

# Best Practices Guide for Performance Partnership Grants with States



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## FOREWORD

I am pleased to inform you that this extensively rewritten and updated *Best Practices Guide for Performance Partnership Grants with States* now supersedes the original version published in 2006 and is posted on EPA's website. This new guide is designed to help EPA and state officials understand and take full advantage of the features and benefits of PPGs. It is now a more user-friendly document which better reflects ongoing PPG practices, and serves as a more practical "how-to" manual and quick reference tool for PPG-related rules, regulations and relevant grants policies.

As one of the key tools of the National Performance Partnership System (NEPPS) — the cornerstone of the EPA-state relationship — PPGs offer states administrative flexibility and reduced costs, streamlined accounting and paperwork procedures, and programmatic flexibility to direct resources based on environmental and public health priorities. Using a question and answer format, the guide: explains how PPGs can help in achieving environmental and program goals and objectives; highlights key regulations, policies and procedures; provides examples showing how PPGs can achieve administrative efficiencies; and contains information and resources for state and federal personnel involved in negotiating, managing and maintaining PPGs.

The importance of strengthening and modernizing the EPA-state relationship and revitalizing NEPPS is a priority of both the Administrator and Deputy Administrator, as reflected in the Cross-Agency Strategy, "Launching a New Era of State, Tribal, Local, and International Partnerships" in the *FY 2014-2018 EPA Strategic Plan*. EPA and states recognize that a strong and effective partnership is not only vital to the nation's success in protecting public health and the environment, but also helps organize the federal-state relationship in terms of setting priorities, deploying scarce resources and measuring progress.

I am confident that this guide will serve as a useful tool for navigating your way in and around PPGs.



Mark W. Rupp  
Deputy Associate Administrator  
for Intergovernmental Relations

# Performance Partnership Grants

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## List of Acronyms

CAA	Clean Air Act
CERCLA	Comprehensive Environmental Response, Compensation and Liability Act
CFDA	Catalog of Federal Domestic Assistance
CFR	<i>Code of Federal Regulations</i>
CWA	Clean Water Act
ECOS	Environmental Council of the States
FIFRA	Federal Insecticide, Fungicide and Rodenticide Act
GPI	Grants Policy Issuance
GPRA	Government Performance and Results Act
MOE	Maintenance of Effort
NEPPS	National Environmental Performance Partnership System
NPM	National Program Manager
OCFO	Office of the Chief Financial Officer
OCIR	Office of Congressional and Intergovernmental Relations
OGD	Office of Grants and Debarment
OMB	Office of Management and Budget
PART	Program Assessment Rating Tool
PO	Project Officer
PPA	Performance Partnership Agreement
PPA	Pollution Prevention Act
PPG	Performance Partnership Grant
PRC	Program Resource Code
SDWA	Safe Drinking Water Act
SWDA	Solid Waste Disposal Act
STAG	State and Tribal Assistance Grant
TPC	Total Project Costs
TSCA	Toxic Substances Control Act

Also note: In this text, Part 35 means the regulations at 40 CFR 35, Subpart A.

## Purpose of the Guide

### Purpose of the Guide

The guide is designed to help the U.S. Environmental Protection Agency (EPA) and state officials understand and take full advantage of the features and benefits of Performance Partnership Grants (PPGs), in which states can combine multiple environmental program grants into a single grant. A PPG is one of the cornerstones of the National Environmental Performance Partnership System (NEPPS) which serves as the framework for EPA-state relations. Using a question and answer format, the guide:

- Explains how PPGs can help in achieving agreed-upon environmental and program goals and objectives.
- Highlights key regulations, policies and procedures for developing and managing PPGs.
- Provides examples showing how PPGs have been used to achieve administrative efficiencies and direct resources where they are needed most.
- Provides information and resources for state and federal personnel involved in negotiating, managing and maintaining PPG grant agreements.

**TRIBES.** Tribes can also combine grants in PPGs, but tribal grants are subject to different administrative and match requirements (see [40 CFR 35.500-36.735](#)). This guide addresses state PPGs. Please see <http://www.epa.gov/ocir/nepps/pdf/ppg-guide-for-tribes.pdf> for the on-line version of the Best Practices Guide for Performance Partnership Grants with Tribes.

**STATES.** For assistance in interpreting this guide or obtaining documents referenced in this Guide, please contact your project officer or EPA's Office of Grants and Debarment.

## Essentials of Performance Partnership Grants (PPGs)

### 1. What are PPGs?

EPA provides financial assistance to states for development and implementation of environmental programs. A state may receive these funds in individual environmental program categorical grants and/or choose to combine at least 2 and up to 19 categorical environmental grants in a single PPG. A PPG streamlines administrative requirements, gives states greater flexibility to direct resources to their most pressing environmental needs and makes it easier to fund efforts that cut across program boundaries.

All categorical environmental state grants, including PPGs, are governed by [40 CFR 35](#), State and Local Assistance, Subpart A, Environmental Program Grants (commonly referred to as Part 35); and all state grants are subject to 2 CFR Part 200 and 2 CFR Part 1500, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. PPGs and PPAs do not supersede any laws, regulations, or delegation agreements.

## 2. Why were PPGs created?

Under traditional categorical environmental program grants, states receive funds to implement air, water, waste, pesticides and toxics programs. Each categorical grant can only be used for the specific purposes set out in the authority for that particular grant.

For many years, states wanted greater flexibility in how they use and manage the grant funds they receive from EPA. In 1995, EPA asked Congress for new authority to provide this flexibility. Congress responded by authorizing EPA to award assistance funds from multiple categorical environmental programs into one assistance agreement in the Omnibus Consolidated Rescissions and Appropriations Act of 1996 (Public Law 104-134) and in EPA's 1997 Appropriations Act (Public Law 105-65).

EPA implemented this new authority in 2001 when it promulgated new regulations governing the award and implementation of PPGs (see 40 CFR 35, Subparts A and B). The regulations were designed to provide new administrative and programmatic flexibility and benefits to states. PPGs were also created to further enhance the ability of states and EPA to fully implement PPAs. For a discussion of the relationship between PPAs and PPGs, see Question 9 on page 13. A PPG enhances the ability of a state to fully implement PPAs by allowing the grantee to move resources from one program to another. A PPG provides federal resources in a way that allows states to direct resources to the highest priority work. Other benefits of PPGs are described throughout this guide.

## 3. Which grants are eligible for inclusion in PPGs?

Congress determined the individual environmental program grants that were initially eligible for the PPG program when it authorized the program in 1996. Subsequently, others were added. A list of the grants currently eligible for inclusion in state PPGs is on page 7 (see 40 CFR 133(a) and 40 CFR 35.101(a)(2) through (17) and (20)).

### Grant Programs Eligible for Inclusion in State PPGs

- Air Pollution Control – CAA Sec. 105
- Radon Assessment and Mitigation –TSCA Sec. 306
- Water Pollution Control – CWA Sec.106
- Water Nonpoint Source Implementation – CWA Sec. 319
- Wetlands Development Grants Program – CWA Sec. 104(b)(3)
- Water Quality Cooperative Agreements – CWA Sec. 104(b)(3)
- Public Water System Supervision – SDWA Sec. 1443(a)
- Underground Injection Control – SDWA Sec. 1443(b)
- Hazardous Waste Management – SWDA Sec. 3011(a)
- Brownfields Response – CERCLA Sec. 128(a)
- State Underground Storage Tanks – SWDA Sec. 2007(f)(2)
- Pesticides Cooperative Enforcement – FIFRA Sec. 23(a)(1)
- Pesticide Applicator Certification and Training – FIFRA Sec. 23(a)(2)
- Pesticide Program Implementation – FIFRA Sec. 23(a)(1)
- Lead-Based Paint Activities – TSCA Sec. 404(g)
- Toxic Substances Compliance Monitoring – TSCA Sec. 28
- Environmental Information Exchange Network – EPA Appropriations Acts
- Pollution Prevention Initiatives – PPA Sec. 6605
- Multi-Media Sector Grants (compliance/enforcement) – Inactive

#### 4. What entities are eligible to receive PPGs?

PPGs may be awarded to all state agencies and interstate agencies that are eligible to receive funds pursuant to more than one categorical environmental program grant authority (e.g., CAA Section 105 and CWA Section 106). In order for a state agency to be eligible, it must be designated the state agency authorized to receive grants under each of the environmental programs to be combined in the PPG (see [40 CFR 35.134](#)). If the agency that is awarded the PPG is not the designated agency for a particular grant program to be included in the PPG, the state agency must have an agreement with the designated agency detailing how the funds will be shared. For example, a State Environmental Agency may be awarded a PPG that includes funding for drinking water programs (Public Water System Supervision—SDWA Sec. 1443(a)) even though the authority to carry out the drinking water program resides in the State Public Health Agency. This is allowable as long as there is an agreement between the Environmental and Public Health Agencies about how the funds will be shared between the agencies to carry out the drinking water program.

Congress authorized EPA to award PPGs to interstate agencies, but only as provided in authorizing statutes. Recipients must be interstate agencies as defined by either the CWA, the CAA, or both, depending on which funds are included in the PPG. Specifically, interstate agencies are eligible for PPGs that include funds from the following programs: Air Pollution

Control (CAA Sec. 105); Water Pollution Control (CWA Sec. 106); Wetlands Development Grants (CWA Sec. 104(b)(3)); and Water Quality Cooperative Agreements (CWA Sec. 104(b)(3)).

## 5. What regulations govern PPGs?

### **2 CFR Part 200 and 2 CFR Part 1500, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards**

In addition to 40 CFR 35, state grants, including PPGs, are subject to the requirements of [2 CFR Part 200](#) and [2 CFR Part 1500](#), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. These regulations address such topics as pre- and post-federal award requirements, contents of federal awards, standards for financial and program management, property and procurement standards, performance and financial monitoring and reporting, remedies for noncompliance, closeout, cost principles, and audit requirements.

