



MEMO: AIR QUALITY FISCAL YEAR 2024 DRAFT BUDGET

To: Air Quality Fee Advisory Groups
Date: For meeting scheduled on: January 5, 2023
Purpose: This memo provides a review of state fiscal year 2022 final expenses, current status of state fiscal year 2023, and presents the draft state fiscal year 2024 air quality budget¹.

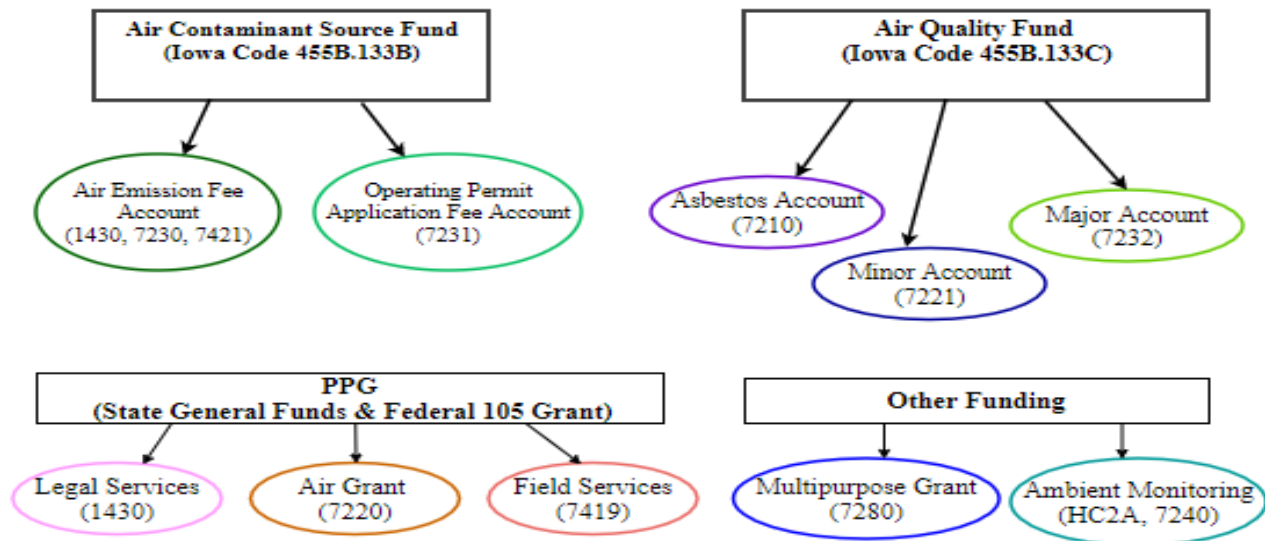
BACKGROUND

Annually, the Department convenes stakeholder meetings to discuss the Air Quality Bureau’s (Bureau) budget for the upcoming state fiscal year (FY). These meetings provide an opportunity for stakeholders to comment on the Bureau’s draft budgets and program fees.

Subsequent to this meeting and input from stakeholders, the Department shares the draft budget 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 meeting.

Chart 1 shows the relationships between air quality program revenue funds, accounts, and expense cost centers. Multiple accounts may be contained in each fund. The Department tracks each account separately. These will be referred to in a number of places in the document.

Chart 1: Air Quality Bureau Revenue Streams & Cost Centers



Please provide us with verbal or written comments on the draft FY 2024 budget, Title V emissions tonnages, and program fees by **February 13, 2023**. Please feel free to contact Wendy Walker at wendy.walker@dnr.iowa.gov or at (515) 725-9570 after the meeting if you have any additional comments or questions.

¹ The 2024 draft state fiscal year budget is for July 1, 2023 – June 30, 2024.

REVIEW OF FY 2022 (JULY 1, 2021 – JUNE 30, 2022)

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 have been rounded.

