

DEPARTMENT OF ENVIRONMENTAL QUALITY

Jacqueline Schafer, Director

A.R.S. § 49-101

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General Fund and Other Appropriated Funds	FY 1999 Actual	FY 2000 Estimate	FY 2001 Approved
FTE Positions	481.4	552.4	560.8 ^{1/}
Personal Services	8,058,900	11,588,700	11,829,200
Employee Related Expenditures	1,561,000	2,444,200	2,540,600
Professional and Outside Services	111,000	1,129,800	640,400
Travel - In State	149,100	222,600	400,400
Travel - Out of State	31,300	47,200	47,200
Other Operating Expenditures	737,600	5,883,200	6,016,100
Equipment	156,900	791,800	388,700
Operating Subtotal	10,805,800	22,107,500	21,862,600
Waste Programs			
WQARF Priority Site Remediation (GF)	14,523,300	14,492,700	14,372,700 ^{2/3/}
WQARF Priority Site Remediation (OF)	3,872,400	0	0
Underground Storage Tank Program	450,900	1,550,000	1,300,000 ^{4/}
Hazardous Waste Program	429,900	460,000	468,300
Solid Waste Program	1,192,000	1,170,500	3,274,100
Waste Tire Program	0	186,600	192,800
Water Programs			
Aquifer Protection Permit Program	682,800	738,800	755,500
Water Quality Program	1,717,100	3,277,400	3,307,400
Water Infrastructure Finance Authority	5,720,000	2,995,100	2,995,100 ^{5/}
Air Programs			
Air Permits Administration Program	4,139,300	4,837,800	4,874,300
Air Quality Program	625,000	4,768,000	4,258,300
Emissions Control Program	3,855,300	2,843,200	3,747,100 ^{6/}
Emissions Control General Fund Subsidy	0	1,500,000 ^{7/}	0
Total	48,013,800	60,927,600	61,408,200
Additional Appropriations -			
Environment; Liability; Storage Tanks (Ch. 131)	0	0	20,000
Appropriation; Underground Storage Tanks (Ch. 354)	0	0	250,000
2000 Clean Air Act (Ch. 405)	0	0	5,122,500
Total Appropriations	48,013,800	60,927,600	66,800,700 ^{8/9/}
Fund Summary			
General Fund	34,268,100	33,359,000	31,419,100
Indirect Cost Recovery Fund	0	10,025,100	10,243,600
Air Permits Administration Fund	4,139,300	4,837,800	4,874,300
Air Quality Fee Fund	0	4,268,000	4,258,300
Emissions Inspection Fund	3,055,300	2,843,200	6,469,600
Hazardous Waste Fund	429,900	460,000	468,300 ^{10/}
Solid Waste Fee Fund	868,400	1,230,300	1,179,700
Used Oil Fund	0	126,800	126,800
Water Quality Fee Fund	1,380,400	3,277,400	3,307,400
Water Quality Assurance Revolving Fund	3,872,400	0	0
Underground Storage Tank Fund	0	500,000	20,000
Recycling Fund	0	0	2,033,600
Clean Air Fund	0	0	2,400,000
Total Appropriations	48,013,800	60,927,600	66,800,700

DEPARTMENT OF ENVIRONMENTAL QUALITY (Cont'd)

Agency Description — *The Department of Environmental Quality's (ADEQ) purpose is to protect human health and the environment by enforcing standards of quality for Arizona's air, water, and land. 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.*

Recycling Fund — The approved supplemental appropriation adds \$2,033,600 and 8.4 FTE Positions from the Recycling Fund in FY 2001. The fund was converted to appropriated status by Laws 1999, Chapter 286. Fund revenues are for grants to local governments and others for developing recycling markets and programs, public information and assistance, and revenue collection and fund administration. This fund was non-appropriated in prior years. Monies from this fund are included in the Solid Waste Program Special Line Item beginning in FY 2001.