### **40 CFR 35, Subpart A – State and Local Assistance**

EPA regulations at [40 CFR 35](#), Subpart A (commonly referred to as Part 35) govern all state environmental program grants, including PPGs.<sup>1</sup>

Sections 35.100 to 35.118 contain requirements that apply to *all* state environmental program grants, including PPGs. The requirements address such topics as components of a grant application, grant work plans, funding periods, criteria for approving grant applications, time frame for EPA action, amendments and other changes, evaluation of performance and unused funds and unexpended balances.

Sections 35.130 to 35.138 contain the requirements that are unique to PPGs. The requirements address topics including the purpose of PPGs, grants eligible for inclusion in PPGs, eligible recipients, activities eligible for funding, cost-share requirements, application requirements, and competitive grants. These PPG requirements are *in addition to* the grant requirements in Sections 35.100 to 35.118 that apply to all state grants and the grant regulations at 2 CFR Part 200 and 2 CFR Part 1500.

The remaining sections of 40 CFR 35, Subpart A contain the requirements that apply to each of the individual categorical environmental program grants to states. For each grant program, the rules cover topics such as the purpose, eligible activities, basis for funding allotment, and maximum federal share; some include a competitive grant process. These program-specific rules are relevant to PPGs because they affect the composite cost-share amount as well as the activities that can be funded with the PPG.

[Exhibit 1](#) contains a summary of 40 CFR 35, Subpart A with links to the full text of the regulation.

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<sup>1</sup>40 CFR 35, Subpart B contains regulations applicable to environmental program grants, including PPGs, for tribes.

## 6. What activities are eligible for funding under PPGs?

PPG funds can be used to carry out any activity that is allowable under at least one of the environmental program grants being combined in the PPG. Activities must be consistent with the negotiated work plan. The ability to fund a broad range of activities is one of the most flexible features of PPGs. The more program grants that are included in the PPG, the greater the range of activities that can be funded with the PPG.

For example, a state may wish to conduct multi-media inspections to assess compliance with air, water and hazardous waste management requirements. If the PPG combines funds from CAA Sec. 105, CWA Sec. 106 and SWDA Sec. 3011(a) programs, these multi-media inspections could be funded through the PPG if agreed to by the Regional Administrator.

In this same example, however, the state could not use the PPG-funded multi-media inspection program to inspect for compliance with underground storage tank (UST) requirements or polychlorinated biphenyl (PCB) rules under TSCA because no funds from those grant programs were included in the PPG.

## 7. How is the state's match amount for a PPG determined?

The match or minimum cost share amount for a PPG is the sum of the non-federal cost share required under each of the environmental program grants included in the PPG. Recipients should calculate a single, composite minimum cost share based on the match or maintenance of effort requirements of the categorical grants included in the PPG. At the end of the grant period, the recipient is required to submit a Federal Financial Report (FFR). The recipient is required to document in the FFR that the required composite match has been met. When a recipient receives resources in a PPG, the recipient is not required to show whether or not each environmental program match requirement has been met. The recipient need only show that the total, composite minimum cost share was met.

When an environmental program included in the PPG has a matching and maintenance of effort requirement, the greater of the two amounts is used to calculate the minimum cost share attributed to that environmental program (see 40 CFR [35.136\(b\)](#)).

Cost share requirements for the individual environmental programs that can be included in a PPG are provided in the following table. Please consult your grant specialist or project officer for the appropriate Catalog of Federal Domestic Assistance (CFDA) number.

Grant Programs Eligible for Inclusion in a PPG <sup>2</sup>	Required Match
Air Pollution Control – CAA Sec. 105	40% of TPC <sup>3</sup> or MOE <sup>4</sup> (whichever is greater)
Radon Assessment and Mitigation – TSCA Sec. 306	40% of TPC (for participants with 2 or more years in the program)
Water Pollution Control – CWA Sec. 106	MOE equal to expenditures in FY ending June 30, 1971
Nonpoint Source Management – CWA Sec. 319	40% of TPC and MOE
Wetlands Program Development – CWA Sec. 104(b)(3) ( <i>competitive</i> )	25% of TPC
Water Quality Cooperative Agreements – CWA Sec. 104(b)(3)	0%
Public Water System Supervision – SDWA Sec. 1443(a)	25% of TPC
Underground Water Source Protection – SDWA Sec. 1443(b)	25% of TPC
Hazardous Waste Management – SWDA Sec. 3011(a))	25% of TPC
Brownfields State and Tribal Response Program Grants – CERCLA Sec. 128(a), as amended; Public Law 107-118; Small Business Liability Relief and Brownfields Revitalization Act	0 %
Underground Storage Tanks – SWDA Sec. 2007(f)(2))	25% of TPC
Pesticide Cooperative Enforcement – FIFRA Sec. 23(a)(1)	0%
Pesticide Applicator Certification and Training – FIFRA Sec. 23 (a)(2)	50% of TPC
Pesticides Program Implementation – FIFRA Sec. 23(a)(1))	0%
Lead-based Paint Activities – TSCA Sec. 404(g)	0%
Toxic Substances Compliance Monitoring – TSCA Sec. 28	25% of TPC
Environmental Information Network Exchange Grants – Public Law 108-7 (2003) and 108-199 (2004) ( <i>competitive</i> )	0%
Pollution Prevention Incentives for States – PPA Sec. 6605) ( <i>competitive</i> )	50% of TPC
Multi-Media Sector Grants – Compliance/Enforcement (inactive)	0%

<sup>2</sup>Source: CFDA 66.605, Performance Partnership Grants

<sup>3</sup>TPC = Total Project Costs

<sup>4</sup>MOE = Maintenance of Effort

It is important to note that a grantee can use non-federal resources from any categorical program included in a PPG to meet the composite match requirement. Once included in the PPG, the federal categorical funds may be used to complete any of the approved PPG work plan commitments. Recipients must maintain adequate financial records and submit all reports and forms identified in the grant terms and conditions included in the PPG award document. The composite match amount required in the first year of the PPG will be the basis for determining whether a recipient has met the applicable match requirements.

## 8. How do the regulations governing PPGs support flexible approaches to achieving environmental goals and results?

The regulations that govern PPGs support flexible approaches to achieving environmental results. Working with EPA, states can take advantage of a range of benefits, including the ability to shift resources between programs included in the PPG, to propose strategic goals and priorities that are tailored to the programs included in the PPG, and the ability to report on resource use in the aggregate rather than under each individual program. Additional information is provided below.

### **Reducing Administrative Burden**

States can reduce the administrative burden of grant management through streamlined paperwork and accounting procedures (e.g., submission of one application package and consolidated federal financial reports). Under a PPG, a recipient can achieve cost savings through simplified accounting requirements that do not require the recipient to account for expenditures in accordance with their original funding source (see Preamble (66 FR 1726) to PPG regulations). Once grants are combined in a PPG, funds do not have to be tracked by the original program source. In general, 40 CFR Part 35 only requires one budget, financial status report and a negotiated workplan that incorporates commitments for each work plan component funded by the PPG.

In addition, many environmental program grants require states to provide a percentage share of funds in order to receive the grant; the cost-share percentages range from 25 percent to 50 percent. Some programs have no cost-share requirement, while others have both cost-share and maintenance of effort requirements.

With a PPG, the required amount of the state match is the sum of the cost shares for each of the programs combined in the PPG. Many states have found this composite match feature to be particularly valuable. For example, a state may have more than adequate resources to meet its required match in one program but not enough in another. The state can use those excess match resources to cover a program that cannot meet its match requirement. This benefit may be particularly useful to states having difficulty meeting the CAA maintenance of effort requirement when faced with budget cuts or increasing levels of recurring expenditures. An added benefit to a state is that once it enters into a PPG, the CAA MOE level remains at the level it was in the year prior to entering into the PPG.

## **Maximizing the Use of Available Resources**

States may want to use a PPG to fund innovative projects or special initiatives. For example, a state may want to use a PPG to fund a multi-media environmental initiative such as enforcement. In this case, the state could pool a portion of grant funds from each of the programs included in the PPG to support the new enforcement initiative. Distributing funds included in a PPG to projects or activities that cut across program boundaries can be a significant benefit. A state may also use the PPG work plan negotiation process to discuss opportunities for worksharing in accordance with the recommendations and guidance in two reports published by the EPA-State Worksharing Task Force.<sup>5</sup>

## **Distributing Resources to the Highest Priority Needs**

Traditional grant work plans are negotiated within individual programs. PPGs are often developed in a process that involves not only EPA and state program managers but also more senior leaders who bring a broader perspective about priorities and needs to the table. This can lead to PPG work plans that better reflect the comprehensive priorities of the state. Another advantage of a coordinated work plan development process is that program managers can see and understand the work of their counterparts. Thus, they may be able to leverage resources by joining forces on efforts of mutual interest.

EPA must ensure that all core programs continue to be adequately implemented regardless of shifts in emphasis among the programs. To that end, 40 CFR [35.137\(a\)\(4\)](#) contains a specific requirement for states to explain the reasons and expected benefits of proposed work plans that involve programmatic flexibility. The Regional Administrator is the decision-official regarding requests for flexibility in state grants. However, if a state's proposal deviates significantly from the National Program Manager (NPM) guidance, the Regional Administrator must consult with the appropriate NPM before agreeing to the state's proposal.

