



MEMO: FISCAL YEAR 2023 DRAFT BUDGET MEETING

From: Catharine Fitzsimmons, Air Quality Bureau Chief
To: Air Quality Fee Advisory Groups
Date: For meeting scheduled on: January 5, 2022
Purpose: This memo provides a review of state fiscal year 2021 expenses and presents the draft state fiscal year 2023 air quality budget¹.

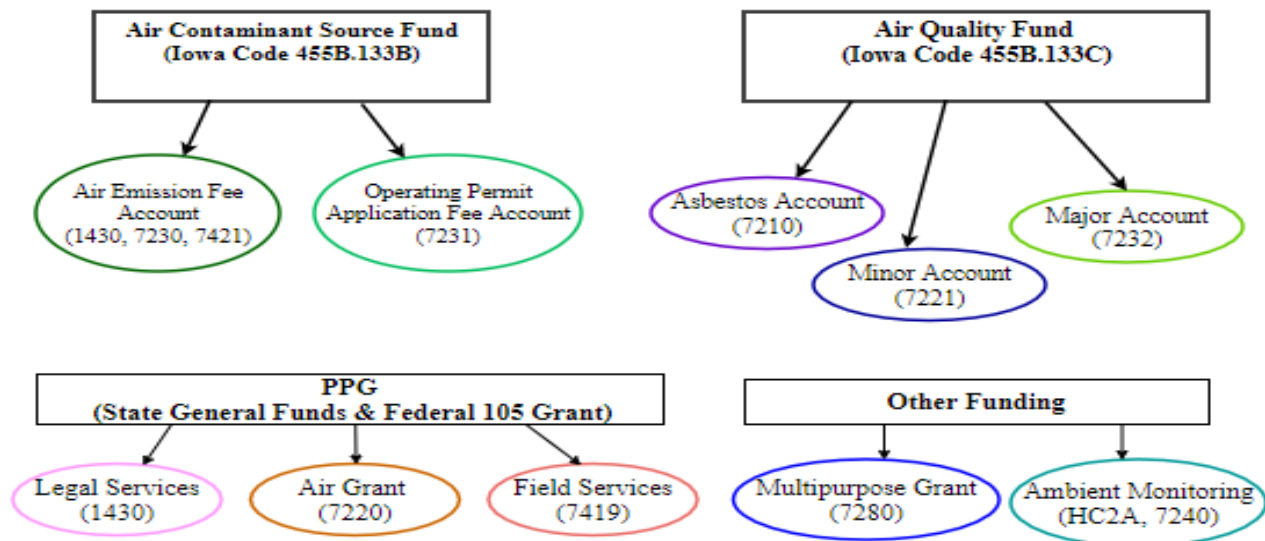
Annually, the Department convenes stakeholder meetings to discuss the Air Quality Bureau’s (Bureau) funding sources and the budget for the upcoming state fiscal year (FY). The Bureau has drafted a FY 2023 budget lowering the overall expenses by \$11,000 from the current FY 2022 expenses. The purpose of the meetings is to provide stakeholders with the opportunity to comment on the draft budgets and fee levels. The Department will report on each of the fee accounts and the draft future year budgets that will be used to determine the fee levels. The Department is required to calculate fee revenue estimates sufficient to cover the reasonable direct and indirect costs of implementing and administering each program supported by the respective fees.

Subsequent to this meeting and input from stakeholders, the Department will share draft budgets with the Environmental Protection Commission (EPC) in March. If changes to one or more fees are recommended, the Department will provide a final recommendation to the EPC on or before the May commission meeting.

Below, in Chart 1, is an illustration that shows the relationships between program revenue funds, accounts, and expense cost centers. These will be referred to in a number of places in the document.

Please provide us with verbal or written comments on the draft FY 2023 budget and Title V emissions tonnages by **February 14**. We appreciate your assistance. Please feel free to call me at (515) 725-9534 or email me at Catharine.fitzsimmons@dnr.iowa.gov after the meeting if you have any additional comments or questions. These materials will be posted on the Bureau’s website for your reference.