Table 1: Summary of FY 2022 Actual Revenue and Expenses

Air Quality Program	Funding Source	FY 2021 Carry Forward	FY 2022 Revenue	FY 2022 Expenses	Carry Forward & Revenue - Expenses
Asbestos NESHAP Program	Asbestos Account	\$218,000	\$181,000	\$217,000	\$182,000
Minor Source Const. Permits	Minor New Source Review (NSR) Account	\$7,000	\$211,000	\$290,000	-\$72,000
	State & Federal funds	\$0	\$670,000	\$670,000	\$0
Major Source Const. Permits	Major NSR Account	\$196,000	\$958,000	\$969,000	\$185,000
Title V Operating Permits	Title V Application Account	\$114,000	\$1,076,000	\$715,000	\$475,000
Core Program	Title V Emissions Fee Account	\$2,887,000	\$5,336,000	\$6,090,000	\$2,133,000
	State & Federal Funds	\$59,000	\$2,718,000	\$2,777,000	\$0
Total (rounded)		\$3,481,000	\$11,150,000	\$11,728,000	\$2,903,000

The **Asbestos Notification Fee Account (7210)**: Total expenses of \$217,000 was less than budgeted as the new employee in the asbestos program did not start until mid-year.

The **Minor Construction Permit Account (7221)**: Final fee revenue collected was \$211,000 and final expenses were \$290,000, leaving a \$72,000 deficit. FY 2021 ended with a positive balance of \$7,000 due to additional \$100,000 in federal multi-purpose funds being applied to the minor construction permit program.

The **Major Construction Permit Application Account (7232)**: Final expenses were \$969,000, leaving a balance of \$185,000, carried forward to FY 2023.

The **Title V Operating Permit Application Account (7231)**: This account collected more revenue than anticipated which helped offset slightly higher expenses. Title V operating permit staffing has experienced a multi-year period of stability which has led to both higher than anticipated revenue and expenses in the program.

The **Core Program, Title V Emissions Fee Account (1430, 7230, 7421)**: Expenses were \$997,000 under budget due to unspent personnel funds, travel, scanning, and other miscellaneous expenses with some delayed until FY 2023. Personnel expenses, with the indirect rate, were under spent by \$427,000 because personnel costs were expended in the Core Program, State & Federal Funds. IT contract expenses were \$54,000 under budget and scanning was \$22,000 less as the expenses were shifted to the multipurpose grant. 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 \$30,000 in this area.

The **Core Program, State & Federal Funds (1430, 7220, 7240, 7280, HC2A, 7419)**: Final PPG expenses were \$2,777,000, which was over the final budgeted amount primarily due to personnel expenses. As in prior years, the division-wide PPG was able to carry our overage due to being underspent in other areas. Approximately \$59,000 was rolled into FY 2022 in Environment First Funds due to delays in receiving equipment. A portion of the State Hygienic Laboratory (SHL) expense (\$130,000) was moved to the division-wide PPG from the Title V emission inventory cost center (7230).

UPDATE ON FY 2023 (CURRENT FISCAL YEAR)

The Bureau requested and received an additional \$396,000 in state General Funds from the Department for FY 2023. The bulk of the additional funds are being used to support the minor source construction permitting program with any remainder applied to ambient air monitoring, planning activities, and state implementation plan development. All minor source construction permitting expenses have been shifted to the PPG (7220) due to the minor source account (7221) deficit. Minor source application fees collected in FY 2023 will continue to be applied to the minor account to reduce, and eventually eliminate, the deficit. Minor source construction permitting will resume charging to the minor account once sufficient revenue has accrued.

The carryforward amounts in all but one of the fee accounts projects a lower amount to be carried forward into FY 2024. Currently there are five vacancies in the Bureau. Each position will be reviewed prior to filling the vacancy. Additionally, the Bureau continues to scrutinize expenses in all areas to find savings.