Examples of how states have incorporated these benefits into their work plans are included below and in [Exhibit 3](#). Through PPGs, states can:

- Use funds from one program area to address a budget shortfall in another, and meet cost-share requirements by using overmatch from one program to cover the match from another.
- Hire temporary personnel, fund emergency activities such as hurricane response, address permit backlogs, and support staff training and travel. The activities must be fundable under one or more of the included grant programs.
- Fund multi-media inspections and permitting, sector compliance/enforcement initiatives, and data system improvements such as participating in the National Environmental Data Exchange Network.

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<sup>5</sup>See: [http://www.epa.gov/ocir/nepps/pdf/task\\_force\\_report\\_prohibitions\\_areas\\_caution.pdf](http://www.epa.gov/ocir/nepps/pdf/task_force_report_prohibitions_areas_caution.pdf) and [http://www.epa.gov/ocir/nepps/pdf/task\\_force\\_reportbstpractices.3.26.13.pdf](http://www.epa.gov/ocir/nepps/pdf/task_force_reportbstpractices.3.26.13.pdf)

## 9. What is the relationship between PPGs and Performance Partnership Agreements (PPAs)?

Since 1995, EPA and states have been implementing NEPPS, a performance-based system of environmental protection designed to improve the efficiency and effectiveness of EPA-state partnerships. By focusing EPA and state resources on the most pressing environmental problems and taking advantage of the unique capacities of each partner, performance partnerships can help achieve greater environmental and human health protection.

Many states now use the process of negotiating Performance Partnership Agreements ([PPAs](#)) with EPA regions as a mechanism for reaching mutual agreement on joint priorities and work plans. While the scope and content of PPAs vary, PPAs typically set out joint priorities, goals and objectives, and work plan components and commitments. PPAs also include the roles and responsibilities of each partner and the measures they will use to assess progress. PPAs are based on an assessment of environmental conditions and program implementation needs as well as analysis of what approaches and tools are most likely to bring about the greatest environmental results.

A fundamental concept underlying PPAs is the recognition that states have particular capacities, needs, interests and environmental priorities. Each EPA-state partnership negotiation takes into account these differences and considerations. Individual PPAs can range from a general statement about how the state and EPA will work together as partners (perhaps identifying joint priorities that will be addressed) to comprehensive, multi-program documents that detail each party's roles and responsibilities.

A PPA or portions of a PPA can serve as the work plan for a PPG. If a PPA or a portion of a PPA is to be used as the work plan for the PPG, it must meet the requirements of 40 CFR [35.107\(b\)](#). In addition, the portions of the PPA that are used as the work plan must be clearly identified to distinguish them from other parts of the PPA (see 40 CFR [35.107\(c\)\(1\)](#)).

PPAs can provide the strategic underpinning for PPGs. This is especially important if the state wants to use PPG flexibility to shift resources among programs or to fund projects that cut across program boundaries. States must negotiate work plans with EPA in order to receive grant funds but they are not required to negotiate PPAs with EPA in order to combine grant funds in a PPG.

One of the objectives of performance partnerships is to improve public understanding of environmental conditions, what the government is doing to address environmental problems and the results of these efforts. Engaging the public can help ensure that PPAs or comparable strategic documents – as well as PPGs and other state grant work plans associated with them – reflect the priorities, concerns and interests of a wide range of stakeholders.

Different outreach techniques work for different circumstances; no one approach works equally well for all audiences. Techniques that can be used to engage and inform the public and stakeholders include: briefing legislators and other elected officials, convening advisory

panels, public meetings, meetings with opinion leaders, media contacts, and EPA and states can use websites as tools for information and education.

## 10. How are competitive grants managed in a PPG?

EPA's policy is to promote comprehensive joint planning and priority setting as a way to maximize program effectiveness and environmental results. Competitive grants pose certain practical issues for comprehensive planning.

The following PPG-eligible environmental program grants are awarded competitively, that is, the state must win a competitive process in order to receive the funds.

- Multi-Media Sector Grants (compliance/enforcement)
- National Environmental Information Exchange Network
- Pollution Prevention State Grants (PPA Sec. 6605)
- Water Quality Cooperative Agreements (CWA Sec. 104(b)(3))
- State Wetlands Development Grants (CWA Sec. 104(b)(3))

Competitive grants pose special management challenges for PPGs.

- The state (and EPA) will not know at the time that strategic planning and priority setting is under way whether or not the state will receive funds for the competitive program. This presents a challenge for developing comprehensive plans and priorities and a fully integrated PPG work plan.
- Grant cycles for competitive grants often do not coincide with the major program grants and the awarding of a PPG. Competitive grants are typically awarded later in the year than a PPG. To incorporate a competitive grant, the PPG must be formally amended.
- Reporting requirements for some competitive grants exceed those of the program grants.

Nevertheless, many states add their competitive grants to their PPGs because they believe the benefits exceed any additional effort that may be involved.

### **EPA Grant Competition Policy**

Award of competitive grants must adhere to the requirements of [EPA Order 5700.5A1, "Policy for Competition of Assistance Agreements."](#) This policy ensures that grant competitions are conducted according to accepted government-wide principles. The Agency's policy assures fair competition while giving programs the flexibility they need to customize a competition to maximize program results. Each of the competitive grants has its own regulations as well as guidance and criteria for the award of grants.

## **Adding a Competitive Grant to a PPG**

The funds of an eligible competitive grant can be included in a PPG. However, the PPG work plan must be amended to include the specific work plan commitments that were the basis for the award. This requirement assures fairness in the competition as well as accountability (see 40 CFR [35.138](#)). EPA will work with the grantee to mitigate any additional burden associated with adding the competitive grant funds to the PPG.

There are different ways to integrate competitive grants into a PPG. When a competitive grant is integrated into a PPG, special care should be taken to ensure that the competitive grant process is not compromised during the award phase of the grant. For example, in several regions, states submit initial applications that include funding requests for competitive grant proposals. The application includes a statement that the funds for the competitive grant proposal will be included only if the proposal is selected for funding. If the state's proposal is selected, the state submits the approved work plan, and the region adds the competitive funds when they become available.

The region treats the competitive grant work plan as an addendum to a consolidated work plan in order to preserve the integrity of the competition and ensure that no significant changes were made to the work plan. If a state does not receive the competitive grant, the region adjusts the award to show the funds were not awarded. Also, if the project period does not coincide with the budget period, the region has the option of extending the PPG in order to add the funding to the next PPG budget period.

### **11. How do grants become eligible for inclusion in a PPG?**

Under 40 CFR [35.133\(b\)](#), the Administrator has the authority to add, delete, or change the programs eligible for PPGs if a new grant program is authorized in the appropriate line item for multi-media and single media pollution control and abatement in the State and Tribal Assistance Grants (STAG) appropriations account (i.e., the categorical environmental program grant line item).

EPA policy on adding new PPG-eligible grants. EPA policy presumes that any new STAG program will be approved for inclusion in a PPG unless there is specific legislative language or an Administration policy determination that demonstrates inclusion in a PPG is not appropriate.

(Note: All STAG categorical environmental program grant funds are grouped together in one STAG earmark which Congress has determined to be PPG-eligible.)

Procedure for making changes to PPG-eligible grants. For each PPG-eligible grant program in the STAG appropriation, the Administrator makes the final decision as to whether that grant is approved for inclusion in PPGs. The Office of Congressional and Intergovernmental Relations (OCIR) will coordinate with the appropriate offices to develop a decision package for the Administrator's signature approving new programs for PPG eligibility.

If an EPA office believes a program should be excluded from PPGs, the office must notify OCIR. OCIR will convene meetings with interested offices and raise the issue to the Deputy Administrator or Administrator as necessary.

## Planning and Developing PPGs

### 12. What is the general planning cycle for development of PPGs?

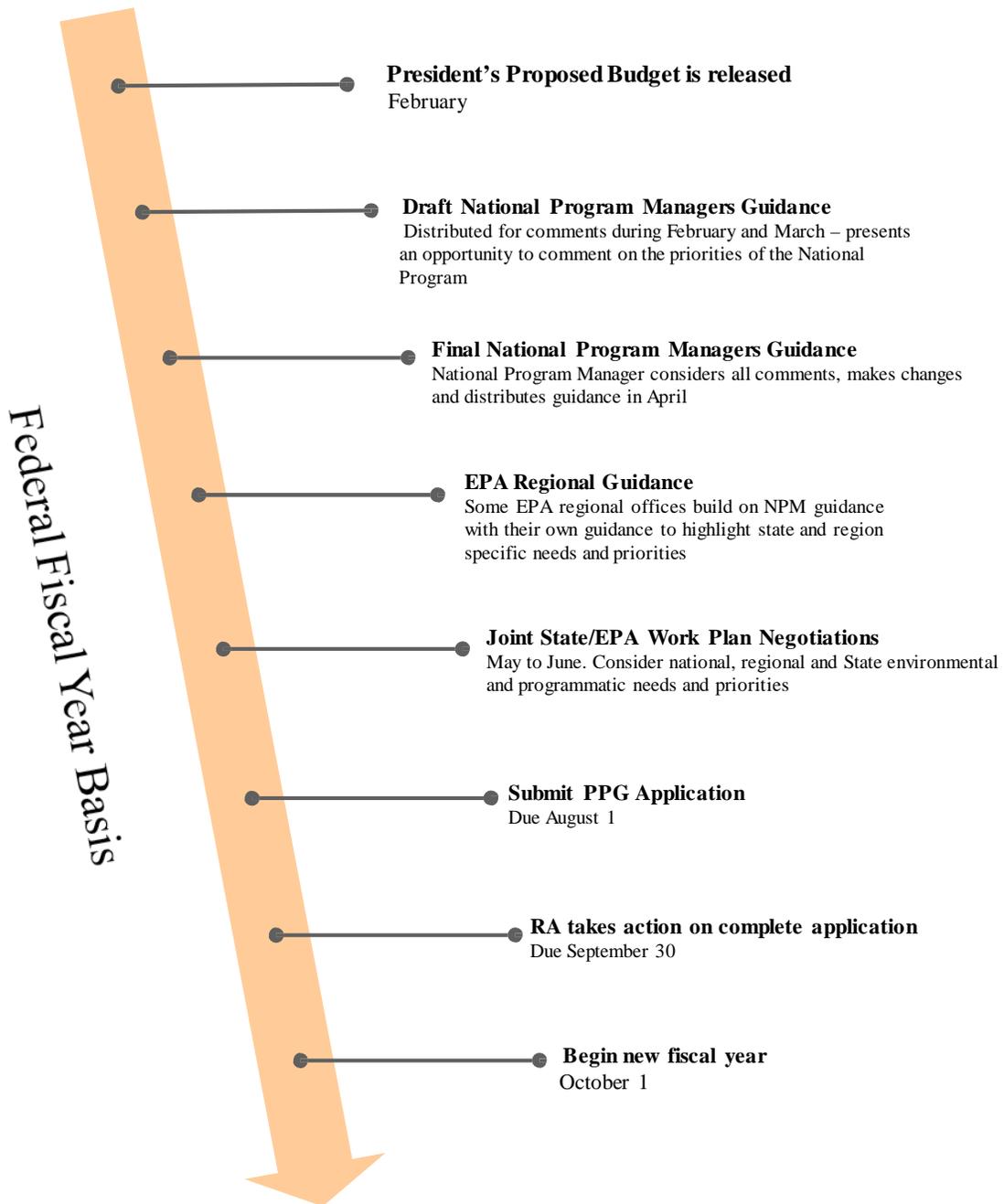
The schedule for developing PPG work plans will vary by state depending on the grant budget period in the award agreement. In many cases, PPG work plans are developed concurrently with new or revised PPAs or comparable EPA-state agreements. PPG work plans should be developed using the EPA Strategic Plan, Regional Plans, NPM guidance and state strategic planning documents.

