

**Iowa Department of Natural Resources
Environmental Protection Commission**

ITEM

13

DECISION

TOPIC Air Quality - Title V Fee for SFY 2010

The Commission is asked to approve the attached Title V Operating Permit budget establishing the annual Title V fee at \$52.00 per ton of air pollution emitted from Title V Operating Permit subject sources. This is a \$13.00 per ton increase from the current fiscal year to accommodate personnel and program increases, and reflects a full utilization of the prior year's fund balance.

The Air Quality Bureau has been working each year since the program's inception to develop a budget that more accurately reflects the amount of funding required to implement the Title V program. In past years, the budget was planned with approximately a one percent reserve; however, the balance forward funds have accumulated each year to an amount greater than 1%. The balance forward amount at the end of SFY 2008 was \$812,941. The Bureau implemented measures in SFY 2009 to reduce the amount carried over into SFY 2010. The measures include adjustments to the projected balance forward funds that account for normal staff turnover and the resulting vacancies that occur during a typical state fiscal year. At the March EPC meeting, the Bureau projected approximately \$100,000 balance carried forward at the end of SFY 2009. Due to changes described below, the amount balanced carried forward over to SFY 2010 has been revised to approximately \$220,000.

Program Background

A Title V operating permit is required for those facilities with potential emissions that exceed the major stationary source thresholds. A major stationary source is a facility that has the potential to emit 100 tons per year (tpy) or more of any air pollutant; or the potential to emit 10 tpy or more of any individual hazardous air pollutant; or the potential to emit 25 tpy or more of any combination of hazardous air pollutants. Currently Iowa has approximately 274 major stationary sources, also referred to as Title V facilities. Examples of Title V facilities include electric utilities, grain processors, cement plants, and manufacturing operations.

The Title V fee is based on the first 4,000 tons of each regulated air pollutant emitted each year from each major stationary source in the state. Regulated pollutants include: particulate matter less than 10 micrometers in diameter (PM₁₀) and particulate matter less than 2.5 micrometers in diameter (PM_{2.5}), sulfur dioxide (SO₂), nitrogen oxides (NO_x), volatile organic compounds (VOC), lead (Pb), and hazardous air pollutants (HAP). The fee is used to support the development and administration of activities associated with major sources subject to the Title V Operating Permit Program.

Air Quality Funding Sources and Cost Centers - The Air Quality Bureau budget is divided by funding into three areas: Title V Program, EPA Performance Partnership Grant (PPG), and other state or federal air quality grants. Expenditures are divided between multiple expenditure (cost center) accounts and a variety of funding sources as listed in Table 1. The attached spreadsheet consolidates the cost centers into the three areas to reflect the total program.

Table 1. Summary of Cost Centers and Funding Sources

Program Area	Expenditures (Cost Center)	Funding Source*
Air Title V includes:		
Legal Services	1430	TV Fees
Title V Information & Education	1556	TV Fees
IT Support	3520	TV Fees
Title V Operating Permit Program	7230	TV Fees
Title V Field Program	7421	TV Fees
Air Quality PPG Program includes:		
Air Quality central office base program	7220	CAA 105 & GF
Air Quality field office base program	7419	CAA 105 & GF
Other Air Quality grants include:		
PM 2.5 Monitoring network	7240	CAA 103
Iowa Climate Change Advisory Council (ICCAC) Support	7250	Env. First
Ambient Air Monitoring	17HA	Env. First
Diesel Emission Reduction Grant	7260	Federal Grant
American Reinvestment and Recovery Act (ARRA) Grant	7270	Federal Stimulus Grant

- * TV Fees – Title V fees
- CAA 105 – Clean Air Act section 105 grant with a state match required
- CAA 103 – Clean Air Act section 103 grant with no state match required
- Env. First – Funding under the state Environment First Fund
- GF – Legislatively appropriated General Funds or other state funds

Clean Air Act (CAA) section 105 money is awarded to the department through a Performance Partnership Grant (PPG) with the EPA. The PPG is the financial component of the Performance Partnership Agreement (PPA). The department negotiates the PPG on an annual cycle while the PPA is negotiated on a two-year cycle. The PPA contains the mutually agreed upon goals that the EPA and DNR will work together to achieve during the two year agreement period. For air quality, the tasks that must be accomplished to achieve the agreed upon goals are contained in the 105 work plan, which is an attachment to the PPA. As indicated in the chart below, CAA section 105 funds require state matching dollars whereas CAA section 103 funds do not. No Title V money is included in the PPG.

Lead Ambient Air Monitoring Implementation – The ambient air monitoring program continues to prepare for the recently revised Lead national ambient air quality standard

(NAAQS). The Bureau must establish a new Lead monitoring network to meet the revised requirements. Additional equipment will be needed for laboratory analysis.

