



IOWA DEPARTMENT OF NATURAL RESOURCES

LEADING IOWANS IN CARING FOR OUR NATURAL RESOURCES

Air Quality Budget Open House

Summary of meeting

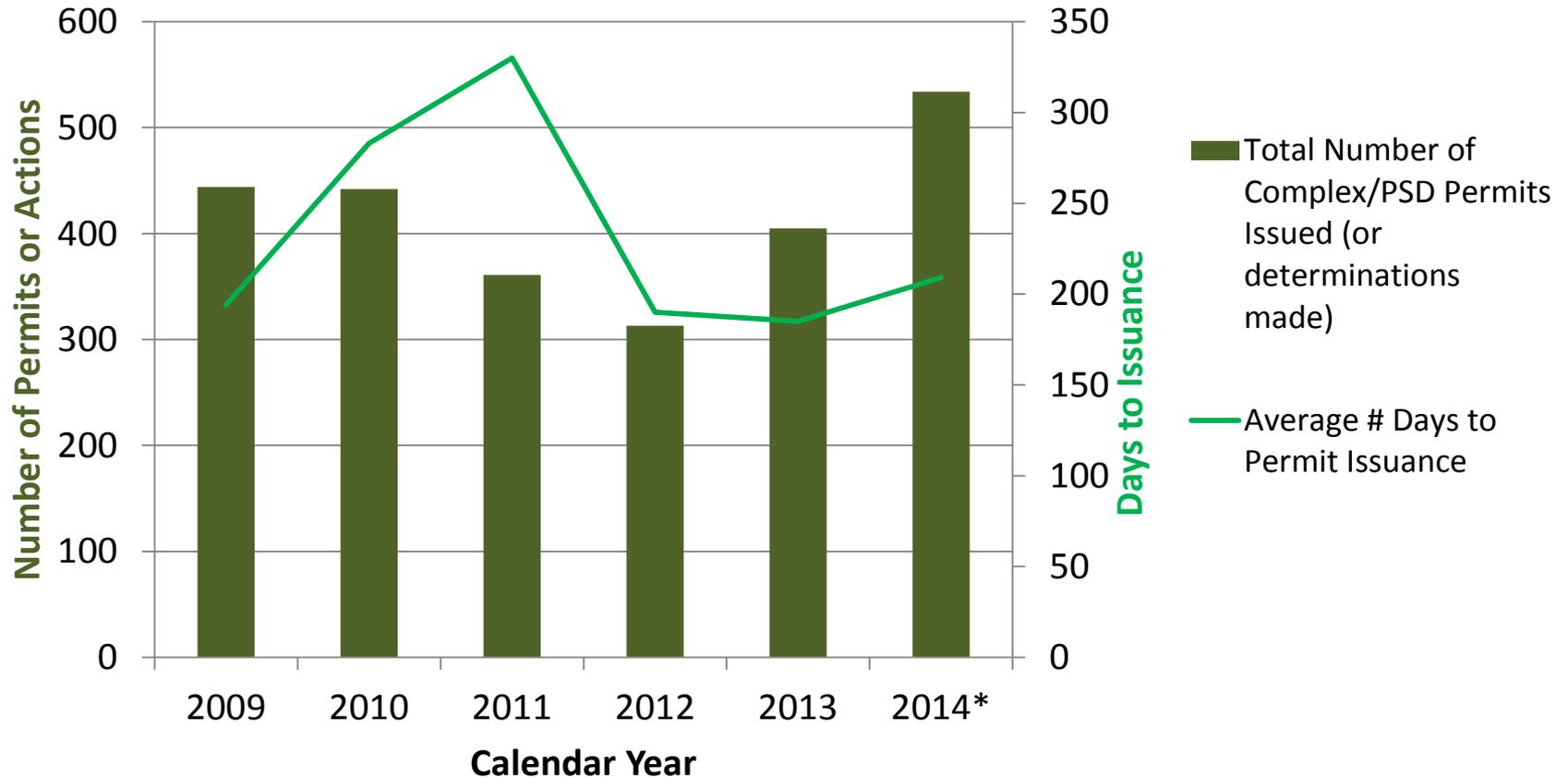
- Overview of Air Quality Bureau services
- Draft program-based budget for fiscal year (FY) 2016
- Projected funding shortfall
- Air Quality Stakeholder Recommendations
- Discussion and input

Air Quality Services...