EPA and states develop preliminary priorities and assess state resources needs, based in part on the results from the previous year's grant. States and EPA should review and comment on draft guidance from EPA's NPMs, usually issued in February. Beginning in FY 2016, NPM guidance will be issued every two years. The region and state should begin to develop mutual goals and priorities based on consideration of the NPM guidance, regional plans and guidance and state priorities and needs. Work plan commitments are then proposed, discussed and documented in a draft work plan. Unresolved issues should be elevated to senior management using a conflict resolution process.

Lastly, a state submits its PPG grant application to EPA at least 60 days before the beginning of the proposed funding period (40 CFR [35.105](#)). Project officers and grants specialists then work together to process the grant award documents and ensure the grant is awarded in a timely fashion.

A generic timeline for developing a PPG work plan and grant application is illustrated on the next page. It can be modified to accommodate state fiscal years or additional milestones.

# Major PPG Negotiation Milestones



Note: Additional milestones and activities may be added to this timeline to address specific needs of individual states and EPA regions. The President's proposed budget is used for negotiations as the final federal budget is established between October and December, sometimes later. End of year and other progress reports can help inform the negotiation process.

### 13. How do elements of NPM guidance affect PPGs?

Grant regulations at 40 CFR 35 require consideration of national, regional and state priorities in the development of grant work plans. EPA's planning process was revised to provide increased opportunity for states to participate and influence EPA priorities and strategies at the national and regional levels. As these joint planning efforts mature, there should be few major conflicts among the national, regional and state priorities. When states have different priorities and strategies, provisions of 40 CFR 35 ensure that state priorities are considered as grant work plans are negotiated.

There are several connections between EPA's planning processes and the negotiation of PPG and state grant work plans.

Consideration of state priorities in NPM guidance. The NPMs issue guidance setting out national priorities and the strategies that regional offices will be expected to carry out to meet program goals. Beginning in FY 2016, NPM guidance will be issued every two years. In EPA's planning process, NPMs are expected to reflect regional and state priorities and needs in developing their national guidances.

NPM guidance in grant work plans. EPA regions and states are required to consider NPM guidance when they develop grant work plans, including PPG work plans (see 40 CFR [35.107\(a\)\(1\)](#)). To provide flexibility to address regional and state needs, the rule also requires states to develop work plans that reflect any jointly identified priorities as well as state-specific environmental and programmatic needs.

Consideration of state priorities in grant work plan development. The grant rules explicitly require that state priorities and needs be considered, along with national program and regional supplemental guidance, in developing grant work plans (see 40 CFR [35.107\(a\)\(1\)](#)).

Process if a state proposes different goals and priorities. In keeping with the goals of performance partnerships, 40 CFR [35.107\(a\)\(1\)](#) provides flexibility for states to propose grant work plans that differ from the goals, objectives and measures in the NPM guidance. If the state proposes a work plan that is significantly different from the NPM guidance, the Regional Administrator must consult with the affected NPM before agreeing to the work plan. For PPGs where the proposed differences affect more than one program, the Regional Administrator must consult with each affected NPM.

Timing of the NPM guidance. EPA issues all of the NPM guidance on or about the same date, typically in April. Beginning in FY 2016, NPM guidance will be issued every two years. By issuing the NPM guidance all at the same time, EPA regions and states can get a comprehensive, cross-program view of priorities and proposed work. While EPA is committed to issuing these guidance documents on time, EPA wants to ensure that grant negotiations can move forward in the event that a program office is late in issuing its NPM guidance. To address this issue, 40 CFR [35.107\(a\)\(3\)](#) says that a state may use the NPM guidance that is in place at the time the state prepares its grant application as the basis for its work plan

## PPG Work Plans

### 14. What should be included in a PPG work plan?

#### **Regulatory Requirements**

PPG work plans are subject to the same requirements as any other grant work plan. The requirements can be found at 40 CFR [35.107](#). An approvable work plan must specify:

- The work plan components to be funded under the grant;
- The estimated work years and the estimated funding amounts for each work plan component;
- The work plan commitments for each work plan component and a time frame for their accomplishment;
- A performance evaluation process and reporting schedule in accordance with 40 CFR 35.115; and
- The roles and responsibilities of the recipient and EPA in carrying out the work plan commitments.

The work plan must also be consistent with applicable federal statutes, regulations, circulars, executive orders, and EPA delegations, approvals, or authorizations.

A PPA or a portion of a PPA can serve as a grant work plan for a PPG. The most strategic, flexible and outcome-oriented option for states may be a comprehensive PPA that serves as a PPG work plan.

The PPA or portion thereof that serves as a grant work plan must meet the same work plan requirements as for any state program grant. The portion(s) of a PPA that serve as a work plan must be clearly identified and distinguished from the rest of the PPA. The regulation at 40 CFR [35.107\(c\)](#) states:

An applicant may use a Performance Partnership Agreement or a portion of a Performance Partnership Agreement as the work plan for an environmental program grant if the portions of the Performance Partnership Agreement that serve as all or part of the grant work plan: (1) Are clearly identified and distinguished from other portions of the Performance Partnership Agreement; and (2) Meet the requirements in §35.107(b).

A PPG work plan should be the product of joint planning, priority setting and mutual agreement between the state and EPA. The PPG grant work plan is the result of negotiations between EPA and state program managers and staff. Successful PPG work plan negotiations rely on a predictable process that fosters prompt resolution of issues, including elevation of issues to senior management levels if necessary. In successful work plan negotiations, EPA and the state will reach a mutual understanding and agreement about what will be accomplished under the agreement.

Other requirements in supplemental policies and orders that may impact the work plan include:

### **GPI -11-03: State Grant Work Plans and Progress Reports**<sup>6</sup>

The policy is designed to:

- Enhance accountability for achieving grant performance objectives
- Ensure that state grants are aligned with the EPA's Strategic Plan
- Provide for more consistent performance reporting

To achieve these objectives, the policy requires that work plans and associated progress reports prominently display three *Essential Elements*:

- EPA Strategic Plan Goal
- EPA Strategic Plan Objective
- Work Plan Commitments plus time frame

The new policy supplements, but in no way supersedes, existing work plan requirements in 40 CFR 35, Subpart A. Based on the GPI's effective date of October 1, 2012, EPA's goal is to have all covered grants awarded on or after October 1, 2012 comply with the GPI.

To further transparency, the GPI established the State Grant IT Application (SGITA)<sup>7</sup> database to electronically store work plans and progress reports. It is the responsibility of the EPA Project Officer to enter the work plans and progress reports into the database.

### **EPA Order 5700.7, Environmental Results under EPA Assistance Grants**

[EPA Order 5700.7](#) directs program offices to ensure that the work plan contains well-defined outputs and outcomes. For state assistance agreements under 40 CFR 35, Subpart A, program offices may satisfy this requirement by ensuring compliance with 40 CFR 35.107 as stated above. Prior to approving an assistance agreement work plan, program offices must ensure that they can link the work plan to EPA's Strategic Plan architecture.

The term "output" in EPA Order 5700.7 means an environmental activity, effort, and/or associated work product related to an environmental goal or objective that will be produced or provided over a period of time or by a specified date. Outputs may be quantitative or qualitative but must be measurable during an assistance agreement funding period.

The term "outcome" means the result, effect or consequence that will occur from carrying out an environmental program or activity that is related to an environmental or programmatic goal or objective. Outcomes may be environmental, behavioral, health-related or programmatic in

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<sup>6</sup>See: [http://www.epa.gov/ogd/grants/final\\_grants\\_policy\\_issuance\\_11\\_03\\_State\\_Grant\\_Work\\_plans.pdf](http://www.epa.gov/ogd/grants/final_grants_policy_issuance_11_03_State_Grant_Work_plans.pdf).