DRAFT FY 2024 ESTIMATED BUDGETS AND REVENUES

Table 2 contains the Department’s draft FY 2024 budget. This draft budget reflects estimated emissions subject to fees of 81,000 tons and the associated \$670,000 reduction, and all other application fees remain unchanged. For planning purposes, a 3% increase has been applied to personnel and a DNR indirect rate of 13.2% is applied to the personnel costs. Additionally, the Bureau has implemented a 0% increase on professional contracts (State Hygienic Laboratory and Iowa Waste Reduction Center) and the Linn and Polk County Program agreements. Status quo amounts are used for most budgetary items. The Bureau anticipates to continue to receive the additional \$396,000 in General Funds. No federal multipurpose grant funds are anticipated for FY 2024. Information on the federal Inflation Reduction Act is not available at this time and is therefore not included in the draft FY 2024 budget.

Table 2 also provides a summary comparison of FY 2023 budget expenses to the draft FY 2024 budget expenses. Please note that the numbers have been rounded. Detail on each program’s budget and expenses are provided in Attachment A to this memo.

Table 2: Comparison of Current Year (FY 2023) and Draft Year (FY 2024) Budgets

Air Quality Program	Funding Source	FY 2023 Budget Expenses	FY 2024 Draft Budget Expenses	Difference (24-23)
Asbestos NESHAP Program	Asbestos Account	\$285,000	\$293,000	\$8,000
Minor Source Const. Permits	Minor NSR Account	\$135,000	\$137,000	\$2,000
	State & Federal funds	\$726,000	\$726,000	\$0
Major Source Const. Permits	Major NSR Account	\$1,294,000	\$1,269,000	-\$25,000
Title V Operating Permits	Title V Application Account	\$781,000	\$1,026,000	\$245,000
Core Program	Title V Emissions Fee Account	\$7,355,000	\$6,648,000	-\$707,000
	State & Federal Funds	\$2,922,000	\$2,505,000	-\$417,000
Total (rounded)		\$13,498,000	\$12,604,000	-\$894,000

Significant staff turnover occurred in FY 2023 in the minor and the major source construction permitting programs. The FY 2024 budget reflects filling vacancies with lower cost, entry level staff. Due to the staffing stability, the Title V application account has sufficient funding to support more Title V staff. Accordingly, one and one-half FTE was shifted from Title V emissions fees to Title V application. The remaining reduction in the Title V emissions fee account is due to shifting 2 FTEs in monitoring and planning to State & Federal funds and the one-time expense for Linn County’s Iowa EASY Air program ending in FY 2023. The decrease in State & Federal funds reflects no additional federal American Rescue Plan Act funds in FY 2024.

DRAFT FY 2024 BUDGET EXPENSES IN CHARTS

Below are several charts that illustrate the Bureau’s draft FY 2024 budget. Chart 2 illustrates the draft FY 2024 budget expenses by program.

