



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY

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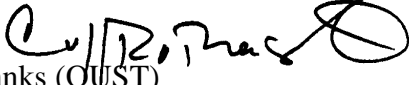
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May 8, 2008

OFFICE OF
SOLID WASTE AND EMERGENCY
RESPONSE

MEMORANDUM

SUBJECT: Office of Underground Storage Tanks (OUST) Program Guidance for
FY 2008 Prevention Funding for Assistance Agreements
Awarded under the Leaking Underground Storage Tank (LUST) Trust
Fund Program

FROM: Cliff Rothenstein, Director 
Office of Underground Storage Tanks (OUST)

TO: UST/LUST Regional Division Directors, Regions I - X

Attached is new program guidance to reflect the funding made available to address underground storage tank prevention needs related to the Energy Policy Act (EPA Act) of 2005. This guidance was developed jointly with all ten Regional Program Managers, the Office of General Counsel, Office of Budget, Office of Grants and Debarment, and the Office of Underground Storage Tanks for the FY 2008 Prevention Funding for assistance agreements awarded under the Leaking Underground Storage Tank (LUST) Trust Fund program.

This program guidance is applicable to all Regions and is to be used in awarding LUST Prevention funding to States and Tribes. Regions must negotiate and award assistance agreements for these funds separate from the general LUST corrective action cooperative agreements, and must ensure that funds are tracked and accounted appropriately. The program guidance includes performance partnership eligibility, cost sharing, multiple appropriations/split funding, and eligible activities, as well as standard grants language. The terms of the assistance agreement shall be determined at the time of the award by the specific EPA Regional Grants Office.

Please see the attached program guidance for more details. If you have any questions, please contact Mark Barolo of OUST at (703) 603-7141 or Lynn DePont of OUST at (703) 603-7148.

Attachment

cc: UST/LUST Deputy Division Directors, Regions I - X
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**Office of Underground Storage Tanks Program Guidance
For
Prevention Assistance Agreements Awarded
Under the
Leaking Underground Storage Tank (LUST) Trust Fund Program**

Overview

The Energy Policy Act of 2005 authorized the use of appropriations from the LUST Trust Fund for assistance agreements to States¹ for leak detection, prevention and related enforcement (“LUST prevention grants”). EPA’s FY 2008 Appropriations Act provides \$30.5 million in LUST appropriations for LUST prevention assistance agreements. It also authorizes the use of LUST appropriations for financial assistance to Tribes for the development and implementation of programs to manage underground storage tanks (USTs) in Indian country (“tribal UST assistance agreements”).

This program guidance is specific for funding LUST prevention activities. Prevention activities are funded under a separate statutory line item within the LUST appropriation. The LUST “prevention” appropriation is available for a different purpose from the statutory line item for LUST corrective action and the funds are not interchangeable.

Regions may negotiate and award combined LUST prevention (new authority) and State and Tribal Assistance Grants (STAG) UST (existing authority) cooperative agreements or grants, providing that there is an established allocation formula in accordance with the Agency’s Multiple Appropriations Award policies.²

Purpose and Scope

This program guidance provides information to the Regions for their state and Tribal LUST prevention assistance agreements. For States, the LUST prevention assistance agreements are for inspections and other eligible release detection and prevention activities to implement the Energy Policy Act, as identified in Section 2, “Eligible Activities.” For Tribes, the LUST prevention assistance agreements are for any actions necessary to implement the UST prevention program, as highlighted in EPA’s “Strategy For An EPA/Tribal Partnership To Implement Section 1529 Of The Energy Policy Act Of 2005.” This program guidance will assist Regional UST programs as they negotiate and approve state and Tribal LUST prevention assistance agreements and work with their Regional Grants Management Offices to timely award funding to States and Tribes.

This guidance is organized into three sections. The first section provides Regions with basic information necessary to award state and Tribal LUST prevention assistance agreements. The second section provides examples of activities that are eligible for funding under LUST prevention assistance agreements. The third section provides Regions with policy direction on funding priorities for use in negotiating work plans with States and Tribes.

¹ States as referenced here also include Territories as described in the definition of "State" in the Solid Waste Disposal Act.

² See Attachment 1 – EPA’s Multiple Appropriations Awards Policy, 2001.

