



MEMO: AIR QUALITY FISCAL YEAR 2025 DRAFT BUDGET

To: Air Quality Fee Advisory Groups
Date: For meeting scheduled on: January 3, 2024
Purpose: This memo provides a review of state fiscal year 2023 final expenses, current status of state fiscal year 2024, and presents the draft state fiscal year 2025 air quality budget¹.

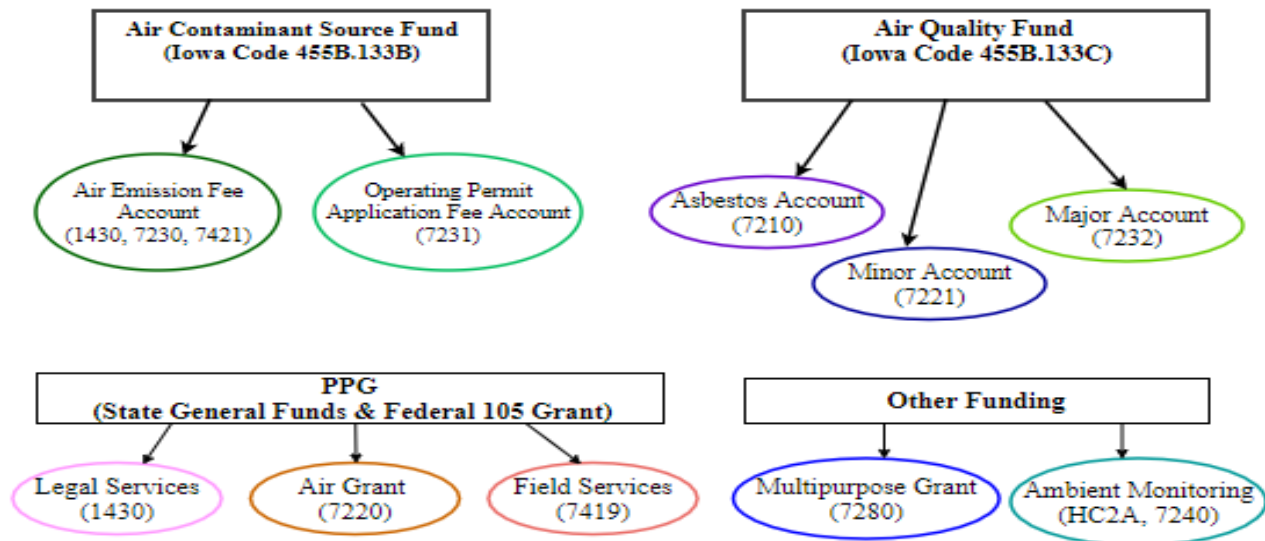
BACKGROUND

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

Subsequent to this meeting and input from stakeholders, the Department shares the draft budget with the Environmental Protection Commission (EPC) in March. If changes to one or more fees are recommended, the Department will provide a final recommendation to the EPC on or before the May meeting.

Chart 1 shows the relationships between air quality program revenue funds, accounts, and expense cost centers. Multiple accounts may be contained in each fund. The Department tracks each account separately. These will be referred to in a number of places in the document.

Chart 1: Air Quality Bureau Revenue Streams & Cost Centers



Please provide us with verbal or written comments on the draft FY 2025 budget, Title V emissions tonnages, and program fees by **February 16, 2024**. Please feel free to contact Wendy Walker at wendy.walker@dnr.iowa.gov or at (515) 250-7534 after the meeting if you have any additional comments or questions.

¹ The 2025 draft state fiscal year budget is for July 1, 2024 – June 30, 2025.

REVIEW OF FY 2023 (JULY 1, 2022 – JUNE 30, 2023)

Table 1 provides a summary of each program’s actual revenues and expenses. A brief highlight of each area is listed below Table 1. Please note that the numbers have been rounded.

