

Director: Benjamin H. Grumbles

JLBC Analyst: Dan Hunting

	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 APPROVED
<b>OPERATING BUDGET</b>			
<i>Full Time Equivalent Positions</i>	473.4	473.4	473.4 <sup>1/</sup>
Personal Services	6,498,400	6,810,700	6,810,700
Employee Related Expenditures	3,046,000	3,218,900	3,277,700
Professional and Outside Services	175,200	14,600	14,600
Travel - In State	39,700	12,500	12,500
Travel - Out of State	8,300	0	0
Other Operating Expenditures	7,634,400	5,598,000	5,598,000
Equipment	314,900	225,600	225,600
<b>OPERATING SUBTOTAL</b>	<b>17,716,900</b>	<b>15,880,300</b>	<b>15,939,100</b>
<b>SPECIAL LINE ITEMS</b>			
<b>Air Programs</b>			
Air Quality Management and Analysis	11,494,000	11,436,200	11,482,200
Emissions Control Contractor Payment	30,707,800	33,239,600	27,639,600
Emissions Control Program - Administration	2,667,600	4,231,100	4,249,800
Maricopa, Pima, and Pinal Counties Travel Reduction Plan	1,676,800	176,900	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	4,720,000	6,446,100	6,462,600 <sup>4/</sup>
Underground Storage Tank Program	3,300	22,000	22,000
Waste Tire Program	47,700	53,600	55,300
WQARF Priority Site Remediation	0	13,000,000	7,000,000 <sup>5/6/7/</sup>
<b>Water Programs</b>			
Arizona Pollutant Discharge Elimination System	1,235,300	1,524,700	1,524,700 <sup>8/</sup>
Drinking Water Regulation Program	1,743,800	2,499,800	2,531,200
Surface Water Regulation Program	1,156,600	1,137,100	1,137,100 <sup>9/</sup>
Underground Water Regulation Program	5,611,100	7,032,100	7,037,000
<b>WIFA</b>			
Clean Water Revolving Loan Program	1,425,200	0	0
Drinking Water Revolving Loan Program	669,900	845,100	845,100
Lump Sum Reduction	0	(4,086,800)	(6,189,300)
<b>AGENCY TOTAL</b>	<b>81,041,000</b>	<b>95,602,800</b>	<b>81,578,300</b> <sup>10/</sup>
<b>FUND SOURCES</b>			
General Fund	17,323,100	19,686,200	13,247,700
<b>Other Appropriated Funds</b>			
Air Permits Administration Fund	5,710,600	5,849,500	5,681,400 <sup>11/</sup>
Air Quality Fund	5,567,400	5,432,800	5,152,900
Clean Water Revolving Fund	0	5,000,000	5,000,000
Emissions Inspection Fund	33,375,400	37,412,600	33,427,900
Hazardous Waste Management Fund	189,100	795,000	800,500
Indirect Cost Recovery Fund	12,230,100	11,900,500	11,224,500 <sup>12/</sup>
Recycling Fund	1,939,600	2,194,800	0
Solid Waste Fee Fund	928,700	1,403,000	1,250,500
Underground Storage Tank Revolving Fund	3,300	22,000	22,000
Used Oil Fund	10,400	137,800	138,300
Water Quality Fee Fund	3,763,300	5,768,600	5,632,600
SUBTOTAL - Other Appropriated Funds	63,717,900	75,916,600	68,330,600
<b>SUBTOTAL - Appropriated Funds</b>	<b>81,041,000</b>	<b>95,602,800</b>	<b>81,578,300</b>

	FY 2008 ACTUAL	FY 2009 ESTIMATE	FY 2010 APPROVED
Other Non-Appropriated Funds	262,167,100	207,227,800	205,651,300
Federal Funds	16,561,000	20,189,000	20,189,000
<b>TOTAL - ALL SOURCES</b>	<b>359,769,100</b>	<b>323,019,600</b>	<b>307,418,600</b>

**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.

<b>PERFORMANCE MEASURES</b>	FY 2006	FY 2007	FY 2008	FY 2010
	Actual	Actual	Actual	Approved
• % reduction in Aquifer Protection Permit Processing time	--	0	NA	--
• % reduction in Arizona Pollutant Discharge Elimination System permit processing time	--	0	25.0	--

1/ Includes 137 GF and 191.8 OF FTE Positions funded from Special Line Items in FY 2010.

