

MEMO: AIR QUALITY FISCAL YEAR 2027 DRAFT BUDGET

To: Air Quality Fee Advisory Groups
Date: For meeting scheduled on: January 29, 2026
Purpose: This memo reviews the state fiscal year 2025 final expenses and current status of state fiscal year 2026. It also presents the draft state fiscal year 2027 air quality budget¹.

BACKGROUND

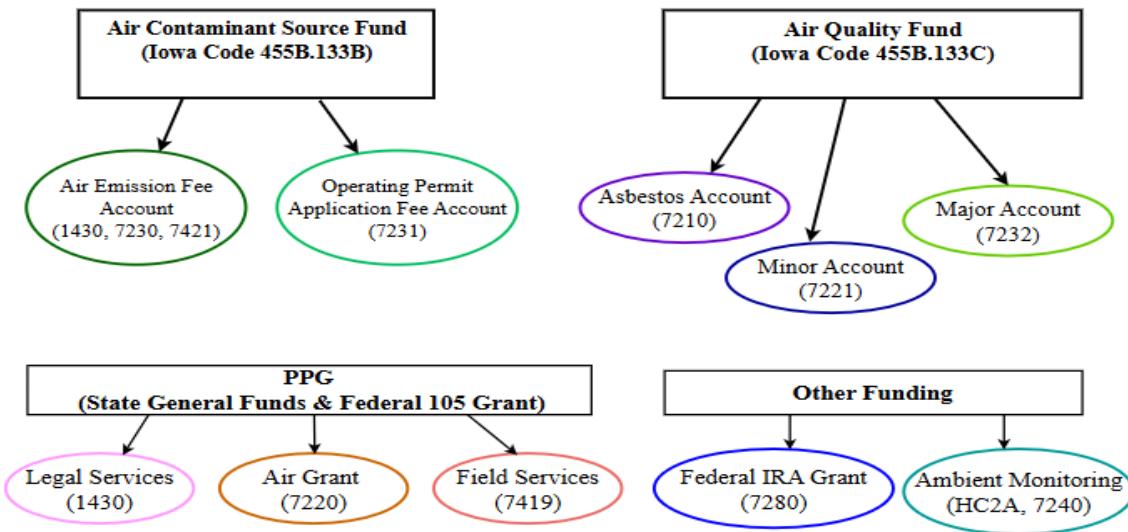
The Department convenes annual stakeholder meetings to discuss the Air Quality Bureau's (Bureau) budget for the upcoming state fiscal year (FY). These meetings provide an opportunity for stakeholders to comment on the Bureau's draft budgets and program fees.

Subsequent to this meeting and with 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 for decision on or before the May meeting.

Program fees have been at the maximum allowed in rule since 2015. Last year, stakeholders worked with DNR to increase the fee caps in order to maintain services. Accordingly, the draft 2027 budget and fee schedule proposes increases to fees for business and industry using department services. The Bureau will propose the draft fee amounts at the March EPC meeting and finalize the fees at the May EPC 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.

Chart 1: Air Quality Bureau Revenue Streams & Cost Centers



Please provide verbal or written comments on the draft FY 2027 budget, Title V emissions tonnages, and proposed program fees by **February 20, 2026**. Contact Wendy Walker at wendy.walker@dnr.iowa.gov or at (515) 250-7534 after the meeting if you have any additional comments or questions.

¹ The 2027 draft state fiscal year budget is for July 1, 2026 - June 30, 2027.

REVIEW OF FY 2025 (JULY 1, 2024 - JUNE 30, 2025)

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 are rounded.