Table 1: Summary of FY 2023 Actual Revenue and Expenses (Rounded)

Air Quality Program	Funding Source	FY 2022 Carry Forward	FY 2023 Revenue	FY 2023 Expenses	Carry Forward & Revenue - Expenses
Asbestos NESHAP Program	Asbestos Account	\$182,000	\$176,000	\$275,000	\$83,000
Minor Source Const. Permits	Minor New Source Review (NSR) Account	-\$72,000	\$217,000	\$92,000	\$53,000
	State & Federal funds	\$0	\$514,000	\$514,000	\$0
Major Source Const. Permits	Major NSR Account	\$185,000	\$867,000	\$786,000	\$266,000
Title V Operating Permits	Title V Application Account	\$475,000	\$698,000	\$743,000	\$430,000
Core Program	Title V Emissions Fee Account	\$2,133,000	\$6,615,000	\$6,344,000	\$2,404,000
	State & Federal Funds	\$59,000	\$3,235,000	\$3,261,000	\$33,000
Total (rounded)		\$2,962,000	\$12,322,000	\$12,015,000	\$3,269,000

The **Asbestos Notification Fee Account (7210)**: The asbestos account was budgeted at \$285,000 and actual expenses were \$275,000, a difference of \$10,000.

The **Minor Construction Permit Account (7221)**: The minor source account expenses were budgeted at \$135,000 and actual expenses were \$92,000. Most of the minor source personnel time, \$514,000, was shifted to the Performance Partnership Grant (PPG). Total minor source construction permitting costs were \$606,000.

The **Major Construction Permit Application Account (7232)**: The major source cost center expenses were budgeted at \$1,294,000 and actual expenses were \$786,000. There were up to four vacancies during the fiscal year which accounted for much of the difference between the budgeted to actual amounts.

The **Title V Operating Permit Application Account (7231)**: The Title V application fee account expenses were budgeted at \$781,000 and the actual expenses were \$743,000, a difference of \$38,000.

The **Core Program, Title V Emissions Fee Account (1430, 7230, 7421)**: Expenses were approximately \$1,010,000 under budget due to unspent personnel funds, monitoring equipment, professional services, scanning, and other miscellaneous expenses.

The **Core Program, State & Federal Funds (1430, 7220, 7240, 7280, HC2A, 7419)**: Federal multi-purpose grant funds totaling \$59,000 were carried forward to FY 2023. The PPG had additional funds to be expended before the end of the grant. This included an additional \$145,000 that was applied to the University of Iowa’s State Hygienic Laboratory (SHL) contract in lieu of Title V emission fees. Additional federal funds were received for the ambient monitoring program in FY 2023. All but \$33,000 was expended due to ordered equipment not arriving until after the close of FY 2023.

UPDATE ON FY 2024 (CURRENT FISCAL YEAR)

The Bureau received an additional \$150,000 from the Groundwater Fund – Solid Waste Account to support the asbestos program. There are new federal grants anticipated for the ambient monitoring program in this fiscal year, however, the amount and term of the new funding is uncertain and therefore not included in FY 2024 or in the draft FY 2025 budget. Deposits in the Minor Source Construction Permit account have been at a historical low since the inception of the fee program. Expenses have been curtailed in the account and shifted to the additional state General Funds received in FY 2024.

The Bureau currently has four vacancies in support, ambient monitoring, and construction permitting. The positions are being evaluated for need and funding stability prior to proceeding with filling the vacancies. The State of Iowa purchased a new office building located at 6200 Park Ave in Des Moines. The Department anticipates moving to the new building in early 2024. As this is a Department wide move, the moving costs will be funded outside of the Bureau. At this time the Bureau is not anticipating any increased costs related to the new building in FY 2025.

The Bureau anticipates holding meetings in the spring of 2024 to discuss potential changes to the fee structure. Any fee changes, if proposed and adopted in administrative rulemaking, would not become effective until FY 2026 (July 1, 2025).

DRAFT FY 2025 ESTIMATED BUDGETS AND REVENUES

Table 2 contains the Department’s draft FY 2025 budget. **No fee changes are proposed for FY 2025.** This draft budget reflects estimated emissions subject to fees of 77,000 tons and the associated \$360,000 reduction. For planning purposes, a 3.5% increase has been applied to personnel and a Department indirect rate of 13% is applied to the personnel costs. Additionally, the Bureau has implemented another year of no (0%) increases on professional contracts (SHL and Iowa Waste Reduction Center) and the Local Programs agreements. Status quo amounts are used for most budgetary items. The Bureau anticipates to continue to receive the additional \$396,000 in General Funds and \$150,000 from the Groundwater Fund – Solid Waste Account. Information on additional federal monitoring funds is not available at this time and is therefore not included in the draft FY 2025 budget.

