

IOWA DEPARTMENT OF NATURAL RESOURCES

LEADING IOWANS IN CARING FOR OUR NATURAL RESOURCES

KAYLA LYON, DIRECTOR

MEMO: FISCAL YEAR 2021 DRAFT BUDGET MEETING

From: Catharine Fitzsimmons, Air Quality Bureau Chief
To: Air Quality Fee Advisory Groups
Date: For meetings scheduled on: January 28, 2020
Purpose: This memo provides a review of SFY 2019 budget and presents the draft SFY 2021 air quality budget as the basis for the air quality fee schedule.

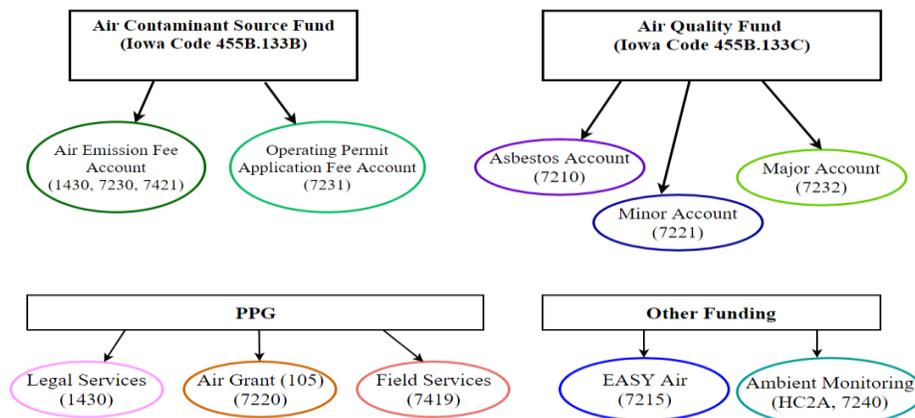
Annually, the Department convenes stakeholder meetings to discuss the Air Quality Bureau's (Bureau) funding sources and the budget for the upcoming state fiscal year (FY). The purpose of the meetings is to provide stakeholders with the opportunity to comment on the draft budgets and fee levels. The Department 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 these meetings 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. The current fee schedule is listed at the end of this memo.

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 FY 2021 budget and Title V emissions tonnages by April 6. We appreciate your assistance. Please feel free to call me at (515) 725-9534 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



REVIEW OF FISCAL YEAR 2019

FY 2019 was a busy year with implementation of the EASY Air system. Table 1 provides a summary of each program's actual revenues and expenses. A brief highlight of each area is listed below Table 1.

Table 1: Summary of FY 2019 Actual Revenue and Expenses

Air Quality Program	Funding Source	Actual Revenue	Actual Expenses	Actual Revenue - Expenses
Asbestos NESHAP Program	Asbestos Account	\$249,000	\$214,000	\$35,000
	State & Federal funds	\$55,000	\$55,000	\$0
Minor Source Const. Permits	Minor NSR Account	\$262,000	\$283,000	(\$21,000)
	State & Federal funds	\$416,000	\$416,000	\$0
Major Source Const. Permits	Major NSR Account	\$1,626,000	\$1,187,000	\$439,000
Core Program	Title V Emissions Account	\$7,368,000	\$5,831,000	\$1,537,000
	State & Federal Funds	\$2,407,000	\$2,371,000	\$36,000
	Appropriation - EASY Air	\$954,000	\$391,000	\$563,000
Title V Operating Permits	Title V Application Account	\$620,000	\$690,000	(\$70,000)
Total		\$13,297,000	\$11,375,000	\$1,922,000

Asbestos: The asbestos account (7210) notification fee revenue continues to be lower than expenses. In FY 2019, the last quarter of expenses were charged to the Performance Partnership Grant (PPG). However, higher than anticipated number of notifications and fees were received during the fourth quarter. Therefore, a small surplus of \$35,000 in fee revenue rolled forward to FY 2020 due to the use of the PPG funds.

