

drainage basin drive its onset and duration. Studies show that a significant portion (90%) of the nitrates entering the Gulf comes from a variety of human activities, including discharges from sewage treatment plants, and stormwater runoff from city streets and agricultural farms. Much of the nutrient load comes from wastewater discharges and agricultural lands in Iowa, Illinois, Indiana, Minnesota and Ohio.

Reducing hypoxia in the Gulf of Mexico has been an Agency priority since the 1998 passage of the Harmful Algal Bloom and Hypoxia Research and Control Act. The Act called for the creation of the Mississippi River/Gulf of Mexico Watershed Nutrient Task Force, which was then charged with developing an Action Plan to reduce hypoxia in the Gulf. The Action Plan was completed and delivered to Congress in January 2001. The Action Plan can be found at <http://www.epa.gov/msbasin/actionplan.htm>.

EPA sees the Watershed Initiative as an opportunity to invoke watershed approaches in the Mississippi drainage basin to ascertain if they result in real, measurable reductions in excessive nutrient levels. As part of this year's Initiative, the Agency is seeking proposals that look at holistic strategies consistent with the Action Plan to reduce the amount of nutrients, particularly nitrogen and phosphorus, entering the Gulf with the goal of testing approaches to stay the further growth of the hypoxic area. Such field studies may include, for example, determining the measurable results of: improving nutrient management programs on farms, restoring or constructing wetlands and vegetated riparian areas, floodplain management and restoration, and enhancing denitrification and nitrogen retention opportunities throughout the river basin and along the coastal plain of Louisiana.

From a national perspective, the nutrient enrichment and resultant hypoxic condition in the Gulf of Mexico is significant in terms of its sheer size, persistence, and location. However, the concern about coastal eutrophication is not limited to the inner shelf off Louisiana. In 1990, it was estimated that nearly half of the nation's estuaries were susceptible to eutrophication. EPA envisions that results from the selected watersheds within the Mississippi River basin will enhance knowledge and understanding of hypoxia and that successful nutrient reduction approaches related to the causes of hypoxia can be adapted to other bays and estuaries along our coasts.

### C. Funding Availability

The Administration has requested \$21 million for FY 2004 which is subject to the availability of Federal appropriations. EPA will announce when funds become available on its Web site (<http://www.epa.gov/owow/watershed/initiative/>), and provide, to the extent possible, information regarding the appropriation request as it goes through the Congressional budget process.

EPA expects to use most of the money to support competitive grants for up to 20 selected watersheds—a portion of those watersheds being within the Mississippi River Basin. EPA anticipates that typical grant awards for the selected watersheds will range from \$300,000 to \$1,300,000, depending on the amount requested and the overall size and need of the project. The total number and amount of the awards will depend on the amount of funds Congress appropriates.

Also, as in 2003, about five percent of the total appropriation will go toward (1) a national conference for the watershed organizations selected to receive grants, and (2) assistance agreements to organizations offering capacity building programs for all watershed organizations. This latter effort will entail enhancing national tools, training, and technical assistance that will help local partnerships be more effective at improving watershed health, so that all watershed organizations, from fledgling groups to sophisticated coalitions, will benefit from the Initiative.

## II. Statutory Authority and Eligibility Requirements

### A. Authority

EPA expects to award the Watershed Initiative grants under the authority of section 104(b)(3) of the Clean Water Act. Regulations pertaining to EPA grants and other assistance agreements are in Title 40 of the Code of Federal Regulations (CFR) parts, 30, 31, and 40.

All costs incurred under this program must be allowable under the applicable OMB Cost Circulars: A-87 (States and local governments), A-122 (nonprofit organizations), or A-21 (universities). Copies of these circulars can be found at <http://www.whitehouse.gov/omb/circulars/>. In accordance with EPA policy and the OMB circulars, as appropriate, any recipient of funding must agree not to use assistance funds for lobbying, fund-raising, or political activities (e.g., lobbying members of Congress or lobbying for other Federal grants, cooperative agreements or contracts).

### B. Eligible Activities

Section 104(b)(3) of the Clean Water Act authorizes the Agency to award grants to “conduct and promote the coordination and acceleration of, research, investigations, experiments, training, demonstrations, surveys, and studies relating to the causes, effects, extent, prevention, reduction, and elimination of [water] pollution.” Grant funds awarded as part of this Initiative may only be used for these activities and all grant-funded activities must support the watershed workplan submitted.

These activities seek to advance the state of knowledge, gather information, or transfer information. Demonstrations are projects that exhibit new or experimental technologies, methods, or approaches and disseminate the results so that others can benefit from the knowledge gained. Research projects may include the application of established practices when they contribute to learning about an environmental concept or problem.

1. *The Watershed Initiative under 104(b)(3).* The Watershed Initiative is designed to award grants to support studies of a series of possible approaches to watershed restoration to determine if those approaches produce short-term measurable environmental results in a watershed, or to support demonstration projects to test new and innovative approaches to water quality. For example, if a watershed organization identifies particular environmental threats or impairments to its waters, and proposes to look at a group or series of interrelated projects to address those impairments and includes measurement tools to achieve and judge their success, the proposal could be considered a study under section 104(b)(3). Activities involving the implementation of pollution control measures are eligible for funding only to the extent they are necessary to carry out the study or demonstration project(s). Activities involving wildlife are eligible only to the extent they are conducted as part of a study or demonstration relating to the causes, effects, extent, prevention, reduction or elimination of water pollution.

2. *Exceptions.* While certain projects may fall within the scope of section 104(b)(3), the Agency has decided that particular activities do not fit the goals or intentions of the Watershed Initiative. These include any proposals to directly support regulatory activities required under the CWA. Primarily this entails funds for the development of TMDLs, Phase II Stormwater projects, and other Office of Water regulatory programs.