

IOWA DEPARTMENT OF NATURAL RESOURCES

LEADING IOWANS IN CARING FOR OUR NATURAL RESOURCES

KAYLA LYON, DIRECTOR

MEMO: FISCAL YEAR 2022 DRAFT BUDGET MEETING

From: Catharine Fitzsimmons, Air Quality Bureau Chief
To: Air Quality Fee Advisory Groups
Date: For meeting scheduled on: January 6, 2021
Purpose: This memo provides a review of state fiscal year 2020 expenses and presents the draft state fiscal year 2022 air quality budget.

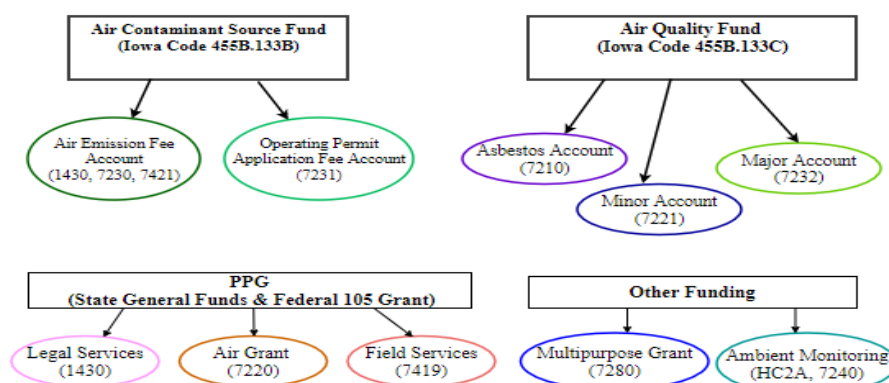
Annually, the Department convenes stakeholder meetings to discuss the Air Quality Bureau's (Bureau) funding sources and the budget for the upcoming state fiscal year (FY). The purpose of the meetings is to provide stakeholders with the opportunity to comment on the draft budgets and fee levels. The Department will report on each of the fee accounts and the draft future year budgets that will be used to determine the fee levels. The Department is required to calculate fee revenue estimates sufficient to cover the reasonable direct and indirect costs of implementing and administering each program supported by the respective fees.

Subsequent to these meetings and input from stakeholders, the Department will share draft budgets 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 commission meeting.

Below, in Chart 1, is an illustration that shows the relationships between program revenue funds, accounts, and expense cost centers. These will be referred to in a number of places in the document.

Please provide us with verbal or written comments on the draft FY 2022 budget and Title V emissions tonnages by **February 15**. We appreciate your assistance. Please feel free to call me at (515) 725-9534 or email me at Catharine.fitzsimmons@dnr.iowa.gov after the meeting if you have any additional comments or questions. These materials will be posted on the Bureau's website for your reference.

Chart 1: Air Quality Bureau Revenue Streams & Cost Centers



REVIEW OF FY 2020

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 may not add up due to rounding.

Table 1: Summary of FY 2020 Actual Revenue and Expenses

Air Quality Program	Funding Source	Actual Revenue	Actual Expenses	Actual Revenue - Expenses
Asbestos NESHAP Program	Asbestos Account	\$247,000	\$94,000	\$153,000
	Federal (Multipurpose and PPG funds)	\$131,000	\$131,000	\$0
Minor Source Const. Permits	Minor New Source Review (NSR) Account	\$97,000	\$140,000	(\$43,000)
	State & Federal funds	\$424,000	\$424,000	\$0
Major Source Const. Permits	Major NSR Account	\$1,493,000	\$1,138,000	\$355,000
Title V Operating Permits	Title V Application Account	\$449,000	\$545,000	(\$96,000)
Core Program	Title V Emissions Account	\$8,923,000	\$6,570,000	\$2,353,000
	State & Federal Funds	\$2,760,000	\$2,627,000	\$133,000
Total		\$14,524,000	\$11,669,000	\$2,855,000

The **Asbestos Notification Fee Account** (7210), under the Air Quality Fund started the year with \$35,000 in carryover funding. Revenues were slightly higher than anticipated. The Bureau also used \$47,000 in State/Federal Funds. After finalizing the budget, the Bureau received approximately \$84,000 in federal multipurpose grant funds. Program expenses were lower than anticipated due to a vacancy. Therefore, a surplus of \$153,000 in fee revenue rolled forward to FY 2021.

