

Department of Environmental Quality

JLBC: Jeremy Olsen
 OSPB: Marcel Benberou

DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC	FY 2009 JLBC
PROGRAM BUDGET				
<i>Full Time Equivalent Positions</i>	428.4	428.4	428.4	428.4
Administration				
Personal Services	5,548,900	6,499,400	6,499,400	6,499,400
Employee Related Expenditures	2,282,600	2,216,000	2,204,400	2,204,400
Professional and Outside Services	301,600	281,100	281,100	281,100
Travel - In State	26,600	30,400	30,400	30,400
Travel - Out of State	12,800	10,000	10,000	10,000
Other Operating Expenditures	6,700,400	5,627,000	5,694,600	5,694,500
Equipment	907,400	176,700	166,100	166,100
ADMINISTRATION LUMP SUM TOTAL	15,780,300	14,840,600	14,886,000	14,885,900
SPECIAL LINE ITEMS				
Air Programs				
Air Permits Administration Program	4,079,300	5,978,100	6,052,200	6,052,200
Air Quality Program	4,383,800	5,023,900	5,025,700	5,025,700
Emissions Control Contractor Payment	29,487,800	31,739,600	33,239,600	33,239,600
Emissions Control Program - Administration	2,345,700	4,179,700	4,180,100	4,180,100
Maricopa, Pima, and Pinal Travel Reduction Plan	0	1,676,900	1,676,900	1,676,900
Transfers to Counties Program	165,000	165,000	165,000	165,000
Waste Programs				
Hazardous Waste Program	600,300	1,757,700	1,757,700	1,757,700
Solid Waste Program	4,195,600	4,381,000	4,381,300	4,381,300
Underground Storage Tank Program	118,100	22,000	22,000	22,000
Waste Tire Program	42,400	224,900	224,900	224,900
WQARF Priority Site Remediation	11,000,000	15,000,000	15,000,000	15,000,000
Water Programs				
Arizona Pollution Discharge Elimination System	0	714,400	714,400	714,400
Drinking Water Regulation Program	1,499,000	1,794,700	2,025,700	2,025,700
Surface Water Regulation Program	1,303,900	1,055,900	1,055,900	1,055,900
Underground Water Regulation Program	1,921,700	2,498,000	6,467,400	6,467,400
Water Quality Program	1,700,000	4,000,400	0	0
WIFA				
Clean Water Revolving Loan Program	1,551,900	1,551,900	1,551,900	1,551,900
Drinking Water Revolving Loan Program	893,200	893,200	893,200	893,200
Small Rural Water Systems	0	750,000	0	0
AGENCY TOTAL	81,068,000	98,247,900	99,319,900	99,319,800
FUND SOURCES				
General Fund	24,495,000	32,295,700	31,345,700	31,345,700
<u>Other Appropriated Funds</u>				
Air Permits Administration Fund	4,831,900	5,816,200	5,890,300	5,890,300
Air Quality - Clean Air Subaccount	1,099,400	0	0	0
Air Quality Fund	2,680,000	4,938,900	4,940,700	4,940,700
Emissions Inspection Fund	31,833,500	35,919,300	37,419,700	37,419,700
Hazardous Waste Management Fund	185,000	780,000	780,000	780,000
Indirect Cost Recovery Fund	11,121,900	10,485,700	10,531,100	10,531,000
Recycling Fund	2,355,300	2,169,500	2,169,600	2,169,600
Solid Waste Fee Fund	752,000	1,482,900	1,483,100	1,483,100
Underground Storage Tank Fund	5,800	22,000	22,000	22,000
Used Oil Fund	8,200	137,300	137,300	137,300
Water Quality Fee Fund	1,700,000	4,200,400	4,600,400	4,600,400
SUBTOTAL - Other Appropriated Funds	56,573,000	65,952,200	67,974,200	67,974,100
SUBTOTAL - Appropriated Funds	81,068,000	98,247,900	99,319,900	99,319,800

DESCRIPTION	FY 2006 ACTUAL	FY 2007 ESTIMATE	FY 2008 JLBC	FY 2009 JLBC
Other Non-Appropriated Funds	213,467,900	266,875,000	266,875,000	266,875,000
Federal Funds	14,273,500	18,152,700	18,152,700	18,152,700
TOTAL - ALL SOURCES	308,809,400	383,275,600	384,347,600	384,347,500

CHANGE IN FUNDING SUMMARY

	FY 2007 to FY 2008 JLBC		FY 2007 to FY 2009 JLBC	
	\$ Change	% Change	\$ Change	% Change
General Fund	(950,000)	(2.9%)	(950,000)	(2.9%)
Other Appropriated Funds	2,022,000	3.1%	2,021,900	3.1%
Total Appropriated Funds	1,072,000	1.1%	1,071,900	1.1%
Non Appropriated Funds	0	0.0%	0	0.0%
Total - All Sources	1,072,000	0.3%	1,071,900	0.3%

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.

