

US EPA ARCHIVE DOCUMENT

State Innovation Grant Program:
Arizona Department of Environmental Quality Project Narrative/Workplan

Project Title: Arizona Environmental Performance Track: Increasing Membership by Lowering Membership Hurdles, Building a Broader Base, and Improving Key Incentives.

Applicant: Arizona Department of Environmental Quality (ADEQ)

Contact: Henry Darwin, Compliance and Enforcement Director
Arizona Department of Environmental Quality
1110 West Washington Street
Phoenix, Arizona 85007
Office: (602) 771-2328
Fax: (602) 771- 2251
E-mail: Darwin.Henry@azdeq.gov

Funding Requested: \$225,000

Project Period: From date of approval of grant to 3 years after date of approval

Project Overview

This project is intended to broaden 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. Arizona proposes to develop guidance and templates for Small Community Environmental Protection Plans (very similar to EMSs) under a new ADEQ policy that is based on EPA's recently modified Small Community Policy. The project will also create an agricultural performance track. Arizona will partner with air quality departments of Maricopa, Pima, and Pinal Counties who have EPA delegation to implement Title V of the Clean Air Act. The project proposes to significantly reduce one of the burdens of applying for membership in Arizona's program and PT by developing comprehensive EMS guidance and templates (meeting standards set by Performance Track) with - plans to make them generally available to the regulated community. The project also proposes to further develop incentives which streamline the permitting process and reduce reporting obligations.

Problem Statement

ADEQ has been an enthusiastic supporter of EPA's National Environmental Performance Track Program since its inception and has worked closely with EPA to create Arizona's own Environmental Performance Track Program through the expenditure of significant State resources. Arizona's program is implemented by ADEQ, but also includes the air quality departments of Maricopa, Pima, and Pinal County, which have delegation from EPA to implement Title V of the Clean Air Act. 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. Through these efforts, ADEQ has

identified opportunities to involve a broader range of the regulated community through both existing and new initiatives designed specifically for small businesses, small communities and agricultural enterprises. We have also discovered opportunities to expand membership by improving the incentives in our current program.

Environmental Management System Guidance and Templates

Through the development and implementation of Arizona Performance Track, ADEQ has identified two problems and thus opportunities to improve the current version of our program. First, we have found that ADEQ needs to take a more coordinated, agency-wide approach to identifying, prioritizing, and realizing our goals for improving environmental performance through the promotion of Environmental Management Systems (EMS). This is a role the administrator would play. As Arizona Performance Track has been rolled out, ADEQ staff working on Performance Track has discovered several other ADEQ efforts also working on ways to increase the regulated community's use of EMS's. For example, Performance Track staff found that ADEQ is developing comprehensive guidance and Environmental Management System (EMS) templates with plans to make them generally available to the regulated community. ADEQ is also developing guidance and templates for Small Community Environmental Protection Plans (which are very similar to an EMS) under ADEQ's newly developed Small Community Policy, based upon EPA's recently modified Small Community Policy.

Because an EMS is a cornerstone of the Performance Track Program, there exists an opportunity to promote the guidance and use of the off-the-shelf templates being developed by other ADEQ programs as a means of expanding membership. Many small businesses and small communities believe Performance Track membership is a worthy goal, but lack the technical, managerial or financial resources to qualify for membership. By modifying these guidance and templates to meet the standards set by EPA in Performance Track, ADEQ can significantly reduce one of the burdens of applying for membership, while maintaining the integrity of the program.

Agriculture Performance Track

ADEQ is investigating the development of an EMS-based program which specifically targets agricultural operations either as a part of, or in addition to, Arizona Performance Track. As we did with the development of Arizona Performance Track, ADEQ plans to meet with the regulated community, and the agencies that regulate them, to identify opportunities for environmental improvement and regulatory incentives that might be offered for implementation of the improvements.

Improvements to Permitting Flexibility and Reduced Reporting Incentives

Through our continued outreach to the regulated community on Performance Track, ADEQ has identified a potential shortfall with our current program. Current and potential Performance Track participants have expressed an interest in further development of the incentives which streamline the permitting process and reduce reporting obligations. Although these incentives are currently offered in Arizona's program, they are limited to permits from ADEQ, and the air quality departments of Maricopa, Pima, and Pinal County. In addition, we have not yet developed external guidance or internal procedures which describe implementation of these incentives. We have heard from the regulated community that they'd like for these incentives to

be better defined through guidance and that they be offered by agencies in addition to ADEQ (e.g., permits required by the Arizona Department of Water Resources, a separate state agency). ADEQ would like to offer specific guidance on, and examples of, the permit flexibility and reduced reporting incentives, as well as internal procedures for considering these incentives.

Logic Model:

Environmental Management System Guidance and Templates

Resources & Partners	Activities	Outputs	Customer Reached	Outcomes		
				Short Term	Intermediate Term	Long-Term
ADEQ, EPA, Small Biz. Admin., ASU, Strategic Alliance, Existing EMS Templates,	Train ADEQ inspectors on EMS's	Survey on EMS's for Small Biz. to be delivered during inspections	Inspectors, Small Biz., including: Auto shops, platers, radiator shops, junk yards	Small Businesses with EMS's	Small Business Performance Track Members	Quantifiable Performance Track Projects from Small Businesses
	Meet w/Small Business	EMS guidelines				

Agriculture Performance Track

Resources & Partners	Activities	Outputs	Customer Reached	Outcomes		
				Short Term	Intermediate Term	Long-Term
ADEQ, EPA, AZ. Dept. of Ag., Ag. Lobby, Strategic Alliance,	Meet with Ag. Lobby and Strategic Alliance	Meetings Ag. PT program description	Agricultural Community	Agriculture Community Awareness of EMS's	Agriculture Performance Track Program with Members	Agriculture Enterprises with EMS's, reductions in water and pesticide use

Improvements to Permitting Flexibility and Reduced Reporting Incentives

Resources & Partners	Activities	Outputs	Customer Reached	Outcomes		
				Short Term	Intermediate Term	Long-Term
AZ. Dept. of Water Resources, Cities, Counties, Strategic	Meet with ADWR, Cities, Counties, Strategic Alliance	Meetings Guidance on Permit Flexibility and	New Potential Members	Interest in Arizona PT	Additional Members in Arizona PT	EMS's and PT projects from new members.