The **Minor Construction Permit Account** (7221), under the Air Quality Fund, started the year with a deficit of almost \$22,000. The fee revenue, approximately \$119,000, was less than needed to fund all expenses of approximately \$140,000. All withdrawals for personnel expenses from this cost center were stopped in February 2020 due to insufficient funds. The expenses that should have been paid for out of his account were applied to the Performance Partnership Grant (PPG), cost center 7220, which is intended to pay only 60% of the minor source permitting expense. Despite the changes, the Minor Account still had \$43,000 deficit at the end of the year.

The **Major Construction Permit Application Account** (7232), under the Air Quality Fund, started the year with \$439,000 in carryover funds. Approximately \$1,054,000 was received in fee revenue and interest. Final expenses were \$1,138,000. The surplus of \$355,000 rolled forward to FY 2021.

The **Title V Operating Permit Application Account** (7231), under the Air Contaminant Source Fund, started FY 2020 with a deficit of \$70,000. Final revenue was \$449,000 after subtracting the beginning deficit. Final expenses were \$545,000, leaving a deficit of \$96,000. Several employees left in FY 2020, reducing the time spent on billable project work. Additionally, training of the new staff incurs non-billable costs initially until the staff are able to begin working on billable projects.

The **Core Program, Title V Emissions Fee Account** (7230), under the Air Contaminant Source Fund, started the fiscal year with \$1,536,000 in carryover funding. Approximately \$7,386,000 was received in

fee revenue and interest. Final tonnages were higher than anticipated when the FY 2020 budget was set and additional emissions fees and additional interest were received. Final expenses were approximately \$6,570,000, yielding an estimated carry forward of \$2,353,000.

The **Core Program, State & Federal Funds** (1430, 7220, and 7419), under the PPG, the Bureau utilized \$516,000 in State General Funds and \$934,000 in federal funds. Also received was \$473,000 in a Clean Air Act 103 monitoring grant (7240) and \$425,000 in Environment First funds (HC2A).

DNR expended all federal funds (Section 103) of \$473,000 (7240) as budgeted. The Environment First cost center (HC2A) expended \$271,000. The remaining \$131,000 was covered by the Departmental PPG and \$22,000 was carried forward to FY 2021. The Title V Emissions Fee expenses for monitoring in FY 2021 were reduced by \$131,000.

The state appropriation for EASY Air expended \$207,000 in personnel and \$280,000 on contractor expenses. The remaining \$66,000 of the appropriation is budgeted to be spent in FY 2021.

In the Bureau PPG, \$67,000 was unexpended primarily due to a Field Office vacancy.

UPDATE ON FY 2021 (CURRENT FISCAL YEAR)

Revenues for all accounts during the first six months are comparable to last year. Currently the Bureau has three vacancies. The asbestos vacancy will not be filled until COVID restrictions on interpersonal contact are no longer needed. The Title V Operating Permit program is seeking to fill a vacancy for a permit writer. The vacancy in the Emission Inventory Unit will not be filled at this time.

The Minor Construction Permit Account has a positive balance due to some larger projects. However, application fees are still projected to be inadequate to sustain covering 40 percent of the minor source permitting expenses. One-time federal funds (multipurpose grant) are being used to offset the expenses while the funds are available to do so.

Recently hired staff with expenses in the Title V Operating Permit Application Account are working on billable projects.

DRAFT FY 2022 ESTIMATED BUDGETS AND REVENUES

The Department is seeking comment on the draft FY 2022 budget. The Department is proposing to maintain all fees at current levels.

The Title V emissions fee remains at \$70.00 per ton due to the uncertain future of Title V tonnage and preliminary future year projections of expenses. The draft budget reflects an estimated 80,000 tons or a 15% decrease. The Department is seeking any input that stakeholders can provide that will help in refining this tonnage projection. Revenue is anticipated to be supplemented with an estimated carryover funds of \$1,815,000.

For planning purposes, the budget has a 3% increase on personnel, a 2% increase on professional contracts (28E agreements), and applies the department's draft indirect rate of 12.2% to personnel costs. Status quo amounts are used for most budgetary items.

Major NSR, asbestos fee revenues, and existing state funds and federal grants are assumed at status quo funding levels. The Bureau is requesting additional PPG funds to assist with shortfalls of fee revenue in the Minor NSR account.