Table 1: Summary of FY 2025 Actual Revenue and Expenses (Rounded)

Air Quality Program	Funding Source	FY 2024 Carry Forward	FY 2025 Budget	FY 2025 Revenue	FY 2025 Expenses	Carry Forward + Revenue - Expenses
Asbestos NESHAP Program	Asbestos Account	\$118,000	\$164,000	\$158,000	\$146,000	\$130,000
	Solid Waste Fund: Asbestos Support	\$0	\$150,000	\$150,000	\$150,000	\$0
Minor Source Const. Permits	Minor New Source Review (NSR) Account	\$34,000	\$167,000	\$134,000	\$184,000	-\$16,000
	State & Federal funds			\$565,000	\$565,000	\$0
Major Source Const. Permits	Major NSR Account	\$483,000	\$1,116,000	\$834,000	\$668,000	\$649,000
	State & Federal funds	\$0		\$265,000	\$265,000	\$0
Title V Operating Permits	Title V Application Account	\$253,000	\$1,121,000	\$655,000	\$840,000	\$68,000
Core Program	Title V Emissions Fee Account	\$2,981,000	\$6,215,000	\$5,879,000	\$5,703,000	\$3,157,000
	State & Federal Funds	\$64,000	\$5,084,000	\$3,368,000	\$3,432,000	\$0
Total (rounded)		\$3,933,000	\$14,017,000	\$12,008,000	\$11,953,000	\$3,988,000

The **Asbestos Notification Fee Account** (7210): The asbestos account was budgeted at \$314,000 and actual expenses were \$296,000, a difference of \$18,000. Revenue from collected fees was \$158,000. Approximately \$130,000 was carried forward to FY 2026 due to the additional support to the collected fees provided by solid waste fund. Without support from the solid waste funds, the account would have had a \$20,000 deficit.

The **Minor Construction Permit Account** (7221): Minor construction permit costs are split between the minor NSR account and state and federal funds. The minor NSR account expenses were budgeted at \$167,000, and actual expenses were \$184,000. Most of the minor source personnel time, \$565,000 or 78%, was paid for by state and federal funds. Total minor source construction permitting costs were \$749,000. Final revenue in the minor NSR account was \$168,000 with \$34,000 in carry forward and \$136,000 in fees and -\$2,000 in interest due to carrying a negative balance, leaving a \$16,000 deficit for the account.

The **Major Construction Permit Application Account** (7232): Major construction permit costs were also split this year between the Major NSR account and state and federal funds. The major NSR account expenses were budgeted at \$1,116,000 with actual expenses of \$668,000. Two vacancies during the fiscal year accounted for much of the difference between the budgeted and actual amounts. Approximately \$265,000 were applied to these activities from the state and federal funds. Total major source construction permitting costs were \$933,000. Final revenue was \$1,317,000, with \$483,000 in carry forward and \$834,000 in fees and interest. Approximately \$649,000 was carried forward to FY 2026.

The **Title V Operating Permit Application Account** (7231): The Title V application fee account expenses were budgeted at \$1,121,000, and the actual expenses were \$840,000, a difference of \$281,000. One vacancy was carried for the entire fiscal year accounting for much of the difference between budgeted and final expenses.

The **Core Program: Title V Emissions Fee Account** (1430, 7230, 7421): Expenses for the Title V emissions cost centers were budgeted at \$6,215,000, and the actual expenses were \$5,703,000, with \$512,000 under budget primarily due to unspent professional services, monitoring equipment, and personnel costs.

The **Core Program: State & Federal Funds** (1430, 7220, 7240, 7280, HC2A, 7419): The Bureau continued to receive an additional \$396,000 from the State General Funds and \$334,000 in federal funds to support the program. Instead of utilizing only the \$730,000 in additional funds, the Bureau was able to utilize \$758,000 in total with the additional \$28,000 coming from unspent state and federal funds from other federal grant covered program areas within the department.

UPDATE ON FY 2026 (CURRENT FISCAL YEAR)

To accommodate reduced federal funds from EPA, the Bureau removed the funding for one vacancy and reduced federal fund pass through to the Linn and Polk County programs by 75%. The Bureau continues to manage minor source construction permitting to expend all minor fee revenue available but the program continues to cover the majority of the expenses with state and federal funds. The Bureau received an additional \$50,000 from the Groundwater Fund - Solid Waste Account to support the asbestos program.

The Bureau is holding eight vacancies (support, Title V operating permitting, construction permitting, and ambient monitoring). Hiring is paused until more is known about current and future federal funding and the new fee schedule is in place.