- Construction permitting
 - Standard construction permitting
 - Permit templates
 - PSD permitting
 - Dispersion modeling
- Title V operating permits
- Variances
- Assistance
 - Emissions inventory, small business assistance, regulatory determinations
- Data:
 - Ambient monitoring
 - Meteorological

Air Construction Permitting Services

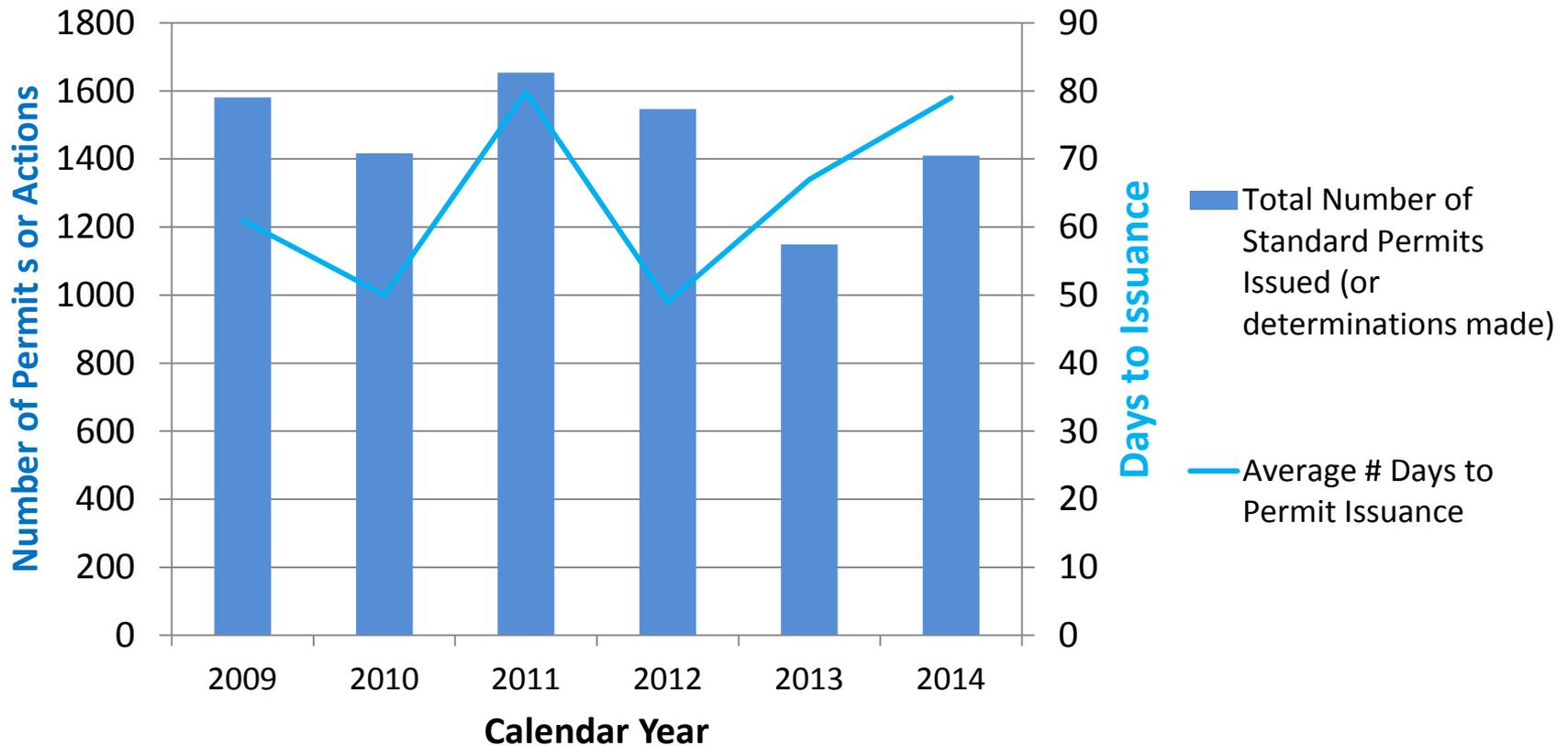
Complex/PSD Actions



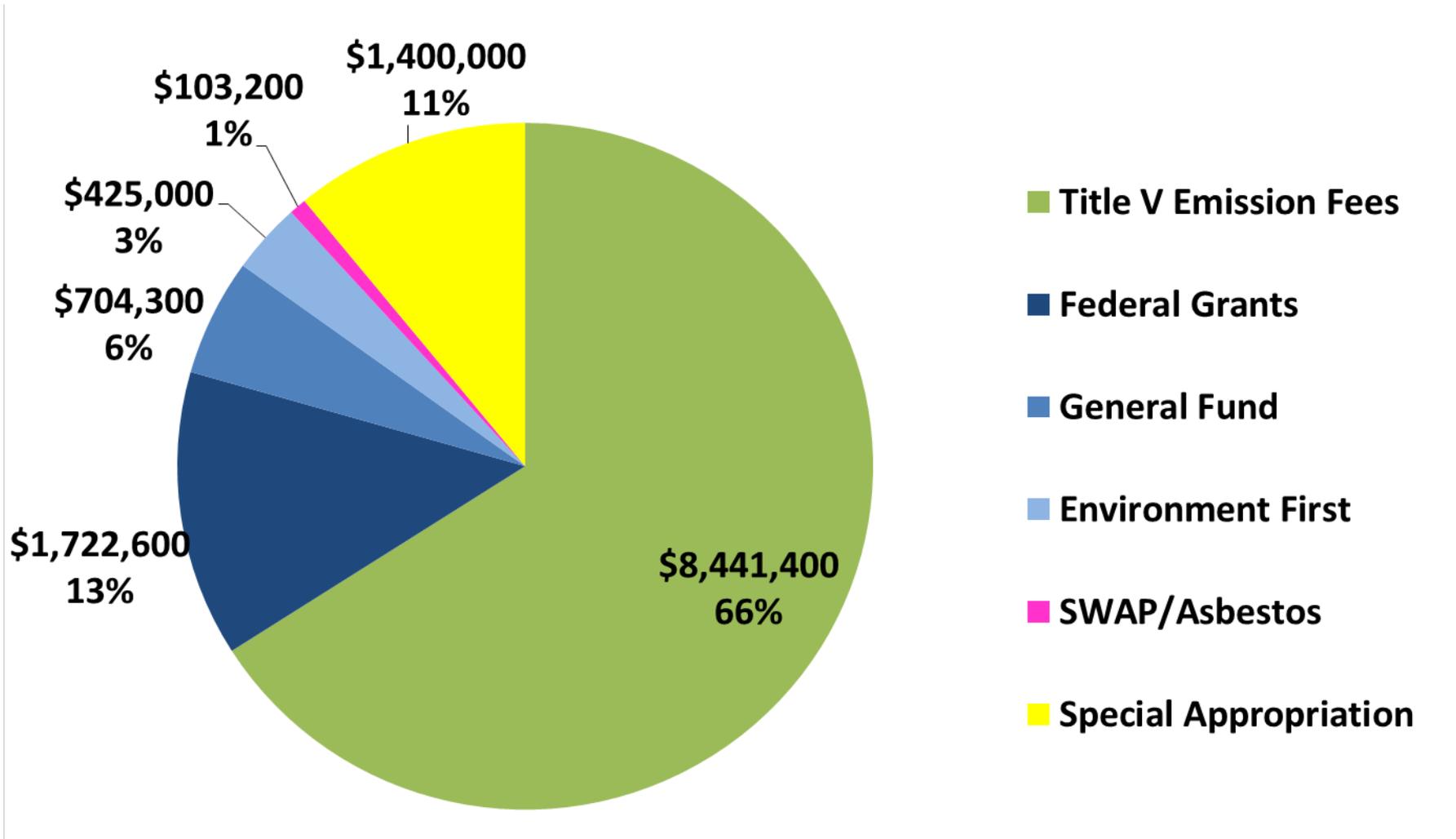
*Does not include SIP/Maintenance Area Projects

Air Construction Permitting Services