Chart 1: Air Quality Bureau Revenue Streams & Cost Centers



¹ The 2023 draft state fiscal year budget is for July 1, 2022 – June 30, 2023.

REVIEW OF FY 2021 (JULY 1, 2020 – JUNE 30, 2021)

Table 1 provides a summary of each program’s actual revenues and expenses. A brief highlight of each area is listed below Table 1. Please note that the numbers may not add up due to rounding.

Table 1: Summary of FY 2021 Actual Revenue and Expenses

Air Quality Program	Funding Source	Actual Revenue	Actual Expenses	Actual Revenue - Expenses
Asbestos NESHAP Program	Asbestos Account	\$368,000	\$149,000	\$219,000
Minor Source Const. Permits	Minor New Source Review (NSR) Account	\$156,000	\$149,000	\$7,000
	State & Federal funds	\$399,000	\$399,000	\$0
	Program Total (rounded)	\$555,000	\$547,000	\$7,000
Major Source Const. Permits	Major NSR Account	\$1,337,000	\$1,141,000	\$196,000
Title V Operating Permits	Title V Application Account	\$716,000	\$602,000	\$114,000
Core Program	Title V Emissions Fee Account	\$9,256,000	\$6,370,000	\$2,886,000
	State & Federal Funds	\$2,859,000	\$2,800,000	\$59,000
	Technology Reinvest - Iowa EASY Air	\$54,000	\$54,000	\$0
Total		\$15,145,000	\$11,664,000	\$3,427,000

The **Asbestos Notification Fee Account** (7210), under the Air Quality Fund started the year with \$215,000 in revenue with approximately \$153,000 in carryforward funds and interest. The fee revenue was slightly higher than the budgeted \$200,000. The expenses were less than budgeted due to a vacancy for the entire fiscal year.

The **Minor Construction Permit Account** (7221), under the Air Quality Fund, started the year with a deficit of almost -\$44,000. The fee revenue was anticipated at \$227,000 with expenses budgeted at \$188,000. The final revenue was approximately \$200,000 and was sufficient to fund the expenses of \$148,000. The ending fund balance was \$8,000, carried forward to FY 2022.

The **Major Construction Permit Application Account** (7232), under the Air Quality Fund, started the year with a carry forward balance of \$357,000 and anticipated revenue of \$1,232,000 from fees and interest. Expenses were budgeted at \$1,412,000. Final revenue collected was \$1,337,000 and final expenses were \$1,141,000, leaving a balance of \$196,000, carried forward to FY 2022. Unexpended funds were primarily in personnel expenses.

The **Title V Operating Permit Application Account** (7231), under the Air Contaminant Source Fund, had a budget of \$584,000. Actual revenue collected was \$812,000. A starting deficit from FY 2021 of -\$96,000 left \$716,000 to cover expenses. Actual expenses incurred totaled \$602,000, leaving \$114,000 to carryforward to FY 2022.

The **Core Program, Title V Emissions Fee Account** (7230), under the Air Contaminant Source Fund, started the fiscal year with a budget of approximately \$7,247,000. Revenues were anticipated to total \$8,986,000 based on an estimated \$6,583,000 in fee revenue, \$2,353,000 from the prior year carryforward, and \$50,000 in interest.

The year ended with approximately \$6,370,000 in expenses and year-end revenues of \$9,256,000, yielding an estimated carryforward of \$2,886,000. In summary, net under-expenditures of \$877,000, plus unanticipated revenues of \$270,000, plus a planned budget carryforward of \$1,739,000 yielded a new carry-forward of \$2,886,000 into fiscal year 2022. The unspent funds were primarily in personnel, monitoring equipment, and delayed IT contractor expense.

The **Core Program, State & Federal Funds** include cost centers 1430, 7215, 7220, 7240, 7280, HC2A, and 7419. The 1430, 7220, and 7419 cost centers in the Performance Partnership Grant (PPG) received \$1,225,000 in federal Clean Air

Act 105 funds and \$704,000 in State General Funds for a total of \$1,929,000 in revenue. An additional \$276,000 was applied to the Bureau from the PPG. All but \$59,000 was expended and was carryforward into FY 2022.

