



IOWA DEPARTMENT OF NATURAL RESOURCES

LEADING IOWANS IN CARING FOR OUR NATURAL RESOURCES

Air Quality Stakeholder Group Recommendations Overview

Presented to:

Agriculture and Natural Resources Appropriations Subcommittee

Catharine Fitzsimmons, Air Quality Bureau Chief

February 12, 2015

Glossary – Air Quality Program

Major Source (of air pollution): A facility that emits larger amounts of air pollution: emits air pollution over Title V thresholds.* These facilities are also called “Title V facilities.” There are currently 289 of these facilities in Iowa.

Minor Source (of air pollution): A facility that emits air pollution in quantities less than the Title V (major source) thresholds.

Construction Permit: Before equipment that emits air pollution is installed (or modified) a permit must be obtained from DNR that lists regulatory requirements and ensures that air pollution standards can be met. Application review includes assessment of the equipment and it’s ability to comply with regulations. No renewal required unless modified.

Prevention of Significant Deterioration (PSD) Permit: Required for the largest sources of air pollution.** This requires a more complex air quality evaluation.

Title V Operating Permit and Title V Fees: The 5th title of the federal Clean Air Act Amendments of 1990 requires Major Sources of air pollution to: obtain operating permits to assure adequate monitoring of compliance, and to pay fees.

**Title V Threshold: Annual emissions of a criteria pollutants of 100 tons or more or, 10 tons or more of a hazardous air pollutant or, 25 tons or more of any combination of hazardous air pollutants.*

***PSD Threshold: 250 tons or more of a pollutant, or for some industry categories 100 tons or more of a pollutant.*



Report on the Air Quality Stakeholder Recommendations:

- Legislative Mandate.
- Air Quality funding concerns.
- Stakeholder Group principles for decision-making.
- Stakeholder Group recommendations.

Report Mandate

- Iowa General Assembly and Governor Branstad (House File 2473, IA GA 85) directed the DNR to convene a stakeholder group.
- Purpose: study funding of the air quality programs administered by the department and make recommendations.
- Members developed recommendations for funding the air quality program for next year and beyond.
- Findings and recommendations submitted to the General Assembly in December 2014.

Workgroup established

- 30 representatives from large and small Iowa businesses, associations, county air quality programs, and environmental interests.
 - Selected by Director Gipp from a pool of over 50 stakeholder volunteers that use air quality program services.

Workgroup Membership

Smaller Businesses and their representatives:

- National Federation of Independent Businesses
- Petroleum Marketers and Convenience Stores of Iowa
- Iowa Institute for Cooperatives
- Iowa Limestone Producers Association
- Iowa Association of Electric Cooperatives
- Asphalt Paving Association of Iowa
- Poet Biorefining-Coon Rapids
- Oldcastle Materials Group
- Environmental Management Services of Iowa
- Manatts, Inc.

Workgroup Membership

Larger Businesses:

- ADM Corn Processing
- Ag Processing Inc.
- Alcoa Inc.
- Cargill
- Central Iowa Power Cooperative
- CF Industries and Fertilizer Company
- Climax Molybdenum Company
- Deere & Company
- Grain Processing Corporation
- Interstate Power and Light Co.
- Iowa State University
- MidAmerican Energy Company

Workgroup Membership

Other Stakeholders:

- Iowa Association of Business & Industry (Small & large industry representation)
- Iowa Association of Municipal Utilities (Small & large municipal utility representation)
- Iowa Renewable Fuels Association (Small & large industry representation)
- Iowa Environmental Council
- Iowa Environmental Health Association
- Linn County Public Health (County Air Quality Program representation)
- Polk County Public Works (County Air Quality Program representation)
- Sac and Fox Tribe of the Mississippi in Iowa

Workgroup Process

- Met for six days over five months:
 - July - November 2014.
- Independent facilitator selected by DNR (former state Rep. Darrell Hanson).
- Environmental Protection Commissioner representing industry participated.
- DNR provided technical and administrative support.
- Report submitted to the General Assembly December 2015.
- DNR presented a summary of the report to industry customers on January 7th & 15th.