The **Minor Construction Permit Account** (7221) received less fee revenue than needed to fund all expenses. The fee revenue was \$262,000 with final expenses at \$283,000, creating a shortfall of \$21,000. Approximately 60% of the total account expenses were charged to the PPG.

The **Major Construction Permit Account** (7232) received \$1,626,000 in fee revenue with carryforward and interest revenue. Final expenses were \$1,187,000. The surplus of \$439,000 rolled forward to FY 2020.

State & Federal Funds: The PPG (1430, 7220, and 7419) received \$1,186,000 in federal Clean Air Act 105 funds, \$704,000 in State General Funds, and \$90,000 from the federal e-Enterprise grant for a total of \$1,980,000 in the PPG. Also received was \$473,000 in a federal monitoring grant (7240) and \$425,000 in Environment First funds (HC2A). The e-Enterprise grant (\$90,000) was used for the EASY Air project. All but approximately \$36,000 was expended. Field activities were underspent due to staff diverted to flooding priorities and vacancies. State and federal funds for monitoring activities (7420 and HC2A) were fully expended.

EASY Air: The EASY Air project received \$954,000 from the Iowa General Assembly. In FY 2019, \$391,000 was spent on the project along with a federal grant of \$90,000 for personnel costs. The remaining \$563,000 of the appropriation will be spent in FY 2020.

Title V Operating Permit Application Account: FY 2019 started with a deficit of -\$127,000. Final expenses were \$690,000. Final revenue was \$620,000 after subtracting the beginning deficit. While progress was made reducing the deficit, the year ended with a deficit of \$70,000 with \$42,000 in invoices in the process of being paid by billed facilities, yielding a net shortfall \$28,000.

Title V Emission Inventory Fee Account

The fiscal year ended with approximately \$5,831,000 in expenses, 9% lower than budgeted. There was \$611,000 unspent, primarily from personnel costs.

The FY 2019 fee revenue of \$7,368,000, was 1% higher than anticipated, yielding an estimated carry forward of \$1,537,000. Additional revenue (\$95,000) resulted from higher than anticipated earned interest and fewer fee credits than originally anticipated.

UPDATE ON FY 2020 (CURRENT FISCAL YEAR)

Asbestos: In addition to fee funds, one-time federal funds (multi-purpose grant) along with the PPG will offset expenses in FY 2020.

Minor Construction Permit Account: The account continues to maintain a deficit. Expenses for issuing minor source permits continues to exceed fee revenues and state and federal fund match.

Title V Operating Permit Application Account: The carryforward is anticipated to be lower than budgeted (+\$40,000) due to staff retirements.

Title V Emission Inventory Fee Account: The Bureau anticipates utilizing \$200,000 for staff to test the new EASY Air system. To establish information transfers between SLEIS and EASY Air, a \$160,000 contract was put in place with Windsor Solutions. In anticipation of development of Local Program EASY Air modules, an additional \$60,000 has been allocated. Budgeted funds for FY 2019 were unexpended and brought forward to FY 2020 for the SLEIS annual contract and monitoring equipment.

DRAFT FISCAL YEAR 2021 ESTIMATED REVENUE AND BUDGETS

The Department is proposing to reduce the Title V emissions fee from \$70.00 to \$67.00 per ton of emissions, a 4% decrease. Unanticipated increases in emissions in calendar year 2018 resulted in \$1,537,000 carryforward into FY 2020. Title V fee payers will see an overall reduction of \$500,000 in fees for FY 2021, which will help reduce the carryforward.

The Bureau is seeking comment on the draft FY 2021 budget, which is approximately 8% lower than the FY 2019 budget. The draft budget includes a 3% increase on personnel expenses and status quo changes to accommodate needs within each program. The Bureau is projecting a decrease in calendar year 2019 emissions of approximately 5%. Table 2 provides a summary comparison of FY 2020 budget expenses to the draft FY 2021 budget expenses.

