

A Message from the Director...

Fiscal year 2003 was a year of transition and continued improvement for the Arizona Department of Environmental Quality. The department started the fiscal year by celebrating its 15th anniversary as a separate state agency charged with protecting public health and the environment in Arizona. In September, the department reported to the Legislature that it met or exceeded all 13 of the program performance objectives set forth in its 2000 sunset legislation.

Since January, the department has continued to build upon the progress it has achieved in recent years by launching several new initiatives intended to improve the delivery of services and position the department to better perform its mission. Key among them were a process improvement that eliminated the large backlog of claims that had accumulated during the previous Administration in the State Assurance Fund, which covers the cost of removal and cleanup of leaking underground storage tanks; the launch of the Children's Environmental Health Project, which will address environmental factors that affect the health of Arizona's children; and the completion of the Arsenic Master Plan, which will greatly assist the state's small water systems in economically lowering the content of arsenic in drinking water before the federal government's January 2006 compliance deadline. The department also started the process of revising its strategic plan and performance measures to better align resources to priorities and to establish new standards of excellence for the department and its staff.

The department's program divisions also enjoyed a number of noteworthy accomplishments. The Air Quality Division received the American Lung Association's Clean Air Award in recognition of the department's efforts to improve statewide air quality in 2002. The Waste Programs Division commenced groundwater remediation efforts at two new sites in Phoenix and Tucson. The Water Quality Division received one of three federal innovation grants awarded nationwide, which it used to develop an online system to make the application process for construction water discharge permits "user friendly," and available on the Internet.

Like many state agencies, ADEQ continued to feel the effects of the state's revenue shortfall during Fiscal Year 2003. In the past two fiscal years, the department experienced a 39 percent reduction in its General Fund allocations, forcing the department to eliminate 63 positions during the previous two fiscal years, including 51 positions in December 2002.

This year's annual report reflects a significant reduction in the department's reporting requirements, as directed by HB2049. More detailed information about many of our programs may be found in the appendices to this report and on the department's Web site at www.adeq.state.az.us.

Fiscal year 2003 was a productive year for ADEQ, and this report provides an indication of the significant contribution the department's employees make to public health and the environment in Arizona. I am proud to be associated with men and women so dedicated to public service and professionalism.

Stephen A. Owens
Director

ADEQ at a Glance...

The Arizona Legislature established ADEQ as the state's environmental regulatory agency under the Environmental Quality Act of 1986. Our mission is to protect and enhance public health and the environment in Arizona. The department achieves this mission by administering our state's environmental laws and delegated federal programs to prevent pollution of our air, water and land, and to clean up such pollution when it occurs.

During FY 2003, ADEQ had an average of 738 employees working in our Phoenix facilities and our Flagstaff and Tucson regional offices. This number reflects a decline of 22 FTEs from the FY 2002 level and reflects 51 FTEs eliminated by the Legislature in December of 2002. The department's organizational structure is composed of three programmatic divisions that fulfill our environmental protection mission in the areas of air quality, water quality and waste programs. Those divisions are supported by the director's office and an administrative services division.

Our agency's core functions are vital to public health and safety, and by carrying them out, ADEQ employees ensure that Arizona's environmental quality is protected and that citizens enjoy an excellent quality of life. The core functions align with the agency mission, strategic plan and performance objectives, which are summarized below.

Pollution Control

Permitting – ADEQ issues permits, approvals and certifications to ensure that facilities are constructed and operated in accordance with the law and that any discharges to the air, water and soil are within healthful standards established by law.

Planning – ADEQ's planning specialists develop management practices and increasingly stringent control strategies in areas where health-based environmental standards are threatened or violated. Arizona's air quality management areas and watershed planning efforts are examples of this activity.

Pollution Prevention – As an alternative to regulatory enforcement, ADEQ offers guidance, assistance and financial incentives to encourage businesses to minimize waste and resulting pollution.

Environmental Clean Up

Remediation – ADEQ investigates and oversees the removal and cleanup of contaminated soil and groundwater to protect public health and the environment.

Emergency Response – ADEQ provides technical support and assistance to emergency response agencies to help them minimize the impacts to public health and the environment in the areas of air quality, water quality and hazardous waste.

Compliance Management

Inspections – ADEQ inspects facilities on a regular basis and in response to citizen complaints to ensure compliance with environmental laws.

Enforcement – ADEQ ensures compliance with environmental laws by pursuing informal enforcement through notices of opportunity to correct or notices of violation and formal enforcement through administrative orders and judicial enforcement actions in conjunction with the Arizona Attorney General's Office.

Monitoring and Assessment

Monitoring – ADEQ's monitoring personnel collect air, water and soil samples for laboratory analyses to determine the presence or absence of contaminants.

