

National Association of Clean Air Agencies' Principles for
Allocating Greenhouse Gas Permitting Grants
July 13, 2010

NACAA was very pleased that the President's proposed budget for FY 2011 included an increase of \$25 million in state and local air grants for developing capacity for greenhouse gas (GHG) permitting. These funds will be critical as state and local agencies expand their programs so that they will be prepared to issue permits for sources of GHGs. While we recognize that the FY 2011 grants have a specific purpose, it is NACAA's hope that this funding can continue in future years even after permitting programs are in place. These grants will continue to be needed for basic infrastructure or support functions that would enable GHG permitting work as well as non-permit GHG work required by EPA or included in a state or local agency's grant agreement with the EPA regional office.

As EPA develops a formula for allocating the \$25 million among the regions for distribution to state and local air agencies, NACAA recommends that EPA incorporate the following principles into its allocation methodology

- The allocation should include a fixed and variable component. The fixed component would recognize that there are base costs associated with developing a GHG permitting program, regardless of the size of the program or the number of permits to be issued. This portion would be distributed evenly among agencies. The variable component would recognize that some agencies will have higher costs associated with the size of their workloads. The variable portion should be distributed among agencies according to some surrogate for workload. All agencies would not necessarily receive the same amount of the variable portion.
- The allocation should not dictate the use of funds beyond that it is for GHG permitting infrastructure work. State and local agencies, in consultation with the EPA regional offices, should be able to apply it to the activities that have the most value.
- While these principles should apply to regional allocations, as well as to the allocations from the regions to the individual state and local air agencies, the regional offices should have some discretion on how to allocate the funds, in consultation with state and local air agencies. These principles should also apply to pass-through funded local agencies.
- The funds should be allocated under the authority of Section 103 initially, so as not to cause additional match problems for state and local air agencies. If they later must be granted under Section 105 authority, there should be an adequate transition period.
- Any funds that are unused should be reallocated to state and local air agencies for other GHG-related work.
- The allocation formula used for this effort should not dictate the distribution of future grants that are meant for other GHG-related purposes.

- The process for allocating the funds should be transparent, understandable and clear. Those affected by the formula and the allocation should understand how they were developed and how they will be implemented.
- All grant funds should be distributed to the regions and then to the state and local air agencies. Grants may be held “off-the-top” (i.e., set-asides) at the national or regional levels, but only when the state and local air agencies have given their explicit approval.