Table 2: Comparison of Current Year Budget (FY 2020) with Draft Budget for FY 2021

Air Quality Program	Funding Source	FY 2020 Budget Expenses	FY 2021 Draft Budget Expenses	Difference
Asbestos NESHAP Program	Asbestos Account	282,000	229,000	-53,000
	State & Federal funds	40,000	96,000	56,000
Minor Source Const. Permits	Minor NSR Account	195,000	185,000*	-10,000
	State & Federal funds	288,000	296,000	8,000
Major Source Const. Permits	Major NSR Account	1,443,000	1,463,000	20,000
Core Program	Title V Emissions Account	7,326,000	6,917,000	-409,000
	State & Federal Funds	2,442,000	2,378,000	-64,000
	Appropriation - EASY Air	563,000	0	-563,000
Title V Operating Permits	Title V Application Account	706,000	628,000	-78,000
Total		13,275,000	12,192,000	-1,083,000

*The draft FY 2021 Minor NSR account revenue reflects a \$41,000 deficit and \$226,000 in fees for a total of \$185,000. Please see page 9 for more details on the account.

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 2021 budget. Chart 2 illustrates the draft FY 2021 budget by program.

Chart 2: Draft FY 2021 Budget Expense Distribution by Program

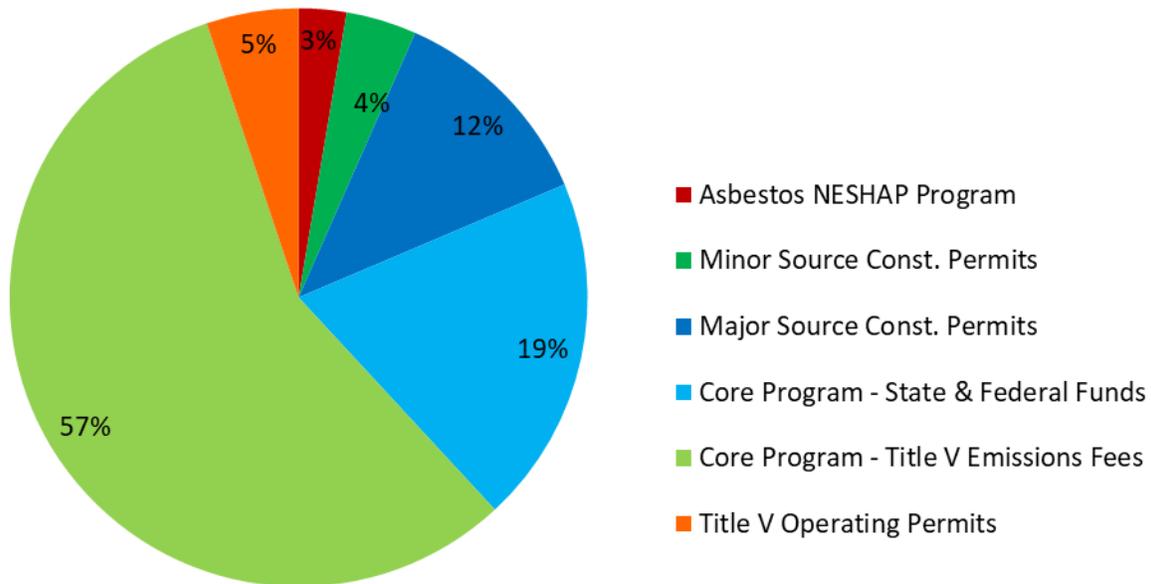


Chart 3 illustrates the draft FY 2021 budget by expense category. The majority of the draft budget expenses are allocated to personnel, which includes the DNR personnel and indirect expenses, and most of the SHL, Polk County, Linn County, and UNI Small Business Assistance agreements.