Table 2 also provides a summary comparison of FY 2024 budget expenses to the draft FY 2025 budget expenses. Please note that the numbers have been rounded. Detail on each program’s budget and expenses are provided in Attachment A to this memo.

Table 2: Comparison of Current Year (FY 2024) and Draft Year (FY 2025) Budgets

Air Quality Program	Funding Source	FY 2024 Budget Expenses	Draft FY 2025 Budget Expenses	Difference (25-24)
Asbestos NESHAP Program	Asbestos Account	\$148,000	\$161,000	\$13,000
	Groundwater Fund– Solid Waste Account	\$150,000	\$150,000	\$0
Minor Source Const. Permits	Minor NSR Account	\$157,000	\$163,000	\$6,000
	State & Federal funds	945,000	\$960,000	\$15,000
Major Source Const. Permits	Major NSR Account	\$1,019,000	\$1,056,000	\$37,000
Title V Operating Permits	Title V Application Account	\$1,040,000	\$1,072,000	\$32,000
Core Program	Title V Emissions Fee Account	\$6,219,000	\$6,444,000	\$225,000
	State & Federal Funds	\$2,529,000	\$2,405,000	-\$124,000
Total (rounded)		\$12,207,000	\$12,411,000	\$204,000

DRAFT FY 2025 BUDGET EXPENSES IN CHARTS

Below are several charts that illustrate the Bureau’s draft FY 2025 budget. Chart 2 illustrates the draft FY 2025 budget expenses by program.

Chart 2: Draft FY 2025 Budget Expense Distribution by Program

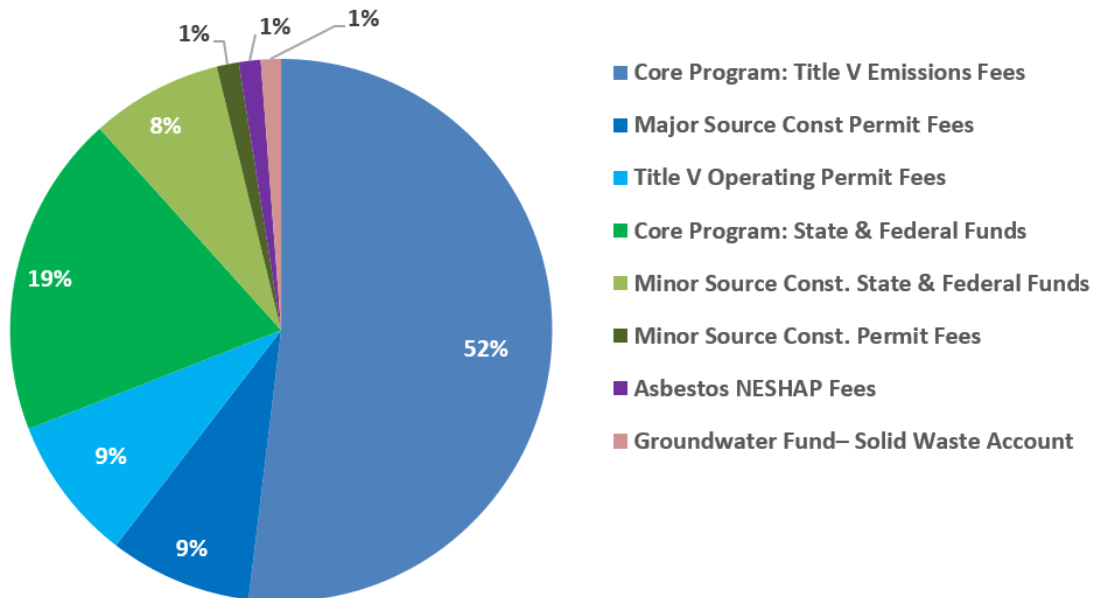
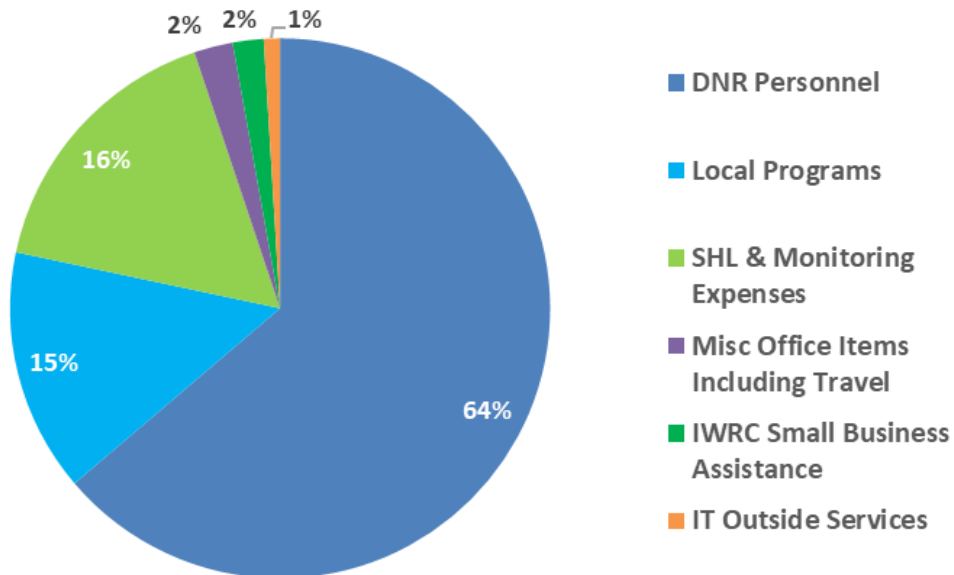


