

## Title V Emissions Fee Memo

### Title V Operating Permit Program Background

Congress established the Title V Operating Permit program as part of the 1990 Clean Air Act amendments (CAAA). A Title V operating permit is required for facilities with potential emissions greater than the major stationary source thresholds.<sup>1</sup> Iowa is required to charge emissions fees to Title V facilities, also known as major stationary sources.

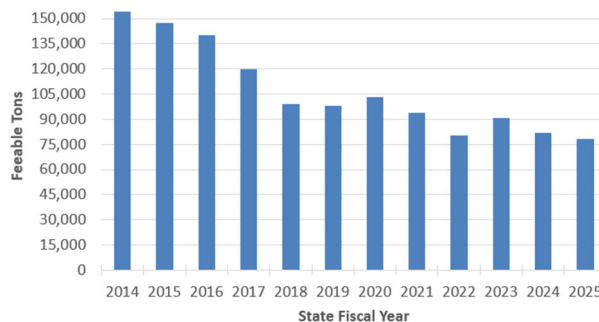
### Fee History

The Air Contaminant Source Fund (455B.133B) was established in 1991 pursuant to the 1990 CAAA and contains the emissions fee account. The emissions fee is established by the Environmental Protection Commission (EPC) and listed in administrative code (567 IAC Chapter 30). The fee is based on the first 4,000 tons of each regulated air pollutant emitted each year.<sup>2</sup> The current fee of \$70/ton became effective on January 15, 2016. Fees are paid annually each July 1. The account cannot project anticipated revenue greater than \$8,250,000 during any state fiscal year (455B.133B(5)).

### Declining Tonnage

The emissions subject to the Title V emissions fee have declined 45% in the last 8 years from nearly 150,000 tons in FY 2015 to 82,000 tons in FY 2024. The decline in emissions is due to a combination of factors, including conversions from coal to natural gas or wind due to consent agreements with environmental groups, market shifts in the cost of fossil fuel use vs. renewable energy, and/or the implementation of federal emission reduction requirements at coal-fired utilities. Chart 1 illustrates the decline in emissions subject to fees by fiscal year.

Chart 1: Title V Emissions Subject to Fee – FY 2014 – FY 2025



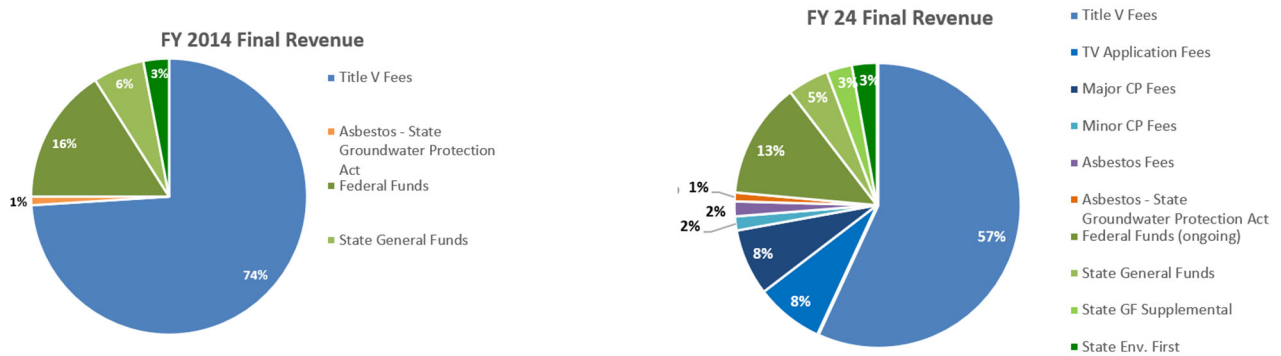
### Redistribution of Revenue

Prior to 2015, Title V emissions fees funded 74% of the Bureau's activities (Chart 2). The 2015 legislation redirected funding for operating and construction permitting application processing, and asbestos NESHAP notification processing to new fee funding streams. By FY 2023, Title V emissions fees funded only 59% of the Bureau's activities. (Note: One-time or short-term federal grants were excluded from both the 2014 and 2023 charts.)

<sup>1</sup> A major stationary source is a facility that has the potential to emit 100 tons per year (tpy) or more of any air pollutant; or the potential to emit 10 tpy or more of any individual hazardous air pollutant; or the potential to emit 25 tpy or more of any combination of hazardous air pollutants.

<sup>2</sup> Regulated air pollutants or contaminant (for fee calculation) is defined in 567 IAC 24.100 and includes: particulate matter less than 10 micrometers in diameter (PM10) and particulate matter less than 2.5 micrometers in diameter (PM2.5), sulfur dioxide (SO2), nitrogen oxides (NOx), volatile organic compounds (VOC), lead (Pb), and hazardous air pollutants (HAP).

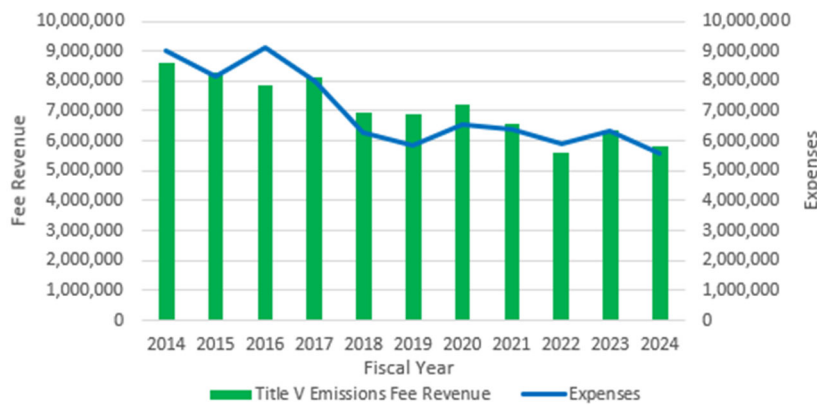
Chart 2: Bureau Revenue Comparison – FY 2014 and FY 2024



**Declining Emissions Fee Revenue**

The Department has significantly reduced expenses in the emissions fee account from FY 2016 to FY 2023 to compensate for decreases in revenues of more than \$3 million (Chart 3). However, the costs to administer the program activities paid for with the Title V emissions fee have not proportionally decreased as the number of sources regulated by the Title V program has remained relatively constant. Emissions are expected to continue to decline for the next 5-10 years as additional changes in the utility sector are expected as a result of implementation of federal requirements, utility retirements, and fuel conversions.

Chart 3: Title V Fee Revenue & Expenses by State Fiscal Year



**Proposed Emissions Fee Revisions**

The purpose of the budget calculator spreadsheet is to provide a user-friendly tool to explore alternate funding mechanisms for FY 2026 and beyond. Each tab contains a row called “Estimated Expenses” that reflects the expenses for FY 2025 and future years using known programmatic costs and a 3.5% annual increase in personnel expense. No increases in current staffing levels are proposed. Details on how to use the spreadsheet are located on the first tab.