

Director: Stephen Owens

JLBC Analyst: Dan Hunting

	FY 2007 Actual	FY 2008 Estimate	FY 2009 Approved
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	412.1	473.4	473.4 <sup>1/</sup>
Personal Services	5,900,700	6,667,300	6,667,300
Employee Related Expenditures	2,616,400	2,298,900	2,244,500
Professional and Outside Services	447,900	100,000	100,000
Travel - In State	29,200	0	0
Travel - Out of State	11,600	0	0
Other Operating Expenditures	7,330,700	5,761,300	5,874,600
Equipment	464,400	423,100	423,100
<b>OPERATING SUBTOTAL</b>	<b>16,800,900</b>	<b>15,250,600</b>	<b>15,309,500</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Air Programs</b>			
Air Quality Management and Analysis	8,539,800	11,653,200	11,652,000
Emissions Control Contractor Payment	29,999,800	33,239,600	33,239,600
Emissions Control Program - Administration	2,558,900	4,251,000	4,251,000
Maricopa/Pima/Pinal Travel Reduction Plan	1,676,900	1,676,900	1,676,900 <sup>2/</sup>
Transfers to Counties Program	165,000	165,000	165,000 <sup>3/</sup>
<b>Waste Programs</b>			
Waste Control and Management	4,997,700	6,576,800	6,576,800 <sup>4/</sup>
Underground Storage Tank Program	2,300	22,000	22,000
Waste Tire Program	224,900	227,300	227,300
WQARF Priority Site Remediation	0	13,000,000	13,000,000 <sup>5/6/7/</sup>
<b>Water Programs</b>			
Arizona Pollution Discharge Elimination System	714,400	1,524,300	1,524,700 <sup>8/9/10/</sup>
Drinking Water Regulation Program	1,543,000	2,327,600	2,328,300
Surface Water Regulation Program	2,089,700	1,494,700	1,495,100 <sup>11/</sup>
Underground Water Regulation Program	1,931,800	7,149,500	7,130,900
<b>WIFA</b>			
Clean Water Revolving Loan Program	0	1,551,900	1,551,900 <sup>12/</sup>
Drinking Water Revolving Loan Program	893,200	893,200	893,200
Water Supply Development Fund	0	250,000	0
Lump Sum Reduction and Offset	0	(853,200)	145,400
<b>AGENCY TOTAL</b>	<b>72,138,300</b>	<b>100,400,400</b>	<b>101,189,600<sup>13/</sup></b>
<b>FUND SOURCES</b>			
General Fund	15,586,700	30,326,900	24,080,200
<u>Other Appropriated Funds</u>			
Air Permits Administration Fund	5,040,400	5,991,500	5,992,300 <sup>14/</sup>
Air Quality Fund	3,315,000	5,230,100	5,227,500
Clean Water Revolving Fund	0	0	5,000,000
Emissions Inspection Fund	32,558,700	37,470,900	37,470,700
Hazardous Waste Management Fund	271,400	795,000	795,000
Indirect Cost Recovery Fund	11,825,500	10,690,700	12,748,200 <sup>15/</sup>
Recycling Fund	2,319,500	2,325,800	2,325,800
Solid Waste Fee Fund	990,400	1,503,200	1,503,100
Underground Storage Tank Fund	2,300	22,000	22,000
Used Oil Fund	6,500	137,800	137,800
Water Quality Fee Fund	221,900	5,906,500	5,887,000 <sup>16/</sup>
SUBTOTAL - Other Appropriated Funds	56,551,600	70,073,500	77,109,400
<b>SUBTOTAL - Appropriated Funds</b>	<b>72,138,300</b>	<b>100,400,400</b>	<b>101,189,600</b>
Other Non-Appropriated Funds	245,988,000	212,655,600	212,650,600
Federal Funds	17,086,200	19,356,800	19,356,800
<b>TOTAL - ALL SOURCES</b>	<b>335,212,500</b>	<b>332,412,800</b>	<b>333,197,000</b>

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**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.

