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State Innovation Grant Program: Arizona

Arizona Environmental Performance Track: Increasing Membership by Lowering Membership Hurdles, Building a Broader Base, and Improving Key Incentives (2006 Competition)

The State Innovation Grant Program

In 2002 EPA introduced the State Innovation Grant Program to support efforts led by state environmental agencies to test innovative approaches for achieving better environmental results and improved efficiency in permitting programs. Between 2002 and 2007, the State Innovation Grant program competition awarded over six million dollars to support 35 state projects that test permitting innovation for a variety of regulated entities including several small business sectors. A summary of the awards by year appears in the table below.

State Innovation Grant Program Statistics, 2002-2007			
Competition Year	Proposals Submitted	Proposals Selected	Total Program Funding (\$)
2002/2003	29	6	\$618,000
2004	33	9	\$1.425 Million
2005	26	7	\$1.479 Million
2006	25	6	\$1.243 Million
2007	17	7	\$1.611 Million
Cumulative Total	130	35	\$6.376 Million

"Innovation in Permitting" has been the theme of the State Innovation Grant competition since its inception. In the last three competition cycles states received awards for projects in the following three categories:

- **The Environmental Results Program (ERP)** is an innovative approach to improving environmental performance based on a system of the interlocking tools of compliance assistance, self-certification (sometimes, where permissible, in lieu of permitting), and statistically-based measurement to gauge the performance of an entire business sector. The program utilizes a multimedia approach to encourage small sources to achieve environmental compliance and pollution prevention. (See: <http://www.epa.gov/permits/erp/>)
- **Environmental Management System (EMS)** is a system involving a continual cycle of planning, implementing, reviewing and improving the processes and actions that an organization undertakes to meet its business and environmental goals. EMSs provide organizations of all types with a structured system and approach for managing environmental and regulatory responsibilities to improve overall environmental performance and stewardship. (See: www.epa.gov/ems/info/index.htm)
- **Performance Track** is a partnership that recognizes top environmental performance among participating US facilities of all types, sizes, and complexity, both public and private. (See: <http://www.epa.gov/performance-track/>)

NCEI has provided awards also for projects testing watershed-based permitting, and for permit process streamlining in past competitions. For more information on the history of the programs, including information on solicitations, state proposals, and project awards, please see the EPA State Innovation Grants website at <http://www.epa.gov/innovation/stategrants>

Project Background:

The Arizona Department of Environmental Quality (AZDEQ) has enthusiastically supported EPA's National Environmental Performance Track (Performance Track) Program since its inception and has worked closely with EPA to create Arizona's own Environmental Performance Track Program. Even though ADEQ has already received its first applications for membership, the agency continues to evaluate and improve the program with a great deal of input from the regulated community and EPA. ADEQ has identified opportunities to involve a broader range of the regulated community through the promotion of greater understanding of EMS, development of a Performance Track-like program geared toward the agricultural sector, and improvement of permitting and regulatory flexibility.

Project Description

With an EPA State Innovation Grant, AZDEQ is broadening the range of business sectors involved in Arizona's newly formed Performance Track Program through both existing and new initiatives designed specifically for small business, small communities, and agricultural enterprises. AZDEQ is providing a coordinated, agency-wide approach to improving environmental performance through the promotion of EMS; investigation of the development of an EMS-based program targeting the agricultural sector; and a response to interest expressed by current Performance Track participants in further development of the incentives which streamline the permitting process and reduce reporting obligations. Arizona's goal for this grant-funded project is two-fold: 1) to assist, recognize, and reward high performing small businesses, small communities and agricultural enterprises who express difficulty in qualifying for Arizona Performance Track, but are willing to commit to environmental improvement through the development of an Environmental Management System or other similar means for documenting and implementing environmental improvements; and 2) to expand Arizona Performance Track Program membership by improving what the regulated community considers the most important incentives; flexibility in permitting and reduction in

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reporting obligations.

Development of Environmental Management System Guidance and Templates

AZDEQ will survey small businesses and small communities during routine inspections to determine their knowledge of, and interest in EMS, and identify how guidance and templates might encourage businesses and communities to adopt EMS. Through the development and availability of guidance and templates, AZDEQ hopes to increase membership in Arizona Performance Track by facilitating the development of an approvable EMS - a Performance Track application requirement. AZDEQ is reviewing existing EMS guidance and templates to determine if they meet the standards set by EPA in the National Performance Track program. If these standards are not met, AZDEQ will modify the guidance and templates accordingly and publish them on AZDEQ's Performance Track web page.

Agriculture Performance Track

AZDEQ is communicating with members of the agricultural community, along with other state and federal agencies (e.g., Arizona Department of Agriculture and EPA) about the applicability of the existing Performance Track program to agricultural operations in Arizona. A Performance Track-like program for agricultural operations will contain similar benefits to those demonstrated by the "traditional" program. As a result of this approach, AZDEQ envisions the development of EMS and quantifiable commitments as a condition of membership. Once such a program is implemented, AZDEQ will track the number of participants along with the quantifiable environmental improvement projects of its members.

Improvements to Permitting Flexibility and Reduced Reporting Incentives

AZDEQ plans to meet with other state agencies that regulate facilities (e.g., Arizona Department of Water Resources) to explore the potential for permit flexibility or reporting incentives. AZDEQ will also work to develop: guidance to identify limitations of the incentives; permits to which incentives are applicable; and, the information needed to process incentive requests. AZDEQ will measure the success of this endeavor by surveying applicants to determine whether the new guidance on these incentives motivated their decision to apply. If the incentives play a significant role in applicants' decisions, AZDEQ will measure results of the quantified environmental improvement project as a success of the incentive improvements.

The project will take three years to accomplish.

Connection to EPA's Goals

This project directly supports EPA's Strategic Goals by (Goal 1) encouraging improved environmental performance of regulated facilities, and by (Goal 5) promoting increased environmental stewardship through the use of innovative strategies.

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