Workgroup Evaluation Process

- Reviewed:
 - Air quality program services and metrics.
 - Program process improvements and cost saving measures.
 - Current funding sources and budgeting.
 - Other states' air quality program funding structures.
- Established “Principles for Decision Makers.”
- Developed supplemental funding proposals.

Air Quality Program Funding Concerns: Preview

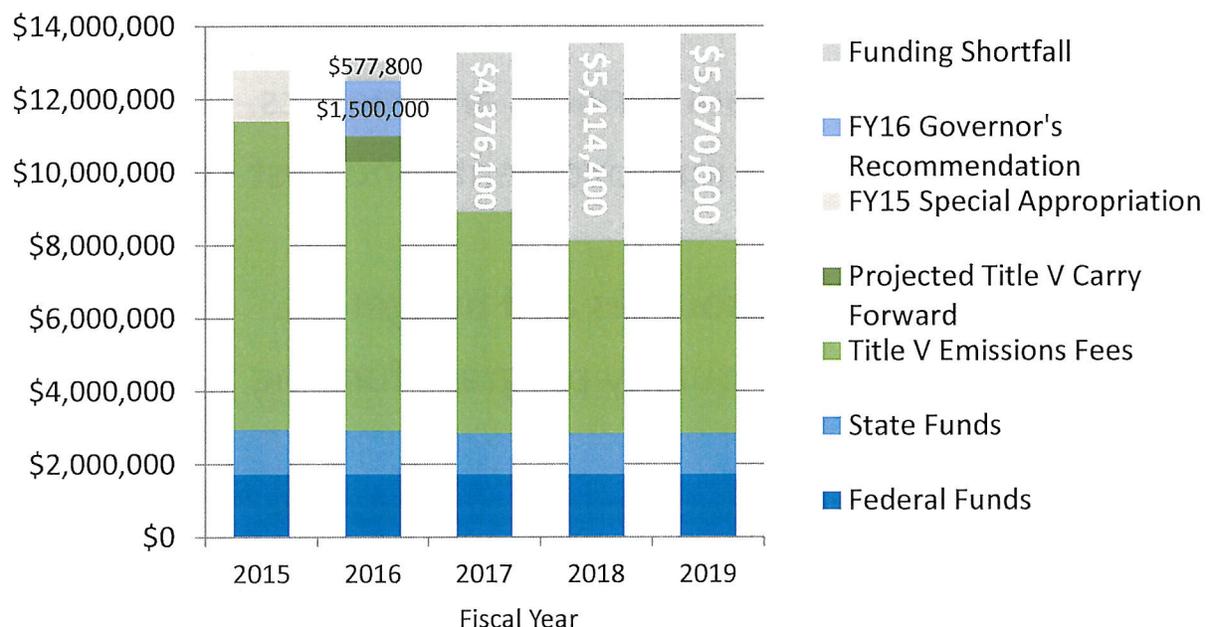
Since the mid 1990's, the air quality program has been primarily (~75%) funded by air pollution emission fees charged to the largest, or "Title V," facilities in the state.

- Due to federal regulations and economic factors, emissions have dropped to less than 70% of 2005 levels. Emissions are expected to drop to 40% of 2005 levels by 2016.

