



IOWA DEPARTMENT OF NATURAL RESOURCES

LEADING IOWANS IN CARING FOR OUR NATURAL RESOURCES

Need for Workgroup

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Air Quality Bureau Chief

July 17, 2014

Budget and Revenue Projections

- Workgroup Charter
- Iowa Department of Natural Resources & Air Quality Bureau
- Air Quality Bureau State Fiscal Years 2015-2019
 - FY 2015 Revenues
 - FY 2015 Budget
 - Fee History & Emissions Projections
 - Budget and Revenue Projections
 - Summary of Cost Savings

Workgroup Charter

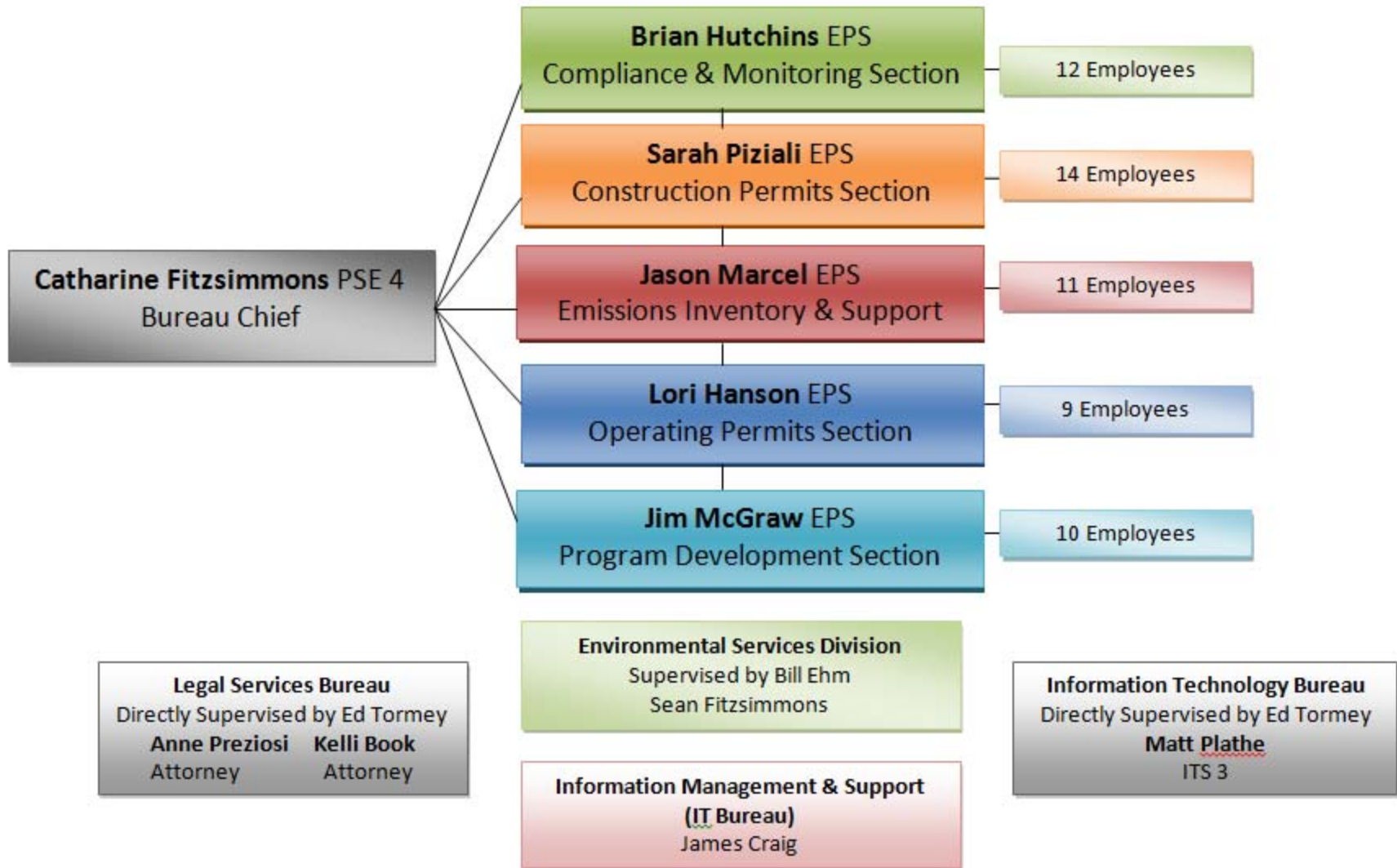
- Study the funding of the air quality program
- Developing recommendations for future funding of the program
- Submit a report on you findings and recommendations to the Iowa General Assembly

DNR's role is to help facilitate this process and provide information as needed.