Changes in Emissions Projections –Each budget cycle typically uses the prior year’s tonnage as the planning estimate. The Title V tonnage for SFY 2009 was 224,000 tons. Given the scope of the natural disasters in 2008, the Bureau reduced the estimate by 8,300 tons to 215,700 tons for the March EPC meeting. The reported tons (200,000 tons) used to calculate the SFY 2010 budget came in even lower than the projection used for the March EPC meeting due to a combination of the 2008 floods and the economic down turn. This is 24,000 tons (over 10%) lower than the prior year. The reduced tons created a deficit of over \$816,000 from the draft budget proposed at the March EPC meeting.

Significant reductions were made to accommodate the reduced revenue projection. A proposed FTE for IT support was removed from the budget. The Bureau had budgeted contingencies into the Title V budget for the Lead monitoring implementation and the PM2.5 ambient air monitoring program in case federal and/or state funding was not received. While EPA and the Iowa General Assembly did not provide funding for the Lead NAAQS, EPA did continue funding the CAA 103 grant which supports PM2.5 ambient air monitoring and analysis. The majority of lab analysis expenses budgeted for SFY 2009 will be carried forward into SFY 2010. Lab analysis costs were removed from the SFY 2010 budget and adjustments were made to account for normal staff turnover and the resulting vacancies that occur during a typical state fiscal year.

Details on where changes to the budget are being proposed are listed in the attached spreadsheet in the “Notes” column.

Title V Budget Changes

1. Personnel and indirect costs: As the personnel costs have not been finalized, the Bureau is using an estimate of 5 percent increase for all FTE positions that are not capped. The indirect costs are estimated to increase from 13.76 percent to 14.03 percent in SFY 2010.
2. Professional Services: Professional services costs will decrease overall by almost \$90,000 due primarily to the removal of the contingency funds for the lab analysis costs as discussed above. The professional agreements listed below are still under negotiation and will be finalized at the June EPC meeting. The current agreement estimates, based on negotiations to date, are included in the attached budget.
 - The Linn and Polk County Local Air Quality Programs have estimated increased personnel costs and program costs. The Linn County program cost increase is higher than the Polk County program cost increase due primarily to the addition of 0.5 FTE to allow for review of Prevention of Significant Deterioration (PSD) permits in Linn County and website enhancements.
 - The UHL agreement reflects an estimated decrease in the Title V portion due to EPA’s continued funding of the 103 grant. The agreement has an overall increase associated with personnel costs and additional program cost increases related to the implementation of the Lead NAAQS.

Total Title V Fund expenditures are proposed to be increased from the current SFY 2009 budget levels by 5.6% or \$578,000 in the SFY 2010 budget. The carry forward amount has been reduced 65%. The fee is proposed to increase by 33% or \$13.00, from \$39.00 per ton to \$52.00 per ton.

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Environment Services Division