Chart 3 illustrates the draft FY 2025 budget by expense category. The majority of the draft budget expenses are allocated to personnel, which includes Department personnel and overhead expenses and most of the SHL, Local Programs, and UNI Small Business Assistance agreements.

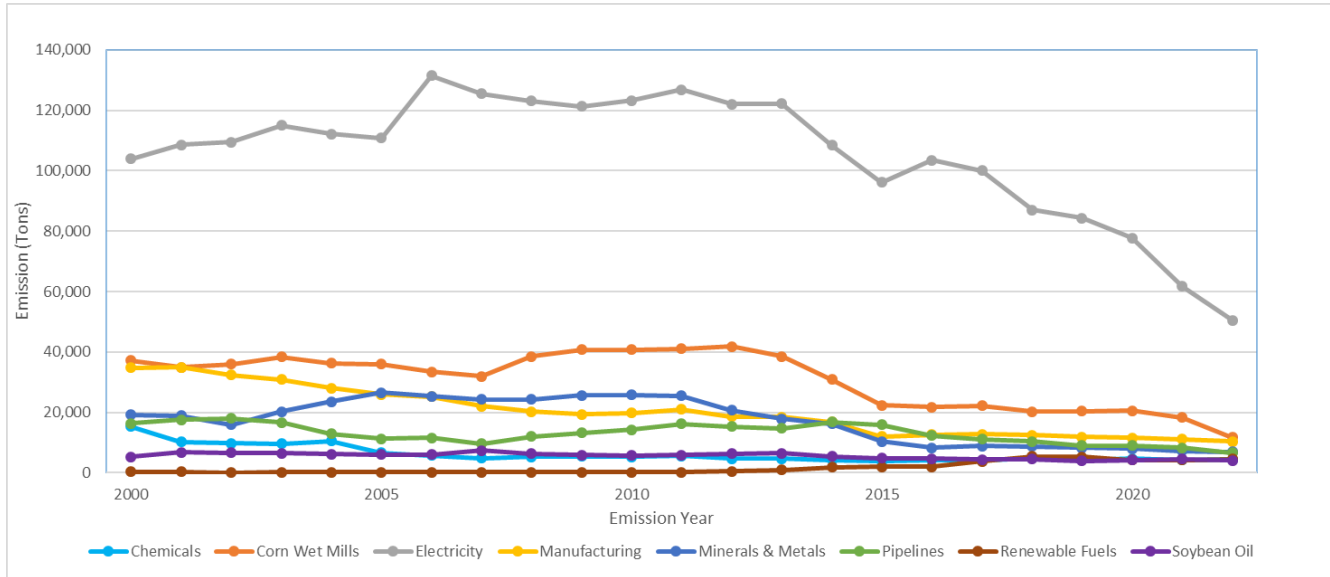
Chart 3: Draft FY 2025 Budget Expense Distribution by Category