Chart 2: Draft FY 2024 Budget Expense Distribution by Program

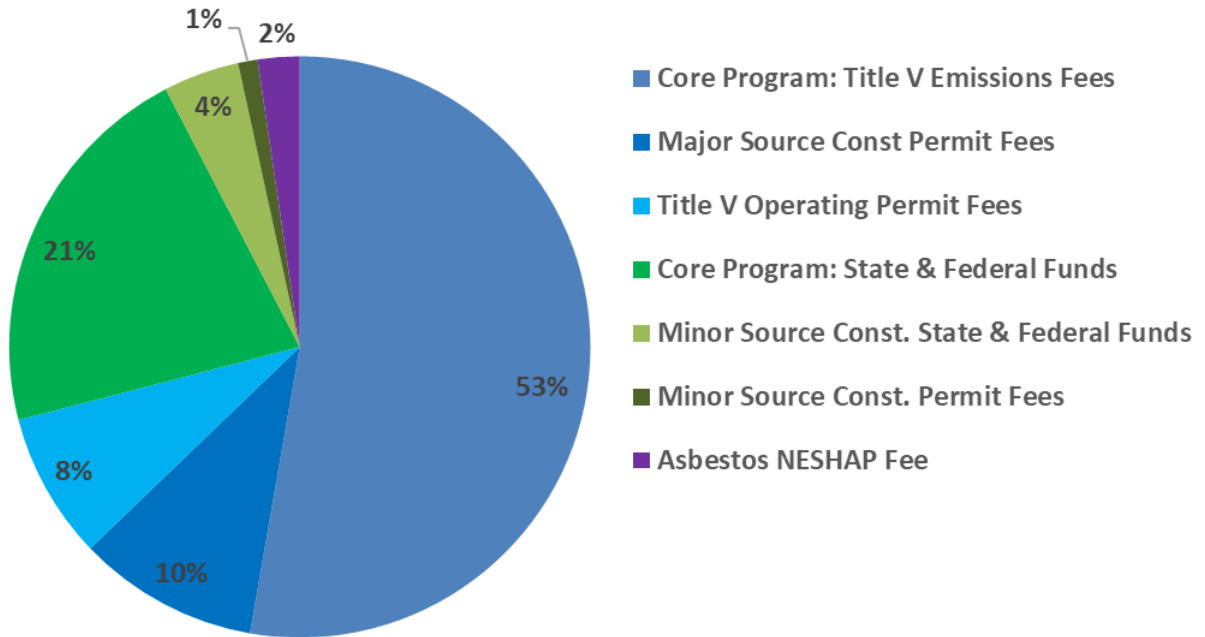
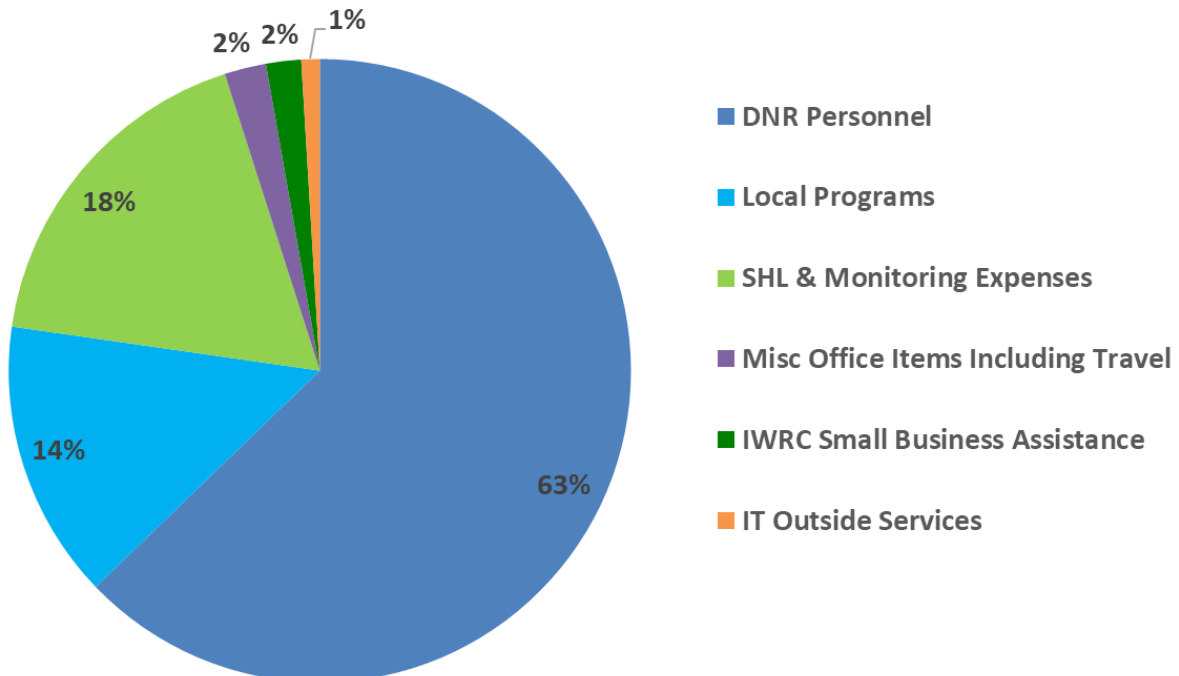


Chart 3 illustrates the draft FY 2024 budget by expense category. The majority of the draft budget expenses are allocated to personnel, which includes Department personnel and overhead expenses and most of the SHL, Polk County, Linn County, and UNI Small Business Assistance agreements.