The staffing level in the Minor NSR account was reduced to reflect the anticipated revenue. A portion of the asbestos personnel costs was shifted from the PPG to the asbestos account as the account is projected to maintain a positive balance. A portion of an engineering position is moved to the Major NSR account from state and federal grants due to anticipated work levels in this program area. A monitoring position and a portion of a management position is shifted from Title V emission fees to state funds and federal grants.

For the Core Program - Title V Emissions Account cost centers, additional funds are budgeted for communication expenses to account for ongoing teleworking. The 28E agreements are slightly lower due to the removal of a one-time partial FTE increase in FY 2021. Monitoring equipment expenses are slightly lower based on current projections.

IT Outside Services expenses are considerable lower. The Department is in the process of converting the storage of electronic records to a new system. The Bureau had budgeted \$100,000 for this project, however no additional expense is anticipated for the Bureau due to the use of IT grant funds provided to the Department for this project. IT Outside Services decreases in the Major Source Construction Permit Account and Title V Application Account reflects the actual costs of the EASY Air maintenance service agreement.

Table 2 provides a summary comparison of FY 2021 budget expenses to the draft FY 2022 budget expenses.

Table 2: Comparison of Current Year Budget (FY 2021) with Draft Budget for FY 2022

Air Quality Program	Funding Source	FY 2021 Budget Expenses	FY 2022 Draft Budget Expenses	Difference (22-21)
Asbestos NESHAP Program	Asbestos Account	\$231,000	\$258,000	\$27,000
	State & Federal funds	\$52,000	\$18,000	(\$34,000)
Minor Source Const. Permits	Minor NSR Account	\$184,000	\$120,000	(\$64,000)
	State & Federal funds	\$344,000	\$377,000	\$33,000
Major Source Const. Permits	Major NSR Account	\$1,337,000	\$1,482,000	\$145,000
Title V Operating Permits	Title V Application Account	\$597,000	\$581,000	(\$16,000)
Core Program	Title V Emissions Account	\$7,171,000	\$7,121,000	(\$50,000)
	State & Federal Funds	\$2,514,000	\$2,521,000	\$7,000
	Appropriation - EASY Air	\$66,000	\$0	(\$66,000)
Total		12,496,000	12,478,000	(\$18,000)

BUDGET REVIEW IN TABLES AND CHARTS

Sometimes a picture illustrates a situation better than a table. Below are several charts to help provide a better understanding of the Bureau's draft FY 2022 budget. Chart 2 illustrates the draft FY 2022 budget expenses by program.

Chart 2: Draft FY 2022 Budget Expense Distribution by Program

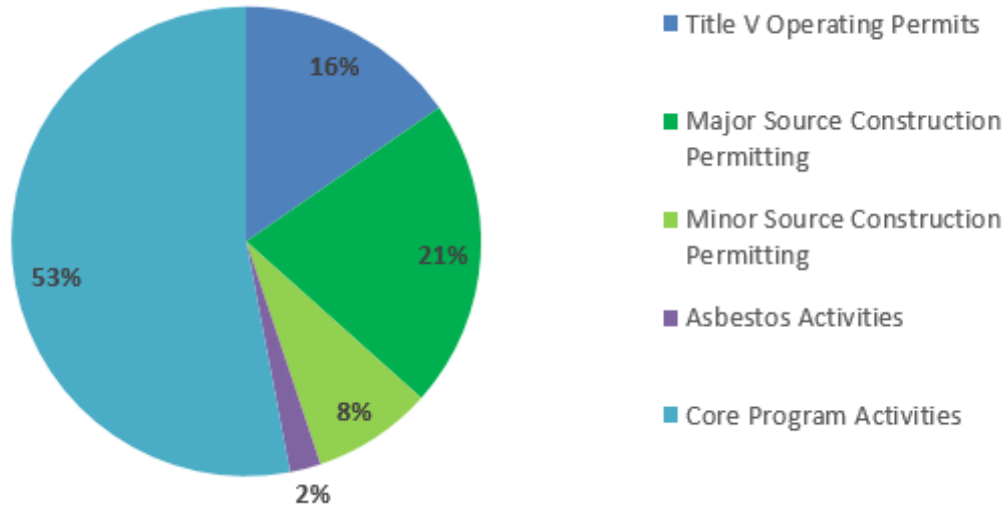
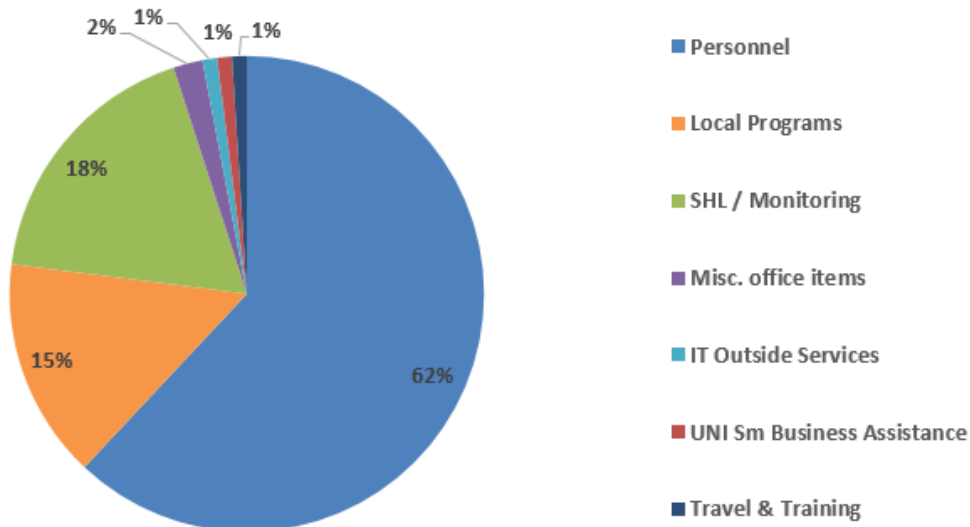


