

Department of Environmental Quality

	FY 2010 ACTUAL	FY 2011 ESTIMATE	FY 2012 APPROVED
OPERATING BUDGET			
<i>Full Time Equivalent Positions</i>	471.4	467.4	467.4
Personal Services	5,136,000	14,853,500	14,344,000
Employee Related Expenditures	2,325,800	6,289,800	5,886,900
Professional and Outside Services	48,900	7,185,300	7,282,300
Travel - In State	15,000	403,200	400,200
Travel - Out of State	(900)	44,200	44,200
Other Operating Expenditures	4,933,800	17,034,900	16,425,600
Equipment	60,300	538,800	536,900
OPERATING SUBTOTAL	12,518,900	46,349,700	44,920,100
SPECIAL LINE ITEMS			
Air Quality Management and Analysis	8,546,800	0	0
Emissions Control Contractor Payment	19,630,500	27,639,600	20,006,600 ^{1/}
Emissions Control Program - Administration	2,692,800	0	0
Transfers to Counties Program	1,127,600	0	0
Waste Control and Management	2,825,200	0	0
Underground Storage Tank Program	2,800	0	0
Waste Tire Program	40,600	0	0
Drinking Water Regulation Program	2,367,400	0	0
Surface Water Regulation Program	2,731,200	0	0
Underground Water Regulation Program	4,443,700	0	0
WQARF Priority Site Remediation	6,958,200	7,000,000	7,000,000 ^{2/3/4/5/}
AGENCY TOTAL	63,885,700	80,989,300	71,926,700^{6/}
FUND SOURCES			
General Fund	12,728,400	7,000,000	7,000,000
<u>Other Appropriated Funds</u>			
Air Permits Administration Fund	5,168,900	7,043,600	6,989,200 ^{7/}
Air Quality Fund	4,131,000	5,376,400	5,366,000
Clean Water Revolving Fund	4,769,500	5,000,000	0
Emissions Inspection Fund	23,409,600	33,080,200	25,518,300
Hazardous Waste Management Fund	428,000	1,719,300	1,706,900
Indirect Cost Recovery Fund	9,146,900	13,179,500	12,961,300 ^{8/}
Solid Waste Fee Fund	927,400	2,297,200	1,907,400
Underground Storage Tank Revolving Fund	2,800	22,000	22,000
Used Oil Fund	14,000	138,900	138,900
Water Quality Fee Fund	3,159,200	6,132,200	10,316,700
SUBTOTAL - Other Appropriated Funds	51,157,300	73,989,300	64,926,700
SUBTOTAL - Appropriated Funds	63,885,700	80,989,300	71,926,700
Other Non-Appropriated Funds	342,913,000	185,659,100	185,959,100
Federal Funds	80,150,800	38,302,500	38,302,500
TOTAL - ALL SOURCES	486,949,500	304,950,900	296,188,300

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.

Operating Budget

The budget includes \$44,920,100 and 467.4 FTE Positions in FY 2012 for the operating budget. These amounts consist of:

	FY 2012
Air Permits Administration Fund	\$6,989,200
Air Quality Fund	5,366,000
Emissions Inspection Fund	5,511,700
Hazardous Waste Management Fund	1,706,900
Indirect Cost Recovery Fund	12,961,300
Solid Waste Fee Fund	1,907,400
Underground Storage Tank Revolving Fund	22,000
Used Oil Fund	138,900
Water Quality Fee Fund	10,316,700

These amounts fund the following adjustments:

Solid Waste Fee Fund Revenue Alignment

The budget includes a decrease of \$(369,500) from the Solid Waste Fee Fund in FY 2012 to bring expenditures in line with annual revenue.

Emissions Inspection Feed Bill Alignment

The budget includes an increase of \$112,900 from the Emissions Inspection Fund in FY 2012 for emission inspection contract payments. The General Appropriation Act incorrectly allocated \$112,900 of the contract payment to the operating budget. *(Please see the Emissions Control Contractor Payment section.)*

Water Quality Program Funding Shift

The budget includes a decrease of \$(736,300) in FY 2012 to shift funding for the Water Quality Program. This amount consists of:

Clean Water Revolving Fund	(5,000,000)
Water Quality Fee Fund	4,263,700

Statewide Adjustments

The budget includes a decrease of \$(436,700) in FY 2012 for statewide adjustments. This amount consists of:

Air Permits Administration Fund	(54,400)
Air Quality Fund	(10,400)
Emissions Inspection Fund	(41,800)
Hazardous Waste Management Fund	(12,400)
Indirect Cost Recovery Fund	(218,200)
Solid Waste Fee Fund	(20,300)
Water Quality Fee Fund	(79,200)

(Please see the Agency Detail and Allocations section.)