SECTION 1

Basic Information

Eligible Applicants

These cooperative agreements or grants are only available to States, as well as federally-recognized Tribes and Intertribal Consortia that meet the requirements as described in the Federal Register Notice, Vol. 67, No. 213, pp. 67181-67183, "Update to EPA Policy on Certain Grants to Intertribal Consortia."

Catalog of Federal Domestic Assistance (CFDA) Number/Accounting Information

66.804, State and Tribal Underground Storage Tank Program. EPA's Office of Grants and Debarment approved this revised CFDA that was published by the General Services Administration.

Accounting Information

STAG 68-0103-01-304
301D16EAA for STAG UST Grants

LUST 20-81-53-0-7-304

For the IGMS Funding Recommendation: Enter Goal "3", Objective "2", Subobjective "2", NPM "D", Program Project "87", Type of Grant "E", Energy Policy Act coding "AA".

This will be converted automatically in the table to the PRC of 302D87EAA and links directly to the Program Project Resource Description Book for "87".

Program Code "L".

Regions must negotiate and may award combined (e.g., LUST prevention and STAG UST assistance agreements) or separate (e.g., LUST prevention-only, STAG-only) assistance agreements with these funds. Combined LUST Prevention (Accounting No. 20-81-53-0-7-304) and STAG UST grants (Accounting No. 68-0103-01-304) are subject to EPA's Multiple Appropriation Award Policy.

Authority

Section 9011 and other applicable provisions of Subtitle I of the Solid Waste Disposal Act (SWDA) of 1976, as amended for States and Territories and EPA's annual Appropriation Acts for Tribes and Intertribal Consortia. For Fiscal Year 2008, the citation for EPA's annual Appropriation Act is Consolidated Appropriations Act, 2008.

Delegation

The temporary amendment to delegation 8-38 authorizes Regional Administrators to take all necessary actions to approve and administer grants or cooperative agreements with States and Tribes using LUST "prevention" funds under Section 9011 and other applicable provisions of

Subtitle I of the Solid Waste Disposal Act as amended and annual Appropriation Acts until a permanent delegation of authority for the new uses of LUST appropriations is established. The EPA Administrator signed this temporary amendment on February 28, 2007. See <http://epawww.epa.gov/rmpolicy/ads/OTD.htm>.

The Integrated Grants Management System (IGMS) will accept two separate delegations in the same Funding Recommendation. The Delegation for UST State Grants is 8-14 and the Delegation for LUST Prevention Cooperative Agreements or Grants is 8-38. Additionally, IGMS is able to accept two different statutory authorities, e.g., Section 2007(f)(2) for UST State Grants and Section 9011 for LUST Prevention cooperative agreements or grants and the Consolidated Appropriation Act, 2008 for tribal LUST Prevention cooperative agreements or grants.

Performance Partnership Grant Eligibility

State and Tribal LUST Prevention assistance agreements **are not** eligible for inclusion in Performance Partnership Grants under 40 CFR Part 35.133 or 40 CFR Part 35.530. This is because the assistance agreements are funded from the LUST appropriation rather than the STAG appropriation. By statute (PL 104-134 and PL 105-65), only STAG funded grants are eligible for PPGs. Regions **may not** combine LUST Prevention assistance agreements and STAG UST grants **if** the STAG UST grant is included in a PPG.

Cost Sharing

When receiving an assistance agreement awarded under Section 9011 and other applicable provisions of Subtitle I of the SWDA, States will provide a 25 percent cost share. The cost share will be based on total project costs. This cost share is consistent with the match requirement in 40 CFR 35.335 for release prevention and detection grants funded with STAG appropriations under Section 2007(f)(2) of the SWDA. States may meet the cost share requirement by any means authorized by the cost share provision of 40 CFR Part 31.24. If States ask for the documentation of the cost share requirement, Regions may provide the States with a copy of the revised version of CFDA 66.804³. In addition, OSWER provided notice of the cost sharing requirement in the Federal Register⁴ When a state receives a combined LUST Prevention and STAG UST grant, the 25 percent cost share will be based on total project costs under the combined grant. States need not track their expenditures for cost sharing separately for LUST activities and STAG activities.

Consistent with 40 CFR Part 35.735, there is no cost share requirement for LUST prevention assistance agreements for Tribes or Inter-Tribal Consortia awarded pursuant to annual Appropriation Acts.

