

MEMO: AIR QUALITY FISCAL YEAR 2026 DRAFT BUDGET

To: Air Quality Fee Advisory Groups
 Date: For meeting scheduled on: January 7, 2025
 Purpose: This memo reviews the state fiscal year 2024 final expenses and current status of state fiscal year 2025. It also presents the draft state fiscal year 2026 air quality budget¹.

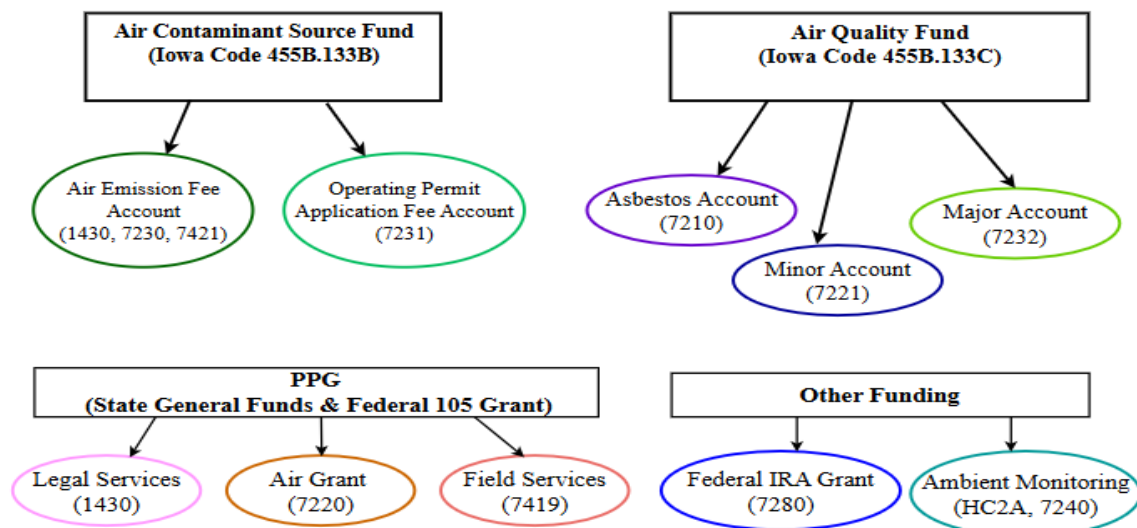
BACKGROUND

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 for decision 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.

Chart 1: Air Quality Bureau Revenue Streams & Cost Centers



Please provide verbal or written comments on the draft FY 2026 budget, Title V emissions tonnages, and proposed program fees by **February 14, 2025**. 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 2026 draft state fiscal year budget is for July 1, 2025 - June 30, 2026.

REVIEW OF FY 2024 (JULY 1, 2023 - JUNE 30, 2024)

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 2024 Actual Revenue and Expenses (Rounded)

Air Quality Program	Funding Source	FY 2023 Carry Forward	FY 2024 Revenue	FY 2024 Expenses	Carry Forward & Revenue - Expenses
Asbestos NESHAP Program	Asbestos Account	\$83,000	\$171,000	\$137,000	\$117,000
	Solid Waste Fund: Asbestos Support	\$0	\$150,000	\$150,000	\$0
Minor Source Const. Permits	Minor New Source Review (NSR) Account	\$53,000	\$187,000	\$207,000	\$33,000
	State & Federal funds	\$0	\$498,000	\$498,000	\$0
Major Source Const. Permits	Major NSR Account	\$266,000	\$870,000	\$653,000	\$483,000
	State & Federal funds	\$0	\$169,000	\$169,000	\$0
Title V Operating Permits	Title V Application Account	\$430,000	\$734,000	\$912,000	\$252,000
Core Program	Title V Emissions Fee Account	\$2,404,000	\$6,160,000	\$5,583,000	\$2,981,000
	State & Federal Funds	\$0	\$2,883,000	\$2,883,000	\$0
Total (rounded)		\$3,236,000	\$11,822,000	\$11,192,000	\$3,866,000

The **Asbestos Notification Fee Account** (7210): The asbestos account was budgeted at \$298,000 and actual expenses were \$287,000, a difference of \$11,000. Without the additional solid waste funds, the account would have had a \$33,000 deficit. Approximately \$117,000 was carried forward to FY 2025.