Chart 3: Draft FY 2024 Budget Expense Distribution by Category



EMISSIONS CHANGES BY SECTOR

Chart 4 compares the Title V emissions from calendar year (CY) 2000 to 2021. Electric generating units (EGU) historically have been the largest sector for emissions. The 2021 emissions by sector (Chart 5) shows that the EGU sector makes up only approximately one-half of the feeable emissions. 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.

**Chart 4: Feeable Emissions by Sector (tons)
Years 2000-2021**

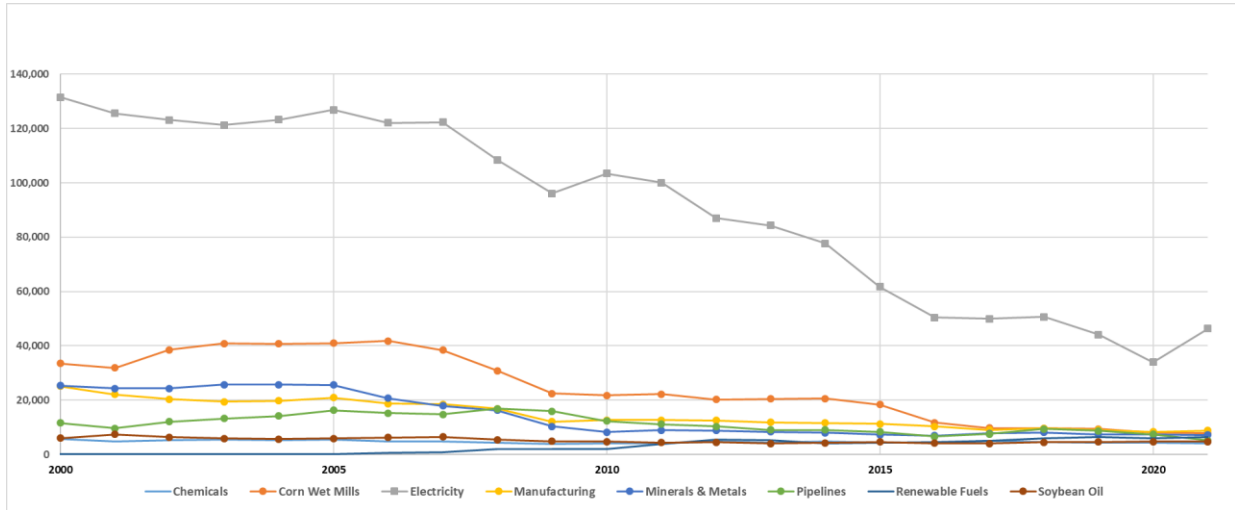
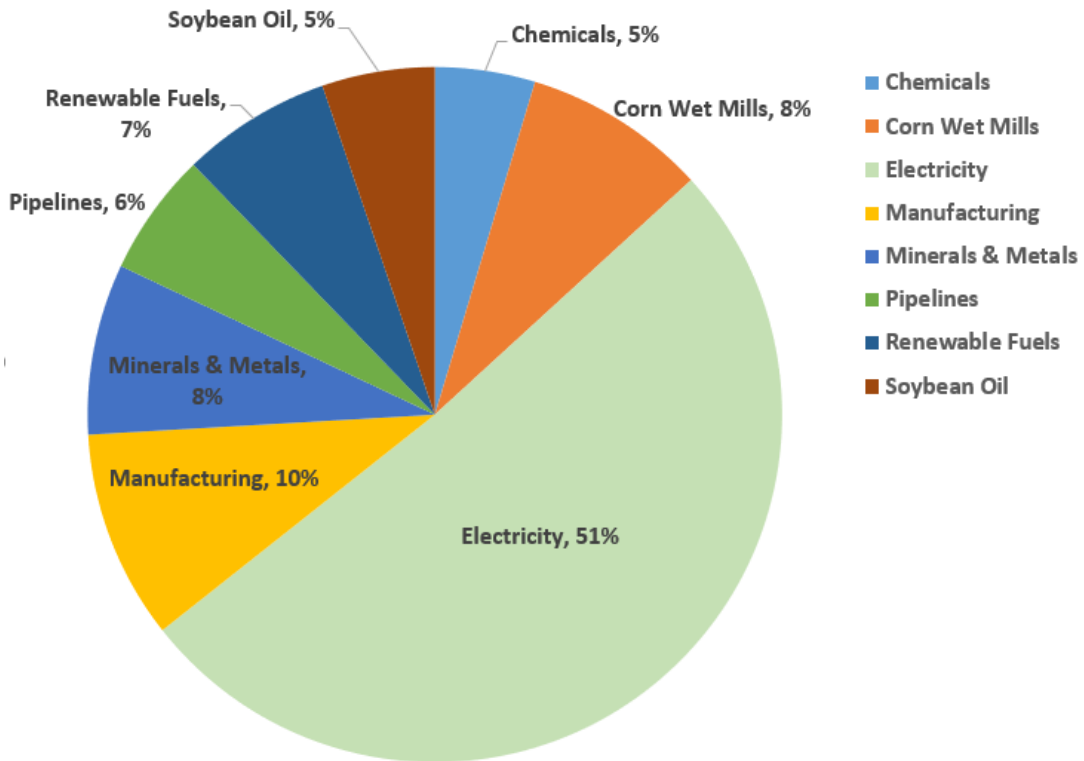