³ See CFDA 66.804 at http://12.46.245.173/pls/portal30/CATALOG.PROGRAM_TEXT_RPT.SHOW?p_arg_names=prog_nbr&p_arg_values=66.804.

⁴Environmental Protection Agency, [FRL-8548-4], State Cost Share Requirement for Leaking Underground Storage Tank (LUST) Prevention Assistance Agreements and Authority To Provide LUST Prevention Assistance Agreements to Tribes, <http://edocket.access.gpo.gov/2008/pdf/E8-6400.pdf>

EPA may make exceptions to the 40 CFR 35.335, *State And Local Assistance, Maximum Federal Share* for STAG UST Agreements to waive or reduce the 25 percent match or cost sharing requirement. The state cost share provision in 40 CFR 35.335 is not based on a statutory requirement contained in the applicable grant making authority, Section 2007(f)(2) of the Solid Waste Disposal Act. If the States request a waiver or reduction of the 25 percent cost share requirement, Regional offices will need to formally request an exception to 40 CFR 35.335 from the Agency's Grants Administration Director from the provision of the EPA's grant regulations concerning the "Maximum Federal Share", 40 CFR 35.335 as provided in 40 CFR 31.6(d). Similarly, although the 25 percent cost share for LUST Prevention assistance agreements is not covered by 40 CFR Part 35.335, any Region requesting an exception from the cost share requirement for LUST Prevention assistance agreements will need to follow the same procedures as are used for exceptions under 40 CFR Part 31.6(d). Please note that due to a reorganization of the Office of Grants and Debarment (OGD), Regions are to request exceptions from OGD's Director, National Policy, Training and Compliance Division.

Cooperative Agreements vs. Grants

Section 9011 of the SWDA authorizes EPA to award either a grant or cooperative agreement for LUST prevention activities. EPA's Fiscal Year 2008 Appropriation Act authorizes EPA to provide financial assistance to Tribes for the development and implementation of programs to manage underground storage tanks. The term financial assistance may include either grants or cooperative agreements. Therefore, the Agency has the discretion to award either a grant or a cooperative agreement to States and Tribes for LUST prevention activities.

The difference between a grant and a cooperative agreement is the degree of EPA's involvement in the activities the state or tribe will carry out with EPA financial assistance. If EPA's involvement is "substantial" a cooperative agreement is the appropriate funding vehicle. Section 7 of EPA Order 5700.1, *Policy for Distinguishing Between Assistance and Acquisition* (3/22/94) provides additional guidance on determining whether to award a grant or a cooperative agreement.

Project Requirements

States must agree to comply with guidelines (<http://www.epa.gov/swerust1/index.htm>) EPA issued to implement the Title XV, Subtitle B of the Energy Policy Act of 2005, http://www.epa.gov/swerust1/fedlaws/publ_109-058.pdf as a term and condition of receiving LUST prevention grants. These guidelines do not apply to tribal UST assistance agreements.

Multiple Appropriations/Split Funding (STAG and LUST Prevention ONLY)

The Regions may award combined or separate assistance agreements for the release prevention activities, using prior fiscal years' and/or current fiscal years' STAG (SWDA 2007(f)(2)) and LUST prevention appropriations since both appropriations are available for the same types of activities.

LUST prevention funds cannot be combined with a STAG-funded PPG, as LUST prevention funds are not PPG/PPA-eligible. Per EPA's Office of Grants and Debarment, Regional Grants Offices **should not** consider a STAG-funded PPG as a separate stand-alone grant and **should**

allow Regions to award LUST prevention assistance agreements **concurrently** with STAG-funded PPGs.

The Regions must follow the Agency's policy on "split funding" or Multiple Appropriation grants (See Attachment 1)⁵ and develop a charging allocation formula based on the amount of STAG/LUST funds in the agreements. (See Attachment 2.) The Office of Underground Storage Tanks (OUST), in consultation with the Office of General Counsel (OGC) and the Office of Grants and Debarment (OGD), has made a national determination that the appropriations for both LUST Prevention assistance agreements and STAG UST grants are both available to fund the same type of leak prevention and compliance assurance activities. Therefore, with adequate justification (e.g., to minimize administrative burdens on States and Tribes) (see Attachment 3), regions may combine LUST Prevention and STAG UST funds into a single assistance agreement. Regions must develop a proportional charging allocation methodology for these agreements and States and Tribes need not account for the LUST Prevention and STAG UST funds separately, but must follow their existing procedures for complying with 2 CFR Part 225.