The **Minor Construction Permit Account** (7221): The minor source account expenses were budgeted at \$157,000 and actual expenses were \$207,000. Most of the minor source personnel time, \$498,000, was paid for through the Performance Partnership Grant (PPG). Total minor source construction permitting costs were \$705,000.

The **Major Construction Permit Application Account** (7232): The major NSR account expenses were budgeted at \$1,019,000 and actual expenses were \$653,000. Approximately \$169,000 of state & federal funds were applied to these activities in FY 2024. Total major source construction permitting costs were \$822,000. There were two vacancies during the fiscal year which accounted for the majority 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 \$1,041,000 and the actual expenses were \$912,000, a difference of \$129,000. Personnel expenses and Local Program pass-through expenses were lower than budgeted.

The **Core Program: Title V Emissions Fee Account** (1430, 7230, 7421): The cost centers were budgeted at \$6,220,000. Expenses were \$5,583,000, approximately \$637,000 under budget due to unspent personnel, monitoring equipment, and professional services being paid out of other cost centers.

The **Core Program: State & Federal Funds** (1430, 7220, 7240, 7280, HC2A, 7419): The Bureau budgeted \$96,000 for the University of Iowa’s State Hygienic Laboratory (SHL) contract and instead spent approximately \$217,000. Because the PPG was at the end of the two-year cycle and had funds remaining as other grant recipients had not expended all the allocated funds, an additional \$121,000 from these accounts was applied to the SHL contract in lieu of Title V emission fees.

UPDATE ON FY 2025 (CURRENT FISCAL YEAR)

The Bureau received an additional \$150,000 from the Groundwater Fund - Solid Waste Account to support the asbestos program. Fee revenue in the Asbestos and Minor Source Construction Permit accounts remain below average when compared to previous years.

The Bureau has started discussions with stakeholders on the need to either increase fee revenues or decrease budget expenses for future fiscal years. Documents prepared for the discussions are posted on the [Public Participation page](#), under Meetings - Fee Advisory Groups. Next steps in the process will be determined in Q1 2025.

One-time federal Inflation Reduction Act grants have been distributed to the State Hygienic Laboratory and Linn & Polk Counties. These multi-year grants will be used to establish and operate ambient air monitoring sites in Fort Dodge, Cedar Rapids, and Des Moines.

The Bureau currently has six vacancies in support, ambient monitoring, Title V operating permitting, and construction permitting. The support position, which coordinates the intake of construction permitting submittals, is in the process of being filled due to the critical nature of the work. Hiring for the remaining positions is on hold until the conclusion of stakeholder discussions on future fiscal year budgets.

DRAFT FY 2026 ESTIMATED BUDGETS AND REVENUES (JULY 1, 2025 - JUNE 30, 2026)

Table 2 contains the Department's draft FY 2026 budget. **No fee changes are incorporated into the proposed budget for FY 2026.** This draft budget reflects estimated emissions subject to fees of 68,000 tons (down from 78,000 tons used in the SFY 2025 budget) and the associated \$700,000 reduction in emission fees. The Bureau anticipates to continue to receive an additional \$396,000 in General Funds and \$50,000 from the Groundwater Fund - Solid Waste Account.

For planning purposes, a 4% increase has been applied to personnel and a Department indirect rate of 13.5%, which is applied to salaries and is reflected in the personnel costs. Additionally, the Bureau has implemented the third year of no (0%) increases on professional contracts for SHL and the Iowa Waste Reduction Center and a 3% reduction to the Local Programs agreements. Status quo amounts are used for most budgetary items. The SLEIS contract is up for renewal within this time period, and a 10% increase is budgeted for its renewal. All final contracts will be reviewed by the EPC prior to the June 2025 meeting.