Chart 5: 2021 Emissions by Sector



Attachment A: Summary by Funding Category

The majority of the Air Quality Program is funded by Title V emissions fees. Activities funded by Title V emissions fees include ambient monitoring, emission inventory, compliance and inspection, state implementation plan and rule development, and other planning activities.

Title V Emissions Fee	SFY 2022 Actual	Revised SFY 2023 Budget	Draft FY 2024 Budget
FTE		31.00	27.50
Personnel	3,428,000	4,051,000	3,591,000
Local Programs	1,186,000	1,424,000	1,274,000
SHL	916,000	1,188,000	1,211,000
IWRC Sm Bus. Assistance	203,000	230,000	230,000
Air Monitoring equipment	203,000	220,000	100,000
Misc office items	89,000	108,000	108,000
IT Outside Services	36,000	75,000	75,000
Travel & Vehicles	19,000	50,000	50,000
Equipment & Software	10,000	10,000	10,000
Total Expenses	6,090,000	7,355,000	6,648,000
Revenue Summary			
Balance forward	2,887,000	2,133,000	1,531,000
Fund interest	15,000	15,000	15,000
Under and over payments	0	0	0
Title V fees (rounded)	5,321,000	6,337,000	5,670,000
annual tons (est)	80,200	90,535	81,000
\$/ton	\$70	\$70	\$70
Total Revenue	8,223,000	8,485,000	7,216,000
Revenues - Expenses	2,133,000	1,130,000	568,000

Title V Operating Permit Application Program is responsible for issuing operating permits to facilities subject to Title V of the Federal Clean Air Act. Operating permits for subject facilities in Linn and Polk counties are reviewed by these local programs and issued by the Department.

Title V Operating Permit Application Program	SFY 2022 Actual	Revised SFY 2023 Budget	Draft FY 2024 Budget
FTE		5.75	7.25
Personnel	560,000	541,000	787,000
Local Programs	130,000	203,000	203,000
Misc. Office Expenses	26,000	36,000	36,000
Total Expenses	715,000	781,000	1,026,000
Revenue Summary			
Carry forward	114,000	475,000	585,000
Local Program Fee - Pass Through	130,000	203,000	203,000
Fees	946,000	600,000	700,000
Total Revenue	1,190,000	1,278,000	1,488,000
Revenue - Expenses	475,000	497,000	462,000

Attachment A: Summary by Funding Category

Major Source Construction Permit Application Program is responsible for the review and approval of all pre-construction air permit applications at major sources. For Prevention of Significant Deterioration (PSD) permit applications at a major source located in Linn County, Linn County reviews the permit application and the Department issues the final permit.