Assessment – ADEQ's assessment staff interpret the data that result from field research to draw conclusions about environmental indicators and trends and form the basis for future planning and policy decisions.

Public Outreach

Education and Outreach – ADEQ offers a variety of seminars, workshops, presentations and publishes information via newsletter and the Internet to inform the public about department programs and activities. ADEQ also supports numerous advisory and stakeholder groups and conducts public hearings and meetings in support of our regulatory and public policy functions.

Financial Assistance – ADEQ offers financial assistance for leaking underground storage tank cleanup costs and provides grants to local governments for air quality and water quality programs. Other ADEQ programs also make funding available to eligible applicants for recycling, water quality and pollution prevention projects and activities.

Public Policy

Policy Development – ADEQ works with state and national organizations and stakeholders to shape and influence environmental policy at the state and federal levels. Policies are developed to explain how we interpret statutes and rules to ensure consistent, equitable decisions and to inform the public about how we do business.

Rule Development – ADEQ writes rules, based on science and public policy, to implement the broad statutory language contained in legislation.

In addition to these programmatic responsibilities, ADEQ has an administrative services division that provides centralized support for many of the agency's business activities including accounting, budgeting, strategic planning, contracts and procurement, human resources, general and laboratory services and maintaining our information technology systems.

Legislative Highlights

The First Regular Session of the 46th Legislature presented challenges for ADEQ's efforts to carry out agency objectives in the face of the state's continuing budgetary difficulties. The department contributed \$8 million from its fund balances toward balancing the FY 2003 budget in the 2003 special session and contributed roughly another \$17 million from its fund balances toward balancing the FY 2004 budget. The department managed to avoid set-backs in its core programs. In particular, the department was able to obtain through the budget process \$7.5 million for the Water Quality Assurance Revolving Fund to clean up contaminated properties around the state in Fiscal Year 2004 by virtue of a fund transfer of \$2.5 million and a general fund transfer of \$5 million.

Passage of HB2049 resulted in efficiency savings for ADEQ and other state agencies by reducing reporting requirements for state agencies. The bill requires agencies instead to place most annual reports on the Internet or make them available to citizens upon request. ADEQ estimated that approximately 6,000 employee hours could be saved as a result of this legislation, with employees devoting their time to fulfilling core agency functions, such as issuing permits, conducting inspections, and providing compliance assistance and outreach to the public.

The legislature passed a key piece of environmental legislation, SB1243, which removed existing barriers to property owners who want to participate in ADEQ's voluntary remediation program. This program provides landowners a streamlined process and accelerated review and approval for cleaning up polluted properties so they can be returned to productive, economic use. SB1243 granted property owners greater flexibility in obtaining financial assurance mechanisms that guarantee environmental safeguards such as fences, protective soil caps or other engineering controls that will remain in place as long as they are needed.

The legislature approved another important bill that supports the state's efforts to counter potential terrorism against Arizona drinking water supplies. SB1167 safeguards water providers by allowing them to keep federally required vulnerability assessments confidential. Without such legislation, ADEQ could not assist municipal and private water companies in assessing security issues because its involvement would subject this sensitive information to public disclosure through State Public Records Law requests.

The Legislature also supported SB 1191, which repealed a long-standing statutory provision that purported to give the State jurisdiction over Indian lands on air quality matters. While the provision had long been recognized as a legal nullity, its repeal was an important symbolic statement that the State respects tribal sovereignty and that ADEQ will work with the Tribes as partners in environmental protection.

The session ended on a high note with the confirmation of Stephen A. Owens as the fifth director of ADEQ.

FY2003 Accomplishments...

Pollution Control - Permitting

ADEQ Granted Authority to Regulate Surface Water Pollution in Arizona

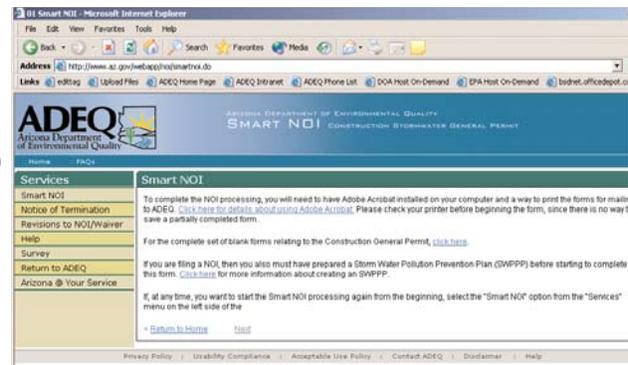
On December 5, 2002, the department received from the U.S. Environmental Protection Agency approval to manage the Arizona Pollutant Discharge Elimination System program (AZPDES) in Arizona, in lieu of the federal National Pollutant Discharge Elimination System program (NPDES) previously administered for Arizona from EPA Region 9's San Francisco office. The change consolidates at ADEQ the authority to regulate surface water discharges from facilities and municipalities according to the federal Clean Water Act and allows ADEQ to issue permits and take action on any violations within the state. As a result of this change, Arizona citizens benefit from consolidated oversight of water pollution control activities, and businesses benefit from reduced permit costs.