Approximately \$106,000 in federal multipurpose grant funds (7280) were expended primarily on minor source construction permitting and on contractor expenses for Iowa EASY Air. All federal monitoring funds of \$473,000 (7240) were expended as budgeted. The state-funded Environment First cost center (HC2A) had a carryforward balance of \$154,000 in addition to the \$425,000 appropriation. The expenses were \$520,000, leaving the remaining balance of \$59,000 to carryforward to SFY 2022. The remaining portion (\$54,000) of the state appropriation for Iowa EASY Air (7215) was expended on contractor expenses.

UPDATE ON FY 2022 (CURRENT FISCAL YEAR)

Revenue for all fee accounts during the first six months are comparable to last year. The asbestos vacancy was filled in December 2021. Currently there are no other vacancies in the Bureau. Federal CARES (Coronavirus Aid, Relief, and Economic Security Act) funds were utilized to replace desktop computers and older laptops for staff with new laptops and saved \$74,000.

DRAFT FY 2023 ESTIMATED BUDGETS AND REVENUES

The Department is seeking comment on the draft FY 2023 budget. The Department is proposing to maintain all fees at current levels.

The Title V emissions fee is drafted to remain at \$70.00 per ton due to the uncertain future of Title V tonnage and preliminary future year projections of expenses. The draft budget reflects estimated emissions subject to fees of 80,000 tons. For planning purposes, the budget has a 3% increase on personnel, a 3% increase on professional contracts (28E agreements), and applies the Department’s draft indirect rate of 12.08% to personnel costs. Status quo amounts are used for most budgetary items. No federal multipurpose grant funds are anticipated at this time. However, the Bureau anticipates receiving additional funding within the DNR’s Performance Partnership Grant.

Table 2 provides a summary comparison of FY 2022 budget expenses to the draft FY 2023 budget expenses. Additional detail on each program’s budget and expenses are provided later in this memo.

Table 2: Comparison of Current Year Budget (FY 2022) with Draft Budget for FY 2023

Air Quality Program	Funding Source	FY 2022 Budget Expenses	FY 2023 Draft Budget Expenses	Difference (23-22)
Asbestos NESHAP Program	Asbestos Account	\$247,000	\$287,000	\$40,000
	State & Federal funds	\$35,000	\$0	-\$35,000
	Total Program	\$282,000	\$287,000	\$5,000
Minor Source Const. Permits	Minor NSR Account	\$175,000	\$178,000	\$3,000
	State & Federal funds	\$484,000	\$553,000	\$69,000
	Total Program	\$659,000	\$731,000	\$72,000
Major Source Const. Permits	Major NSR Account	\$1,330,000	\$1,298,000	-\$32,000
Title V Operating Permits	Title V Application Account	\$672,000	\$715,000	\$43,000
Core Program	Title V Emissions Fee Account	\$7,006,000	\$7,025,000	\$19,000
	State & Federal Funds	\$2,658,000	\$2,540,000	-\$118,000
Total		\$12,607,000	\$12,596,000	-\$11,000

BUDGET REVIEW IN TABLES AND CHARTS

Sometimes a picture illustrates a situation better than a table. Below are several charts to help provide a better understanding of the Bureau’s draft FY 2023 budget. Chart 2 illustrates the draft FY 2023 budget expenses by program.