PERFORMANCE MEASURES	FY 2004 Actual	FY 2005 Actual	FY 2006 Actual	FY 2008 JLBC
• % of contaminated sites closed requiring no further action (cumulative) versus known sites	74.0	75.7	80.0	82.0
• Number of non-attainment areas exceeding national ambient air quality standards	15	13	5	5
• % of statutorily set permit timelines met through Licensing Time Frames rule	100	98.9	97.8	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	48	NA	100	100
• Customer satisfaction rating for citizens (Scale 1-8)	7.4	7.6	7.8	7.4

CHANGES FROM FY 2007

Operating Budget

The JLBC includes \$14,886,000 and 144.6 FTE Positions for the operating budget in FY 2008 and \$14,885,900 in FY 2009. These amounts consist of:

	FY 2008	FY 2009
General Fund	\$4,354,900	\$4,354,900
Indirect Cost Recovery Fund	10,531,100	10,531,000

These amounts include the following adjustment:

Standard Changes OF 45,400 45,300

The JLBC includes an increase of \$45,400 from the Indirect Cost Recovery Fund in FY 2008 and \$45,300 in FY 2009 for standard changes.

Special Line Items

Air Programs

Air Permits Administration Program

The JLBC includes \$6,052,200 and 57.2 FTE Positions for the Air Permits Administration Program in FY 2008 and FY 2009. This amount consists of:

General Fund	161,900	161,900
Air Permits Administration Fund	5,890,300	5,890,300

These amounts include the following adjustment:

Standard Changes OF 74,100 74,100

The JLBC includes an increase of \$74,100 from the Air Permits Administration Fund in FY 2008 and FY 2009 for standard changes.

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 includes \$5,025,700 and 29.7 FTE Positions for the Air Quality Program in FY 2008 and FY 2009. This amount consists of:

General Fund	250,000	250,000
Air Quality Fund	4,775,700	4,775,700

These amounts include the following adjustment:

Standard Changes OF 1,800 1,800

The JLBC includes an increase of \$1,800 from the Air Quality Fund in FY 2008 and FY 2009 for standard changes.

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 2008.

Table 1	
Emissions Control Program	
	FY 2008
Contractor Payment	\$33,239,600
Program Administration	4,180,100
Total	\$37,419,700

Emissions Control Contractor Payment

The JLBC includes \$33,239,600 from the Emissions Inspection Fund for the Emissions Control Contractor Payment in FY 2008 and FY 2009. This amount would fund the following adjustment:

Emissions Inspection

Fund Cap OF 1,500,000 1,500,000

The JLBC includes an increase of \$1,500,000 from the Emissions Inspection Fund in FY 2008 and FY 2009 in order to meet the increased costs of administering the Vehicle Emissions Inspection program.

Costs of the Emissions Control Contractor Payment Program are determined by a per vehicle calculation and have grown by an average annual rate of 5.4% from FY 2003 to FY 2006. At this rate, the program will exceed its current appropriation authority in FY 2008. The additional expenditure authority will allow the department to accommodate the costs of future growth to the Vehicle Emissions Inspection program.

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 includes \$4,180,100 and 34 FTE Positions from the Emissions Inspection Fund for the Emissions Control Program in FY 2008 and FY 2009. This amount would fund the following adjustment:

Standard Changes OF 400 400

The JLBC includes an increase of \$400 from the Emissions Inspection Fund in FY 2008 and FY 2009 for standard changes.

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 Travel Reduction Plan

The JLBC includes \$1,676,900 from the General Fund for the Maricopa, Pima, and Pinal Travel Reduction Plan in

FY 2008 and FY 2009. This amount is unchanged from 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.

Transfers to Counties Program

The JLBC includes \$165,000 from the Air Quality Fund for the Transfers to Counties Program in FY 2008 and FY 2009. This amount is unchanged from FY 2007.