Memo date: April 27, 2009

Air Quality Bureau
Title V Budget for SFY 2010

Cost Center & Expenditure Category	SFY 2008 Actuals	SFY 2009 Budget	Draft SFY 2010 Budget	Difference	Notes
Title V cost Centers (1430, 1556, 3520, 7230, & 7421)	0.00	65.25	65.25	0.00	
Personnel	4,774,952	5,405,966	5,649,383	243,417	Estimated personnel increase
Travel in state	19,117	20,800	20,800	0	
State Vehicle	15,376	15,700	15,700	0	
Depreciation	16,800	20,900	20,900	0	
Travel out of state	32,797	31,000	31,000	0	
Office supplies	28,205	23,500	23,500	0	
Facility maintenance supplies	0	1,500	1,500	0	
Equipment maintenance	9,414	10,000	10,000	0	
Other supplies	3,181	4,000	4,000	0	
Printing and binding	3,270	1,550	1,550	0	
Uniforms	1,603	2,000	2,000	0	
Postage	10,619	11,000	11,000	0	
Communications	61,943	72,000	74,000	2,000	Slight increase projected by ICN
Rental	155,287	158,400	158,400	0	
Utilities	19,150	32,000	33,800	1,800	Slight increase for the Lead NAAQS
Professional Services (Total)	2,531,901	3,268,868	3,179,000	-89,868	Agreements under negotiation
Computer Consultant Services	[0]	[0]	[0]	[0]	
Linn County local program agreement	[520,881]	[584,432]	[689,382]	[104,950]	Negotiations on-going
Polk County local program agreement	[554,442]	[540,261]	[592,443]	[52,182]	Negotiations on-going
Environmental Liaison	[50,000]	[50,700]	[51,435]	[735]	
UNI Small Business Assistance agreement	[498,514]	[550,000]	[573,000]	[23,000]	
UHL Agreement	[878,064]	[1,273,957]	[1,235,925]	[-38,032]	Negotiations on-going
Attorney General's Office	[30,000]	[30,000]	[30,000]	[0]	
Other	[0]	[-3,482]	[815]	[4,297]	
Lab Analysis (former EPA lab)	[0]	[237,000]	[0]	[-237,000]	
Professional Services (Field Office)	0	6,000	6,000	[0]	
Outside services (Total)	42,628	78,500	111,983	33,483	
Misc.	[3,105]	[2,500]	[2,500]	[0]	
Computer maintenance	[0]	[0]	[0]	[0]	
Filter replacement and Misc.	[3,989]	[8,000]	[41,483]	[33,483]	PM 2.5 and Lead NAAQS
Temporary Services	[0]	[0]	[0]	[0]	
Interagency Delivery	[2,728]	[3,000]	[3,000]	[0]	
Merit Resources Positions	[0]	[0]	[0]	[0]	
Image Scanning	[32,807]	[65,000]	[65,000]	[0]	
Advertisement in publications	3,721	3,000	3,000	0	
Reimbursement to other agencies	17,779	12,750	12,750	0	
ITS Reimbursement	0	0	0	0	
Equipment (Total)	302,728	335,000	611,756	271,881	
Air monitoring equipment	[243,644]	[221,000]	[517,381]	[296,381]	Lead NAAQS
Computer hardware purchase	[50,977]	[114,000]	[89,500]	[-24,500]	Reduced based on actual expenses
Office equipment & furniture	[8,107]	[0]	[4,875]	[0]	
Equipment Noninv.	34,927	58,500	58,500	0	
Other expenses	11,817	12,200	12,000	-200	
Indirect charges	621,133	725,055	772,475	47,420	0.27% increase in the indirect rate
Total	8,718,348	10,304,189	10,818,997	509,933	
Title V					
Total Revenue	9,529,789	10,211,672	10,822,793	611,121	
Balance forward	[1,140,235]	[1,272,941]	[224,639]		-72.4%
Title V fees	[8,064,491]	[8,724,179]	[10,400,000]	[1,675,821]	
annual tons (est.)	229,105	224,067	200,000	-24,067	-10.7%
\$/ton	35.20	39.00	52.00	13.00	33.3%
Fund interest	[325,064]	[230,000]	[200,000]	[-30,000]	-13.0%
Under and Over Payments	[0]	[-15,449]	[-1,846]	[13,603]	
Total Expenditures	8,716,848	10,304,189	10,818,997	514,808	5.0%
Legal Services (1430) Total	132,701	136,670	143,504	6,834	
Air Title V - I&E (1556) Total	88,231	87,790	92,175	4,385	
Air Title V - IT (3520)	307,070	382,081	401,597	19,516	
Air Title V Program (7230) Total	7,567,670	8,974,745	9,427,442	452,697	
Air Title V Field Program (7421) Total	621,176	722,902	754,279	31,377	
Revenues - Expenditures	812,941	-92,517	3,797	96,314	

Information listed in blue text are subtotals. The bold line above each is the totaled amount.