Applicable Grant Regulations

40 CFR Part 31 for States and Tribes and 40 CFR Part 30 for Tribal Consortia receiving awards as non-profit organizations; Guidelines: Leaking Underground Storage Tanks Trust Fund. Cooperative Agreement Guidelines. Energy Policy Act of 2005 Grant Guidelines, <http://www.epa.gov/swerust1/index.htm>.

Costs will be determined in accordance with OMB Circular No. A-87 (codified at 2 CFR Part 225) for State and local governments and Indian Tribes, and OMB Circular No. A-122 (codified at 2 CFR Part 230) for non-profit Inter-Tribal Consortia. LUST prevention assistance agreements are not subject to 40 CFR Part 35.330 through 40 CFR Part 35.335 or 40 CFR Part 35.730 through 40 CFR Part 35.735. STAG UST grants are still subject to these regulations. In addition, Regions are to apply 40 CFR Part 35.330 through 40 CFR Part 35.335 or 40 CFR Part 35.730 through 40 CFR Part 35.735 to combined LUST Prevention and STAG UST grants by way of a term and condition. STAG UST grants included in PPGs are subject to 40 CFR 35.130 through 35.138.

Available Funding

In FY 2008, \$30,516,000 (includes \$1,575,000 for Tribes and Inter-Tribal Consortia).

Project Duration

The terms of the assistance agreement shall be determined at the time of the award by the specific EPA Regional Grants Office.

⁵ For more information on Multiple Appropriation Awards, please see <http://intranet.epa.gov/ogd/policy/7.0-GPI-GPI-01-02.htm>

SECTION 2

Eligible Activities

As a general rule, eligible activities for States⁶ are those activities that are reasonably necessary to carry out the activities authorized in sections 9003(i), 9003(j), 9005(c), 9010, 9011, and 9012 of the Solid Waste Disposal Act. The following table contains examples of eligible activities:

Activities related to development, implementation, or administration of: <ul style="list-style-type: none">- secondary containment requirements;- financial responsibility requirements for manufacturers and installers and Installer certification- public record requirements- inspection program- operator training program- delivery prohibition program
Conducting UST compliance inspections <ul style="list-style-type: none">- including training and oversight of inspectors
Enforcement, including issuing orders or bringing actions for violations of Subtitle I
Report or incentive for government owned tank reports
Database management (including receiving, processing and updating notification forms)
SPA activities related to the Energy Policy Act requirements
Inspection and other leak prevention Activities associated with tanks on tribal lands

⁶ Tribes may use the LUST prevention funds for the full scope of UST program implementation, as highlighted in the “Strategy For An EPA/Tribal Partnership To Implement Section 1529 Of The Energy Policy Act Of 2005,” http://www.epa.gov/swrust1/fedlaws/final_ts.htm.

LUST prevention funds shall not be used for the activities listed below:

Activities listed below that are not related to the Energy Policy Act requirements <ul style="list-style-type: none">- Regulation writing or interpretations related to maintaining leak detection equipment, maintaining records of leak detection monitoring, closure, financial responsibility, performance standards for USTs [9003(e)]- State program approval work- Equipment certification/materials approval- Leak detection workgroup participation- Standards development activities- Compatibility activities- Contractor certifications (installer, remover, tester, repairers, etc.,)- Financial assistance programs for USTs
Activities related to interim prohibition [9003(g)]
State fund assurance and enforcement activities that fall under Section 9004(f)(1)(A)(ii) or (iii) of the SWDA
Permitting programs that are not directly linked to delivery prohibition
Compliance assistance activities that are not related to the Energy Policy Act requirements such as: <ul style="list-style-type: none">- Activities not related to operator training- Site visits that are not inspections- Compliance reminders from the state- Outreach activities (compliance assistance tools developed that are unrelated to Energy Policy Act requirements)

How Funds Are Distributed

LUST prevention funding is awarded subject to an allocation process developed by the Agency. The Agency distributes funds based on the number of federally-regulated USTs in a state and other indicia of state needs.