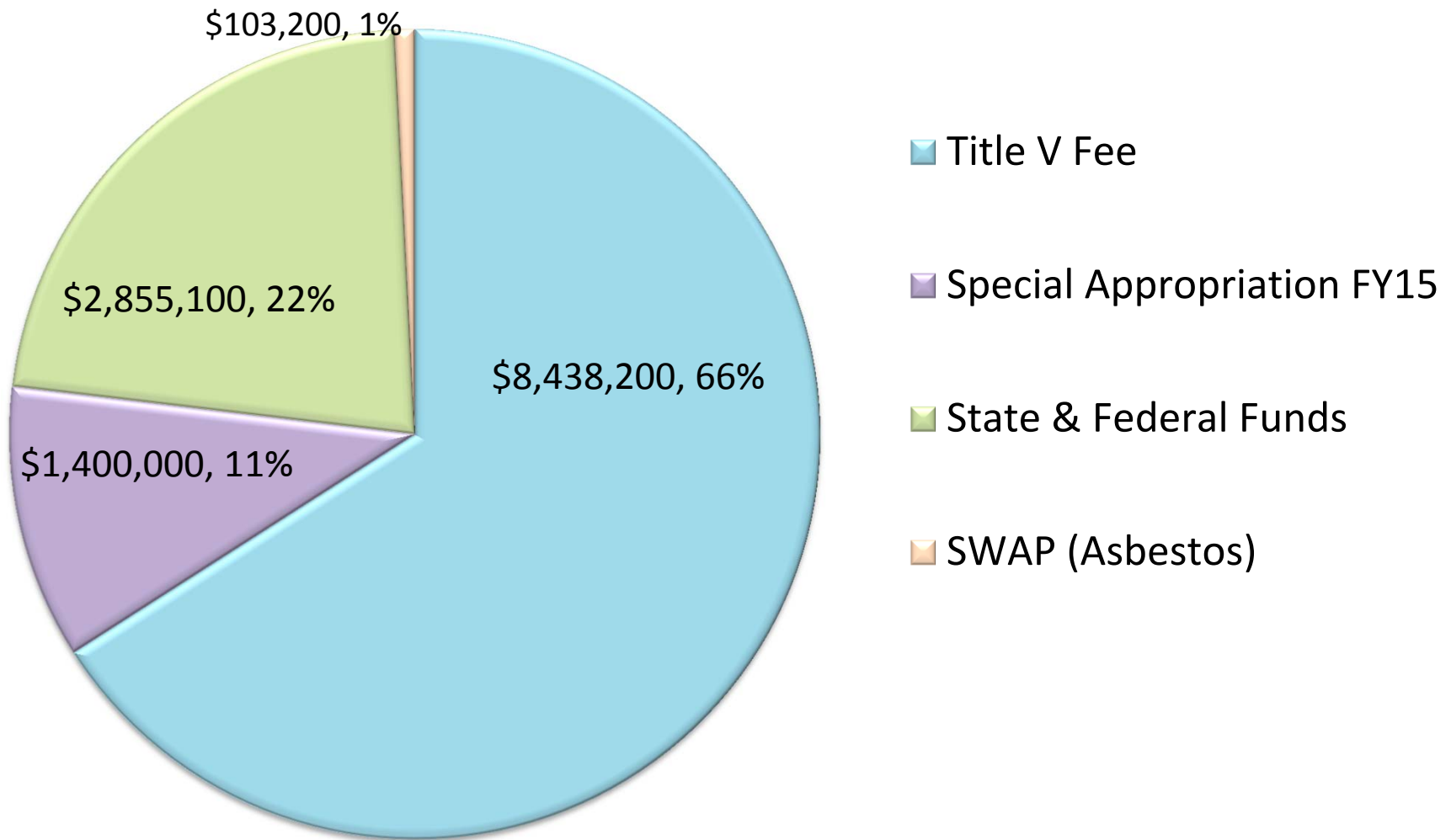
Iowa Department of Natural Resources



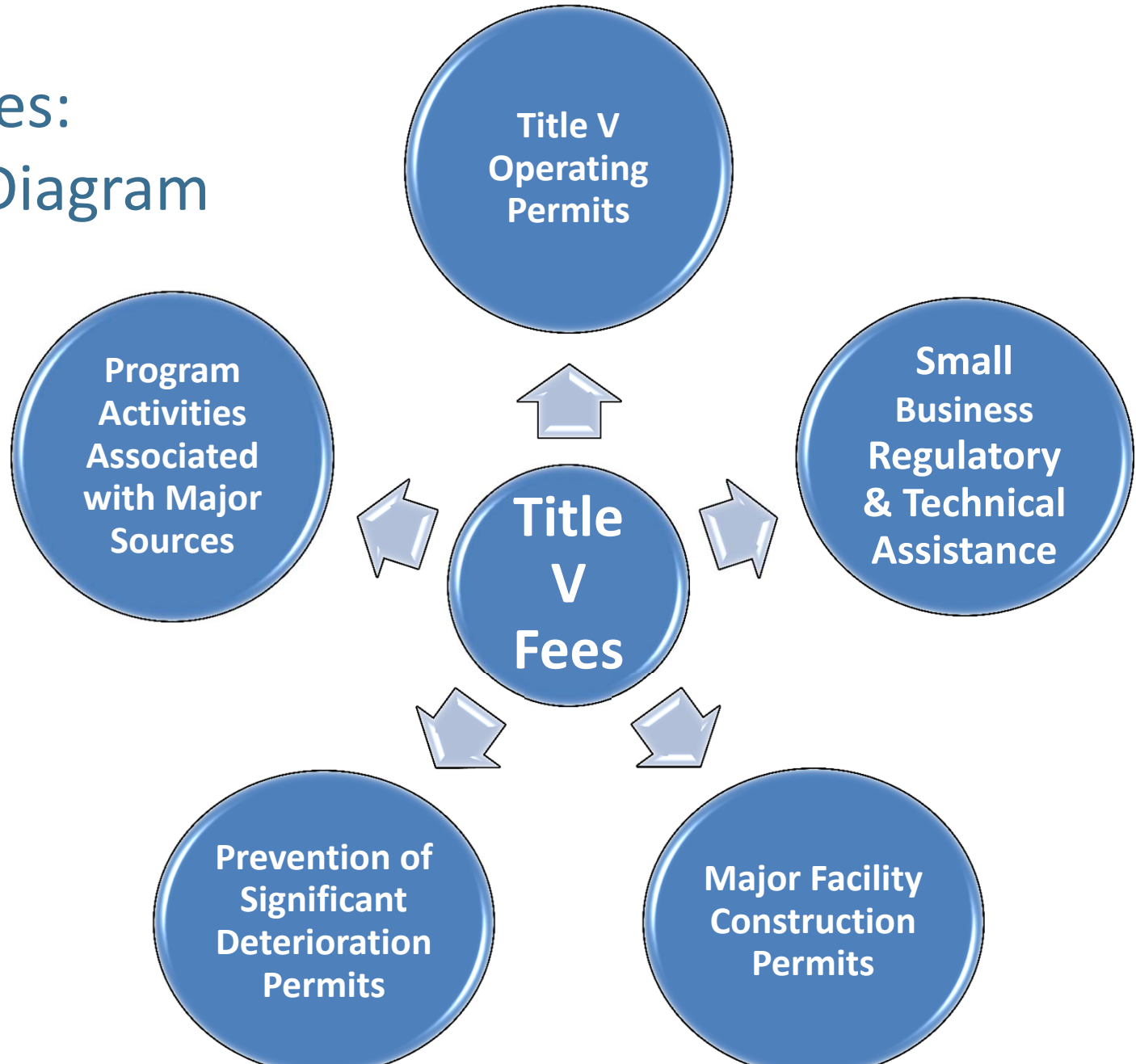