Table 2 also provides a summary comparison of FY 2025 to draft FY 2026 budget expenses. Please note that the numbers have been rounded. Additional detail on each program's budget and expenses are provided in Attachment A to this memo. Additional funds supporting the asbestos program are decreasing, so expenses formerly attributed to the supplemental funding are returning to the asbestos account. Costs are increasing in the major source NSR constructing permitting program because the Bureau is budgeting more staff in the major source account and less in the minor source account. One-time federal monitoring funds are excluded from Table 2 but are included in Attachment A.

Table 2: Comparison of Current Year (FY 2025) and Draft Year (FY 2026) Budgets (Rounded)

Air Quality Program	Funding Source	FY 2025 Budget Expenses	Draft FY 2026 Budget Expenses	Difference (26-25)
Asbestos NESHAP Program	Asbestos Account	\$164,000	\$272,000	\$108,000
	Groundwater Fund-Solid Waste Account	\$150,000	\$50,000	-\$100,000
Minor Source Const. Permits	Minor NSR Account	\$167,000	\$175,000	\$8,000
	State & Federal funds	971,000	\$836,000	-\$135,000
Major Source Const. Permits	Major NSR Account	\$1,116,000	\$1,294,000	\$178,000
Title V Operating Permits	Title V Application Account	\$1,121,000	\$1,125,000	\$4,000
Core Program	Title V Emissions Fee Account	\$6,215,000	\$6,220,000	\$5,000
	State & Federal Funds	\$2,677,000	\$2,836,000	\$159,000
Total (rounded)		\$12,581,000	\$12,808,000	\$227,000

DRAFT FY 2026 BUDGET EXPENSES IN CHARTS

Below are several charts that illustrate the Bureau’s draft FY 2026 budget. Chart 2 illustrates the draft FY 2026 budget expenses by program area.