Since that time, the department has issued 17 individual AZPDES permits to facilities for discharges to surface waters in Arizona, and created general permits for stormwater discharges from construction activities and for small communities (typically with fewer than 50,000 residents).

"Smart NOI" Online Permit System a First for ADEQ

One of the major challenges confronting the department when it gained approval to manage the AZPDES program was finding a way to manage the construction stormwater program. Beginning in March 2003, construction activities disturbing greater than one acre of land require submission to ADEQ of a Notice of Intent, or NOI, to discharge. As a result of this new requirement, the department anticipates a 10-fold increase in the annual number of NOIs received and acted upon - from 2,000 to 20,000 each year.

To address this need, ADEQ applied for and received one of only three innovation grants awarded nationally by the U.S. EPA to develop an online NOI processing tool. Working with the Government Information Technology Agency (GITA) and its contractor, IBM, ADEQ developed a Web-based application that receives NOIs, sorts them into the proper data base, and applies a decision-making matrix to rapidly distinguish applicants who can receive immediate approval from those requiring more detailed attention. This Web-based permitting application, called "Smart NOI", has been operational since May 2003. It is the department's first Web-based permitting tool.



Aquifer Protection Permits Deadline

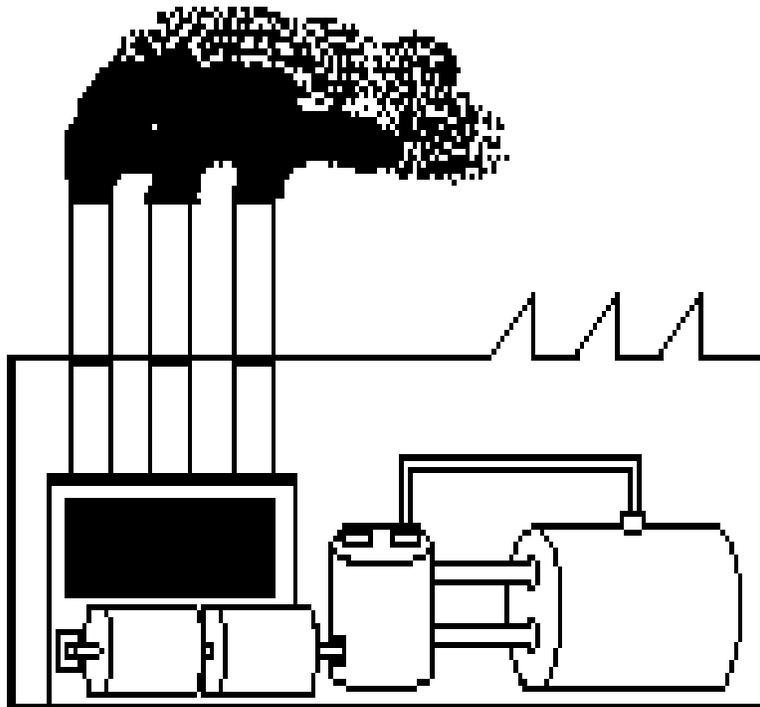
The Arizona Legislature established a statutory requirement for ADEQ to complete Aquifer Protection Permits for all existing non-mining facilities by January 1, 2004. During FY2003, ADEQ challenged itself and succeeded in almost beating that deadline by six months, issuing 222 aquifer protection permits to new and existing facilities prior to the close of the fiscal year. The two permits that are still in process will be completed by the end of the year.

Final Action Taken on Title V Sources

ADEQ's Air Quality Division completed Title V air quality permits for all, but one, of the state's existing electric utilities, mines, smelters, lime plants, cement plants and ammonium nitrate plants during FY2003. For the one permit not completed by the end of the fiscal year, additional time was needed to resolve concerns of the local community and the EPA, and the permit was issued in August of 2003. By taking final action on these Title V permits, ADEQ is ensuring that major sources of air pollution in Arizona receive permits that contain all regulatory standards and conditions governing their operations, and are enforceable under State law and Title V of the Clean Air Act.