DRAFT FY 2027 ESTIMATED BUDGETS AND REVENUES (JULY 1, 2026 - JUNE 30, 2027)

Table 2 contains the Department's draft FY 2027 budget. This draft budget reflects estimated major source emissions subject to fees of 75,000 tons (up from 70,413 tons used in the FY 2026 receipts). The Bureau anticipates to continue to receive an additional \$396,000 in General Funds.

For planning purposes, a 5% increase in personnel costs and an estimated Department indirect rate of 13%, a slight increase from the current year, has been applied to salaries. Additionally, the Bureau has implemented the fourth year of no (0%) increases on professional contracts for SHL and the Iowa Waste Reduction Center. The Local Programs agreements reflect a 25% reduction in federal funds due to uncertainty at the federal level. Status quo amounts are used for most other budgetary items. All final contracts will be reviewed by the EPC prior to going into effect.

Table 2 also provides a summary comparison of FY 2026 to draft FY 2027 budget expenses which reflects a 6.4% increase due to increased personnel costs. Please note that the numbers have been rounded. Additional detail on each program's budget and expenses are provided in Attachment A to this memo. One-time federal monitoring funds are excluded from Table 2 but are included in Attachment A.

Table 2: Comparison of Current Year (FY 2026) and Draft Year (FY 2027) Budgets (Rounded)

Air Quality Program	Funding Source	FY 2026 Budget Expenses	Draft FY 2027 Budget Expenses	Difference (27-26)
Asbestos NESHAP Program	Asbestos Account	\$217,000	\$281,000	\$64,000
	Groundwater Fund-Solid Waste Account	\$50,000	\$0	-\$50,000
Minor Source Const. Permits	Minor NSR Account	\$137,000	\$251,000	\$114,000
	State & Federal funds	\$727,000	\$661,000	-\$66,000
Major Source Const. Permits	Major NSR Account	\$1,414,000	\$1,500,000	\$86,000
Title V Operating Permits	Title V Application Account	\$1,002,000	\$1,042,000	\$40,000
Core Program	Title V Emissions Fee Account	\$6,511,000	\$6,970,000	\$459,000
	State & Federal Funds	\$2,332,000	\$2,489,000	\$157,000
Total (rounded)		\$12,390,000	\$13,194,000	\$804,000

DRAFT FY 2027 FEES SCHEDULE

Fees will be set consistent with 567—Chapter 30. The DNR is seeking comments on this draft fee schedule. The final amounts will depend on levels that will be established by the Environmental Protection Commission.

Effective Beginning July 1, 2026

Asbestos Notification Fee (567 IAC 30.3)

	<u>Fee Per Notification</u>
a. Each initial asbestos notification	\$175
b. Each revised asbestos notification	\$100

Minor Source Construction Permit Application Fees (567 IAC 30.2)

	<u>Fee Per Application</u>
a. Each application for a construction permit	\$1,100
b. Each application for a registration permit	\$500
c. Each application for a permit by rule	\$500
d. Each application for a permit template	\$500

Major Source Construction Permit, Prevention of Significant Deterioration

Application, and Air Quality Modeling Fees (567 IAC 30.2)

Applicants will be billed for the actual hours worked to complete the issued permit.

	<u>Hourly Fee</u>
a. Review of each new source review permit application	\$145/hour
b. Review of each Prevention of Significant Deterioration (PSD) permit application	\$145/hour
c. Review of each plant-wide applicability limit (PAL) request, renewal, or reopening	\$145/hour
d. Review of each regulatory applicability determination	\$145/hour
e. Review of air quality modeling	\$145/hour

Title V Fees (567 IAC 30.4)

	<u>Fee</u>
a. Review of each initial or renewal permit application	\$130/hour
b. Title V emissions per ton*	\$72/ton
c. Title V Annual base fee**	\$5,000

* Any person required to obtain a Title V permit shall pay an annual fee based on the first 4,000 tons of each regulated air pollutant and shall be paid on or before July 1 of each year.

** Any person required to obtain a Title V permit shall pay an annual base fee as specified in the fee schedule approved by the commission and posted on the department's website. The fee shall be paid on or before July 1 of each year.

DRAFT FY 2027 BUDGET EXPENSES IN CHARTS

Below are several charts that illustrate the Bureau's draft FY 2027 budget. Chart 2 illustrates the draft FY 2027 budget expenses by program area.