Chart 3: Draft FY 2021 Budget Expense Distribution by Category

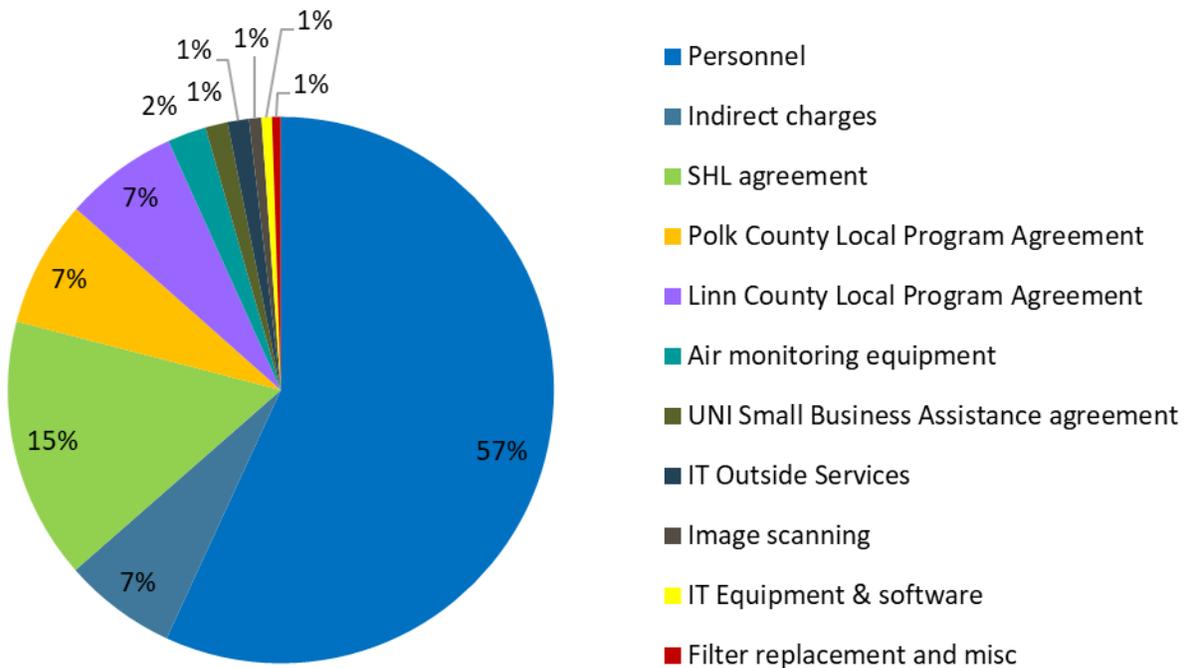


Chart 4 and Chart 5 compare the Title V emissions from calendar year (CY) 2013 to 2018. Electric generating units (EGU) historically have been the largest sector for emissions. The EGU tonnage has declined over the last decade. In prior years, the Bureau has reviewed quarterly data from EPA’s Clean Air Markets Division and

permitting changes to estimate tonnage emissions. Forecasting emissions has shifted from EGU driven to a market and weather driven scenario. The Bureau would welcome any suggestions on how to forecast emissions for a year-to-year or multiyear scenario.

Chart 4: CY 2013 Title V Feeable Emissions by Sector (Calendar year 2013 emissions were paid in 2014 and funded FY 2015. 44 facilities or 24 companies paid 82% of the fees.)