2/ Of the monies appropriated to the Maricopa, Pima and Pinal Counties Travel Reduction Plan line item in FY 2010, \$926,600 shall be allocated to Maricopa County, \$364,400 shall be allocated to the Pima Association of Governments, \$85,000 shall be allocated to Pinal County and \$262,100 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 2010, \$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. Laws 2009, Chapter 12 reduced this transfer to \$9,000,000 in FY 2009 and \$7,000,000 in FY 2010.

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 that is developed in consultation with the WQARF Advisory Board. The FY 2010 report shall be submitted to the Joint Legislative Budget Committee by September 1, 2009. This budget shall specify the monies budgeted for each listed site during FY 2010. In addition, the department and the advisory board shall prepare and submit to the Joint Legislative Budget Committee, by October 2, 2009, 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 2009, whether the current stage of remediation is anticipated to be completed in FY 2010, and the anticipated stage of remediation at each listed site at the end of FY 2010, assuming FY 2010 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 2011 budget for the Water Quality Assurance Revolving Fund before September 1, 2009, for review by the Senate and House of Representatives Appropriations Committees. (General Appropriation Act footnote)

8/ Any transfer from the amount appropriated for the Arizona Pollutant Discharge Elimination System line item shall require prior Joint Legislative Budget Committee review. (General Appropriation Act footnote)

9/ The Department of Environmental Quality shall submit a written report detailing the maximum, minimum and average water quality permit processing times for FY 2009 by December 1, 2009, for review by the Joint Legislative Budget Committee. The FY 2009 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 2009, the total costs to process these permits, and the progress made in reducing water quality permit processing times. (General Appropriation Act footnote)

10/ General Appropriation Act funds are appropriated by Program with Special Line Items. As appropriated by Laws 2009, 3<sup>rd</sup> Special Session, Chapter 11.

11/ All Air Permits Administration revenues received by the Department of Environmental Quality in excess of \$5,681,400 in FY 2010 are appropriated to the department. Before the expenditure of Air Permits Administration receipts in excess of \$5,681,400 in FY 2010, the Department of Environmental Quality shall submit the intended use of the mines for review by the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

12/ All Indirect Cost Fund Recovery revenues received by the Department of Environmental Quality in excess of \$11,244,500 in FY 2010 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$11,244,500 in FY 2010, 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 (Cont'd.)</b>	<b>FY 2006 Actual</b>	<b>FY 2007 Actual</b>	<b>FY 2008 Actual</b>	<b>FY 2010 Approved</b>
• % reduction in drinking water plan review processing time	--	0	24.7	--
• % of contaminated sites closed requiring no further action (cumulative) versus known sites	80.0	83.0	84.5	84.5
• Number of non-attainment areas exceeding national ambient air quality standards	5	4	5	5
• % of statutorily set permit timelines met through Licensing Time Frames rule	97.8	98.4	100	100
• 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	100	50	100	100
• Customer satisfaction rating for citizens (Scale 1-8)	7.8	7.84	7.7	7.7

Comments: The agency did not submit information for any measure labeled as "NA" as required by the General Appropriation Act.