Air Quality Plans Submitted

ADEQ submitted seven air quality plans to EPA during FY2003. The plans included the "serious area" plan for the 1-hour federal ozone standard covering Maricopa County along with six plans demonstrating attainment and maintenance of the federal health standards for sulfur dioxide: San Manuel, Miami, Hayden, Ajo, Morenci and Douglas. The submittal of these plans is the first step toward re-designation of the areas to attainment status for ozone and sulfur dioxide, which has several advantages, including potential economic



benefits for businesses and industries. Finally, substantial research, air monitoring and stakeholder outreach was conducted in 2003 on Arizona's 8-hour ozone non-attainment area boundaries and the State's proposed boundary for the 8-hour ozone non-attainment area was submitted to EPA for review in July. Final action will be taken by EPA in 2004 to set the boundary.

Pollution Control - Planning

ADEQ Launches Plan to Help State's Small and Rural Water Systems Meet The New Federal Standard for Arsenic in Drinking Water

In February 2003, the department released its Arsenic Master Plan, a tool developed to assist community water systems meet the requirement to comply by 2006 with the new federal arsenic drinking water standard of 10 parts per billion (ppb) - significantly less than the current standard of 50 ppb. Arsenic occurs naturally in Arizona soils and groundwater, and about one-third of Arizona's water systems cannot meet this new standard for arsenic. Recognizing the expense and difficulty associated with this issue, ADEQ worked with the Arizona Corporation Commission, the Water Infrastructure Finance Authority, the U.S. EPA and other agencies to develop the Arsenic Master Plan. By consolidating the needs of nearly 300 small water systems into a single plan, ADEQ anticipates that those communities may save an estimated \$6 million.

The plan includes chapters on the requirements of the new arsenic regulation; a technical decision matrix which allows a water system to find the most-effective, least-cost treatment technology for its specific mix of source water and system configuration; a compendium of financial assistance available, including contacts; a list of technical service providers equipped to consult on the complete range of issues related to the arsenic regulation; and finally, an online financial evaluation tool, which allows the water system to evaluate the adequacy of its existing rate structure.

Throughout FY2003, the department scheduled workshops around Arizona, where it presented the Arsenic Master Plan and provided individual assistance for a water system to work through the Plan. These sessions will continue throughout FY2004.

Pollution Control - Pollution Prevention

Vehicle Emissions Inspections Significantly Reducing Toxic Air Pollution

In October 2002, Arizona's vehicle emissions inspection program was credited in a report by the American Lung Association for reducing toxic air pollution in the Valley. As one measure of the program's success, the Valley has not violated federal air quality standards for carbon



monoxide or 1-hour average ozone concentrations for the past six years. The report provides the first evidence of additional benefits from the vehicle emissions inspection program, by focusing on four of the most dangerous and prevalent toxic air pollutants - benzene, a known human carcinogen; 1,3 butadiene, formaldehyde and acetaldehyde, which are listed as probable human carcinogens and known irritants.

The findings: in 2003, the Phoenix area vehicle emissions inspection program will reduce emissions of acetaldehyde by 30 tons (27.8 percent), benzene by 89 tons (28.9 percent), 1,3 butadiene by 14 tons (34.9 percent), and formaldehyde by 40 tons (21.8 percent). The report concludes that the Phoenix area program "delivers meaningful reductions of both air toxics and criteria pollutants that harm the environment and human health."

ADEQ Receives American Lung Association's Annual Clean Air Award

ADEQ received the American Lung Association of Arizona's 2003 Clean Air Award in recognition of the department's efforts to improve statewide air quality. By adopting measures including cleaner burning gasoline, the nation's most effective vehicle emissions inspection program and making improvements to mass transportation, the Phoenix metropolitan area has met federal air quality standards for carbon monoxide and ground-level ozone since 1997. The Valley's cleaner air is a major accomplishment given the county's rapid growth during this period.

The award also cited the department's work in improving air quality elsewhere in Arizona. The department is engaged in work to re-designate seven Arizona cities to attainment with federal air quality standards and is implementing several special air quality studies in sister cities along the U.S.-Mexico border. A study of Nogales, Arizona, and Nogales, Sonora is completed and the study in Douglas, Arizona, and Agua Prieta, Sonora is in the final stages. Another study in the area of Yuma, Somerton and San Luis, Arizona and San Luis Rio Colorado, Sonora, is just getting underway. ADEQ continues to work with a wide variety of stakeholder groups to address Arizona's longer-term air quality goals such as improving visibility in the state's national parks, recreation and designated wilderness areas. The department is also working closely with regional transportation planning groups and other agencies to address urban air pollution.