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 includes \$1,757,700 and 13.3 FTE Positions for the Hazardous Waste Program in FY 2008 and FY 2009. This amount consists of:

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

These amounts are unchanged from FY 2007.

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, and also oversee cleanup of hazardous waste sites.

Solid Waste Program

The JLBC includes \$4,381,300 and 26.3 FTE Positions for the Solid Waste Program in FY 2008 and FY 2009. This amount consists of:

General Fund	816,200	816,200
Recycling Fund	2,169,600	2,169,600
Solid Waste Fee Fund	1,258,200	1,258,200
Used Oil Fund	137,300	137,300

These amounts would fund the following adjustment:

Standard Changes	OF	300	300
The JLBC includes an increase of \$300 in FY 2008 and FY 2009 for standard changes. This amount consists of:			
Recycling Fund		100	100
Solid Waste Fee Fund		200	200

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 JLBC includes \$22,000 from the Underground Storage Tank Fund for the Underground Storage Tank (UST) Program in FY 2008 and FY 2009. This amount is unchanged from FY 2007.

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 2008 and FY 2009 is included for the operating costs of the Underground Storage Tank Technical Appeals Panel and the Underground Storage Tank Policy Commission.

Waste Tire Program

The JLBC includes \$224,900 and 2.8 FTE Positions from the Solid Waste Fee Fund for the Waste Tire Program in FY 2008 and FY 2009. This amount is unchanged from FY 2007.

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

WQARF Priority Site Remediation

The JLBC includes \$15,000,000 from the General Fund for the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation in FY 2008 and FY 2009. This amount is unchanged from FY 2007.

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. Funding for this program, therefore, will not appear in the General Appropriation Act. 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* on the following page describes program activity for FY 2006 and FY 2007.

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 Activity		
	Actual	Estimated
	FY 2006	FY 2007
Balance Forward	\$ 6,209,800	\$ 7,663,600
General Fund	11,000,000	15,000,000
Other Revenue	<u>13,571,400</u>	<u>3,881,200</u>
Total Funds Available	30,781,200	26,544,800
General Fund Expenditures	11,000,000	15,000,000
Other Funds Expended	11,467,600	4,108,100
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	\$7,663,600	\$6,786,700

Water Programs

Arizona Pollution Discharge Elimination System

The JLBC includes \$714,400 and 9 FTE Positions for the Arizona Pollution Discharge Elimination System (AZPDES) in FY 2008 and FY 2009. This amount consists of:

General Fund	514,400	514,400
Water Quality Fee Fund	200,000	200,000

These amounts would fund the following adjustments:

One-Time Funding	GF	(100,000)	(100,000)
For Permit Staff	OF	(100,000)	(100,000)

The JLBC includes a decrease of \$(200,000) to reflect one-time funding for contract permit staff in FY 2007. This amount consists of:

General Fund	(100,000)	(100,000)
Water Quality Fee Fund	(100,000)	(100,000)

Expedited Permits OF 200,000 200,000

The JLBC includes an increase of \$200,000 from the Water Quality Fee Fund in FY 2008 and FY 2009 for expedited water program permits. The department provides applicants the option of paying an additional fee for expedited processing of water program permits by approved outside contractors. The increased allocation will allow the department to meet increased demand for this program.

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.

Drinking Water Regulation Program

The JLBC includes \$2,025,700 and 31.2 FTE Positions for the Drinking Water Regulation Program in FY 2008 and FY 2009. This amount consists of:

General Fund	1,794,700	1,794,700
Water Quality Fee Fund	231,000	231,000

These amounts would fund the following adjustments:

Expedited Permits OF 200,000 200,000

The JLBC includes an increase of \$200,000 from the Water Quality Fee Fund in FY 2008 and FY 2009 for expedited water program permits. The department provides applicants the option of paying an additional fee for expedited processing of water program permits by approved outside contractors. The increased allocation will allow the department to meet increased demand for this program.

Program Alignment OF 31,000 31,000

The JLBC includes a transfer of \$31,000 and 0.3 FTE Position from the Water Quality Fee Fund in FY 2008 and FY 2009 to reflect the agency's realignment of its Water Division programs. This transfer will result in no net change to the department's total appropriation, but instead will transfer funding from the Water Quality Program in the previous budget structure to the Drinking Water Regulation Program in the current budget structure. (See the Water Quality Special Line Item and the Underground Water Regulation Program Special Line Item.)