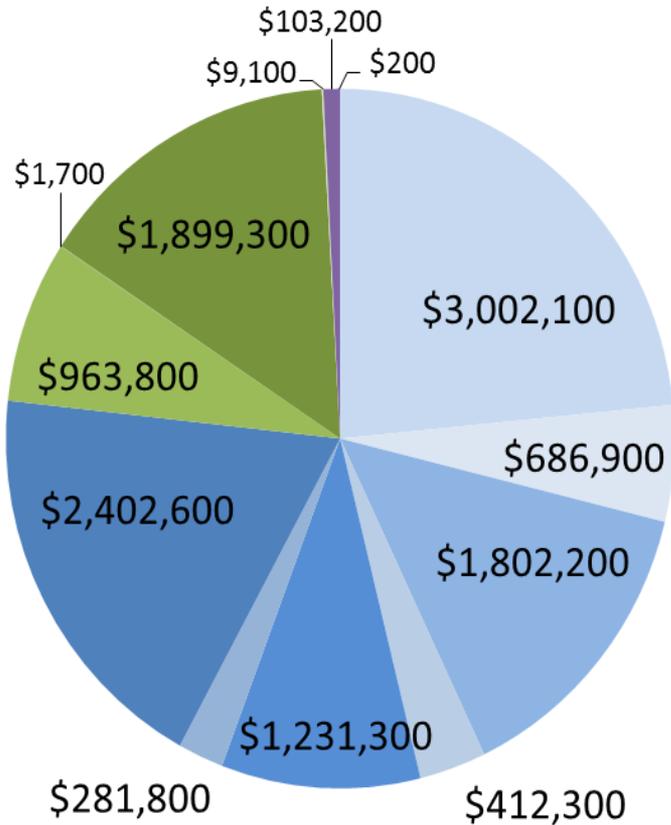
Standard Air Quality Permitting



FY 15 Air Quality Bureau Revenue



FY 15 Air Quality Bureau Expenditures



Blue - Title V fees Fund only Major Source related activities:

- Title V Operating Permits -Title V Fees: \$3,002,100
- - FY15 Fund: \$686,900
- Major Source Construction Permits - Title V Fees: \$1,802,200
- - FY15 Fund: \$412,300
- PSD Permits - Title V Fees: \$1,231,300
- - FY15 Fund: \$281,800
- Core Program Activities (Title V Fees: \$2,402,600)