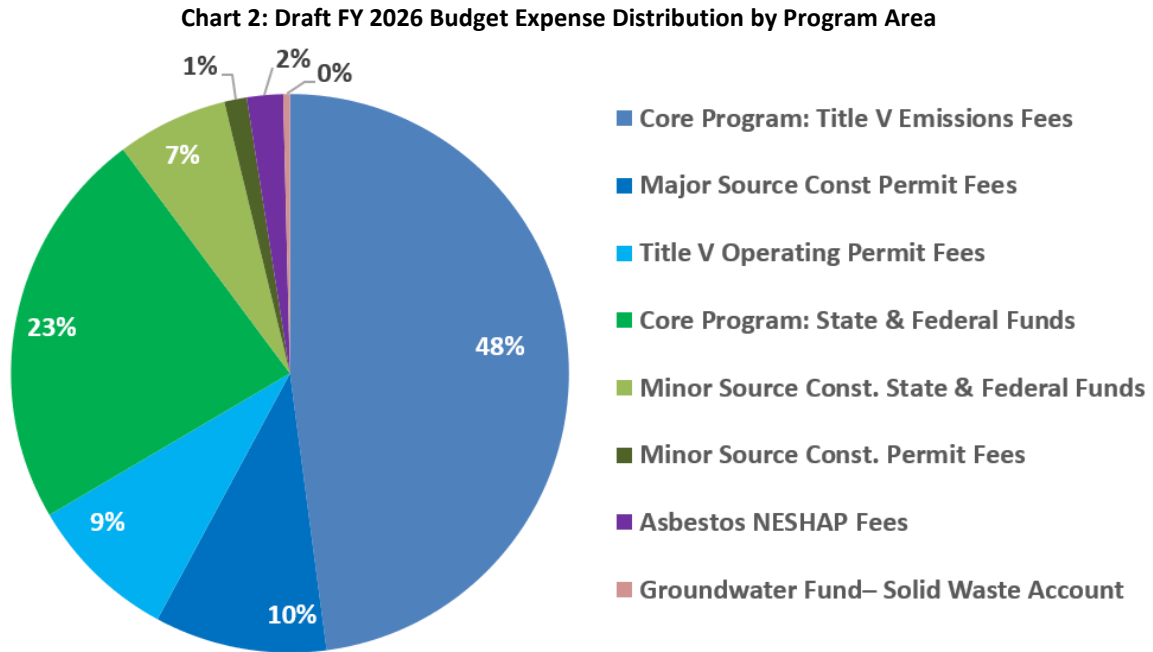
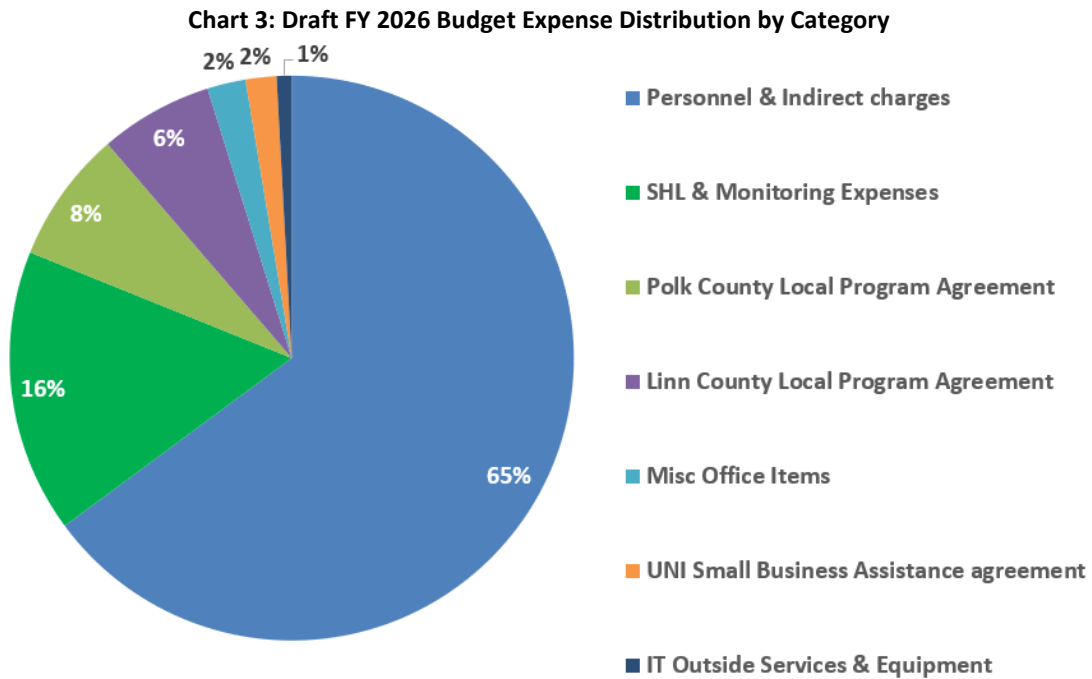


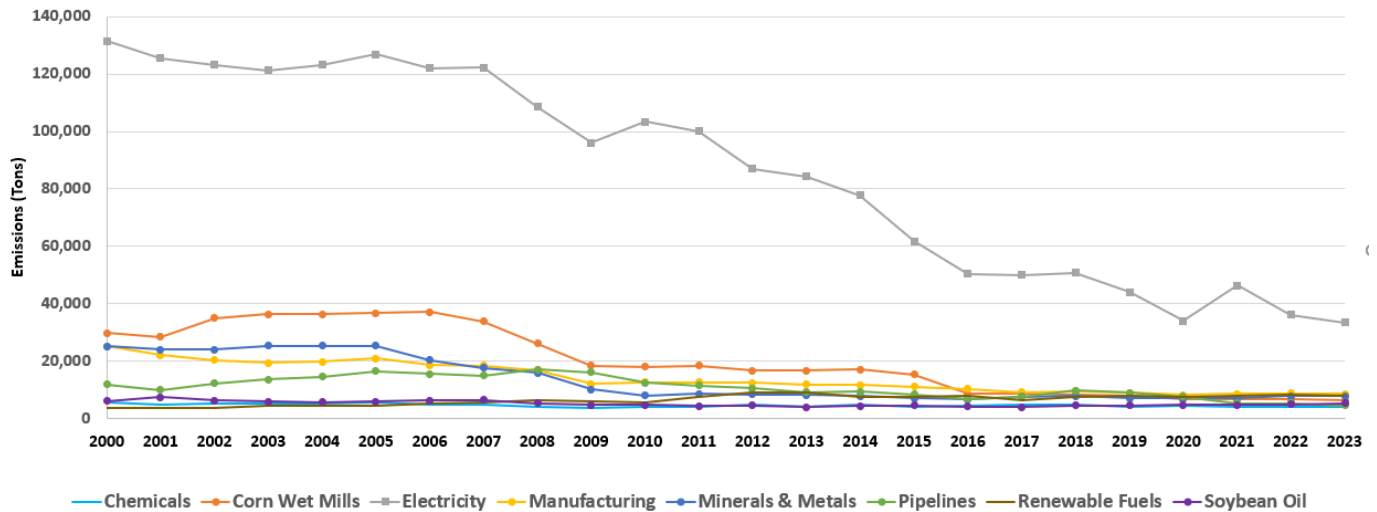
Chart 3 illustrates the draft FY 2026 budget by expense category. The majority of the draft budget expenses are allocated to personnel, which includes Department personnel and overhead expenses, as well as most of the SHL, Local Programs, and UNI Small Business Assistance agreements.