Chart 2: Draft FY 2027 Budget Expense Distribution by Program Area

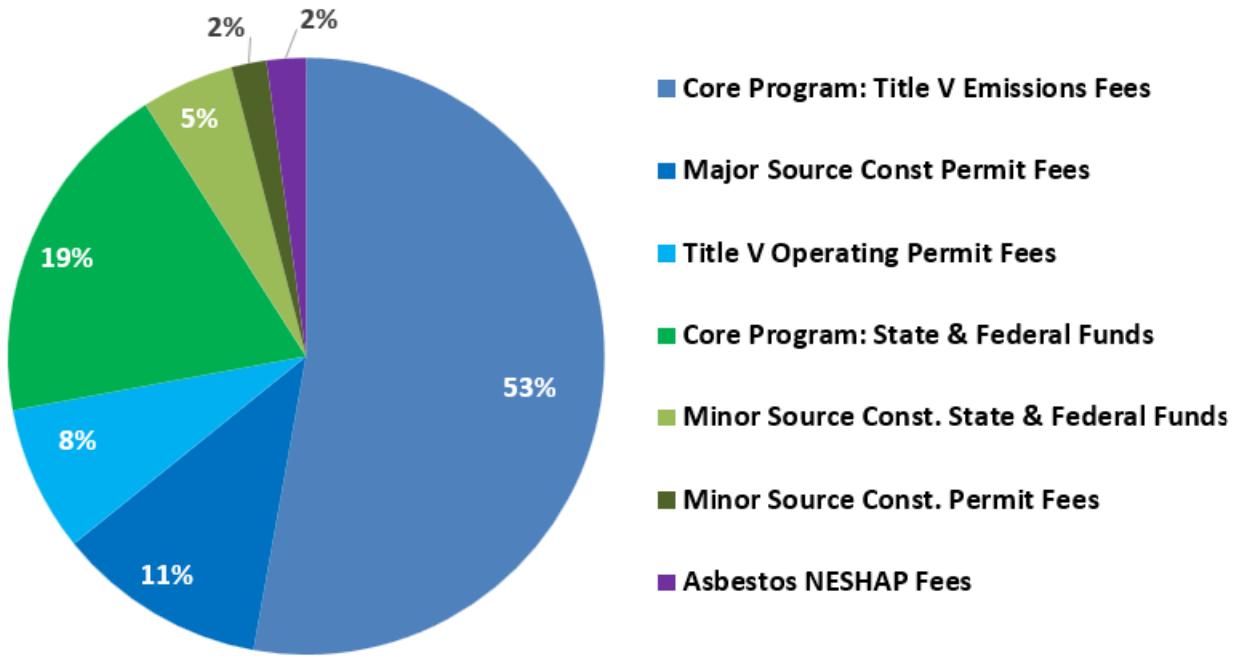
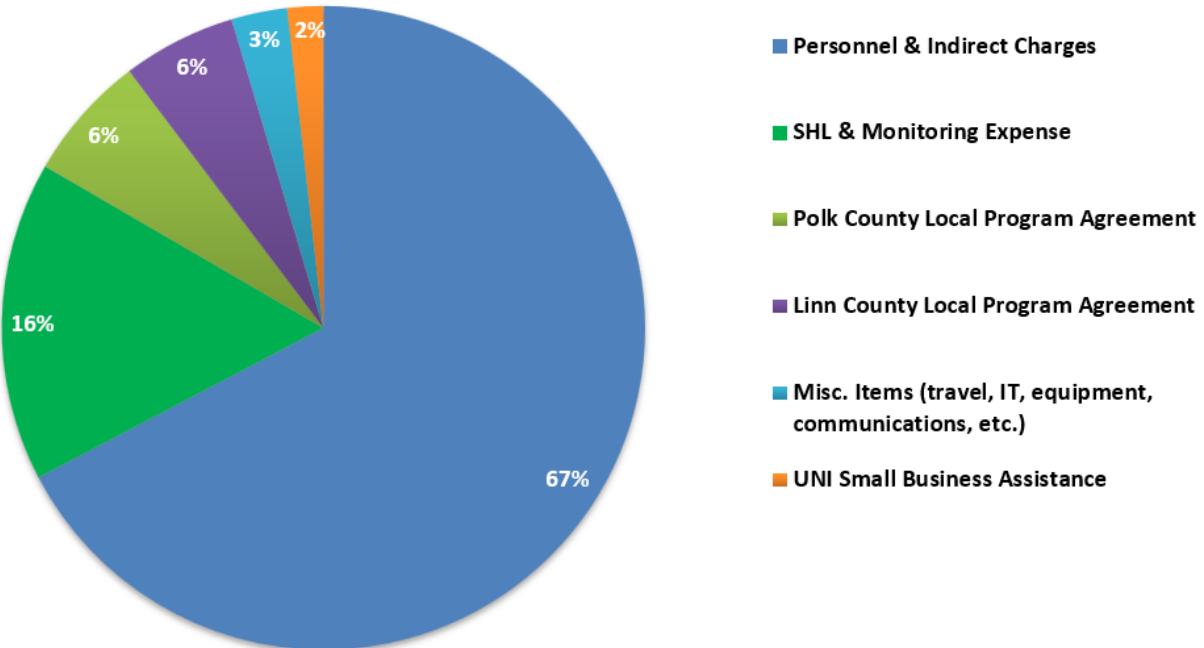