Air Quality Bureau



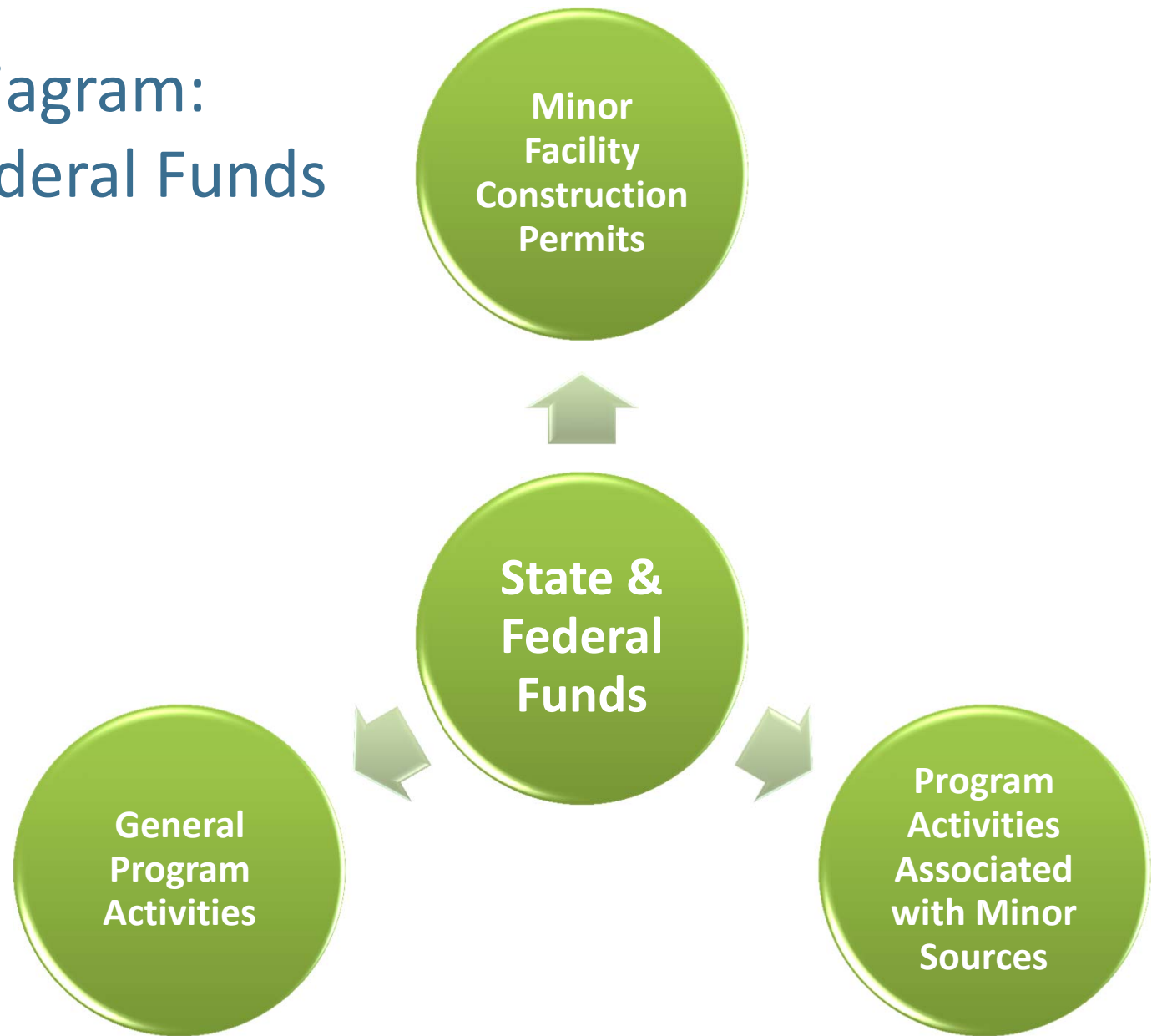
FY 2015 Air Quality Bureau Revenues