Chart 2: Draft FY 2023 Budget Expense Distribution by Program

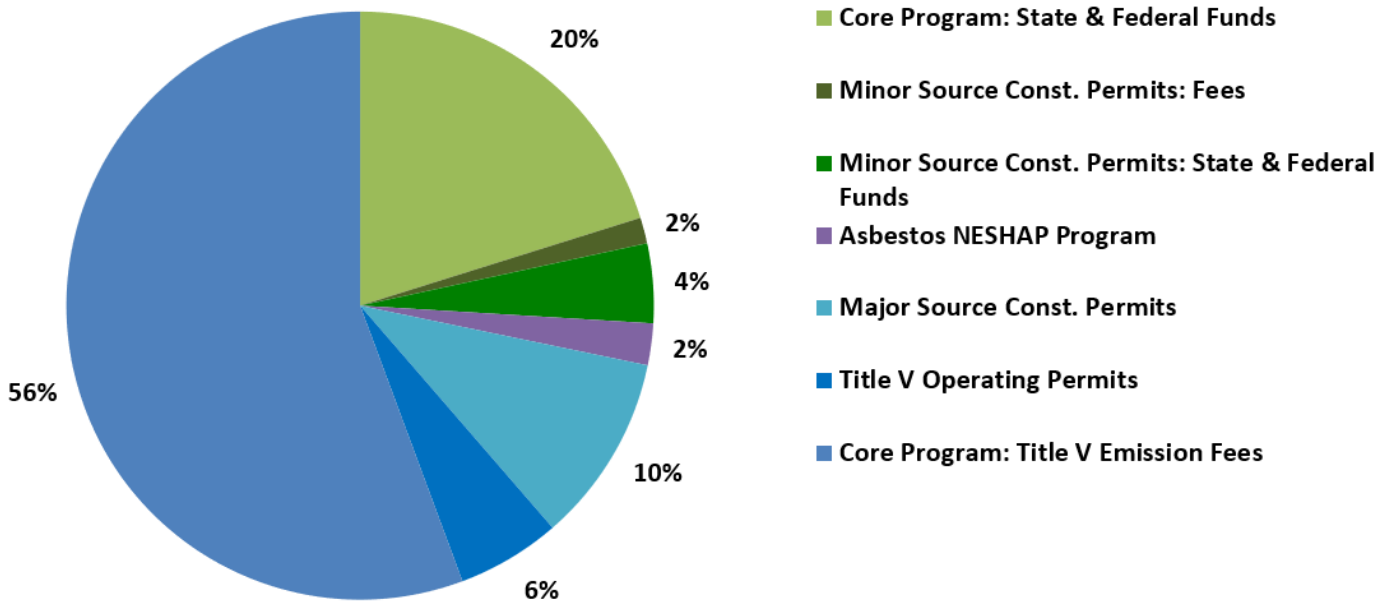
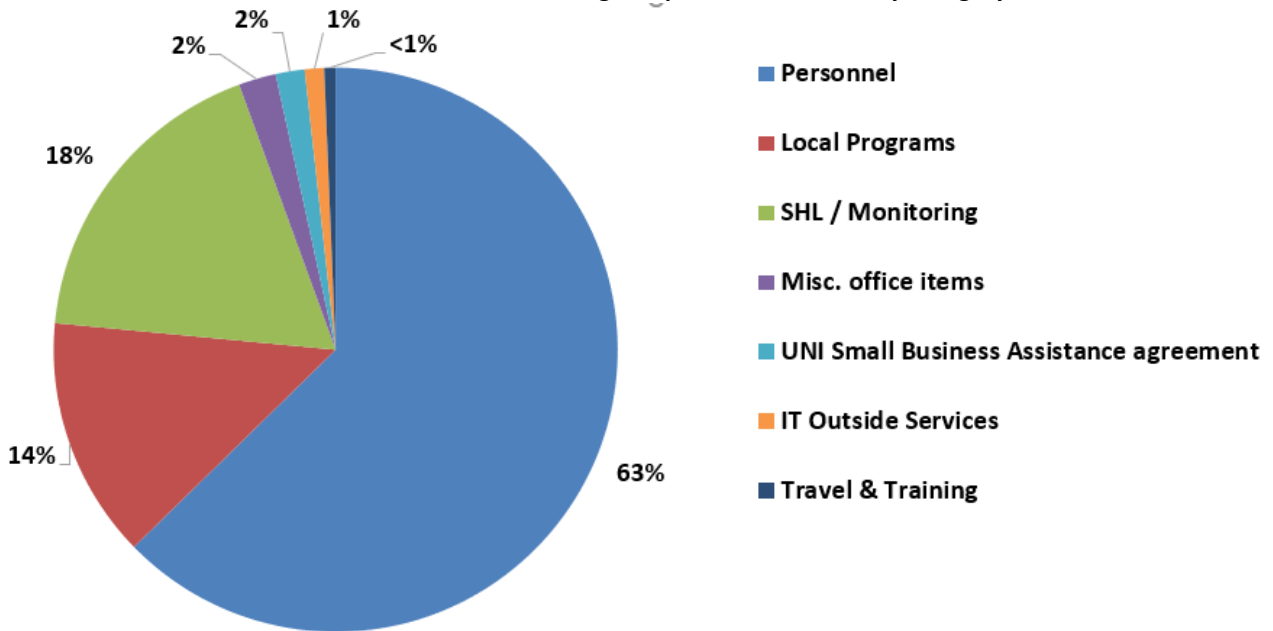