Chart 3 illustrates the draft FY 2027 budget by expense category. The majority of the draft budget expenses are allocated to personnel, which includes Department personnel and overhead expenses, as well as most of the SHL, Local Programs, and UNI Small Business Assistance agreements.

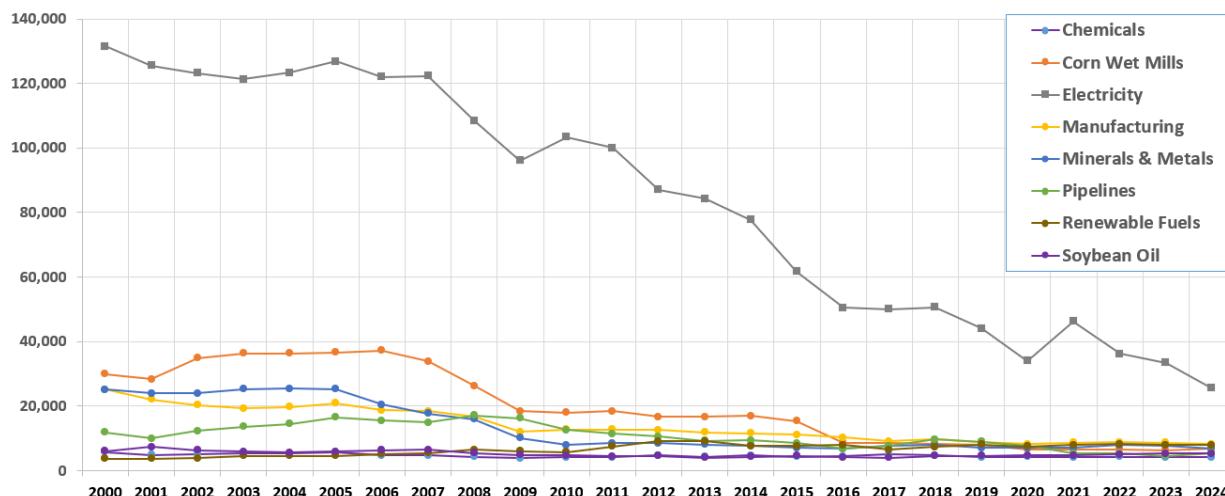
Chart 3: Draft FY 2027 Budget Expense Distribution by Category



