

Air Quality  
Bureau  
Stakeholder  
Report

November

2014

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**Strategic Priorities for  
Financial Sustainability**

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## **A. Review of Air Quality Program Activities**

The Bureau protects air quality and the health and well-being of Iowa's citizens by providing a wide variety of services.

Within the next 7 years, the Bureau anticipates providing new or additional services in the areas of:

- NAAQS – Implementation of revised ozone standard pending EPA proposal

- NAAQS – Implementation of the new one-hour standard for sulfur dioxide

- Carbon pollution standards for new power plants

- Carbon pollution standards for existing power plants (Section 111d of the Clean Air Act)

## **B. Air Quality Program Funding: Current Approach and Outlook**

The Bureau receives funding from 3 sources: Title V emission fees, federal grants and State funds including the General Fund and Environment First funds.

Title V fees must, by law, pay for the cost of the Title V operating permit program.

Federal grants can only supplement, not replace, nonfederal funds for air pollution control. They cannot fund Title V permit program activities or be used to provide nonfederal matching funds.

The future outlook of department revenue appears unfavorable. Revenue derived from Title V fees has declined 22% since it peaked in FY 2010. Federal grants may remain stable, but purchasing power has declined by nearly 16% between FY 2000 and FY 2014. Contributions from the State General Fund have declined 45% between FY 2005 and 2014.

In fiscal year 2015, a budget shortfall was funded through a one-time appropriation from the household hazardous waste account of the groundwater protection fund.

Under current conditions, the projected revenue shortfall will be approximately \$6 million annually by 2019.

## **C. Review of Current and Anticipated Bureau Expenses**

The top 5 categories of program expenses are: Title V operating permits (29%), major source construction permitting (17%), ambient monitoring of population centers (17%), PSD permits (12%), and minor source construction permitting (8%).

The Title V permit program requires additional staff to provide timely service. The system currently has a backlog of more than 30 permit applications. New Title V applications may sit for up to 5 months before processing begins because permit writers are not available to work on the project. Without additional resources, the backlog is projected to continue indefinitely.

Approximately 18% of Bureau customers providing comments through online surveys list permit process delays as their main concern or area for Bureau improvement.

By FY 2019 the Bureau anticipates a shortfall of nearly \$6.0 million per year just to maintain current services, not including the additional projected expenses discussed in this report.

Between 2016 and 2024, the Bureau anticipates needing additional revenue ranging between \$2.5 and \$7 million per year if existing programs remain in place and all new programs are fully implemented at the highest cost option. New program costs are expected in the program areas listed above, and to maintain the State Permitting and Air Reporting System (SPARS).

The present funding strategy is not adequate to meet near or long-term program needs or the needs of the regulated facilities.

## **D. Process Improvements and Cost Reduction**

The Bureau has initiated several process improvements and identified a number of actions reduce cost, and improve efficiency and response times. The bulk of the savings have been realized in three areas: Title V permit administration, construction permit issuance and support services.

Cost reduction efforts have included staff and contract reductions, and cost categories for fleet management, IT equipment, and office expenses.

## **E . Fee Structure Benchmarking**

The Bureau conducted fee structure benchmarking against thirteen states and within the Iowa DNR. All of the benchmarked states charged for service. Survey results indicate that states commonly charged registration fees (85%) or an "annual fee" for operating in the state (88%).

The National Association of Clean Air Agencies (NACAA) studied state air programs (2009) from 30 states, and found "state and local air agencies provide 77 percent of their budgets (not including permit fees under the federal Title V program), while federal grants constitute only 23 percent." Studies indicate that the relative contribution of funding made by the State of Iowa to the Bureau is on the low side compared to other states.

Benchmarking against Bureaus within DNR also indicated a lack of alignment in the configuration of the budgets. The Field Services, Land Quality and Water Quality Bureaus received between \$1.1 and \$2.1 million more funding in FY 2015 from the Environment First & Infrastructure Funds, and received between \$2.8 and \$6.8 million more from federal grants. The Bureau relied on fees as a primary source of revenue, collecting more than \$8.4 million in fees (66% of budget), compared to the Land Quality Bureau that collected \$863,000 (6% of budget) and Water Quality that collected \$7.3 million (39% of budget).

Dependence on emission fees has the potential to create inequity because the impact of the fees is concentrated, while the impact of fees charged by the other Bureaus is diluted by the size of their customer base. Statistics from the FY 2012 budget indicate the Bureau derived its income from less than 300 sources, each paying a single annual fee, compared to the Land Quality Bureau that generated its fee from more than 9,500 transactions and the Water Quality Bureau that obtained its revenue from more than 21,000 transactions. The Land and Water Quality Bureaus charge a wide variety of fees, while the Air Quality Bureau only charges for emissions.

It appears that any successful strategy for financial sustainability will require new fees and a larger contribution from the State. Stakeholders agreed that certain general principles should be followed when devising fee structures. These are listed on the last page of the Executive Summary.

## **F . Moving Toward Financial Sustainability**

Amid increasing federal regulation and concern for public health, costs are expected to rise and revenue shortfalls will remain a common theme until the funding structure is diversified and the Bureau becomes financially sustainable.

The strategy recommended in this report to achieve financial sustainability has four pillars. They are to: 1) identify and control costs, 2) diversify the income structure, 3) ensure sources of sufficient and sustainable public funding, and 4) adjust budgeting practices.

## **F . Moving Toward Financial Sustainability** (continued)

The Bureau cannot raise the current Title V emissions fee to solve the problem of Bureau funding. First, Title V emission fees are only paid by Title V permit holders, and the revenues can only support the Title V operating permit program. Federal law states that "(a)ny fee required to be collected ... under this subsection shall be utilized solely to cover all reasonable (direct and indirect) costs required to support the permit program." Second, revenue is decreasing due to reductions in emissions, and reliance on a diminishing fee base creates significant risk to financial stability. The state needs additional revenue sources to move the Bureau toward a sustainable funding mechanism.

Increasing the State's contribution to the budget of the Air Quality Bureau can be justified in a number of ways:

- The citizens of the State are the primary beneficiaries of many services provided by the Bureau. This includes complaint response, ambient air monitoring, asbestos inspections, and small business assistance. The annual cost of operations and programs required for the state as a whole has significantly exceeded the annual state contribution.
- Statistics in the 2011 National Emissions Inventory indicate that major sources in Iowa are responsible for 11% of total emissions to ambient air in the State but routinely pay for 75% of the Bureau's total program costs.
- Benchmarking indicates the need for better alignment:
  - ⇒ Historical data indicates the total size of the Air Quality budget tends to be in the bottom third compared to other states.
  - ⇒ The size of the State contribution is low compared to other states. An NACAA study in 2009 surveyed 35 states and found "state and local air agencies provide 77 percent of their budgets (not including permit fees under the federal Title V program), while federal grants constitute only 23 percent." In Iowa, the contribution from the General Fund is 6-8% annually. The cumulative disbursement from the General Fund, Environment First Fund and Groundwater Fund together was less than 10% of budget in FY 15.
  - ⇒ Within the DNR, the Field Services, Land Quality and Water Quality Bureaus in FY 2015 received 10-15% more funding (\$1 – 2 million) from the Environment First & Infrastructure Fund.
- Capturing all increases in costs through fees will be burdensome to businesses in the state, making Iowa less competitive in attracting and keeping jobs.
- Businesses that pay fees also pay taxes and in other ways contribute funding to the General Fund.

## Recommendations

- 1. The Air Quality Bureau should have a fully developed, sustainable funding mechanism in place by the end of fiscal year 2019. Implementation of this recommendation would require increasing the Bureau budget from the current \$12.8 million to roughly \$14.0 million, not including expenditures for three new EPA requirements discussed in this report (Sulfur dioxide [SO<sub>2</sub>] and Ozone National Ambient Air Quality Standards [NAAQS], and the State Permitting and Air Reporting System [SPARS]).*
- 2. The Bureau should continue tracking costs and encourage initiatives to provide services efficiently and seamlessly. Projects with highly variable costs (SO<sub>2</sub> and Ozone NAAQS, SPARS) should be authorized when program requirements and needs become clearer. Funding should be provided either from the General Fund, or by special appropriation as a one-time program expense (as is done for the Water Quality Bureau), since these programs are required by law for the benefit and protection of Iowa's citizens.*
- 3. The Bureau should charge fees for service. The Asbestos NESHAP should charge a notification fee. The cost of application review, permit issuance and associated modeling related to air construction permitting for major and minor sources should also incur a fee for service. The Stakeholders group also recommends the Bureau charge fees to cover the cost of application review and permit issuance for Title V operating permits. Title V emissions fees should continue and be administered as they are today. The fee schedule for the major / PSD / Title V sources would be established by a group of major source stakeholders. Fees for minor source permit issuance and modeling costs would be determined by a minor source stakeholder group, and paid proportionally, with a target of 40% of cost paid by the sources and 60% of cost paid by the state. Both stakeholder groups would meet annually to evaluate their fee structures as is currently done for the Title V emission fee. Redistribution of costs in this way would create a sustainable revenue stream for the Title V program which will offset the projected decreases in chargeable emissions. Implementation of fee structures would collect roughly \$2.6 million annually from major / PSD / Title V sources, roughly \$250,000 annually from minor sources, and asbestos fees of \$300,000 to \$400,000.*
- 4. State funding from the General Fund should be increased for programs whose primary beneficiaries are citizens of the state. Redistribution of costs in this way would require increasing the state contribution to the budget from \$2.5 million contributed in FY 2015 to roughly \$3.2 million in subsequent years, not including cost items related to new EPA requirements related to SO<sub>2</sub> and Ozone NAAQS, and SPARS.*
- 5. A dedicated fund should be created for deposits related to new user fees. Proposed wording is provided in Appendix ii. Monies deposited into the new fund should be retained for the purposes of administering associated programs, and allowed to accrue to fund future programs.*
- 6. Certain cost lines within the Bureau of Air Quality budget should be reassigned to funding sources that are more equitable and appropriate.*

# Principles for Decision-Making

Stakeholders agreed that regardless of the funding strategy adopted, decisions regarding user fees should follow certain general principles:

1. The Bureau should have a funding structure that provides a sustainable future as regulations change.
2. Funding solutions should be fair to stakeholders, transparent and easily understood.
3. Fees levied by the Bureau should be deposited into a dedicated fund. Unspent funds should carry forward into the next fiscal year to provide resources for future requirements.
4. In cases where the cost of a service is directly traceable to users or beneficiaries of air quality services, those users or beneficiaries should pay part of the cost.
5. The Title V permit program should continue to be self-sustaining through the payment of fees by Title V permit holders. The process for setting the amount of the annual Title V emissions tonnage fee should continue to include budgetary review and consultation with stakeholders.
6. The cost of programs and services provided by the Bureau for the benefit of Iowans as a whole should be paid by the state. This will require increased support from the state. This may include costs associated with:
  - Source oriented monitors
  - Ambient Monitoring – PSD Background & Transport
  - Field inspections for minor sources
  - Compliance assistance and enforcement for minor sources
  - Legal Services for minor sources
  - Management, secretarial & data support for minor source programs
  - Ambient monitoring for population areas
7. Costs for Core Programs and services benefiting both individual sources and the general public should be supported by revenue from the Title V program and state funding. This will require increased support from the state. This includes costs outlined in the “Core Programs” associated with:
  - Emissions Inventory Questionnaire
  - Rules, Budget Contracts
  - AQB/UNI/Small Business Assistance
  - State Implementation Program activities
  - Legal service activities
  - Management, Secretarial & Data Support
8. New funding sources should be investigated and pursued where possible. This includes potential revenue derived from mobile sources and tire recycling.
9. The Bureau should continue its efforts to remove permit backlogs, increase process efficiency and improve the customer experience.
10. Permit processes should accommodate requests for “expedited” application processing for an additional fee.

## Introduction

### *1. Purpose of the Project*

The Director of the Iowa Department of Natural Resources (DNR) assembled this Stakeholder group to study the Air Quality Bureau (Bureau), its programming and current funding mechanisms, and recommend a funding strategy that would allow it to fulfill its mission now and in the future. Thirty (30) participants were selected by the Director to represent the following stakeholder groups: small and large businesses, associations, local governments, non-governmental organizations and the general public. The group met six times over the course of five months, assisted by a facilitator<sup>1</sup> and Bureau staff. Representatives of the Bureau attended all the meetings to provide information and answered questions. During these meetings, the Stakeholder group received and reviewed information provided by the Bureau on the following topics:

- Need for the study
- Services and programs offered by the Bureau
- Budget overview and current sources of funding
- Initiatives completed to reduce costs and improve efficiency within the Bureau
- Additional funding needs
- Effect of funding shortages on the Bureau's ability to deliver service
- Benchmarking the Bureau against programs internal to DNR, and externally against other state air quality programs
- Tools that could be used to calculate the results of various alternate funding scenarios

As the Stakeholders reviewed this information, they were asked to consider:

- The revenue that would be needed to support the direct and indirect costs of implementing the state air quality statutes and federal CAA programs in Iowa,
- Efficiencies that might streamline processes and reduce expenses while meeting program needs,
- Alternative funding mechanisms that might work better,
- Economic impacts to consumers, businesses and taxpayers if alternative funding mechanisms were adopted, and
- Appropriate funding strategies that would be technically feasible, politically acceptable and advance the common good.

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<sup>1</sup> The facilitator, retained for this project by the Director, was Darrell Hanson. Mr. Hanson is the former Chair of the Environmental Protection Commission and member of the Iowa Utilities Board.

## ***2. Background***

In 1996 the State of Iowa was delegated the federally mandated air quality Title V Operating Permit program, and has collected fees from Title V permit holders as required by the Clean Air Act (CAA). These fees, collected annually, have supported about 75% of the Air Quality Bureau activities. This funding supports all of the Title V program cost and provides compliance assistance support to non-Title V facilities as required by Section 507 of the CAA. The remainder of Bureau activities, associated with minor sources and core programs, are funded equally by federal grants matched with state funds. The Bureau's programmatic budget in FY 2015 was \$12.8 million.

Title V permit holders are typically large businesses, and there are about 300 of them in the state. The Title V fees are calculated by multiplying the actual emissions reported by each source by a fee rate established by the Environmental Protection Commission (EPC). Over the years, existing air regulations have become more restrictive, new regulations have been issued by EPA, businesses have moved toward "green" processes and pollution control equipment has been added by Title V permit holders. These factors combine to cause declining emissions and Title V fees have declined with them. Emissions subject to Title V fees peaked at over 242,000 tons in 2005 and declined by 37% through 2013. They are expected to level off at less than 60% of 2005 levels by 2016.

The Title V fee rate can vary, but is capped in the Iowa Administrative Code at \$56 per ton unless changed through formal rulemaking. The maximum rate of \$56 has been used in each of the last 4 years to attempt to meet Bureau budget needs, but has not been sufficient despite a 12% reduction in staffing. In fiscal year 2015, the Bureau's ongoing combined revenue (Title V fees, federal grants and General Funds) was not adequate to meet budgeted expenses and a shortfall was projected. This shortfall was partially addressed with a one-time special appropriation of \$1.4 million. The projected revenue generated by the Title V program will continue to decline steadily over the next several years while federal grant funds also remain flat or decrease, resulting in the Bureau projecting a budget shortfall of \$6 million by 2019.

### ***3. Participants***

The following organizations participated in this process. Signature endorsements are provided in Appendix i:

ADM Corn Processing	Iowa Environmental Council
Ag Processing, Inc.	Iowa Environmental Health Association
ALCOA Inc.	Iowa Institute for Cooperatives
Asphalt Paving Association of Iowa	Iowa Limestone Producers Association
Cargill	Iowa Renewable Fuels Association
Central Iowa Power Cooperative	Iowa State University
CF Industries	Linn County Public Health
Climax Molybdenum Company	Manatts, Inc.
Deere & Company	MidAmerican Energy Company
Environmental Management Services of Iowa	National Federation of Independent Businesses
Grain Processing Corporation	Oldcastle Materials Group
Interstate Power and Light Co.	Petroleum Marketers & Convenience Stores of Iowa
Iowa Association of Business and Industry	Poet Biorefining - Coon Rapids
Iowa Association of Electric Cooperatives	Polk County Public Works
Iowa Association of Municipal Utilities	Sac and Fox Tribe of the Mississippi in Iowa

### ***4. Other Notes***

This report reviews key information provided by the Bureau to the Stakeholder Group and presents findings, conclusions and recommendations for the restructuring of the Bureau's budget. Tables and graphs provided throughout were prepared by the Bureau.

The positions taken in this report are supported by technical information provided by the Bureau, and the Stakeholders relied on the accuracy of the information presented. They spent no time confirming or recalculating numerical data.

## A. Review of Air Quality Program Activities

### 1. Overview

The primary mission of the Iowa Department of Natural Resources' Air Quality Bureau (the Bureau) is to maintain Iowa's air quality. With cleaner air, people are healthier and Iowa's wildlife and plant life thrive. Achieving this goal requires both local and regional efforts. The DNR leads Iowans in caring for the state's air quality by partnering with communities, business and industry, organizations and private citizens. The Bureau provides the knowledge and tools necessary to create workable solutions to air quality issues.

### 2. Primary Services

The Bureau administers various programs and provides a number of services in pursuit of its mission. This list provides a high-level summary of those programs and services:

- **National Emission Standards for Hazardous Air Pollutants (NESHAP):** The U.S. Environmental Protection Agency (EPA) and the Iowa Department of Natural Resources (DNR) are required by law to reduce exposure to hazardous air pollutants (HAPs). EPA has issued over 120 National Emission Standards for Hazardous Air Pollutants (NESHAP). Approximately 50 of those NESHAP affect facilities in Iowa, and DNR has developed implementation tools for these requirements.
- **Asbestos:** Building renovations, demolitions and training fires are potentially subject to asbestos release prevention efforts. The Bureau receives notifications of regulated activity, provides inspection services, assists with proper removal and disposal, and issues asbestos contractor permits.
- **Construction Permits:** Any piece of equipment or control equipment that emits any regulated pollutant constructed, modified, reconstructed, or altered after September 23, 1970, is required to obtain a construction permit unless it is exempt from permitting requirements. The Bureau provides intake services for these applications, reviews them for regulatory adequacy and issues construction permits.
- **Emissions inventory:** The DNR Emissions Inventory Unit is responsible for reviewing and estimating air pollution data from a variety of sources throughout the state. This includes point, mobile, biogenic and non-point sources. The emissions inventory unit provides technical assistance, including selection of emission factors, calculations, and computer modelling to organizations completing emissions inventories.
- **Annual greenhouse gas inventories** are required by Iowa Code 455B.104 which states that "by December 31, of each year, the department shall submit a report to the governor and the general assembly regarding the greenhouse gas (GHG) emissions in the state during the previous calendar year and forecasting trends in such emissions...." The 2012 GHG Inventory is a "top-down" inventory based on statewide activity data from agriculture,

fossil fuel combustion, industrial processes, natural gas transmission and distribution, transportation, solid waste, and wastewater treatment. It also documents sequestered or emitted carbon from land use, land use change, and forestry (LULUCF).