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- 1/ Includes 128.6 GF and 200.2 OF FTE Positions funded from Special Line Items in FY 2009.
- 2/ Of the monies appropriated to the Maricopa, Pima and Pinal Counties Travel Reduction Plan Line Item in 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. (General Appropriation Act footnote)
- 3/ The monies appropriated in the Transfers to Counties Program line item are for use by Arizona counties to avoid being declared in nonattainment of particulate matter standards by establishing public notification and outreach programs, minimizing exposure to particulate matter concentrations, and abating and minimizing controllable sources of particulate matter through best available control measures. Of the monies in the Transfers to Counties Program line item in 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 United States Environmental Protection Agency. (General Appropriation Act footnote)
- 4/ When expenditures from the hazardous waste or environmental health reserves are authorized, the Director of the Department of Environmental Quality shall report the nature of the emergency and the authorized expenditure amount to the President of the Senate, the Speaker of the House of Representatives, the chairpersons of the Senate and House of Representatives Appropriations Committees and the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote)
- 5/ A.R.S. § 49-282 requires an annual \$15,000,000 transfer from the Corporate Income Tax to the Water Quality Assurance Revolving Fund. Although the transfer is not included in the annual General Appropriation Act, it is shown here as a General Fund expenditure.
- 6/ The Department of Environmental Quality shall report annually on the progress of WQARF activities, including emergency response, priority site remediation, cost recovery activity, revenue and expenditure activity and other WQARF-funded program activity. This report shall also include a budget for the WQARF program which is developed in consultation with the WQARF Advisory Board. The FY 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 listed sites in the table. (General Appropriation Act footnote)
- 7/ Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2010 budget for the Water Quality Assurance Revolving Fund before September 1, 2008, for review by the Senate and House of Representatives Appropriations Committees. (General Appropriation Act footnote)
- 8/ The Arizona Pollutant Discharge Elimination System is appropriated \$1,181,800 in FY 2008 and FY 2009 for the purposes established in Title 49, Chapter 2, Article 3.1, Arizona Revised Statutes. If the department reduces permit processing times for the Arizona Pollutant Discharge Elimination System by at least 10% on or before December 31, 2007, then an additional \$123,000 and 2 FTE Positions are appropriated from the state General Fund for program expenditures in FY 2009. (General Appropriation Act footnote)
- 9/ If, as determined by the Staff Director of the Joint Legislative Budget Committee and the Governor's Office of Strategic Planning and Budgeting, the Department of Environmental Quality reduces the licensing time frames permit processing times for AZPDES surface water permits by 10% by December 31, 2007, the sum of \$123,000 and 2 FTE positions are appropriated from the state General Fund in FY 2009 to further reduce permit processing times. (General Appropriation Act footnote)
- 10/ Any transfer from the amount appropriated for the Arizona Pollution Discharge Elimination System Line Item shall require prior Joint Legislative Budget Committee review. (General Appropriation Act footnote)
- 11/ The Department of Environmental Quality shall submit a written report detailing the maximum, minimum and average water quality permit processing times for FY 2008 by December 1, 2008, for review by the Joint Legislative Budget Committee. The 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 FY 2008, the total costs to process these permits, and the progress made in reducing water quality permit processing times. (General Appropriation Act footnote)
- 12/ The amounts appropriated for the Clean Water Revolving Loan Program and the Drinking Water Revolving Loan Program in FY 2009 shall be used to provide a 20% match of the 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. (General Appropriation Act footnote)
- 13/ General Appropriation Act funds are appropriated by Program with Special Line Items.
- 14/ 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 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. (General Appropriation Act footnote)
- 15/ All Indirect Cost Fund Recovery revenues received by the Department of Environmental Quality in excess of \$12,748,000 in FY 2009 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$12,748,000 in FY 2009, the Department of Environmental Quality shall submit the intended use of the monies for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- 16/ All Water Quality Fee Fund revenues received by the Department of Environmental Quality in excess of \$5,887,200 in FY 2009 are appropriated to the department. Before the expenditure of Water Quality Fee Fund receipts in excess of \$5,887,200 in FY 2009, the Department of Environmental Quality shall submit the intended use of the monies for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

<b>PERFORMANCE MEASURES</b>	<b>FY 2005 Actual</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Actual</b>	<b>FY 2009 Approved</b>
• % reduction in Aquifer Protection Permit Processing time	--	--	0	-- / 15.0
• % reduction in Arizona Pollutant Discharge Elimination System permit processing time	--	--	0	20.0 / --
• % of contaminated sites closed requiring no further action (cumulative) versus known sites	75.7	80.0	83.0	82.0 / 82.0
• Number of non-attainment areas exceeding national ambient air quality standards	13	5	4	5 / 5
• % of statutorily set permit timelines met through Licensing Time Frames rule	98.9	97.8	98.4	99 / 99
• Number of days per year exceeding National Ambient Air Quality Standards for Ozone, Carbon Monoxide, or Particulates	0	0	0	0 / 0
• % of facilities from Drinking Water Priority Log assigned to enforcement staff	NA	100	50	100 / 100
• Customer satisfaction rating for citizens (Scale 1-8)	7.6	7.8	7.84	7.4 / 7.4

This agency's FY 2008 and FY 2009 budget was originally appropriated in Laws 2007, Chapter 255. For details on this agency's original FY 2008 and FY 2009 budgets, please see the *FY 2008 Appropriations Report*. The following narrative provides a comprehensive listing of all FY 2009 changes, whether as part of Chapter 255 or this year's budget.