Chart 3 illustrates the draft FY 2022 budget by expense category. The majority of the draft budget expenses are allocated to personnel, which includes the DNR personnel and overhead expenses, and most of the SHL, Polk County, Linn County, and UNI Small Business Assistance agreements.

Chart 3: Draft FY 2022 Budget Expense Distribution by Category

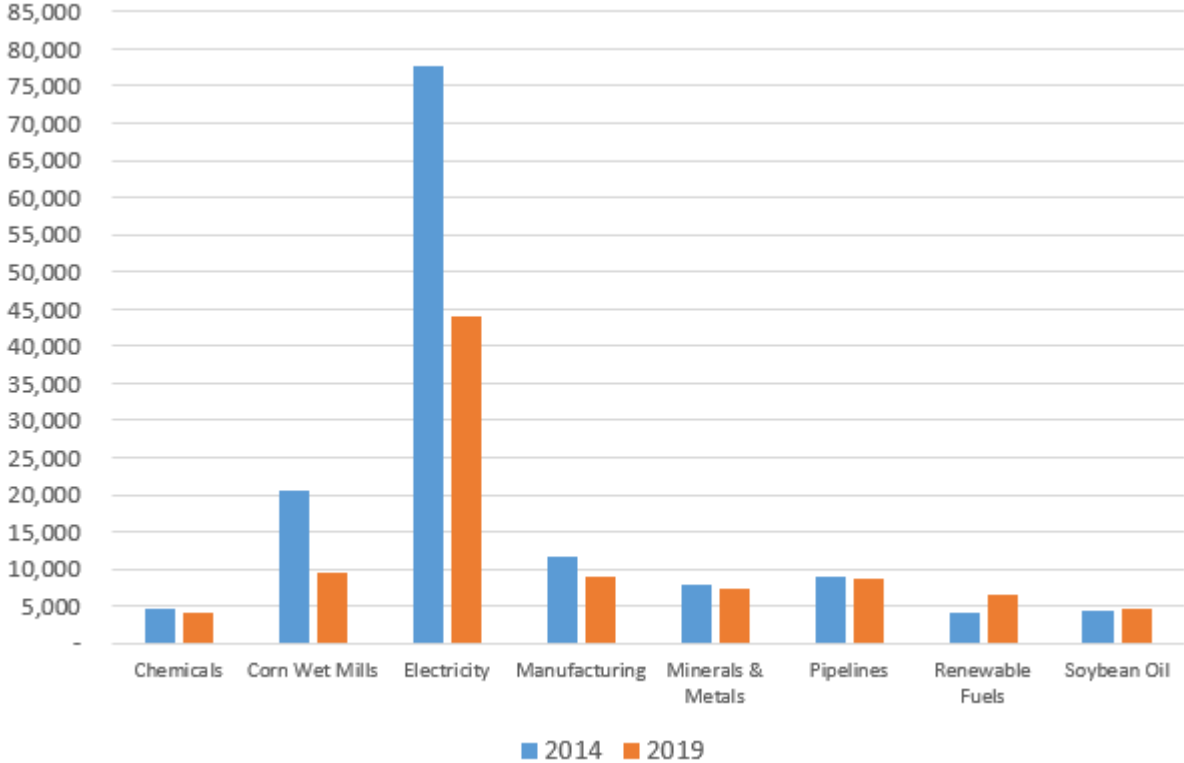


EMISSIONS CHANGES BY SECTOR

Chart 4 compares the Title V emissions from calendar year (CY) 2014 to 2019. Electric generating units (EGU) historically have been the largest sector for emissions. The EGU tonnage has declined over the last decade. In prior years, the Bureau has reviewed quarterly data from EPA's Clean Air Markets Division and permitting changes to estimate tonnage 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. The Bureau welcomes any suggestions on how to forecast emissions for a year-to-year or multiyear scenario.

Chart 4: CY 2014 & 2019 Title V Feeable Emissions by Sector



Asbestos NESHAP Program (Cost Center 7210, 7280 and portions of 7220)

Line #	Expenditure Category	SFY 2020 Actual	SFY 2021 Budget	Draft SFY 2022 Budget	Difference 2022-2021
1	FTE		2.50	2.50	0.00
2	Personnel	191,000	236,000	229,000	-7,000
3	Travel in state	1,100	3,000	3,000	0
4	State vehicle	1,200	3,000	3,000	0
5	Depreciation	2,500	3,000	3,000	0
6	Travel out of state	0	600	600	0
7	Office supplies	0	100	100	0
8	Other supplies	0	100	100	0
9	Printing and binding	0	100	100	0
10	Uniforms	0	500	500	0
11	Communications	1,700	1,500	1,500	0
12	Rental	0	100	100	0
13	Professional Services	1,300	2,000	2,000	0
14	Outside Services	0	100	100	0
15	Reimbursement to other agencies	200	300	300	0
16	ITS reimbursement	300	600	600	0
17	IT Outside Services	0	100	100	0
18	Equipment	0	0	0	0
19	Equipment non-inventory	0	100	100	0
20	IT Equipment & software	0	2,000	2,000	0
21	Other expenses	2,000	2,000	2,000	0
22	Indirect charges	23,700	28,000	28,000	0
23	Total	225,000	283,000	276,000	-7,000

25	Asbestos Activities			