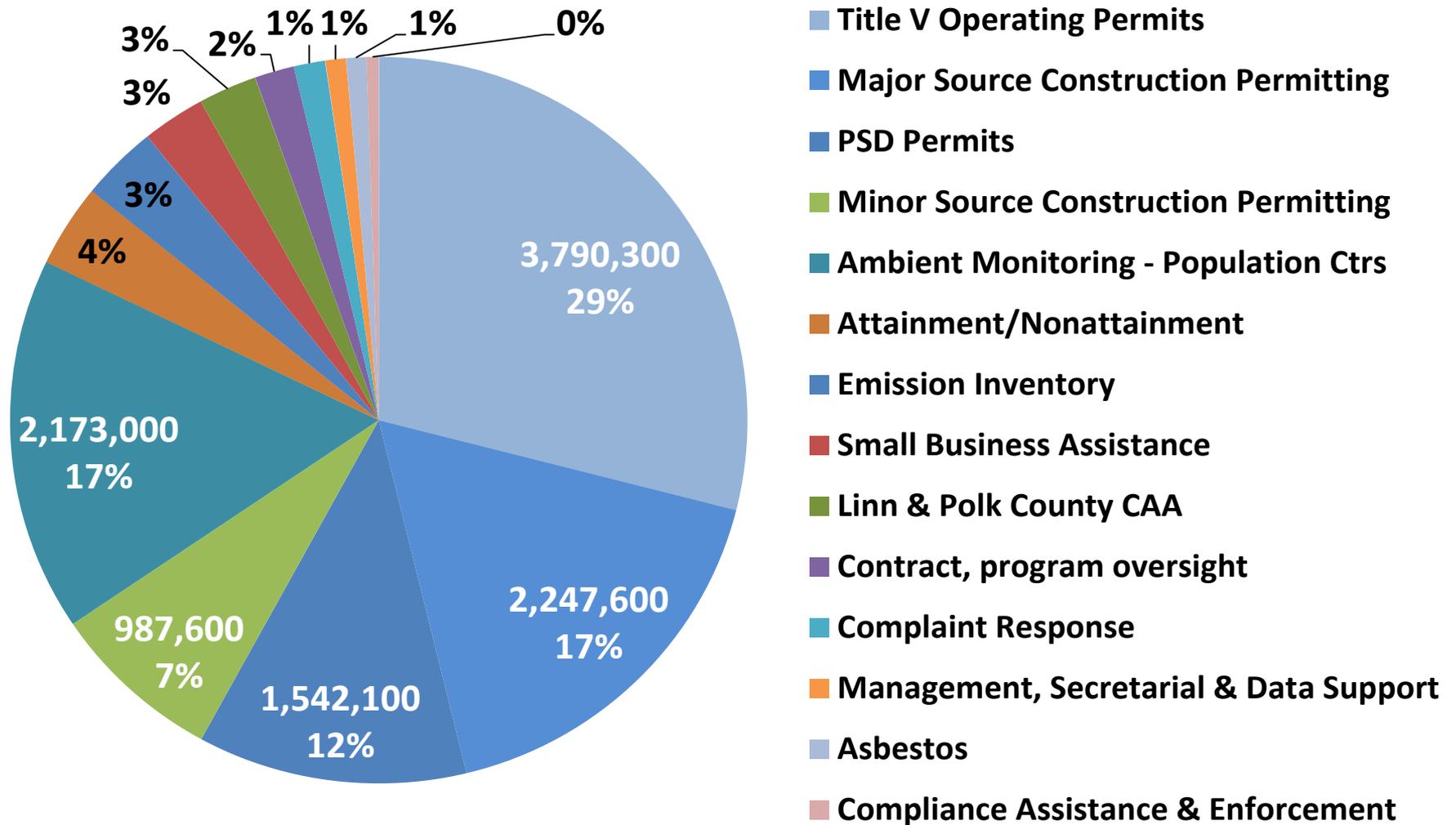
Green - Federal & State Funds Fund only Minor Source related activities

- Minor Source Construction Permitting - Federal & State Funds: \$963,800
- - FY15 Fund: \$1,700
- Core Program Activities - Federal & State Funds: \$1,899,300
- - FY15 Fund: 9,100