EMISSIONS CHANGES BY SECTOR

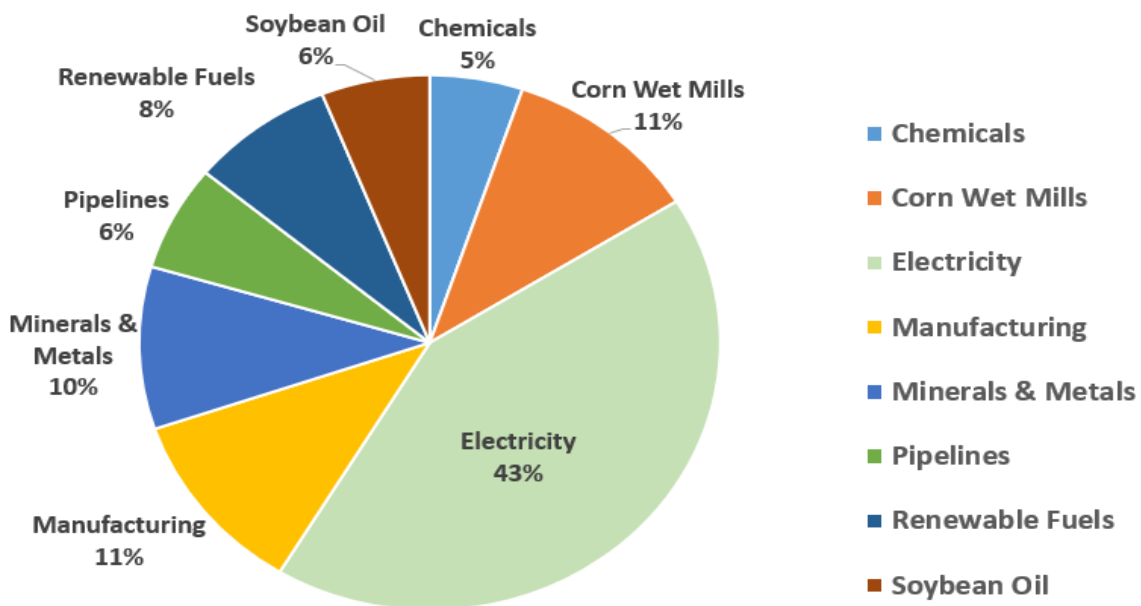
Chart 4 compares the Title V emissions from calendar year (CY) 2000 to 2022. Electric generating units (EGU) historically have been the largest sector for emissions.

**Chart 4: Feeable Emissions by Sector (tons)
Years 2000-2022**



The 2022 emissions by sector (Chart 5) shows that the EGU sector makes up less than one-half of the feeable emissions. Forecasting emissions has shifted from EGU driven to a combination of EGU emissions estimates combined with emissions estimates for other source sectors that include anticipated market and weather driven impacts.

Chart 5: 2022 Emissions by Sector



Attachment A: Summary by Funding Category

The majority of the Air Quality Program is funded by Title V emissions fees. Activities funded by Title V emissions fees include ambient monitoring, emission inventory, compliance and inspection, state implementation plan and rule development, and other planning activities.

Title V Emissions Fee	Final SFY 2023	SFY 2024 Budget	Draft FY 2025 Budget
FTE		27.50	27.50
Personnel	3,413,000	3,506,000	3,639,000
Local Programs	1,424,000	1,274,000	1,274,000
SHL & other monitoring expenses	1,161,000	995,000	1,103,000
IWRC Sm Bus. Assistance	229,000	230,000	230,000
Misc office items, travel, equipment, IT	117,000	214,000	198,000
Total Expenses	6,344,000	6,219,000	6,444,000
Revenue Summary			
Balance forward	2,133,000	2,403,000	2,315,000
Fund interest	153,000	15,000	50,000
Under and over payments	114,000	0	0
Title V fees (rounded) Includes back fees	6,348,000	5,748,000	5,390,000
annual tons (est)	90,535	82,121	77,000
\$/ton	\$70	\$70	\$70
Total Revenue	8,748,000	8,166,000	7,755,000
Revenues - Expenses	2,404,000	1,947,000	1,311,000

Title V Operating Permit Application Program is responsible for issuing operating permits to facilities subject to Title V of the Federal Clean Air Act. Operating permits for subject facilities in Linn and Polk Counties are reviewed by these local programs and issued by DNR.