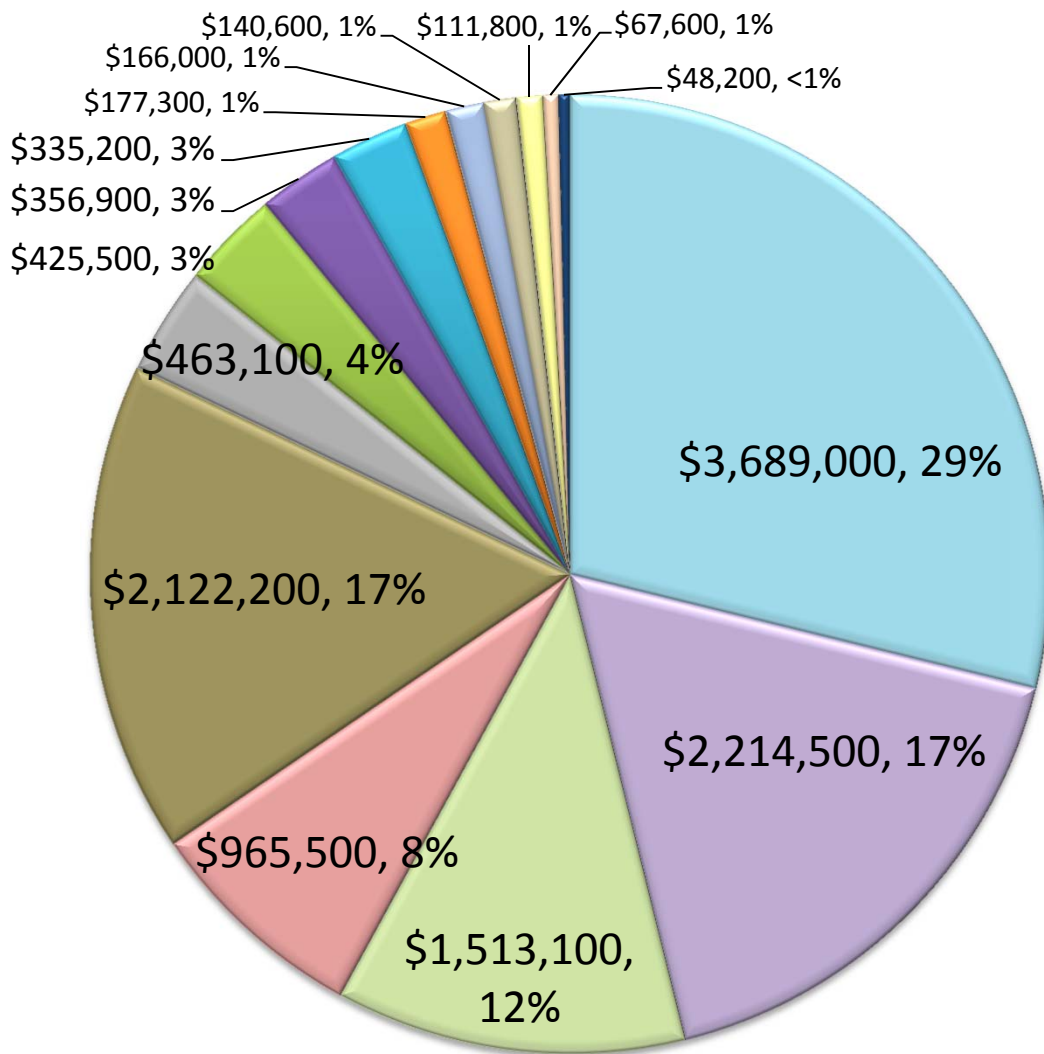
Title V Fees: Funding Diagram



Funding Diagram: State & Federal Funds