27	Carry forward	35,000	153,000	122,000
28	Revenue -One-time Federal Funds	84,000	0	0
29	State/Federal Funds	47,000	52,000	18,000
30	Asbestos notification fees & interest	212,000	200,000	200,000
31	Asbestos Revenue (rounded)	378,000	405,000	340,000

33	Expenses - Asbestos (7210) (rounded)	225,000	283,000	276,000
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35	Asbestos Revenue - Expenses	153,000	122,000	64,000
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Rounding has been applied and may effect the totals slightly.

Minor Source Construction Permitting (Cost Centers 7221 & a portion of 7220)

Line #	Expenditure Category	SFY 2020 Actual	SFY 2021 Budget	Draft SFY 2022 Budget	Difference
1	FTE		4.00	4.00	0.00
2	Personnel	500,000	465,000	437,000	-28,000
3	Travel in state	0	0	200	200
4	State vehicle	0	0	0	0
5	Travel out of state	0	1,000	700	-300
6	Office supplies	0	0	0	0
7	Other supplies	0	0	0	0
8	Uniforms	0	0	100	100
9	Communications	0	0	500	500
10	Rental	0	0	0	0
11	Outside Services	0	0	100	100
12	Advertisement in publications	0	0	100	100
13	Reimbursement to other agencies	0	0	200	200
14	ITS reimbursement	0	1,000	500	-500
15	IT Outside Services	0	0	0	0
16	Equipment non-inventory	0	0	200	200
17	IT Equipment & software	0	2,000	2,400	400
18	Other expenses	2,000	2,000	2,000	0
19	Indirect charges	62,000	56,000	53,000	-3,000
20	Total	564,000	528,000	497,000	-31,000
21					
22	Minor Source Construction Permit Application Fee Summary of Revenue & Expenses				
23					
24	Minor Source Construction Permits				
25	Balance Forward & Interest	-22,000	-43,000	0	
26	General Funds/Federal 105 Funds (PPG)	424,000	344,000	229,000	
27	One-time Federal 105 Funds (Additional PPG)			148,000	
28	Fees	119,000	227,000	120,000	
29	Total Revenue	521,000	528,000	497,000	
30					
31	Minor Source Construction Permitting Expenses	564,000	528,000	497,000	
32					
33	Minor Source Construction Revenue - Expenses	-43,000	0	0	

Rounding has been applied and may effect the totals slightly.

