

IOWA DEPARTMENT OF NATURAL RESOURCES

LEADING IOWANS IN CARING FOR OUR NATURAL RESOURCES

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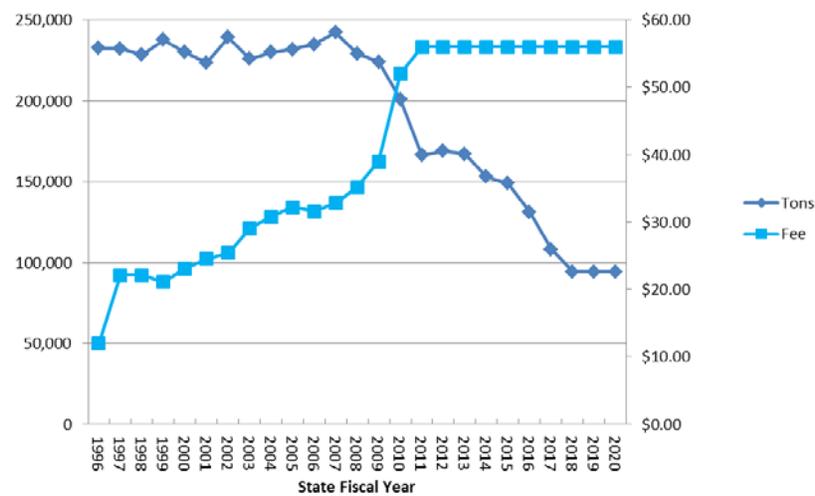
Title V Air Emissions Fee FY 2016 Budget drafts for discussion

Annually the Air Quality Bureau meets with a select group of Title V fee payers who represent the facilities that pay the largest portion of the fees, and those who represent a broad range of industrial activities. The purpose of the meeting is for the Bureau to present a draft budget for activities funded by Title V fees (for the upcoming fiscal year) for open discussion.

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. The demand for services continues to grow. The Bureau continues to look for cost savings and methods to reduce expenditures on non-value added activities. To continue to provide the same level of service additional funds will be needed.

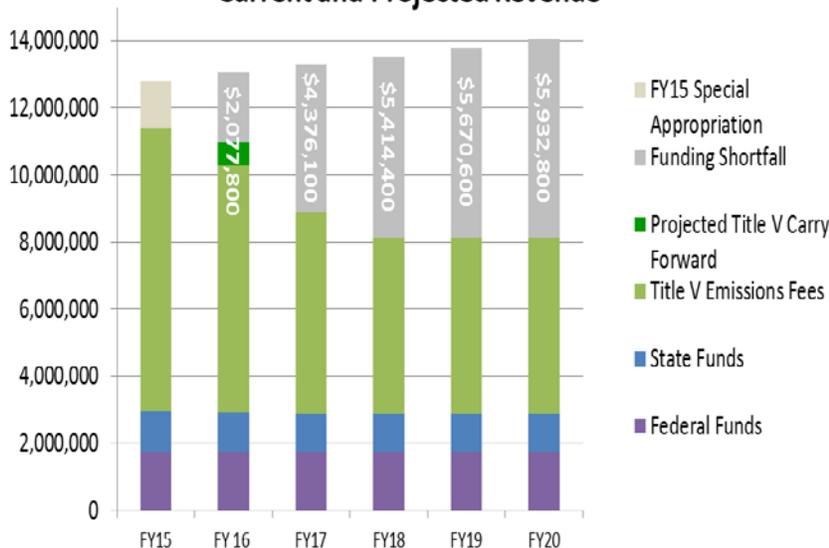
This year (as in previous years) the discussion includes the Bureau's presentation of a "Status Quo" draft budget for the upcoming state fiscal year. The Status Quo budget represents the costs for providing the

Historical and Projected Title V Chargeable Tons & Fees



same services in the future year as the current fiscal year, adding only anticipated cost increases. Those cost increases this budget cycle occur in personnel (salary, benefits, and indirect charges), and service contracts. The Status Quo budget is arranged by the cost centers (state accounting fund numbers) used to appropriately allocate the different funding streams and include:

Current and Projected Revenue



Budget Fund	Cost Center	Funding Source
Legal Services	1430	Title V Fees
Air Title V - IT	3510	Title V Fees
Air Title V Program	7230	Title V Fees/Household Hazardous Waste
Air Title V Field Program	7421	Title V Fees
Ambient Air Quality Support	7250	Title V Fees/Environment First Funds
Air Quality Program	7220	Federal §105 Grant and State General Fund Match/ Household Hazardous Waste Appropriation
Air Quality Field Program	7419	Federal §105 grant and State General Fund Match
PM2.5 Monitoring	7240	Federal §103 Grant
Ambient Monitoring	17HA	Environment First Funds
Asbestos NESHAP	7210	Solid Waste Alternatives Program Funds

This presentation of the budget is a line-by-line listing of budget expenses and is marked as the "Detailed Air Quality Bureau Draft FY 2016 Budget – Status Quo Level of Service" in your materials. A summary of the "FTE" (number of full time equivalent staff) is also included.

