



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY
WASHINGTON, D.C. 20460

FEB 16 2005

OFFICE OF
AIR AND RADIATION

Dennis J. McLerran
President
Association of Local Air Pollution
Control Officials
Suite 307
444 N. Capitol Street
Washington, D.C. 20001

Dear Mr. ^{Dennis} McLerran:

In my December 23, 2004, letter to you I asked for comments from your membership on how to allocate the \$5.35 million reduction to state and local air grant funds made by the Congress in the FY 2005 Consolidated Appropriations Bill. I want to express my appreciation for the many thoughtful and constructive comments that we received from you and others on this difficult topic. The comments addressed not only the FY 2005 reductions, but also provide an excellent foundation upon which to base further discussion of the allocation of grant resources in future years.

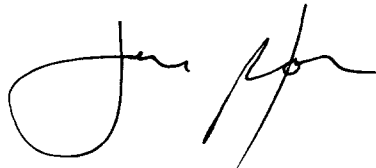
After reviewing the comments, I still believe that original pro-rata allocation approach proposed in my letter offers the best approach to implementing the Congressional reductions. I understand your desire for increased flexibility, but I believe there are constraints in how we implement the Congressional reductions. First, the President's budget request included separate grant categories (e.g., particulate matter monitoring, regional planning organizations). The Consolidated Appropriations Bill did not change those categories, nor authorize EPA to make changes. The Bill included reductions directed at specific program areas, as well as a government-wide, across-the-board reduction. The Bill did not single out any particular state and local air grant category for reduction, but did specify that the across-the-board reduction must be applied to every activity funded by the Bill. The general reduction to state and local air grants totaled \$3.55 million; the across-the-board reduction, which was 0.8 percent of the funds requested for each grant category, totaled \$1.8 million.

Second, the authority for making grant awards for the separate grant categories in the President's request falls under separate sections of the Clean Air Act, which are identified in the request. For example, the continuing air programs that constitute the largest grant category are funded under section 105 of the Act. The fine particulate monitoring programs that constitute the second largest grant category are funded under section 103 of the Act. The Consolidated Appropriations Bill includes specific language that provides for fine particulate monitoring programs under section 103.

Given the constraints outlined above, I believe the originally proposed pro-rata approach represents the most prudent and equitable way to make the necessary reductions. Our regional offices do recognize that state and local agencies need flexibility to address their individual priorities and will provide for that in workplan negotiations. States also may use performance partnership grants (PPGs) for additional flexibility, although the fine particulate monitoring grants are project grants and cannot be included in PPGs.

Although I do not foresee significant changes in state and local air grant resources in the near term, we have been compiling and updating information that could be useful in a re-examination of the basis for allocating grant dollars. I would welcome your assistance in developing a revised allocation formula that could be used in the event of future changes in grant funds.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jeffrey R. Holmstead', with a stylized flourish at the end.

Jeffrey R. Holmstead
Assistant Administrator

Enclosure