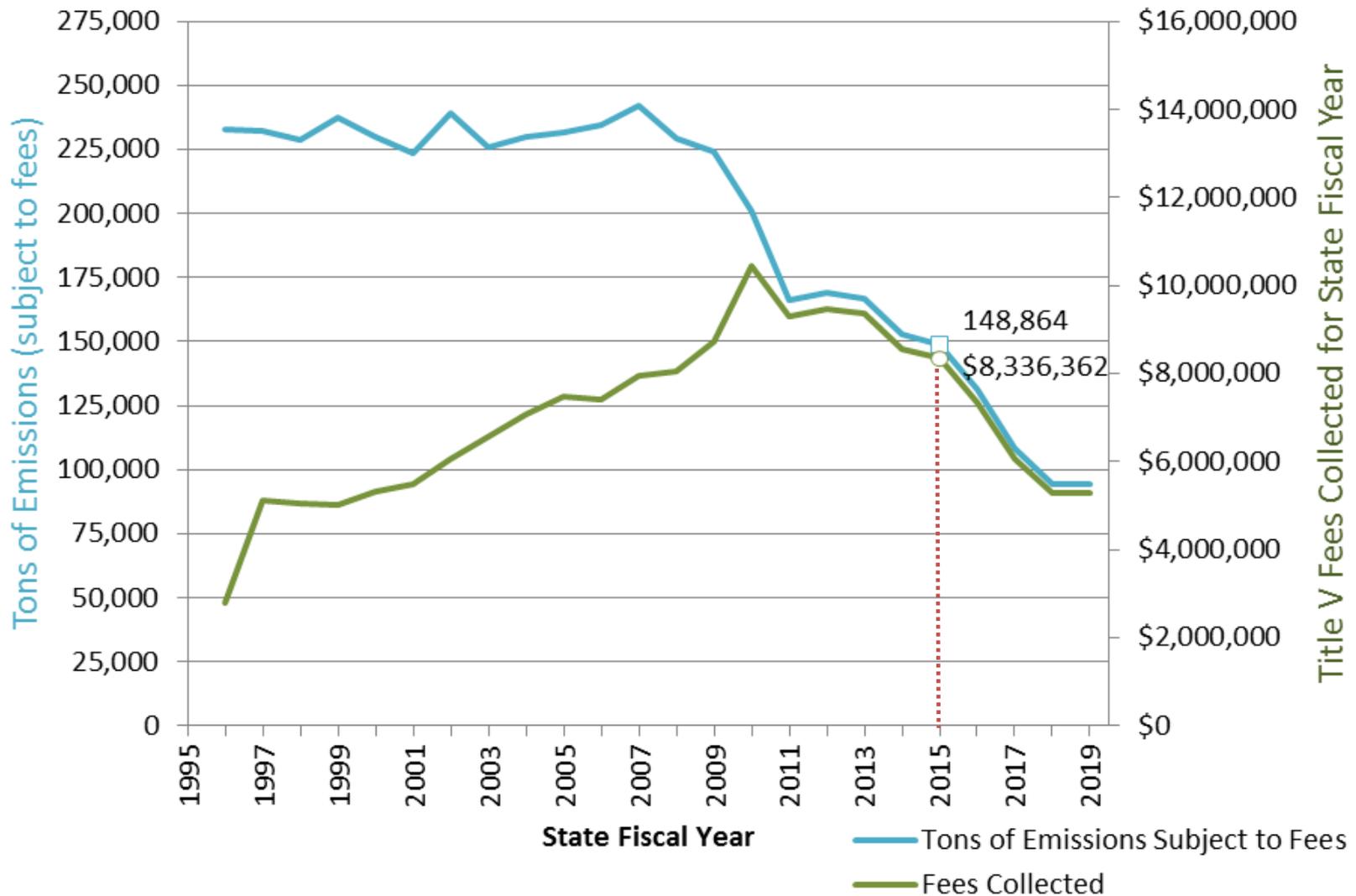
Purple: Other Funding Source Funds only Asbestos Program Activities:

- Asbestos Program - SWAP: \$103,200
