

Division of Air Quality
Responses to Title V Questions on the Proposed Fee Increase
February 1, 2008

1. How has staffing in the Title V program changed over the past 10 years?

The state air program experienced significant growth in the early- to mid-1990's as it geared up to implement the new Clean Air Act Amendments of 1990. However, the staff size has been relatively stable since 1996, when a former section of the Division of Environmental Management was reorganized into the Division of Air Quality.

From 2001 until 2006, the Division of Air Quality had a total of 129 full time positions paid from the Title V account. In 2006, an audit by EPA found that the method being used to determine that Title V work was paid from the Title V funds was inadequate. DAQ created a workgroup of supervisors from different sections to review all the positions and determine the specific tasks and amount of time being spent by each position on Title V work.

To meet the requirement that all Title V work be paid for with Title V funds, all air quality positions were split funded into Title V and non-Title V funds. Once the review was completed by the workgroup, DAQ split funded its positions. In 2007, DAQ paid the salaries and benefits for 128 FTE employees from the Title V fees. Of the positions funded by Title V fees, approximately 80 FTE work writing permits, monitoring the sources, and dealing with compliance issues. The others are all support positions.

A. 5-year history of positions - including a breakout of all positions v. filled positions.

- Below is a chart providing a five-year history of positions.

	2003	2004	2005	2006	2007
Number of Positions	129	129	129	129	128
Number of Vacancies	19	17	11	12	16

B. 5-year budget history broken out by expenditures, particularly salary and benefits.

- Below is a chart providing a five-year history of Title V expenditures by category. Personnel Services is a combination of salaries and benefits.

	2002-2003	2003-2004	2004-2005	2005-2006	2006-2007
Personnel Services	5,971,142.10	6,224,447.10	6,744,960.19	7,240,348.69	7,731,868.62
Purchased Services	1,439,062.72	1,226,716.80	847,026.48	774,219.33	493,294.41
Supplies	67,367.84	102,193.00	63,900.17	49,560.51	27,714.08
Property, Plant & Equip	112,814.55	123,115.93	179,537.25	107,310.83	118,362.69
Other Expenses & Adjust	11,309.28	10,189.98	8,867.60	11,987.04	10,924.46
Aid & Public Assistance	159,110.20	186,252.19	94,365.15	62,223.91	73,910.42
Intra-governmental Trans	797,344.69	962,584.40	836,142.59	970,533.19	302,311.36
Total	8,558,151.38	8,835,499.40	8,774,799.43	9,216,183.50	8,758,386.04

2. How did we determine that 128 positions is the correct staffing level?

The Division Director assigned supervisors from the Regional Offices, Sections in the central office and the Deputy Director to a workgroup to evaluate the functions of the different positions to determine the amount of time each employee/classification of positions was spending on Title V functions. The final product from the workgroup was a listing of all of the positions in the DAQ with the % of time that each was spending on Title V functions. Additionally, each position was assigned two fund codes to use in the time keeping system. Employees were instructed in the use of the codes for tracking their time. As a result of the evaluation, 128 FTEs are now being charged to the Title V account.

3. What do these 128 positions do (an explanation of the Title V program & its operations)?

DAQ employees carry out the requirements of the mandated Title V Program, primarily for regulating major air pollution sources, under the Federal Clean Air Act Amendments of 1990.

Responsibilities include:

- Determining applicable requirements and writing permits for industries that meet the requirements of the Clean Air Act; Analyzing process changes requested by the facility; Setting up and operating an ambient air monitoring network that complies with federal standards; Performing inspections and responding to citizen complaints to ensure compliance with the permits written for companies and enforcing the limits established in the permits; Running computer simulations to model the impacts of air emissions in the vicinity and downwind of a specific facility; Evaluating results of emission test performed by the facility or a subcontractor, Running computer simulations to estimate the overall impact of existing industrial facilities, projected population growth, and existing emissions control measures to evaluate impact on North Carolina's air quality

into the future, including pollution that drifts in from across our borders, Ensuring that our regulations are adequate to protect the environment while also supporting continued economic growth, and Ensuring public participation in the process. Other functions funded by Title V fees include small business assistance and legal counsel from the Attorney General's office.

4. What is the current budget picture (income vs. actuals with explanation)?

The cost to operate the Title V functions within DAQ has continued to increase over the last few years with little or no increases in revenue during the same period of time. Below is a chart that shows the revenue and expenses for DAQ for SFY 2003 through 2007.

	SY 2003	SFY 2004	SFY 2005	SFY 2006	SFY 2007
Beginning Balance	\$5,642,318.47	\$4,763,626.72	\$4,136,745.64	\$3,356,111.86	\$1,922,984.51
Cash Receipts	\$7,679,459.63	\$8,208,618.32	\$7,994,165.65	\$7,783,056.15	\$7,603,115.20
Cash Disbursements	\$8,558,151.38	\$8,835,499.40	\$8,774,799.43	\$9,216,183.50	\$8,758,386.04
Ending Balance	\$4,763,626.72	\$4,136,745.64	\$3,356,111.86	\$1,922,984.51	\$ 767,713.67
% Balance Decrease		13%	18%	40%	60%

5. How do we justify the increase in fees?

An adequate Title V permit program is in the best interest of North Carolina citizens' lives and their livelihood. Industrial facilities must have adequate emission controls in-place to avoid excessive detrimental impacts on the natural environment. The Title V permit offers regulatory certainty to industry to avoid excessive detrimental impact on their economic environment.

The Division discussed the fee increase with affected industries this past summer. DAQ received feedback from the regulated community on an early draft of the fee increase rule change and phased the increase over a longer period of time based upon that feedback. The Environmental Management Commission did not receive any adverse comments on the proposed fee increase during the recent public comment period on the proposed rule.

In summary, the Clean Air Act mandates the Title V Permit Program for major emitters of air pollution in the United States. It is a program that must either be run by an adequately funded and approved State program or on that will be run by the US EPA.

The attached spreadsheet provides a five year projection of Title V receipts versus expenditures, using a two percent and three percent inflationary increase. The spreadsheet also reflects the projected revenue that will be generated based on the Title V Fee increase.