Major Source Construction Permit Application Program (Cost Center 7232)

Line #	Expenditure Category	SFY 2020 Actual	SFY 2021 Budget	Draft SFY 2022 Budget	Difference 2022-2021
1	FTE		10.25	10.50	0.25
2	Personnel	954,000	1,083,000	1,227,000	144,000
3	Travel in state	0	1,400	1,400	0
4	State vehicle	0	0	0	0
5	Travel out of state	3,000	4,000	4,000	0
6	Office supplies	0	100	100	0
7	Communications	7,000	8,000	8,000	0
8	Rental	0	100	100	0
9	Outside services	33,000	30,000	30,000	0
10	Advertisement in publications	0	100	100	0
11	Reimbursement to other agencies	2,000	2,000	2,000	0
12	ITS reimbursement	1,000	1,000	1,000	0
13	IT Outside Services	0	20,000	10,000	-10,000
14	Equipment non-inventory	0	100	100	0
15	IT Equipment & software	9,000	14,000	14,000	0
16	Other expenses	4,000	4,000	4,000	0
17	State Aid	7,000	29,000	30,000	1,000
18	Indirect charges	118,000	140,000	150,000	10,000
19	Total	1,138,000	1,337,000	1,482,000	145,000

21 Major Source Construction Application Fee Summary of Revenue & Expenses				
23	Major Source Construction Permits			
24	Carry forward from prior year	439,000	355,000	250,000
25	Local Program pass through	7,000	29,000	30,000
26	Fees & Interest	1,047,000	1,203,000	1,218,000
27	Total Revenue	1,493,000	1,587,000	1,498,000

29	Major Source CP Fee Expenses (rounded)	1,138,000	1,337,000	1,482,000
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31	Major CP Revenues - Expenses	355,000	250,000	16,000
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Rounding has been applied and may effect the totals slightly.

Title V Operating Permit Application Program (Cost Center 7231)

Line #	Expenditure Category	SFY 2020 Actual	SFY 2021 Budget	Draft SFY 2022 Budget	Difference 2022-2021
1	FTE		5.50	5.50	0.00
2	Personnel	389,000	380,000	370,000	-10,000
3	Travel in state	0	700	700	0
4	State vehicle	0	0	0	0
5	Travel out of state	0	2,100	2,100	0
6	Office supplies	0	100	100	0
7	Other supplies	0	100	100	0
8	Printing and binding	0	100	100	0
9	Uniforms	0	100	100	0
10	Communications	2,000	2,000	2,000	0
11	Rental	0	100	100	0
12	Outside Services	0	100	100	0
13	Advertisement in publications	0	100	100	0
14	Reimbursement to other agencies	0	0	0	0
15	ITS reimbursement	0	1,000	1,000	0
16	IT Outside Services	0	20,000	10,000	-10,000
17	Equipment non-inventory	0	100	100	0
18	IT Equipment & software	0	7,200	7,200	0
19	Other expenses	2,000	2,000	2,000	0
20	State Aid	104,000	135,000	140,000	5,000
21	Indirect charges	48,000	46,000	45,000	-1,000
22	Total	545,000	597,000	581,000	-16,000
23					
24	Title V Application Fee Summary of Revenue & Expenses				
25					
26	Title V Application Fee Revenue				
27	Carry forward	-70,000	-96,000	17,000	
28	Local Program Fee - Pass Through	104,000	135,000	140,000	
29	Fees	415,000	575,000	500,000	
30	Total Revenue	449,000	614,000	657,000	
31					
32	Title V Application Account Expenses	545,000	597,000	581,000	
33					
34	Title V Application Revenue - Expenses	-96,000	17,000	76,000	

Rounding has been applied and may effect the totals slightly.