FY 2015 Air Quality Bureau Programs: \$12,796,500



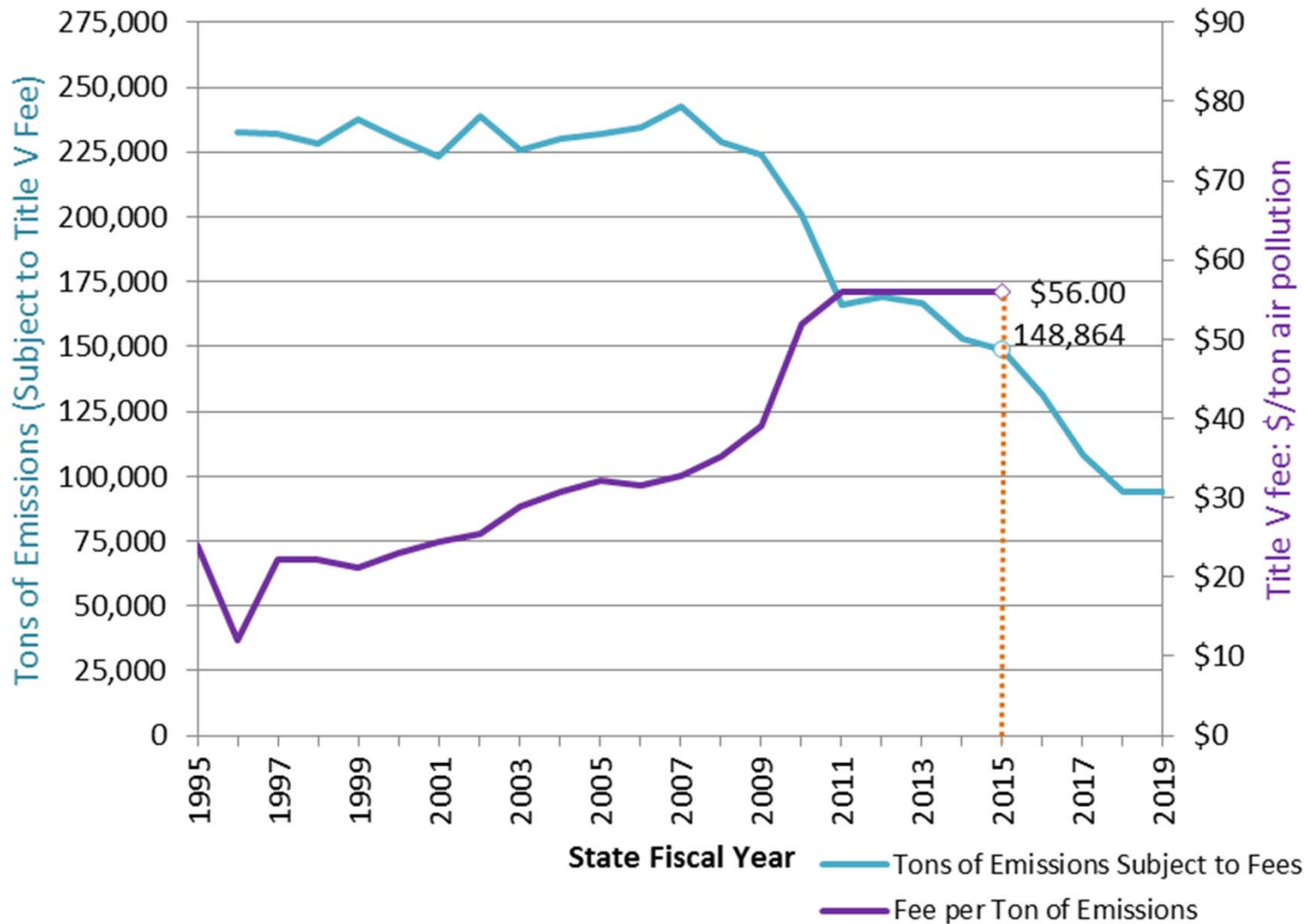
Permit Related Expenses:

