 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). (See <i>Air Quality – Clean Air Subaccount</i> below.)		
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. (See <i>individual agencies for further description.</i>)		
Funds Expended	3,484,700	6,442,700
Funds Appropriated		
Department of Weights and Measures	1,272,200	1,324,300
Department of Transportation	58,600	61,500
Department of Administration (Bus Subsidy)	570,000	574,100
Funds Transferred		
Department of Administration (Travel Reduction)	400,000	400,000
Year-End Fund Balance	4,803,400	5,800,800
Air Quality Fund - Clean Air Subaccount (EVA9599/A.R.S. § 49-551)		Partially-Appropriated
Source of Revenue: A fee that owners of vehicles 5 years old or newer pay in-lieu of the vehicle emissions inspections, expected to total \$14 million in FY 2006. Laws 2005, Chapter 332 deposited the first \$10 million of in-lieu fees to the General Fund in FY 2006, and the next \$500,000 of revenues were appropriated to the department for operating expenses. This bill also repealed the in-lieu fee effective July 1, 2006.		
Purpose of Fund: 5% of fee revenues may be used for administrative costs, with the balance distributed for the following programs:		
1. 5% for the Voluntary Lawn and Garden Equipment Emissions Reduction Program;		
2. 15% for the Voluntary Vehicle Repair and Retrofit Program;		
3. 30% for the Diesel Vehicle Low Emissions Incentive Grant Program;		
4. 10% for the voluntary accelerate purchase of Tier 2 and Tier 3 non-road equipment; and		
5. 15% for grants to counties with populations fewer than 400,000 for travel reduction programs;		
6. 25% for other air quality programs and measures.		
Revenue	14,861,400	16,807,300
Transfer from Arizona Clean Air Fund Balance	500,000	0
Non-Appropriated Funds Expended	408,300	1,676,800
Appropriated Funds Expended	445,800	500,000
Transfer to General Fund	11,700,000	10,000,000
Year-End Fund Balance	2,807,300	4,630,500

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
Arizona Clean Air Fund Balance (EVA2240/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: A transfer in FY 2004 from the Arizona Clean Air Fund.		
Purpose of Fund: This fund was established to separate the Clean Air in lieu fee account from the remaining balance of the Arizona Clean Air Fund.		
Funds Expended	3,186,500	0
Funds Transferred		
Air Quality – Clean Air Subaccount	500,000	0
Department of Administration (Bus Subsidy)	0	0
Year-End Fund Balance	2,866,400	2,866,400
Arizona Clean Air Fund (EVA1238/A.R.S. § 41-411)		Non-Appropriated
Source of Revenue: The Arizona Clean Air Fund (ACAF) had 5 revenue sources prior to its elimination. 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 shifted 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. Beginning July 1, 2003, the revenue source and activities of this fund shifts to the Air Quality Fund (<i>See Arizona Clean Air Fund Balance for more information.</i>).		
Revenues:		
Balance Forward	149,900	900
Operating Transfers In	6,500	0
In-lieu Fees	0	0
Interest	2,900	0
Total Revenues	159,300	900
Funds Expended:		
Required Transfers		
Voluntary Vehicle Repair & Retrofit Program	0	0
WQARF	0	0
Prior Year Diesel Grants	0	0
Brown Cloud Study	0	0
Discretionary Spending	158,400	0
Funds Expended	158,400	0
Transfer to Arizona Clean Air Fund Balance	0	0
Year-End Fund Balance	900	900
Brownfields Cleanup Revolving Loan Fund (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
Clean Water Revolving Fund (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	92,062,100	119,041,500
Year-End Fund Balance	150,612,800	245,873,400

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
Donations Fund (EVA2449/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	5,900	5,000
Year-End Fund Balance	2,000	2,500
Drinking Water Revolving Fund (EVA2307/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	34,842,300	59,261,600
Year-End Fund Balance	140,465,900	159,826,400
Emissions Inspection Fund (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 the state portion of catalytic converter program costs, and to pay for research studies of the feasibility and effectiveness of new emission control technologies.		
Funds Expended	31,885,200	35,752,100
Year-End Fund Balance	233,500	233,500
Federal Funds (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, research projects, and other programs.		
Purpose of Fund: To be used as specified by federal law.		
Funds Expended	17,774,900	19,220,000
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
Hazardous Waste Management Fund (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, and 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. Pursuant to statute, monies appropriated from this fund are non-lapsing.		
Funds Expended	86,900	746,100
Year-End Fund Balance	811,400	535,300

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
IGA & ISA Fund (EVA2500/A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Grants and intergovernmental agreements between state agencies and local governments.		
Purpose of Fund: To be used as specified in the grant or agreement.		
Funds Expended	1,399,600	1,475,000
Year-End Fund Balance	99,500	0
Indirect Cost Recovery Fund (EVA7000/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, and other costs.		
Funds Expended	9,515,400	12,120,400
Year-End Fund Balance	5,799,900	4,828,800
Institutional and Engineering Control Fund (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	31,900	31,900
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	0	0
Year-End Fund Balance	25,400	25,400
Monitoring Assistance Fund (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	670,400	649,500
Year-End Fund Balance	911,900	911,900
Recycling Fund (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	1,058,900	2,138,800
Year-End Fund Balance	2,563,100	2,444,300
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	2,900	2,900