### ***Operating Budget***

The budget includes \$15,939,100 and 144.6 FTE Positions for the operating budget in FY 2010. These amounts consist of:

	<b>FY 2010</b>
General Fund	\$ 3,139,100
Indirect Cost Recovery Fund	12,800,000

These amounts fund the following adjustments:

#### **Statewide Health Insurance Adjustments**

The budget includes an increase of \$58,800 in FY 2010 for state employee health insurance statewide adjustments. This amount consists of:

General Fund	7,000
Indirect Cost Recovery Fund	51,800

*(Please see the General Provisions section.)*

### ***Air Programs***

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

The budget includes \$11,482,200 and 90.9 FTE Positions for Air Quality Management and Analysis in FY 2010. These amounts consist of:

General Fund	382,300
Air Permits Administration Fund	6,021,300
Air Quality Fund	5,078,600

These amounts fund the following adjustments:

#### **Statewide Health Insurance Adjustments**

The budget includes an increase of \$46,000 in FY 2010 for state employee health insurance statewide adjustments. This amount consists of:

General Fund	900
Air Permits Administration Fund	29,000
Air Quality Fund	16,100

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 fees 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 DEQ'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 2010.

<b>Table 1</b>	
<b>Emissions Control Program</b>	
	<b>FY 2010</b>
Contractor Payment	\$27,639,600
Program Administration	4,249,800
<b>Total</b>	<b>\$31,889,400</b>

***Emissions Control Contractor Payment***

The budget includes \$27,639,600 from the Emissions Inspection Fund for the Emissions Control Contractor Payment in FY 2010. This amount funds the following adjustments:

**Reduced Contractor Payments**

This budget includes a decrease \$(5,600,000) from the Emissions Inspection Fund in FY 2010. This decrease reflects reduced costs to the state under the new Vehicle Emissions Inspection Contract.

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 DEQ for deposit in the Emissions Inspection Fund. DEQ 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 includes \$4,249,800 and 34 FTE Positions from the Emissions Inspection Fund for the Emissions Control Program in FY 2010. This amount funds the following adjustments:

**Statewide Health Insurance Adjustments**

The budget includes an increase of \$18,700 from the Emissions Inspection Fund in FY 2010 for state employee health insurance 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 DEQ.

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

The budget includes \$1,676,900 from the Emissions Inspection Fund for the Maricopa, Pima, and Pinal Counties Travel Reduction Plan in FY 2010. This amount funds the following adjustments:

**Continue General Fund Reduction**

The budget continues a \$(1,500,000) decrease from the General Fund originally approved in the midyear FY 2009 revisions.

**Shift to Emissions Inspection Fund**

The budget includes an increase of \$1,500,000 in FY 2010 to reinstate program funding and shift the program from the General Fund to the Emissions Inspection Fund. This amount consists of:

General Fund	(176,900)
Emissions Inspection Fund	1,676,900

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 includes \$165,000 from the Air Quality Fund for the Transfers to Counties Program in FY 2010. This amount is unchanged from FY 2009.

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***

***Waste Control and Management***

The budget includes \$6,462,600 and 45.6 FTE Positions for Waste Control and Management in FY 2010. These amounts consist of:

General Fund	1,154,300
Air Quality Fund	588,300
Hazardous Waste Management Fund	800,500
Recycling Fund	2,325,800
Solid Waste Fee Fund	1,455,400
Used Oil Fund	138,300

These amounts fund the following adjustments:

**Statewide Health Insurance Adjustments**

The budget includes an increase of \$16,500 in FY 2010 for state employee health insurance statewide adjustments. This amount consists of:

General Fund	4,600
Hazardous Waste Management Fund	5,500
Solid Waste Fee Fund	5,900
Used Oil Fund	500

**Continue General Fund Reduction**

The budget continues a \$(588,300) decrease from the General Fund and a corresponding increase to the Air Quality Fund originally approved in the midyear FY 2009 revisions.

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 includes \$22,000 from the Underground Storage Tank Fund for the Underground Storage Tank (UST) Program in FY 2010. This amount is unchanged from FY 2009.