- Title V Operating Permits
- Major Source Construction Permitting
- PSD Permits
- Minor Source Construction Permitting

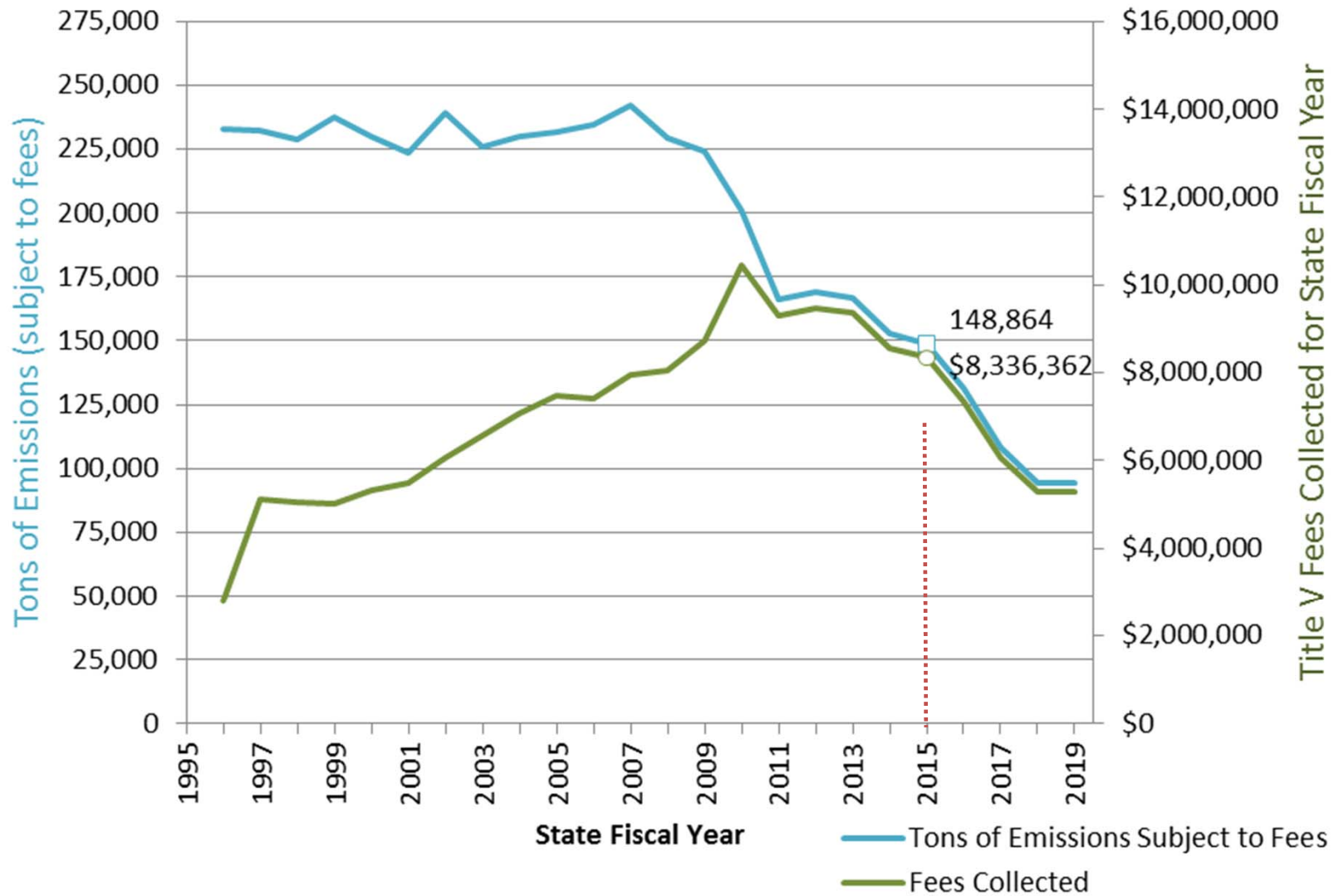
Core Program Expenses:

- Ambient Monitoring - Population Ctrs
- Attainment/nonattainment
- Emission Inventory
- Small Business Assistance
- Linn & Polk County CAA
- Complaint Response
- Contract, program oversight
- Mngmnt, data support
- Asbestos
- Compliance Assistance
- Legal Services Activities

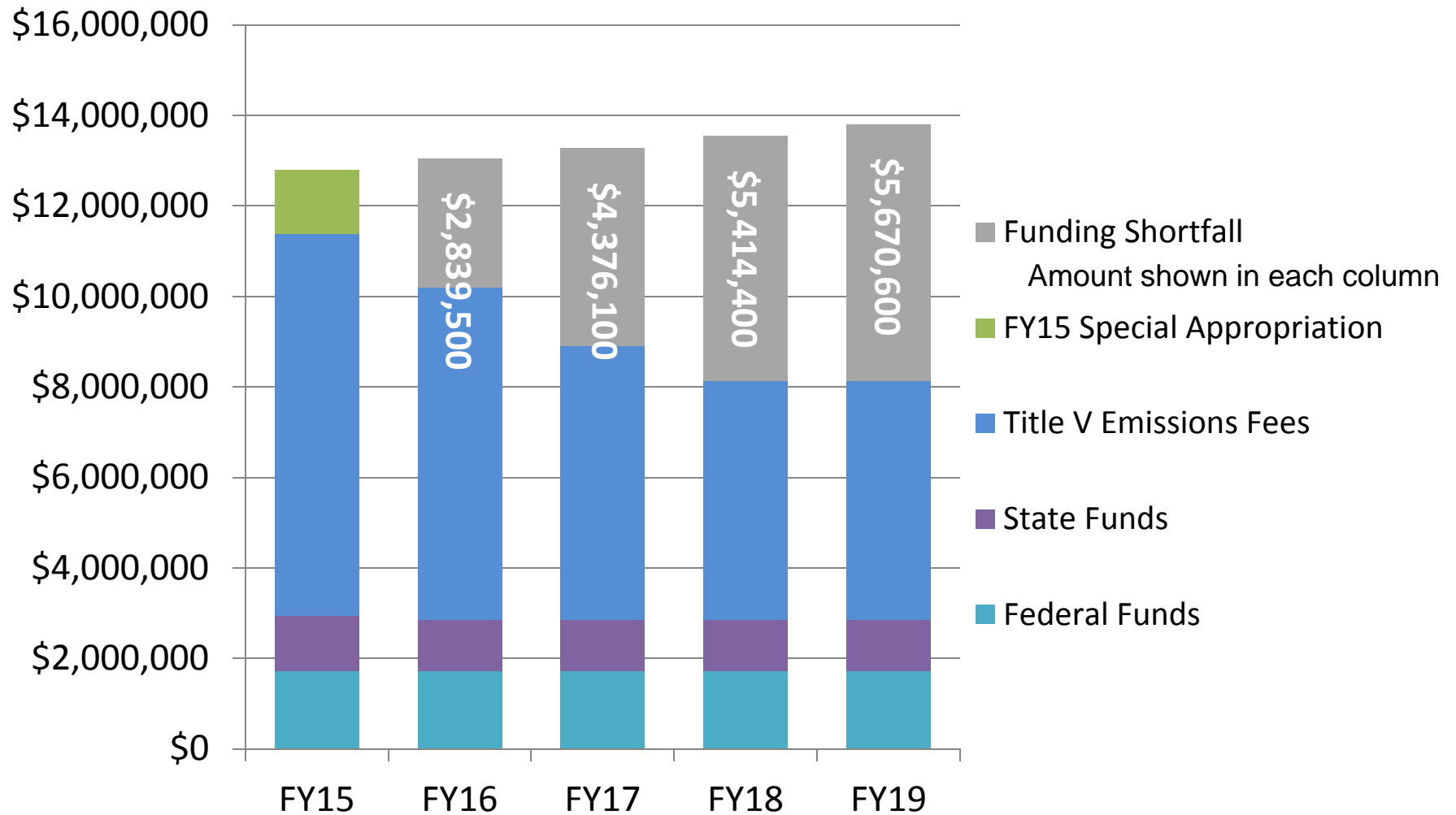
Historical Title V Fee rate and Projected Emissions