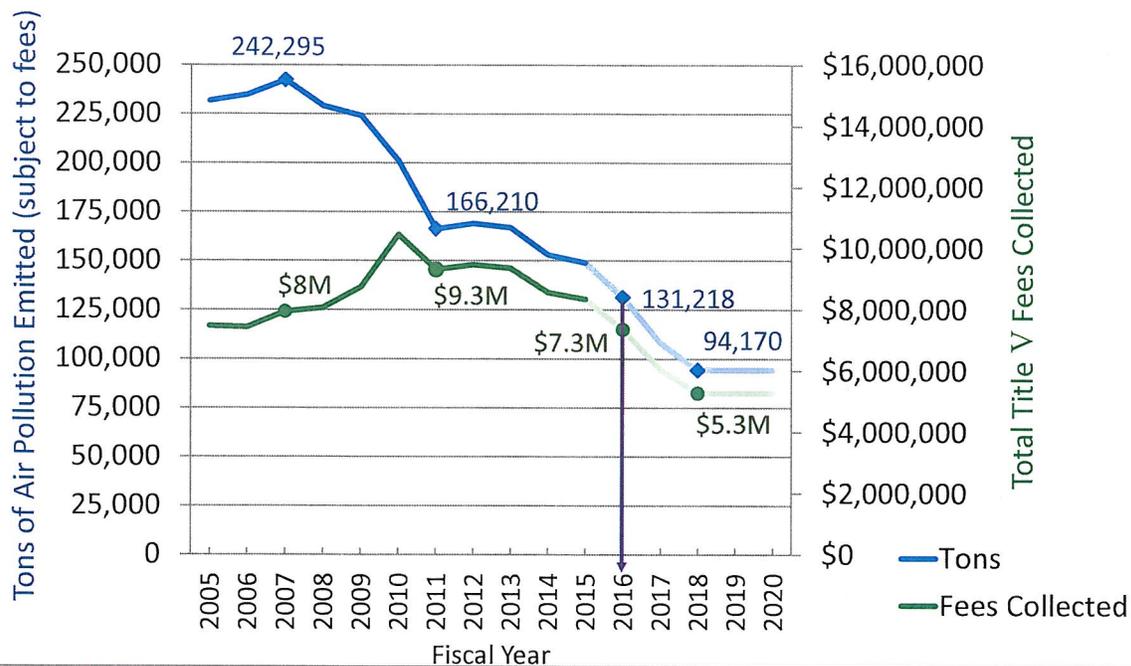
The remaining 25% of program expenses have been paid by Federal Funds, State General Funds, Environment First Funds, and Solid Waste Alternative Program Funds.

- Federal funding is stagnant and not providing for increases in programmatic costs.

Air Quality Program Funding Challenge Current and Projected Revenue



Emissions from Title V Facilities and Fees Paid



13

IOWA DEPARTMENT OF NATURAL RESOURCES
CHUCK GIFF, DIRECTOR



Air Quality Program Funding: Revenue ⇨ Programs

Title V fees have paid for:

- Title V Operating Permit program.
- Major Source Construction Permit program.
- Prevention of Significant Deterioration Permit program.
- Significant synthetic limits* permit issuance.
- Nonattainment Area Permit issuance and planning.
- Small Business Regulatory and Technical Assistance. (CAA §507).
- Core program activities associated with major sources.

State and Federal Funds have paid for:

- Minor Source Construction Permit program.
- Core program activities associated with minor and population sources.