### **Operating Budget**

The budget provides \$15,309,500 and 144.6 FTE Positions for the operating budget in FY 2009. This amount consists of:

	<b>FY 2009</b>
General Fund	\$4,482,700
Indirect Cost Recovery Fund	10,826,800

These amounts fund the following adjustments:

#### **Continue FY 2008 Statewide Adjustments**

The budget continues an increase of \$364,600 in FY 2009 for FY 2008 statewide adjustments. This amount consists of:

General Fund	126,800
Indirect Cost Recovery Fund	237,800

*(Please see the FY 2008 Statewide Adjustments narrative at the end of this Appropriations Report for details.)*

#### **New Statewide Adjustments**

The budget provides an increase of \$59,000 in FY 2009 for new statewide adjustments. This amount consists of the following:

General Fund	1,000
Indirect Cost Recovery Fund	58,000

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

### **Air Programs**

#### **Air Quality Management and Analysis**

The budget provides \$11,652,000 and 90.9 FTE Positions for Air Quality Management and Analysis in FY 2009. This amount consists of:

General Fund	529,400
Air Permits Administration Fund	6,039,600
Air Quality Fund	5,083,000

These amounts fund the following adjustments:

#### **Continue FY 2008 Statewide Adjustments**

The budget continues an increase of \$260,500 in FY 2009 for FY 2008 for statewide adjustments. This amount consists of:

General Fund	17,300
Air Permits Administration Fund	148,200
Air Quality Fund	95,000

**New Statewide Adjustments**

The budget provides an increase of \$1,800 in FY 2009 for new statewide adjustments. This amount consists of the following:

General Fund	200
Air Permits Administration Fund	1,100
Air Quality Fund	500

**Eliminate One-Time Funding**

The budget provides a decrease of \$(3,000) from the Air Quality Fund in FY 2009 to eliminate one-time funding associated with air compliance personnel added in FY 2008.

Expenditures from the Air Quality Management and Analysis special line item are for air quality research, regulation and inspection of stationary air pollution sources, and programs to bring non-attainment areas into attainment with federal clean air standards.

**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 2009.

<b>Table 1</b>	
<b>Emissions Control Program</b>	
	<b>FY 2009</b>
Contractor Payment	\$33,239,600
Program Administration	<u>4,251,100</u>
<b>Total</b>	<b>\$37,490,700</b>

**Emissions Control Contractor Payment**

The budget provides \$33,239,600 from the Emissions Inspection Fund for the Emissions Control Contractor Payment in FY 2009. This amount is unchanged from FY 2008.

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

**Emissions Control Program - Administration**

The budget provides \$4,251,000 and 34 FTE Positions from the Emissions Inspection Fund for the Emissions Control Program in FY 2009. This amount funds the following adjustment:

**Continue FY 2008 Statewide Adjustments**

The budget continues an increase of \$70,900 from the Emissions Inspection Fund in FY 2009 for FY 2008 statewide adjustments.

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

**Maricopa, Pima, and Pinal Travel Reduction Plan**

The budget provides \$1,676,900 from the General Fund for the Maricopa, Pima, and Pinal Travel Reduction Plan in FY 2009. This amount is unchanged from FY 2008.

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 budget provides \$165,000 from the Air Quality Fund for the Transfers to Counties Program in FY 2009. This amount is unchanged from FY 2008.

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.

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**Waste Programs**

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**Waste Control and Management**

The budget provides \$6,576,800 and 45.6 FTE Positions in FY 2009 for Waste Control and Management. This amount consists of:

General Fund	2,029,000
Hazardous Waste Management Fund	795,000
Solid Waste Fee Fund	1,283,900
Recycling Fund	2,331,100
Used Oil Fund	137,800

These amounts fund the following adjustments:

**Continue FY 2008 Statewide Adjustments**

The budget continues an increase of \$107,600 in FY 2009 for FY 2008 statewide adjustments. This amount consists of:

General Fund	55,100
Hazardous Waste Management Fund	15,000
Solid Waste Fee Fund	25,700
Recycling Fund	11,300
Used Oil Fund	500

The Waste Control and Management Program is responsible for issuing permits to landfills and other solid waste facilities, as well as regulation and inspection of hazardous waste facilities. The department may initiate remediation actions related to compliance issues.