<sup>7</sup>See: <https://ofmext.epa.gov/apex/sgita/f?p=SGITA:Home>.

nature, must be quantitative and may not necessarily be achievable within an assistance agreement funding period. Note: These terms and their uses are similarly defined in 40 CFR 35.102.

Other factors which may be considered in PPG work plan negotiations are:

- State environmental conditions and program needs
- Investments and disinvestments
- Technical assistance for targeted programs
- Joint ventures or worksharing that EPA and the state will undertake for future year activities
- Where federal actions are anticipated (i.e., interstate, regional, or national in scope)

### **Grant Budget Period**

The length of a grant period is flexible and can be negotiated between EPA and the state. EPA limits the budget period to a maximum of five years or less under [GPI-11-01: “Managing Unliquidated Obligations and Ensuring Progress under EPA Assistance Agreements.”](#)

#### **15. How can PPG work plan components be organized to provide flexibility?**

State grant work plans are organized primarily by work plan component. 40 CFR 35 defines a work plan component as “a negotiated set or group of work plan commitments established in the grant agreement. A work plan may have one or more work plan components.” (See 40 CFR [35.102.](#))

States and EPA have several options for organizing PPG work plan components, and current practice reflects the range of these options. The best option for a given state and region depends on the circumstances. Operational flexibility can be achieved using any appropriate approach to organizing work plan components. For example, states that have adopted multi-media work plan components in their PPGs group their commitments under categories such as permits, monitoring, inspections and enforcement. Other states organize the work plan components in accord with the individual program grants included in the PPG such as air, water or waste.

#### **16. Can a PPG be awarded if some programs have not yet reached agreement on the work plan?**

Yes, it is EPA policy to award continuing environmental grant funds as soon as possible after funds are available to distribute. In most cases, a region should be able to make a PPG award expeditiously, even if the work plan for one or more of the programs combined in the PPG has not been approved. The most important way for regions to ensure that unresolved issues do not hold up the award of PPGs is to establish and use a clear process, including time frames, for elevating and resolving issues.

In the event that issues within specific program areas cannot be resolved within a reasonable time frame, the region can still award the PPG. Using conditional approvals can prevent situations where unresolved work plan issues in one program hold up the entire PPG award. If only minor changes are necessary to have a complete application, 40 CFR [35.111\(b\)\(1\)](#) allows the Regional Administrator to conditionally approve an application, thus allowing a grant to be made on the condition that certain changes are made to the work plan or application. Additional requirements for a conditional award can be found in [GPI-12-06, “Timely Obligation, Award and Expenditure of EPA Grant Funds.”](#)

According to 40 CFR [35.113](#), if there are delays in reaching final agreement on the content of the work plan, pre-award costs may be reimbursed if certain conditions are met. However, states face some risks if they incur expenses before an award is made because EPA is not obligated to reimburse such costs unless they are included in an approved grant award.

Once the issues have been resolved, the work plan must be amended to reflect the changes. An amendment is required in either situation – conditional approval or adding a program into a PPG after it has been awarded. Post-award amendments are governed by the requirements of 40 CFR [35.114](#).

## Elements of Accountability and Performance

### **Background**

Since the early 1990s, Congress, the Office of Management and Budget (OMB), state and local governments and the public have increasingly focused on results-based management. The 1993 [Government Performance and Results Act](#) (GPRA) and subsequent 2010 update – and similar laws and executive policies in many states – hold agencies accountable for using resources wisely and achieving program results.

Under GPRA, EPA must set out strategic goals and objectives (see [Exhibit 2](#)) and the measures that will be used to assess progress towards meeting them. EPA’s budget and accounting systems are also tied to the GPRA goals and objectives. States are vital partners in achieving these goals, so EPA has revamped its processes to increase opportunities for states to engage in and influence EPA’s plans, strategies, and performance measures. EPA has established policies to help make clear the link between state grant work plans and EPA’s goals and objectives.

### **GPRA and State Performance Reporting**

Much of the information EPA reports under GPRA is drawn from state data. Some states have expressed concern that they will be required to report additional information to EPA so that EPA can report under GPRA. However, most of the data states report is the same information they have been reporting to the national environmental databases all along, under long-standing

regulatory and statutory requirements. The performance measures for categorical grants and PPGs are the same.

Under GPRA, EPA develops planning and accountability measures linking program activities and environmental results, and prepares reports on them on a regular basis. Since states are often responsible for implementing these programs, reporting on these measures is often accomplished by reviewing progress made on commitments in the grant work plans.

EPA is committed to reducing the overall reporting burden on states. EPA will couple grant performance measures reporting with data commonly collected by states as much as possible.

### **EPA Order 5700.7, Environmental Results under EPA Assistance Grants**

Approximately one-half of EPA's budget is awarded through assistance agreements (grants and cooperative agreements) to states and tribes and to educational, nonprofit and other organizations. To meet its obligations under GPRA, EPA must be able to link the work that is performed with grant funds to the achievement of the goals and objectives in the EPA's Strategic Plan.

EPA Order 5700.7 links proposed assistance agreements to EPA's Strategic Plan. Project officers, through certification in the funding recommendation, ensure that outputs and outcomes are appropriately addressed in work plans, solicitations and performance reports. They must also consider how the results from completed assistance agreement projects contribute to the Agency's goals and objectives. Consequently, the only additional requirement for state grants is that project officers must list on the funding documents the EPA Strategic Plan goals and objectives that the grant supports. For more on EPA Order 5700.7, see Question 14 on page 19.

### **GPI-11-03: State Grant Work Plans and Progress Reports**

This GPI is discussed in detail in Question 14 on page 19.

## **17. How is performance assessed in PPGs?**

Assessment of performance in PPGs is based on a variety of elements including reporting, joint evaluation and accountability which in turn are subject to the requirements of 40 CFR 35 and 2 CFR Part 200 and 2 CFR Part 1500. States are held accountable for achieving the outputs and outcomes agreed to in the negotiated work plan. States with PPGs continue to report information into national data systems and submit any other reports required by law or regulation. It is important for EPA to review reports and provide timely feedback.

### **Reporting**

According to EPA's burden reduction policy, [GPI-09-01, "Burden Reduction for State Grants,"](#) grantees must submit annual performance reports unless the awarding agency requires quarterly or semi-annual reports. However, performance reports will not be required more frequently than quarterly. For most grants included in a PPG, an annual performance report is required, but for

some grants a semi-annual performance report is required. Regions may require more frequent performance reports (not to exceed quarterly reporting) only where agreed to by a state or tribe or where there are performance issues, such as EPA concerns with the timely and appropriate expenditure of funds. [2 CFR Part 200](#) requires reporting to be not less frequent than annually and not more than quarterly except in unusual circumstances, for example where more reporting is necessary for the effective monitoring of the award or where it could significantly affect program outcomes.

### **Joint Evaluation**

Performance is assessed by reviewing reported outputs and outcomes according to an agreed upon joint evaluation process. EPA and the states develop a joint evaluation process that is intended to evaluate and report progress and accomplishments under the work plan. A description of the evaluation process and a reporting schedule must be included in the work plan (see 40 CFR [35.115](#)). The schedule must require the recipient to report at least annually and must satisfy the requirements for progress reporting described in [2 CFR Part 200](#).

The elements of the joint evaluation process must provide for:

- A discussion of accomplishments as measured against work plan commitments;
- A discussion of the cumulative effectiveness of the work performed under all work plan components;
- A discussion of existing and potential problem areas; and
- Suggestions for improvement, including, where feasible, schedules for making improvements.

The purpose of the joint evaluation process is to assess progress in accomplishing the commitments in a grant agreement. Joint evaluations produce valuable performance information to support state and EPA program planning and decision making and provide assurance to officials and the public that EPA and the states are carrying out their environmental program responsibilities. Joint evaluations are the foundation for successful joint planning and priority setting. Joint evaluation results inform the planning process and set the stage for subsequent EPA-state planning and the negotiation of ensuing PPAs and/or grant work plans.

The basis for joint evaluations comes from a number of sources and may be achieved in a variety of ways involving one or many program reports about the commitments in the work plan, including formal reports from program data systems, informal and formal program reviews, site visits, and most important, ongoing EPA-state staff relationships. In addition to the joint evaluation process, other program specific reviews may be used to complement and inform the joint evaluation. These include reviews of delegation and other program requirements and may occur outside of the time frame for the joint evaluation process. The joint evaluation reveals both progress and deficiencies under the work plan.

### **Fiscal Accountability**

Fiscal accountability for a PPG is different from other environmental program grants. PPG recipients must maintain accounting and financial records which adequately identify the source

(i.e., federal funds and match) and application of funds provided for PPG activities. States must submit to EPA an internal controls assurance letter so that EPA project officers can complete a required cost review analysis prior to awarding funds in accord with [GPI-08-04, “State Grant Cost Review.”](#) These records should contain relevant information such as obligations, unobligated balances, outlays, expenditures and program income. Recipients track PPG funds to the total effort or costs incurred for the PPG work. EPA reimburses the recipient for the federal share of the costs from the PPG budgetary account. Overall fiscal accountability requirements remain in place for a PPG in that fiduciary procedures and practices exist to award grant funds and account for receipt through expenditure and post-award monitoring of grant funds.

## 18. How does GPI-11-01 on unliquidated obligations apply to PPGs?

GPI-11-01: “Managing Unliquidated Obligations and Ensuring Progress under EPA Assistance Agreements”<sup>8</sup> became effective in FY 2011 and addresses the Office of Inspector General’s (OIG) concerns about the necessity of internal controls to identify and de-obligate unneeded assistance agreement funds, or to prevent unwarranted accumulations of unliquidated obligations (ULO). The term ULO means the unexpended balance remaining from the amount of federal funds EPA obligated to an agreement (or the amount the recipient of the agreement has not “drawn down”).