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
Solid Waste Fee Fund (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	770,100	1,411,800
Year-End Fund Balance	1,569,800	1,373,000
Specific Site Judgment Fund (EVA3006/ A.R.S. § 49-104)		Non-Appropriated
Source of Revenue: Fines, forfeitures, and penalties paid by parties responsible for site contamination.		
Purpose of Fund: For administration of court settlements, judgments, or consent decrees.		
Funds Expended	61,400	140,000
Year-End Fund Balance	329,000	189,000
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	0	0
Year-End Fund Balance	37,200	37,200
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))		Partially-Appropriated
Source of Revenue: See each account for specific revenue sources.		
Purpose of Fund: See each account for specific account purpose.		
Balance Forward	45,439,500	55,050,500
Revenue	30,759,200	30,578,200
Funds Available	76,198,800	85,628,700
Non-Appropriated Funds Expended	21,143,600	41,964,400
Appropriated Funds Expended	4,700	22,000
Year-End Fund Balance	55,050,500	43,642,300
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	12,702,800	18,185,800
Revenue	14,146,400	14,090,000
Funds Available	26,849,200	32,275,800
Funds Expended	8,663,400	20,990,100
Year-End Fund Balance	18,185,800	11,285,700
UST - Cleanup Municipalities Account (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	2,544,900	2,608,700
Revenue	63,800	64,000
Funds Available	2,608,700	2,672,700
Funds Expended	0	0
Year-End Fund Balance	2,608,700	2,672,700

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
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	474,600	484,100
Revenue	9,500	9,500
Funds Available	484,100	493,600
Funds Expended	0	0
Year-End Fund Balance	484,100	493,600
UST - Municipal Tank Closure and Corrective Action (EVA2271/A.R.S. § 49-1073) Program Account		Non-Appropriated
Source of Revenue: Legislative appropriations, gifts, grants, and 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.		
Balance Forward	1,714,200	1,639,000
Revenue	103,600	102,700
Funds Available	1,817,800	1,741,700
Funds Expended	178,800	220,000
Year-End Fund Balance	1,639,000	1,521,700
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	26,547,200	30,838,700
Revenue	15,704,300	15,558,000
Funds Available	42,251,500	46,396,700
Funds Expended	11,412,800	19,396,300
Year-End Fund Balance	30,838,700	27,000,400
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	1,375,900	1,218,900
Revenue	731,600	732,000
Funds Available	2,107,500	1,950,900
Funds Expended	888,600	1,336,100
Year-End Fund Balance	1,218,900	614,800

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
UST - Policy Commission Account (EVA2271/A.R.S. § 49-1092)		Partially-Appropriated
Source of Revenue: Fund receives \$12,000 from the State Assurance Fund to cover operating costs.		
Purpose of Fund: To assist the UST Policy Commission review and provide recommendations to improve the UST Program.		
Balance Forward	42,700	38,100
Revenue	0	12,000
Funds Available	42,700	50,100
Non-Appropriated Funds Expended	0	10,000
Appropriated Funds Expended	4,600	10,000
Year-End Fund Balance	38,100	30,100
UST - Technical Appeals Account (EVA2271/A.R.S. § 49-1093)		Partially-Appropriated
Source of Revenue: Fund receives an annual \$10,000 appropriation from the State Assurance Fund to cover operating costs.		
Purpose of Fund: To assist the UST Technical Appeals panel.		
Balance Forward	37,300	37,200
Revenue	0	10,000
Funds Available	37,300	47,200
Non-Appropriated Funds Expended	0	11,900
Appropriated Funds Expended	100	12,000
Year-End Fund Balance	37,200	23,300
Used Oil Fund (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	700	136,600
Year-End Fund Balance	85,300	88,100
Voluntary Lawn and Garden Equipment Emissions Reduction Fund (EVA2306/A.R.S. § 49-474)		Non-Appropriated
Source of Revenue: Fund receives an annual \$10,000 appropriation from the State Assurance Fund to cover operating costs.		
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	1,700	1,700
Voluntary Remediation Fund (EVA2564/A.R.S. § 49-187)		Non-Appropriated
Source of Revenue: Legislative appropriations, program fees, cost reimbursements, gifts, grants, and donations. In addition, from FY 2001 to FY 2004 the fund received an annual 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	271,100	358,100
Year-End Fund Balance	782,300	621,200
Voluntary Vehicle Repair & Retrofit Program Fund (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	672,300	1,045,900
Year-End Fund Balance	1,656,200	1,431,600

SUMMARY OF FUNDS	FY 2005 Actual	FY 2006 Estimate
Water Quality Assurance Revolving Fund (EVA2221/A.R.S. § 49-282)		Non-Appropriated
<p>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 2005 and FY 2006 in favor of transfer amounts of \$10,000,000 and \$11,000,000, respectively.</p> <p>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 a transfer of up to \$800,000 to the Department of Water Resources for well inspection and data management and a transfer of up to \$350,000 to the Voluntary Remediation Fund. Although this fund is not appropriated, A.R.S. § 49-282 requires the Appropriations Committees to review the FY 2007 budget for WQARF.</p>		
Funds Expended	10,293,600	8,595,500
Year-End Fund Balance	6,208,700	1,506,500
Water Quality Fee Fund (EVA4100/A.R.S. § 49-210)		Appropriated
<p>Source of Revenue: Legislative appropriations and fees received from several water quality protection programs.</p> <p>Purpose of Fund: To pay the costs of aquifer protection permit registration, dry well registration, technical review, inspections, and issuance of aquifer protection permits.</p>		
Funds Expended	1,863,300	3,853,200
Year-End Fund Balance	904,800	994,300