EMISSIONS CHANGES BY SECTOR

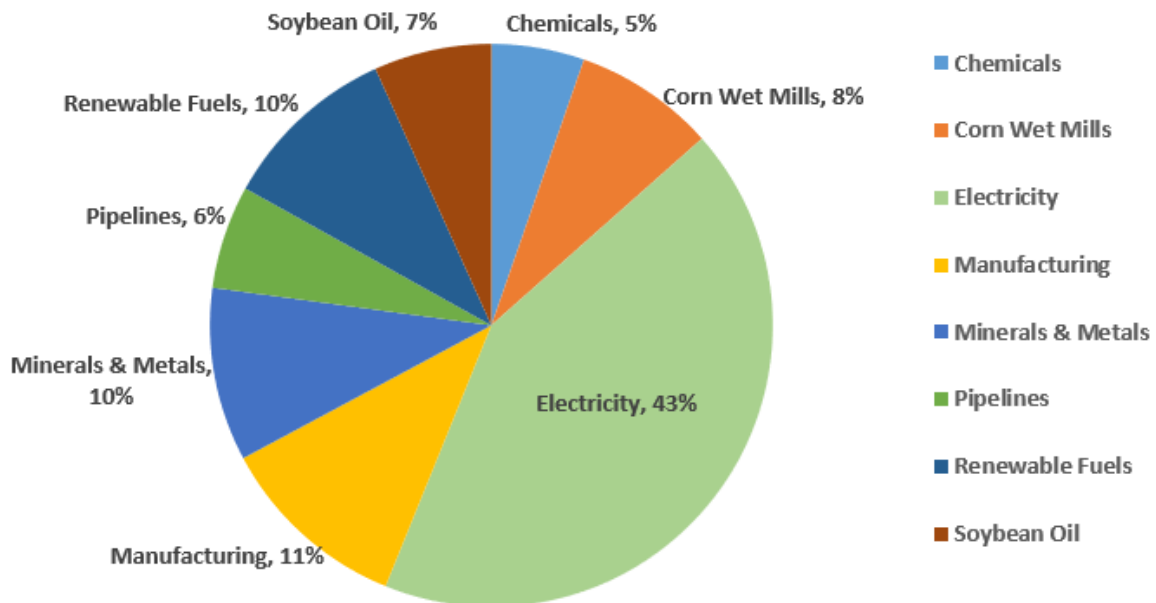
Chart 4 compares the Title V emissions subject to fees from calendar year (CY) 2000 to 2023. Electric generating units (EGU) historically have been the largest sector for emissions.