The policy also addresses EPA’s responsibilities under the Federal Managers’ Financial Integrity Act (FMFIA) and *EPA Order 5700.6 A2 CHG 2, Policy on Compliance, Review and Monitoring* by including provisions that highlight the need for timely project/program completion and monitoring of unliquidated obligations. The policy includes limits on project periods, development of indicators to assess the effectiveness of funds utilization, requirements for work plan milestones and delivery dates, and “sufficient progress” terms and conditions.

Given the tight budget climate, effective management of ULOs is a high priority for EPA. It is important for the regions to implement GPI-11-01 for effective management of grant ULOs.

Regions and states should also ensure that PPG funds are efficiently utilized to accomplish priority environmental activities identified in grant work plans. OCIR, in coordination with the media program NPMs, Regional Program Offices and OGD, has developed a PPG-specific “sufficient progress” term and condition to be included in new assistance agreements awarded on or after December 1, 2010. The PPG-specific term and condition states that:

EPA may terminate the assistance agreement for failure to make sufficient progress so as to reasonably ensure completion of the project within the project period, including any extensions. EPA will measure sufficient progress by examining the performance required under the work plan in conjunction with the milestone schedule, the time remaining for performance within the project period, and/or the availability of funds necessary to complete the project.

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<sup>8</sup>See: [http://www.epa.gov/ogd/forms/gpi\\_11\\_01\\_12\\_07\\_10.pdf](http://www.epa.gov/ogd/forms/gpi_11_01_12_07_10.pdf)

## 19. How does GPI-09-01 on burden reduction apply to PPGs?

GPI-09-01: “Burden Reduction for State Grants”<sup>9</sup> codifies and summarizes actions EPA has taken to address major grant-related issues identified under the Agency’s State Reporting Burden Reduction Initiative. Section C. 2, in particular, applies to the reporting frequency of each program included in a PPG. Regions are encouraged to incorporate adopted burden reduction efforts as widely as possible.

## 20. How does GPI-12-06 on grant timeliness apply to PPGs?

In general, delays in the award of grants that are beyond EPA’s direct control include: Congress must first enact EPA’s appropriation bill, and then OMB must approve EPA’s operating plan before EPA can use its budget. Other potential obstacles originate within EPA, such as delays in allocating the grant budget to the NPMs and regions or administrative delays with budget reprogramming and grant processing. Stalled or tangled work plan negotiations are another potential source of delay.

However, it is a priority for EPA to ensure the timely award of continuing environmental program (CEP) grant funds and is a critical issue for EPA-state relations. GPI-12-06: “Timely Obligation, Award and Expenditure of EPA Grant Funds”<sup>10</sup> was developed by a state-EPA workgroup and became effective on October 1, 2012. The GPI is designed to promote timely and efficient award/utilization of grant funds.

Major provisions include:

- A goal to obligate all grant funds in the first year of availability;
- A new evaluation factor and provisions for anticipatory announcements for grant competitions;
- State grant streamlining principles and requirements for negotiating outlay strategies;
- Additional limits on project period extensions;
- CWA Section 319-specific streamlining reforms.

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<sup>9</sup>See: [http://intranet.epa.gov/OGD/policy/GPI\\_09-01\\_final.pdf](http://intranet.epa.gov/OGD/policy/GPI_09-01_final.pdf).

<sup>10</sup>See: [http://www.epa.gov/ogd/grants/final\\_gpi\\_12\\_06\\_streamlining\\_state\\_grant\\_and\\_expediting\\_outlays.pdf](http://www.epa.gov/ogd/grants/final_gpi_12_06_streamlining_state_grant_and_expediting_outlays.pdf).

The GPI also includes language on streamlining the grants process through the use of standard funding recommendation templates and states, in part:

Regional Program Offices are expected to use standard Funding Recommendations (FRs) developed by OGD and NPMs. These FRs will pre-populate key fields, reducing the time for data entry by Project Officers. Once the FR is created for the grant through the template, the Project Officer may make any necessary project-specific changes. The OGD Director will issue implementing guidance to Regional Project Officers on the standard FR system.

## 21. Who within EPA and the states may be involved with developing a PPG?

While the planning process for developing PPGs varies among states and regions, the basic roles and responsibilities of key EPA regional and state players are comparable. Ideally, PPG and other state grant work plans, as well as PPAs and comparable EPA-state agreements, should reflect the results of joint EPA-state planning.

The discussion below of roles and responsibilities shows managers and staff, as well as the scope of functions typically involved in joint planning and the development of PPG agreements. Specific titles, process steps and responsibilities may vary by region and state.

### **EPA Regional and State Senior Managers**

*(EPA Regional Administrator, Deputy Regional Administrator, Assistant Regional Administrator, State Environmental Commissioner, Deputy Commissioner)*

EPA and state senior managers set the direction for the region and state. They consider individual and mutual priorities; develop strategies; allocate resources; and identify investments and disinvestments. They also resolve issues that are raised to them from lower levels in their organizations, and if necessary, elevate issues to EPA headquarters for resolution.

### **EPA Regional Planners**

*(Managers and staff in the EPA region's planning office)*

EPA Regional Planners coordinate development of Regional Plans and revisions. They foster meaningful involvement of states and serve as the liaison between EPA headquarters and the region and states for the Annual Commitment System.

### **EPA Regional and State Program Directors**

*(EPA and state program and compliance/enforcement program division directors or managers)*

EPA and state program directors ensure that their program goals, priorities and resource needs are considered in the planning process and adequately reflected in PPG work plans. To do this, they begin working together early in the planning process, exchanging EPA guidance and state directives, results of environmental and program assessments and other information to be considered in developing the PPG work plan. They also coordinate with their compliance and

enforcement counterparts who share in making PPG commitments related to their programs. Program directors elevate issues that cannot be resolved at their level to senior management.

### **EPA and State Program Staff Representatives**

*(Staff representatives of the programs whose grants are being combined in the PPG)*

Program staff representatives of the individual EPA and state programs (including compliance/enforcement programs) negotiate the work plan, conditions, and commitments in the PPG for their respective programs and assure that EPA and state priorities are addressed during PPG negotiations. Program staff representatives elevate issues in a timely manner to their program directors and are responsible for completing post-award monitoring requirements.

### **PPG Project Officers and State PPG Leads**

*(PPG Project Officer develops and manages the PPG for EPA; for purposes of this discussion, the State PPG Lead is the principal contact for PPG development for the state agency)*

The PPG Project Officer coordinates development of the PPG for EPA. While they are not required to do so, in most cases states designate a principal contact to coordinate development of the PPG – the "State PPG Lead" for this discussion. Working with senior management, the EPA Project Officer and State PPG Lead develop schedules, content and format for negotiating and completing the PPG and assure that EPA and state priorities are addressed. They compile and exchange a record of relevant EPA and state guidance. They monitor negotiation progress and facilitate resolution of cross-program and cross-functional issues, elevating issues to senior management as needed. To assure PPG documents are consistent with PPG and other grant and financial requirements, they work with EPA grants specialists and state financial staff.

### **Grants and Financial Specialists**

*(Specialists in EPA and states who ensure adherence to administrative and financial requirements for grants)*

Grants and financial specialists in EPA and states are responsible for ensuring that grant documents and financial aspects of the PPG are consistent with all requirements. They provide technical assistance to EPA and state senior managers, PPG Project Officers and PPG State Leads on preparation of grant documents, status of funds and grant obligations, review of PPG applications, processing amendments, conducting post-award monitoring and closeout of the PPG.

### **EPA Headquarters**

OCIR is responsible for strengthening EPA-state partnerships and facilitating the resolution of policy and implementation issues associated with performance partnerships. In doing so, OCIR will involve all interested offices – including the Office of General Counsel (OGC), Office of Grants and Debarment (OGD), the Office of the Chief Financial Officer (OCFO), and the National Program Managers (NPMs) who develop and will be issuing guidance, beginning in FY 2016, on an biennial basis to provide EPA's 10 regions with guidance on national and programmatic priorities and implementation strategies. OCIR also is involved in resolving internal performance partnership disputes. The process that OCIR will use to resolve such issues

(e.g., when a Regional Administrator and an Assistant Administrator disagree over a state request for flexibility) is described in Question 24 on page 30.

## 22. What responsibilities do states have with regard to PPGs?

PPGs offer states timely opportunities to direct environmental grant funding to their most important environmental problems and program needs. The states and EPA are jointly responsible for implementing program requirements, strategic planning and setting priorities to identify optimal ways for leveraging available federal resources with state resources. The states' vital role stems from one of the fundamental concepts underlying performance partnerships — that is, each state is different and each EPA-state partnership negotiation must take into account the specific interests, needs and capacities of that state.

States are responsible for ensuring that unique state legal requirements are factored into the PPG process. State agencies operate in accord with state-specific statutory and regulatory authorities. The state's use of grant funds must be consistent with its appropriations authorities, applicable fiscal procedures, federal regulatory requirements and federal grant management procedures such as EPA Order 5700.6A2, "Policy on Compliance, Review and Monitoring" (specifically, section 7.0 of this Order lists items that must be submitted by the state prior to the closeout of a PPG). The states and EPA negotiate grant work plans consistent with these state-specific considerations while collaborating to align federal and state priorities.

PPGs do not weaken responsibility for providing performance commitments in work plans that reflect the negotiated strategic agenda for delivering program achievements, responsibilities that are defined in the grant work plan and appropriate reporting. Implementing a PPG in accordance with federal and state accountability requirements is an important way to demonstrate that greater flexibility can and will lead to better joint performance outcomes.