Computer Recycling Efforts Divert 50 Tons of Trash from Valley Landfills

ADEQ continued its support of the annual Students Recycling Used Technology (StRUT) Program collection and recycling effort. This year's effort collected equipment at 28 Valley locations to provide an opportunity for the public, organizations and small businesses to dispose of their unused or obsolete computers and computer parts.

All donated computer equipment is either refurbished by StRUT members and donated to local schools and non-profit organizations or recycled for components. These collection efforts divert about 3,000 computers or 50 tons of computer waste from Valley landfills each year.

Arizona - Sonora Participate in Pretreatment Workshop

For the first time, ADEQ teamed up with the city of Phoenix and Gateway Community College to develop a wastewater pretreatment and water quality training conference for representatives from the Arizona and Sonora border region as part of an effort to promote a clean and healthy supply of water in the bi-national watershed and to protect public health in the border region. The program will help establish effective industrial pretreatment programs needed to protect water quality in the border region.

ADEQ is teaming with the City of Nogales, Arizona, the State of Sonora, the International Boundary Water Commission and EPA to plan for expanding the existing Nogales International Wastewater Treatment Plant's capacity from 9.9 million gallons per day to 22.2 mgd, a project funded by the Border Environment Cooperation Commission through the Border Environmental Infrastructure Fund. Approximately 70 percent of the wastewater treated at the facility comes from Nogales, Sonora, with the remaining 30 percent coming from Nogales, Arizona.

Environmental Cleanup - Remediation

212 Contaminated Sites Closed in 2003

ADEQ's Waste Programs Division is responsible for conducting or overseeing the remediation of contaminated sites regulated by the leaking underground storage tank, superfund, hazardous waste and voluntary remediation programs. Compelling remediation ensures that contaminated properties are addressed appropriately, and threats to human health or the environment are mitigated. In addition, cleanup and closure of contaminated properties allows them to be returned to productive use.

Through project management, enforcement, compliance assistance and oversight of responsible party-led projects, 212 contaminated sites (primarily underground storage tank sites) were remediated and closed by the Waste Programs Division in fiscal year 2003.

Early Response Actions

ADEQ's Water Quality Assurance Revolving Fund program continues to place a high priority on early response actions at sites where human health is directly threatened or where sources of contamination can cause significant environmental impact if not contained. During FY2003, the WQARF program completed three significant early response actions:



Central and Camelback - In January 2003, ADEQ initiated an early response action to control contaminated groundwater at the southwest corner of Central Avenue and Camelback Road in Phoenix. Groundwater contaminated with tetrachloroethylene (PCE) had been found in the lower levels of a nearby parking garage. ADEQ performed an investigation which identified the source area and then designed a groundwater remediation system to control further spreading of contamination to the parking garage.

Tyson Wash - In March 2003, ADEQ initiated an early response action to address contaminated groundwater at a site in Quartzite. Area water supply wells were found to be contaminated with PCE. Residents were supplied with bottled water while ADEQ investigated the source of contamination. A groundwater treatment system was constructed to control further spreading of the contamination to additional area wells. Residents who were being supplied bottled water were connected to the public drinking water system.

Broadway-Pantano - In May 2003, ADEQ initiated operation of a groundwater containment system in Tucson. An area landfill is the source of PCE contamination in groundwater which was spreading toward active city of Tucson drinking water wells. The containment system was designed to prevent further migration of contamination to additional wells in the area.



Municipal Tank Closure Program Hits Stride

During FY2003, ADEQ focused on increasing participation in the Municipal Tank Closure and Corrective Action Program, a fund that pays for the removal of abandoned underground storage tanks in communities of 15,000 or fewer residents. As a result of the department's increased emphasis on marketing the program, the number of applications received and approved by ADEQ nearly doubled from a total of six facilities within three rural municipalities in FY2002 to 11 tank closures in six rural municipalities in FY2003.

The program has great benefits for property owners, municipalities and the public. By helping put idle properties back into productive use, the value of the property is increased; communities are revitalized; and public health and the environment are protected. Thus far, the program has paid for the removal of more than 37 abandoned tanks from eight communities including Buckeye, Clarkdale, Holbrook, Springerville, St. Johns, Wilcox, Williams, and Winslow, and the list continues to grow.

ADEQ Program Encourages Voluntary Cleanups

Through its Voluntary Remediation Program, ADEQ encourages property owners, prospective purchasers and other interested parties to investigate and clean up contaminated sites in cooperation with the agency. Benefits of the program include reducing exposures to contaminants and ensuring that cleanups meet applicable requirements. In exchange for their initiative and cooperation, program participants benefit from ADEQ's expedited review of the voluntary action and upon successful completion, a closure document that is accepted by all relevant ADEQ programs. Ultimately, a once idle and contaminated property is returned to marketability and productive use.