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 tests of drinking water for contaminants.

Surface Water Regulation Program

The JLBC includes \$1,055,900 and 18.3 FTE Positions from the General Fund for the Surface Water Regulation Program in FY 2008 and FY 2009. This amount is unchanged from FY 2007.

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 JLBC includes \$6,467,400 and 62 FTE Positions for the Underground Water Regulation Program in FY 2008 and FY 2009. This amount consists of:

General Fund	2,298,000	2,298,000
Water Quality Fee Fund	4,169,400	4,169,400

These amounts would fund the following adjustments:

One-Time Funding GF (100,000) (100,000)
For Permit Staff OF (100,000) (100,000)

The JLBC includes a decrease of \$(200,000) to reflect one-time funding for contract permit staff in FY 2007. This amount consists of:

General Fund	(100,000)	(100,000)
Water Quality Fee Fund	(100,000)	(100,000)

Expedited Permits OF 200,000 200,000

The JLBC includes an increase of \$200,000 from the Water Quality Fee Fund in FY 2008 and FY 2009 for expedited water program permits. The department provides applicants the option of paying an additional fee for expedited processing of water program permits by approved outside contractors. The increased allocation will allow the department to meet increased demand for this program.

Program Alignment OF 3,969,400 3,969,400

The JLBC includes a transfer of \$3,969,400 and 25.3 FTE Positions from the Water Quality Fee Fund in FY 2008 and FY 2009 to reflect the agency's realignment of its Water Division programs. This transfer will result in no net change to the department's total appropriation, but instead will transfer funding from the Water Quality Program in the previous budget structure to the Underground Water Regulation Program in the current budget structure.

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 includes no funding for the Water Quality Program in FY 2008 and FY 2009. This amount would fund the following adjustment:

Program Alignment OF (4,000,400) (4,000,400)

The JLBC includes a transfer of \$(4,000,400) and (25.6) FTE Positions from the Water Quality Fee Fund in FY 2008 and FY 2009 to reflect the agency's realignment of its Water Division programs. This transfer will result in no net change to the department's total appropriation, but instead will transfer funding from the Water Quality Program in the previous budget structure to the Drinking Water Regulation Program and the Underground Water Regulation Program in the current budget structure.

Water Infrastructure Finance Authority (WIFA)

Clean Water Revolving Loan Program

The JLBC includes \$1,551,900 from the General Fund for the Clean Water Revolving Loan Program in FY 2008 and FY 2009. This amount is unchanged from FY 2007.

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 includes \$893,200 from the General Fund for the Drinking Water Revolving Loan Program in FY 2008 and FY 2009. This amount is unchanged from FY 2007.

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%.

Small Rural Water Systems

The JLBC includes no funding for the Small Rural Water Systems Program in FY 2008 and FY 2009. This amount would fund the following adjustment:

One-Time Funding for

Small Rural Water Systems GF (750,000) (750,000)

The JLBC includes a decrease of \$(750,000) from the General Fund in FY 2008 and FY 2009 to reflect one-time funding allocated to the Small Water Systems Grant Program in FY 2007.

These grants are administered by WIFA, and are available to operators or managers of small, rural water systems that have been approved by the Arizona Corporation Commission. Funds may be used for the following purposes:

- Development of public education and information programs;
- Managerial, accounting, engineering, or other technical assistance;
- Coordination of information databases maintained by regulating agencies; and
- Development of other programs which benefit owners, operators, and customers of small water systems

Laws 2006, Chapter 350 and the Executive designated these funds as one-time as part of the FY 2007 budget process. To date, none of these funds have been spent.

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FORMAT — By Program with Special Line Items

FOOTNOTES

Standard Footnotes

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 2008 and FY 2009. 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 Special Line Item in FY 2008 and FY 2009, \$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.

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 2008 report shall be submitted to the Joint Legislative Budget Committee by September 1, 2007, and the FY 2009 report shall be submitted by September 1, 2008. This budget shall specify the monies budgeted for each listed site during FY 2008 and FY 2009. In addition, the department and the Advisory Board shall prepare and submit to the Joint Legislative Budget Committee, by October 2, 2007, and October 2, 2008, 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 2007 and FY 2008, whether the current stage of remediation is anticipated to be completed in FY 2008 and FY 2009, and the anticipated stage of remediation at each listed site at the end of FY 2009 and FY 2010 assuming FY 2008 and FY 2009 funding levels. The department and Advisory Board may include other relevant information about the sites listed in the table.

Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2009 and FY 2010 budget for the Water Quality Assurance Revolving Fund before September 1, 2007, and September 1, 2008, respectively, 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 2008 and FY 2009 shall be used to provide a 20% match of the FY 2008 and FY 2009 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.

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.

All Indirect Cost Recovery Fund revenues received by the Department of Environmental Quality in excess of \$10,531,100 in FY 2008 and \$10,531,000 in FY 2009 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$10,531,100 in FY 2008 and \$10,531,000 in FY 2009, the Department of Environmental Quality shall submit the intended use of the monies to the Joint Legislative Budget Committee for review.

Of the monies appropriated to the Maricopa, Pima and Pinal Counties Travel Reduction Plan Special Line Item in FY 2008 and FY 2009, \$948,600 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.

Any transfer from the amount appropriated for the Arizona Pollution Discharge Elimination System Special Line Item shall require prior Joint Legislative Budget Committee review.

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 2007 by December 1, 2007, and FY 2008 by December 1, 2008. The FY 2007 and FY 2008 data shall contain the year-to-date actual data and projected totals for each year. This report shall also include total number of staff hours devoted to water quality permit processing in FY 2007 and FY 2008, the total costs to process these permits, and the progress made in reducing water quality permit processing times.

Deletion of Prior Year Footnotes

The JLBC deletes the footnote requiring the Water Quality Assurance Revolving Fund Advisory Board to report on improvements to the WQARF program.

STATUTORY CHANGES

The JLBC would continue a session law which suspends the UST Revolving Fund Assurance Account administrative cap amount for FY 2008 and FY 2009. The

limit would be \$6,331,000. This amount would 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.

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
Air Permits Administration Fund (EVA2328/A.R.S. § 49-455)		Appropriated
Source of Revenue: Permit fees and interest.		
Purpose of Fund: To develop and administer permit programs and to conduct inspections.		
Funds Expended	4,831,900	5,816,200
Year-End Fund Balance	2,398,000	1,681,800
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; gifts, grants, and donations; and legislative appropriations.		
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 as listed below. <i>(See individual agencies for further description.)</i>		
Funds Expended	2,680,000	4,938,900
Funds Appropriated		
Department of Weights and Measures	1,324,300	1,369,400
Department of Transportation	61,500	61,500
Department of Administration (Bus Subsidy)	574,100	575,100
Funds Transferred		
Department of Administration (Travel Reduction)	400,000	400,000
Year-End Fund Balance	5,897,600	6,810,200
Air Quality Fund - Clean Air Subaccount (EVA2240/A.R.S. § 49-551)		Partially-Appropriated
Source of Revenue: A fee which allowed owners of vehicles 5 years old or newer to pay in-lieu of the vehicle emissions inspections. This fee was repealed 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;		
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	13,524,500	0
Non-Appropriated Funds Expended	1,384,000	3,177,000
Appropriated Funds Expended	1,099,400	0
Transfer to General Fund	10,000,000	0
Year-End Fund Balance	3,848,500	671,500
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	0	0
Year-End Fund Balance	2,876,400	2,876,400

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
Arizona Clean Air Fund (EVA1238/A.R.S. § 41-411)		Non-Appropriated
Source of Revenue: Prior to its elimination, the Arizona Clean Air Fund (ACAF) received revenues from: the ADEQ Vehicle Repair Grant program, fees that owners of vehicles 5 years old or newer may pay in lieu of the vehicle emission inspections fee; lottery proceeds; and 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>		
Funds Expended	10,900	0
Year-End Fund Balance	0	0
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	123,408,500	133,841,600
Year-End Fund Balance	153,319,400	64,371,300
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	6,800	3,000
Year-End Fund Balance	2,700	2,700
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	36,408,900	61,841,500
Year-End Fund Balance	157,667,600	122,816,400
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	31,833,500	35,919,300
Year-End Fund Balance	1,569,400	1,402,200