Additional Appropriations: Environment; Liability; Storage Tanks (Chapter 131) — This bill appropriates \$10,000 from the UST State Assurance Account in FY 2001 for the Underground Storage Tank Policy Commission's operating costs. The bill also appropriates \$10,000 from the UST State Assurance Account in FY 2001 for the costs of operating the Underground Storage Tank Technical Appeals Panel, which is newly created by this bill. This panel will hear appeals regarding technical aspects of UST corrective actions.

Appropriation; Underground Storage Tanks (Chapter 354) — This bill appropriates \$250,000 in FY 2001 to the Area A Account of the Underground Storage Tank (UST) State Assurance Account. The appropriation is from the General Fund, and will be used to partially reimburse tank owners for the costs of cleaning up leaking tanks.

The bill also allocates \$5,000,000 of Vehicle License Tax revenues to the UST State Assurance Account in FY 2001. These monies are to be used to partially reimburse school districts, counties, cities, towns, hospitals, and certain small businesses for costs of cleaning up leaking tanks. When added to a prior session appropriation of \$1,300,000, this bill brings total UST funding to \$6,550,000 in FY 2001.

2000 Clean Air Act (Chapter 405) — This bill appropriates \$2,400,000 from the Clean Air Fund to the Voluntary Vehicle Repair and Retrofit (VRRR) Fund in FY 2001. The VRRR Fund is used to provide repair and retrofit matching grants to qualifying motorists whose vehicles fail emissions inspections. The bill allows the appropriated monies to be used for conversion of eligible vehicles to run on alternative fuels, which is an expansion upon the normal use of monies granted through the VRRR program.

1/ Includes 220.2 FTE Positions funded from Special Line Items in FY 2001.

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. The amount shown represents the \$15,000,000 adjusted for other fund revenue as directed in A.R.S. § 49-282.

3/ The Department of Environmental Quality shall report quarterly to the Legislature in writing on the progress of WQARF activities, including emergency response, priority site remediation, cost recovery activity, revenue and expenditure activity and other WQARF-funded program activity. The department shall submit the report to the members of the Joint Legislative Budget Committee and to the Director of the Joint Legislative Budget Committee Staff. (General Appropriation Act footnote)

4/ Appropriated by Laws 1999, Chapter 173. Additional legislation in the 2nd Regular Session of the 44th Legislature brings total UST program funding to \$6,550,000 in FY 2001 (*see Additional Appropriations section of narrative*).

5/ The amounts appropriated for the Water Infrastructure Finance Authority in FY 2000 and FY 2001 shall be used to provide a 20% match of the FY 2000 and FY 2001 federal Safe Drinking Water and Clean Water Revolving Fund allocations to Arizona. Of the amount appropriated, any amount in excess of the required 20% match reverts to the state General Fund. Of the monies appropriated from the state General Fund to the Water Infrastructure Finance Authority in FY 2000, \$60,000 shall be used for the purpose of conducting agricultural water quality research and the development of an educational program. (General Appropriation Act footnote)

6/ Laws 2000, Chapter 405 appropriates \$2,400,000 from the Clean Air Fund and \$2,722,500 from the Vehicle Emissions Inspection Fund in FY 2001 for Emissions Control Program purposes. When combined with the \$3,747,100 budgeted amount, these additional appropriations bring total Emissions Control Program funding to \$8,869,600 in FY 2001. (*see Additional Appropriations section of narrative*)

7/ Laws 1999, Chapter 5, 1st Special Session appropriated \$1,500,000 for Vehicle Emissions Inspection Program administration and contract requirements in FY 2000. This appropriated was "triggered" due to the collection of excess FY 1999 revenues.

8/ General Appropriation Act funds are appropriated as a Modified Lump Sum by Agency.