Air Quality Management and Analysis

The budget includes no funding in FY 2012 for the Air Quality Management and Analysis line item. Beginning in FY 2011, funding for this program was moved to the operating budget.

Expenditures from the Air Quality Management and Analysis Special Line Item were 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 Contractor Payment

The budget includes \$20,006,600 from the Emissions Inspection Fund in FY 2012 for the Emissions Control

- ^{1/} The General Appropriations Act shows an appropriation of \$20,006,600. The legislation incorrectly allocated another \$112,900 of the contractor payment to the operating budget. After ADEQ transfers these monies to the special line item, there will be a total of \$20,119,500 for the contractor payment.
- ^{2/} 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 2011, Chapter 26 reduced this transfer to \$7,000,000 in FY 2012.
- ^{3/} 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 2012 report shall be submitted to the Joint Legislative Budget Committee by September 1, 2011. This budget shall specify the monies budgeted for each listed site during FY 2012. In addition, the department and the advisory board shall prepare and submit to the Joint Legislative Budget Committee, by October 2, 2011, 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 2011, whether the current stage of remediation is anticipated to be completed in FY 2012, and the anticipated stage of remediation at each listed site at the end of FY 2012, assuming FY 2012 funding levels. The department and advisory board may include other relevant information about the listed sites in the table. (General Appropriation Act footnote)
- ^{4/} Pursuant to A.R.S. § 49-282, the Department of Environmental Quality shall submit a FY 2012 budget for the Water Quality Assurance Revolving Fund before September 1, 2011, for review by the Senate and House of Representatives Appropriations Committees. (General Appropriation Act footnote)
- ^{5/} In addition to these amounts, a total of \$759,900 OF is appropriated in FY 2012 for costs associated with an additional pay period. *(Please see the Agency Detail and Allocations section.)*
- ^{6/} General Appropriation Act funds are appropriated by Operating Lump Sum with Special Line Items by Agency.
- ^{7/} All Air Permits Administration revenues received by the Department of Environmental Quality in excess of \$6,989,200 in FY 2012 are appropriated to the department. Before the expenditure of Air Permits Administration receipts in excess of \$6,989,200 in FY 2012, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)
- ^{8/} All Indirect Cost Fund Recovery revenues received by the Department of Environmental Quality in excess of \$12,961,300 in FY 2012 are appropriated to the department. Before the expenditure of Indirect Cost Recovery Fund receipts in excess of \$12,961,300 in FY 2012, the Department of Environmental Quality shall report the intended use of the monies to the Joint Legislative Budget Committee. (General Appropriation Act footnote, as adjusted for statewide allocations)

Contractor Payment. This amount funds the following adjustments:

Contract Alignment

The budget includes a decrease of \$(7,633,000) from the Emissions Inspection Fund in FY 2012 to align expenditures with actual contract payments.

The General Appropriations Act shows an appropriation of \$20,006,600. The legislation incorrectly allocated another \$112,900 of the contractor payment to the operating budget. After ADEQ transfers these monies to the special line item, there will be a total of \$20,119,500 for the contractor payment.

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.

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. 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.

Emissions Control Program - Administration

The budget includes no funding in FY 2012 for the Emissions Control Program. Beginning in FY 2011, funding for this program was moved to the operating budget.

This line item included 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 were funded from the administrative portion of the inspection fee, which is set by ADEQ.

Transfers to Counties Program

The budget includes no funding in FY 2012 for the Transfers to Counties Program. Beginning in FY 2011, funding for this program was moved to the operating budget.

Monies in this line item were 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 Control and Management

The budget includes no funding in FY 2012 for the Waste Control and Management Program. Beginning in FY 2011, funding for this program was moved to the operating budget.

The Waste Control and Management line item was responsible for issuing permits to landfills and other solid waste facilities, as well as regulation and inspection of hazardous waste facilities.

Underground Storage Tank Program

The budget includes no funding in FY 2012 for the Underground Storage Tank (UST) Program. Beginning in FY 2011, funding for this program was moved to the operating budget.

Background – Monies in the UST Special Line Item were utilized to detect and clean up hazardous leakage from USTs. The program’s regulatory component is currently funded from annual tank registration fees in the operating budget. The clean-up component is funded from a 1¢ per gallon excise tax on gasoline and diesel fuel, which expires on December 31, 2013, or when the Regulated Substance Fund (RSF) receives \$60,000,000, whichever occurs first.