SECTION 3

Policy Direction

Funding Priorities

LUST prevention program funds are used to provide resources to States and Tribes for their underground storage tank (UST) programs. Specific examples of funded projects will be: inspections, enforcement, development of leak prevention regulations and other program infrastructure. Regions should give priority to funding inspections in States that are not in compliance with the EPCRA requirements, assisting States adopting measures, e.g., delivery prohibition, secondary containment, operator training, etc., as required by the EPCRA and EPA's grant guidelines. Additionally, when funding Tribal UST assistance agreements, regions should give priority to all aspects of the Tribal programs, e.g., inspection capacity that is to be developed and implemented in FY 2008.

Terms and Conditions - Example

Regions are required to include a Term and Condition that complies with the provisions of the Energy Policy Act. The following is a sample Term and Condition:

“The recipient understands that it is subject to requirements described in current EPA Guidelines implementing Subtitle B, Underground Storage Tank Compliance Act, of Title XV of the Energy Policy Act, that are effective as of the date of this award or funded amendment.”

Environmental Results

Regions are to negotiate assistance agreement-specific performance measures. For the national performance measures for the LUST prevention activities (see below), refer to the National Program Guidance for the Office of Solid Waste and Emergency Response: <http://www.epa.gov/ocfopage/npmguidance/index.htm>.

LUST Prevention Environmental Results:

- No more than 10,000 confirmed releases per year
- Increase the rate of significant operational compliance by 1% over the previous year's rate (target)

Reporting Requirements

Reporting requirements are identified at 40 CFR Parts 30 and 31. EPA Regional Offices may include additional information regarding the content and frequency of reporting requirements in the Terms and Conditions of the assistance agreements.

State Reporting Requirements and Schedule

The State Reporting Requirements and Schedule for the LUST prevention assistance agreements is identified in the National Program Guidance⁷ and in the semi-annual memoranda from the Office Director for the Office of Underground Storage Tanks.⁸

Attachments:

Attachment 1 - EPA's Multiple Appropriations Awards Policy, May 2001

Attachment 2 – Sample Charging Allocation Formula

Attachment 3 – Sample Multiple Appropriations Justification

⁷ See http://www.epa.gov/ocfo/npmguidance/oswer/2008/final_npmguidance.pdf

⁸ Reporting elements are specified in an annual memorandum from OUST's Office Director to Regional Division Directors, Regional Program Managers, and State program contacts.

MULTIPLE APPROPRIATIONS AWARDS POLICY

- a. **PURPOSE.** The purpose of this policy is to establish guidance for funding grants from multiple appropriations. (The term “grant” is understood to include grants and cooperative agreements.)
- b. **APPLICABILITY.** This Policy applies to all **new** grants and amendments, which provide additional funding (that is, incremental or supplemental increases), awarded on or after June 1, 2001.
- c. **BACKGROUND.** In some instances, EPA awards (i.e., obligates) grants using funds from more than one appropriation.¹ The rationale for MA funding of grants is generally that the activities being performed under the grant benefit² the purposes of more than one EPA appropriation.

Currently, when grant recipients request payment from EPA for these MA grants, they are not required to “break out” the payment requests into separate components in proportion to the amount they spent for the benefit of each appropriation. Requiring such a break-out may not be feasible because the recipients do not have information that would allow them to know which appropriations are being benefitted. As a result, lacking any better information, EPA’s Financial Management Offices (FMOs) have typically used a first-in, first-out (FIFO) charging method (i.e., charging each payment against the first line of accounting in the Agency financial records

¹ An **appropriation** is budget authority provided by an act of Congress that permits Federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. Examples of appropriations to fund EPA grants are Environmental Programs and Management (EPM); Science and Technology (S&T); and State and Tribal Assistance Grants (STAG).

² The term “benefit,” as used in this Policy, refers to carrying out one appropriation rather than another. It is the term used in 31 U.S.C. §1534, which authorizes agencies to charge an appropriation temporarily for costs that “benefit” another appropriation if adjustments are made by the end of the year. References in this memo to “benefitting” an appropriation do not mean that costs should serve EPA or Federal Government purposes rather than the purposes of the recipient or the public. Under the Federal Grant and Cooperative Agreement Act, an agency may award a grant rather than a contract only if the principal purpose of the award is a public purpose of support or stimulation and not acquisition for the direct use or benefit of the Government.

until that is exhausted and then against the next line, and so forth). As a consequence, at any given time during the life of the grant, disbursements for one activity on a grant might be made against an appropriation that does not cover that activity.