Core Program (Title V Emission Fee)

Line #	Expenditure Category	SFY 2020 Actual	SFY 2021 Budget	Draft SFY 2022 Budget	Difference 2022-2021
1	FTE		31.75	30.50	-1.25
2	Personnel	3,286,000	3,435,000	3,486,000	51,000
3	Travel & Vehicles	35,000	49,000	49,000	0
4	Office supplies, printing, reimbursement, etc.	24,000	24,000	24,000	0
5	Equipment maintenance	0	1,000	1,000	0
6	Communications	17,000	23,000	37,000	14,000
7	Rental	5,000	4,000	4,000	0
8	Monitoring utilities	20,000	25,000	25,000	0
9	Outside Services	39,000	42,000	42,000	0
10	SHL	1,069,000	1,083,000	1,104,000	21,000
11	28E Agreements (Linn, Polk, UNI-IAEAP)	1,298,000	1,562,000	1,546,000	-16,000
12	Air monitoring equipment	187,000	217,000	200,000	-17,000
13	Equipment non-inventory	1,000	2,000	2,000	0
14	IT Outside Services	125,000	254,000	140,000	-114,000
15	IT Equipment & software	58,000	37,000	37,000	0
16	Other expenses	10,000	12,000	12,000	0
17	Indirect charges	396,000	401,000	412,000	11,000
18	Total	6,570,000	7,171,000	7,121,000	-50,000

20	Title V Emission Fee Summary of Revenue & Expenses			
22	Title V Emission Fee (rounded)			
23	Balance forward	1,536,000	2,353,000	1,815,000
24	Fund interest	117,000	50,000	50,000
25	Under and over payments	59,000	0	0
26	Title V fees (rounded)	7,211,000	6,583,000	5,600,000
27	<i>annual tons (est)</i>	103,260	94,038	80,000
28	<i>\$/ton</i>	\$70.00	\$70.00	\$70.00
29	Total Revenue	8,923,000	8,986,000	7,465,000

31	Title V Emission Fee Expenses (rounded)			
32	Legal Services (1430) - Title V only	86,000	108,000	111,000
33	Air Title V - IT (3520)	14,000	11,000	12,000
34	Air Title V Program (7230)	5,695,000	6,213,000	6,147,000
35	Air Title V Field Program (7421)	775,000	839,000	851,000
36	Total Expenses	6,570,000	7,171,000	7,121,000
38	Revenues - Expenses	2,353,000	1,815,000	344,000

Rounding has been applied and may effect the totals slightly.

Core Program - State & Federal Funds Not Including the Minor Source Construction Permitting Program or Asbestos Program

Line #	Expenditure Category	SFY 2020 Actual Expenses	SFY 2021 Budget	Draft SFY 2022 Budget	Difference
1	FTE		8.50	9.50	1.00
2	Personnel	1,029,000	1,043,000	1,114,000	71,000
3	Travel & state vehicles	3,000	8,000	8,000	0
4	Office supplies, printing, reimbursement, etc.	2,000	2,000	2,000	0
5	Equipment maintenance	0	1,000	1,000	0
6	Communications	3,000	8,000	8,000	0
7	Rental	2,000	4,000	4,000	0
8	Outside services	42,000	80,000	80,000	0
9	Professional Services	738,000	738,000	738,000	0
10	Air monitoring equipment	72,000	75,000	75,000	0
11	Equipment	0	0	0	0
12	IT Outside Services	293,000	103,000	30,000	-73,000
13	IT Equipment & software	1,000	12,000	12,000	0
14	State Aid	325,000	325,000	325,000	0
15	Indirect charges	117,000	115,000	124,000	9,000
16	Total	2,627,000	2,514,000	2,521,000	7,000
17					
18	PPG & State Matching Funds Summary of Revenue & Expenses				
19					
20	Revenue				
21	General Funds	516,000	549,000	566,000	
22	Federal 105 Funds	803,000	959,000	979,000	
23	One-time Federal MP Grant		106,000		
24	One-time Federal 105 Funds (Additional PPG)	131,000	0	107,000	
25	State Environment First Funds	271,000	425,000	425,000	
26	Federal 103 Funds	473,000	473,000	473,000	
27	Technology Reinvestment Fund	566,000	66,000	0	
28	Total	2,760,000	2,578,000	2,550,000	
29	Revenue-Expenses	133,000	64,000	29,000	

Rounding has been applied and may effect the totals slightly.