**Underground Storage Tank Program**

The budget provides \$22,000 from the Underground Storage Tank Fund for the Underground Storage Tank (UST) Program in FY 2009. This amount is unchanged from FY 2008.

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.

The Environment Budget Reconciliation Bill (Laws 2007, Chapter 262) suspends the UST Revolving Fund Assurance Account administrative cap for FY 2008 and FY 2009 and allows the department to utilize up to \$6,531,000. 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 table above.

**Waste Tire Program**

The budget provides \$227,300 and 2.8 FTE Positions from the Solid Waste Fee Fund in FY 2009 for the Waste Tire Program. This amount funds the following adjustment:

**Continue FY 2008 Statewide Adjustments**

The budget continues an increase of \$2,400 from the Solid Waste Fee Fund in FY 2009 for FY 2008 statewide adjustments.

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

**WQARF Priority Site Remediation**

The budget provides \$13,000,000 from the General Fund for the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation in FY 2009. This amount funds the following adjustment:

**Reduce WQARF Funding**

The budget continues a decrease of \$(2,000,000) from the General Fund in FY 2009 originally enacted as part of the FY 2008 budget revisions (General Appropriation Act, Sec. 19). This change results in the line item being funded at \$13,000,000. Additionally, Section 20 of the General Appropriation Act transfers \$(4,000,000) from the Water Quality Assurance Revolving Fund to the General Fund in FY 2009. As a transfer, this \$(4,000,000) is not reflected in the table above. After combining the budget reduction and fund transfer, WQARF will ultimately have \$9,000,000 of General Fund support in FY 2009.

*Background* – 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, does 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. The General Appropriation Act notwithstanding these statutory provisions so as to permit the \$(2,000,000) reduction and a \$4,000,000 transfer to the General Fund. *Table 2* describes program activity for FY 2007 and FY 2008.

<b>Table 2</b>		
<b>WQARF Activity</b>		
	<b>Actual FY 2007</b>	<b>Estimated FY 2008</b>
Balance Forward	\$ 7,663,600	\$12,144,000
General Fund	15,000,000	13,970,400
Other Revenue	6,596,600	5,529,600
Total Funds Available	29,260,200	31,644,000
General Fund Expenditures	15,000,000	11,970,400
Other Funds Expended	1,516,200	11,052,500
<b>Funds Transferred</b>		
Dept. of Water Resources	600,000	600,000
Voluntary Remediation Fund	-	100,000
DHS Risk Assessment	-	50,000
General Fund Reduction	-	(3,000,000)
Hiring Freeze Revertment	-	(53,100)
<b>Year-End Fund Balance</b>	<b>\$12,144,000</b>	<b>\$10,924,200</b>

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**

**Arizona Pollution Discharge Elimination System**

The budget provides \$1,524,700 and 23.2 FTE Positions for the Arizona Pollution Discharge Elimination System (AZPDES) in FY 2009. This amount consists of:

General Fund	1,082,200
Water Quality Fee Fund	442,500

These amounts fund the following adjustments:

**Continue FY 2008 Statewide Adjustments**

The budget continues an increase of \$42,500 in FY 2009 for FY 2008 statewide adjustments. This amount consists of:

General Fund	36,900
Water Quality Fee Fund	5,600

**New Statewide Adjustments**

The budget provides an increase of \$400 from the General Fund in FY 2009 for new statewide adjustments.

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 budget provides \$2,328,300 and 37.6 FTE Positions for the Drinking Water Regulation Program in FY 2009. This amount consists of:

General Fund	1,853,900
Water Quality Fee Fund	474,400

These amounts fund the following adjustments:

**Continue FY 2008 Statewide Adjustments**

The budget continues an increase of \$64,900 in FY 2009 for FY 2008 statewide adjustments. This amount consists of:

General Fund	58,600
Water Quality Fee Fund	6,300

**New Statewide Adjustments**

The budget provides an increase of \$700 in FY 2009 for new statewide adjustments. This amount consists of the following:

General Fund	600
Water Quality Fee Fund	100

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 budget provides \$1,495,100 and 26.7 FTE Positions for the Surface Water Regulation Program in FY 2009. This amount consists of:

General Fund	1,252,400
Water Quality Fee Fund	242,700

This amount funds the following adjustments:

**Continue FY 2008 Statewide Adjustments**

The budget continues an increase of \$46,700 in FY 2009 for statewide FY 2008 statewide adjustments. This amount consists of:

General Fund	41,000
Water Quality Fee Fund	5,700

**New Statewide Adjustments**

The budget provides an increase of \$400 from the General Fund in FY 2009 for new statewide adjustments.