Title V Operating Permit Application Program	Final SFY 2023	SFY 2024 Budget	Draft FY 2025 Budget
FTE		7.25	7.25
Personnel	613,000	816,000	848,000
Local Programs	103,000	188,000	188,000
Misc. Office Expenses	27,000	36,000	36,000
Total Expenses	743,000	1,040,000	1,072,000
Revenue Summary			
Carry forward	475,000	430,000	278,000
Local Program Fee - Pass Through	103,000	188,000	188,000
Fees & Interest	595,000	700,000	758,000
Total Revenue	1,173,000	1,318,000	1,224,000
Revenue - Expenses	430,000	278,000	152,000

Major Source Construction Permit Application Program is responsible for the review and approval of all pre-construction air permit applications at major sources. For Prevention of Significant Deterioration (PSD) permit applications at a major source located in Linn County, Linn County reviews the permit application and DNR issues the final permit.

Major Source Construction Permit Application Program	Final SFY 2023	SFY 2024 Budget	Draft FY 2025 Budget
FTE		7.00	7.00
Personnel	767,000	968,000	1,005,000
Local Programs	0	21,000	21,000
Misc. Office Expenses	19,000	30,000	30,000
Total Expenses	786,000	1,019,000	1,056,000
Revenue Summary			
Carry forward	185,000	266,000	186,000
Local Program pass through	0	21,000	21,000
Fees & Interest	867,000	1,100,000	901,000
Total Revenue	1,052,000	1,387,000	1,108,000
Revenues - Expenses	266,000	368,000	52,000

Minor Source Construction Permit Application Program is responsible for the review and approval of all pre-construction air permit applications at non-major sources. Linn and Polk Counties implement their own minor source construction permitting programs.

Minor Source Construction Permit Application Program	Final SFY 2023	SFY 2024 Budget	Draft FY 2025 Budget
FTE		8.50	8.50
Personnel	89,000	147,000	153,000
Misc. Office Expenses	3,000	10,000	10,000
PPG CP Expenses	514,000	945,000	960,000
Total Expenses	606,000	1,102,000	1,123,000
Revenue Summary			
Balance Forward & Interest	-72,000	53,000	71,000
General Funds/Federal 105 Funds (PPG)	484,000	600,000	600,000
Additional PPG Funds	30,000	345,000	360,000
Fees	217,000	175,000	150,000
Total Revenue	659,000	1,173,000	1,181,000
Revenue - Expenses	53,000	71,000	58,000

State and federal funds are used to fund ambient monitoring, emission inventory, compliance and inspection, state implementation plans, rules and other planning activities.

Core Program - State & Federal Funds Not Including the Minor Source Construction Permit Application Program	Final SFY 2023	SFY 2024 Budget	Draft FY 2025 Budget
FTE		8.50	8.50
Personnel	1,909,000	1,966,000	1,987,000
Local Programs	458,000	325,000	325,000
SHL & Air Monitoring Equipment	1,259,000	1,102,000	972,000
Misc office items, travel, equipment, IT	149,000	81,000	81,000
PPG Funds for Minor CP App. Program	-514,000	-945,000	-960,000
Total Expenses	3,261,000	2,529,000	2,405,000
Revenue Summary			
General Funds	704,000	704,000	704,000
Federal 105 Funds	823,000	745,000	744,000
Additional PPG Funds	454,000	51,000	36,000
One-time Federal 105 Funds (MP Grants)	59,000	0	0
State Environment First Funds	425,000	425,000	425,000
Federal 103 Funds	829,000	604,000	497,000
Total (rounded)	3,294,000	2,529,000	2,406,000
Revenue-Expenses	33,000	0	1,000

Asbestos NESHAP Program is responsible for conducting inspections of building renovations, demolitions, and training firms subject to federal emissions standards for prevention of asbestos releases.

Asbestos NESHAP Program	Final SFY 2023	SFY 2024 Budget	Draft FY 2025 Budget
FTE		2.50	2.50
Personnel	266,000	272,000	283,000
Travel & Vehicles	5,000	10,000	10,000
Misc. Office Expenses	4,000	16,000	18,000
Total Expenses	275,000	298,000	311,000
Revenue Summary			
Carry forward	182,000	84,000	126,000
Solid Waste revenues	0	150,000	150,000
Asbestos notification fees & interest	176,000	190,000	183,000
Revenue (rounded)	358,000	424,000	459,000
Revenue - Expenses	83,000	126,000	148,000