- - FY15 Fund: \$200

Draft Program-based Budget for 2016



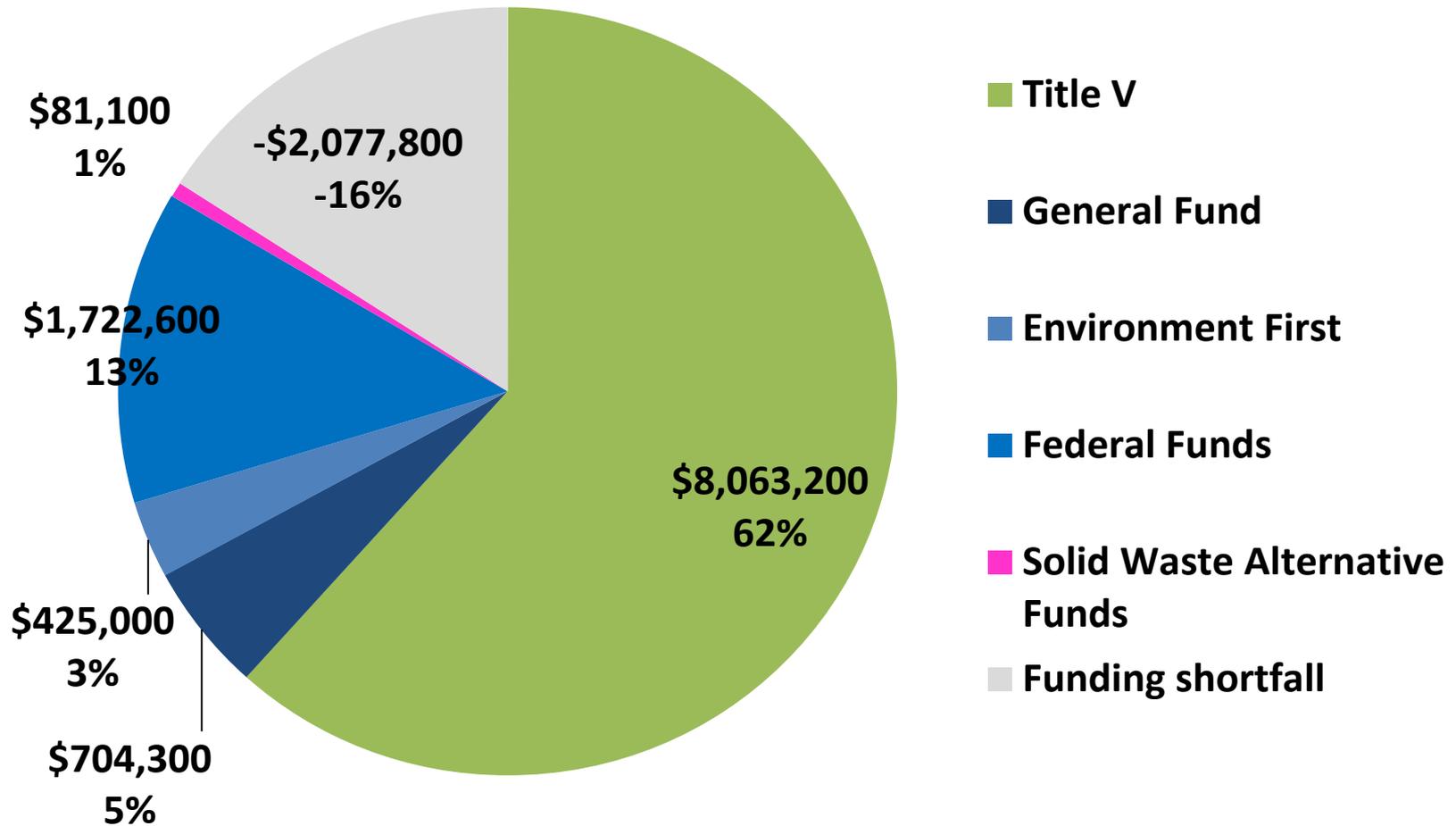
Historical and Projected Title V Fee Revenue and Emissions



