

new ones as necessary to achieve their water quality goals. While Section 319 funds have grown, they remain, taken alone, only a modest response to the broad range of national nonpoint source impairments and threats. Therefore, the effectiveness of State nonpoint source programs will depend on the effective use of their funds, authorities, and other resources to leverage the funds, resources, and authorities of other public and private sector entities that have a role to play in abating and preventing nonpoint source pollution problems.

A. Relationship to Performance Partnership Grants

On January 9, 2001, EPA published rules to revise and update its grant regulations that apply to Section 319 and other EPA grants programs. (See 66 FR 1725–1747 (January 9, 2001), 40 CFR part 35, available at http://www.access.gpo.gov/su_docs/.) The regulation advances ongoing efforts to build more effective State-EPA partnerships and to improve environmental conditions by providing States with increasing flexibility to direct resources where they are needed most to address environmental and health needs.

EPA believes that the States' efforts to upgrade State nonpoint source programs during the past five years have much in common with goals and principles of the Performance Partnership Grants (PPG) program and the broader National Environmental Performance Partnership System (NEPPS) of which the PPG program is a part. These included promoting a focus upon improved environmental results by directing scarce public resources toward the States' highest priority, highest value activities; providing States with greater flexibility to achieve those results; improving public understanding of environmental conditions and choices; and enhancing accountability to the public and taxpayers.

These new guidelines have similarly been drafted to be consistent with the overall framework of the NEPPS and PPG. They focus on broad environmental goals (e.g., achieving water quality standards in impaired waters through the implementation of TMDLs) while providing flexibility to States in prioritizing their efforts among their many impaired waters and in developing and implementing appropriate practices and systems to solve their water quality problems. They also focus on reporting environmental outcomes (e.g., "reductions in nonpoint source pollutant loading and improvements in water quality" as

called for in Section 319(h)). The nonpoint source program is an eligible grant program in a PPG. For those States that wish to include the nonpoint source program in their request for a PPG and/or NEPPS Agreement, these guidelines should be used as the foundation for substantive discussions on establishing nonpoint source environmental goals and program performance expectations.

B. Funding Process

1. Allocation of Funds

EPA uses the allocation formula presented in Appendix D to determine the amount of funding to be awarded to each State. The factors used in the allocation formula, as well as the weights used in the formula, have remained the same as they have been since the Section 319 grants program began. Each year, the Congressional appropriation for Section 319 will be multiplied by the applicable percentage presented in Appendix E to determine each State's allocation for that year. As soon as the annual Section 319 appropriation is made by Congress, EPA Headquarters will immediately notify the EPA Regional offices of each State's allocation, and the Regions will immediately notify the States.

EPA will continue to award funds to States in two portions. EPA will first subtract \$100 million from the total Section 319 appropriation. That portion is referred to as the "incremental funds" while the remaining portion is referred to as the "base" funds. Both of these portions are allocated to the States in accordance with the allocation formula discussed in the preceding paragraph. As discussed in Section III.B above, the base funds are to be used by the States to generally implement all aspects of their nonpoint source programs, while the incremental funds are to be primarily focused upon the implementation of watershed-based plans to restore waters impaired by nonpoint source pollution.

2. Schedule for Awarding Section 319 Grants

a. Background

These guidelines present a six-step process for awarding Section 319 grants. EPA recognizes that there is a wide disparity among States as to their desired schedules (e.g., due to differing fiscal years, timeliness of weather-related projects, etc.), and is presenting this process to help provide States and EPA with a general outline of the steps to be followed without dictating a uniform schedule for State submissions.

States are strongly encouraged to begin their internal project development processes (such as identification of priority areas for funding and solicitation of project proposals) as early as possible to assure more time for the State and other project proponents to develop excellent projects in advance of the formal grant application process. States should reference their approved nonpoint source management programs (e.g., in a Request for Proposal) so that project sponsors are focusing on activities consistent with the State's program. States and Regions are also encouraged, where feasible, to informally discuss proposed projects prior to formal submission of the draft application to EPA so that the subsequent submission can be reviewed and approved quickly and smoothly. In particular, EPA encourages States to submit early drafts of project proposals to EPA if they believe that there are difficult issues that may arise (e.g., whether the proposed project is legally fundable or meets criteria established in applicable guidelines) or if they desire technical assistance from EPA.

b. Six-Step Process to Awarding Section 319 Grants

- *Step 1:* EPA Headquarters issues brief annual guidance.

EPA Headquarters will strive to issue brief annual guidance, if any is needed, in the early Spring preceding the Fiscal Year for which the Section 319 funding will be applicable.

- *Step 2:* States submit draft grant applications, including a draft work plan.

States should expeditiously implement their processes to develop or solicit draft grant applications (e.g., the Request for Proposals process used by many States to solicit grant projects from agencies, watershed groups, and other organizations within the State). They should also develop expeditious processes (e.g., using State Nonpoint Source Task Forces such as have been established in many States) to review project proposals and select the best ones for inclusion in their draft work plan, so that they can submit good-quality draft applications in a timely manner.

EPA strongly recommends that the State provide clear written or oral guidance to all project applicants to assure that the applicants are aware of Federal requirements for project eligibility and State criteria for project selection.

Each State will submit a draft grant application, including a draft work plan. EPA encourages States choosing to submit any voluminous materials do so