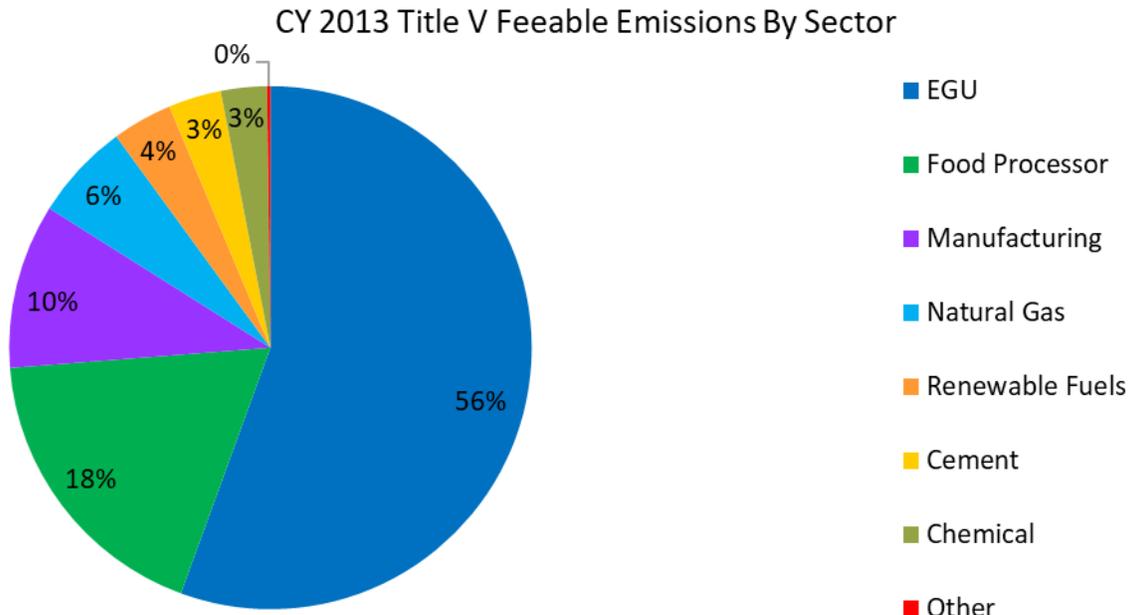
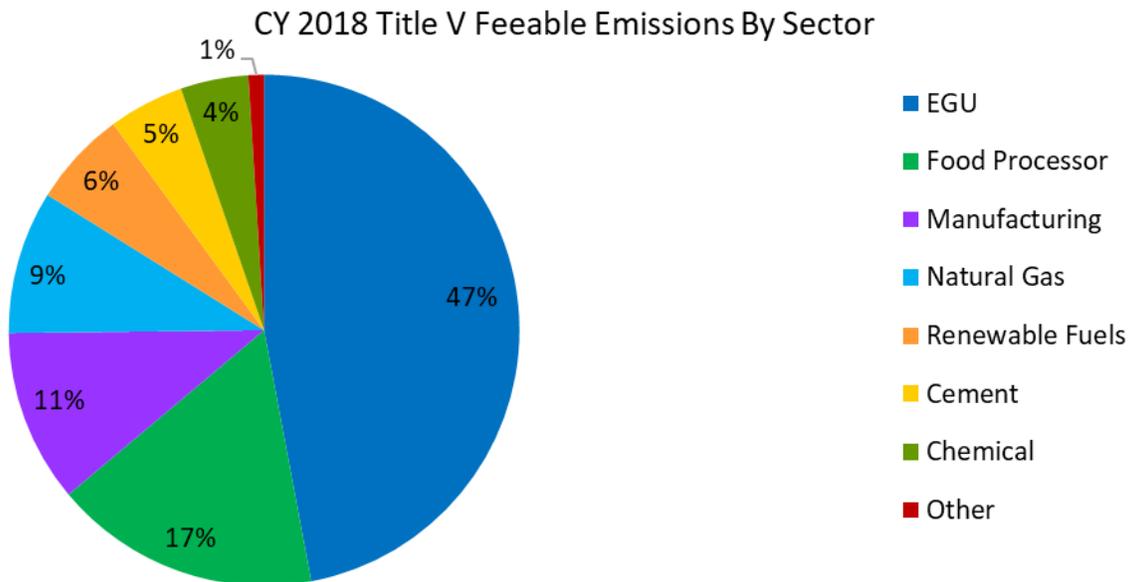


Chart 5: CY 2018 Title V Feeable Emissions by Sector (Calendar year 2018 emissions were paid in 2019 and fund FY 2020. 75 Facilities or 47 companies emitted 87% of the emissions.)