- The Clean Air Act requires the state to prepare **State Implementation Plans (SIPs)** and submit designation recommendations whenever EPA changes national ambient air quality standards. The Bureau also develops a State Implementation Plan (SIP) to help maintain and improve visibility at nearby federally mandated Class 1 areas.
- **Air dispersion modeling** is primarily associated with the construction permit application process, and is used to predict the air quality impact of new or modified emission sources. The modeling staff conducts and reviews modeling for minor and major sources. Other uses of dispersion modeling include: analysis of monitored violations of the National Ambient Air Quality Standards (NAAQS) and evaluation of impacts on Iowa and adjacent states caused by emissions crossing state lines.
- The **Ambient Air Monitoring** group organizes and plans air monitoring activities within the State. Federal monitoring requirements are set by EPA. DNR contracts with the State Hygienic Laboratory at the University of Iowa (SHL), along with the Polk and Linn County Local Programs, to collect air monitoring data, quality assure the results, and report the data to the public. Group members administer contracts, perform data analysis and assist in monitor siting.
- The **Operating Permits** section issues permits to operate facilities pursuant to Title V of the Federal Clean Air Act. Operating permits are designed to protect ambient air quality by ensuring equipment continues to perform as designed. Iowa's Operating Permit Program includes two types of operating permits: Title V and Small Source.
- The **SPARS (State Permitting and Air Reporting System)** is a web-based program designed to allow citizens, industry and the public access to a wide array of air pollution control information. The Bureau coordinates this program to help maintain data quality and system integrity.
- The **Field Services and Compliance Bureau** operates six field offices. They are the local representatives of the DNR's Environmental Services Division, and their primary task is helping industry and the public understand environmental services programs. They conduct routine inspections of all facilities, respond to spills and handle complaints from the public.

### 3. *Future Services*

The EPA creates and revises programs designed to protect environmental quality in the United States. These program revisions sometimes require action by the Bureau. Within the next 7 years, the Bureau anticipates providing new or additional services in the areas of:

- NAAQS – Implementation of revised ozone standard pending EPA proposal
- NAAQS – Implementation of the new one-hour standard for sulfur dioxide
- Carbon pollution standards for **new power plants**
- Carbon pollution standards for **existing power plants** (Section 111d of the Clean Air Act)

This topic is discussed in further detail in Section C of this report.

### 4. *Bureau Performance Analysis*

The Bureau tracks and maintains data regarding the performance levels of various sections. This data is used to evaluate program and individual performance, and recommend changes in process to improve efficiency and reduce cost.

The **construction permit section** tracks permit actions and response time for standard projects, plus those associated with New Source Review (NSR), Prevention of Significant Deterioration (PSD), and non-attainment areas:

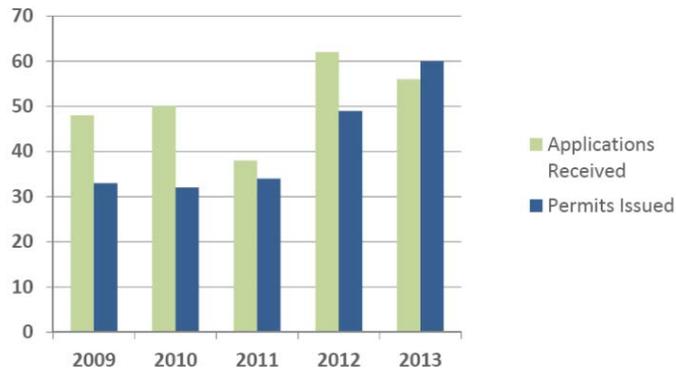
Construction Permit Statistics

	5-yr Average (2009 – 2013)	2014 (as of 7/14/14)
Standard Projects	503	213
Standard Permit Actions	1543	815
Standard Project Average Leadtime	61 days	84 days
PSD/NA NSR Complex Projects	20	6
PSD/NA NSR Complex Permit Actions	116	66
PSD/NA NSR Complex Project Average Leadtime	204 days	180 days
Other Complex Projects	35	10
Other Complex Permit Actions	253	370
Other Complex Project Average Leadtime	235 days	267 days

An analysis of rates of issuance and the backlog caused by staff shortages are presented in Section C of this report.

The **Title V permit program** tracks application intake and issuance rates.

### Title V Application and Permitting History 2009 - 2013



The group completing **air pollution dispersion modeling** provided modeling for 110 projects, standard and complex, out of the 648 projects that were permitted during that period. This represents 17% of the permitted projects.

### Modeling Project Statistics January 1, 2013 – July 1, 2014

	Number of Projects Modeled	Number of Projects Permitted	Percent Projects Modeled
Standard Construction Permit Projects	87	588	14.8
Complex Construction Permit Projects (Non-PSD)	12	36	33.3
Complex Construction Permit Projects (PSD)	11	24	45.8
<b>Total</b>	<b>110</b>	<b>648</b>	<b>17.0</b>

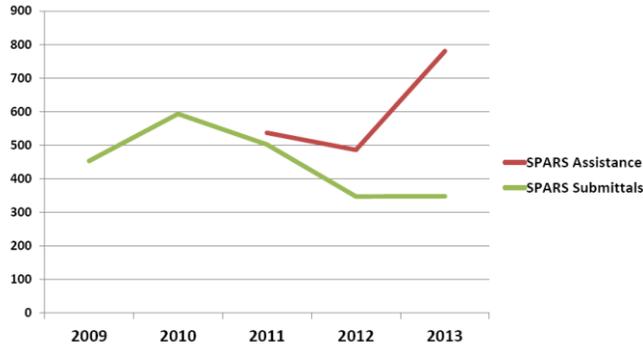
The Section supporting **emissions inventories** offers the following performance data:

#### Technical Services

<b>Emissions Estimate Tools</b>	<ul style="list-style-type: none"> <li>• 15 Spreadsheet Calculators</li> <li>• 16 Examples Calculations</li> <li>• Reference Materials</li> <li>• 10 Video Tutorials (“How To” Guides)</li> </ul>
<b>Webinar Training (2011-2014)</b>	<ul style="list-style-type: none"> <li>• 689 participants</li> </ul>
<b>Streamlined Reporting</b>	<ul style="list-style-type: none"> <li>• Reporting burden reduced 57%</li> <li>• New reporting form</li> </ul>
<b>Corrections to EPA Data</b>	<ul style="list-style-type: none"> <li>• 197,000 tons</li> </ul>

The Support Unit operating the **SPARS system** tracks use rates and requests for technical assistance:

Trends – SPARS Submissions & Assistance



The group completing **air monitoring** has data available for performance through 2013:

### Stack Tests and Reports for 2013

Activity	Number
Stack Test Reports	221*
On-site stack test observations	126
RATAs Conducted (# of units)	108
Quarterly CEMS/COMS Reports	272

\*Totals include stack tests required by Title V Permits, Construction Permits, NSPS, and NESHAP

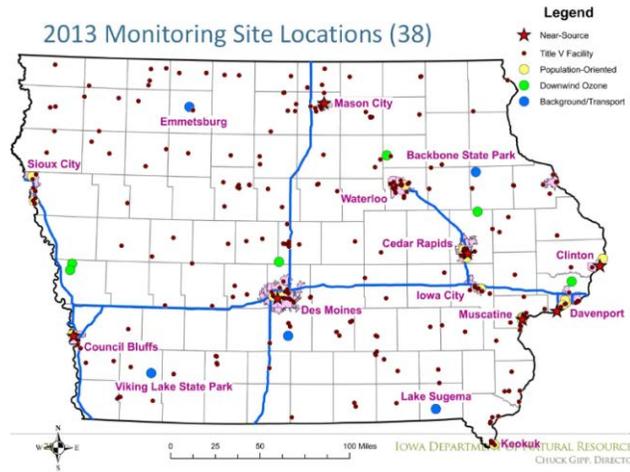
Additional actions taken by the Bureau to provide **alternative compliance options** are listed below:

### Implementation of alternative compliance options in 2013 (567 IAC Chapter 17 Compliance Procedures)

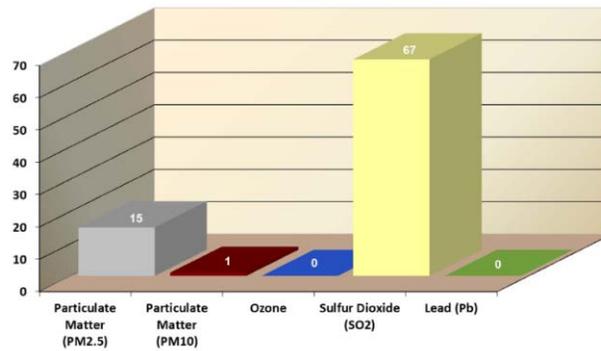
Activity	Number
Calls with facilities to discuss compliance issues/questions	>1800
Letter of Non-compliance (LNC)	141
Notice of Violation (NOV)	88
Referrals to DNR Legal (11 for late emissions inventory reporting, 1 for ongoing emission limit violations, and 1 for construction and operation without obtaining construction permits)	13

The **Compliance and Ambient Air Monitoring Section** is responsible for monitoring Iowa’s air quality, establishing air quality background concentrations to expedite permitting, measuring compliance concentrations, documenting exceedances, and characterizing interstate transport of pollutants.

The current monitoring network consists of thirty eight (38) monitoring stations. They are located near source and Title V facilities and may be positioned for measuring downwind and background or transport concentrations or may be population oriented.

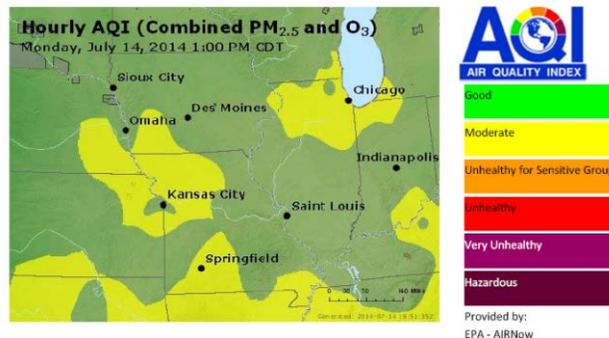


**Iowa NAAQS Exceedances, 2013**



Below is an example of the real-time hourly Air Quality Index that is available to the public through the Air Quality Index website.

**Air Quality Index (July 14, 2014)**



The **Field Offices** conducted the following inspections and investigations between July 1, 2012 and ending June 30, 2013:

- 13 Major, Title V Inspections
- 27 NESHAP Inspections
- 45 TV Voluntary SM Inspections
- 178 Minor Source Inspections
- 1095 Other Inspections, Including Fugitive dust
- 184 Open Burning Investigations
- 133 Notices of Violation (NOV)

### Additional Special Programs

The Bureau occasionally undertakes special projects to provide compliance assistance to specific sources subject to new or complex requirements.

1. EPA and the DNR recently finalized regulations for reciprocating internal combustion engines (**RICE**). The permitting Section assisted facilities in understanding RICE requirements, met with individual facilities to address specific implementation concerns and provided RICE implementation tools, guidance, and reporting forms. Because of these efforts, there was a smooth transition of RICE responsibilities from EPA to DNR including an amnesty program to help facilities “catch up”. This table summarizes the result of this effort:

#### Construction Permit Amnesty for Engines

- October 23, 2013 – April 23, 2014
- Allowed facilities to “catch up” on permitting requirements without enforcement action

Resolution	Number of facilities	Number of Engines
Obtain Construction Permit	44	53
Submit Small Engine Registration	60	64
Submit Exemption "g" Notification	6	10
<b>Totals</b>	<b>110</b>	<b>127</b>

2. The Section also undertook a compliance assistance project for the dry cleaner industry subject to **NESHAP Subpart M**. The Bureau provided tools to help achieve and maintain compliance related to control equipment, leak inspections, system repair, record-keeping and reporting. Forty three outreach visits were made at 43 dry cleaning facilities. Thirty facilities received specific compliance assistance.

3. The Planning Unit oversees **local air quality programs** administered by Linn and Polk counties, which were established and operate in accordance with Iowa code, sections 445B.144 and 445B.145. The agreements with Linn and Polk County provide that both counties will process Title V operating permit applications and issue minor source construction permits and will perform modeling of minor sources. Linn County also process PSD permit applications and performs the modeling associated with them. Both local programs complete compliance and enforcement activities including facility inspections, stack test observations, air monitoring and complaint investigation. The activities of the local programs are subject to the review and evaluation of the Department pursuant to Iowa code section 455B.134. On-site reviews are conducted by the Bureau every 2 years for each program (Linn County – odd years and Polk County – even years).

## B. Air Quality Program Funding - Current Approach & Outlook

### 1. Current Funding Mechanisms

Based on the Department's presentations, the Bureau receives funding from several sources:

- a. Iowa companies pay fees for emission of air pollutants as required by Title V of the Clean Air Act (42 U.S. Code Sec. 7661(b)). On average these fees have provided funding for about 75% of the Bureau's operations.
- b. EPA provides the Bureau with federal grants under Sections 103 and 105 of the Clean Air Act (40 CFR 35.140).
- c. The Iowa General Assembly funds the Bureau through the General Fund, Infrastructure, and Environment First funds to provide the matching funds required by the Section 105 federal grants.

These funding mechanisms influence each other, and must be administered according to the rules and limitations contained in the Clean Air Act (CAA). For example, Section 105 of the CAA authorizes EPA to award grants to state and local agencies to develop plans and implement programs to prevent and control air pollution or to address national air quality standards. Section 105 funds require a 40-percent match by the state or local agency, and can only supplement - not replace - nonfederal funds for air pollution control. Federal grant funds cannot be used to fund Title V permit program activities, and they cannot be used to provide matching funds.

On August 4, 1993, operating permit fee guidance was issued by the Office of Air Quality Planning and Standards. About a year later, the EPA issued a memo "*Transition to Funding Portions of State and Local Air Programs with Permit Fees Rather Than Federal Grants*", which was accompanied by a matrix. The matrix listed those program activities outlined in the Title V fee guidance which are necessary for the development and implementation of a Title V operating permit program and which EPA expects to be covered by Title V fees. Categories of Title V related activity include:

- Development of the Title V operating permit program
- Review and issuance of Title V permits
- Implementation of specific CAA requirements applicable to Title V
- Compliance/enforcement of Title V-related requirements
- Administration of Title V fee program
- Small business technical assistance
- Other activities necessary for Title V operations

The matrix also lists air program activities which could be funded through federal grants if such funding was available. The categories of activity used for grants-eligible activities include, but are not limited to:

- Development / revision of permit requirements for non-Title V sources
- Permit review and issuance for non-Title V sources
- Implementation of specific CAA regulatory requirements

- Compliance / enforcement of CAA requirements not related to Title V
- Administration of grants and other forms of assistance
- CAA technical assistance to small businesses (outside of Title V)
- General and emerging air program activity

As a result of these limitations the Bureau must classify its activities and structure its budget in compliance with state and federal law and policy. The stakeholder group spent considerable time reviewing these allocations and sources with DNR staff. A significant number of concerns and questions regarding the allocation methodology were discussed. General committee opinion supported reserving Title V program revenue for Title V program costs, rather than diverting portions of those funds to pay for general state air quality programs.

In addition to limitations regarding the use of funds and the way the funding sources are associated, the Title V revenue stream is inherently limited. State rules (567 IAC 22.106) for Title V permit fees provide that “any person required to obtain a Title V permit shall pay an annual fee based on the total tons of actual emissions of each regulated air pollutant.”<sup>2</sup> The fee is based on actual emissions required to be included in the Title V operating permit application and the annual emissions statement for the previous calendar year. It is calculated by multiplying the tonnage fee by the actual emissions reported by the facility, to a maximum of 4,000 tons. Emissions in excess of 4,000 tons are not included in the calculation.

The DNR staff reviews the Title V fee on an annual basis and recommends to the Environmental Protection Commission (EPC) a budget for their approval within the cap set by administrative rule. The budget and fee is based on what is necessary to cover all reasonable costs required to develop and administer the programs required by the Act. The Bureau submits the proposed budget for the following fiscal year to the EPC no later than the March meeting. The EPC sets the fee based on the reasonable cost to run the program and the proposed budget. Federal law (Title 42 USC Ch. 85 Sec. 7661a) stipulates the program must result in the collection, in aggregate, from all sources subject to the rules, an amount not less than \$25 per ton of each regulated pollutant. In Iowa, the fee is capped at \$56 per ton, and the DNR staff cannot recommend to EPC a fee that exceeds the cap unless it is raised through formal rulemaking. The state currently charges \$56 per ton, and this rate has remained unchanged for several years.

## ***2. Performance of Revenue Sources***

Since 1996, when the state was delegated the federally mandated air quality Title V Operating Permit Program, air pollution emissions fees (Title V fees) collected annually have supported about 75% of Bureau activities. In the 2013 calendar year, there were 295 permit holders paying this fee, and they reported emissions of 147,980 tons, yielding a total fee of \$8,317,224.<sup>3</sup> Typically about half of the group paying fees reports emissions of less than 100 tons. The majority of the fees are

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<sup>2</sup> 567-22.106 (455B). The air contaminant source fund (455B.133B) receives the fees assessed and is “used solely to defray the costs related to the permit, monitoring, and inspection program, including the small business stationary source technical and environmental compliance assistance program required pursuant to the federal Clean Air Act Amendments of 1990, section 502, Pub. L. No. 101-549, and as provided in section 455B.133A. Any unexpended balance in the fund at the end of each fiscal year is retained in the fund. Any interest and earnings on investments from money in the fund is credited to the fund.