Air Quality Bureau
Performance Partnership Grant/General Fund Budget
SFY 2010

Cost Center & Expenditure Category	SFY 2008 Actuals	SFY 2009 Budget	Draft SFY 2010 Budget	Difference	Notes
PPG/Grant cost centers (7220 and 7419)	18.50	16.25	14.25	-2.00	Two vacant FTE proposed not to be filled.
FTE					
Personnel	1,291,573	1,253,589	1,203,660	-49,929	Estimated personnel increase
Travel in state	14,053	10,400	7,900	-2,500	Reduced based on projected expenses
State vehicle operation	5,654	4,500	4,500	0	
Vehicle depreciation	5,760	5,000	5,000	0	
Travel out of state	12,040	8,800	8,800	0	
Office supplies	3,947	7,700	7,700	0	
Facility maintenance	147	300	300	0	
Equipment maintenance	3,914	6,000	4,000	-2,000	Reduced based on actual expenses
Other supplies	7,129	300	300	0	
Printing and binding	1,252	1,550	1,550	0	
Uniforms	19	1,000	1,000	0	
Postage	3,568	4,000	4,000	0	
Communications	13,280	17,000	19,000	2,000	Slight increase projected by ICN
Rental	52,068	52,000	52,000	0	
Monitoring Utilities	8,125	10,000	10,000	0	
Professional Services (Total)	428,552	548,000	548,000	0	
Linn County Local Program Agreement	[126,652]	[126,652]	[126,652]	[0]	
Polk County Local Program Agreement	[120,370]	[171,038]	[171,038]	[0]	
UHL Agreement	[181,530]	[246,613]	[246,613]	[0]	
Other	[0]	[3,697]	[3,697]	[0]	
Lab Analysis (former EPA lab)		[0]	[0]	[0]	
Outside services (Total)	46,824	45,000	45,000	0	
Filter replacement and Misc.	[33,676]	[35,000]	[35,000]	[0]	
Interagency Delivery	[1,828]	[1,000]	[1,000]	[0]	
Temporary Services	[0]	[0]	[0]	[0]	
Image Scanning	[11,320]	[9,000]	[9,000]	[0]	
Advertisement in publications	2,136	500	500	0	
Reimbursement to other agencies	3,101	3,600	3,600	0	
Equipment (Total)	226,264	168,400	41,525	-126,875	
Air monitoring equipment	[209,776]	[135,000]	[15,000]	[-120,000]	Reduced \$65,000 due to the projected reduction
Computer hardware purchase	[16,488]	[33,400]	[24,900]	[-8,500]	Reduced based on actual expenses
Office equipment & furniture		[0]	[1,625]	[1,625]	
Equipment Noninv.	5,416	20,100	19,100	-1,000	Reduced based on actual expenses
Indirect charges	172,812	177,860	168,873	-8,987	0.27% projected increase in the indirect rate
Total	2,307,633	2,345,599	2,156,309	-189,291	
PPG and State Matching Funds					
Total Revenue	2,389,572	2,330,252	2,156,372	-193,200	
General Fund	1,288,000	1,288,000	1,094,800	-193,200	-15%
Federal grants	1,101,572	1,061,572	1,061,572	0	
Last Quarter of Previous SFY	530,053	279,145	279,145	0	
First Three Quarters of SFY	571,519	782,427	782,427	0	
SFY 2009 Reduction	0	-19,320	0		
Performance Partnership Grant (PPG)	0	0	0	0	
Total Expenditures	2,307,633	2,345,599	2,156,309	-189,291	-8%
PPG IT (3510) Total	28,556	0	0	0	
Air Quality Program (7220) Total	2,040,902	2,047,619	1,843,295	-204,323	
Air Quality Field Program (7419) Total	238,176	297,981	313,013	15,033	
Revenues - Expenditures	81,939	-15,347	63	15,411	

Federal Diesel Emissions Reduction Grants, State Environmental First Funds,
and Federal Clean Air Act 103 Grant Budgets for SFY 2010

Cost Center & Expenditure Category	SFY 2008 Actuals	SFY 2009 Budget	Draft SFY 2010 Budget	Notes
Diesel Emissions Reduction Grants (7210, 7260, and 7270)				
FTE	0.00	0.00	0.00	
Personnel	2,891	0	135,606	
Travel in state			1,000	
Professional Services	105,860	6,800	1,915,268	
Advertisement in publications	0	0	52,860	
Indirect charges	387	0	19,026	
Total	109,138	6,800	2,123,760	
Total Revenue	109,138	6,800	2,123,760	
Pass through (CenSARA/DERA)	109,138	6,800	393,760	
Federal Stimulus funds - RIDE Program Total	0	0	1,730,000	
Total Expenditures	109,138	6,800	2,123,760	
Blue Skyways Grant (7210)	109,138	6,800	0	
DERA Hybrid Bus Grant (7260)	0	0	393,760	
ARRA DERA/RIDE Program (7270)	0	0	1,730,000	
Revenues - Expenditures	0	0	0	
State Environmental First Funds (7250, 31HA, and 17HA)				
FTE (Greenhouse Gas, Ambient Monitoring)	0.00	0.50	0.50	
Personnel	0	43,900	43,848	
Rental	0	59	0	
Professional Services	600,000	325,000	325,000	
Air monitoring equipment	0	195,000	55,000	
Indirect charges	0	6,041	6,152	
Total	600,000	570,000	430,000	
Total Revenue	600,000	570,000	430,000	
Environment First Funds	600,000	375,000	430,000	
State Economic Stimulus Funds	0	195,000	0	
Total Revenue	600,000	570,000	430,000	
Ambient Air Monitoring- 31HA	275,000	0	0	
Environment First Activities (17HA, 7250)	325,000	375,000	430,000	
Economic Stimulus Activities	0	195,000	0	
Revenues - Expenditures	0	0	0	
Federal CAA 103 Grant				
FTE	0.00	0.00	0.00	Calendar year grant
Professional Services	221,448	227,000	416,584	
UHL Agreement	183,948	189,160	379,084	
Polk County Local Program Agreement	20,000	20,000	20,000	
Linn County Local Program Agreement	17,500	17,500	17,500	
Lab Analysis (former EPA lab)\Other	0	340	0	
Outside services - filter replacement	10,000	10,000	10,000	
Air monitoring equipment	203,630	207,000	46,019	
Total	435,078	444,000	472,603	
Total Revenue	447,160	444,000	472,603	Unspent funds roll forward
103 Funds	447,160	444,000	472,603	during the state fiscal year
Total Revenue	435,078	444,000	472,603	
PM 2.5 Monitoring (7240) Total	435,078	444,000	472,603	
Revenues - Expenditures	12,082	0	0	