Monies in the UST Program are utilized to detect and clean up hazardous leakage from USTs. 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 DEQ 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 2010 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 2009, 3<sup>rd</sup> Special Session, Chapter 5) suspends the UST Revolving Fund Assurance Account administrative cap for FY 2010, as was done in FY 2008 and FY 2009, to allow

the department to utilize up to \$6,531,000. This 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. 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 includes \$55,300 and 2.8 FTE Positions from the Solid Waste Fee Fund for the Waste Tire Program in FY 2010. These amounts fund the following adjustments:

**Statewide Health Insurance Adjustments**

The budget includes an increase of \$1,700 from the Solid Waste Fee Fund in FY 2010 for state employee health insurance statewide adjustments.

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

**WQARF Priority Site Remediation**

The budget includes \$7,000,000 from the General Fund for the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation in FY 2010. This amount funds the following adjustments:

**Decreased Transfer**

The budget includes a decrease of \$(6,000,000) from the General Fund in FY 2010.

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.

Laws 2008, Chapter 285 notwithstanding these statutory provisions and reduced the General Fund allocation by \$(2,000,000) and Laws 2009, Chapter 12 reduced the allocation by a further \$(6,000,000). *Table 2* describes program activity for FY 2008 and FY 2009.

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.

These amounts fund the following adjustments:

**Table 2**

**WQARF Activity**

	<b>Actual FY 2008</b>	<b>Estimated FY 2009</b>
Balance Forward	\$ 12,744,000	\$8,092,000
General Fund	11,970,400	13,000,000
Other Revenue	<u>6,542,700</u>	<u>4,823,800</u>
Total Funds Available	31,257,100	27,915,800
General Fund Expenditures	11,970,400	13,000,000
Other Funds Expended	8,141,600	7,355,200
<b>Funds Transferred</b>		
Dept. of Water Resources	600,000	600,000
Voluntary Remediation Fund	0	0
DHS Risk Assessment	(6,700)	100,000
General Fund Reduction	(3,000,000)	(4,000,000)
Hiring Freeze Revertment	<u>(53,100)</u>	<u>(53,400)</u>
<b>Year-End Fund Balance</b>	<b>\$8,685,300</b>	<b>\$2,207,200</b>

**Statewide Health Insurance Adjustments**

The budget includes an increase of \$31,400 in FY 2010 for state employee health insurance statewide adjustments. This amount consists of:

General Fund	4,000
Water Quality Fee Fund	27,400

In the original FY 2009 budget, the Legislature appropriated a total of \$2,328,300 for the Drinking Water Regulation Program from the General Fund and Water Quality Fee Fund. As part of the department's lump sum reduction, DEQ reduced funding from the General Fund by \$(1,728,200) and offset that decrease with \$406,600 in Water Quality Fee Fund monies previously in the AZPDES and Surface Water Regulation Program SLIs and \$1,524,700 in Clean Water Revolving Fund monies specifically appropriated by the Legislature to offset the lump sum reduction. As a result, total funding for the program increased by \$171,500 above the appropriated amount. These shifts are reflected in the numbers above.

**Water Programs**

**Arizona Pollutant Discharge Elimination System**

The budget includes \$1,524,700 and 23.2 FTE Positions from the Clean Water Revolving Fund for the Arizona Pollutant Discharge Elimination System (AZPDES) in FY 2010. These amounts are unchanged from FY 2009.

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.

In FY 2009, the Legislature appropriated funding for this program from the General Fund and the Water Quality Fee Fund. DEQ states that statute prevents them from using Water Quality Fee Fund monies in AZPDES. The Water Quality Fee Fund monies appropriated to AZPDES have been shifted to the Drinking and Underground Water Regulation Programs Special Line Items (SLI) and replaced with Clean Water Revolving Fund monies. DEQ also eliminated the General Fund portion of AZPDES as part of the FY 2009 Lump Sum Reduction. This funding was also replaced by monies from the Clean Water Revolving Fund.