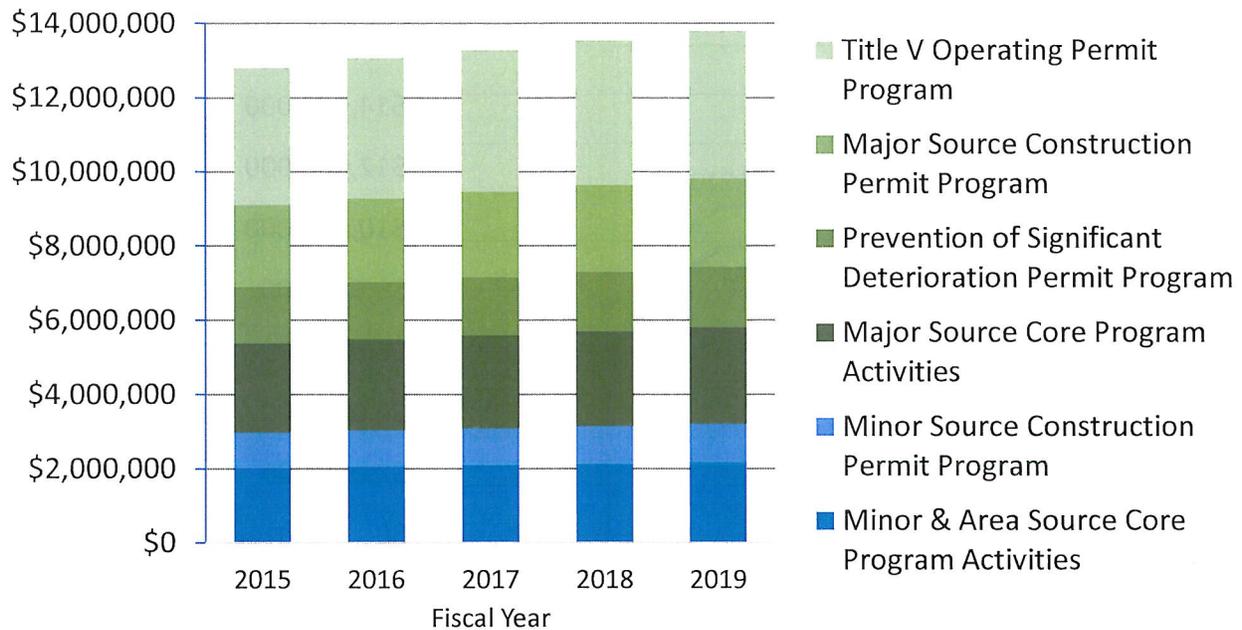
* Synthetic limits are voluntary restrictions facilities may request in permits to restrict emissions that would otherwise trigger additional regulatory requirements. Taking a restriction to only operate 2 shifts/day instead of 3 is a common limit facilities that do not need 3 shifts will request.

14

IOWA DEPARTMENT OF NATURAL RESOURCES
CHUCK GIFF, DIRECTOR



Air Quality Program Services & Projected Expenses



15

Budget projections for status quo service level includes annual cost increases of 1.9%. CHUCK GIFF, DIRECTOR



Air Quality Services: Construction permits Process Improvements and Efficiencies

Reduced regulatory burden by:

- ✓ Confirming Exemptions
- ✓ Accepting Registrations
- ✓ Developing Permits by Rule
- ✓ Drafting Sector Specific Permit Templates

Using business management techniques to streamline issuance of:

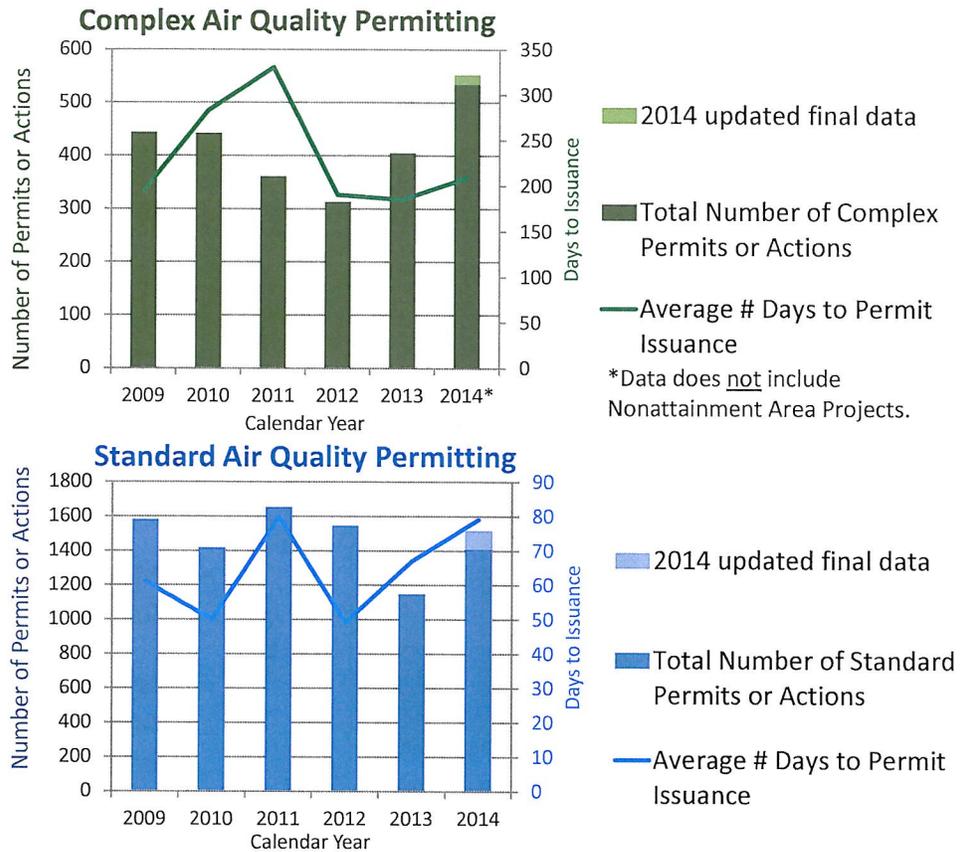
- ✓ Standard Construction Permits
- ✓ Complex Construction Permits
- ✓ Prevention of Significant Deterioration Permits
- ✓ Nonattainment, Maintenance Area Permits & Plans