Environmental Cleanup - Emergency Response

Community Emergency Notification System Adds Maricopa County's Emergency Preparedness

In January, ADEQ awarded a \$2.5 million contract to the Maricopa Association of Governments and Qwest Communications to jointly develop and operate a community emergency notification system for Maricopa County. The system will rapidly notify those living or working near the scene of an emergency in Maricopa County by telephone and provide them with information and any required emergency instructions in English or Spanish.

The value of such a system is the speed and efficiency with which it notifies large numbers of people and advises them of steps they can take to reduce or eliminate risks associated with the emergency. In doing so, it also reduces the number of emergency response personnel required to perform the task, allowing them instead to focus on the emergency. Scheduled to commence operation in January 2004, this system will add significant capability to emergency response agencies in Maricopa County.

The MAG/Qwest team will be reimbursed for successful performance of the system by a \$2.5 million settlement ADEQ received in January 2001 with TRW Vehicle Safety Systems Division for hazardous waste violations.

ADEQ Supports Rodeo-Chedeski Firefighting and Cleanup Efforts



The beginning of FY2003 witnessed one of the most devastating wild land fires in Arizona history, the Rodeo-Chedeski fire, which consumed approximately 500,000 acres of public, tribal and private lands. The department supported firefighting and recovery efforts in a wide variety of ways. During the fire, ADEQ meteorologists and air quality experts helped support firefighting efforts with continuously updated forecasts and predictions about the impacts of smoke in nearby communities. At the same time, water quality and waste disposal experts helped identify threats to drinking water systems and underground fuel storage tanks by charting and predicting the daily

fire lines.

When the fire was extinguished, ADEQ personnel worked tirelessly to speed the return of residents to their homes by surveying burned areas for hazardous materials, rapidly providing area residents with information about the quality of area drinking water, and increasing its monitoring frequency for downstream rivers and lakes.

ADEQ also took several steps to address longer-term fire recovery efforts. The department waived its solid waste rules to allow private property owners to bury burned trees and vegetation that would normally require landfill disposal. The ADEQ Recycling Program purchased two wood chippers for Navajo County to support efforts by private property owners to clear their property of damaged or destroyed trees or other vegetation. ADEQ also awarded a \$413,640 water quality improvement grant to the Arizona Community Tree Council's "Trees for the Rim" project, which is providing trees and other vegetation, at no cost, to private property owners whose trees and landscape plants were destroyed during the Rodeo-Chediski fire.

Aspen Firefighting Support

In late June 2003, ADEQ provided support to those battling the Aspen fire in Pima County. Department staff once again provided air quality monitoring and weather forecasts information to officials during the fire and surveyed area drinking water systems to speed the return of residents to their homes and property once the fire was extinguished. ADEQ quickly waived its solid waste rules to allow private property owners to bury burned trees and vegetation that would normally require landfill disposal.

Compliance Management - Inspections and Enforcement

Bringing ADEQ's Compliance Activities Together

Throughout FY2003, ADEQ worked to improve the consistency, fairness and timeliness of the department's compliance and enforcement activities. Building upon the successful completion of the compliance and enforcement handbook developed in FY2002, ADEQ continued to refine procedures and practices for conducting compliance and enforcement activities.

Notable Enforcement Cases Recognized

ADEQ employs a spectrum of tools and resources to protect Arizona's public health and environmental quality. At the far end of this spectrum lie its enforcement authorities. ADEQ has shown leadership in taking enforcement actions against entities and individuals that violate laws or otherwise act to endanger public health or the environment.

Phoenix Hazardous Waste Facility Closed Over Violations

On February 26, 2003, ADEQ ordered the suspension and revocation of the hazardous waste permit issued to Innovative Waste Utilization (IWU) for violations of hazardous waste laws at the company's facility in Phoenix. Violations resulted from the mismanagement of waste seized from illegal drug labs by various federal and state law enforcement agencies and shipped to IWU for appropriate disposal.

Because the condition of several containers of waste had seriously degraded, ADEQ subsequently declared the site an imminent threat to the community on March 7 and ADEQ's Emergency Response Unit began an emergency removal action at the facility. ADEQ provided oversight for

the 18-day removal action and ensured that all wastes were disposed of in a properly permitted waste management facility. As a result of ADEQ's actions, approximately 630,000 pounds of waste were removed. The action was funded by the Water Quality Assurance Revolving Fund.