## 23. What steps should be taken to ensure prompt resolution of issues that could delay award of a PPG?

Appropriate elevation is the key to achieving timely resolution of issues that arise within a region or between a region and a state. It is critical that both state and EPA staff elevate issues up their respective chains-of-command when necessary. Often, delays in resolving a specific program issue or work plan item can delay an entire PPG award, stall negotiation of a PPA, or disrupt program operations.

In recent years, many regions have implemented explicit issue resolution procedures that call for the orderly elevation of issues until resolution is achieved. Ideally, the process should include clear steps and time frames. Staff negotiating PPGs should check within their region on specific procedures. Within the region, the Regional Administrator is the final decision-maker on all PPG issues.

As discussed below, OCIR should be notified if there is a PPG-related disagreement between EPA offices that the offices involved have been unable to resolve in a timely manner.

#### 24. What is EPA's process for resolving policy and implementation issues when an NPM does not agree with a regional office's decision about a PPG?

Sometimes, the NPM and the Regional Administrator may be unable to resolve a PPG-related issue within a reasonable time frame. For example, an NPM may disagree with a Regional Administrator's decision to accede to a state request for flexibility in a grant work plan. When such an impasse occurs, the offices should contact OCIR to begin a process to achieve resolution of the issue.

Once notified of the issue, OCIR will:

- Bring the interested parties, including the program and regional offices, OGD and OGC together to discuss issues and possible resolutions. OCIR will help facilitate an informal resolution if possible.
- If informal resolution is not possible within a reasonable time frame, OCIR will, after consultation with the involved offices, elevate the issue to the Deputy Administrator.
- If the issue is elevated to the Deputy Administrator, OCIR will work with the involved offices to coordinate development of appropriate briefing materials.
- Decisions of the Deputy Administrator will be final.
- OCIR will work with the Deputy Administrator's office and other involved offices to document and communicate the decision.

*Note on resolving disputes involving EPA and external parties.* External disputes, such as those between states or other parties and EPA, are ultimately resolved through the dispute resolution process described in [2 CFR Part 1500, Subpart E](#). States and regions should make every effort to resolve issues through direct communication and negotiation, involving EPA headquarters where appropriate. The formal dispute resolution process should be regarded as a last resort option. When a state appeals the decision of the Regional Administrator, an Assistant Administrator or the Deputy Administrator will be the discretionary review official, as appropriate.

## Exhibit 1: Summary of Key Regulatory Requirements

### 40 CFR 35, Subpart A Environmental Program Grants

#### 35.102 Definitions

- **Outcome**  
The environmental result, effect, or consequence that will occur from carrying out an environmental program or activity that is related to an environmental or programmatic goal or objective. Outcomes must be quantitative, and they may not necessarily be achievable during the grant budget period.
- **Output**  
An environmental activity or effort and associated work products related to an environmental goal or objective that will be produced or provided over a period of time or by a specified date. Outputs may be quantitative or qualitative but must be measurable during a grant budget period.
- **Performance Partnership Agreement**  
A negotiated document signed by the EPA Regional Administrator and an appropriate official of a state agency and designated as such. These agreements typically set out jointly developed goals, objectives, and priorities, and include work plan commitments that are the basis for grants; the strategies to be used in meeting them; the roles and responsibilities of the state and EPA; and the measures to be used in assessing progress.
- **Performance Partnership Grant**  
A single grant combining funds from more than one environmental program. A Performance Partnership Grant may provide for administrative savings or programmatic flexibility to direct grant resources where they are most needed to address public health and environmental priorities. Each Performance Partnership Grant has a single, integrated budget and recipients do not need to account for grant funds in accordance with the funds' original environmental program sources.
- **Work plan commitments**  
The outputs and outcomes associated with each work plan component, as established in the grant agreement.
- **Work plan component**  
A negotiated set or grouping of activities, outcomes, and outputs included in a grant work plan.

### **35.105 Time Frame for Submitting an Application**

- 60 days before the beginning of the proposed funding period.

### **35.107 Work Plan**

- Work plan requirements:
  - Work plan components to be funded;
  - Estimated work years and funding amounts for each work plan component;
  - Work plan commitments for each work plan component and time frame for accomplishment;
  - Performance evaluation process and reporting schedule
  - Roles and responsibilities of the recipient and EPA in carrying out the work plan commitments;
  - Must be consistent with applicable federal statutes, regulations, circulars, executive orders, and delegation or authorization agreements;
  - Authorizes use of Performance Partnership Agreement as work plan, if it identifies grant work plan components approved for grant funding and meets all other work plan requirements.

### **35.108 Budget Period**

- Authorizes negotiation for length of budget period (multi-year).

### **35.110 Time Frame for EPA Action**

- Requires approval, conditional approval or disapproval within 60 days of receipt of a complete application:
  - Provided funds are available;
  - Provides for extension of time.

### **35.112 Factors Considered in Determining Award Amount**

- Work plan must justify the level of funding relative to the proposed work plan components.

### **35.113 Reimbursement for Pre-award Costs**

- Authorizes approval of allowable pre-award costs if included in the grant application.

### **35.114 Amendments and Other Changes**

- Prior written approval in the form of a grant amendment required for significant changes in work plan commitments;
- Recipient must request written approval for increases and extensions in the budget period:
  - Grant amendment is required.

### **35.115 Evaluation of Performance**

- Requires negotiation of a joint process for evaluating and reporting progress and accomplishments under the grant work plan.

- Work plan must include a description of evaluation process and evaluation schedule:
  - Schedule must require recipient to report at least annually.
- Evaluation process must provide for:
  - Discussion of work plan accomplishments as measured against work plan commitments;
  - Discussion of cumulative effectiveness of work performed under all work plan components;
  - Review of existing and potential problem areas;
  - Suggestions for improvement and schedules for improvements.
- Regional Administrator and recipient will negotiate a resolution if evaluation reveals sufficient progress has not been made under the work plan.
- Requires Regional Administrator to ensure evaluations are performed according to negotiated schedule and evaluation reports are provided to the recipient.

#### 35.117 **Re-allotment**

- Clarifies the Regional Administrator’s discretion in the use of unobligated funds.

#### 35.118 **Unexpended Balances**

- Clarifies the Regional Administrator’s discretion in the use of carryover funds.

### Requirements for Performance Partnership Grants

#### 35.130 **Purpose**

- Provides ability to combine funds from more than one designated program into a single grant with a single budget.
- Recipient need only account on the total PPG expenditures, not the original source of the funds.
- PPGs are designed to:
  - Strengthen partnership through joint planning and priority setting and better deployment of resources;
  - Provide recipient programmatic flexibility to direct resources based on environmental and public health priorities;
  - More effectively link program activities with environmental and public health goals and program outcomes;
  - Foster development and implementation of innovative pollution prevention, multi-media permitting and enforcement, ecosystem management, and community-based strategies;
  - Provide savings by streamlining administrative requirements.

#### 35.133 **Programs Eligible for Inclusion**

- Identifies programs eligible for inclusion in PPGs.
- Provides for changes in the list of eligible programs.

#### **35.134 Eligible Recipients**

- Must be eligible to receive funds from more than one of the identified programs.
- Must meet the award requirements for each program from which funds are combined into the PPG.

#### **35.135 Activities Eligible for Funding**

- Any activity eligible for funding under at least one of the programs which contributed funds to the PPG.
- Multi-media activities for any activities eligible under programs which contributed funds to the PPG.
- Must include funds to perform activities allowable from only one specific program.

#### **35.136 Cost Share Requirements**

- Requires cumulative minimum cost share of the programs reprogrammed into the PPG.
- If a program has both a match and a Maintenance of Effort requirement, the greater of the two will be used to calculate the match.

#### **35.137 Application Requirements**

- Unique PPG requirements:
- List of grant programs and amount from each program;
- Consolidated budget;
- Consolidated work plan which addresses each program included in the PPG.
- Rationale commensurate with the extent of programmatic flexibility indicated in the work plan, including:
- Basis for applicant's priorities;
- Expected environmental or other benefits to be achieved;
- Anticipated impact on any programs proposed for reduced effort.

#### **35.138 Competitive Grants**

- Work plan commitments that were the basis for award must be included in PPG work plan;
- Regional Administrator and recipient to agree as to how program commitments and funding will be carried over into future work plans.

