

**Proposed Refinements to Clean Air Act §105 Grant Allocation Methodology for FY 2017 and Beyond**  
November 21, 2016

**Background**

Section 105 of the Clean Air Act provides authority for EPA to administer grants to support continuing state and local air programs taking into account population, pollution, and financial need. From the early 1990s through FY 2015, EPA used the same methodology for allocating Clean Air Act §105 resources among its ten regions for distribution by the regions to state and local air agencies. Between 2006 and 2010 EPA led a multi-year effort to update this allocation methodology, which was planned for use in the FY 2011 grant cycle, however Congress directed EPA's continued use of the historical allocation through FY 2015.

EPA's FY 2016 appropriation provided the opportunity to move forward with implementation of a revised allocation, and EPA employed the methodology originally planned for FY 2011 using updated data sets. The results revealed some sensitivities in the FY 2011 methodology that prompted EPA to provide supplemental funds to ensure no region would experience an overall decrease in FY 2016 from their FY 2015 funding levels while also committing to further refine the methodology.

**Refinement Process for FY 2017 and Beyond**

Beginning in spring of 2016, EPA formed an internal allocation team that included representatives from all ten Regions, as well as key OAR program offices. The team established goals to produce a refined allocation methodology that would be:

- As simple and as straightforward as practicable;
- Sustainable over time; and,
- Transparent.

**Regional Listening Sessions**

In June, 2016, EPA held 10 regional listening session to gather perspectives and direct input from state and local air pollution control agencies. These listening sessions provided EPA a better understanding of both the common and unique factors that contribute to the costs of running an air program, as well as the activities that drive workload. Participants from state air agencies, local §105 grantees, and regional air pollution control organizations shared information and ideas for EPA to consider which grouped into the following themes:

- The need for overall increased resources for air agencies to help support a large workload.
- The desire for a relatively stable base level of funding that is reasonably predictable from year to year.
- Monitoring is the biggest resource driver for air agencies, followed by NAAQS implementation/ SIP planning work, especially when related to nonattainment and maintenance areas.
- Minor sources require significant air agency time and effort, along with responding to complaints and public inquiries.
- While population is believed to influence workload, there was not a consistent view on how population should be factored into the allocation methodology.
- Each region/state has unique issues that drive a level of work – ranging from wood smoke, to exceptional events, to oil drilling, to having an active volcano.

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### Proposed Allocation for FY 2017 and Beyond

The proposed allocation methodology for FY 2017 and beyond would be comprised of two sets of factors. EPA is proposing that:

- Ninety percent of the allocation methodology would be based on a set of primary factors that reflect the routine, ongoing work of air agencies. These factors and their respective weightings would remain constant, while the data behind these factors would be updated at predictable, periodic intervals.
- Ten percent of the proposed allocation methodology would be based on short-term factors intended to capture new and emerging activities. EPA is proposing to review and change these short-term factors, and potentially their weightings, as specific activities are completed and new activities emerge.

Below is a summary of the proposed factors, weightings, and update frequency for both the proposed primary and short-term factors:

Proposed Primary Factors	Proposed Weighting	Update Frequency
Monitoring	42.5%	~Every 4 Years
Nonattainment & Maintenance Areas (All NAAQS)	22.5%	Annually
Population	12.5%	~Every 4 Years
Emissions	2.5%	~Every 4 Years
Regional Haze	2.5%	~Every 4 Years
Number of States	5.0%	N/A
State Land Area	2.5%	N/A
<b>Sub-total</b>	<b>90%</b>	