Chart 3 illustrates the draft FY 2023 budget by expense category. The majority of the draft budget expenses are allocated to personnel, which includes the DNR personnel and overhead expenses, and most of the SHL, Polk County, Linn County, and UNI Small Business Assistance agreements.

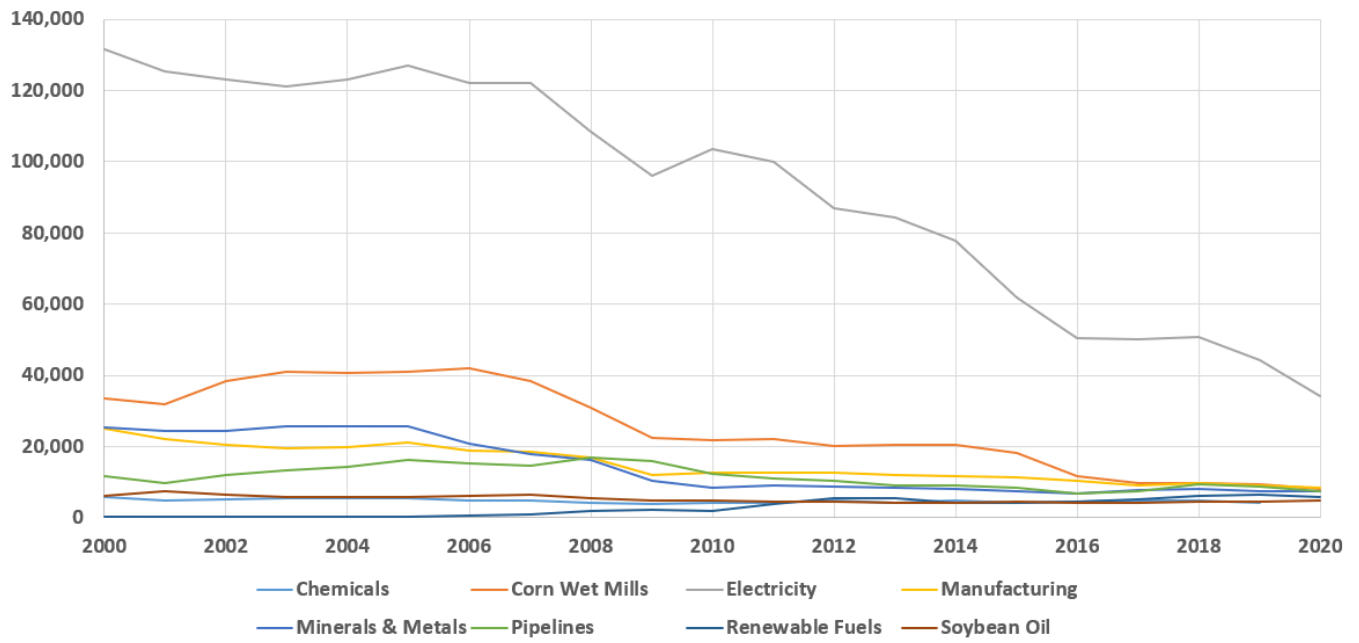
Chart 3: Draft FY 2023 Budget Expense Distribution by Category



EMISSIONS CHANGES BY SECTOR

Chart 4 compares the Title V emissions from calendar year (CY) 2000 to 2020. Electric generating units (EGU) historically have been the largest sector for emissions. The EGU tonnage has declined over the last decade. In prior years, the Bureau has reviewed quarterly data from EPA’s Clean Air Markets Division and permitting changes to estimate emission tonnages. Forecasting emissions has shifted from EGU driven to a combination of EGU emissions estimates combined with emissions estimates for other source sectors that include anticipated market and weather driven impacts. The Bureau welcomes any suggestions on how to forecast emissions for a year-to-year or multiyear scenario.

