
Air Quality Stakeholder Group:
Recommendations for Funding Air Quality
Programs Administered by the Iowa Department
of Natural Resources

DATE

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Section I. Executive Summary

Section II. Stakeholder Workgroup Purpose and Background

PURPOSE

The Iowa Department of Natural Resources (DNR) was directed to assemble a stakeholder group for the purposes of studying the funding of the air quality programs administered by the DNR (2014 Iowa General Assembly, House File 2473 (Appendix 2.2)). The stakeholder group was directed by the General Assembly to develop recommendations for funding the air quality program for the next state fiscal year and beyond. The legislation included a provision that the DNR submit a written report to the General Assembly regarding the findings and recommendations of the stakeholder group by December 1, 2014.

WORKGROUP MEMBERSHIP AND CHARTER

Membership in the stakeholder group was determined by the Director of the DNR. The stakeholder group included a broad selection of those who use air quality bureau services including: small and large businesses, associations, local governments, non-governmental organizations, and the general public. The names and organizations of the workgroup members are summarized in Appendix 2.3. Appendix 2.6 lists the workgroup members who participated in each of five workgroup meetings.

The DNR selected an independent facilitator to assist the stakeholder group in accomplishing the objectives. The facilitator conducted meetings in accordance with the approved workgroup charter (Appendix 2.4) and assisted in keeping the stakeholder group focused on the objectives by promoting scheduled milestones.

BACKGROUND

Since 1996, when the state was delegated the federally mandated air quality Title V Operating Permit program, air pollution emission fees (Title V fees) collected annually have supported about 75% of the air quality bureau activities. These fees fund air quality bureau activities related to Title V “major” facilities including: Title V operating permit application review and permitting; air construction application review and permitting at Title V facilities; Prevention of Significant Deterioration (PSD) application review and permitting, compliance monitoring and assistance, and; all other bureau activities associated with Title V facilities. Title V fees also pay for compliance assistance provided to non-Title V facilities (required by Clean Air Act (section 507)). The remainder of the bureau’s activities (all other activities association with “minor” facilities and air pollution control not associated with industries) are funded approximately equally by federal grants and state funds.

Emissions from Title V facilities have declined since FY 2007 and are projected to continue to decrease due to existing federal regulations. Emissions subject to fees peaked at over 242,000 tons in 2005, and have declined by 37% (through 2013), and will level off at less than 60% of 2005 levels by 2016.

Title V fees have been held at the same rate for the past 5 years (\$56/ton). Implementation of program efficiencies have allowed for a reduction in the size of the program (staffing reduced by 12% since 2010) and have helped to maintain fees at the current level.

With static emissions fees and declining emissions on which the fees are paid, revenues for supporting the activities of the bureau have declined over time, and will experience a very sharp decline in the next few years. By 2017 the projected revenue shortfall will be approximately \$5.7 million.

WORKGROUP SCOPE OF ACTIVITIES

A workgroup charter included a scope of activities intended to assist the workgroup in the development of air quality funding recommendations. The scope of activities included:

- a) Review current and anticipated bureau expenses necessary to support the direct and indirect costs for implementing the state air quality statutes and federal Clean Air Act programs in Iowa;
- b) Identify possible efficiencies that can be made to better streamline processes and reduce expenses while still providing necessary services and activities required for program implementation;

- c) Review similar air quality programs and fee structures administered in other states as examples of alternative funding mechanisms for the air quality program;
- d) Identify the future economic impact to consumers, businesses, and taxpayers resulting in establishing, implementing, and administering funding mechanisms necessary to support the air quality program; and
- e) Develop recommendations for ongoing program funding, and provide written findings and recommendations to DNR, by November 1, 2014. Findings may include but are not limited to recommendations for changes in statute or rules.

The DNR Director selected an independent facilitator (former state Representative Darrell Hansen) to assist the stakeholder group in accomplishing the scope of work. The facilitator conducted meetings in accordance with the workgroup charter and assisted in keeping the stakeholder group focused on the objectives by promoting scheduled milestones.

Section III. Analysis

- A. **Review of Air Quality Program Activities.**
- B. **Current Air Quality Program Funding.**
- C. **Review of Current and Anticipated Bureau Expenses.**
 - 1. **Status Quo Program Expenses**
 - 2. **Additional Funding Needs for Program Implementation**
- D. **Process Improvements and Efficiencies.**
- E. **Survey of Other States' Funding Mechanisms.**
- F. **Alternative Funding Opportunities and Impacts.**
 - 1. **Alternative Funding Opportunities**
 - 2. **Impacts of Alternatives**

Section IV. Stakeholder Recommendations

- A. **Preferred Funding Solution.**
- B. **Alternative Funding Solution.**

Section V. Individual and Organizational Comments

- A. **Letters of support for recommendations.**
- B. **Examples of Impacts of changes on specific companies.**

Section VI. Appendices

Appendix 1. Workgroup recommendations:

- 1.1 **Legislation Recommendations**
- 1.2 **Rule Recommendations**

Appendix 2. Workgroup Documents:

- 2.1 **Background Documents**
- 2.2 **Legislation**
- 2.3 **Members**
- 2.4 **Charter**
- 2.5 **Results from Brainstorming & Voting Session**
- 2.6 **Meetings Attendance Record**

Appendix 3. Background information:

- 3.1 **Air Quality Program Services**
- 3.2 **Air Quality Program Expenses**
- 3.3 **Survey of States**