**Surface Water Regulation Program**

The budget includes \$1,137,100 and 26.7 FTE Positions from the Clean Water Revolving Fund for the Surface Water Regulation Program in FY 2010. These amounts are unchanged from FY 2009.

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.

In the original FY 2009 budget, the Legislature appropriated a total of \$1,495,100 for the Surface Water Regulation Program from the General Fund and Water Quality Fee Fund. As part of the department's lump sum reduction, DEQ eliminated funding from these sources and offset that decrease with \$1,137,100 in Clean Water Revolving Fund monies specifically appropriated by the Legislature to offset the lump sum reduction. As a result, total funding for the program decreased \$(358,000) from the appropriated amount. These shifts are reflected in the numbers above.

**Drinking Water Regulation Program**

The budget includes \$2,531,200 and 37.6 FTE Positions for the Drinking Water Regulation Program in FY 2010. These amounts consist of:

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.

General Fund	129,700
Clean Water Revolving Fund	1,493,100
Water Quality Fee Fund	908,400

### ***Underground Water Regulation Program***

The budget includes \$7,037,000 and 68 FTE Positions for the Underground Water Regulation Program in FY 2010. These amounts consist of:

General Fund	2,031,000
Water Quality Fee Fund	5,006,000

These amounts fund the following adjustments:

#### **Statewide Health Insurance Adjustments**

The budget includes an increase of \$4,900 from the General Fund in FY 2010 for state employee health insurance statewide adjustments.

In the original FY 2009 budget, the Legislature appropriated a total of \$7,130,900 for the Underground Water Regulation Program from the General Fund and Water Quality Fee Fund. As part of the department's lump sum reduction, DEQ reduced funding from the General Fund by \$(354,700) and offset that decrease with \$255,900 in Water Quality Fee Fund monies previously in the AZPDES and Surface Water Regulation Program SLIs. As a result, total funding for the program decreased \$(98,800) from the appropriated amount. These shifts are reflected in the numbers above.

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 includes no funding for the Clean Water Revolving Loan Program in FY 2010. This amount is unchanged from FY 2009.

The FY 2009 General Appropriation Act appropriated \$1,551,900 from the General Fund to the Clean Water Revolving Loan Program. As part of their lump sum reduction, the department eliminated this deposit. This funding had been used for a state match for federal funding that allows lower interest rates on bonds issued to municipalities for Clean Water Projects.

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 DEQ reductions in FY 2009.

### ***Drinking Water Revolving Loan Program***

The budget includes \$845,100 from the Clean Water Revolving Fund for the Drinking Water Revolving Loan Program in FY 2010. This amount is unchanged from FY 2009.

In the original FY 2009 budget, the Legislature appropriated \$893,200 from the General Fund for the Drinking Water Revolving Loan Program. As part of the department's lump sum reduction, DEQ eliminated funding from the General Fund and offset that decrease with \$845,100 in Clean Water Revolving Fund monies specifically appropriated by the Legislature to offset the lump sum reduction. As a result, total funding for the program decreased \$(48,100) from the appropriated amount. This shift is reflected in the numbers above.

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%.

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

The budget includes an agencywide lump sum reduction of \$(4,086,800) for the midyear FY 2009 revisions and \$(8,189,300) for FY 2010. The latter reduction reflects the adjustment to the originally enacted FY 2009 appropriation.