Chart 4: Emissions Subject to Fees by Sector 2000 – 2020 Emission



Asbestos NESHAP Program (Cost Center 7210 and portions of 7220)

Line #	Expenditure Category	SFY 2021 Actual	SFY 2022 Budget	Draft SFY 2023 Budget	Difference 2023-2022
1	FTE		2.50	2.50	0.00
2	Personnel	126,000	225,000	232,000	7,000
3	Travel in state	200	2,500	2,500	0
4	State vehicle	1,200	3,000	3,000	0
5	Depreciation	2,500	3,000	3,000	0
6	Travel out of state	0	1,000	1,000	0
7	Office supplies	0	100	100	0
8	Other supplies	0	100	100	0
9	Printing and binding	0	100	100	0
10	Uniforms	0	500	500	0
11	Communications	1,800	2,000	2,000	0
12	Rental	0	100	100	0
13	Professional Services	0	2,000	2,000	0
14	Outside Services	300	4,000	4,000	0
15	Reimbursement to other agencies	200	600	600	0
16	ITS reimbursement	300	600	600	0
17	IT Outside Services	0	100	100	0
18	Equipment	0	0	0	0
19	Equipment non-inventory	0	5,000	5,000	0
20	IT Equipment & software	0	3,000	1,000	-2,000
21	Other expenses	1,600	2,000	1,000	-1,000
22	Indirect charges	15,000	27,000	28,000	1,000
23	Total (rounded)	149,000	282,000	287,000	5,000
24					
25	Asbestos Activities				
26					
27	Carry forward	152,000	219,000	173,000	
28	Asbestos notification fees & interest	216,000	201,000	200,000	
29	State/Federal Funds	0	35,000	0	
30	Asbestos Revenue (rounded)	368,000	455,000	373,000	
31					
32	Expenses - Asbestos (7210) (rounded)	149,000	282,000	287,000	
33					
34	Asbestos Revenue - Expenses	219,000	173,000	86,000	

Rounding has been applied and may effect the totals slightly.

Minor Source Construction Permitting (Cost Centers 7221 & a portion of 7220)

Line #	Expenditure Category	SFY 2021 Actual	SFY 2022 Budget	Draft SFY 2023 Budget	Difference 2023 - 2022
1	FTE		3.75	4.25	0.50
2	Personnel	461,000	571,000	636,000	65,000
3	Travel in state	0	0	200	200
4	State vehicle	0	0	0	0
5	Travel out of state	0	1,000	600	-400
6	Office supplies	0	0	100	100
7	Other supplies	0	0	100	100
8	Uniforms	0	0	100	100
9	Communications	0	1,000	1,000	0
10	Rental	0	0	0	0
11	Outside Services	26,000	3,000	3,000	0
12	Advertisement in publications	0	0	100	100
13	Reimbursement to other agencies	0	0	0	0
14	ITS reimbursement	0	0	200	200
15	IT Outside Services	0	10,000	10,000	0
16	Equipment non-inventory	0	0	200	200
17	IT Equipment & software	0	2,000	1,000	-1,000
18	Other expenses	4,000	2,000	1,000	-1,000
19	Indirect charges	56,000	69,000	77,000	8,000
20	Total	547,000	659,000	731,000	72,000
21					
22	Minor Source Construction Permit Application Fee Summary of Revenue & Expenses				
23					
24	Minor Source Construction Permits				
25	Balance Forward & Interest	-44,000	7,000	3,000	
26	Fees	200,000	171,000	175,000	
27	General Funds/Federal 105 Funds (PPG)	399,000	484,000	553,000	
28	Total Revenue	555,000	662,000	731,000	
29					
30	Minor Source Construction Permitting Expenses	547,000	659,000	731,000	
31					
32	Revenue - Expenses (rounding)	7,000	3,000	0	

Rounding has been applied and may effect the totals slightly.

