

Notes from Air Quality Stakeholder Group Meeting #4

October 15, 2014

Action Items/Follow-up – Catharine Fitzsimons

Briefly reviewed changes to calculator tool posted on workgroup webpage. For major source complex construction permits/projects, the permit number was changed from 93 to 265. The “Budget 15-16” tab in the calculator tool was renamed to “Expenses 15-19” and expense and revenue projections for FY 17-19 were added. Dollar targets for minor and major source permitting and modeling were also added to this tab. The modified budget calculator for FY16-19 and the draft programmatic budget for FY 16-19 were provided to workgroup members.

Other handouts included two fee proposals from workgroup members, additional funding needs for FY 2016 - FY2024, a report outline, and drafts of possible fee fund legislation and Iowa Administrative Code language.

Action: DNR will post an updated calculator tool and the meeting handouts on the workgroup webpage.

Presentation of additional proposals – Darrell Hanson

Mick Durham reviewed a proposal for funding the air program (See “A Proposal to Fund the Air Quality Program” presentation).

Q: For the slide with proposed fees for construction permitting activities, how do we know what fees apply when?

A: (Mick) Fee payers will know what fees apply when through meetings with DNR and instructions that would accompany the fees.

Q: How would the different permit types be defined?

A: (Mick) The DNR has defined the permit types and would include the definitions with fee instructions.

Q: Are the fees by permit or project?

A: (Mick) Fees for standard projects are by emission point (permit) and fees for complex projects are by project.

Q: When would the expedited permit fee apply?

A: (Mick & DNR) Not known at this time.

Q: Can DNR assign permit engineers to handle only expedited permit requests?

A: (DNR) Yes.

Q: How would the fee for applicability determinations be implemented?

A: (DNR) This still needs to be determined. DNR does not track applicability requests unless they take more than four hours to complete. Some applicability determinations can take as long to complete as processing of a construction permit application.

Q: How would the proposal change the percentage of the overall budget that Title V emissions fees pay for?

A: (Mick) Title V emissions fees would fund approximately 40% of the program (see chart on Mick Durham's Proposal handout).

Q: Are the bureau's additional funding needs included in the proposal?

A: (Mick) No.

Q: Are expenses for ambient air monitoring included?

A: (Mick) Expenses for ambient air monitoring that were part of the core program costs in the programmatic budget are included.

Q: Are Title V funds required to fund small business assistance under Clean Air Act (CAA) section 507?

A: (DNR) DNR will check.

Action: DNR will review and report on funding flexibility allowed under CAA for small business assistance.

Q: How does this proposal affect the general fund dollars?

A: (Mick) General fund amount would have to be increased by approximately \$370,000 in first year, then by 2% in subsequent years.

Q: Would the Title V emissions fees only be used to pay for Title V related activities?

A: (Mick) Yes.

Q: Does the proposal include an annual fee for minor sources?

A: (Mick) No.

Q: How long does it take to process construction permit applications for standard projects vs. complex projects?

A: (DNR) Varies based on complexity of projects.

Comments: Some members of the group commented that the proposal is well grounded overall. Note that in FYs 2019 and 2020 construction permit fees would increase approximately 6% each year under the proposal.

Workgroup reviewed fee proposal from EMSI for asbestos demolition/renovation notifications. Proposed fee of \$ 100 per notification would provide for an approximate five percent increase in inspections of asbestos removal projects.

Q: What are the 5,000 notifications based on?

A: (DNR) DNR receives about 5,000 notifications per year but some notifications are updates to previously submitted notifications. A good estimate to use for fee planning purposes is 4,000 notifications annually.

Mona Bond presented a minor source fee proposal. A key assumption is that the state will continue to fund the air quality bureau at the same level and that federal funding will continue at the same level.

Minor sources would consider the following:

1. Establishment of a committee similar to the Title V committee currently in place that would review annually the funding sources and department needs and recommend to the EPC any changes to the department's budget associated with minor source construction permitting.
2. Minor source fees collected should remain in the air quality bureau to administer the minor source permit needs.
3. Limit local governments from establishing air quality construction programs (retain the 2 county programs already in place)
4. Establish a priority system for the review and issuance of minor source permits and modifications.
5. Minor source permitting fees would be designed to meet the needs of the 1.9% increase predicted in the DNR budget.

Q: Does priority system mean expedited permits?

A: (Mona) No. Want to ensure that DNR continues to provide adequate staff resources for minor source permitting.

Q: Can we get copies of your proposal?

A: (Mona) Not yet. Still want to discuss proposal with other minor sources.

Q: Does the proposal say that minor sources will pay no fees?

A: (Mona) No. Proposal includes recommendation for minor source construction permit fees to cover future increases in costs related to minor source permitting.

Q: Do the allocation of state and federal funds remain the same under the proposal?

A: (Mona) Yes.

Q: Would the fees cover the 1.9% increase in core program activities that apply to minor sources?

A: (Mona) No, the fee proposal is only for minor source permitting costs.

Q: Mick's proposal showed that over \$950,000 would be paid for with minor source fees. Under your proposal, would these expenses have to be paid for somewhere else in the budget?