## Requirements for Specific Environmental Program Grants

- [35.140](#) Air Pollution Control (CAA Section 105)
- [35.160](#) Water Pollution Control (CWA Section 106)
- [35.170](#) Public Water System Supervision (SDWA Section 1443(a))
- [35.190](#) Underground Water Source Protection (SDWA Section 1443(b))
- [35.210](#) Hazardous Waste Management (RCRA Section 3011(a))
- [35.230](#) Pesticide Cooperative Enforcement (FIFRA Section 23(a)(1))
- [35.240](#) Pesticide Applicator Certification and Training (FIFRA Section 23(a)(2))
- [35.250](#) Pesticide Program Implementation (FIFRA Section 23(a)(1))
- [35.260](#) Nonpoint Source Management (CWA Section 319(h))
- [35.270](#) Lead-Based Paint Program (TSCA Section 404(g))
- [35.290](#) State Indoor Radon Grants (TSCA Section 306)
- [35.310](#) Toxic Substances Compliance Monitoring (TSCA Section 28)
- [35.330](#) State Underground Storage Tanks (RCRA Section 2007(f)(2))
- [35.340](#) Pollution Prevention State Grants (PPA Section 6605)
- [35.360](#) Water Quality Cooperative Agreements (CWA Section 104(b)(3))
- [35.380](#) State Wetlands Development Grants (CWA Section 104(b)(3))
- [35.400](#) State Administration (CWA Section 205(g))
- [35.410](#) Water Quality Management Planning (CWA Section 205(j)(2))

## General Grant Regulations

[2 CFR Part 200](#) and [2 CFR Part 1500](#), **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards**

**Exhibit 2: FY 2014-2018 EPA Strategic Plan\***

**Strategic Plan**

**Goal 1: Addressing Climate Change and Improving Air Quality**

**Goal 2: Protecting America's Waters**

**Goal 3: Cleaning Up Communities and Advancing Sustainable Development**

**Goal 4: Ensuring the Safety of Chemicals and Preventing Pollution**

**Goal 5: Protecting Human Health and the Environment by Enforcing Laws and Assuring Compliance**

**Cross-Agency Strategies**

**Working Toward a Sustainable Future**

**Working to Make a Visible Difference in Communities**

**Launching a New Era of State, Tribal, Local, and International Partnerships**

**Embracing EPA as a High-Performing Organization**

\*See: [http://www2.epa.gov/sites/production/files/2014-04/documents/epa\\_strategic\\_plan\\_fy14-18.pdf](http://www2.epa.gov/sites/production/files/2014-04/documents/epa_strategic_plan_fy14-18.pdf)

### Exhibit 3: Examples of Flexibility in PPGs

Benefit	Example
<p><b>Address emergency situations and changing conditions</b></p>	<p><b>AL:</b> Used a multi-year PPG to divert manpower to the BP oil spill effort realizing that if certain grant commitments were not achieved due to the shift in manpower, the state could tap into the extra time frame built into the PPG.</p> <p><b>MS:</b> Used PPG flexibility to deal with issues stemming from the 2011 tornado and flooding disasters. The ability to move funds immediately for response and recovery work in the affected areas was very helpful to the state.</p> <p><b>IA:</b> In August 2008, parts of Iowa experienced flooding from substantial rainfalls. EPA Region 7 awarded additional funds in the state’s PPG to enable it to complete water monitoring in twenty-five targeted areas where the flooding was most severe. The funds awarded were PPG carryover funds reprogrammed from another state’s closed out PPG.</p> <p><b>IL:</b> The PPG provides the state the ability to pool resources to address priority work. For example, CWA Sections 106 and 319 funds are pooled to develop TMDLs that address both point and nonpoint sources of pollution. In addition, the PPG allows the use of pooled resources to address emergency environmental and public health issues such as those caused by the 2011 flooding.</p>
<p><b>Address state-identified priority/support special project</b></p>	<p><b>GA:</b> Used its PPG to accomplish priority work on a specific program (water). Since air, water (both CWA Section 106 and drinking water) and RCRA funding were in the PPG, GA was able to combine small savings from each program to fund water quality studies, water flow studies, and additional monitoring to better document available drinking water sources and assess potential weather impacts on them.</p> <p><b>GA:</b> Also assisted the metropolitan public water system suppliers in developing watershed management plans to protect their drinking water supplies using funds de-obligated from previous year grants. GA would not have been able to accomplish this without a PPG because the de-obligated funds from the water grant programs alone would not have been sufficient to fund these additional efforts. Also, EPA funding for the water grant programs was not sufficient to cover the state’s needs.</p>

## Examples of Flexibility in PPG

Benefit	Example
<b>Address state-identified priority/support special project</b>	<p><b>TX:</b> Used its PPG to fund a special project involving NPDES permitting and enforcement in all water pollution control programs by continuing the development of the Permitting and Registration Information System (PARIS) database project. The project strengthened planning efforts for implementing the Clean Water Action Plan and integrated data reporting. The project benefitted the state by providing for business process and systems analysis documentation and improved the state's ability to identify, collect and provide timely, accurate and complete data for reporting to EPA's ICIS-NPDES database. The project was funded from savings realized from each of the programs in the PPG and then awarded into the next year's grant.</p> <p><b>CO:</b> Used PPG flexibility to continue its long-standing emphasis on Pollution Prevention (P2) as the pollution control tool of choice and the incorporation of pollution prevention into state regulations, compliance assistance, enforcement and permitting activities. The P2 program received supplemental funding from each program which has integrated pollution prevention in its core work. The supplemental funding provided staffing support, technical assistance to recipients of both recycling and advanced technology grant programs, and greater public outreach.</p>
<b>Meet cost share requirements</b>	<p><b>WA:</b> Uses extra water match funds to help meet the CAA Section 105 maintenance of effort contribution in its PPG.</p> <p><b>UT:</b> Uses PPG flexibility to ensure that the state can provide sufficient match for all the programs in the PPG. For various timing reasons regarding when federal funds are spent and the availability of state funds for match, the state uses available matching funds from one program to meet the needs of another.</p>

## Examples of Flexibility in PPGs

Benefit	Example
<p><b>Redirection of carryover funds to purchase equipment, fund staff</b></p>	<p><b>WA:</b> In situations where there are carryover funds from a closed grant, the state typically redirects them to another program in the PPG (e.g., a water project).</p> <p><b>UT:</b> Redirected PPG funds, mainly from CAA Section 105, to fund an FTE in Region 8’s Office of Planning and Public Affairs to work on public outreach and involvement in the SIP for air quality. In the past, carryover funds were used to finance partnership efforts in the Unita Basin and southwestern parts of the state. Carryover funds also have been used to purchase lab equipment for testing samples from various media (e.g., air, water, soil, waste).</p> <p><b>ND:</b> Purchased new lab equipment to replace existing equipment using carryover funds.</p>
<p><b>Address state priority by shifting work from a lower to higher priority program area</b></p>	<p><b>ME:</b> With regional support, shifted resources from TMDL development to TMDL implementation which gave it the ability to reissue all the priority NPDES permits in the Androscoggin River Basin with water-quality based permits for nutrients and “biochemical oxygen demand” (BOD). This allowed the state to focus its resources on remediating a long-standing water quality problem.</p> <p><b>VT:</b> Shifted staff from lower priority programs to higher priority ones thus allowing the state to efficiently utilize dwindling federal and state funding in the most effective manner possible to obtain results.</p> <p><b>VI:</b> Would use its PPG to focus on higher priority programs such as drinking water (PWSS program) or water quality (CWA Sec. 106) in the event they are impacted by storms during the hurricane season, and still comply with the rest of PPG work plan commitments at the end of the project period. Also, PPG flexibility makes it easier for VI to combine projects/initiatives that deal with air pollution monitoring and the effect of air pollution on the quality of water in cisterns which is a critical water source for its citizens.</p> <p><b>NJ:</b> Revenues generated from environmental fees and fines are reserved for specific purposes, and expenditures are limited by the amount of revenue realized. Under its PPG, NJ deposited many of these dedicated monies into the state’s General Fund. Such a shift allows NJ greater flexibility in allocating resources to high priority environmental issues.</p>

## Examples of Flexibility in PPGs

Benefit	Example
<p><b>Fund cross-cutting projects/ initiatives</b></p>	<p><b>CO:</b> Funds a number of cross-cutting projects and initiatives. One integrates air, water and waste inspections and compliance assistance for animal feeding operations. Others deal with permit and environmental impact reviews; outreach to federal, state and local authorities dealing with the state’s rapidly expanding energy industries; information management; the Environmental Leadership Program; and the Pollution Prevention program.</p> <p><b>MO:</b> In FY 2006 and 2008, the state requested flexibility to use PPG-eligible funds for a cross-media permit initiative. As part of the permitting process, MO followed up on each newly-issued permit, environmental concern received from a citizen or other source, or facilities never before inspected by an Environmental Assistance Visit (EAV). The purpose of the EAV was to: 1) ensure that the responsible parties understood the permit requirements; 2) verify that the conditions of the permit were being met; 3) investigate any concerns with the permittee or other operation; 4) provide assistance to help achieve compliance where needed; and 5) follow up to ensure that environmental performance is satisfactory. These EAVs were conducted for permits eligible under the water, air, and RCRA programs funded in the PPG.</p> <p><b>AZ:</b> The PPG eases the administrative transactions and costs for the state and EPA when funding cross-cutting water projects and initiatives since the state’s PPG includes only water grants.</p> <p><b>NJ:</b> Uses PPG funds to provide current information on the state’s environmental conditions by maintaining and updating its <i>Environmental Trends Report</i>. There are forty-eight chapters and each chapter describes a specific area in which the state has been working to improve conditions, and presents a specific environmental measure or category of measurements meaningful in gauging the current status of the environment in NJ. The <i>Environmental Trends Report</i> includes chapters that address cross-cutting issues: Climate Change, Greenhouse Gas Emissions, Energy Use, Mercury Emission, and Pollution Prevention. There was an upgrade to the state’s data systems using multiple program funds through the PPG. Working closely with Region 2’s Information Systems Branch, discretionary funds were added to the PPG for this project.</p>

## Examples of Flexibility in PPGs

Benefit	Example
<p><b>Reduce administrative burden, provide financial flexibility</b></p>	<p><b>MN:</b> Used PPG flexibility to improve the flow of funds during periods of unpredictability, such as changing budget amounts from year to year within some programs (sometimes with very late notice even during the year); changes in timing of receipt of funds due to continuing resolutions and to differences in timing from program to program; addressing seasonally-related cash-flow challenges from program to program within the PPG generally. During this time of diminishing resources, MN appreciates the administrative burden reduction aspect of PPGs (especially consolidated and simplified reporting).</p> <p><b>CT:</b> With state environmental budgets being reduced, the flexibility provided by the PPA/PPG structure lowers transaction costs and allows the state to use the smaller amount of federal funding in the most effective manner possible.</p> <p><b>IL:</b> Benefits greatly from the administrative efficiencies of streamlined accounting and reporting provided by PPGs, and the composite cost share feature eliminates the need to constantly monitor and track match resources by specific grant.</p>