<sup>3</sup> Figures provided by the Air Quality Bureau, Iowa Department of Natural Resources, 11/5/2014.

paid by a small number of companies, mostly in the business of power generation, grain processing and heavy manufacturing. MidAmerican Energy Co., for example, paid 26.2% of the total fees due, while Interstate Power and Light Company paid 18.2%.

Between FY 2005 and FY 2015, these fees have generated a revenue stream ranging from \$7.6 to \$10.8 million per year. The highest generation rate was in FY 2010, when revenue peaked at \$10.8 million. Since then, revenue has declined by 22% to a projected \$8.4 million in FY 15.

The General Fund, a second source of funding for the Bureau, is appropriated by the Iowa General Assembly. Between FY 2005 and FY 2010, the allocation to the Bureau remained steady at \$1,288,000 per year. In FY 2011, however, it was reduced by 17.8% to \$1,058,000. In FY 2012 it was reduced another 33% to \$704,325. It has remained at \$704,325 since FY 2012. Overall, since FY 2005 Bureau revenue derived from the General Fund has declined by 45%.<sup>4</sup>

Federal funding provided through CAA Section 105 has ranged between \$1.1 and \$1.35 million annually between FY 2010 and the present. Although reductions were experienced between FY 2010 and FY 2011, and between FY 2013 and FY 2014, neither exceeded 8.8%. Between FY 2010 and FY 2014, funding has increased overall by 4%.<sup>5</sup>

### ***3. Funding Outlook***

Emissions from Title V facilities have declined since FY 2007. Further declines are projected due to changing federal regulations, including tightened NAAQS, and industry-specific rules such as those affecting coal fired power plants. Emissions subject to fees peaked at over 242,000 tons in 2005, and have declined by 37% through 2013. They are expected to level off at less than 60% of 2005 levels by 2016<sup>6</sup>. For fiscal year 2015, revenue from Title V fees have generated \$8,438,200.00 or 66% of the Bureau's revenues. Further declines are expected as long as sources continue to reduce emissions and the fee cap of \$56 per ton remains in place.

Federal grants continue to be a stable source of funding support, but have not increased to keep pace with inflation. Purchasing power has decreased by nearly 16 percent<sup>7</sup> between FY 2000 and FY 2014. Since grant funding supports many elements of state and local air quality efforts, including the personnel needed to run the programs, it is a critical component of the Bureau's budget but is not expected to increase.

On March 4, 2014 President Barack Obama proposed a budget for fiscal year (FY) 2015, which includes \$7.89 billion for EPA, representing a decrease in EPA's total budget of \$309.9 million below FY 2014 levels. The proposal includes \$243.2 million in federal grants to state and local air agencies under Sections 103 and 105 of the CAA, which is an increase of \$15 million above FY 2014 levels. While an increase is proposed, decreases in funding for core air programs are expected because new expense lines are included in the budget for Climate Action Planning, air

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<sup>4</sup> Figures provided by the Air Quality Bureau, Iowa Department of Natural Resources, 11/5/2014.

<sup>5</sup> Figures provided by the Air Quality Bureau, Iowa Department of Natural Resources, 11/5/2014.

<sup>6</sup> DNR Air Quality Stakeholder Group Charter, prepared by the Air Quality Bureau, July 14, 2014.

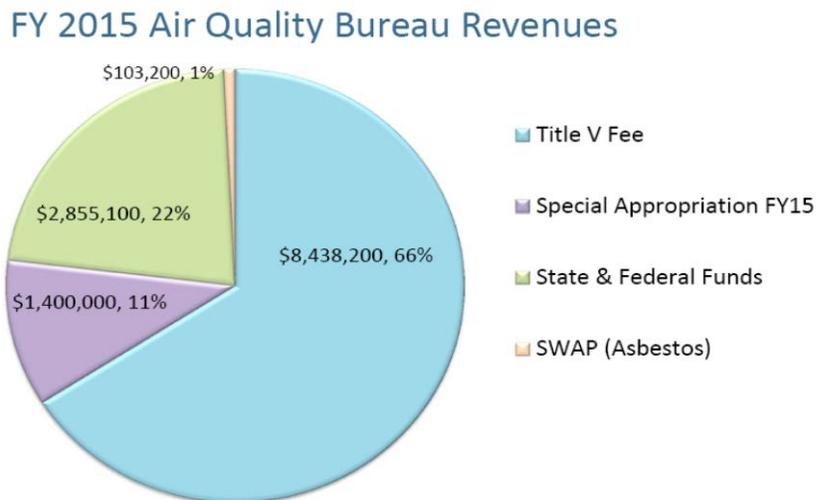
<sup>7</sup> Testimony of the National Association of Clean Air Agencies Provided to Senate Appropriations Committee, Regarding the FY 2015 Budget for US EPA, May 15, 2014.

grants for state greenhouse gas (GHG) permitting activities, and the collection and use of GHG emission data. The budget proposes a reduction of \$9.3 million in air grants for continuing environmental state programs, including the completion of monitoring networks and the compilation of updated emission inventories for updating State Implementation Plans (SIPs). A new formula for allocating state and local air grants among the regions is under consideration.

On September 18, 2014 Congress adopted a Continuing Resolution (CR) for FY 2015 (H.J. Res. 124) that will keep the federal government in operation from the end of the current fiscal year (September 30, 2014) until December 11, 2014. The CR calls for funding to continue at FY 2014 levels and generally carries existing policy riders through the CR period. Funding for state and local air grants under Sections 103 and 105 was \$228.2 million in FY 2014, so the CR continues funding at that rate until budget negotiations are concluded.

As the Department explained in their presentations, the Bureau is expected to face increasing budget pressure from several directions. With static emission fees and declines in emissions that are subject to fees, the Title V permit program fees will generate less revenue. Federal grants may remain stable, but payments have not kept up with inflation. State funds contributed an additional \$1.4M in FY 15 through a special appropriation<sup>8</sup>, but that was a one-time action. New and tightened regulations and new projects at facilities to comply with changing regulations will require more staff time. By 2019 the projected revenue shortfall will be approximately \$6 million.

The amount of each of the revenue source and their proportion relative to the total in FY 2015 are depicted in the following graphs provided by the Bureau:



<sup>8</sup> Air Quality Budget Overview, prepared by Catharine Fitzsimmons, July 17, 2014.

### Current and Projected<sup>1</sup> Revenues

Funding Sources	FY15	FY16	FY17	FY18	FY19
FY15 Special Appropriation	\$1,400,000				
Funding Shortfall <sup>2</sup>	\$0	\$2,839,500	\$4,376,100	\$5,414,400	\$5,670,600
Title V Emissions Fees	\$8,441,400	\$7,348,200	\$6,059,400	\$5,273,500	\$5,274,500
State Funds	\$1,232,500	\$1,129,300	\$1,129,300	\$1,129,300	\$1,129,300
Federal Funds	\$1,722,600	\$1,722,600	\$1,722,600	\$1,722,600	\$1,722,600
<b>Total Revenue</b>	<b>\$12,796,500</b>	<b>\$13,039,600</b>	<b>\$13,287,400</b>	<b>\$13,539,800</b>	<b>\$13,797,000</b>

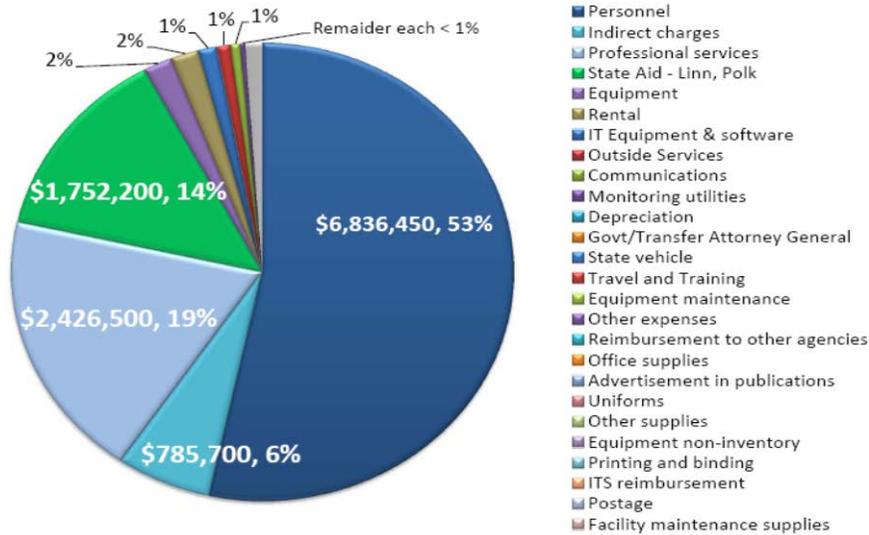
<sup>1</sup> Assumption for projections:

- Annual Expense increase for overall budget = 1.9% to maintain current services.
- Title V Emission Fees remain at current rate (\$56/ton), 2013 tonnage estimates.

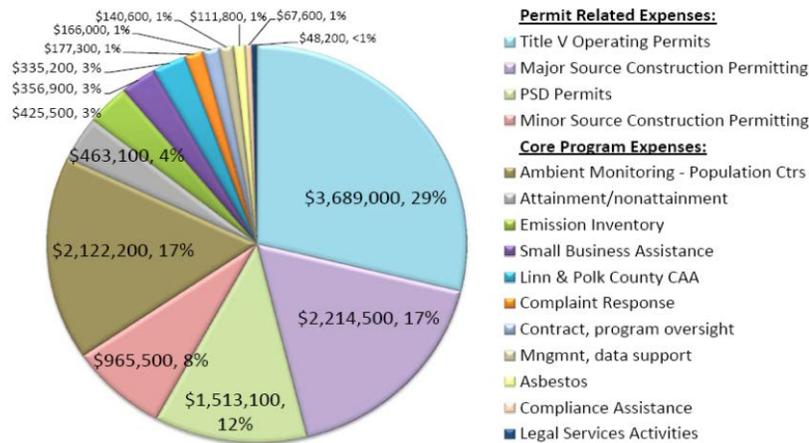
<sup>2</sup> Funding Shortfall equals amount of additional funding needed to maintain status quo level of services.

- FY15 Funding shortfall projected at \$1,872,000 met with \$1.4M special appropriation plus \$500 carry-forward by holding vacancies.

### FY2015 State Accounting of Budget: \$12,796,500



**FY 2015 Programmatic Budget: \$12,796,500**



**Funding Sources for Program Areas**



Although not referenced in the above graphic, Linn County and Polk County contribute a local match to the funding provided in the DNR Programmatic Budget. In FY15, Linn County contributed \$221,615 in local funds and Polk County contributed \$239,615.

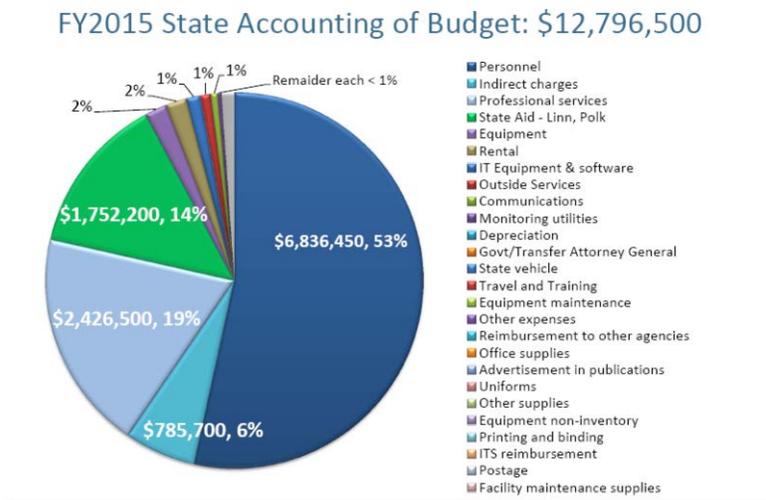
**C. Review of Current and Anticipated Bureau Expenses**

**1. Current Program Expenses**

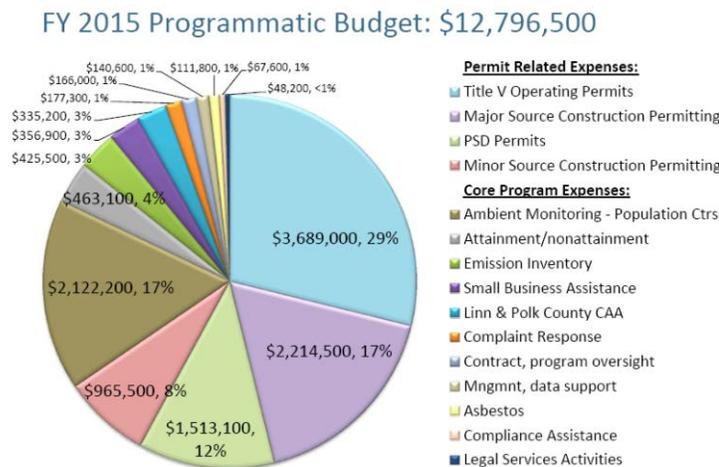
The Bureau's fiscal year begins on July 1 and ends on June 30 of each calendar year. The Department is currently in the FY15 budget cycle. The Department provided the Stakeholders Group with its current budget and identified all sources of Bureau revenue and expenses. Expenses are divided into five (5) broad categories related to program activity; 1.) Title V Operating Permits, 2.) Major Source Construction Permitting, 3.) PSD Permits, 4.) Minor Source Construction Permitting and 5.) Core Program Activities.

The table that appears on the next page separates expenses related to the five categories discussed above, with a break down by major task and an indication of how many full time equivalent employees (FTEs) are assigned to each program area. The first three program areas depicted with green headings are funded exclusively with Title V emissions fees as allowed by the CAA. The Minor Source Construction Permit program is depicted with a blue heading, and is currently funded by federal grants and matching state funds. The Core Program Activities, grouped under the purple heading, receive combined funding from all three sources.

The following pie chart depicts allocation of revenue to various expense categories. The most significant expense categories are: 1) personnel and indirect charges, at 59% of total, 2) professional services, 19% of total expenses and 3) state aid to the Linn and Polk County local programs, which uses 14% of the total budget.



The Bureau's FY 2015 expense budget by program areas is as follows. The permitting of major sources' construction activities through issuance of Title V operating permits and PSD permits represents 58% of the programmatic budget. Ambient air monitoring represents 17% of this budget and minor source permitting accounts for 8%.



## The Air Quality Bureau's FY 2015 Projected Expenses and Funding Sources

Title V Operating Permits (20.84 FTE)	Expenses	Funding Source			
		Title V Fee	GF/FF	Other	Special Appropriation
Application Review & Permit Issuance	1,041,600	847,700	0	0	193,900
Field Inspection	354,600	288,600	0	0	66,000
Compliance Assistance & Enforcement	409,600	333,300	0	0	76,300
Local Program implementation of the CAA	1,417,000	1,153,200	0	0	263,800
Rules, Budget, Contracts	165,100	134,400	0	0	30,700
Legal Services Activities	48,100	39,100	0	0	9,000
Management, Secretarial & Data Support	253,000	202,500	0	0	50,500
<b>Subtotal</b>	<b>3,689,000</b>	<b>2,998,800</b>	<b>0</b>	<b>0</b>	<b>690,200</b>
<b>Major Source Construction Permitting</b>					
(15.63 FTE)	Expenses	Funding Source			
		Title V Fee	GF/FF	Other	Special Appropriation
Application Review & Permit Issuance	934,200	760,300	0	0	173,900
Modeling	99,300	80,800	0	0	18,500
Source Oriented Monitors	445,400	362,500	0	0	82,900
Field Inspection	118,200	96,200	0	0	22,000
Compliance Assistance & Enforcement	184,300	150,000	0	0	34,300
Rules, Budget, Contracts	138,400	112,600	0	0	25,800
Legal Services Activities	41,700	33,900	0	0	7,800
Management, Secretarial & Data Support	253,000	202,600	0	0	50,400
<b>Subtotal</b>	<b>2,214,500</b>	<b>1,798,900</b>	<b>0</b>	<b>0</b>	<b>415,600</b>
<b>PSD Permits</b>					
(10.58 FTE)	Expenses	Funding Source			
		Title V Fee	GF/FF	Other	Special Appropriation
Application Review & Permit Issuance	233,500	190,000	0	0	43,500
Modeling	99,300	80,800	0	0	18,500
Ambient Monitoring - PSD Background & Transport	349,300	284,300	0	0	65,000
Field Inspection	295,500	240,500	0	0	55,000
Compliance Assistance & Enforcement	102,400	83,300	0	0	19,100
Rules, Budget, Contracts	138,400	112,600	0	0	25,800
Legal Services Activities	41,700	33,900	0	0	7,800
Management, Secretarial & Data Support	253,000	202,600	0	0	50,400
<b>Subtotal</b>	<b>1,513,100</b>	<b>1,228,000</b>	<b>0</b>	<b>0</b>	<b>285,100</b>
<b>Minor Source Construction Permitting</b>					
(8.69 FTE)	Expenses	Funding Source			
		Title V Fee	GF/FF	Other	Special Appropriation
Application Review & Permit Issuance	408,700	0	408,000	0	700
Modeling	148,900	0	148,600	0	300
Field Inspection	177,300	0	177,000	0	300
Compliance Assistance & Enforcement	157,700	0	157,400	0	300
Legal Services Activities	16,700	0	16,700	0	0
Management, Secretarial & Data Support	56,200	0	56,100	0	100
<b>Subtotal</b>	<b>965,500</b>	<b>0</b>	<b>963,800</b>	<b>0</b>	<b>1,700</b>
<b>Core Program Activities</b>					
(18.26 FTE)	Expenses	Funding Source			
		Title V Fee	GF/FF	Other	Special Appropriation
Complaint Response	177,300	0	177,300	0	0
Compliance Assistance & Enforcement	67,600	0	67,500	0	100
Asbestos	111,800	0	8,600	103,200	0
Local Program implementation of the CAA	335,200	0	335,200	0	0
EIQ (AERR requirement, CAA 110 & 172)	425,500	374,800	50,000	0	700
Ambient Monitoring - Population oriented monitors	2,122,200	1,145,900	972,700	0	3,600
Rules, Budget, Contracts	166,000	151,500	14,200	0	300
AQB/UNI/ Small Business Assistance	356,900	267,700	89,200	0	0
SIP Activities	463,100	347,300	115,000	0	800
Legal Services Activities	48,200	9,900	36,400	0	1,900
Management, Secretarial & Data Support	140,600	105,500	35,100	0	0
<b>Subtotal</b>	<b>4,414,400</b>	<b>2,402,600</b>	<b>1,901,200</b>	<b>103,200</b>	<b>7,400</b>
<b>Overall Total</b>	<b>12,796,500</b>	<b>8,428,300</b>	<b>2,865,000</b>	<b>103,200</b>	<b>1,400,000</b>

## ***2. Additional Funding Needs***

The Bureau has identified additional funding needs for the implementation of the air quality program for fiscal years 2016 – 2024. Authorizing these proposed expenditures will allow the Bureau to ensure:

- a) Efficient, reliable service to citizens of the state, and
- b) Iowa's compliance with the requirements of new federal laws, maintaining Iowa's ability to operate an air program independently without loss of delegation to the federal level.