9/ Up to \$1,250,000 of the state General Fund appropriation may be used temporarily to maintain existing environmental programs for which an application for Federal Funds has been submitted. (General Appropriation Act footnote)

10/ When expenditures from the Hazardous Waste or Environmental Health Reserves are authorized, the Director of the Department of Environmental Quality shall report the nature of the emergency and the authorized expenditure amount to the President of the Senate, the Speaker of the House of Representatives, the Chairmen of the Senate and House Appropriations Committees and the Director of the Joint Legislative Budget Committee. (General Appropriation Act footnote)

DEPARTMENT OF ENVIRONMENTAL QUALITY (Cont'd)

Table 1

FY 2001 Motorist Fees

<u>Test Fee Allocation</u>	Area A		Area B	
	<u>7/1/00 - 12/31/00</u>	<u>1/1/01 - 6/30/01</u>	<u>7/1/00 - 12/31/00</u>	<u>1/1/01 - 6/30/01</u>
Motorist Fee	\$31.50	\$25.00	\$10.00	\$ 9.00
In-Lieu Subsidy	<u>0.00</u>	<u>6.50</u>	<u>0.00</u>	<u>1.00</u>
Total Contracted Fee	\$31.50	\$31.50	\$10.00	\$10.00
<u>In-Lieu Fee Allocation</u>				
VEI Subsidy	\$ 0.00	\$16.81	\$0.00	\$2.51
Arizona Clean Air Fund	<u>25.00</u>	<u>8.19</u>	<u>9.00</u>	<u>6.49</u>
Total In-Lieu Fee	\$25.00	\$25.00	\$9.00	\$9.00

The bill as originally passed also appropriated an additional \$300,000 from the Clean Air Fund to the VVRR Fund in FY 2002. This appropriation, however, was line item vetoed by the Governor.

The bill also sets the fee paid by owners of vehicles 5 years old or newer in lieu of the vehicle emissions inspection fee at \$25.00 in Area A and \$9.00 in Area B. Further, the bill stipulates that a portion of these in-lieu fees (\$16.81 in Area A and \$2.51 in Area B) are to be deposited in the Vehicle Emissions Inspection (VEI) Fund and are appropriated from this fund for the purpose of reducing the actual emission test fee in calendar year 2001. The remainder of estimated in-lieu fee revenues will be deposited in the Clean Air Fund, to promote the use of alternative fuels through tax credits and grants.

It is intended that the amounts allocated to the VEI Fund will reduce the Area A test fee from \$31.50 to \$25.00 and the Area B fee from \$10.00 to \$9.00 (See Table 1). In FY 2001, an estimated \$2,722,500 will be allocated to the VEI Fund from the in-lieu fee to reduce the fee for the first 6 months of calendar year 2001. In FY 2002, an additional \$2,722,500 is estimated to be allocated to cover the last 6 months of calendar year 2001.

Table 2

FY 2001 Vehicle Emissions Inspection Fund

	<u>Program Admin.</u>	<u>Test Subsidy</u>	<u>Total</u>
Estimated Expenditures	\$3,747,100	\$2,722,500	\$6,469,600
Revenue Sources			
Program Revenues	3,747,100	0	3,747,100
In-lieu Fee (Laws 2000, Ch. 405)	<u>0</u>	<u>2,722,500</u>	<u>2,722,500</u>
Total	\$3,747,100	\$2,722,500	\$6,469,600

In addition to the \$2,772,500 to subsidize the test in FY 2001, the VEI Fund also has expenditure authority of \$3,747,100 to administer the program. The subsidy and the administration amounts combined total a \$6,469,600

appropriation from the VEI Fund in FY 2001 (See Table 2). Funding for program administration is derived from a portion of the paid inspection fee as well as other program revenue.

Additional Legislation: Voluntary Remediation Program (Chapter 225) — This bill creates the Voluntary Remediation Program to facilitate cleanup and reuse of contaminated properties under the oversight of ADEQ. The Voluntary Remediation Fund, consisting of fees charged to program participants, reimbursed departmental costs, grants, and legislative appropriations, is created to fund the program. Until July 2004, up to \$350,000 per year can be transferred from the Water Quality Assurance Fund for the purposes of the Voluntary Remediation Program.