EMISSIONS CHANGES BY SECTOR

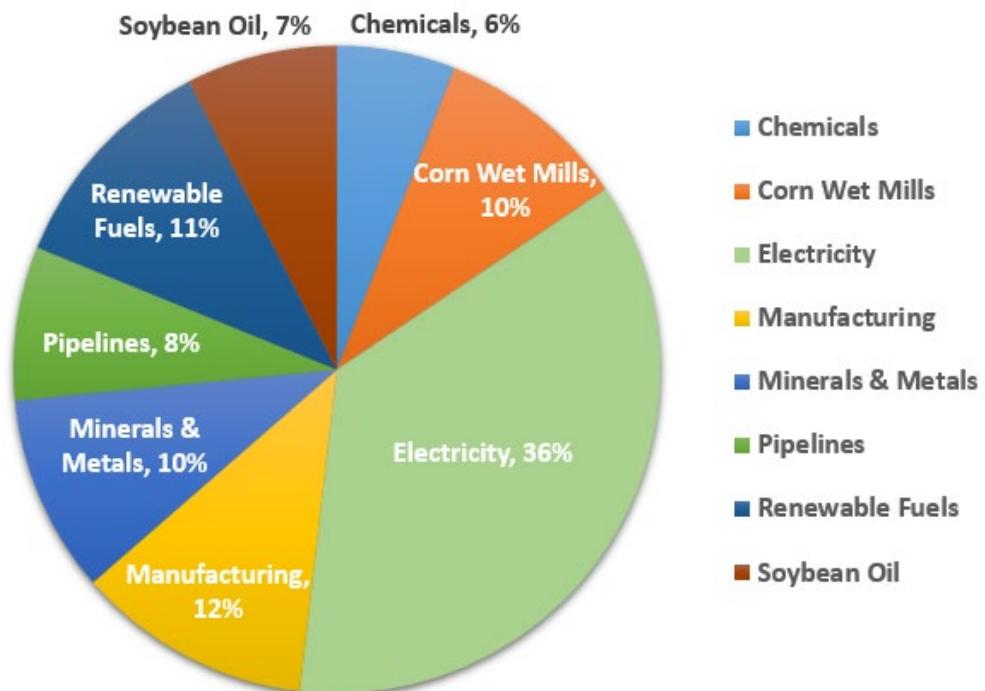
Chart 4 compares the Title V emissions subject to fees from calendar year (CY) 2000 to 2024. Electricity generation, largely composed of electric generating units (EGU), has historically been the largest emitting sector.

Chart 4: Feeable Emissions by Sector (tons)
Years 2000-2024



The 2024 emissions by sector (Chart 5) shows that the EGU sector now makes up about one-third of the feeable emissions. Historically, that value has been around 50%, and has peaked above 60%. The relative importance of the other sectors is certainly growing, but in recent years their actual emissions, from a tonnage perspective, are rather consistent. When forecasting feeable emissions, the largest uncertainties remain with the EGU sector and the increasing role of complex market forces, weather, and growth.

Chart 5: 2024 Feeable Emissions by Sector



ATTACHMENT A: SUMMARY BY FUNDING CATEGORY

The 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. The minimum balance for planning purposes is recommended at \$50,000.

Asbestos NESHAP Program	Final SFY 2025	Revised FY 2026 Budget	Draft FY 2027 Budget
FTE	2.00	2.00	
Personnel	285,000	242,000	256,000
Misc items, travel, IT, equipment, etc.	11,000	25,000	25,000
Total Expenses	\$296,000	\$267,000	\$281,000
Revenue Summary			
Carry forward	118,000	130,000	-3,000
Solid Waste revenues	150,000	50,000	0
Asbestos notification fees & interest	158,000	175,000	305,000
Revenue (rounded)	\$426,000	\$355,000	\$302,000
Revenue - Expenses	\$130,000	\$88,000	\$21,000

The 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. The minimum balance for planning purposes is recommended at \$50,000.

Minor Source Construction Permit Application Program	Final SFY 2025	Revised FY 2026 Budget	Draft FY 2027 Budget
FTE	6.00	6.00	
Personnel	181,000	127,000	241,000
Misc items, travel, IT, equipment, etc.	3,000	10,000	10,000
State & Federal CP Expenses	565,000	727,000	661,000
Total Expenses	\$749,000	\$864,000	\$912,000
Revenue Summary			
Balance Forward & Interest	34,000	-16,000	1,000
State & Federal Funds	565,000	600,000	600,000
Additional State & Federal Funds	0	127,000	61,000
Fees & interest	134,000	175,000	250,000
Total Revenue (rounded)	\$733,000	\$886,000	\$912,000
Revenue - Expenses	-\$16,000	\$22,000	\$0

The 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 DNR issues the final permit. The minimum balance for planning purposes is recommended at \$250,000.