### **Construction Permit Backlog**

One of the primary responsibilities of the Bureau is to authorize construction permits for new sources in the state. Delaying issuance of a construction permit can cost businesses time, money and opportunities to grow and prosper. As of the date of this report, the five year average time necessary for issuance of standard projects is 61 days, while the goal for issuance of these projects is 30 days. The five year average time necessary to issue a complex construction permit projects is 242 days, while the goal is 180 days. During the last five years the average number of permits per project for standard and complex construction permit projects has been 2.6 and 6.4, respectively.

The backlog exists because:

- 1) Staff positions for one Senior Environmental Engineer and two Environmental Engineers were only recently filled. One Environmental Engineer position remains unfilled but will be filled before the end of the calendar year;
- 2) New staff is understandably less efficient and requires training to reach their full potential.
- 3) An estimated 20% of an engineer's time is spent providing tasks unrelated to permitting. This includes assisting with applicability determinations, emissions estimation, consulting on economic development projects, reviewing and assisting county/municipal air quality programs, development of State Implementation and Nonattainment plans and participating in governmental processes for new rulemaking.

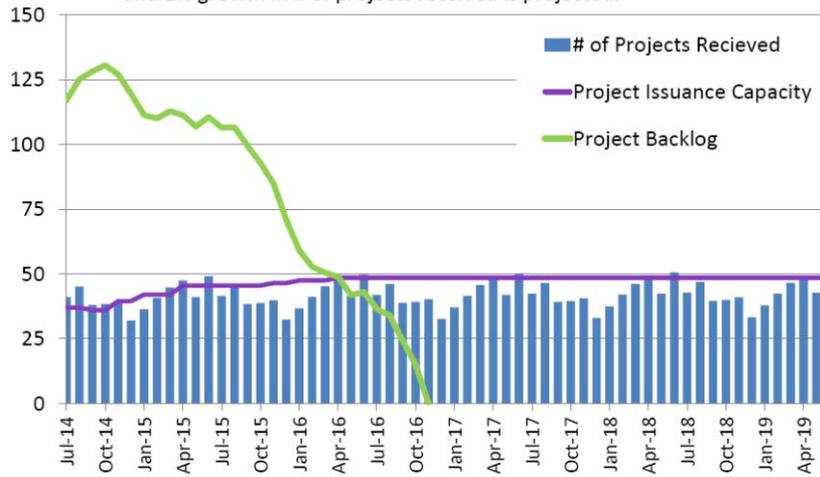
Permit applicants notice this backlog at the Bureau, and their frustrations are documented in online customer surveys conducted between 2012 and 2014<sup>9</sup>. During this time, with 109 surveys completed (10% of survey audience), 18 of 101 comments (18%) listed permit process delays either as a main concern about the Bureau or as the area most needing improvement. Their comments include, for example:

- "The permit was in queue for several weeks before it got picked up,"
- "Application sat for several months before being assigned,"
- "I have permits still in process that are 8 months from date of application,"
- "The turnaround time to obtain permits is getting longer and longer"
- "The length of the process makes it hard to respond to business opportunities."

<sup>9</sup> Bureau customers are invited to provide feedback through an online survey. The data collected has been aggregated in the Construction Permit Survey Report 2012-2014 completed by the Air Quality Bureau.

## Construction Permit Project Backlog Projection

The 3-year monthly average for 2011-2013 was used as the baseline, and 1% growth in # of projects received is projected.



As indicated by the graph above, the backlog of applications can be eliminated by the last quarter of 2016 if the group remains fully staffed and engineers are not asked to perform new tasks<sup>10</sup>.

### Title V Permit Backlog

The Title V permit program has a backlog of more than thirty (30) applications. The agency takes between 8 and 14 months to process a Title V permit application, which is within its goal of 18 months to process. New applications, however, may sit for up to 5 months before processing begins because permit writers are not available to work on the project. The 5-year average processing time ranges between 13 and 20 months when this delay is included. As with construction permitting, the primary causes of this backlog are lack of staffing and training.

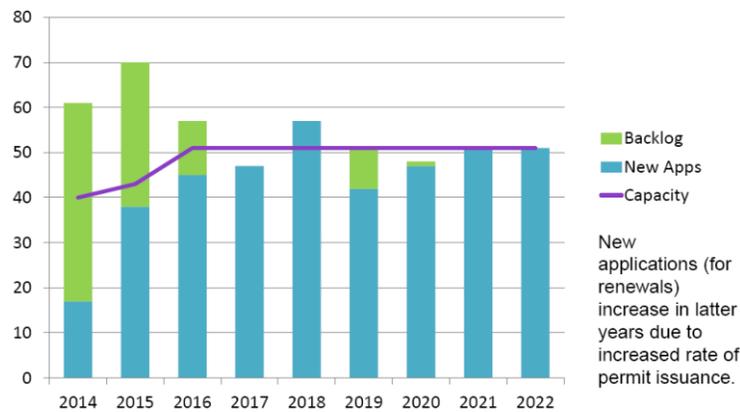
This service area was fully staffed at the time of this report. Eliminating the backlog would require the addition of one environmental specialist at a cost of \$120,000.00 annually including salary, benefits, DNR indirect charges, training, and the resources to perform the job. If that staff position is added and training is completed, the Bureau would have the Title V permit application backlog under control by 2017. After control is achieved, the position could be used to offer expedited service to process or modify applications for important business projects. Without additional resources, the backlog is projected to continue indefinitely.

<sup>10</sup> DNR materials indicate that staff hours not funded at this time will be needed to comply with the new SO<sub>2</sub> and ozone data requirements and the new Carbon standards. See next section for details.

Title V Backlog Projection – Current staffing



Title V Backlog Projection – Plus 1 staffing



### Information Technology/SPARS/SLEIS

The State Permitting and Air Reporting System (SPARS) was developed in the late 1990s and has been web-based since 2006. Facilities subject to air quality rules use SPARS to submit permit applications and emissions inventories online, track permit status, obtain copies of permit documents and make specialized queries for planning, modeling and information. National Emissions Inventory data is maintained on SPARS, and the system shares data with other DNR systems.

Although initially valued for its ability to provide online connectivity and facilitate the permit programs, the system has aged and become a risk to the Bureau and businesses. Risk exists in the areas of:

- System sustainability and continuity. The software is no longer supported by the developer, and the uniqueness of the programming code limits the number of specialists with the technical ability to make system repairs. Unrecoverable system crashes may occur if bugs or data corruption cannot be addressed by the available technicians.

- SPARS User Security. SPARS forces users to reduce the security settings of their computers, putting their systems at risk. It also requires Internet Explorer, and does not support Firefox or other alternate browsers unless the user is willing to find and install “work around” programming developed by after-market specialists.
- CROMERR non-compliant. The Cross Media Electronic Reporting Rule, found at 40 CFR Part 3, was created to provide a legal framework for electronic reporting under all of the EPA’s environmental regulations. It sets standards related to system function and security to ensure that electronic submittals and paper submittals have the same level of legal dependability. SPAR does not meet this standard, although compliance was due in January, 2010.

As an interim measure, the state has applied for, and received, a grant from the EPA Exchange Network for the deployment of a new software package, called SLEIS, in 2015. The State & Local Emissions Inventory System (SLEIS) is the “off the shelf” result of a collaborative project by 6 states and the consulting company Windsor Solutions. It is CROMERR-compliant, offers little risk, and provides a well-designed interface to address the emissions inventory element in SPARS. It does not fulfill the need for system functionality in the areas of construction permits, Title V Permits, or other data systems.

The Bureau intends to install the SLEIS software on a test server in January 2015. The system will then be loaded with data copied from the SPARS system (providing a SPARS data backup file) and in-house testing will occur through September 2015. Both systems will continue operating until SPARS is replaced or it becomes non-functional. Under best-case scenarios, SPARS will cost \$30,000 per year to maintain, and SLEIS will cost about \$40,000, for a combined total annual maintenance cost of \$70,000.00. Replacement systems will be evaluated in part on their ability to provide a positive return on investment (ROI).

The Bureau designated a task force to evaluate possible solutions to this issue. Early in the process, the group sent out a Request for Information, and seventeen (17) vendors offered solutions ranging from customizing SPARS with a re-write of the system to providing an off-the-shelf alternative. Costs ranged between \$500,000 to \$2 million. This group also conducted a survey of SPARS users to evaluate the system. Nearly 160 users responded. Sixty (60) prioritized functionality related to uploading facility and emissions data, and about forty (40) prioritized the redesign of SPARS data entry screens to match the paper forms used by DNR.

The task force continues to study options. Their hope is to continue using SLEIS and find software that can fill the gap in functionality that exists between SLEIS and SPARS. If a replacement cannot be found, the Department has budgeted two scenarios with regard to SPARS. A limited functionality replacement would cost a total of \$500,000 in FYs 2018 and 2019. A full functionality replacement of SPARS is estimated to cost a total of \$2 million in the three FYs 2018 – 2020.

## Attainment with National Ambient Air Quality Standards (NAAQS)

EPA sets the NAAQS to protect outdoor air quality across the nation. NAAQS are not emission limits. They are uniform, nation-wide performance standards that help define what “clean air” is and provide a minimum target for agencies administering air programs<sup>11</sup>. Primary standards are set to protect human health. Secondary standards protect the public welfare, including protection against visual impairment, damage to animals, crops and buildings. Areas that comply with a NAAQS standard are “in attainment” for that standard, while those that do not meet the standard are in “non-attainment.” The CAA requires EPA periodically review the standards to reevaluate the science and update the standards. Considering the cost of implementation is prohibited by federal law. In recent years, the NAAQS for Particulate Matter (PM<sub>2.5</sub>) and Sulfur Dioxide (SO<sub>2</sub>) have been tightened. EPA is evaluating the standard for Ozone (O<sub>3</sub>) and Nitrogen Oxides (NO<sub>x</sub>).

EPA is under a court order to propose any revisions to the standard for ground-level Ozone by December 1, 2014 and to complete the rulemaking process by December 2015.<sup>12</sup> At the current level, set in March 2008 at 75 parts per billion (ppb), 46 areas in the nation have not met the standard, but all areas in Iowa are in attainment. The Clean Air Scientific Advisory Committee (CASAC) Ozone Review Panel, however, has concluded that “there is adequate scientific evidence to recommend a range of levels for a revised primary ozone standard from 70 ppb to 60 ppb.”<sup>13</sup> Depending on the limits adopted, the Department may need to replace the ozone monitors in its monitoring network (47 total) with newer models capable of proving attainment status with certainty and precision. Replacement of the monitors could cost as much as \$592,200. The State’s recommendations for designations and nonattainment boundaries, if required, will be due to EPA by October 2016. Nonattainment plan elements will be submitted to EPA by the implementing agencies in early 2020.

EPA first set standards for SO<sub>2</sub> in 1971. EPA set a 24-hour primary standard at 140 ppb (parts per billion) and an annual average standard at 30 ppb (to protect health). EPA also set a 3-hour average secondary standard at 500 ppb (to protect the public welfare). In 2010, EPA significantly revised the primary SO<sub>2</sub> NAAQS by establishing a new 1-hour standard at a level of 75 ppb. The Bureau may characterize air quality using either modeling of actual source emissions or ambient air quality monitors. Iowa is required to identify SO<sub>2</sub> sources in the state and indicate whether each source will be characterized by modelling or new monitors. If the agency uses monitoring, both the equipment and data must satisfy the new EPA Data Requirements Rule, published in May 2014<sup>14</sup>. If DNR chooses to use monitors, they must be operational by January 2017, and certified monitoring data for 2017-2019 is due by May 2020.

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<sup>11</sup> NAAQS exist for the six criteria pollutants identified in the CAA and discussed earlier in the report. <http://www.epa.gov/air/urbanair/>

<sup>12</sup> Congressional Research Service, “Ozone Air Quality Standards: EPA’s 2015 Revision,” p. 1.

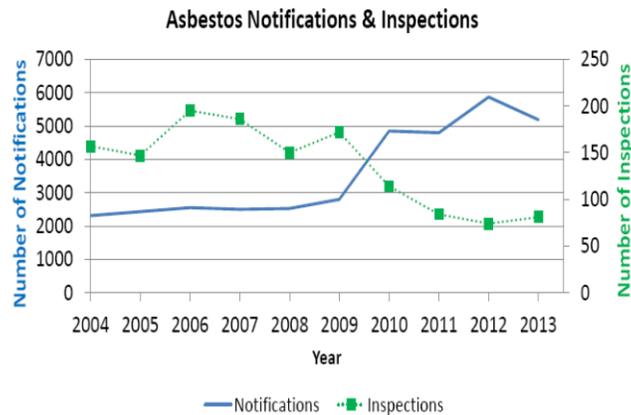
<sup>13</sup> “CASAC Review of the EPA’s Second Draft Policy Assessment for the Review of the Ozone National Ambient Air Quality Standards,” June 26, 2014, p. 2.

<sup>14</sup> Fed Register, May 13, 2014, 40 CFR Part 51, Data Requirements Rule for the 1-Hour Sulfur Dioxide Primary NAAQS: proposed, <http://www.gpo.gov/fdsys/pkg/FR-2014-05-13/pdf/2014-09458.pdf>

## National Emission Standards for Hazardous Air Pollutants - Asbestos

### Revitalizing Communities

Iowa adopted the federal asbestos standard (NESHAP) requiring inspections and the proper removal of asbestos (over specified quantities) from all demolition or renovation projects in commercial structures and certain types of multi-family dwellings. Community revitalization efforts often uncover both old and recently installed materials containing asbestos. Since 2009, the Bureau has received an increasing number of asbestos notifications for building demolitions and renovations. Staffing in this program area has been cut from two (2) inspectors to one (1) due to declining program funds. As a result there is less oversight of regulated asbestos projects and the Department's ability to help prevent asbestos exposure has been reduced.



The DNR currently prioritizes projects with the greatest potential for exposure to children and large numbers of individuals. To meet the agency's goal of inspecting 5% of the asbestos removal projects, they would need to conduct 225 inspections and have three times the current number of staff. The cost to maintain an additional asbestos inspector (environmental specialist) is about \$130,000 per year including salary, benefits, training, a vehicle, computer equipment, safety equipment, and indirect costs.

Since 2011, the Department's SWAP (solid waste alternatives program) has funded the asbestos inspector's personnel cost. Funding challenges in the SWAP program make this an unsustainable option for the future. Stakeholders generally agreed in the importance of the asbestos program and improving the rate of inspections. Currently no fees are charged for this program.

### EPA's Proposed Clean Power Plan<sup>15</sup> (Clean Air Act, Section 111d)

On June 2, 2014, EPA proposed guidelines for states addressing greenhouse gas emissions from existing fossil fuel-fired electric generating units. Section 111(d) requires each state, with assistance from EPA, to develop "standards of performance" for existing stationary sources and an

<sup>15</sup> Proposal: Carbon Pollution Emissions Guidelines for Existing Stationary Sources: Electric Utility Generating Units, Posted June 18, 2014, 40 CFR Part 60, Fed. Reg. Number: 2014-13726, <https://www.federalregister.gov/articles/2014/06/18/2014-13726/carbon-pollution-emission-guidelines-for-existing-stationary-sources-electric-utility-generating>.

implementation plan to achieve those standards. The plan can rely on any mix of strategies aimed at reductions, including:

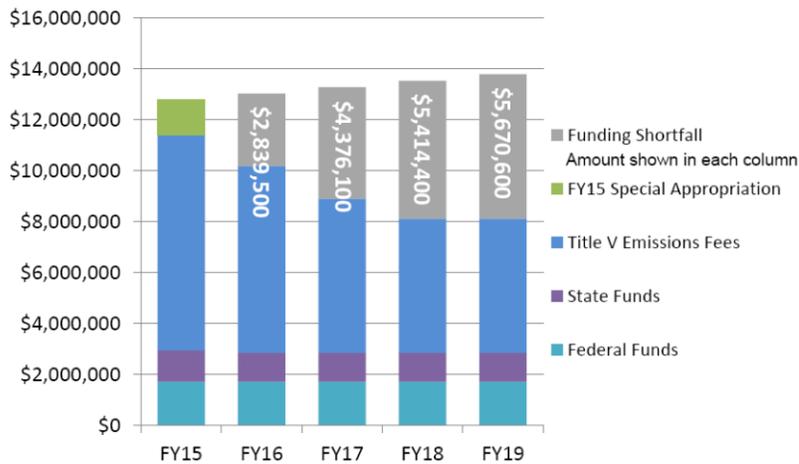
1. Making fossil fuel power plants more efficient.
2. Using low-emitting natural gas combined cycle plants where excess capacity is available.
3. Increasing use of zero- and low-emitting power sources such as renewables and nuclear.
4. Reducing electricity demand by using electricity more efficiently.

The Bureau must prepare an implementation plan after the final rule is issued. The projected expenditure for this project over several years is an estimated \$400 - \$450,000. Electric generating facilities located throughout Iowa will be affected. The number of facilities impacted is uncertain at this time since power plant retirements have occurred or are scheduled, and fuel switching projects are underway.

### 3. Budget Summary

Between 2016 and 2024, the Bureau anticipates needing additional revenue ranging between \$2.5 and \$7 million per year if existing programs remain in place and all new programs are fully implemented at the highest cost option. FY 2019 appears to be the most challenging in terms of fiscal need, since several new programs have milestone due dates at that time. As a result, by FY 2019 the Bureau anticipates a shortfall of nearly \$6.0 million per year just to maintain current services, not including the additional expenses discussed in this report.