The Office of the Inspector General (OIG) has questioned these grant charging practices. The OIG believes that these practices violate 31 USC 1301, APurpose Statute@ which states that AAppropriations shall be applied only to the objects for which the appropriations were made except as otherwise provided by law.@ Those questions were addressed in a legal opinion regarding the APurpose Statute@ from the Office of General Counsel (OGC) dated January 13, 2000, which is the basis for this policy. OGC stated, in summary, that if all of a MA grant=s activities are of a type that is fundable under all of the appropriations funding the grant, EPA may charge the payments on a FIFO basis if adjustments are made before the end of the fiscal year to charge the benefitted appropriations (the FIFO/adjust method); alternatively, individual payments may be charged proportionately to the benefitted appropriations at the time of each payment based on the best estimate of benefits. If, on the other hand, all appropriations on the MA grants are not legally available for all of the types of activities to be performed, EPA can not use the FIFO/adjust method of charging; it must charge individual payments to the benefitted appropriations at the time of each payment or award separate grants.

d. POLICY. It is EPA policy generally to use only one appropriation as the funding source for an assistance project. Where a project=s activities benefit more than one appropriation, the Agency should award separate grants for the activities falling within the scope of each appropriation. However, a single, MA grant may be awarded, with adequate justification documented in the grant decision memorandum, and on an exception basis, if **all** of a project=s activities are of a type that is fundable from all of the supporting appropriations.³ Separate grants must be awarded if all of the supporting appropriations are not legally available for all of the types of activities to be performed. This is because of the procedural difficulties involved in individually charging payments to the benefitted appropriations. In awarding and administering separate grants, the Agency will work to minimize application, accounting and reporting burdens on recipients.

As part of the justification for an MA grant, the Project Officer must include in the decision memorandum a description of the methodology for charging payments that reflects the proportional benefit to each appropriation. When developing their allocation methodology, Project Officers must use the guidelines contained in Comptroller Policy Announcement 98-10, AAccounting for Resources under the Government Performance and Results Act,@ as revised on [INSERT DATE], 2001. Project Officers may contact their Servicing Finance Offices (SFOs), or where necessary, OGC or the appropriate Office of Regional Counsel (ORC), should they need further guidance. (The funding placed on the grant must be consistent with the allocation methodology.)

³ An example of such a project is one involving a conference that benefits both EPA's Environmental Programs and Management (EPM) appropriation and its Superfund appropriation. Both appropriations are available to support that type of project. Similarly, a grant for research and training from EPM and Superfund would be one where all the work is of a type fundable from both the supporting appropriations, i.e., both research and training are types of activities that are fundable from EPM and from Superfund. On the other hand, under a grant for research and public education funded from the EPM and Superfund appropriations, the research work could be funded from both appropriations but public education cannot be funded from Superfund (because there is no authority in CERCLA to award grants for public education).

Sample Charging Allocation Formula

Project or Description (Sample)	Appropriation	Funding Request (\$)	Funding %
Conducting UST compliance inspections - including training and oversight of inspector	E (STAG)	150,000	10%
Conducting UST compliance inspections - including training and oversight of inspector	F (LUST Prevention)	1,500,000	90%
	Total	1,650,000	100%

The purpose of this project is to assist state/tribal **(select one)** underground storage tanks program managers who implement leak detection, prevention and related enforcement for the development and implementation of programs to manage state/tribal **(select one)** underground storage tanks (USTs) that measure results associated with the mission-based issues of the national underground storage tanks program. **Sample:** Conducting UST compliance inspections will directly impact the fewer number of confirmed releases of underground storage tanks.

ATTACHMENT 3

Sample Justification for Multiple Appropriations (MA) Awards

As part of the justification for an MA grant, the Project Officer must include in the funding recommendation a description of the methodology for charging payments that reflects the proportional benefit to each appropriation. The allocation methodology should include the following:

- Define what will be allocated. For example, grant funding for (insert scope of work narrative).
- Define the time period for the methodology.

Describe the allocation methodology. This includes the: a) allocation statistic proposed to distribute costs among Subobjectives; b) method used to derive the statistic; and c) total cost including the portion of cost to be distributed by Subobjective (see Attachment 2).