Major Source Construction Permit Application Program (Cost Center 7232)

Line #	Expenditure Category	SFY 2019 Actual	SFY 2020 Budget	Draft SFY 2021 Budget	Difference
1	FTE		10.75	10.75	
2	Personnel	972,000	1,189,000	1,210,000	21,000
3	Travel in state	0	1,400	1,400	0
4	State vehicle	0	0	0	0
5	Travel out of state	5,000	4,000	4,000	0
6	Office supplies	0	100	100	0
7	Communications	2,000	8,000	8,000	0
8	Rental	0	100	100	0
9	Outside services	46,000	30,000	30,000	0
10	Advertisement in publications	0	100	100	0
11	Reimbursement to other agencies	1,000	2,000	2,000	0
12	ITS reimbursement	0	4,000	1,000	-3,000
13	IT Outside Services	3,000	1,000	1,000	0
14	Equipment non-inventory	0	100	100	0
15	IT Equipment & software	0	14,000	14,000	0
16	Other expenses	4,000	4,000	4,000	0
17	State Aid	12,000	38,000	40,000	2,000
18	Indirect charges	141,000	147,000	147,000	0
19	Total	1,186,000	1,443,000	1,463,000	20,000
20					
21	Major Source Construction Application Fee Summary of Revenue & Expenses				
22					
23	Major Source Construction Permits				
24	Carry forward from prior year	347,000	440,000	291,000	
25	Local Program pass through	12,000	38,000	40,000	
26	Fees & Interest	1,267,000	1,256,000	1,200,000	
27	Total Revenue	1,626,000	1,734,000	1,531,000	
28					
29	Major Source CP Fee Expenses (rounded)	1,186,000	1,443,000	1,463,000	
30					
31	Major CP Revenues - Expenses	440,000	291,000	68,000	

Rounding has been applied and may effect the totals slightly.

Core Program (Title V Emission Fee)

Line #	Expenditure Category	SFY 2019 Actual	SFY 2020 Budget	Draft SFY 2021 Budget	Difference
1	FTE		30.50	30.50	
2	Personnel	2,926,000	3,587,000	3,497,000	-90,000
3	Travel & Vehicles	32,000	49,000	49,000	0
4	Office supplies, printing, reimbursement, etc.	22,000	21,000	23,000	2,000
5	Equipment maintenance	0	1,000	1,000	0
6	Communications	20,000	23,000	23,000	0
7	Rental	2,000	4,000	5,000	1,000
8	Monitoring utilities	21,000	25,000	25,000	0
9	Outside Services	38,000	42,000	42,000	0
10	SHL	945,000	1,087,000	1,119,000	32,000
11	28E Agreements (Linn, Polk, UNI-IAEAP)	1,231,000	1,607,000	1,346,000	-261,000
12	Air monitoring equipment	145,000	200,000	200,000	0
13	Equipment non-inventory	2,000	1,000	1,000	0
14	IT Outside Services	0	210,000	130,000	-80,000
15	IT Equipment & software	31,000	32,000	38,000	6,000
16	Other expenses	5,000	6,000	6,000	0
17	Indirect charges	411,000	431,000	412,000	-19,000
18	Total	5,831,000	7,326,000	6,917,000	-409,000
19					
20	Title V Emission Fee Summary of Revenue & Expenses				
21					
22	Title V Emission Fee (rounded)				
23	Balance forward	499,000	1,537,000	1,647,000	
24	Fund interest	108,000	30,000	50,000	
25	Under and over payments	-116,000	0	0	
26	Title V fees (rounded)	6,877,000	7,228,000	6,566,000	
27	<i>annual tons (est)</i>	98,240	103,260	98,000	
28	<i>\$/ton</i>	\$70.00	\$70.00	\$67.00	
29	Total Revenue	7,368,000	8,795,000	8,263,000	
30					
31	Title V Emission Fee Expenses (rounded)				
32	Legal Services (1430) - Title V only	94,000	102,000	115,000	
33	Air Title V - IT (3520)	0	12,000	12,000	
34	Air Title V Program (7230)	4,956,000	6,347,000	5,885,000	
35	Air Title V Field Program (7421)	781,000	865,000	905,000	
36	Total Expenses	5,831,000	7,326,000	6,917,000	
37					
38	Revenues - Expenses	1,537,000	1,469,000	1,346,000	

Rounding has been applied and may effect the totals slightly.

