



REGION 7

LENEXA, KS 66219

FY25 Title V Operating Permit Fee Evaluation

of

**The Missouri Department of Natural Resources’
Air Permitting Programs**

Conducted: March – July 2025

United States Environmental Protection Agency, Region 7

Air Permitting and Standards Branch, Air and Radiation Division

Introduction

The United States Environmental Protection Agency (EPA) Region 7 (R7) conducted a Title V Operating Permit Fee Evaluation from March through July 2025. EPA originally completed an Air Permitting Program Review in fiscal year 2024 (FY24) but were unable to complete the fee evaluation portion of the review due to resource constraints and insufficient documentation. As such, and per a Missouri Department of Natural Resources' (MoDNR) request, this document serves as the Title V Operating Permit Fee Evaluation of MoDNR's Air Pollution Control Program. This fee evaluation concludes the Air Permitting Program Review first started in FY24.

Federal Authorities and Requirements of the EPA Title V Program

Section §502(b)(3)(A) of the Clean Air Act (CAA) requires Title V operating permit programs to fund all “reasonable direct and indirect costs” of the permit program through fees collected from Title V sources and requires the fees to sufficiently cover all reasonable Title V permit program costs. 40 CFR §70.9(a) requires state Title V programs to sufficiently collect fees to cover the permit program costs and “ensure that any fee required by this section will be used solely for permit program costs.”

In response to an EPA Office of Inspector General 2014 report, regarding the importance of enhanced EPA oversight of state, local, and tribal fee practices under Title V of the CAA, EPA issued a March 27, 2018, guidance document titled “Program and Fee Evaluation Strategy Guidance for 40 CFR Part 70.”¹ This guidance recommends that EPA seek internal assistance for fee evaluations from staff with governmental accounting, financial, and/or economic expertise and who work outside of the Part 70 program. Kathy Finazzo from EPA R7's Resources and Financial Management Branch in the Mission Support Division and Clayton Henry from EPA R7's Air and Radiation Division conducted this fee evaluation. The following is a summary of the fee requirements that guide EPA's review of air agency programs.

- Title V permit fees must be paid by “part 70 sources,” and the permit fees must cover all “reasonable (direct and indirect) costs” of the permit program. If the permit fees at least cover the total permit program costs, the fees are deemed to be sufficient.
- Any fee required by part 70 must “be used solely for permit program costs”. In other words, required permit fees may not be diverted for non-part 70 purposes. Nothing in part 70 restricts air agencies from collecting additional fees beyond the minimum amount needed to cover part 70 program costs. However, all part 70 fees, including any surplus, must be used for part 70 purposes.

¹ https://www.epa.gov/sites/default/files/2018-03/documents/fee_eval_2018.pdf

EPA Title V Operating Permit Fee Evaluation Methodology

EPA evaluated the Title V annual financial data provided by MoDNR for the state's 2023 and 2024 fiscal years (SFY). The financial data forms included information such as total program revenue fees paid by Part 70 sources, total emissions of regulated pollutants, presumptive minimum cost for the program, and total program costs – including direct labor, other direct costs, and indirect costs.

EPA validated the SFY23 and SFY24 Title V annual financial data forms via in-depth research and analysis of MoDNR's code 0594 fund workbook, the total emissions tables over the last 5 years, and the Missouri Governor's request to amend the Missouri State Implementation Plan – to include the most recent Title V Fee Regulation. EPA worked in close coordination with MoDNR staff during this review, in particular Samantha Schmidt. The fee evaluation team also worked closely with EPA R7 Title V subject matter experts, in particular Ward Burns.

The EPA Title V Fee Evaluation team assessed a line-by-line review of all revenue and expenses under MoDNR's code 0594 "UFAV." The UFAV code separates all Title V-specific revenue and expenditures from code 0594 "UFAN" and allowed EPA to verify MoDNR's reported SFY23 and SFY24 Title V annual financial data forms. EPA found MoDNR's accounting system of separating UFAV (Title V specific) and UFAN (non-Title V) sufficient to conduct our review.