A: (Mona) Yes.

General Discussion:

Q: What is the difference in staff time needed to process a template submittal vs. a permit application for a standard project?

A: (DNR) This is not currently tracked but DNR could start tracking the time under a future fee program. The data collected could be used to help right-size the fee structure in the future, as needed.

Comment: There should be a different fee for an applicability determination vs. processing a permit application.

Review of FY16 Program Based Budget & Future Funding Challenges – Darrell Hanson

Reviewed revenue allocations for programmatic budget as specified by workgroup at September 30 meeting.

Catharine provided an update from the CenSARA Air Director's meeting regarding how other states were planning implementation of EPA's SO2 Data Requirements Rule, if the rule is finalized as proposed. Many states are planning to allow affected facilities to pay for monitors if they choose to monitor instead of model to determine attainment status. Affected facilities in these states that choose the modeling pathway would be asked to submit modeling to the agency.

Q: How will Iowa decide whether to use monitoring or modeling?

A: (DNR) Due to associated funding issues with rule implementation, it is up to workgroup to make a recommendation to DNR on how to proceed.

Q: If no money is made available for the additional funding needs of the bureau, what will DNR do?

A: (DNR) DNR would look at shifting resources within the air program as needed to meet its obligations under the CAA.

Q: Will EPA increase the amount of 105 grant money that DNR receives if more matching funds are made available?

A: (DNR) State is already over-matched on 105 grant. State will likely not see an increase in 105 grant money in the future.

Workgroup reviewed additional funding needs of bureau and made the following recommendations:

-SO2 Data Requirements Rule: Use the modeling pathway and fund with General Fund.

-Revitalize Communities – Asbestos: adopt proposal from EMSI that would assess a fee on notifications sufficient to fund a 5% inspection rate.

-Revised Ozone Standard: For updating of ozone monitoring network, wait to see outcome of NAAQS revision. If network needs to be updated, use General Funds. All nonattainment planning related to a revised ozone standard should be funded by General Fund.

-Title V Permit (Backlog & Modifications): Fund 1 FTE with Title V fees for 4 years.

-Information Technology: The SPARS User Group should be convened to provide recommendations to the minor and major source fee payer groups. These groups would then decide on funding.

-Carbon Standards for Existing EGUs 111(d): Fund rule implementation with General Fund money.

Workgroup reviewed unresolved (grey colored) activities on draft programmatic budget for FY16. Activities included minor source permitting and modeling, asbestos, and SIP activities. Funding for the asbestos activity was already addressed during discussion on additional funding needs. Funding for the other activities will be addressed by the subcommittees when they address the larger issue of the overall budget shortfall in funding for the activities that may be paid for with general funds.

Workgroup identified four possible paths forward:

- 1) Estimate dollars available from general fund, reconcile fee structure to that amount.
- 2) Primary proposal with revenue adders, using decisions on funding sources made at previous meeting and earlier in this meeting.
- 3) Primary proposal with alternate plan with scaled-back general fund dollars, presented to legislature at same time.
- 4) Primary proposal with back-up proposal to be kept in reserve in case primary proposal receives too much opposition.

Workgroup voted on possible paths and selected paths 1 and 2.

Review report outline & subcommittee selection – Darrell Hanson

Report outline provided by DNR was reviewed (see “Report Outline draft 15 Oct 2014” handout). Section I (Executive Summary) will likely be written last. Handouts and presentations already provided by DNR can be used to help write Section III (Analysis).

Action: DNR will post Word and Power Point versions of applicable handouts and presentations on workgroup webpage.

The alternative funding opportunities and impacts (subsection F) of Section III could be used as a lead in to Section IV (Stakeholder Recommendations). Handouts on possible draft fee fund language for the Iowa Code and Iowa Administrative Code fee language can be used as a starting point for legislative and rule recommendations in Appendix 1.

The workgroup identified the need for three subcommittees:

- (1) Ideal Proposal
- (2) Plan B- Insufficient general fund dollars
- (3) Editorial

Workgroup members volunteered to participate on each subcommittee. For subcommittees 1 and 2, representation of minor and major source (or both) participants was also checked for balance.

Subcommittee Participants		
(1) Ideal Proposal	(2) Plan B	(3) Editorial
Jim Hodina (other)	John Crotty (other)	Rex Butler
Kelly Jorgensen (both)	Jeff Hanson (major)	Mark Landa
John Mitchell (major)	Mark Landa (both)	Brandy Olson
Rich White (minor)	John Maynes (minor)	Linda Roy
	Joe McGuire (minor)	
	Rich Stephens (both)	
	Tim Sullivan (minor)	
	Lindsey Wandersheid (major)	

The workgroup members agreed that if members absent from this meeting desired to join a subcommittee, they would be restricted to subcommittees 1 or 3.

Wrap-up – Darrell Hanson

The bulk of the time for the upcoming November 5 meeting will be spent on drafting of recommendations and the report by the subcommittees. Other workgroup members can participate in providing feedback during the subcommittee progress updates and report-outs.

A second November meeting will be scheduled to review the final report. Please respond to the Doodle Survey that DNR will send out to determine a second November meeting date.