Title V Operating Permit Application Program (Cost Center 7231)

Line #	Expenditure Category	SFY 2019 Actual	SFY 2020 Budget	Draft SFY 2021 Budget	Difference
1	FTE		5.50	5.50	
2	Personnel	491,000	488,000	411,000	-77,000
3	Travel in state	0	1,000	1,000	0
4	State vehicle	0	100	100	0
5	Travel out of state	0	2,100	2,000	-100
6	Office supplies	0	100	1,000	900
7	Other supplies	0	100	100	0
8	Printing and binding	0	100	100	0
9	Uniforms	0	100	100	0
10	Communications	1,000	3,900	2,000	-1,900
11	Rental	0	100	100	0
12	Outside Services	0	100	100	0
13	Advertisement in publications	0	100	100	0
14	Reimbursement to other agencies	0	1,000	100	-900
15	ITS reimbursement	0	2,000	1,000	-1,000
16	IT Outside Services	0	100	100	0
17	Equipment non-inventory	0	100	100	0
18	IT Equipment & software	0	7,000	7,000	0
19	Other expenses	2,000	2,000	2,000	0
20	State Aid	125,000	138,000	150,000	12,000
21	Indirect charges	71,000	60,000	50,000	-10,000
22	Total	690,000	706,000	628,000	-78,000
23					
24	Title V Application Fee Summary of Revenue & Expenses				
25					
26	Title V Application Fee Revenue				
27	Carry forward	-127,000	-70,000	12,000	
28	Local Program Fee - Pass Through	125,000	138,000	150,000	
29	Fees	622,000	679,000	618,000	
30	Total Revenue	620,000	747,000	780,000	
31					
32	Title V Application Account Expenses	690,000	706,000	628,000	
33					
34	Title V Application Revenue - Expenses	-70,000	41,000	152,000	

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 2019 Actual	SFY 2020 Budget	Draft SFY 2021 Budget	Difference
1	FTE		4.00	4.00	0.00
2	Personnel	609,000	420,000	423,000	3,000
3	Travel in state	0	200	200	0
4	State vehicle	0	0	0	0
5	Travel out of state	0	700	700	0
6	Office supplies	0	0	0	0
7	Other supplies	0	0	0	0
8	Uniforms	0	0	100	100
9	Communications	0	1,200	200	-1,000
10	Rental	0	0	0	0
11	Outside Services	0	2,000	100	-1,900
12	Advertisement in publications	0	0	100	100
13	Reimbursement to other agencies	0	400	400	0
14	ITS reimbursement	0	1,000	700	-300
15	IT Outside Services	0	0	0	0
16	Equipment non-inventory	0	200	200	0
17	IT Equipment & software	0	2,300	2,300	0
18	Other expenses	3,000	2,000	2,000	0
19	Indirect charges	88,000	52,000	51,000	-1,000
20	Total	700,000	482,000	481,000	-1,000
21					
22	Minor Source Construction Permit Application Fee Summary of Revenue & Expenses				
23					
24	Minor Source Construction Permits				
25	Balance Forward & Interest	7,000	-21,000	-41,000	
26	General Funds/Federal 105 Funds (PPG)	416,000	288,000	296,000	
27	Fees	255,000	195,000	226,000	
28	Total Revenue	678,000	462,000	481,000	
29					
30	Minor Source Construction Permitting Expenses	700,000	482,000	481,000	
31					
32	Minor Source Construction Revenue - Expenses	-22,000	-21,000	0	