Reynolds Metals Company Pays Nearly \$2 Million for Environmental Cleanup

In July 2002, Reynolds Metals Company paid nearly \$2 million for cleaning up groundwater contamination that resulted from operations at its Phoenix Aluminum Extrusion Plant from 1950 to 1983. The facility, located between 35th and 43rd Avenues south of Van Buren Street, released the metal degreasing solvent trichloroethane (TCA) that mixed with contamination from other sources to create a large plume of contaminated groundwater in that area. The \$1,954,747 settlement was based upon Reynolds proportionate share of the projected cleanup cost.

ADEQ and Pima County Reach Settlement on Broadway North Landfill

In September 2002, Pima County agreed to pay \$1.2 million to resolve its liability for releases of hazardous substances at the Broadway North Landfill. The former municipal landfill, located directly north of Broadway Boulevard and Prudence Road in Tucson, was operated by the Pima County Sanitary District Number 1, and the city of Tucson at various times from 1961-1971. As part of the settlement, Pima County was credited \$410,000 for investigation and cleanup work already performed at the site.

Superior Special Services Fined \$143,000 for Hazardous Waste Violations

In October 2002, ADEQ and the U.S. Environmental Protection Agency fined Phoenix-based recycling company Superior Special Services \$143,000 for multiple violations of state and federal laws governing the storage of hazardous waste. The company recycles fluorescent lighting and ballasts, lamps, transformers, batteries, mercury waste, and PCBs. Superior paid \$125,000 to the state's General Fund for state law violations and \$18,000 to the U.S. Treasury for federal violations. As part of a supplemental environmental project under the state's consent order, Superior will spend \$125,000 to collect and dispose of unwanted hazardous chemicals from Phoenix schools. The money will go toward helping schools properly dispose of waste from chemistry labs such as outdated chemicals and deteriorated chemical containers.

Johnson Utilities Company Fined \$80,000 for Water Quality Violations

In April 2003, ADEQ fined Scottsdale-based Johnson Utilities Company \$80,000 to settle violations of Arizona's drinking water laws at its facility near Queen Creek in Pinal County. The company violated three Arizona laws in October 2001, when it failed to obtain approvals to build and operate a newly constructed water system to serve the Sun Valley Farms housing development. The requirement to obtain approval prior to construction and operation of a water system is a critical element of the multi-barrier process that protects public health and the environment from waterborne bacteria and disease.

Valley Refining Fined \$75,000 for Air Pollution Violations

In June 2003, ADEQ fined Valley Refining, LLC, more than \$75,000 for violations of state air pollution control laws. The company, which operates a petroleum transmix facility in El Mirage, Ariz., admitted to operating the facility with an expired air pollution control permit and failing to operate it properly, which resulted in excessive emissions of volatile organic compounds (VOCs). VOCs contribute to the creation of ozone, an air pollutant which can cause respiratory infection, lung inflammation and can aggravate respiratory illnesses like asthma.

Public Outreach and Education

Increased Focus on Outreach

Beginning in January 2003, as part of new ADEQ director Steve Owens' initiative, ADEQ began to increase its focus on outreach in an effort to become more responsive to the public and the regulated community and improve relationships and communication with elected officials throughout our state, especially at the local and county levels. To achieve those objectives, the Director met with a wide range of business groups, community leaders and elected officials interested in the department's programs and policies. The Director also established a Business Roundtable and a roundtable for the environmental community. This outreach initiative will continue and be formalized throughout FY2004 and beyond to enable ADEQ to become more responsive and efficient in serving the needs of Arizona's citizens and the department's diverse constituencies.

Summer Clean Air Campaign

As a result of health effects studies, the EPA in 1997 decided to phase out the health-based 1-hour primary ozone standard and replace it with a new more stringent 8-hour standard to protect people against longer exposure periods. In contrast to the one-hour ozone standard, which has not been exceeded in the Phoenix metropolitan area during the past six years, achieving the eight hour standard will pose a significant challenge when it takes effect in April 2004. To help prepare Arizona citizens for this change, ADEQ revised its air quality forecasting program and increased its public education and outreach efforts.



ADEQ now offers weekly ozone forecasts as well as daily updates, and also provides two separate public notification levels. Ozone Health Watches are issued when the forecast indicates

conditions that would create health concerns for those in sensitive populations (senior citizens, children and those with respiratory illnesses or compromised immune systems). Ozone Health Warnings are issued when the forecast indicates conditions that would lead to a violation of the federal air quality standard and might constitute a health concern for the general population.

Superfund Public Involvement

During FY2003, ADEQ continued to manage 15 community advisory boards representing 21 WQARF sites, two National Priorities List site community advisory groups and one Department of Defense stakeholders advisory group. ADEQ conducted 71 public meetings, produced 36 fact sheets and public notices and completed updates of eight community involvement plans representing 13 sites. ADEQ staff regularly hand delivered notices for WQARF and Superfund fieldwork activities and participated in various outreach events including Earth Day events, realtor and neighborhood association presentations.