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. After all eligible claims have been paid, monies in the SAA are transferred to the RSF. The RSF would be used for future UST cleanup sites.

The vast majority of fund revenues are not appropriated by the Legislature; however, an amount of \$22,000 from the SAA in FY 2012 is appropriated for the operating costs of the Technical Appeals Panel and the Underground Storage Tank Policy Commission. These funds have now been transferred to the operating budget.

Waste Tire Program

The budget includes no funding in FY 2012 for the Waste Tire Program. Beginning in FY 2011, funding for this program was moved to the operating budget.

This line item oversaw county programs that dispose of and/or recycle waste tires.

Drinking Water Regulation Program

The budget includes no funding in FY 2012 for the Drinking Water Regulation Program. Beginning in FY 2011, funding for this program was moved to the operating budget.

The Drinking Water Regulation line item ensured drinking water standards were 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 includes no funding for the Surface Water Regulation Program in FY 2012. Beginning in FY 2011, funding for this program was moved to the operating budget.

The Surface Water Regulation line item regulated the discharge and treatment of both domestic sewage and industrial waste derived from the manufacturing industry through a permitting process; and monitored surface water, which represented all the lakes and streams in Arizona, for compliance with the Clean Water Act.

Underground Water Regulation Program

The budget includes no funding for the Underground Water Regulation Program in FY 2012. Beginning in FY 2011, funding for this program was moved to the operating budget.

The Underground Water Regulation line item issued aquifer protection permits to facilities whose activities, including waste discharges, pose a threat to groundwater. This line item also issued permits for residential wastewater systems and administers the Drywell Program, which monitors water runoff that is collected and injected underground.

WQARF Priority Site Remediation

The budget includes \$7,000,000 from the General Fund in FY 2012 for the Water Quality Assurance Revolving Fund (WQARF) Priority Site Remediation. Beginning in FY 2011, funding for this program was moved to the operating budget.

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.

The Environment Budget Reconciliation Bill (BRB) (Laws 2011, Chapter 36) notwithstanding these statutory provisions and reduced the General Fund allocation to \$7,000,000. *Table 1* describes program activity for FY 2010 and FY 2011.

WQARF Activity		
	Actual FY 2010	Estimated FY 2011
Balance Forward	\$ 1,129,800	\$ 5,060,200
General Fund	7,000,000	7,000,000
Other Revenue	<u>4,565,300</u>	<u>4,016,000</u>
Total Funds Available	\$12,695,100	\$16,076,200
General Fund Expenditures	\$ 6,958,200	\$ 7,000,000
Other Funds Expended	0	4,699,100
Funds Transferred		
Dept. of Water Resources	\$ 300,000	\$ 300,000
Legislative Fund Transfers	<u>376,700</u>	<u>510,600</u>
Year-End Fund Balance	\$ 5,060,200	\$ 3,566,500

The WQARF program is similar to the federal Superfund program in that it is designed to monitor and remediate contaminated groundwater at specified sites. Program expenditures include searching for responsible polluters, conducting risk assessments and remediation feasibility studies, and contracting for remediation services.

Additional Legislation

Underground Storage Tank Revolving Fund Cap

The Environment BRB continues to suspend the Underground Storage Tank Revolving Fund Assurance Account administrative cap for FY 2012 to allow the department to utilize up to \$6,531,000 for program operating costs.

Water Quality Fee Fund

The Environment BRB suspends the requirement that monies in the Water Quality Fee Fund be held in trust.

Waste Fees

Laws 2011, Chapter 220 allows the Director of ADEQ to establish fees by rule that would be deposited into the Solid Waste Fee Fund. The fees allowed are: tire collection fee, excreta transportation licensure fee, general permitting fees, landfill registration fees, biohazardous medical waste licensure fee, a solid waste facility plan approval and registration fees, a special waste transportation fee, and a hazardous waste treatment permit fee. As part of the rulemaking process, ADEQ would be required to submit proposed changes for JLBC review. After September 30, 2013 fee increases would require statutory approval. Beginning in 2014, ADEQ must report revenues and expenditures related to Solid and Hazardous Waste programs to the JLBC.

This legislation replaces Laws 2010, 7th Special Session, Chapter 7, which permitted the director to increase fees in FY 2011 up to \$5,779,100. In FY 2011, the department estimates collecting only \$2,808,700, of which \$540,000 will be deposited into the Solid Waste Fee Fund, \$974,400 into the Hazardous Waste Management Fund, and \$1,294,300 into the Air Permits Administration Fund.