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 2019 Actual Expenses	SFY 2020 Budget	Draft SFY 2021 Budget	Difference
1	FTE		8.25	8.25	0.00
2	Personnel	1,081,000	1,135,000	994,000	-141,000
3	Travel & state vehicles	3,000	8,000	8,000	0
4	Office supplies, printing, reimbursement, etc.	3,000	36,000	5,000	-31,000
5	Equipment maintenance	0	1,000	1,000	0
6	Communications	3,000	8,000	8,000	0
7	Rental	3,000	2,000	4,000	2,000
8	Outside services	42,000	80,000	80,000	0
9	Professional Services	758,000	738,000	738,000	0
10	Air monitoring equipment	75,000	75,000	75,000	0
11	Equipment	0	0	0	0
12	IT Outside Services	325,000	443,000	20,000	-423,000
13	IT Equipment & software	10,000	27,000	12,000	-15,000
14	State Aid	325,000	325,000	325,000	0
15	Indirect charges	133,000	127,000	108,000	-19,000
16	Total	2,761,000	3,005,000	2,378,000	-627,000
17					
18	PPG & State Matching Funds Summary of Revenue & Expenses				
19					
20	Revenue				
21	General Funds	515,000	572,000	543,000	
22	Federal 105 Funds	867,000	972,000	937,000	
23	One-time Federal 105 Funds (Additional PPG & MP Grants)	90,000	0	0	
24	State Environment First Funds	425,000	425,000	425,000	
25	Federal 103 Funds	473,000	473,000	473,000	
26	Technology Reinvestment Fund	391,000	563,000	0	
27	Total	2,761,000	3,005,000	2,378,000	
28					
29	Revenue-Expenses	0	0	0	

Rounding has been applied and may effect the totals slightly.

Asbestos NESHAP Program (Cost Center 7210, 7280 and portions of 7220)

Line #	Expenditure Category	SFY 2019 Actual	SFY 2020 Budget	Draft SFY 2021 Budget	Difference
1	FTE		2.50	2.50	0.00
2	Personnel	225,000	270,000	267,000	-3,000
3	Travel in state	2,100	3,000	3,000	0
4	State vehicle	1,700	3,000	3,000	0
5	Depreciation	2,500	3,000	3,000	0
6	Travel out of state	0	600	600	0
7	Office supplies	0	100	100	0
8	Other supplies	0	100	100	0
9	Printing and binding	200	100	100	0
10	Uniforms	0	500	500	0
11	Communications	1,300	1,100	1,500	400
12	Rental	0	100	100	0
13	Professional Services	600	2,000	2,000	0
14	Outside Services	300	100	100	0
15	Reimbursement to other agencies	0	300	300	0
16	ITS reimbursement	300	600	1,000	400
17	IT Outside Services	0	100	100	0
18	Equipment	0	0	0	0
19	Equipment non-inventory	0	100	100	0
20	IT Equipment & software	0	2,000	2,000	0
21	Other expenses	2,500	2,000	2,000	0
22	Indirect charges	32,600	33,400	38,000	4,600
23	Total	269,000	322,000	325,000	3,000
24					
25	Asbestos Activities				
26					
27	Carry forward	8,000	35,000	34,000	
28	Revenue -One-time Federal Funds		84,000	0	
29	State/Federal Funds	55,000	40,000	96,000	
30	Asbestos notification fees & interest	241,000	197,000	200,000	
31	Asbestos Revenue (rounded)	304,000	356,000	330,000	
32					
33	Expenses - Asbestos (7210) (rounded)	269,000	322,000	325,000	
34					
35	Asbestos Revenue - Expenses	35,000	34,000	5,000	

Rounding has been applied and may effect the totals slightly.

Core Program Activities

Ambient Air Monitoring

Compliance Assistance & Enforcement

Field Inspections

Emissions Inventory Activities

Rules, Budget, Contracts

SIP Activities

Local Programs (Polk & Linn)

Small Business Assistance

Legal Services Activities

Iowa EASY Air

Management, Secretarial & Data Support