MoDNR Title V Operating Permit Fee Evaluation Findings

MoDNR collected fees less than the CAA Presumptive Minimum Fee. States may use the "Presumptive Minimum Fee" approach to determine if fees are adequate and to charge fees to sources, but this is not required by EPA and other fee approaches may be approved into the program.² MoDNR's collected fees were not sufficient to cover Missouri's Title V operating costs during SFY23 and SFY24. SFY23 had an annual operating deficit of \$481,208.63, and SFY24 had an annual operating deficit of \$176,676.65. The noted deficits were covered by surplus Title V funds from previous years, thus keeping the program in compliance with the CAA §502(b)(3)(A) Title V Operating Permit Program requirement of only using Title V fees to pay for Title V program operating costs.

During the line-by-line analysis of MoDNR's code 0594 UFAV fund workbook, EPA found one expenditure of approx. \$49,500 used as passthrough to the Mid-America Regional Council of Kansas City (MARC) and the East-West Gateway Council of Governments in St. Louis for what MoDNR deemed Title V activities. However, upon further examination of the workplans, EPA R7 ARD found that the activities under said workplans did not meet the necessary requirements of the Title V Program. To remedy this issue, the EPA R7 Fee

² Per Part 70, "EPA considers the total program revenue to be presumptively adequate if fees are collected at or above the presumptive minimum level. If presumptively adequate...EPA does not require a detailed fee analysis in the initial operating permit program submittal," ([Permit Fees | US EPA](#)).

Evaluation Team and the Air Pollution Control Program of MoDNR met on August 12th, 2025, to discuss Title V program requirements and how workplans for the supported regional councils could be updated to clarify the eligibility of Title V revenue use. MoDNR assesses that, given some time for workplan revisions, they can clarify in such workplans that the passthrough programs to MARC and East-West Gateway have a Title V eligible component that would be auditable and compliant within Title V requirements. EPA R7 ARD and MoDNR will continue to collaborate through the revision process to ensure the workplans meet Title V standards and expectations.

In order to address the potential insolvency of the Title V Program while also preparing for declining statewide emissions and increasing operating costs due to salary inflation, MoDNR took three crucial actions between 2024 and 2025: incrementally increased per ton emission fees, increased Title V permit application fees, and established a new emission fee baseline that spreads fee revenue across all sources utilizing the program rather than relying heavily on a relatively small number of large emission sources accounting for the majority of the emission fee revenue. Per MoDNR's newly established rules, emission fees are increasing from \$55 per ton emitted in calendar year 2024 (CY24) to \$58 per ton emitted in CY25, \$60 per ton emitted in CY26, and \$62 per ton emitted in CY27 and all future calendar years. EPA views MoDNR's aforementioned three actions as substantial steps and essential to addressing the potential insolvency of their Title V Program operating costs.

Additionally, MoDNR historically utilized a workload analysis to assign the percent of time staff spent on Title V and non-Title V activities. The percent was determined by estimating the time permit writers spent on various activities and was last updated in 2014. In 2024, however, MoDNR established new labor distribution profile rate codes for Title V and non-Title V work. These new codes are used by permit writers when working on Title V operating permit work and construction permit projects at Title V installations. This improves MoDNR's ability to track Title V operating costs and better supports future funding allocation plans. EPA recommends that MoDNR continues to develop and update supportable Title V allocation methodologies, as applicable and when necessary.

In summary, while MoDNR's Title V program operated at a deficit in SFY's 23 and 24, the state has taken essential steps toward addressing its annual deficit while retaining some surplus funds if needed. Considering those actions, along with their recently revised methodology for identifying Title V and non-Title V operating costs, EPA R7 did not identify any significant concerns with the state's current management of the Title V program in relation to their use of state collected Title V fees. Furthermore, MoDNR has committed to ensuring that all future lines of expenditures fall within the confines of the Title V program.