Historical and Projected Title V Fee Revenue and Emissions



Current and Projected Expenses and Revenues*



* See page 13 for additional information

Current and Projected¹ Revenues

| Funding Sources | FY15 | FY16 | FY17 | FY18 | FY19 |
|--------------------------------|---------------------|--------------------|--------------------|--------------------|--------------------|
| FY15 Special Appropriation | \$1,400,000 | | | | |
| Funding Shortfall ² | \$0 | \$2,839,500 | \$4,376,100 | \$5,414,400 | \$5,670,600 |
| Title V Emissions Fees | \$8,441,400 | \$7,348,200 | \$6,059,400 | \$5,273,500 | \$5,274,500 |
| State Funds | \$1,232,500 | \$1,129,300 | \$1,129,300 | \$1,129,300 | \$1,129,300 |
| Federal Funds | \$1,722,600 | \$1,722,600 | \$1,722,600 | \$1,722,600 | \$1,722,600 |
| Total Revenue | \$12,796,500 | \$13,039,600 | \$13,287,400 | \$13,539,800 | \$13,797,000 |

¹ Assumption for projections:

- Annual Expense increase for overall budget = 1.9% to maintain current services.
- Title V Emission Fees remain at current rate (\$56/ton), 2013 tonnage estimates.

² Funding Shortfall equals amount of additional funding needed to maintain status quo level of services.

- FY15 Funding shortfall projected at \$1,872,000 met with \$1.4M special appropriation plus \$500 carry-forward by holding vacancies.

Amount of Work for AQ increasing

New Federal Requirements:

- 2 Nonattainment areas,
- +20% Increase in construction permitting,
- Carbon pollution standards,
- More stringent National Ambient Air Quality Standards > more application review time,
- Additional New Source Performance Standards and National Emissions Standards for Hazardous Air Pollutants.

Cost Containment & Reduction

| Expenditure Category | Cost Containment and Reductions | Amount |
|--------------------------------|--|--------------|
| Staffing & Contract Reductions | Brought small business regulatory assistance role in-house from IEDA. | -\$119,000 |
| Staffing & Contract Reductions | Reduced UNI small business technical assistance contract services. | -\$155,000 |
| Staffing & Contract Reductions | Eliminated 10 vacant FTE position by selectively retaining vacancies to meet reduced revenues. | -\$1,711,000 |
| Information Technology | Streamlined software licenses & needs for remote computer access in 2009 saved \$5,000. | -\$25,000 |
| Information Technology | Eliminated an Oracle license in 2012 for SPARS. | -\$9,000 |
| Information Technology | Consolidated server & licensing needs within the DNR. | -\$20,000 |
| Office Management | Leasing a copier saved \$3,000 due to lower impression rates. | -\$3,000 |
| Office Management | Reusing office supplies from scanned records. | -\$7,000 |

Cost Containment & Reduction Cont.

| Expenditure Category | Cost Containment and Reductions | Amount |
|------------------------------|---|---------------------|
| Office Management | A phone audit in 2009 resulted in an annual savings of up to \$1,200. | -\$6,000 |
| Office Management | In 2013 DAS renegotiated a courier contract at double the prior rate. DNR identified cost increase. DAS reduced the rate. | -\$3,500 |
| Public Records | DNR requested changes that resulted in a change in records retention schedules from permanent files to a defined periods. Reduced microfilming costs. | -\$30,000 |
| In-state Travel | In-state travel reduced. Relying on conference calls or asking clients to travel. | -\$50,000 |
| Equipment | Obtained monitoring equipment cost reductions. | -\$3,000 |
| Training | Utilizing webinar training more extensively. | -\$10,000 |
| Vehicles | Reduced bureau cars from 7 to 4 vehicles saving replacement cost of 2 vehicles. | -\$60,000 |
| Total Cost Reductions | | -\$2,211,500 |

Summary

- Fee revenue is declining due to reductions in air pollution emissions that are the foundation of the current funding mechanism for the bureau.
- 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.

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