Major Source Construction Permit Application Program	SFY 2022 Actual	Revised SFY 2023 Budget	Draft FY 2024 Budget
FTE		9.00	8.75
Personnel	954,000	1,243,000	1,218,000
Local Programs	0	21,000	21,000
Misc. Office Expenses	15,000	30,000	30,000
Total Expenses	969,000	1,294,000	1,269,000
Revenue Summary			
Carry forward	196,000	185,000	183,000
Local Program pass through	0	21,000	21,000
Fees & Interest	958,000	1,214,000	1,200,000
Total Revenue	1,154,000	1,420,000	1,404,000
Revenues - Expenses	185,000	126,000	135,000

Minor Source Construction Permit Application Program is responsible for the review and approval of all pre-construction air permit applications at non-major sources. Linn and Polk Counties implement their own minor source construction permitting programs.

Minor Source Construction Permit Application Program	SFY 2022 Actual	Revised SFY 2023 Budget	Draft FY 2024 Budget
FTE		6.50	6.75
Personnel	276,000	125,000	127,000
Misc. Office Expenses	14,000	10,000	10,000
PPG & Additional General Fund CP Expenses	670,000	726,000	726,000
Total Expenses	960,000	861,000	863,000
Revenue Summary			
Balance Forward & Interest	7,000	-72,000	-4,000
General Funds/Federal 105 Fund (PPG)	484,000	484,000	484,000
Additional General Fund	186,000	242,000	242,000
Fees	211,000	177,000	175,000
Total Revenue	888,000	831,000	897,000
Revenue - Expenses	-72,000	-30,000	34,000

Attachment A: Summary by Funding Category

State and federal funds are used to fund ambient monitoring, emission inventory, compliance and inspection, state implementation plans, rules and other planning activities.

Core Program - State & Federal Funds Not Including the Minor Source Construction Permit Application Program	SFY 2022 Actual	Revised SFY 2023 Budget	Draft FY 2024 Budget
FTE		6.75	8.75
Personnel	1,985,000	1,898,000	1,920,000
Local Programs	325,000	458,000	325,000
SHL	947,000	855,000	832,000
Air Monitoring equipment	75,000	299,000	75,000
Misc office items	73,000	42,000	42,000
IT Outside Services	41,000	79,000	20,000
Travel & Vehicles	1,000	14,000	14,000
Equipment & Software	0	3,000	3,000
Funds for Minor CP App. Program	-670,000	-726,000	-726,000
Total Expenses	2,777,000	2,922,000	2,505,000
Revenue Summary			
General Fund	704,000	704,000	704,000
Federal 105 Fund	830,000	751,000	751,000
Additional General Fund	265,000	154,000	154,000
One-time Federal 105 Fund (MP Grant)	21,000	59,000	0
State Environment First Fund	484,000	425,000	425,000
Federal 103 Fund	473,000	829,000	473,000
Total (rounded)	2,777,000	2,922,000	2,507,000
Revenue-Expenses	0	0	2,000

Asbestos NESHAP Program is responsible for conducting inspections of building renovations, demolitions, and training fires subject to federal emissions standards for prevention of asbestos releases.

Asbestos NESHAP Program	SFY 2022 Actual	Revised SFY 2023 Budget	Draft FY 2024 Budget
FTE		2.50	2.50
Personnel	205,000	264,000	272,000
Travel & Vehicles	8,000	10,000	10,000
Misc. Office Expenses	5,000	11,000	11,000
Total Expenses	217,000	285,000	293,000
Revenue Summary			
Carry forward	218,000	182,000	99,000
State/Federal Funds	0	0	0
Asbestos notification fees & interest	181,000	200,000	200,000
Revenue (rounded)	399,000	382,000	299,000
Revenue - Expenses	182,000	97,000	6,000