Current and Projected Expenses and Revenues



The following table itemizes projects and compliance alternatives that may occur between FY 2016 and FY 2024. This document was provided for scenario planning, and should not be aggregated by year as an expense projection. Some options are mutually exclusive, such as the different functionalities in a SPARs replacement and the choices of strategy between monitoring and modeling for SO<sub>2</sub> compliance. The identification and delineation of non-attainment areas related to specific NAAQS cannot be completed until the EPA finalizes the standard.

Program Activity	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
(Alternate approaches or costs)	CY15-16	CY16-17	CY17-18	CY18-19	CY19-20	CY20-21	CY21-22	CY22-23	CY23-24
<b>SO2 Data Requirements Rule</b>									
Attainment Evaluation - Dispersion Modeling	\$47,400	\$47,400							
Nonattainment Planning Each Site		\$64,000	\$119,000	\$237,000	\$54,000	\$6,400	\$6,400	\$6,400	\$6,400
Nonattainment Planning 12 Sites		\$768,000	\$1,428,000	\$2,844,000	\$648,000	\$76,800	\$76,800	\$76,800	\$76,800
Attainment Evaluation - Ambient Monitoring	\$1,161,600	\$576,000	\$576,000	\$576,000	\$432,000				
Nonattainment Planning Each Site					\$64,000	\$119,000	\$237,000	\$54,000	\$6,400
Nonattainment Planning 12 Sites					\$768,000	\$1,428,000	\$2,844,000	\$648,000	\$76,800
<b>Revitalizing Communities - Asbestos</b>									
Current staffing (no SWAP funding)	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000	\$130,000
Fund for 5% inspection rate	\$390,000	\$390,000	\$390,000	\$390,000	\$390,000	\$390,000	\$390,000	\$390,000	\$390,000
<b>Revised Ozone Standard</b>									
Updated Ozone Monitors to address stds	\$592,200								
Nonattainment Planning for 1 areas	\$32,000	\$151,000	\$237,000	\$237,000	\$145,548	\$33,000	\$6,400	\$6,400	\$6,400
Nonattainment Planning for 9 areas	\$288,000	\$1,359,000	\$2,133,000	\$2,133,000	\$1,309,932	\$297,000	\$57,600	\$57,600	\$57,600
<b>Title V Permit</b>									
Backlog & Modifications	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000	\$120,000
<b>Information Technology</b>									
Limited functionality SPARS replacement			\$100,000	\$400,000					
Full functionality SPARS replacement			\$100,000	\$1,500,000	\$400,000				
<b>Carbon Standards for Existing EGUs 111(d)</b>									
Within Iowa only implementation	\$237,000	\$237,000	\$237,000	\$237,000	\$174,000	\$174,000	\$174,000	\$174,000	\$174,000
Multistate implementation (costs unknown)									

What is clear from the Department's presentation is that the present funding strategy is not adequate to meet near or long-term program needs nor the needs of the regulated facilities.

## **D. Process Improvements and Cost Reduction**

### ***1. Title V Program Efficiencies***

In 2012, stakeholders participated in a Kaizen<sup>16</sup> event to streamline the Title V permit application process. The resulting process improvements included bureau-wide coordination of the process, revised application instructions, and additional training. Most significantly, the Bureau condensed Part 2 application forms from 20 to 6. These new forms were easier to use, allowed more flexibility in data presentation and resulted in a faster, more seamless permitting process.

The Bureau has also used two strategies to minimize the number of facilities subject to the program. First, they eliminated the Voluntary Operating Permit (VOP) program, which allowed sources to voluntarily avoid participation in the Title V program by accepting permit limits to stay out of the Title V program. Second, they helped facilities exit the program.

Two facilities have been selected as pilot projects to remove smaller Title V sources from the Title V program. The Department and the facilities will establish construction permit limits to ensure potential emissions are below Title V thresholds and then rescind the Title V permits. A protocol developed from the pilot projects will be shared with the remaining eligible facilities, and those facilities will determine whether they wish to exit the program.

The Bureau will continue looking for additional improvements to the Title V permit program through collaboration with its industry partners. Meanwhile, these initiatives will allow the DNR to focus on the largest facilities, provide better services to those companies that remain in the program without compromising air quality, and increase efficiency as participants decline.

### ***2. Construction Permitting Program Efficiencies***

The Bureau has hosted six (6) formal Kaizen events since 2003 to examine construction permitting services and recommend improvements. The goals of the improvement initiative are to:

- Increase the permit issuance rate (i.e. shorten lead time by 25%)
- Improve communications with applicants and the public
- Improve consistency in permits,
- Reduce requests for additional information, and
- Eliminate activities that contribute little or no value to the process.

A survey conducted in 2013–2014 revealed that about 10% of survey respondents found the construction permit application process difficult or confusing. This was corroborated by 2014

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<sup>16</sup> Kaizen, also known as continuous improvement, is an approach to work that systematically seeks to achieve small, incremental changes in processes in order to improve efficiency and quality. Kaizen events gather operators, managers & owners of processes to map existing processes, identify improvements & obtain buy-in from affected parties.

Construction Permit Tracking Data which showed that applications commonly failed to provide complete information.

Measures have been put in place to reduce applicant questions and requests for additional information. The Construction Permit Section is streamlining forms and instructions. A stakeholder workgroup is reviewing each form and each set of instructions to ensure consistency, improve simplicity, eliminate information requests that are no longer needed and add requests when new information is required. The Bureau has also been assisted by industries in establishing template permit applications for grain elevators, bulk gasoline distribution facilities, and aggregate asphalt and concrete batch plants. These templates also reduce the resources needed to issue a permit.

The Bureau will meet with stakeholders for the remainder of the year and then open an informal process to solicit comments at the Air Quality Client Contact meeting in November 2014. Following this comment period, the forms will be reviewed and formatted for publication. The Department plans to provide training and make the new forms and instructions available in 2015.

### ***3. Emission Inventory and Support Section Savings***

The Emission Inventory and Support Section has also improved and streamlined their processes to ensure an efficient, accurate reporting structure. This group has:

- Provided increased technical support
- Developed online calculators that accurately calculate emissions
- Supported industry e-reporting needs by hosting specialized webinar training
- Reduced industry reporting by prioritizing and streamlining reporting requirements, and
- Reviewed and corrected EPA miscalculations to prevent transfer of those errors into the state system.

They estimate that the reporting burden has been reduced by 57% and corrections to EPA data have reduced reported emissions by 197,000 tons. The Section reported that the Bureau also cut costs by nearly \$100,000 through a reduction in the Bureau's fleet from seven to four vehicles (~\$60,000) and changes to its phones (\$1,800), IT (~\$31,000), records retention (~\$37,000), copiers (\$3,270) and courier services (\$3,500).

### ***4. Dispersion Modeling***

The Bureau has taken steps to track current and future modeling projects to reduce review times, improve workload balance, and ensure the expertise of staff completing modeling:

- Advanced software and equipment allow completion of modeling runs up to twelve times (12x) faster.
- Implementation of the Modeling Computer Array software lets analysts work on two or more projects at same time.
- Preprocessed meteorological data from nineteen (19) Iowa meteorological stations ensures statewide coverage.

- Digital Terrain Elevation Data is available for all Iowa counties, and statewide background air quality data creates default backgrounds for models.
- Guidance documents and compliance tools have been created to reduce regulatory uncertainty.

## 5. Other Cost Containment Activities

The Bureau has identified numerous cost containment and reduction measures since 2008, resulting in total cost reductions of more than \$2.2 million. The various staffing, IT, management and other cost saving measures are listed below:

### Cost Containment & Reduction

Expenditure Category	Cost Containment and Reductions	Amount
Staffing & Contract Reductions	Brought small business regulatory assistance role in-house from IEDA.	-\$119,000
Staffing & Contract Reductions	Reduced UNI small business technical assistance contract services.	-\$155,000
Staffing & Contract Reductions	Eliminated 10 vacant FTE position by selectively retaining vacancies to meet reduced revenues.	-\$1,711,000
Information Technology	Streamlined software licenses & needs for remote computer access in 2009 saved \$5,000.	-\$25,000
Information Technology	Eliminated an Oracle license in 2012 for SPARS.	-\$9,000
Information Technology	Consolidated server & licensing needs within the DNR.	-\$20,000
Office Management	Leasing a copier saved \$3,000 due to lower impression rates.	-\$3,000
Office Management	Reusing office supplies from scanned records.	-\$7,000

### Cost Containment & Reduction Cont.

Expenditure Category	Cost Containment and Reductions	Amount
Office Management	A phone audit in 2009 resulted in an annual savings of up to \$1,200.	-\$6,000
Office Management	In 2013 DAS renegotiated a courier contract at double the prior rate. DNR identified cost increase. DAS reduced the rate.	-\$3,500
Public Records	DNR requested changes that resulted in a change in records retention schedules from permanent files to a defined periods. Reduced microfilming costs.	-\$30,000
In-state Travel	In-state travel reduced. Relying on conference calls or asking clients to travel.	-\$50,000
Equipment	Obtained monitoring equipment cost reductions.	-\$3,000
Training	Utilizing webinar training more extensively.	-\$10,000
Vehicles	Reduced bureau cars from 7 to 4 vehicles saving replacement cost of 2 vehicles.	-\$60,000
<b>Total Cost Reductions</b>		<b>-\$2,211,500</b>

The Bureau continues to demonstrate its commitment to control costs and efficiently use funding sources to preserve the quality of air in the State of Iowa. The Stakeholder Committee reviewed extensive data provided by the Bureau and believes that cost control is being achieved efficiently and effectively, and that the Bureau should continue to pursue future cost control measures and activities to improve efficiency.

## E. Fee Structure Benchmarking

### 1. Benchmarking Against States

As discussed in Section B of this report, the Bureau has three sources of operational funding: Title V fees for emissions of pollutants, federal grants issued under the CAA and funds authorized by the Iowa General Assembly. The air quality program only charges fees for emissions as required by Title V. Other services including permit application processing for major or minor sources, modelling, authorizing prevention of significant deterioration (PSD) permits, processing emission inventory reports, or conducting ambient air monitoring are provided free of charge.

The Bureau benchmarked their funding structure against those of other states to gather an accurate picture of the fee programs available. Twenty four (24) states responded to the Bureau's request for information. Of these, thirteen (13) programs<sup>17</sup> were selected for analysis based upon their location and/or similarity to Iowa regarding population or GDP. The Bureau separately analyzed fees related to construction permits and Title V permits as these would be administered separately within the Bureau.

### Construction Permit Fee Structures

The states used for benchmarking had a wide variety of approaches to generate revenue, but certain trends were identified. Of the thirteen states identified as "similar" to Iowa:

<i>Fee Structure for Construction Permits</i>	<i>% with this feature</i>
Providing free service to all, regardless of service type	0%
Issuing small source permits with no fee	0%
Charging a fee for a registration permit	85%
Charging an initial fee to begin any application process	23%
Assessing a specific, single amount for each type of permit	13%
Assessing annual and/or emission fees on non-Title V sources	38%
Scaling fees according to one specific variable, such as hours required to complete the service, projected increase in emissions, allowable limits, emissions potential of the source being permitted, % of capital cost, or an assigned "points" value that weighted the complexity of the task.	54%
Charging specific fees for various process steps such as NSPS Review, PSD review, modeling protocol review, modeling data review, obtaining weather data, administering public comment, public hearing attendance, and permit preparation	54%
Utilizing a spreadsheet calculator to determine the fee	31%

<sup>17</sup> The states selected were Alabama, Arkansas, Colorado, Delaware, Illinois, Kansas, Minnesota, Missouri, Nebraska, New Mexico, South Dakota, West Virginia and Wisconsin.

Seven states also provided information regarding the assessment of annual or emission fees. Of the states charging annual or emission fees:

Fee Structure Feature	% with this feature
Using the allowable permit limits as the basis for the fee	30%
Using the emissions reported in the inventory as the basis for the fee	15%
Waiving fees for certain small sources	15%
Charging a general "annual fee" to operate in the state	88%
Controlling or capping the fee	63%

## Title V Permit Fee Structures

Of thirteen states used for benchmarking, all but one state (92%) charged a fee for a Title V operating permit. More than 60% used actual emissions to calculate the fee, and about 40% used allowable limits as the alternate basis. Most systems (85%) capped between 4,000 and 6,000 tons the maximum tonnage that could be assessed a fee.

### Title V Fee Information

State	Fee	Basis
Alabama	\$37	Actual; 4,000 ton cap.
Arkansas	\$22.97	Allowable; 4,000 ton cap.
Colorado	\$22.90/ \$152.90 (HAPs)	Actual; 4,000 ton cap.
Delaware	<i>No fee per ton. Charges a base fee &amp; user fee.</i>	
Illinois	\$21.50	Allowable, max of \$294,000.
Iowa	\$56	Actual; 4,000 ton cap.
Kansas	\$37	Actual; 4,000 ton cap.
Minnesota	\$85.17	4,000 ton cap.
Missouri	\$40	Actual; 4,000 ton cap with 12,000 ton max.
Nebraska	\$67	Actual; 4,000 ton cap.
South Dakota	\$7.50/ \$40 (ethanol)	Actual; 4,000 ton cap. Annual admin fees.
New Mexico	\$29.30/ \$186.25 (HAPs)	Allowable; 6,000 ton cap.
West Virginia	\$31.87	Actual; 4,000 ton cap; minimum fees.
Wisconsin	\$35.71	Actual; 5,000 ton cap.

CHUCK GIFF, DIRECTOR

## Scenario-Specific Comparisons

Since the fee structures varied so widely, the Bureau asked for scenario-specific calculation of fees by the responding states. Those scenarios were:

- A registration permit with little or no review
- A permit for a new facility not subject to Title V or PSD with three emission points
- A new facility not subject to Title V or PSD with three emission points involving one NSPS and one NESHAP determination,

- d) An existing facility subject to Title V and PSD with three new emission points that require limits on three pollutants to avoid Title V and/or PSD (synthetic minor), and
- e) An existing PSD–major facility with a PSD major modification for three pollutants involving three emission points all subject to one NSPS and one NESHAP and
- f) A new PSD–major facility that is an electrical generating unit (EGU).

### Application Scenario: a. Registration permit

A registration permit with little or no review.	
Alabama	About \$1,000
Arkansas	\$200
Colorado	Range from \$202.90 to \$1,152.90
Delaware	No fee
Illinois	\$235
Iowa	No fee
Kansas	No fee
Minnesota	\$570
Missouri	\$700 (permit by rule)
Nebraska	\$875
New Mexico	\$500 (filing fee)
South Dakota	\$125 application fee.
West Virginia	\$250-\$500
Wisconsin	\$400

1

### Application Scenario: b. Minor Project

A new facility not subject to Title V or PSD with three emission points	
Alabama	\$7,055
Arkansas	\$22.97 per ton of allowable emissions
Colorado	\$152.90 + \$76.45/hour
Delaware	\$1,140
Illinois	\$1,500 - \$11,000
Iowa	No fee
Kansas	0.05% of the capital cost
Minnesota	\$14,250 (minimum)
Missouri	\$100 + \$50/hour
Nebraska	\$250 - \$1,500
New Mexico	\$6,502
South Dakota	\$125
West Virginia	\$1,000
Wisconsin	\$11,400

2

The fees charged under each of these scenarios are as follows:

Application Scenario: c. Minor project with NSPS & NESHAP		Application Scenario: d. Synthetic Minor	
<b>A new facility not subject to Title V or PSD with three emission points involving one NSPS and one NESHAP determination.</b>		<b>An existing facility subject to Title V and PSD with three new emission points that require limits on three pollutants to avoid Title V and/or PSD (synthetic minor).</b>	
Alabama	\$11,715	Alabama	\$7,110
Arkansas	\$22.97 per ton of allowable emissions	Arkansas	\$22.97 per ton of allowable emissions
Colorado	\$152.90 + \$76.45/hour	Colorado	\$152.90 + \$76.45/hour
Delaware	\$1,140	Delaware	\$1,140
Illinois	\$1,500 - \$11,000	Illinois	\$6,000 - \$10,000
Iowa	No fee	Iowa	No fee
Kansas	\$1,500 + 0.05% of the capital cost (\$4,000 max)	Kansas	\$1,500 + 0.05% of the capital cost (\$4,000 max)
Minnesota	\$19,950	Minnesota	\$12,825
Missouri	\$100 + \$50/hour	Missouri	\$100 + \$50/hour
Nebraska	\$250 - \$1,500	Nebraska	\$1,500
New Mexico	\$11,670	New Mexico	\$1,945
South Dakota	\$125	South Dakota	\$125 / \$1,000 if ethanol
West Virginia	\$4,500	West Virginia	\$1,000
Wisconsin	\$12,400	Wisconsin	\$19,400
<b>Application Scenario: e. Existing PSD Modification</b>		<b>Application Scenario: f. New EGU</b>	
<b>An existing PSD-major facility with a PSD major modification for three pollutants involving three emission points all subject to one NSPS and one NESHAP.</b>		<b>A new PSD-major facility that is an electrical generating unit (EGU)</b>	
Alabama	\$24,060	Alabama	\$20,480
Arkansas	\$22.97 per ton of allowable emissions	Arkansas	\$22.97 per ton of allowable emissions
Colorado	\$152.90 + \$76.45/hour	Colorado	\$152.90 + \$76.45/hour
Delaware	\$1,020	Delaware	\$1,455
Illinois	\$12,000 - \$16,000	Illinois	\$12,000 - \$16,000
Iowa	No fee	Iowa	No fee
Kansas	\$1,500 + 0.05% of the capital cost (\$4,000 max)	Kansas	\$1,500 + 0.05% of the capital cost (\$4,000 max)
Minnesota	\$12,825 - \$29,925	Minnesota	\$29,925
Missouri	\$100 + \$50/hour	Missouri	\$100 + \$50/hour
Nebraska	\$3,000	Nebraska	\$3,000
New Mexico	\$40,735	New Mexico	\$40,735
South Dakota	\$125	South Dakota	\$125
West Virginia	\$7,500	West Virginia	\$13,500
Wisconsin	\$44,400	Wisconsin	\$64,000

## 2. Internal DNR Benchmarking

### Comparing Revenue Allocation

The configuration of the Bureau budget was benchmarked to Bureaus within DNR by comparing allocations to the Bureau with revenue provided to the Field Services, Land Quality and Water Quality Bureaus in the FY 2015 budget. The Field Services, Land Quality and Water Quality Bureaus received between \$1.1 and \$2.1 million more funding in FY 2015 from the Environment First & Infrastructure Funds, and received between \$2.8 and \$6.8 million more from federal grants.<sup>18</sup> The Bureau relied on fees as a primary source of revenue, collecting more than \$8.4 million in fees (66% of budget), compared to the Land Quality Bureau that collected \$863,000 (6% of budget) and Water Quality that collected \$7.3 million (39% of budget).