Core Program (Title V Emission Fee)

Line #	Expenditure Category	SFY 2021 Actual	SFY 2022 Budget	Draft SFY 2023 Budget	Difference 2023-2022
1	FTE		30.25	30.00	-0.25
2	Personnel	3,384,000	3,450,000	3,524,000	74,000
3	Travel & Vehicles	24,000	50,000	50,000	0
4	Office supplies, printing, reimbursement, etc.	15,000	17,000	13,000	-4,000
5	Equipment maintenance	0	1,000	1,000	0
6	Communications	21,000	28,000	28,000	0
7	Rental	4,000	4,000	4,000	0
8	Monitoring utilities	20,000	25,000	25,000	0
9	Outside Services	28,000	48,000	32,000	-16,000
10	SHL	816,000	1,047,000	1,139,000	92,000
11	28E Agreements (Linn, Polk, UNI-IAEAP)	1,355,000	1,580,000	1,467,000	-113,000
12	Air monitoring equipment	96,000	220,000	220,000	0
13	Equipment non-inventory	7,000	2,000	8,000	6,000
14	IT Outside Services	175,000	90,000	90,000	0
15	IT Equipment & software	14,000	34,000	7,000	-27,000
16	Other expenses	15,000	6,000	5,000	-1,000
17	Indirect charges	396,000	404,000	412,000	8,000
18	Total	6,370,000	7,006,000	7,025,000	19,000
19					
20	Title V Emission Fee Summary of Revenue & Expenses				
21					
22	Title V Emission Fee				
23	Balance forward	2,353,000	2,886,000	1,520,000	
24	Fund interest	15,000	25,000	15,000	
25	Under and over payments	310,000	0	0	
26	Title V fees (rounded)	6,578,000	5,615,000	5,600,000	
27	<i>annual tons (est)</i>	94,038	80,200	80,000	
28	<i>\$/ton</i>	<i>\$70.00</i>	<i>\$70.00</i>	<i>\$70.00</i>	
29	Total Revenue	9,256,000	8,526,000	7,135,000	
30					
31	Title V Emission Fee Expenses				
32	Legal Services (1430) - Title V only	100,000	111,000	114,000	
33	Air Title V - IT (3520)	32,000	12,000	12,000	
34	Air Title V Program (7230)	5,437,000	6,023,000	6,015,000	
35	Air Title V Field Program (7421)	801,000	860,000	884,000	
36	Total Expenses	6,370,000	7,006,000	7,025,000	
37					
38	Revenues - Expenses	2,886,000	1,520,000	110,000	

Rounding has been applied and may effect the totals slightly.

Major Source Construction Permit Application Program (Cost Center 7232)

Line #	Expenditure Category	SFY 2021 Actual	SFY 2022 Budget	Draft SFY 2023 Budget	Difference 2023-2022
1	FTE		9.50	9.00	-0.50
2	Personnel	989,000	1,111,000	1,096,000	-15,000
3	Travel in state	0	1,100	1,100	0
4	State vehicle	0	0	0	0
5	Travel out of state	0	4,000	4,000	0
6	Office supplies	0	300	300	0
7	Communications	10,000	8,000	8,000	0
8	Rental	0	100	100	0
9	Outside services	13,000	18,000	18,000	0
10	Advertisement in publications	0	100	100	0
11	Reimbursement to other agencies	1,000	3,000	3,000	0
12	ITS reimbursement	0	1,000	1,000	0
13	IT Outside Services	0	10,000	10,000	0
14	Equipment non-inventory	0	100	100	0
15	IT Equipment & software	0	13,000	1,000	-12,000
16	Other expenses	5,000	4,000	1,000	-3,000
17	State Aid	4,000	22,000	22,000	0
18	Indirect charges	119,000	134,000	132,000	-2,000
19	Total	1,141,000	1,330,000	1,298,000	-32,000
20					
21	Major Source Construction Application Fee Summary of Revenue & Expenses				
22					
23	Major Source Construction Permits				
24	Carry forward	357,000	196,000	91,000	
25	Local Program pass through	4,000	22,000	22,000	
26	Fees & Interest	976,000	1,203,000	1,200,000	
27	Total Revenue	1,337,000	1,421,000	1,313,000	
28					
29	Major Source CP Fee Expenses (rounded)	1,141,000	1,330,000	1,298,000	
30					
31	Revenues - Expenses	196,000	91,000	15,000	

Rounding has been applied and may effect the totals slightly.