	<b><u>FY 2009</u></b>	<b><u>FY 2010</u></b>
<b>Lump Sum Reduction</b>		
General Fund	\$(2,000,000)	\$(2,283,000)
<b>Fund Reduction and Transfer</b>		
Air Quality Fund	(317,400)	(522,800)
Indirect Cost Recovery Fund	(637,400)	(1,074,800)
Recycling Fund	(116,300)	(2,290,900)
Solid Waste Fee Fund	(75,200)	(200,900)
<b>Personnel Expense Reduction</b>		
General Fund	\$ (305,700)	\$ (305,700)

Air Permits Fund	(142,800)	(339,900)
Air Quality Fund	(65,600)	(156,200)
Emissions Inspection Fund	(58,100)	(138,400)
Indirect Cost Recovery Fund	(210,300)	(500,700)
Recycling Fund	(14,700)	(34,900)
Solid Waste Fee Fund	(24,900)	(59,300)
Water Quality Fee Fund	(118,400)	(281,800)

### **General Appropriation Act**

The DEQ budget is contained in Laws 2009, Chapter 12 (HB 2643). The Governor line-item vetoed certain sections of the legislation concerning the lump sum reduction. In the 3<sup>rd</sup> Special Session, the Legislature attempted, as part of HB 2006, to restore the original HB 2643 language without the line-item vetoes. Lump sum reductions were allocated across the department's operating budgets and Special Line Items. While the funding level remained the same as HB 2643, HB 2006 no longer contained a lump sum reduction line.

### **Fund Transfers**

The budget includes the following midyear FY 2009 revisions and FY 2010 transfers to the General Fund from the funds listed below:

	<b>FY 2009</b>	<b>FY 2010</b>
Air Permits - Salary	\$ (142,800)	\$ (339,900)
Air Permits Administration - EBT	(2,588,400)	(2,630,800)
Air Quality - EBT	(6,931,500)	(2,113,100)
Air Quality - FRAT	(317,400)	(522,800)
Air Quality - Salary	(65,600)	(156,200)
Emissions Inspection - EBT	(5,600,000)	(8,300,000)
Emissions Inspection - Salary	(58,100)	(138,400)
Greenfields Program - EBT*	(165,000)	(100,000)
Indirect Cost Recovery - EBT	(2,761,500)	(2,616,600)
Indirect Cost Recovery - FRAT	(637,400)	(1,074,800)
Indirect Cost Recovery - Salary	(210,300)	(500,700)
Monitoring Assistance - EBT*	(449,100)	(179,100)
Monitoring Assistance - FRAT*	(37,000)	(74,100)
Recycling - EBT	(390,800)	(550,000)
Recycling - FRAT	(116,300)	(2,290,900)
Recycling - Salary	(14,700)	(34,900)
Solid Waste Fee - FRAT	(75,200)	(200,900)
Solid Waste Fee - Salary	(24,900)	(59,300)
Underground Storage Tank - EBT*	(495,900)	(12,821,100)
Underground Storage Tank - FRAT*	(1,910,600)	(2,000,000)
Underground Storage Tank - Salary*	(165,400)	(393,900)
Voluntary Remediation - Salary*	(9,000)	(21,500)
Voluntary Vehicle Repair & Retrofit Program - EBT*	(530,600)	(484,600)
Voluntary Vehicle Repair & Retrofit Program - FRAT*	(52,300)	(1,045,900)

Water Quality Assurance Revolving - EBT*	(8,900,000)	0
Water Quality Assurance Revolving - Salary*	(155,900)	(371,300)
Water Quality Fee - EBT	(500,000)	(733,000)
Water Quality Fee - Salary	(118,400)	(281,800)

\* These transfers are from non-appropriated funds.

### **Additional Legislation**

The Environment Budget Reconciliation BRB (Laws 2009, 3<sup>rd</sup> Special Session, Chapter 5) continues the suspension of the UST Revolving Fund Assurance Account administrative cap in FY 2010, to allow the department to utilize up to \$6,531,000 for program operating costs.

The Environment BRB also amends statute to allow sanitation districts of less than 50,000 population, as well as cities and counties of any size, to accept loans through WIFA without requiring an election.

The FY 2010 budget presumed passage of legislation to suspend the appropriation, rule making, and fee raising authority pursuant to Laws 2008, Chapter 291, Section 12 for the department (SB 1025, 3<sup>rd</sup> Special Session). The Governor vetoed this bill.