Dependence on emission fees has the potential to create significant inequity because the impact of the fees is concentrated, while the impact of fees charged by other Bureaus is spread across a larger customer base. Data from the FY 2012 budget, for example, indicate the Bureau derived its income from less than 300 sources, paying annually, compared to the Land Bureau that generated its fee from more than 9,500 transactions<sup>19</sup> and the Water Bureau that obtained its revenue from more than 21,000 transactions.

FY 15 Budget	Air Quality Bureau		Field Services Bureau		Land Quality Bureau		Water Quality Bureau	
State General Funds	\$704,300	6%	\$1,193,700	10%	\$410,000	3%	\$392,300	2%
Environment First & Infrastructure Funds <sup>20</sup>	\$425,000	3%	\$1,532,200	13%	\$2,533,800	18%	\$2,500,000	13%
Groundwater*	\$1,503,200 <sup>21</sup>	12%	\$767,700	6%	\$3,459,700	24%	\$97,100	1%
Federal Grants	\$1,735,700	14%	\$4,559,800	38%	\$6,916,700	49%	\$8,563,200	45%
Other Funding (Incl. Fees)	\$8,428,300	66% <sup>22</sup>	\$4,044,400	33%	\$863,500	6%	\$7,320,600	39%
<b>Total Program</b>	\$12,796,500		\$12,097,800		\$14,183,700		\$18,873,200	

<sup>18</sup> Comparative data was reviewed by the DNR's Budget & Finance Bureau..

<sup>19</sup> Transactional summaries provided by the Air Quality Bureau using FY 2012 data provided by Land and Water Quality Bureaus.

<sup>20</sup> The allocation of the funds between Bureaus is determined by legislation, and not subject to change by the DNR.

<sup>21</sup> Typically, this contribution is \$103,000. The value in FY 2015 is inflated because it includes a one-time special appropriation of \$1.4 million and SWAP money for asbestos inspections.

<sup>22</sup> This contribution percentage is an anomaly, due to a shortage of fees generated in this particular fiscal year. The historical average is 75%.

## Comparing Bureau Fee Structures

Fees charged by the DNR tend to fall into three categories:

- a. Fees are charged for the right to exercise a privilege. Individuals interested in hunting, fishing, camping or operating a boat dock pay license fees. State-certified environmental laboratories, those seeking a permit to withdraw or divert water, and those seeking to construct confined feeding operations also pay fees for the opportunity to engage in a particular activity. This practice is in alignment with state air programs that charge annual fees and source registration fees, or those that scale fees based on the allowable limit contained in the permit.
- b. Fees are charged for a service. The DNR provides fish to stock farm ponds and seedlings from the state forest nursery. They administer certification exams for operators of wastewater treatment systems and certify environmental laboratories for operation. This practice aligns with state air programs that link fees to specific actions taken by the agency such as ambient air monitoring, emissions modeling, data review, application review or permit preparation, all of which have specific and traceable costs.
- c. Fees are charged for impacts to the environment. Landfill tonnage fee (pay-as-you-throw) structures create financial incentives for environmentally-friendly behavior. This is aligned with the existing Title V fees that are calculated using actual reported emissions rather than allowable limits.

The Water Quality Bureau charges a wide variety of fees to generate revenue. These are some examples:

Fee Type	Fee
Annual fees for NPDES permits, major industrial / minor industrial discharge	\$3,400 / \$300 per year
Annual NPDES operating permit (no discharge to waters of US)	\$170 per year
Annual fee for active public water supply – capped at \$350,000	\$0.12 / person in population
Individual NPDES permit fee	\$1,250 every 5 years
File a Notice of Intent for NPDES Coverage under General Permit for Storm Water Discharges Associated with Industrial Activity & Construction	1 yr: \$175 3 yr: \$350 5 yr: \$700
Apply for permit to withdraw or divert water	\$350
Apply for a permit to store water	\$75
Register a minor non-recurring use of water	\$75

Fee Type	Fee
Renew or modify an existing water use permit	\$0
Inspector certification fee	\$75 - \$300
Certified inspector renewal fee	\$300 every 2 yrs
Operators certificate renewal fee	\$60
Construct a public water main. Additional fees can be charged for cost of construction (\$100+), requesting time extensions (\$50), Filing change orders (\$50+), plus annual fees	\$100 per foot up to 1,000 ft
First-time submittal of a manure management plan (MMP)	\$250 plus indemnity fee
Construction permit to build a new confinement or expand a facility	\$250
Manure Management Annual Fee	\$0.15 per animal

In addition the Water Bureau administers five licensing and certification programs, each with specific fee schedules. They are:

- Water / Wastewater Operator Certification
- Environmental Laboratory Certification
- Well Contractor Certification
- Time of Transfer Inspector Certification and
- Commercial Septic Tank Cleaner License

Program & Fees	Fee
Water / Wastewater Operator Certification	
• Exam fee	\$30
• Certification Fee	2 yr: \$80
• Renew a certification	\$60
• Duplicate documentation	\$20
Laboratory Certification	
• Certification Application – based on services provided	\$400 - \$12,900 dependent on service
• Administration fee	
• Additional on-site visits routine	\$300
• On-site visit for deficiencies	\$500

Program & Fees	Fee
Well Contractor	
<ul style="list-style-type: none"> <li>Exam Application</li> </ul>	\$100
Time of Transfer	
<ul style="list-style-type: none"> <li>Training</li> </ul>	\$300
<ul style="list-style-type: none"> <li>Exam fee</li> </ul>	\$50
<ul style="list-style-type: none"> <li>Certification fee</li> </ul>	\$300
Septic Tank Cleaner	
<ul style="list-style-type: none"> <li>License fee</li> </ul>	\$150 per year for 1 vehicle, + \$50 for each additional vehicle
<ul style="list-style-type: none"> <li>Land application fee</li> </ul>	\$7 per 1,000 gal
<ul style="list-style-type: none"> <li>First-time applicants for land application</li> </ul>	\$300

The fee structure of the Land Quality Bureau includes the following fees:

Program & Fees	Fee
Annual fee for businesses or persons processing tires	\$850
Tonnage fees for landfill disposal	\$4.25 / ton variable
Annual fee for generators of hazardous waste	\$25 for small, \$250 for large, plus tonnage fees
DNR oversight expenses charged bi-annually to land recycling program participants	Up to \$7,500 per participant

### ***3. Observations & Principles for Decision-Making***

Although the survey sent by the Bureau identified the fee structure characteristics of several states, very little information was available regarding the performance, or effectiveness, of each structure. Most programs were not clear about the relationship between revenue and actual cost. Many states indicated the use of highly centralized financial processes, and so had little knowledge of how much revenue they collected or whether it covered the cost of administering their air program. Several programs were in flux at the moment of the survey. Many were attempting to redesign their fee structures to pay for present cost and provide resources for the future.

It is also difficult to collect comparative data of state budgets for air pollution control programs since this information is very labor intensive to collect. A report prepared in 2004 by the State and Territorial Air Pollution Program Administrators (STAPPA) and the Association of Local Air Pollution Control Officials (ALAPCO) compared the air pollution control budgets of 27 states and placed Iowa in the bottom third when ranked by budget size<sup>23</sup>. The National Association of Clean Air Agencies<sup>24</sup> (NACAA) studied state air programs (2009) from 30 states, and found “state and local air agencies provide 77 percent of their budgets (not including permit fees under the federal Title V program), while federal grants constitute only 23 percent<sup>25</sup>.” Data in both studies indicate that the relative contribution of funding made by the State to the Bureau is on the low side compared to other states.

It appears that any successful strategy for financial sustainability will require new fees and a larger contribution from the State. But existing fees (or lack of fees), and the policies by which they are administered, have generated certain expectations among the citizens and businesses of the state. The Stakeholder’s group believes that fees for the Bureau should take into account these precedents and patterns, and fit the way Iowans do business. Fees should be easy to understand, simple to pay, equitably distributed and stable over time. Iowa is not a state where intricate calculation tools will be appreciated.

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<sup>23</sup> “Funding Needs of State and Local Air Pollution Control Agencies,” STAPPA & ALAPCO, June 2002, p. 17.

<sup>24</sup> NACAA is conducting a Title V survey and is expected to release new data in early 2015.

<sup>25</sup> “Investing in Clean Air and Public Health: A Needs Survey of State and Local Air Pollution Control Agencies”, April 27, 2009, Nat’l Association of Clean Air Agencies (NACAA), p. 7.

## Principles for Decision-Making

Stakeholders agreed that regardless of the strategy adopted, decisions regarding fees should follow certain general principles:

1. The Bureau should have a funding structure that provides a sustainable future as regulations change.
2. Funding solutions should be fair to stakeholders, transparent and easily understood.
3. Fees levied by the Bureau should be deposited into a dedicated fund. Unspent funds should carry forward into the next fiscal year to provide resources for future requirements.
4. In cases where the cost of a service is directly traceable to users or beneficiaries of air quality services, those users or beneficiaries should pay part of the cost through fees.
5. The Title V permit program should continue to be self-sustaining through the payment of fees by Title V permit holders. The process for setting the amount of the annual Title V emissions tonnage fee should continue to include budgetary review and consultation with stakeholders.
6. The cost of programs and services provided by the Bureau for the benefit of Iowans as a whole should be paid by the state. This will require increased support from the state. This may include costs associated with<sup>26</sup>:
  - a. Source oriented monitors
  - b. Ambient Monitoring – PSD Background & Transport
  - c. Field inspections for minor sources
  - d. Compliance assistance and enforcement for minor sources
  - e. Legal Services for minor sources
  - f. Management, secretarial & data support for minor source programs
  - g. Ambient monitoring for population areas
7. Costs for Core Programs and services benefiting both individual sources and the general public should be supported by revenue from the Title V program and state funding. This will require increased support from the state. This includes costs outlined in the “Core Programs” associated with:
  - a. Emissions Inventory Questionnaire
  - b. Rules, Budget Contracts
  - c. AQB/UNI/Small Business Assistance
  - d. SIP activities
  - e. Legal service activities
  - f. Management, Secretarial & Data Support
8. New funding sources should be investigated and pursued where possible. This includes potential revenue derived from mobile sources and tire recycling.
9. The Bureau should continue its efforts to remove permit backlogs, increase process efficiency and improve the customer experience.
10. Permit processes should accommodate requests for “expedited” application processing for an additional fee.

<sup>26</sup> The following list is composed of labels taken from the specific cost lines in the Air Quality Budget. See Section B of this report for a copy of that budget.

## F. Moving Toward Financial Sustainability

### 1. Strategy Overview

The Bureau leads the public in protecting the air we breathe by partnering with communities, business and industry, organizations and private citizens. These partners, represented by the stakeholders on this team, have worked diligently to develop a strategy for approaching and managing the financial sustainability of the Bureau for years to come. Amid increasing regulation and concern for public health, costs are expected to rise and revenue shortfalls will remain a common theme until the funding structure is diversified and the Bureau becomes financially sustainable.

Strategic Priorities for Financial Sustainability



Pillar 1	Pillar 2	Pillar 3	Pillar 4
Identify and Control Costs	Diversify the Income Structure	Obtain Sufficient, Sustainable Public Funding	Adjust Accounting Practices

The strategy recommended in this report to achieve financial sustainability has four pillars. They are to:

- Identify and control costs
- Diversify the income structure
- Ensure sufficient and sustainable public funding, and
- Adjust Budgeting Practices

**Recommendation 1:** *The Air Quality Bureau should have a fully developed, sustainable funding mechanism in place by the end of fiscal year 2019. Implementation of this recommendation would require increasing the Bureau budget from the current \$12.8 million to roughly \$14.0 million, not including expenditures for three new EPA requirements discussed in this report (SO<sub>2</sub> and Ozone NAAQS, and SPARS).*

### Identify and Control Costs

As discussed in Section C of this report, the Bureau has analyzed program needs to identify current and future costs through 2019. Cost control measures have been implemented throughout the Bureau with projected savings of \$2.4 million annually. Routine costs are scheduled and tracked. Some new programs are predictable and can be included in budget planning at this time. This includes the addition of asbestos inspectors and implementation of the carbon standard under 111(d). Others, however, contain optional or unquantifiable cost lines subject to change as US EPA finalizes rules and standards. The initiatives that contain significant unpredictable costs as of the writing of this report are:

Topic	Area of Uncertainty	Approximate Cost Range
SO <sub>2</sub> Data Requirements Rule	Attainment status determinations and boundary delineation using dispersion modeling.	\$500,000
	Attainment status determined using monitoring (assumes facility pays for costs of installing and operating monitor).	\$0 - \$560,000
Revised Ozone National Ambient Air Quality (NAAQS) standard	Attainment status determination may be hindered by old monitors subject to error. Replacement may be advisable depending on level of new ozone NAAQS.	\$0 - \$590,000
	Determining nonattainment boundaries and developing nonattainment State Implementation Plans (SIPs).	\$0 - \$7 million <sup>27</sup>
SPARS – The State Permitting and Air Reporting System	Various options for revision or replacement of system. Replacement system is under study.	\$0 - \$2 million

**Recommendation 2:** *The Stakeholders group recommends continued tracking of Bureau costs and encourages initiatives to provide services efficiently and seamlessly. Projects with highly variable costs (SO<sub>2</sub> and Ozone NAAQS, SPARS) should be authorized when program requirements and needs become clearer. Funding should be provided either from the General Fund, or by special appropriation as a one-time program expense (as is done for the Water Quality Bureau), since these programs are required by law for the benefit and protection of Iowa's citizens.*

## Diversify the Income Structure

Many believe, mistakenly, that the emissions fee program under Title V of the Clean Air Act is the answer to the Bureaus' financial problems. Why can't the Bureau raise the current fee and solve the problem? First, Title V emission fees are only paid by Title V permit holders, and the revenues can only support the Title V operating permit program. Federal law states, "Any fee required to be collected ... under this subsection shall be utilized solely to cover all reasonable (direct and indirect) costs required to support the permit program..."<sup>28</sup> Second, revenue is decreasing due to reductions in emissions, and reliance on a diminishing fee base creates significant risk to financial stability. The Title V fee program, while essential, will not solve the funding shortfall. The state needs additional revenue sources to move the Bureau toward a sustainable funding mechanism.

<sup>27</sup> If the standard is set at 69 or 70 parts per billion (ppb), the State of Iowa will be in attainment based on current monitoring values. If the level is set at 60 to 63 ppb, then all monitoring locations would be nonattainment based on current data. The Bureau estimates \$7 million would be necessary to determine nonattainment boundaries and develop nonattainment SIPs.

<sup>28</sup> Clean Air Act, 42 U.S.C. Sec 7661a (b)(3)(C).

**Recommendation 3:** *The Stakeholders group recommends the Bureau charge fees for service. The Asbestos NESHAP should charge a notification fee. The cost of application review, permit issuance and associated modeling related to air construction permitting for major and minor sources should also incur a fee for service. The Stakeholders group recommends the Bureau charge fees to cover the cost of application review and permit issuance for Title V operating permits. Title V emissions fees should continue and be administered as they are today. The fee schedule for the major / PSD / Title V sources would be established by a group of major source stakeholders. Fees for minor source permit issuance and modeling costs would be determined by a minor source stakeholder group, and paid proportionally, with a target of 40% of cost paid by the sources and 60% of cost paid by the state. Both stakeholder groups would meet annually to evaluate their fee structures as is currently done for the Title V emission fee. Redistribution of costs in this way would create a sustainable revenue stream for the Title V program which will offset the projected decreases in chargeable emissions. Implementation of fee structures would collect roughly \$2.6 million annually from major / PSD / Title V sources, roughly \$250,000 annually from minor sources, and asbestos fees of \$300,000 to \$400,000.*

Tiered structures that acknowledge the varying resources required for “complex,” “standard,” and “template” permit applications are appropriate and can be approved by the stakeholders as needed. This Stakeholders group favors fee structures that are limited in complexity and administrative burden.

### **Ensure Sources of Sufficient and Sustainable Public Funding**

As discussed, Federal grants have provided a helpful and stable source of revenue to the Bureau, and we expect that source of revenue to remain. Grants have, however, lost purchasing power over time, and there is a trend toward issuing future grants through programs that require more state matching. These factors, combined with Bureau cost projections, imply that increased State contributions will be required if the Bureau is to become financially sustainable.

Increasing the State’s contribution to the budget of the Air Quality Bureau can be justified in a number of ways:

- The citizens of the State are the primary beneficiaries of many services provided by the Bureau. This includes complaint response, ambient air monitoring, asbestos inspections, and small business assistance. The annual cost of operations and programs required for the state as a whole has significantly exceeded the annual state contribution.
- Statistics in the 2011 National Emissions Inventory indicate that major sources in Iowa are responsible for 11% of total emissions to ambient air in the State<sup>29</sup> but routinely pay for 75% of the Bureau’s total program costs.
- Benchmarking indicates the need for better alignment:
  - Historical data indicates the total size of the Air Quality budget tends to be in the bottom third compared to other states.<sup>30</sup>

<sup>29</sup> 2011 National Emissions Inventory, SCC Data file for Point, Nonpoint, and Non-road and On-road data categories

<sup>30</sup> “The Critical Funding Shortfall of State and Local Air Quality Agencies,” STAPPA / ALAPCO, February 2004, p. 26

- The size of the State contribution is low compared to other states. An NACAA study in 2009 surveyed 35 states and found “state and local air agencies provide 77 percent of their budgets (not including permit fees under the federal Title V program), while federal grants constitute only 23 percent.”<sup>31</sup> In Iowa, the contribution from the General Fund is 6-8% annually. The cumulative disbursement from the General Fund, Environment First Fund and Groundwater Fund together was less than 10% of budget in FY 15.
- Within the DNR, the Field Services, Land Quality and Water Quality Bureaus in FY 2015 received 10-15% more funding (\$1 – 2 million) from the Environment First & Infrastructure Fund.<sup>32</sup>
- Capturing all increases in costs through fees will be burdensome to businesses in the state, making Iowa less competitive in attracting and keeping jobs.
- Businesses that pay fees also pay taxes and in other ways contribute funding to the General Fund.