Public Outreach - Financial Assistance

Water Quality Improvement Grant Program

ADEQ awarded \$1.2 million in FY2003 through the Water Quality Improvement Grant Program to fund 10 projects statewide as part of our effort to improve water quality and watershed conditions. The funds are provided annually by EPA under the federal Clean Water Act to assist recipients with "on-the-ground" implementation projects that protect or improve water quality by controlling non-point source pollution - the nation's largest source of water quality problems. This type of pollution results when rainfall, melting snow or irrigation runoff picks up pollutants and deposits them in rivers, lakes, coastal waters or ground water sources.

Agriculture, forestry, grazing, septic systems, recreational boating, urban runoff and construction contribute to non-point source pollution.

Recycling Program Assistance Funding

ADEQ's Recycling Program administers a funding program that provides financial assistance or start up money to private businesses, non-profit organizations and government entities existing or servicing areas within Arizona. In FY2003, the Recycling Program awarded \$801,759 to eight Waste Reduction Assistance (WRA) Projects, \$68,505 to two Recycling Research and Development projects and \$176,006.67 to seven Waste Reduction Initiative Through Education (WRITE) projects.



WRA funding assists projects that divert significant amounts of material from the solid waste stream or that represent comprehensive programs designed to achieve high solid waste diversion levels. Recycling research and development projects develop tools and ideas and create knowledge that will help to divert significant amounts of materials from the solid waste stream in the future.

WRITE projects assist the Recycling Program in its mandate to provide recycling education to the public. WRITE projects provide Arizona residents with the information and education needed to increase their awareness of properly reducing and disposing of solid waste and encourage participation in source reduction, reuse and recycling activities.

Public Policy

State Assurance Fund Payment Process Reforms

During FY2003, ADEQ placed considerable effort into reforming the State Assurance Fund, which reimburses owners and operators of underground storage tanks for the removal and cleanup of leaking tanks in Arizona. By providing additional resources to speed the review of corrective action and pre-approval plans, ADEQ was able to process and approve 1,196 claims during FY2003, up from 671 in FY2002.

After conducting an internal review of the fund, the ADEQ director in May 2003 ordered changes in the SAF payment procedures that resulted in ADEQ clearing a significant backlog of claims awaiting payment, including nearly every claim for reimbursement from areas outside of Maricopa County. Although the true magnitude of this action in reducing the backlog of claims will not become apparent until FY2004, preliminary numbers show that about \$11 million in claims were paid in the first quarter of FY2004 as compared to \$17.4 million for all of FY2003.

Promulgation and Implementation of the Underground Storage Tank (UST) Release Reporting & Corrective Action Rule

This rule, which became effective on August 20, 2002, implements the statutory requirements for release reporting and corrective actions (A.R.S. §§49-1004 and 49-1005, respectively) and completes the technical requirements for managing a UST. Considerable stakeholder input went into developing the rule, including numerous stakeholder workshops over the course of two years. The rule was unanimously approved by the UST Policy Commission.

One of the rule's most important provisions is the risk-based corrective action (RBCA) process, which assigns site specific cleanup levels depending upon the intended use of the property and underlying groundwater. Additional RBCA cleanup options take the form of a three-tiered approach to determine the appropriate risk-based cleanup level for a leaking UST site. The tiers move from "one-size-fits all" site assumptions using existing, conservative standards to increasingly detailed, site-specific characterizations to assess the human health risk.

Children's Environmental Health

In recognition of the growing concern about the effect that environmental contaminants have upon children, Governor Napolitano in April 2003 directed ADEQ to begin a Children's Environmental Health Project, to bring focus and leadership on environmental factors that affect the health of Arizona children.



Several significant actions were taken as part of the project's first-year activities. In May, ADEQ hosted Arizona's first-ever Children's Environmental Health Forum that brought together nationally recognized experts in the fields of medicine and public health policy to help chart a course for Arizona's efforts. The initial focus of the project will be on air quality and children's respiratory problems, especially asthma. The Children's Environmental Health Project goals will be integrated in the department's overall agency goals and performance measures during FY2004.

Conclusion

Fiscal Year 2003 was a productive year for ADEQ despite the challenges we faced with reduced funding, staff and resources. By concentrating on our core functions, the department was able to protect public health and the environment by ensuring compliance with laws and regulations that prevent pollution of our air, water and land resources.

With the continued dedication of our employees, ADEQ will strive to meet the needs of Arizona's citizens, knowing that their judgment ultimately determines our success. We will further endeavor to streamline our operations and provide value to Arizona in fulfilling our mission to protect public health and the environment.