MEMORANDUM

SUBJECT: Allocation of Remaining FY 2001 Air Grant Funds

FROM: Rob Brenner /s/
Acting Assistant Administrator

TO: Regional Air Directors
Regions 1 - 10

We have reached agreement with STAPPA/ALAPCO on the allocation of the remaining $11.3 million in section 105 grant funds for state and local agencies. We will distribute almost $9.2 million, over 80 percent of the funds, proportionately among regions. We will target the remaining funds to developing and delivering training for state and local air agency staff ($1.8 million) and to continuing the Emission Inventory Improvement Project ($337,500). Attachment A describes the allocation of the $11.3 million in more detail.

Targeting Dollars to Priorities

We ask that you work with the state and local agencies in your region to target the grant increases to the highest air priorities: air toxics (e.g., carrying out additional monitoring and data analysis); ozone and particulate matter (e.g., responding to the NOx SIP call); acid rain assessment; and others identified by the grantee. State and local agencies should identify these priorities and the associated dollars in negotiating revised grant workplans and agree on performance measures.

Withholding Grant Dollars

Report language accompanying our FY 2001 appropriations bill included three criteria for withholding section 105 funding for expenditures directly by EPA:

- The funded activities or programs must benefit state and local agencies
- The activities or programs must be the responsibility of state and local air agencies
- State and local agencies must have concurred in the use of section 105 funds for the activities or programs
These criteria apply at the regional as well as the national level. You should not take grant funds “off the top,” unless you meet the three criteria.

**Responding to the NOx SIP Call**

States that are subject to the NOx SIP call must identify the activities and associated resources necessary to meet the SIP call requirements in their revised grant workplans. We anticipate that many states will meet the SIP call requirements through voluntarily participating in an EPA-administered allowance trading program. Attachment B identifies the dollar amounts necessary for affected states to participate in the allowance trading program. These amounts are based on the number of utility units in the state and past experience in administering a trading program. For those states that want to participate in the allowance trading program, you should reprogram the necessary STAG dollars to the Office of Atmospheric Programs.

For any state that does not meet the requirements of the NOx SIP call, EPA will promulgate a FIP that allows affected sources in the state to participate in the EPA-administered allowance trading program. EPA will fund the development and implementation of the FIP from the air grant dollars allotted to the state, in the amount shown in Attachment B.

If you have questions about the allowance trading program, please call Larry Kertcher, Office of Atmospheric Programs at 202-564-9121. For assistance in reprogramming, please call Kelly Spencer, Office of Program Management Operations at 202-564-1722.

Attachments

cc: Regional Air Grant Coordinators

Beth Craig
Bill Houck
Larry Kertcher
Brian McLean
John Seitz
Kelly Spencer
Paul Stolpman
Jerry Stubberfield