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
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	14,273,500	18,152,700
Year-End Fund Balance	0	0
Greenfields Program Fund (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. The fund is exempt from A.R.S. § 35-190, relating to lapsing of appropriations.		
Funds Expended	185,000	780,000
Year-End Fund Balance	872,500	582,500
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	1,673,400	2,155,600
Year-End Fund Balance	143,800	26,300
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.		
Funds Expended	11,121,900	10,485,700
Year-End Fund Balance	5,758,600	6,353,500
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	73,000	73,000
Intergovernmental Agreement Fund (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	25,400	0
Year-End Fund Balance	0	0

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
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	284,100	620,000
Year-End Fund Balance	1,002,200	527,100
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	2,355,300	2,169,500
Year-End Fund Balance	3,933,800	3,784,300
Small Water Systems Fund (EVA2225/A.R.S. § 49-355)		Non-Appropriated
Source of Revenue: Legislative appropriations and interest.		
Purpose of Fund: To provide information and assistance to small water systems for improving compliance with drinking water system standards, and to provide emergency grants to small water systems for infrastructure repair.		
Funds Expended	0	0
Year-End Fund Balance	3,000	3,000
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	752,000	1,482,900
Year-End Fund Balance	1,498,400	1,230,500
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	94,200	0
Year-End Fund Balance	263,900	263,900
Technical Appeals Program Fund (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	37,400	37,400

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
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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	55,029,100	65,456,000
Revenue	36,174,100	36,172,000
Funds Available	91,203,200	101,628,000
Non-Appropriated Funds Expended	25,741,400	44,112,200
Appropriated Funds Expended	5,800	22,000
Year-End Fund Balance	65,456,000	57,493,800

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	18,197,500	24,238,300
Revenue	16,573,500	16,573,500
Funds Available	34,771,000	40,811,800
Funds Expended	10,532,700	21,193,800
Year-End Fund Balance	24,238,300	19,616,000

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, and interest.

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	2,608,700	2,708,900
Revenue	100,200	100,000
Funds Available	2,708,900	2,808,900
Funds Expended	0	0
Year-End Fund Balance	2,708,900	2,808,900

UST - Grant Account (EVA2271/A.R.S. § 49-1071) **Non-Appropriated**

Source of Revenue: Interest earnings on account balance.

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, 6th Special Session. The figures below depict the entire Grant Account.

Balance Forward	484,100	499,000
Revenue	14,900	14,900
Funds Available	499,000	513,900
Funds Expended	0	0
Year-End Fund Balance	499,000	513,900

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
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 unobligated funds in the UST Grant Account as of December 31, 2001 to this account. 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	1,640,300	1,432,700
Revenue	88,800	88,000
Funds Available	1,729,100	1,520,700
Funds Expended	296,400	470,000
Year-End Fund Balance	1,432,700	1,050,700
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	30,797,400	35,628,600
Revenue	18,735,600	18,735,600
Funds Available	49,533,000	54,364,200
Funds Expended	13,904,400	21,397,900
Year-End Fund Balance	35,628,600	32,966,300
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	35,500	30,400
Revenue	0	0
Funds Available	35,500	30,400
Non-Appropriated Funds Expended	0	0
Appropriated Funds Expended	5,100	10,000
Year-End Fund Balance	30,400	20,400
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	1,228,500	881,700
Revenue	661,100	660,000
Funds Available	1,889,600	1,541,700
Funds Expended	1,007,900	1,050,500
Year-End Fund Balance	881,700	491,200
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	37,100	36,400
Revenue	0	0
Funds Available	37,100	36,400
Non-Appropriated Funds Expended	0	0
Appropriated Funds Expended	700	10,000
Year-End Fund Balance	36,400	26,400

SUMMARY OF FUNDS	FY 2006 Actual	FY 2007 Estimate
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	8,200	137,300
Year-End Fund Balance	79,600	81,700
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.		
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	251,800	320,100
Year-End Fund Balance	844,200	721,100
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	1,060,900	1,045,900
Year-End Fund Balance	1,588,800	1,442,900
Water Quality Assurance Revolving Fund (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 in FY 2006 in favor of a transfer amount of \$11,000,000.		
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. Although this fund is not appropriated, A.R.S. § 49-282 requires the Appropriations Committees to review the FY 2008 budget for WQARF.		
Funds Expended	23,117,600	19,758,100
Year-End Fund Balance	7,663,600	6,786,700
Water Quality Fee Fund (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	1,700,000	4,200,400
Year-End Fund Balance	1,867,900	1,807,300