Title V Operating Permit Application Program (Cost Center 7231)

Line #	Expenditure Category	SFY 2021 Actual	SFY 2022 Budget	Draft SFY 2023 Budget	Difference 2023-2022
1	FTE		5.50	5.75	0.25
2	Personnel	437,000	433,000	477,000	44,000
3	Travel in state	0	700	700	0
4	State vehicle	0	0	0	0
5	Travel out of state	0	2,300	2,300	0
6	Office supplies	0	200	200	0
7	Other supplies	0	100	100	0
8	Printing and binding	20	100	100	0
9	Uniforms	0	100	100	0
10	Communications	2,000	5,000	5,000	0
11	Rental	0	100	100	0
12	Outside Services	0	11,000	11,000	0
13	Advertisement in publications	0	100	100	0
14	Reimbursement to other agencies	1,000	1,000	1,000	0
15	ITS reimbursement	0	1,000	1,000	0
16	IT Outside Services	0	10,000	10,000	0
17	Equipment non-inventory	139	100	100	0
18	IT Equipment & software	0	7,400	1,000	-6,400
19	Other expenses	5,000	2,000	1,000	-1,000
20	State Aid	104,000	146,000	146,000	0
21	Indirect charges	53,000	52,000	58,000	6,000
22	Total	602,000	672,000	715,000	43,000
23					
24	Title V Application Fee Summary of Revenue & Expenses				
25					
26	Title V Application Fee Revenue				
27	Carry forward	-96,000	114,000	188,000	
28	Local Program Fee - Pass Through	104,000	146,000	146,000	
29	Fees	708,000	600,000	600,000	
30	Total Revenue	716,000	860,000	934,000	
31					
32	Title V Application Account Expenses	602,000	672,000	715,000	
33					
34	Revenue - Expenses	114,000	188,000	219,000	

Rounding has been applied and may effect the totals slightly.

**Core Program - State & Federal Funds Not Including the Minor Source
Construction Permitting Program or Asbestos Program**

Line #	Expenditure Category	SFY 2021 Actual	SFY 2022 Budget	Draft SFY 2023 Budget	Difference
1	FTE		11.00	11.00	0.00
2	Personnel	1,056,000	1,106,000	1,135,000	29,000
3	Travel & state vehicles	2,000	14,000	14,000	0
4	Office supplies, printing, reimbursement, etc.	1,000	5,000	5,000	0
5	Equipment maintenance	0	1,000	1,000	0
6	Communications	4,000	11,000	11,000	0
7	Rental	1,000	4,000	4,000	0
8	Outside services	60,000	62,000	62,000	0
9	Professional Services	1,004,000	818,000	759,000	-59,000
10	Air monitoring equipment	192,000	75,000	75,000	0
11	Equipment	0	1,000	1,000	0
12	IT Outside Services	86,000	99,000	20,000	-79,000
13	IT Equipment & software	1,000	15,000	2,000	-13,000
14	State Aid	325,000	325,000	325,000	0
15	Indirect charges	122,000	122,000	126,000	4,000
16	Total (rounded)	2,854,000	2,658,000	2,540,000	-118,000
17					
18	PPG & State Matching Funds Summary of Revenue & Expenses				
19					
20	Revenue				
21	General Funds	545,000	495,000	483,000	
22	Federal 105 Funds	986,000	894,000	877,000	
23	One-time Federal 105 Funds (Additional PPG & MP Grants)	276,000	312,000	282,000	
24	State Environment First Funds	425,000	425,000	425,000	
25	State Environment First Funds carryforward	154,000	59,000		
26	Federal 103 Funds	473,000	473,000	473,000	
27	Technology Reinvestment Fund	54,000	0	0	
28	Total (rounded)	2,913,000	2,658,000	2,540,000	
29					
30	Revenue-Expenses	59,000	0	0	

Rounding has been applied and may effect the totals slightly.