Following the Detailed listings, the "Condensed" budgets pull together budget cost centers that are all funded by like sources: Title V funded or state and federally funded. These documents are titled "Draft FY 2016 Title V Budget" and "Draft FY 2016 State and Federal Budget," respectively. This is the format generally provided to the Environmental Protection Commission at the March and April or May meetings. A summary of the entire Bureau's draft budget (Air Quality Bureau Draft FY 2016 Budget - Status Quo Level of Service) shows the line-by-line budget in a consolidated format. The final page is the draft programmatic budget which reflects the budget by program area rather than accounting structures.

Summary of Current Year (FY 2015) Changes to Date

The Department received an appropriation of \$1.4 million dollars from the State's Household Hazardous Waste account to address the Bureau's shortfall in FY 2015. That special appropriation combined with \$513,000 in Title V funds carried forward allowed the Bureau to have a status quo budget in FY 2015. The draft budgets for status quo services for FY 2016 show a shortfall of \$2,077,800 as outlined below in Table 1.

The reduction in fees continues to reflect the trend of reduced emissions primarily due to changes in fuel use from coal to natural gas and changes in federal regulations. Facilities that were previously required to be in the Title V program due only to greenhouse emissions are no longer subject to Title V unless other factors would trigger the requirement. Several facilities have requested to leave the program and receive a refund of the FY 2015 fees. The Title V tonnage may not be known until spring 2015. Federal grants are funded by a continuing resolution now through February 2015. The final amounts may vary from the budget amount. The Bureau received unexpected additional personnel costs in mid FY 2015 due to increased healthcare costs.

Changes within the Department regarding organization and assignment of Information Technology (IT) staff have impacted the implementation of the FY 15 budget and will impact the FY 2016 Budget. The State has consolidated many of the IT positions. Instead of a dedicated full-time equivalent for SPARS work, a contractor has been hired to maintain the system.

FY 2016 Budget

In addition to the changes that occurred during FY 2015, the draft FY 2016 budget contains few changes. The projected budget has an estimated increase of 1.9% based on the new personnel amounts. In FY 2016 the Bureau will have a portion of a Communication position dedicated to the

Bureau. By projecting forward a status quo budget and the impact on fees of emissions reductions due to federal boiler and transport rules, the shortfall is projected to continue to grow through FY 2018 and then stabilize.

Table 1: Draft FY 2016 Expenses and Revenues

Expenses	Amount
Title V Operating Permits	\$3,790,300
<i>Major Source Construction Permits</i>	\$2,247,600
<i>Prevention of Significant Deterioration Permits</i>	\$1,542,100
<i>Minor Source Construction Permits</i>	\$987,600
Construction Permits (total)	\$4,777,300
Core Program Activities	\$4,506,400
Expenses (Total)	\$13,074,000
Revenue	
State General Fund	\$704,320
Environment First	\$425,000
Solid Waste Alternatives Program Funds	\$81,108
Federal Grants	\$1,722,600
<i>Title V Balance Forward</i>	\$373,640
<i>Anticipated FY 2015 Savings (unspent personnel)</i>	\$325,360
<i>Fund Interest</i>	\$15,000
Title V Fee Revenue	\$8,063,200
Revenue (Total)	\$10,996,200
Summary of Shortfall	
State & Federal Funds Shortfall	-\$20,200
Solid Waste Alternative Funding (SWAP)	-\$27,000
Title V Shortfall	-\$2,030,600
Total Shortfall	-\$2,077,800

Funding Alternatives

For the second year in a row, the Bureau is projecting a shortfall. To maintain the current level of Bureau services alternative funding will be needed. Other states have been working to address the same issue by increasing Title V fees, supplementing funds with construction permit fees, or increasing state appropriations.

The Iowa General Assembly provided a special appropriation to fund the shortfall for FY 2015 and established the Air Quality Stakeholder Group to study the air quality services provided and the funding of the air quality program (HF 2473, Iowa GA 85). The Stakeholder Group was comprised of representatives of large and small Iowa industries, local governments, and environmental interests. Stakeholder group members developed six recommendations for funding the air quality program for next year and beyond. The recommendations were included in a [report](#) submitted in December 2014 to the Iowa General Assembly.

The recommendations included new user fees and additional State funds to generate ongoing operating revenue for the Bureau. New revenues from fees are needed to support the asbestos program, and application fees for operating permits, construction permits, and dispersion modeling. The report recommends that the Title V emission fees would continue to be calculated at \$56 per ton.