16

IOWA DEPARTMENT OF NATURAL RESOURCES
CHUCK GIFF, DIRECTOR



Air Quality Construction Permitting for Industry Growth & Clean Air in Iowa



17 Complex and standard permitting may occur at Major Sources and Minor Sources depending on the project size.

IOWA DEPARTMENT OF NATURAL RESOURCES
CHUCK GIFF, DIRECTOR



Air Quality Services: Title V Operating Permits Process Improvements and Efficiencies

Reduced regulatory burden by:

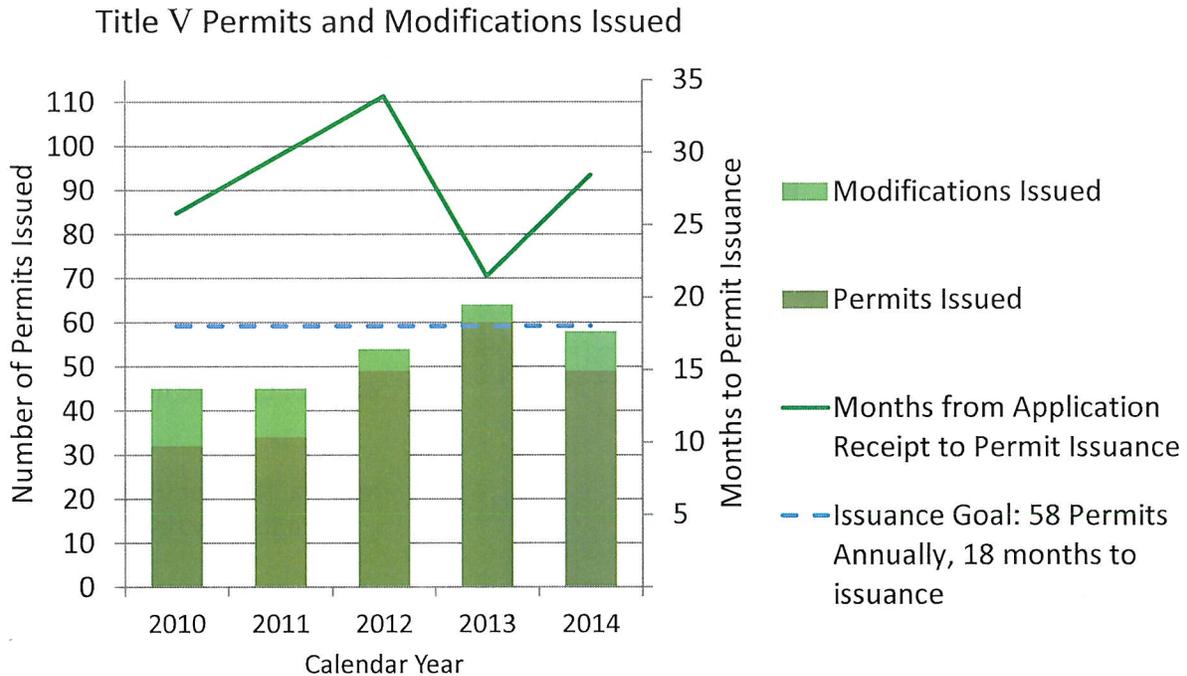
- ✓ Eliminating Voluntary Operating Permits (renewed every 5 years) with revised construction permits.
- ✓ Assisting facilities in moving out of Title V Operating Permit Program, reducing regulatory burden.