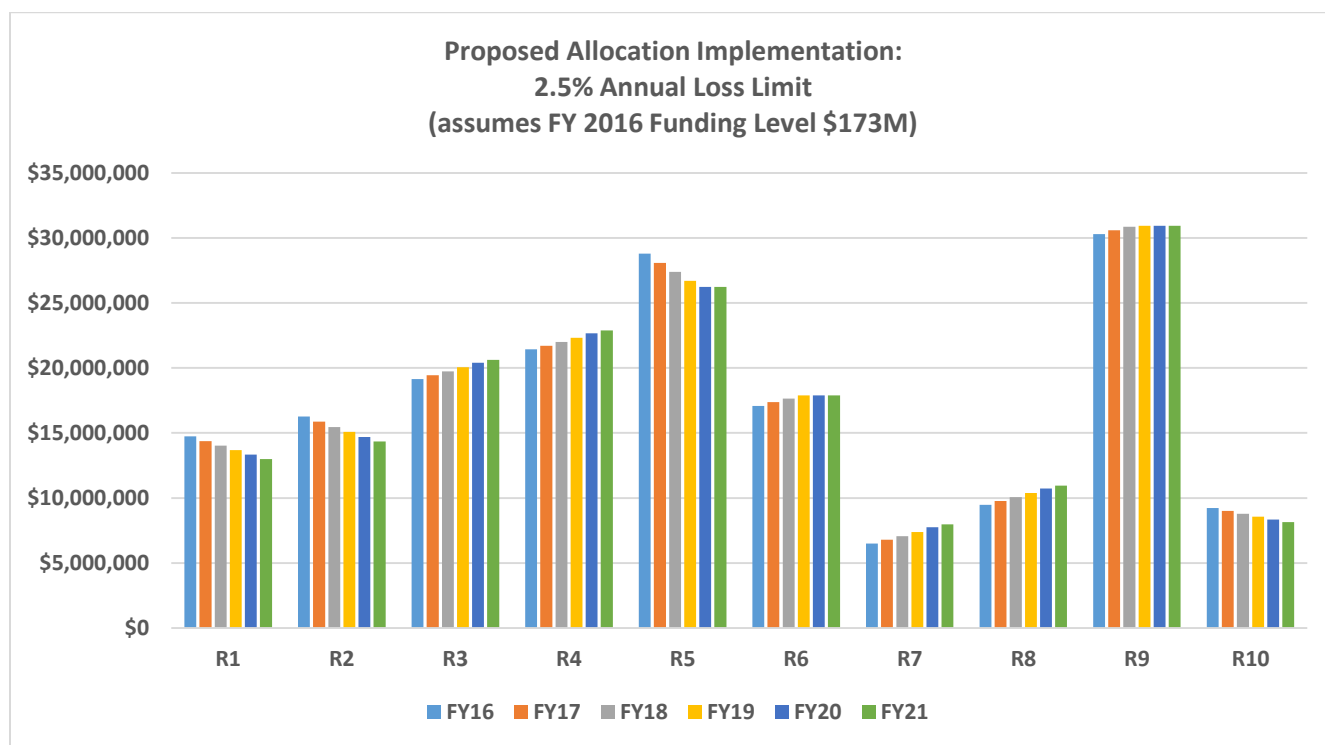
Short-Term Factors			
Category	Proposed FY17 Short-Term Factors	Proposed Weighting	Update Frequency
Designations	State Recommendations for 2015 Ozone Designations	2.0%	NPM Guidance Cycle (Every Two Years) *
	SO2 Sources On DRR List	5.5%	
	Additional Support for Attainment Planning	SO2 Round 2 NAAs	
Infrastructure SIPs	2015 Ozone ISIPs	0.5%	
Transport	State Transport Activities	1.5%	
<b>Sub-total</b>		<b>10%</b>	

\*The individual factors within each category will be identified every NPM Guidance cycle, which will include an opportunity for public comment. Changes to short-term factors may occur off-cycle in the case of a major policy change or rulemaking and would be communicated via an NPM Guidance Addendum.

### Proposed Implementation

EPA is proposing to apply this data-driven allocation methodology to the FY 2017 appropriated amount for Section 105 grants. To maintain the integrity of state and local air programs and to facilitate a smooth transition, EPA is proposing an implementation approach that would limit regional losses to no more than 2.5% from each region's prior year amount. The graph and table below show the results of EPA's proposed approach over the next few years, assuming that data, factors, and total funding remain constant.

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<b>Proposed Allocation with 2.5% Annual Loss Limit</b>						
<b>Region</b>	<b>FY16</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>
<b>R1</b>	\$ 14,751,627	\$ 14,382,836	\$ 14,023,265	\$ 13,672,684	\$ 13,330,867	\$ 12,997,595
<b>R2</b>	\$ 16,269,921	\$ 15,863,173	\$ 15,466,594	\$ 15,079,929	\$ 14,702,931	\$ 14,335,357
<b>R3</b>	\$ 19,160,288	\$ 19,448,060	\$ 19,728,637	\$ 20,059,302	\$ 20,408,144	\$ 20,635,490
<b>R4</b>	\$ 21,428,679	\$ 21,716,451	\$ 21,997,028	\$ 22,327,693	\$ 22,676,535	\$ 22,903,881
<b>R5</b>	\$ 28,813,118	\$ 28,092,790	\$ 27,390,470	\$ 26,705,709	\$ 26,243,043	\$ 26,243,043
<b>R6</b>	\$ 17,080,800	\$ 17,368,572	\$ 17,649,149	\$ 17,903,840	\$ 17,903,840	\$ 17,903,840
<b>R7</b>	\$ 6,490,552	\$ 6,778,324	\$ 7,058,901	\$ 7,389,566	\$ 7,738,408	\$ 7,965,754
<b>R8</b>	\$ 9,482,422	\$ 9,770,194	\$ 10,050,771	\$ 10,381,436	\$ 10,730,278	\$ 10,957,624
<b>R9</b>	\$ 30,314,160	\$ 30,601,932	\$ 30,882,509	\$ 30,946,535	\$ 30,946,535	\$ 30,946,535
<b>R10</b>	\$ 9,230,549	\$ 8,999,785	\$ 8,774,791	\$ 8,555,421	\$ 8,341,535	\$ 8,132,997
<b>Total</b>	<b>\$173,022,116</b>	<b>\$173,022,116</b>	<b>173,022,116</b>	<b>\$173,022,116</b>	<b>\$173,022,116</b>	<b>\$173,022,116</b>

**Next Steps**

EPA will consider stakeholder comments on the proposed approach and present any potential further adjustments to the proposal in the draft OAR FY 2018 – 2019 NPM Guidance, which will be shared for public comment in spring 2017. Implementation will begin in FY 2017 once EPA has received its appropriation and finalized the NPM Guidance, along with a response to comments, and continue in subsequent years. EPA will communicate any appropriate data updates and their impacts on regional allocations via the OAR NPM Guidance in the fiscal year prior to implementation.

Instructions on how to provide comments, and additional supporting materials are available at:

<https://www.epa.gov/grants/air-grants-and-funding> .