**Chart 4: Feeable Emissions by Sector (tons)
Years 2000-2023**



The 2023 emissions by sector (Chart 5) shows that the EGU sector now makes up less than one-half of the feeable emissions. Forecasted emissions have 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: 2023 Feeable Emissions by Sector



PREVIEW OF FISCAL YEAR 2027 BUDGET

The Department is anticipating deficits in all of the fee accounts starting in FY 2027. The Bureau has been discussing future changes to address these shortfalls. Documents prepared for the discussions are posted on the [Public Participation page](#), under Meetings - Fee Advisory Groups. Table 3 utilizes the draft expenses posted in the budget calculators on the website above but includes updated carryforward amounts for FY 2026 that reflect cost savings measures instituted by the Department. The estimated revenue for the Title V Emissions Fee Account is based on a projected 66,000 tons of feeable emissions at \$70 per ton. Local Program pass-through funds are not included in Table 3.

Table 3: Estimated FY 2027 Expenses & Revenues Without Any Fee Changes

Air Quality Program	Funding Source	Draft FY 2026 Carry Forward	Estimated FY 2027 Revenue	Estimated FY 2027 Expenses	Carry Forward & Revenue - Expenses
Asbestos NESHAP Program	Asbestos Account	\$25,000	\$175,000	\$304,000	(\$104,000)
Minor Source Const. Permits	Minor New Source Review (NSR) Account	\$34,000	\$175,000	\$337,000	(\$128,000)
	State & Federal funds	\$0	\$600,000	\$600,000	\$0
Major Source Const. Permits	Major NSR Account	\$42,000	\$1,00,000	\$1,142,000	(\$100,000)
Title V Operating Permits	Title V Application Account	\$25,000	\$805,000	\$891,000	(\$61,000)
Core Program	Title V Emissions Fee Account	\$1,314,000	\$4,670,000	\$6,783,000	(\$799,000)
	State & Federal Funds	\$0	\$3,000,000	\$3,000,000	\$0
Total (rounded)		\$1,440,000	\$10,425,000	\$13,057,000	(\$1,192,000)

ATTACHMENT A: SUMMARY BY FUNDING CATEGORY

The Asbestos NESHAP Program is responsible for conducting inspections of building renovations, demolitions, and training fires subject to federal emissions standards for prevention of asbestos releases. The minimum balance for planning purposes is recommended at \$50,000.

Asbestos NESHAP Program	Final SFY 2024	Revised FY 2025 Budget	Draft FY 2026 Budget
FTE		2.50	2.50
Personnel	274,000	288,000	297,000
Misc. Office Expenses	13,000	26,000	25,000
Total Expenses	287,000	314,000	322,000
Revenue Summary			
Carry forward	84,000	118,000	127,000
Solid Waste revenues	150,000	150,000	50,000
Asbestos notification fees & interest	171,000	173,000	170,000
Revenue (rounded)	405,000	441,000	347,000
Revenue - Expenses	118,000	127,000	25,000

The Minor Source Construction Permit Application Program is responsible for the review and approval of all pre-construction air permit applications at non-major sources. Linn and Polk Counties implement their own minor source construction permitting programs. The minimum balance for planning purposes is recommended at \$50,000.

Minor Source Construction Permit Application Program	Final SFY 2024	Revised FY 2025 Budget	Draft FY 2026 Budget
FTE		8.50	7.25
Personnel	204,000	157,000	159,000
Misc. Office Expenses	3,000	10,000	10,000
PPG CP Expenses	498,000	971,000	836,000
Total Expenses	705,000	1,138,000	1,005,000
Revenue Summary			
Balance Forward & Interest	53,000	33,000	28,000
General Funds/Federal 105 Funds (PPG)	498,000	600,000	600,000
Additional PPG Funds	0	371,000	236,000
Fees	187,000	162,000	175,000
Total Revenue	738,000	1,166,000	1,039,000
Revenue - Expenses	33,000	28,000	34,000

The Major Source Construction Permit Application Program is responsible for the review and approval of all pre-construction air permit applications at major sources. For Prevention of Significant Deterioration (PSD) permit applications at a major source located in Linn County, Linn County reviews the permit application and DNR issues the final permit. The minimum balance for planning purposes is recommended at \$250,000.