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, and monitors surface water, which represent all the lakes and streams in Arizona, for compliance with the Clean Water Act.

***Underground Water Regulation Program***

The budget provides \$7,130,900 and 68 FTE Positions for the Underground Water Regulation Program in FY 2009. This amount consists of:

General Fund	2,380,800
Water Quality Fee Fund	4,750,100

This amount funds the following adjustments:

**Continue FY 2008 Statewide Adjustments**

The budget continues an increase of \$134,300 in FY 2009 for FY 2008 statewide adjustments. This amount consists of:

General Fund	82,000
Water Quality Fee Fund	52,300

**New Statewide Adjustments**

The budget provides an increase of \$1,400 in FY 2009 for new statewide adjustments. This amount consists of the following:

General Fund	800
Water Quality Fee Fund	600

**Eliminate One-Time Funding**

The budget provides a decrease of \$(20,000) from the Water Quality Fee Fund in FY 2009 to eliminate one-time funding associated with additional aquifer protection program staff added in FY 2008.

The Underground Water Regulation 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 Infrastructure Finance Authority (WIFA)***

***Clean Water Revolving Loan Program***

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

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%.

Once General Fund monies are deposited into this program, the Clean Water Revolving Fund is non-appropriated. The Legislature, however, appropriated \$5,000,000 from the fund to offset other Department of Environmental Quality reductions. (See the *Lump Sum Reduction and Offset* section for more information.)

***Drinking Water Revolving Loan Program***

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

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

***Water Supply Development Fund***

The budget provides no funding to the Water Supply Development Fund in FY 2009. This amount funds the following adjustment:

**Eliminate One-Time Funding**

The budget provides a decrease of \$(250,000) from the General Fund in FY 2009 to eliminate one-time financial assistance to water suppliers for planning and design of water supply systems.

***Lump Sum Reduction and Offset***

The budget provides an increase of \$145,400 in FY 2009 from the department's budget for a lump sum reduction and offset. This amounts funds the following adjustments:

**Additional Hiring Freeze Reduction**

The budget provides an additional decrease of \$(1,400) in FY 2009 for the hiring freeze originally enacted as part of the FY 2008 budget revisions. This amount consists of the following:

General Fund	(100)
Air Permits Administration Fund	(300)
Air Quality Fund	(100)
Emissions Inspection Fund	(200)
Indirect Cost Recovery Fund	(400)
Solid Waste Fee Fund	(100)
Water Quality Fee Fund	(200)

These amounts represent the agency's share of a statewide hiring freeze reduction. *(Please see the Statewide Hiring Freeze Reduction section at the end of this Appropriations Report for details.)*

#### **Additional Lump Sum Reduction**

The budget provides an additional decrease of \$(400,000) from the General Fund in FY 2009 from the department's budget for a lump sum reduction. The agency is responsible for identifying savings sufficient to meet this reduction. The agency is responsible for identifying savings sufficient to meet this reduction.

#### **Fee Proposal**

The budget provides a decrease of \$(600,000) from the General Fund in FY 2009 to offset fee increases for department services.

#### **Fund Shift**

The budget provides a decrease of \$(5,000,000) from the General Fund and an increase of \$5,000,000 from the Clean Water Revolving Fund in FY 2009 for a fund shift.

#### **Indirect Cost Backfill**

The budget provides an increase of \$2,000,000 from the Indirect Cost Recovery Fund in FY 2009 as an offset to General Fund reductions.

#### ***Fund Transfers***

The budget provides a transfer of \$39,631,000 to the General Fund in FY 2008 and \$42,300,000 in FY 2009. These amounts comprise transfers from the funds listed below:

	<u><b>FY 2008</b></u>	<u><b>FY 2009</b></u>
Air Quality Fund	0	1,100,000
Indirect Cost Recovery Fund	0	2,000,000
Recycling Fund	1,097,100	3,000,000
Water Quality Assurance Revolving Fund	3,000,000	4,000,000
Underground Storage Tank Revolving Fund	28,419,700	12,000,000
Emissions Inspection Fund	0	2,500,000
Solid Waste Fee Fund	0	400,000
Voluntary Vehicle Repair and Retrofit Program Fund	0	750,000
Water Quality Fee Fund	0	850,000
Clean Water Revolving Fund	0	10,700,000
Drinking Water Fund	0	5,000,000

Clean Air In-Lieu Fee Account and Arizona Clean Air Balance Fund	5,088,700	0
State Trust Land Settlement	2,025,500	0

These transfers are not part of the agency's appropriation and are not reflected in the table above.