**Recommendation 4:** *The Stakeholder group recommends increasing state funding levels from the General Fund for programs whose primary beneficiaries are citizens of the state. Redistribution of costs in this way would require increasing the state contribution to the budget from \$2.5 million contributed in FY 2015 to roughly \$3.2 million in subsequent years, not including cost items related to new EPA requirements related to SO<sub>2</sub> and Ozone NAAQS, and SPARS.*

### Adjust Budgeting Practices

Successful implementation of these strategies requires some adjustment in the Bureau’s current accounting practices.

**Recommendation 5:** *The Stakeholder group recommends creation of a dedicated fund for deposits related to new user fees. Proposed wording is provided in Appendix ii. Moneys deposited into the new fund should be retained for the purposes of administering associated programs, and shall be allowed to accrue to fund future programs.*

**Recommendation 6:** *The Stakeholders group recommends reassignment of certain cost lines within the Bureau of Air Quality budget to funding sources that are more equitable and appropriate. Those reassignments are provided in the following table<sup>33</sup>:*

Cost Item	Prior source of funding	Proposed source of funding	Approximate dollar value
Title V Application review and Permit Issuance	Title V emission fees	Title V permit application fees	\$1.1 million
Major source application review,	Title V	Major source permit	\$1.1 million

<sup>31</sup> “Investing in Clean Air and Public Health,” National Association of Clean Air Agencies, April 27, 2009, Executive Summary.

<sup>32</sup> Data from section E of this report, confirmed by the agency accounting office.

<sup>33</sup> Cost line descriptions and approximate dollar values are based on tables provided by the Bureau during Stakeholder work sessions, October 2014.

Cost Item	Prior source of funding	Proposed source of funding	Approximate dollar value
modeling and permit issuance	emission fees	issuance fees	
Source oriented monitors	Title V emission fees	General Fund	\$455,000
PSD Application review, modeling and permit issuance	Title V emission fees	PSD permit issuance fees	\$340,000
Ambient monitoring – PSD background levels and transport	Title V emission fees	General Fund	\$360,000
Application review, modeling and permit issuance for minor sources	General Fund	Minor source fees (40%) & General Fund (60%)	\$570,000
Asbestos inspections	SWAP	Inspection fee for users	\$130,000
Ambient monitoring – population centers	Title V emission fees	General Fund	\$1.4 million
Title V backlog response	Previously unfunded	Title V emissions fees	\$120,000

Good accounting practices will also require an account for revenue generated as a result of recommendation #2.

## 2. Funding Proposal

Implementation of the recommendations provided in this report will generate additional operating revenue for the Bureau and reallocate specific costs to the system users responsible for those costs. The resulting model is more equitable and financially sustainable than the current approach:

Cost Allocation Summaries:	2,016	2,017	2,018	2,019
-Title V Emission Fees	8,029,200	5,686,400	5,799,000	5,913,800
-Title V Operating Permit Issuance Fees	-	1,201,600	1,222,200	1,243,100
-Major Source Permit Issuance Fees	-	1,418,600	1,445,600	1,473,100
-Minor Source Permit Issuance Fees	-	231,600	236,000	240,500
-Asbestos Fees	111,800	130,000	132,500	135,000
-General Fund/Environment First/Federal Grants	4,880,400	4,736,700	4,822,000	4,908,900
Total:	13,021,400	13,404,900	13,657,300	13,914,400

The costs subject to reallocation, if paid as indicated, would generate revenue of \$13.0 to \$13.9 million annually. These revenue levels would cover the IDNR projected programmatic costs for fiscal years 2016 through 2019, excluding additional costs currently undefined for new EPA requirements related to SO<sub>2</sub> and Ozone NAAQS, and SPARS. Due to the time lag associated with the need to pass regulation for collecting fees and setting the fee structures, revenue from user fees for Title V operating permits, Major & Minor Source air construction permits and Asbestos fees would not commence until fiscal year 2017.

The revenue from Title V emission fees would continue to be calculated using the existing cap of \$56 per ton. Based on the projected level of billable emissions by the IDNR, projected declines in Title V emission revenues would be replaced by Title V user fees in fiscal years 2016, 2018 and 2019. There is also a projected shortfall of revenues for the Asbestos program in 2017 that would need to be addressed. The largest projected shortfall in revenue is from the category of General and Federal Funds and requires additional funding of approximately \$2.0 million annually, which should be paid by the state as programmatic costs for the state, not including additional costs currently undefined for new EPA requirements related to SO<sub>2</sub> and Ozone NAAQS, and SPARS.

<b>Shortfalls:</b>	<b>-2,743,900</b>	<b>-1,511,800</b>	<b>-2,495,600</b>	<b>-2,696,300</b>
-Title V Emission Fees	-681,000	373,000	-525,500	-639,300
-Title V Operating Permit Issuance Fees	0	0	0	0
-Major Source Permit Issuance Fees	0	0	0	0
-Minor Source Permit Issuance Fees	0	0	0	0
-Asbestos Fees (SWAP for 2016)	-34,400	0	0	0
-General Fund/Environment First/Federal Grants	-2,028,500	-1,884,800	-1,970,100	-2,057,000

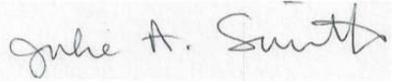
The Stakeholder Group understands there are other options, and many have been discussed at length. However, charged with the need to establish a funding mechanism that is responsive to legal requirements, fair to the citizens and businesses of the state, and financially sustainable, this appears to be the best path forward. A complete spreadsheet showing the proposed budget cost allocation is provided in Appendix iii.

The Stakeholders Group appreciates the opportunity to participate in this decision-making process, and looks forward to further partnership and dialogue in the future.

## **Appendix i: Signature Endorsements**

## Signature Endorsements

We the undersigned have participated in the Air Quality Stakeholder Group and support all of the recommendations included in this report.

<u>Name</u>	<u>Organization</u>	<u>Signature</u>
Kelly P. Jorgensen	AGP	
John Mitchell	ALCOA - Davenport Works	
Rex Butler	Central Iowa Power Cooperative	<b>Rex Butler</b>
Mike Maas	CF Industries	
Mark Hogan	Environmental Management Services of Iowa, Inc.	
Mick Durham	Grain Processing Corporation	
Scott Blankman	Interstate Power and Light Company	
Mark Landa	Iowa Association of Electric Cooperatives	<b>Mark Landa</b>
Julie Smith	Iowa Association of Municipal Utilities	
Brian Hanft	Iowa Environmental Health Association	
Lindsey Wanderscheid	Iowa State University	
Jim Hodina	Linn County Public Health	

A. John Davis

MidAmerican Energy Company



Joe McGuire

Oldcastle Materials Group

John Maynes

Petroleum Marketers and



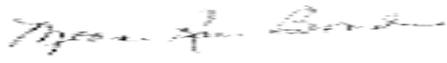
Convenience Stores of Iowa (PMCI)

Jeremy Becker

Polk County Public Works Department



We the undersigned have participated in the Air Quality Stakeholder Group but at this time cannot support all of the recommendations included in this report.

<u>Name</u>	<u>Organization</u>	<u>Signature</u>
William Rosener	Asphalt Paving Association of Iowa	
John Crotty	Iowa Environmental Council	
Rich White	Iowa Limestone Producers Association	
T.J. Page	Iowa Renewable Fuels Association	
Mona Bond	Manatts, Inc.	

**From:** [Mitchell, John N.](#)  
**To:** [McGraw, Jim \[DNR\]](#)  
**Subject:** RE: AQ Stakeholder Group Report for signatures  
**Date:** Monday, November 24, 2014 2:58:27 PM

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Hello Jim,

Alcoa supports the recommendations included in the attached report.

Alcoa also supports and encourages future efforts by the IDNR to stream line the Construction Permit and Title V Operating Permit processes to reduce the resource requirements for both the IDNR and regulated industry.

Thank you for the opportunity to participate in the AQ Stakeholder group.

**John Mitchell**

**ALCOA - Davenport Works**

**Phone: (563) 459-2411; 242-2411 (Actnet)**

**Email: [John.Mitchell@Alcoa.com](mailto:John.Mitchell@Alcoa.com)**

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**From:** McGraw, Jim [DNR] [mailto:[jim.mcgraw@dnr.iowa.gov](mailto:jim.mcgraw@dnr.iowa.gov)]  
**Sent:** Thursday, November 20, 2014 9:33 AM  
**To:** McGraw, Jim [DNR]  
**Cc:** darrellhanson2@gmail.com; Fitzsimmons, Catharine [DNR]; Walker, Wendy [DNR]; Ehm, William [DNR]; Tahtinen, Sharon [DNR]; Gipp, Chuck [DNR]; Hoskins, Laquanda D.  
**Subject:** EXT: AQ Stakeholder Group Report for signatures  
**Importance:** High

Attached is the final AQ Stakeholder Group report.

As discussed at the Nov 13 meeting, please review the report with your organization. Send me an email indicating whether your organization supports the recommendations included in this report or your organization cannot support all of the recommendations included in this report. Please send me your electronic signature with your email reply. I will affix your electronic signatures to a signature page, which will be inserted into Appendix i of the report. If you wish to include written statements regarding your support or non-support for the report recommendations please include them with your email reply. All statements will be forwarded with the report to the legislature.

***Please send me your email replies by 4 pm on Monday, November 24, 2014.*** Please contact me if this deadline will be a problem for you.

Next steps: I will be reviewing the report with the Director and other upper management

staff on November 25. ***On November 26, time has been scheduled from 9:30-10:30 am in the third floor conference rooms at the Wallace Building for any workgroup members who wish to discuss the report and recommendations with Director Gipp.*** A conference line will also be available (866-685-1580, pass code 5152425296). Workgroup members may also email or call (515-281-3388) the Director as desired to discuss the report recommendations.

The report will be submitted to the legislature by December 1. The Director will be discussing the workgroup's recommendations with the Governor's office on December 1 when he is scheduled to overview the DNR's budget for FY16.

Please contact me if you have questions or need additional information.

Thanks everyone,  
Jim

**JIM McGRAW, Environmental Program Supervisor**



**Iowa Department of Natural Resources**

P 515.725.9543 | F 515.725.9501 | [jim.mcgraw@dnr.iowa.gov](mailto:jim.mcgraw@dnr.iowa.gov)

Air Quality Bureau | 7900 Hickman Rd., Ste. 1 | Windsor Heights, IA 50324

[www.iowaCleanAir.gov](http://www.iowaCleanAir.gov) | Air Construction Permit Hotline 877.247.4692

[WWW.IOWADNR.GOV](http://WWW.IOWADNR.GOV)



*Leading Iowans in Caring for Our Natural Resources.*

**From:** [Walker, Wendy \[DNR\]](#)  
**To:** [Bill Rosener](#)  
**Cc:** [McGraw, Jim \[DNR\]](#)  
**Subject:** RE: Air Quality Bureau Report  
**Date:** Monday, December 01, 2014 8:37:12 AM  
**Importance:** High

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Bill,

Thank you for letting us know APAI's position. Would it be possible to send an electronic signature ( a scanned copy of your signature) so we can place it on the appropriate portion of the report?

Thanks again,

Wendy

---

**From:** Bill Rosener [mailto:billr@apai.net]  
**Sent:** Monday, December 01, 2014 8:35 AM  
**To:** Walker, Wendy [DNR]  
**Subject:** Air Quality Bureau Report

Dear Wendy,

The APAI will not be a signatory to the report to the governor. The Report recommends that minor sources cover an amount totaling \$250,000.00 and provides no specifics on how those fees will be distributed. The APAI contractor members are willing to pay a fair amount for the services they are provided. However, the time and cost saving templates that were cooperatively developed between the APAI and the IDNR should minimize the cost of a permit for our contractors. The lack of specifics on the fee structure leaves contractors vulnerable to higher fees than we believe are equitable. Therefore, we are willing to sign the proposed document.

I apologize for the delay in my response.

Respectfully

William Rosener  
Executive Vice President  
Asphalt Paving Association of Iowa  
(O) 515-233-0015  
(C ) 515-450-0100  
[www.apai.net](http://www.apai.net)



**From:** Durham, Mick [<mailto:mick.durham@grainprocessing.com>]

**Sent:** Monday, November 24, 2014 4:08 PM

**To:** McGraw, Jim [DNR]

**Subject:** Air Quality Bureau Stakeholder Report

Jim:

In general we approve of the stakeholder's report and recommendations. However, the funding proposal on page 52 and 53 as well as that listed in appendix iii still places most of the burden on Title V stakeholders. In FY16, Title V sources pay 61.5 % of the budget. In 2017-2019 it is 42.5% . The Title V program expenditures are only 29% of the Bureau's budget in all of those years. I hope that the specific fees for each area can be re-evaluated when legislative approval occurs to make the Title V fees more equitable with the services being provided.

Mick

Mick Durham  
Director of Environmental Services  
Grain Processing Corporation  
1600 Oregon St.  
Muscatine, IA 52761  
563-264-4569



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521 East Locust Street, Suite 220  
Des Moines, Iowa 50309-1939  
515.244.1194 phone  
515.244.7856 fax  
www.iaenvironment.org

## Position of the Iowa Environmental Council

### Summary

- The Iowa Environmental Council SUPPORTS recommendations 1, 2, 3, and 5 in Section F.
- The Iowa Environmental Council DOES NOT SUPPORT recommendations 4 and 6 of Section F.

### Explanation

The recommendations put forward in this report would require an annual increase in state funding of approximately two million dollars.<sup>1</sup> This does not include anticipated costs for implementing forthcoming SO<sub>2</sub> and Ozone standards, or for costs associated with updating the online permitting and reporting system (SPARS).<sup>2</sup> The report recommends that these additional anticipated costs should be covered by the general fund or by special one-time appropriations.

This increased need for state funding is due, in large part, to a decision of the stakeholder group that the cost of certain programs that are performed by DNR “for the benefit of Iowans as a whole” should be shifted to the state.<sup>3</sup> The most significant of these costs are those associated with air quality monitoring. This includes source-oriented monitors, ambient monitoring for PSD background levels, and ambient monitoring for population centers.

<b>Cost item</b>	<b>Current source of funding</b>	<b>Proposed source of funding</b>	<b>Approximate dollar value<sup>4</sup></b>
Source-oriented monitors	Title V emission fees	General Fund	\$455,000
Ambient monitoring – PSD background levels & transport	Title V emission fees	General Fund	\$360,000
Ambient monitoring – population centers	Title V emission fees	General Fund	\$1.4 million

The Iowa Environmental Council questions whether these air quality monitoring programs (especially the source-oriented monitoring and the PSD background level monitoring) are truly performed for the benefit of Iowans as a whole. We encourage the legislature to look closely into

<sup>1</sup> Air Quality Bureau Stakeholder Report at pages 52-53.

<sup>2</sup> *Id.*

<sup>3</sup> *Id.* at page IV.

<sup>4</sup> *Id.* at pages 51-52.

the purpose and use of these monitoring programs before agreeing that their costs should be borne by citizens instead of industry.

The Iowa Environmental Council agrees that additional state funding for the DNR Air Quality Bureau is needed. However, we do not agree that user fees should be set so as to cover only those costs directly attributable to the service a user receives. We cannot support a fee-setting structure that would make important air quality programs entirely contingent upon annual or special one-time appropriations from the legislature. We requested that language be added to the report which acknowledged that, in the event of insufficient appropriations from the legislature, user fees may need to be set so as to cover some costs not directly attributable to services received. The stakeholder group declined to include this acknowledgement.

We strongly believe that the policy for setting user fee amounts should retain enough flexibility to ensure that important air quality programs are not entirely contingent on annual or special one-time appropriations. No fee should be capped by administrative rule – including the Title V emissions fee. We believe all fees should be set as part of a collaborative process between DNR, fee payers, and the public, in which all parties are given an opportunity to review DNR's budget and ensure that all costs are reasonable and that efficiencies are being pursued wherever possible.

The Iowa Environmental Council would be happy to discuss our views on this matter. Please do not hesitate to contact us for more information about our perspective on this report or our involvement in the Air Quality Stakeholder Group.

Iowa Environmental Council contact for further information:

John Crotty  
319-325-7278  
Crotty@iaenvironment.org

# Iowa Limestone Producers Association

## Response

# Air Quality Bureau Stakeholder Report

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The Iowa Limestone Producers Association (ILPA) has shared the Air Quality Bureau Stakeholder Report with members of its Environmental Committee and Board of Directors.

We uniformly believe the Air Quality Bureau serves an important function. We are also keenly aware that timely processing of the Construction Air Permits needed by our member companies requires sufficient resources for the Bureau. However, we are unable to support the Report because too many variables remain for us to have confidence in the outcome.

1. ILPA members are willing to pay their fair share. The ILPA Environmental Committee voted early in the process to move from the current system to one with fees covering a portion of the Departments administrative costs. It was our expectation the money generated would cover an anticipated \$20,000.00 minor source permitting budget shortfall in 2016.

However, the Report redistributes General Fund and Federal Grant Funding and recommends minor sources be required to cover a revised amount which approaches \$250,000.00. The report provides no specifics as to how that will be broken down on a per-permit or per-project basis. Rather, the Report indicates specifics would be approved later by a group of stakeholders as needed.

Our membership includes many small business owners. All new fees have a negative impact on their profitability. This impact is often disproportionate when compared to larger business operations. It is difficult for small businesses to support an undefined fee that has the potential to increase each year.

2. The Recommendations in the Report are based on new fees being legislatively directed to the Air Quality Bureau rather than to the State General Fund. We would prefer to see that directive in place before agreeing to pay additional fees. Without that directive, new fees can become nothing more than new taxes.
3. The foundation of the report rests on redistribution of costs in a way that would require State appropriations to the Air Quality Bureau budget to rise from \$2.5 Million in FY 2015 to \$3.2 million in subsequent years. ILPA has concerns this may not be a reasonable expectation.