Major Source Construction Permit Application Program	Final SFY 2024	Revised FY 2025 Budget	Draft FY 2026 Budget
FTE		7.50	8.25
Personnel	638,000	1,065,000	1,240,000
Local Programs	4,000	21,000	20,000
Misc. Office Expenses	11,000	30,000	34,000
PPG Major CP Expenses	169,000	0	0
Total Expenses	822,000	1,116,000	1,294,000
Revenue Summary			
Carry forward	266,000	483,000	316,000
Local Program pass through	4,000	21,000	20,000
General Funds/Federal 105 Funds (PPG)	169,000	0	0
Fees & Interest	866,000	928,000	1,000,000
Total Revenue	1,305,000	1,432,000	1,336,000
Revenues - Expenses	483,000	316,000	42,000

The Title V Operating Permit Application Program is responsible for issuing operating permits to facilities subject to Title V of the Federal Clean Air Act. Operating permits for subject facilities in Linn and Polk counties are reviewed by these local programs and issued by DNR. The minimum balance for planning purposes is recommended at \$200,000.

Title V Operating Permit Application Program	Final SFY 2024	Revised FY 2025 Budget	Draft FY 2026 Budget
FTE		7.25	7.25
Personnel	750,000	883,000	889,000
Local Programs	137,000	202,000	200,000
Misc. Office Expenses	25,000	36,000	36,000
Total Expenses	912,000	1,121,000	1,125,000
Revenue Summary			
Carry forward	430,000	252,000	145,000
Local Program Fee - Pass Through	137,000	202,000	200,000
Fees & Interest	597,000	708,000	805,000
Total Revenue	1,164,000	1,162,000	1,150,000
Revenue - Expenses	252,000	41,000	25,000

The majority of the Air Quality Program is funded by Title V emissions fees. Activities funded by Title V emissions fees include ambient monitoring, emission inventory, compliance and inspection, state implementation plan and rule development, and other planning activities. The minimum balance for planning purposes is recommended at \$750,000.

Title V Emissions Fee	Final SFY 2024	Revised FY 2025 Budget	Draft FY 2026 Budget
FTE		26.75	26.75
Personnel	3,432,000	3,568,000	3,671,000
Local Programs	1,274,000	1,237,000	1,198,000
SHL & other monitoring expenses	521,000	1,006,000	948,000
IWRC Sm Bus. Assistance	230,000	230,000	230,000
Misc office items	125,000	174,000	173,000
Total Expenses	5,582,000	6,215,000	6,220,000
Revenue Summary			
Balance forward	2,403,000	2,981,000	2,724,000
Fund interest	292,000	50,000	50,000
Under and over payments	71,000	0	0
Title V fees (rounded)	5,797,000	5,478,000	4,760,000
annual tons (est)	82,121	78,251	68,000
\$/ton	\$70	\$70	\$70
Total Revenue	8,563,000	8,509,000	7,534,000
Revenues - Expenses	2,981,000	2,294,000	1,314,000

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

Core Program - State & Federal Funds Not Including the Minor & Major Source Construction Permit Application Program	Final SFY 2024	Revised FY 2025 Budget	Draft FY 2026 Budget
FTE		9.00	9.50
Personnel	1,925,000	2,192,000	2,242,000
Local Programs	325,000	1,277,000	413,000
SHL & Air Monitoring Equipment	1,244,000	1,519,000	1,103,000
Misc office items, travel, equipment, IT	57,000	96,000	99,000
PPG Funds for Major & Minor CP App. Prog	-667,000	-971,000	-836,000
Total Expenses	2,884,000	4,113,000	3,021,000
Revenue Summary			
General Funds	704,000	704,000	704,000
Federal 105 Funds	678,000	740,000	740,000
Additional PPG Funds	437,000	311,000	494,000
One-time Federal 105 Funds (MP Grants)	0	0	0
State Environment First Funds	425,000	425,000	425,000
Federal 103 Funds	531,000	497,000	473,000
One-time Federal Monitoring Funds	109,000	1,436,000	185,000
Total (rounded)	2,884,000	4,113,000	3,021,000
Revenue-Expenses	0	0	0