The bill also specifies conditions under which engineering and institutional controls may be used in remediations. The bill authorizes the department to charge a fee for approval and inspection of these controls during remediation activities. The Institutional and Engineering Control Fund is established to receive fees, reimbursed costs, appropriations, gifts, grants, and donations for the program implementation.

Voluntary Environmental Performance (Chapter 263) — This bill creates the Voluntary Environmental Performance program, conditioned upon the department receiving \$250,000 through legislative appropriation or anonymous donations in FY 2001. Upon satisfying the conditional funding requirements, the program will provide a mechanism by which regulated organizations may enter into agreements with the department. Through these agreements, organizations agree to meet certain environmental performance objectives and comply with program elements in exchange for benefits such as preferred vendor status, accelerated permit processing, and consolidation and simplification of reporting requirements, among others. No legislative appropriation was provided for this program in the 2000 session.

DEPARTMENT OF ENVIRONMENTAL QUALITY (Cont'd)

The bill also establishes the Environmental Management Pollution Prevention Program to provide low-cost loans for pollution prevention and reduction purposes. The bill creates the Environmental Management Pollution Prevention Fund, consisting of legislative appropriations, grants, and donations. Monies in the fund are continuously appropriated with the exception of monies appropriated for program administration, which will lapse annually.

Environmental Exposure Risk Assessment Program (Chapter 335) — This bill transfers \$216,000 in FY 2001, FY 2002, and FY 2003 from the Water Quality Assurance Revolving Fund to the Department of Health Services for an Environmental Exposure Risk Assessment Program. This program will evaluate health risks of environmental contamination to aid in developing and assessing cleanup strategies. The program is funded by the Risk Assessment Fund, which is newly created by this bill.

Aquifer Protection Permits (Chapter 399) — This bill eliminates the existing fee caps for aquifer protection permit (APP) applications. It allows the department to set maximum fees for APP applications based on the hours required for processing permits in particular regulated industries. In recent years, the permit fee revenues have not covered program costs due to the fee cap, therefore, a state General Fund subsidy has been required. Lifting the fee cap will allow the fee revenues to cover more program costs.

Vehicle Emissions Program (Chapter 404) — This bill makes several changes to the Emissions Control Program. Of primary importance to the state budget, the bill eliminates the remote sensing component of Emissions Control beginning in FY 2001, and adds a research study that will investigate the effectiveness and feasibility of alternative emissions control monitoring and assessment methods. The bill allows up to \$927,000 annually, the amount previously expended from the VEI Fund for the Remote Sensing Contract, to be used for the purposes of this research study until FY 2005. The Governor line-item vetoed the use of these monies after FY 2001 for this purpose.

Among other changes to the Emissions Control Program, the bill tightens eligibility requirements of the Voluntary Vehicle Repair and Retrofit Program, provides that up to 5% of monies in the Voluntary Vehicle Repair and Retrofit Program Fund may be used to educate the public about the program, and transfers \$116,000 from the VEI Fund to the Voluntary Vehicle Repair and Retrofit Program Fund for administration of the program in FY 2001. The bill also gives the department increased flexibility in hiring an emissions control program contractor and changes the next contract's length from 7½ years to 5 - 7 years.

Vetoed Legislation: Underground Storage Tanks, Revisions (S.B. 1319) — This bill increased the Underground Storage Tank Tax by 1¢ per gallon for 5 years, beginning July 1, 2000. This would have resulted in a 2¢ per gallon total tax after the increase. Proceeds from the current tax are deposited into the UST Assurance Account to provide partial reimbursement to tank owners for cleaning up leaking tanks. The tax increase would have been directed to meet outstanding fund liabilities. The Governor vetoed this bill.

[Click here for more information from the initial biennial appropriations report \(June 1999\)](#)