

collaboration, the Region should provide a written reply to the State. Regions will strive to conduct such reviews and provide feedback to States within 60 days of receipt of the State application.

The Regional response should include written comments on the State's draft application, paying particular attention to its consistency with applicable legal requirements; applicable guidelines and guidance; and the goals, objectives, and priorities established in the State management program. The Region will work with the State to jointly ensure that: The work plan is designed to help achieve the goals and objectives contained in EPA's guidelines and in the State's nonpoint source management program; the work plan has programmatic, technical, and/or scientific merit; the costs are reasonable and necessary; the work plan is well-coordinated with other State and Federal programs; gaps between program objectives and planned activities are identified and resolved; and the work plan clearly identifies the specific outcomes, outputs, and other results that are linked to funding and includes target dates and milestones for achieving them.

In addition to commenting on the consistency of the State program with applicable requirements, guidelines, guidance, and State program goals, objectives, and priorities, Regions may also provide technical comments to the State on ways in which particular proposed projects or programs could be clarified, improved, or otherwise modified to result in a better project or program. These comments should be offered as technical suggestions and should not be regarded by the Region or State as a prerequisite to grant award unless they raise significant concerns that a proposed project may fail for technical reasons.

- *Step 4:* States submit final work plans and grant applications to EPA Regions.

States are encouraged to submit final work plans and grant applications to EPA Regions as quickly as possible. States should contact EPA to discuss any questions and the intended responses to EPA comments and concerns, and the final work plan must provide a response to all comments. Good communication between the States and EPA will help assure work plan approval will occur as quickly as possible and reduce the need for additional rounds of comment from EPA.

- *Step 5:* Regions award grants to State.

Each Region will review its States' final work plans. If the State's work programs meet all applicable legal requirements, guidelines and guidance, and the goals, objectives, and priorities established in the State management program, the Region will award the final grant as quickly as possible. Regions will strive to conduct final reviews and award the grant to the State within 60 days of receipt of the final work plans. Where issues remain, the Region will elevate discussions to more senior management levels quickly to achieve a satisfactory resolution of the problem. In the event that funds cannot be fully awarded to a particular State within a reasonable time, the Region may reallocate the funds to another State. However, the Region and State should make all reasonable efforts to avoid such an unsatisfactory result.

The grant award is contingent upon the Region determining in writing that the State has made "satisfactory progress" in the preceding fiscal year in meeting the schedule specified in the State's Section 319 nonpoint source management program (as discussed further below in Section IV.D).

- *Step 6:* States obligate funds as expeditiously as possible.

States will obligate the awarded funds as quickly as possible and conduct funded activities according to the schedules contained in the approved work plan. EPA has interpreted Section 319(h)(6) to provide that Section 319(h) funds granted to a State shall remain available for obligation by the State for one year from the grant award. For example, grant funds awarded to a State on December 1, 2003, remain available for obligation until December 1, 2004. The amount of any such funds that cannot be obligated by one year from the grant award shall, under Section 319(h)(6), be available to EPA for granting to other States. Regions should include in each grant a condition requiring the grant recipient to award all proposed contracts and interagency agreements within one year after the grant award.

EPA recognizes that each State has a different process, often governed or influenced by State laws, regulations, or control mechanisms, that result in varying time periods for the award of State sub-grants or sub-contracts to implement the projects. States should make every effort, including modifying State procedures if appropriate, to assure that the funds are made available to project implementers as soon as possible after the grant is awarded to the State. Projects often depend upon the active cooperation of private individuals, many of whom are not

professional nonpoint source personnel; it is important to be responsive to their needs to assure that credibility of the State's program is maintained and that participation in the program continues to grow.

The term "obligate" does not mean to "expend." As defined in 40 CFR Section 31.3, "obligations" means "the amounts of orders placed, contracts and subgrants awarded, goods and services received, and similar transactions during a given period of time that will require payment by the grantee during the same or a future period."

EPA believes that it is important that funds appropriated by Congress do not languish unused for significant amounts of time. Generally speaking, it is in the public interest for States to expend appropriated and awarded funds as rapidly as practicable upon receipt by the State. Where States are implementing multi-year watershed projects, the preferred approach may be to award the funds gradually over a period of years rather than to award all of the funds at one time. Regions and States are encouraged to work together to assure that funds awarded are sufficient to support any implementation activities in the watershed that may occur within a reasonable time, while agreeing that additional funds would be made available in future funding years to enable the project to be fully implemented over a period of years. EPA intends to engage in dialogue with the States during the coming year to assure that we meet the dual goals of putting the public's funds to work expeditiously while at the same time providing assurance to the States that they will receive enough funds to carry implementation efforts to successful completion.

C. Grant Eligibility

Section 319 grant funds are to be directed towards the States' and EPA's common vision that all States implement dynamic and effective programs designed to achieve and maintain beneficial uses of water. Approved State nonpoint source management programs provide the framework for determining what activities are eligible for funding under Section 319(h). While these guidelines emphasize the use of Section 319 funds for the development and implementation of watershed-based plans to restore priority waters, States may also use Section 319 base funds for other activities that will generally support these goals, as well as water quality protection goals, including nonregulatory or regulatory programs