Using business management techniques to streamline issuance of permits by:

- ✓ Streamlining reporting of regulatory requirements.
- ✓ Developing forms integrating construction permitting and modifications of Title V permits.



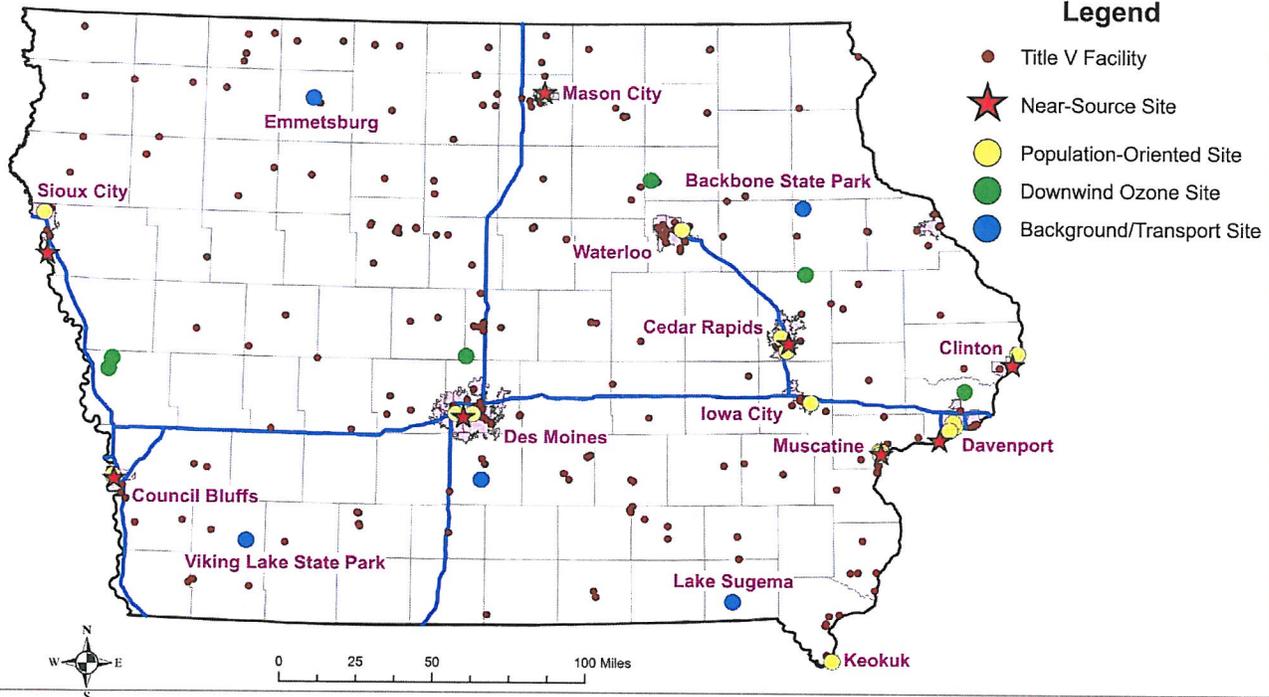
Title V Operating Permits



Air Quality Services – Core Program Activities

- Small Business Assistance:
 - UNI Small Business Technical Assistance
 - DNR Small Business Regulatory Liaison
- Emissions inventory assistance, analysis, and reporting.
- Variances (temporary) from permit or rule requirements.
- Stack testing process oversight and assistance.
- Ambient air quality monitoring, analysis, and reporting community based monitoring sites.
- Air resource planning and state implementation plans to resolve nonattainment.
- Development of Iowa Implementation Plans for federal regulations.
- Asbestos standards training and assistance.
- Open burning and fugitive dust complaint response.