Savings and Efficiencies

- Cost savings of over \$2.2 million since 2008
 - Staff and contract reductions
 - Reduced fleet expenses
 - Reduced IT equipment and office expenses
- Process improvements and streamlining
 - Construction permitting
 - Six Kaizen events since 2003
 - Streamlining forms and instructions (2014-15)
 - Title V permitting
 - One Kaizen event (2012)
 - Elimination of VOP program
 - Assist sources in exiting program (2014-15)
 - Support services
 - On-line calculators, increased webinar training, updated permit templates & registrations, increased data availability

Draft FY 2016 Air Quality Bureau Revenue



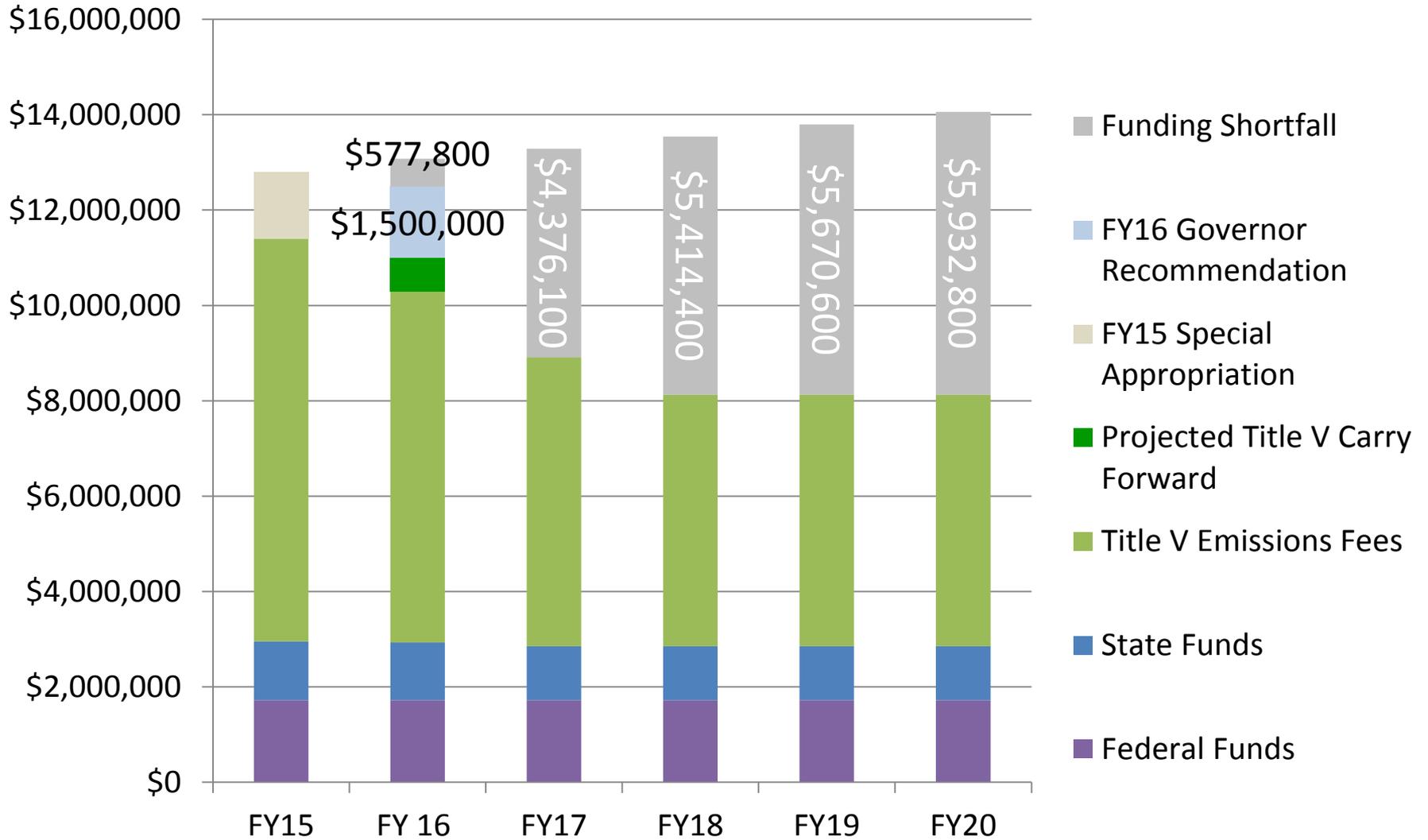
Draft Program-based Budget for 2016

Expenses	Amount
Title V Operating Permits	\$3,790,300
Major Source Construction Permits	\$2,247,600
Prevention of Significant Deterioration Permits	\$1,542,100
Minor Source Construction Permits	\$987,600
Construction Permits (total)	\$4,777,300
Core Program Activities	\$4,506,400
Expenses (Total)	\$13,074,000
Revenue	
State General Fund, Env. First, and Solid Waste Alternative Fund	\$1,210,400
Federal Grants	\$1,722,600
Title V Fee Revenue	\$8,063,200
Revenue (Total)	\$10,996,200
Anticipated Shortfall	-\$2,077,800

Draft FY 16: Projected Shortfall by Funding Source

Funding Source	Shortfall
Title V	-\$2,030,600
State & Federal Funds	-\$20,200
Solid Waste Alternative Funding (SWAP)	-\$27,000
Total	-\$2,077,800

Future Revenues and Projected Funding Shortfall



Projected Shortfall: Summary

- Title V fee revenue is declining due to reductions in air pollution emissions that are the foundation of the current funding mechanism for the Bureau.
- Federal funding is stagnant and not providing for the increased programmatic costs.
- Demand for services from the bureau continue to grow.
- The Bureau continues to look for cost savings and methods to reduce our expenditures on non-value added activities.
- To continue to provide the same level of service additional funds will be needed.

Workgroup Strategy for Recommendations

Strategic Priorities for Financial Sustainability



Pillar 1	Pillar 2	Pillar 3	Pillar 4
Identify and Control Costs	Diversify the Income Structure	Obtain Sufficient, Sustainable Public Funding	Adjust Accounting Practices

Workgroup Strategy for Recommendations Cont.

1. The Bureau should have a funding structure that provides a sustainable future as regulations change.
2. Funding solutions should be fair to stakeholders, transparent and easily understood.
3. Fees should be deposited into a dedicated fund. Unspent funds should carry forward into the next fiscal year to provide resources for future requirements.

Workgroup Strategy for Recommendations Cont.

4. When a service is directly traceable to users or beneficiaries, those users or beneficiaries should pay part of the cost through fees.
5. The Title V permit program should be self-sustaining through the payment of fees by Title V permit holders.

Stakeholder Recommendations: Create an Air Quality Fee Fund

- Create a dedicated fund for the new user fees.
- Funds should carry forward and not revert to the General Fund.
- Funds should not be diverted to another program.

Stakeholder Recommendations: More State Funds for Air Quality

- The State of Iowa should invest in air quality:
 - Iowa citizens are the primary beneficiaries.
 - The program is under funded in comparison to similar programs in other states and environmental programs within DNR.
- State monies should fund the anticipated shortfall in fiscal year (FY) 2016
- An additional \$2,000,000 should be appropriated each year.

Stakeholder Recommendations:

Establish Fees and One-time Funding

- Implement fees for services:
 - Permitting and dispersion modeling fees.
 - Larger sources would pay 100% of cost.
 - Smaller sources would pay 40% of cost.
 - Asbestos notification fee.
- Fee amounts would be set up through rulemaking.
 - Title V fee to remain at the current level.
- One-time expenditures should be funded by the State
 - SO₂ and Ozone NAAQS implementation
 - SPARS replacement