Date: November 24, 2014

From: James Hodina, Linn County Public Health



**Public Health**  
Prevent. Promote. Protect.  
Linn County, Iowa

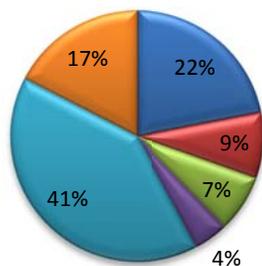
Subject: Air Quality Bureau Stakeholder Report

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Linn County Public Health was privileged to be a part of the Air Quality Bureau Stakeholder Group. We appreciated the opportunity to better understand the needs, concerns, and priorities of the other members. We were also given the opportunity to ask questions and provide input. As such we give our full support to the recommendations in this report, without reservation.

We would like to take the opportunity to include some additional information regarding how the funding for our local program is allocated for air quality programming. On page 17 of the report, expenses related to permitting and core program activities are shown. Core program expenses include ambient monitoring, compliance assistance, asbestos, emission inventory, and so forth. As a matter of accounting practice, however, the Linn County and Polk County programs are shown as a separate core program expense and are not broken out by activity. This is somewhat misleading as the local program performs many of the same activities as the DNR. These activities are well articulated in an annual contract. The following figures illustrate how the local program compares its level of effort to the Iowa DNR.

**LC FY15 Projected Expenses**



■ Major Permits

■ Minor Permits

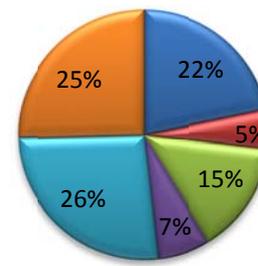
■ Major Compliance

■ Minor Compliance

■ Ambient Monitoring

■ Program Development, Training, Management

**DNR FY15 Projected Expenses**



Some general observations when comparing the two budgets include:

- About the same amount of effort is put into major source permitting in Linn County as throughout the state (there are 17 major sources in Linn County).
- The local program spends less on program development, training, and management, but that is balanced by spending more time on minor source permits in Linn County.
- Linn County expends 11% of its resources on compliance activities versus 22% at the DNR.
- Forty-one percent (41%) of the Linn County budget is spent on Ambient Monitoring compared to twenty-six percent (26%) statewide.

As the second largest population center and the location of 17 major sources, DNR has directed Linn County to provide a greater level of ambient monitoring work in our contract. Linn County provides the same contracted services as does the State Hygienic Lab (SHL) for ambient monitoring performed elsewhere in the Iowa. Also of note, a benefit of the local program is the ability to provide cost-effective compliance services and compliance assistance. Whether meeting with a local industry or the chamber of commerce, there is little waste in travel or other related transaction costs.



Presented: Mona Bond, Environmental Director  
11/13/2014

**Issue**  
**Air Quality Fees**

**Manatts Response To the Air Quality Task Force Paper**

**Manatts Chooses To Not Sign On To The Report**

**Statement of Issue:**

In the 2013 legislative session the IDNR was charged to facilitate a review the funding of the IDNR regulated air quality program. The purpose was to develop recommendations for the future funding of the program and submit a report of the findings to the General Assembly. IDNR's role was to help facilitate this process and provide information as needed. This committee met five times to analyze the funding issue with two committees making recommendations for funding. The proposal that received the most support includes asking the state legislature for an additional \$2M in funding to maintain the status quo for the department. A report has been drafted with recommendations which will be presented to the Iowa Legislature's review for 2014.

As a member of the committee representing Manatts Inc. and our affiliated companies, I believe there are many reasons Manatts Inc. does not support the submitted report. Those include:

1. The IDNR Minor Source permitting section is currently fully funded and staffed thus meeting the current needs of industry. Those resources come from a general fund appropriation and are less than \$1M. This reflects the public's expectation that the state is in charge of air quality and will not be compromised by their source of funding.
2. There is no federal requirement that small business minor sources pay for their permits and inspections while there is a law that requires Title 5 sources to meet the needs of their permitting and inspection needs.
3. The committee is recommending a sustainable funding source through new fees with no increase to the \$56 per ton fee limit on Title 5 sources. While there are items that possibly need to be funded from general funds, the need is specific to the Title 5 sources to maintain their program and have it operate effectively and efficiently.
4. The report is asking for a redistribution of the funding source to require minor sources pay new regulation fees in addition to additional new state funds to be appropriated annually. While our company is more than willing to work toward additional funding, there are many things that must be in place legislatively and in the rule making process prior to agreeing to support this document.

There are points in the document that I have agreement with:

1. A dedicated line item fund must be established that would receive any new fees established and not be allowed to be used in other IDNR departments.
2. A committee of minor sources must be established to review the department needs similar to the Title 5 group that meets and makes recommendations for their sources

3. Require legislative limits on the amount of resources that can be collected and justification of department needs on an annual basis.
4. Secure language that limits local governments from establishing air quality construction programs

The following were my recommendations to the task force early in the process, some which were addressed and some still pending:

**Proposal for Minor Source Emissions Industry:**

1. Establishment of a committee that would review the funding sources, department needs and authority to recommend to the EPC any changes to the department's budget germane to the minor source construction permits and modifications. (Similar to the Title 5 committee currently in place)
2. Secure language that minor source fees, if established, would allow the resources collected to remain exclusively in the air quality bureau to administer the minor source permit needs. Advocate annually for continued state funding for the minor source permit state funds.
3. Secure language that limits local governments from establishing air quality construction programs (consideration given to retain the 2 counties (Polk/Linn) that currently have permits)
4. Establish a priority system for the review and turn-around time for the acquisition of new minor source permits and modifications from IDNR Air Bureau.
5. Consider legislative action allowing the establishment of fees for minor source NEW construction, template and registration permits only. This is designed to help meet the needs of the anticipated 1.9% increase predicted in the IDNR budget.
6. Require legislative limits on the amount of resources that can be collected and justification of department needs on an annual basis. Negotiations would be established during the rulemaking process to achieve the amount of resources that are needed above the current state appropriation to the minor source program.

**I would not support:**

1. Annual permit fees on minor source permits
2. Further local government oversight of air quality regulations (this is a duplication of what the state is currently charged with doing and adds additional burdens on business)
3. Changes in the EIQ reporting that currently exists

**From:** [McGuire, Joe \(OMG Midwest\)](#)  
**To:** [McGraw, Jim \[DNR\]](#)  
**Subject:** RE: AQ Stakeholder Group Report for signatures  
**Date:** Tuesday, November 25, 2014 8:38:53 AM

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Jim

I have been on vacation and have just had a little time to look at this. In general I have no issues with it. I do have concerns about getting any fees collected to be dedicated to for use by the IDNR Air Bureau only. In addition, I support Construction Permit Application fees, but do not support an annual permit fee for minor sources..

I do not have an electronic signature.....so do what you need to do to reflect my support

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**From:** McGraw, Jim [DNR] [mailto:jim.mcgraw@dnr.iowa.gov]  
**Sent:** Thursday, November 20, 2014 9:33 AM  
**To:** McGraw, Jim [DNR]  
**Cc:** darrellhanson2@gmail.com; Fitzsimmons, Catharine [DNR]; Walker, Wendy [DNR]; Ehm, William [DNR]; Tahtinen, Sharon [DNR]; Gipp, Chuck [DNR]; Laquanda.Hoskins@alcoa.com  
**Subject:** AQ Stakeholder Group Report for signatures  
**Importance:** High

Attached is the final AQ Stakeholder Group report.

As discussed at the Nov 13 meeting, please review the report with your organization. Send me an email indicating whether your organization supports the recommendations included in this report or your organization cannot support all of the recommendations included in this report. Please send me your electronic signature with your email reply. I will affix your electronic signatures to a signature page, which will be inserted into Appendix i of the report. If you wish to include written statements regarding your support or non-support for the report recommendations please include them with your email reply. All statements will be forwarded with the report to the legislature.

**Please send me your email replies by 4 pm on Monday, November 24, 2014.** Please contact me if this deadline will be a problem for you.

Next steps: I will be reviewing the report with the Director and other upper management staff on November 25. **On November 26, time has been scheduled from 9:30-10:30 am in the third floor conference rooms at the Wallace Building for any workgroup members who wish to discuss the report and recommendations with Director Gipp.** A conference line will also be available (866-685-1580, pass code 5152425296). Workgroup members may also email or call (515-281-3388) the Director as desired to discuss the report recommendations.

The report will be submitted to the legislature by December 1. The Director will be discussing the workgroup's recommendations with the Governor's office on December 1 when he is scheduled to overview the DNR's budget for FY16.

Please contact me if you have questions or need additional information.

## **Appendix ii: Proposal for a Dedicated Air Quality Fee Fund**

## **Appendix ii: Proposal for a Dedicated Air Quality Fee Fund**

### **New Section: 455B.133C Air quality fund created.**

An air quality fund is created in the office of the treasurer of state under the control of the department.

1. Moneys received from the fees assessed pursuant to section 455B.134, subsection 15, shall be deposited in the fund.
2. Moneys in the fund shall be used solely to defray the costs related to program implementation as provided in Title I of the federal Clean Air Act Amendments of 1990 (42 USC § 7401-7515) as amended November 15, 1990, and in section 455B.134, subsection 15.
3. Notwithstanding section 8.33, any unexpended balance in the fund at the end of each fiscal year shall be retained in the fund. Notwithstanding section 12C.7, any interest and earnings on investments from money in the fund shall be credited to the fund.
4. The following accounts are created within the air quality fund.
  - a. An asbestos account. Moneys received from the asbestos notification fee imposed under section [455B.134(15)] shall be deposited in the asbestos account. Moneys shall be allocated solely for the administration of the asbestos program.
  - b. A major source account. Moneys received from fees imposed under section [455B.134(15)] shall be deposited in the major source account. Moneys shall be allocated for the direct and indirect cost to implement programs to grant, modify, suspend, terminate, revoke, reissue or deny permits for the construction or operation of new, modified, or existing major air contaminant sources and for related control equipment.
  - c. A minor source account. Moneys received from the minor source construction permit application fees imposed under section [455B.134(15)] shall be deposited in the minor source account. Moneys shall be allocated for the direct and indirect cost to implement programs to grant, modify, suspend, terminate, revoke, reissue or deny permits for the construction or operation of new, modified, or existing minor air contaminant sources and for related control equipment.

### **455B.134 Director — duties — limitations – new subsection 15.**

The director shall:

#### **New Subsection 15**

15. The commission may impose application, notification, and registration fees in an amount sufficient to cover costs associated with the above activities in conformance with the federal Clean Air Act Amendments of 1990. The fees collected pursuant to this subparagraph shall be deposited in the air quality fund created pursuant to section 455B.133C, and shall be utilized solely to cover all reasonable costs required to develop and administer the programs required by Title I of the federal Clean Air Act Amendments of 1990 (42 USC § 7401-7515).

## **Appendix iii: Budget Proposal for Air Quality - FY 2016- 2019**

Appendix iii: Budget Proposal for Air Quality - FY 2016- 2019

<b>Programmatic Expenditures</b>	<b>Draft FY 2016</b>	<b>Draft FY 2017</b>	<b>Draft FY 2018</b>	<b>Draft FY 2019</b>
<b><u>Operating Permits</u></b>				
Application Review & Permit Issuance	1,061,400	1,081,600	1,102,200	1,123,100
-Additional Title V Staff		120,000	120,000	120,000
Field Inspection	361,300	368,200	375,200	382,300
Compliance Assistance & Enforcement	417,400	425,300	433,400	441,600
Local Program implementation of the CAA	1,443,900	1,471,300	1,499,300	1,527,800
Rules, Budget, Contracts	168,200	171,400	174,700	178,000
Legal Services Activities	49,000	49,900	50,800	51,800
Management, Secretarial & Data Support*	257,900	262,800	267,800	272,900
<b>Subtotal</b>	<b>3,759,100</b>	<b>3,950,500</b>	<b>4,023,400</b>	<b>4,097,500</b>
<b><u>Major Source Construction Permitting</u></b>				
Application Review & Permit Issuance	951,900	970,000	988,400	1,007,200
Modeling	101,200	103,100	105,100	107,100
Source Oriented Monitors	453,900	462,500	471,300	480,300
Field Inspection	120,400	122,700	125,000	127,400
Compliance Assistance & Enforcement	187,800	191,400	195,000	198,700
Rules, Budget, Contracts	141,000	143,700	146,400	149,200
Legal Services Activities	42,500	43,300	44,100	44,900
Management, Secretarial & Data Support	257,800	262,700	267,700	272,800
<b>Subtotal</b>	<b>2,256,500</b>	<b>2,299,400</b>	<b>2,343,000</b>	<b>2,387,600</b>
<b><u>PSD Permitting</u></b>				
Application Review & Permit Issuance	237,900	242,400	247,000	251,700
Modeling - PSD	101,200	103,100	105,100	107,100
Ambient Monitoring - PSD Background & Transport	355,900	362,700	369,600	376,600
Field Inspection	301,100	306,800	312,600	318,500
Compliance Assistance & Enforcement	104,300	106,300	108,300	110,400
Rules, Budget, Contracts	141,000	143,700	146,400	149,200
Legal Services Activities	42,500	43,300	44,100	44,900
Management, Secretarial & Data Support	257,800	262,700	267,700	272,800
<b>Subtotal</b>	<b>1,541,700</b>	<b>1,571,000</b>	<b>1,600,800</b>	<b>1,631,200</b>
<b><u>Minor Source Construction Permitting</u></b>				
Application Review & Permit Issuance	416,500			
Minor Source Fees (40%)		169,800	173,000	176,300
General Fund (60%)		254,600	259,500	264,400
Modeling	151,700			
Minor Source Fees (40%)		61,800	63,000	64,200
General Fund (60%)		92,800	94,500	96,300
Field Inspection	180,700	184,100	187,600	191,200
Compliance Assistance & Enforcement	160,700	163,800	166,900	170,100
Legal Services Activities	17,000	17,300	17,600	17,900
Management, Secretarial & Data Support	57,300	58,400	59,500	60,600
<b>Subtotal</b>	<b>983,900</b>	<b>1,002,600</b>	<b>1,021,600</b>	<b>1,041,000</b>
<b><u>Core Program Activities</u></b>				
Complaint Response	180,700	184,100	187,600	191,200
Compliance Assistance & Enforcement	68,900	70,200	71,500	72,900
Asbestos (1)	111,800	130,000	132,500	135,000
Local Program implementation of the CAA (2)	335,200	335,200	335,200	335,200
EIQ (AERR requirement; CAA 110 & 172)				
Title V Fees (90%)	390,200	397,600	405,200	412,900
General Fund (10%)	43,400	44,200	45,000	45,900

Appendix iii: Budget Proposal for Air Quality - FY 2016- 2019

<b>Programmatic Expenditures</b>	<b>Draft FY 2016</b>	<b>Draft FY 2017</b>	<b>Draft FY 2018</b>	<b>Draft FY 2019</b>
Ambient Monitoring - population monitors	2,162,500	2,203,600	2,245,500	2,288,200
Rules, Budget, Contracts				
Title V Fees (90%)	152,300	155,200	158,100	161,100
General Fund (10%)	16,900	17,200	17,600	17,900
AQB/UNI Small Business Assistance				
Title V Fees (75%)	272,800	278,000	283,200	288,600
General Fund (25%)	90,900	92,600	94,400	96,200
SIP Activities				
Title V Fees (75%)	353,900	360,700	367,500	374,500
General Fund (25%)	118,000	120,200	122,500	124,800
Legal Services Activities				
Title V Fees (25%)	12,300	12,500	12,700	13,000
General Fund (75%)	36,800	37,500	38,300	39,000
Management, Secretarial & Data Support (3)				
Title V Fees (75%)	100,200	106,900	113,800	120,500
General Fund (25%)	33,400	35,700	37,900	40,200
<b>Subtotal</b>	<b>4,480,200</b>	<b>4,581,400</b>	<b>4,668,500</b>	<b>4,757,100</b>
<b>Rounded Total</b>	<b>13,021,400</b>	<b>13,404,900</b>	<b>13,657,300</b>	<b>13,914,400</b>

**Cost Allocation Summaries:**

-Title V Emission Fees	8,029,200	5,686,400	5,799,000	5,913,800
-Title V Operating Permit Issuance Fees	-	1,201,600	1,222,200	1,243,100
-Major Source Permit Issuance Fees	-	1,418,600	1,445,600	1,473,100
-Minor Source Permit Issuance Fees	-	231,600	236,000	240,500
-Asbestos Fees	111,800	130,000	132,500	135,000
-General Fund/Environment First/Federal Grants	4,880,400	4,736,700	4,822,000	4,908,900
<b>Total:</b>	<b>13,021,400</b>	<b>13,404,900</b>	<b>13,657,300</b>	<b>13,914,400</b>

<b>Estimated Revenues</b>	<b>Draft FY 2016</b>	<b>Draft FY 2017</b>	<b>Draft FY 2018</b>	<b>Draft FY 2019</b>
General Fund	704,300	704,300	704,300	704,300
Environment First	425,000	425,000	425,000	425,000
Federal Program Grant	1,250,000	1,250,000	1,250,000	1,250,000
Federal Monitoring Grant (Fed 103)	472,600	472,600	472,600	472,600
Title V Fees (Projected Tonnage @ \$56/ton)	7,348,200	6,059,400	5,273,500	5,274,500
Tons:	131,218	108,203	94,170	94,188
SWAP/Asbestos	77,400	-	-	-
Asbestos User Fees	-	130,000	132,500	135,000
Title V Operating Permit Issuance Fees	-	1,201,600	1,222,200	1,243,100
Major Source Permit Issuance Fees	-	1,418,600	1,445,600	1,473,100
Minor Source Permit Issuance Fees	-	231,600	236,000	240,500
<b>Total</b>	<b>10,277,500</b>	<b>11,893,100</b>	<b>11,161,700</b>	<b>11,218,100</b>
<b>Shortfalls:</b>	<b>-2,743,900</b>	<b>-1,511,800</b>	<b>-2,495,600</b>	<b>-2,696,300</b>
-Title V Emission Fees	-681,000	373,000	-525,500	-639,300
-Title V Operating Permit Issuance Fees	0	0	0	0
-Major Source Permit Issuance Fees	0	0	0	0
-Minor Source Permit Issuance Fees	0	0	0	0
-Asbestos Fees (SWAP for 2016)	-34,400	0	0	0
-General Fund/Environment First/Federal Grants	-2,028,500	-1,884,800	-1,970,100	-2,057,000