Major Source Construction Permit Application Program	Final SFY 2025	Revised FY 2026 Budget	Draft FY 2027 Budget
FTE		9.00	9.00
Personnel	608,000	1,358,000	1,346,000
Local Programs	52,000	22,000	22,000
Misc items, travel, IT, equipment, etc.	9,000	34,000	42,000
State & Federal Funds Major CP Expenses	265,000	0	0
Total Expenses	\$934,000	\$1,414,000	\$1,500,000
Revenue Summary			
Carry forward	483,000	649,000	434,000
Local Program pass through	52,000	22,000	22,000
State & Federal Funds	265,000	0	0
Fees & Interest	783,000	815,000	1,284,000
Total Revenue	\$1,583,000	\$1,486,000	\$1,740,000
Revenues - Expenses	\$649,000	\$72,000	\$240,000

The 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 DNR. The minimum balance for planning purposes is recommended at \$200,000.

Title V Operating Permit Application Program	Final SFY 2025	Revised FY 2026 Budget	Draft FY 2027 Budget
FTE		7.00	7.00
Personnel	733,000	788,000	828,000
Local Programs	98,000	178,000	178,000
Misc items, travel, IT, equipment, etc.	9,000	36,000	36,000
Total Expenses	\$840,000	\$1,002,000	\$1,042,000
Revenue Summary			
Carry forward	253,000	68,000	-29,000
Local Program Fee - Pass Through	98,000	178,000	178,000
Fees & Interest	557,000	805,000	985,000
Total Revenue	\$908,000	\$1,051,000	\$1,134,000
Revenue - Expenses	\$68,000	\$49,000	\$92,000

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. The minimum balance for planning purposes is recommended at \$750,000.

Title V Emissions Fee	Final SFY 2025	Revised FY 2026 Budget	Draft FY 2027 Budget
FTE		29.50	30.50
Personnel	3,519,000	3,849,000	4,273,000
Local Programs	1,237,000	1,198,000	1,198,000
SHL & other monitoring expenses	539,000	1,001,000	1,026,000
IWRC Small Bus. Assistance	230,000	230,000	230,000
Misc items, travel, IT, equipment, etc.	178,000	233,000	243,000
Total Expenses	\$5,703,000	\$6,511,000	\$6,970,000
Revenue Summary			
Balance forward	2,981,000	3,157,000	1,936,000
Fund interest	304,000	50,000	50,000
Under and over payments	84,000		0
Annual Base Fee	0	0	1,325,000
Title V fees (rounded)	5,491,000	4,929,000	5,400,000
annual tons (est)	78,251	70,413	75,000
\$/ton	\$70	\$70	\$72
Total Revenue	\$8,860,000	\$8,136,000	\$8,711,000
Revenues - Expenses	\$3,157,000	\$1,625,000	\$1,741,000

The 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 & Major Source Construction Permit Application Program	Final SFY 2025	Revised FY 2026 Budget	Draft FY 2027 Budget
FTE		8.00	7.00
Personnel	2,244,000	1,817,000	1,740,000
Local Programs	642,000	197,000	341,000
SHL & Air Monitoring Equipment	1,318,000	1,010,000	1,024,000
Misc items, travel, IT, equipment, etc.	58,000	35,000	45,000
State & Federal Funds for CP App. Prog	-830,000	-727,000	-661,000
Total Expenses	\$3,432,000	\$2,332,000	\$2,489,000
Revenue Summary			
General Funds	704,000	704,000	704,000
Federal 105 Funds	465,000	250,000	340,000
Additional State & Federal Funds	759,000	268,000	335,000
State Environment First Funds	425,000	425,000	425,000
Federal 103 Funds	497,000	497,000	497,000
One-time Federal Monitoring Funds	582,000	188,000	188,000
Total (rounded)	\$3,432,000	\$2,332,000	\$2,489,000
Revenue-Expenses	\$0	\$0	\$0