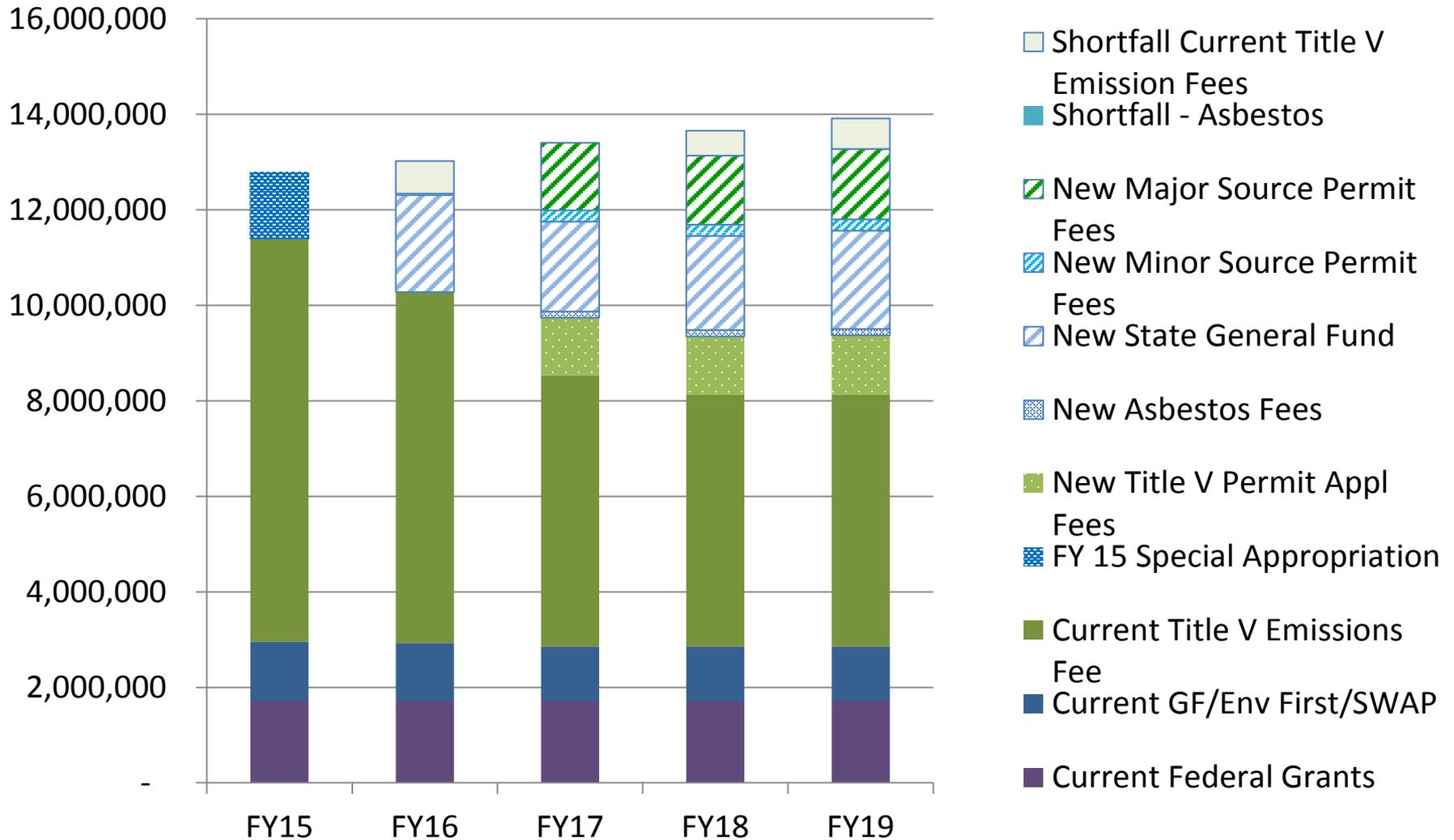
Stakeholder Recommendations: Continue to...

- Track Bureau expenses in a detailed manner.
- Streamline and improve processes to provide services efficiently & seamlessly.
- Authorize & obtain special appropriation to implement upcoming federal regulations and/or new capital costs when finalized.
 - SO₂ and Ozone NAAQS
 - SPARS replacement (new capital cost)

Stakeholder Recommendations: Reassign Costs

Cost Item	Prior source of funding	Proposed source of funding	Approximate dollar value
Title V Application review and Permit Issuance	Title V emission fees	Title V permit application fees	\$1.1 million
Title V backlog response	Previously unfunded	Title V emissions fees	\$120,000
Major source application review, modeling and permit issuance	Title V emission fees	Major source permit issuance fees	\$1.1 million
PSD Application review, modeling and permit issuance	Title V emission fees	PSD permit issuance fees	\$340,000
Minor Source application review, modeling and permit issuance	General Fund	Minor source fees (40%) & General Fund (60%)	\$570,000
Ambient monitoring – population centers	Title V emission fees	General Fund	\$1.4 million
Ambient monitoring – PSD background levels and transport	Title V emission fees	General Fund	\$360,000
Source oriented monitors	Title V emission fees	General Fund	\$455,000
Asbestos inspections	SWAP	Inspection fee for users	\$130,000

Stakeholder Proposal: FY 2016-2020 Revenue



Summary

- Reductions in emissions have led to declining Title V fee revenues.
- Federal funding is stagnant and does not provide for increased program costs.
- Demand for services continues to grow.
- Cost savings and operational efficiencies have been undertaken.
 - Continue to look for ways to reduce costs for non-value added activities
- Additional funds are needed to continue to provide same level of services.
- Stakeholder Group recommended bureau have a sustainable funding structure.
 - Additional State investment in air quality
 - Implement fees for services
- Next...

Thank you for coming...

- Discussion
- Input