Air Quality Monitoring: Title V facilities & monitoring sites



21

IOWA DEPARTMENT OF NATURAL RESOURCES
CHUCK GIFF, DIRECTOR



Stakeholder Review of Savings and Efficiencies

- Cost savings of over \$2.2 million since 2008 reduced:
 - Staff and contract cost reductions; fleet expenses; IT equipment and office expenses.
- Process improvements and streamlining:
 - **Construction permitting.**
 - Six business process improvement Kaizen events since 2003.
 - Streamlining forms and instructions (2014-15).
 - **Title V permitting**
 - Kaizen event (2012) coordinated with Value Stream Mapping (2013).
 - Elimination of Voluntary Operating Permit program using Executive Order 80 process.
 - Assisting smaller sources in exiting program (2014-15).
 - **Support services**
 - On-line calculators, increased webinar training, updated permit templates & registrations, increased data availability.

22

IOWA DEPARTMENT OF NATURAL RESOURCES
CHUCK GIFF, DIRECTOR



Stakeholder Group Strategy for Recommendations: Principles for Decision Making

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 should be deposited into a dedicated fund. Unspent funds should carry forward into the next fiscal year to provide resources for future requirements.
4. When a service is directly traceable to users or beneficiaries, those users or beneficiaries should pay part of the cost through fees.
5. The Title V permit program should be self-sustaining through the payment of fees by Title V permit holders.

Stakeholder Group Strategy for Recommendations Principles for Decision Making cont.

6. The cost of programs and services that benefit Iowans as a whole should be paid by the state.
7. Costs of 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, and would require increased support from the state.
8. New funding sources should be sought.
9. The Bureau should continue its efforts to remove permit backlogs, increase process efficiency, and improve the customer's experience.
10. Permit processes should accommodate requests for expedited processing for an additional fee.

Stakeholder Group Recommendations:

I. Create an Air Quality Fee Fund

- Create a dedicated fund for the new (supplemental) user fees.
- Funds should carry forward and not revert to the General Fund.
- Funds should not be diverted to another program.



Stakeholder Group Recommendations:

II. Provide More State Funds for Air Quality

- The State of Iowa should invest in air quality:
 - Iowa citizens are the primary beneficiaries.
 - The program is under funded in comparison to similar programs in other states and environmental programs within DNR.
- State monies should fund the anticipated shortfall in fiscal year (FY) 2016
- An additional ~\$2,000,000 should be appropriated each year.



Stakeholder Group Recommendations:

III. Establish Fees by Rule

- Establish supplemental fees for services:
 - Title V application fee (every 5 years), and add 1 staff position to work on permitting backlog.
 - Permitting and dispersion modeling fees.
 - Larger sources would pay 100% of cost.
 - Smaller sources would pay 40% of cost.
 - Asbestos notification fee to cover up to 3 staff positions including 2 new positions.
- Title V fee to remain at the current level.
- Major source and minor source stakeholder groups would establish fee schedules.
 - Both meet annually, separately to evaluate fee structures.
 - Fee amounts would be set up through rulemaking.

Stakeholder Group Recommendations:

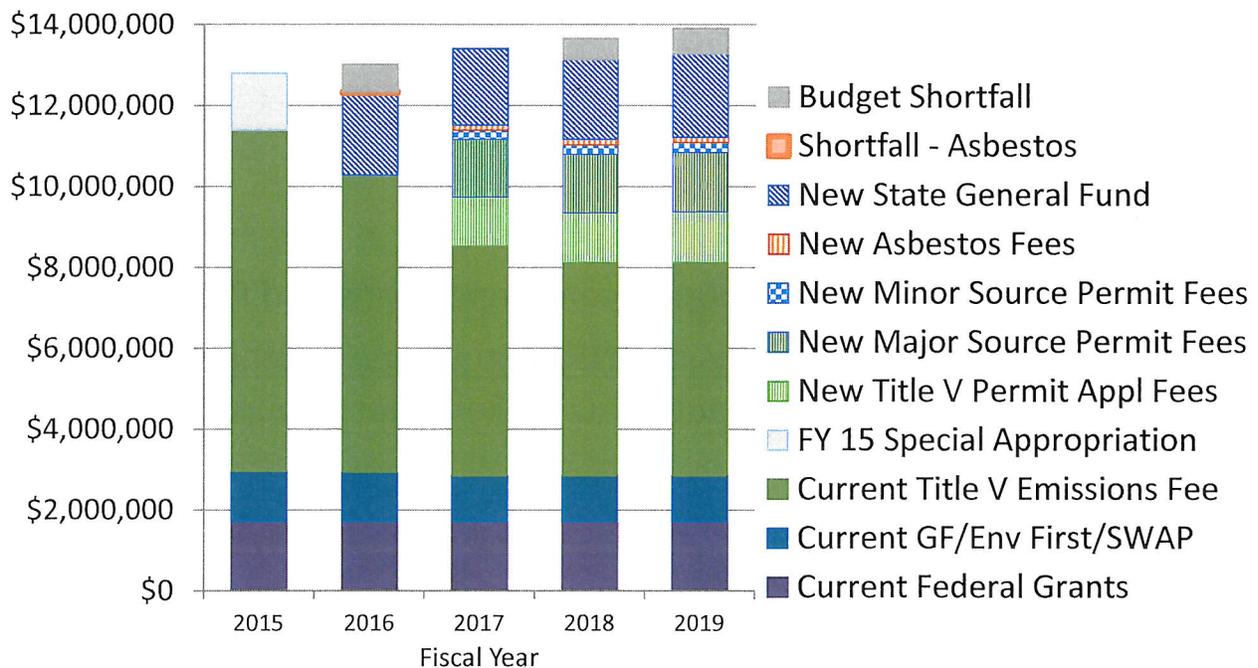
IV. Continue to...

- Track Bureau expenses in a detailed manner.
- Streamline and improve processes to provide services efficiently & seamlessly.
- Authorize & obtain special appropriation to implement upcoming federal regulations and/or new capital costs when finalized, for example:
 - Sulfur dioxide and Ozone National Ambient Air Quality Standards.
 - Data submission system replacement (new capital cost), etc.

Stakeholder Group Recommendations: V. Reassign Costs

Cost Item	Prior source of funding	Proposed source of funding	Funding Level
Title V Application review and Permit Issuance	Title V emission fees	Title V permit application fees	\$1.1 million
Title V backlog response	Previously unfunded	Title V emissions fees	\$120,000
Major source application review, modeling and permit issuance	Title V emission fees	Major source permit issuance fees	\$1.1 million
PSD Application review, modeling and permit issuance	Title V emission fees	PSD permit issuance fees	\$340,000
Minor Source application review, modeling and permit issuance	General Fund	Minor source fees (40%) & General Fund (60%)	\$570,000
Ambient monitoring – population centers	Title V emission fees	General Fund	\$1.4 million
Ambient monitoring – PSD background levels and transport	Title V emission fees	General Fund	\$360,000
Source oriented monitors	Title V emission fees	General Fund	\$455,000
Asbestos inspections	SWAP	Inspection fee for users	\$130,000

Stakeholder Group Proposal to Re-assign Costs FY 2016-2019 Revenue



Summary

- Reductions in emissions have led to declining Title V fee revenues.
- Federal funding is stagnant and does not provide for increased program costs.
- Demand for services continues to grow.
- Cost savings and operational efficiencies have been undertaken.
 - Continue to look for ways to reduce costs for non-value added activities.
- Additional funds are needed to continue to provide the same level of services.
- The Stakeholder Group recommended that the air quality program have a sustainable funding structure:
 - Additional State investment in air quality.
 - Implement fees for services.

Thank you

Air Quality Stakeholder Group Recommendations and Process:
<http://www.iowadnr.gov/InsideDNR/RegulatoryAir/StakeholderInvolvement.aspx> > Workgroup > AQ Stakeholder Group

Catharine Fitzsimmons
catharine.fitzsimmons@dnr.iowa.gov
515-725-9534