Alliance		Reduced Reporting				
----------	--	-------------------	--	--	--	--

Goals & Objectives

- Promote Environmental Management Systems (EMS) across all media programs regardless of type of facility or operation.
- Enroll and reward superior environmental performance by expanding and improving Performance Track.
- Provide the training, education and resources to the regulated community to promote and encourage membership in EPA and Arizona Performance Track
- Build a network of stakeholders comprised of ADEQ, other State and local agencies, the public, the regulated community, the Arizona Environmental Strategic Alliance, and EPA to share innovations and strategies in promoting environmental stewardship
- Explore a Performance Track-like program meeting the unique needs of the agricultural community.
- Develop flexibility in permitting guidance for potential and existing performance track members
- Focus on affordable continuous improvement agency-wide through ongoing training, sharing and applying innovation and strategies to reduce costs and improve environmental performance.
- Develop and track performance measures to continuously evaluate the effectiveness of Performance Track generally and EMS’s specifically.

To meet these goals, ADEQ has already redirected resources and accomplished the following: 1) Developed and implemented Arizona Environmental Performance Track based largely upon EPA’s National Environmental Performance Track. Arizona has three state applications pending; 2) Completed a web page with program information and an online application with a link to EPA’s National Environmental Performance Track application; 3) Published a brochure describing the program (also available on our web page; 4) Conducted numerous presentations around the State promoting the EPA and Arizona Environmental Performance Track programs; 5) Accompanied EPA staff as observers on four site visits to national member facilities in Arizona; 6) Incorporated into State law the federal performance track hazardous waste accumulation incentive; and 7) Investigated EPA, ADEQ and other state innovation programs that can be more widely implemented in Arizona.

The goals of future projects to be partially funded by this grant are two-fold: 1) To assist, recognize and reward, high performing small businesses, small communities and agricultural enterprises that have a difficult time qualifying for Arizona Performance Track, but are willing to make a meaningful commitment to environmental improvement through the development of an Environmental Management System or other similar means for documenting and implementing environmental improvements; 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 reporting obligations.

Environmental Outcomes and Performance Measures

Environmental Management System Development Guidance and Templates

Under this project, ADEQ will review the existing ADEQ-developed EMS guidance and templates to determine whether they meet the standards set by EPA in the National Performance Track program. If they do not meet these standards, ADEQ will modify the guidance and templates accordingly. Once the guidance and templates are in line with EPA's existing standards for EMS development and implementation, ADEQ will make them available on ADEQ's web page devoted to Performance Track. The application and other written literature will be modified to reflect the availability of such guidance. As a result, these documents would be easily transferable to other State's with an EPA-based performance track program.

Program Benefits and Outcomes:

Through the development and availability of guidance and templates, ADEQ hopes to increase membership in Arizona Performance Track by making it easier to develop an approvable EMS, an application requirement. More members means more commitments to quantifiable environmental improvement projects, another application requirement. ADEQ will be able to measure increased membership and the quantified pollution reductions of the additional members.

Agriculture Performance Track

Under this project, ADEQ will follow a model that was effective in developing our existing Performance Track program. We will invite appropriate members of the agricultural community, along with other state and federal agencies (e.g., Arizona Department of Agriculture and EPA), to participate in an open dialogue about the existing Performance Track program and whether it is applicable to agricultural operations in Arizona. If it seems that the structure of the existing Performance Track program will apply, we will discuss with the group what modifications to the program might increase the likelihood of participation. If it seems that the structure of the existing program does not fit, we will explore a new program better suited to agricultural operations while still meeting the spirit and intent of Performance Track. Once developed the program description will be available on ADEQ's web page.

The development of a Performance Track-like program for agricultural operations will result in similar benefits to those demonstrated by the "traditional" program. As a result, ADEQ envisions the development of EMS's and quantifiable commitments as a condition of membership. Once such a program is implemented, ADEQ will track the number of participants along with the quantifiable environmental improvement projects of its members.

Improvements to Permitting Flexibility and Reduced Reporting Incentives

Under this project, ADEQ will perform two main tasks. First, ADEQ will contact other state agencies which regulate facilities eligible for performance track (e.g., Arizona Department of Water Resources). ADEQ will meet with these agencies to discuss the benefits and goals of Environmental Performance Track and explore permit flexibility or reporting incentives that might be offered by the other State agencies. If appropriate we will develop additional requirements needed to receive the benefits. The additional agencies offering incentives will be posted on ADEQ's web page and included in Arizona's Performance Track application and

associated literature.

The second task will involve the development of external guidance on the permit flexibility and reduced reporting incentives. Once again, ADEQ will engage the assistance of the group which helped ADEQ in the development of the Arizona program. The guidance will provide the limitations of the incentives, the permits to which the incentive are applicable, and the information needed to process the request for the incentive, along with appropriate examples. Although ADEQ does not intend to limit the incentive to air permits, ADEQ will rely heavily on the white paper available from EPA on the subject of permit flexibility in the Title V air program.

Improvement of the permitting flexibility and reporting reduced reporting incentives will hopefully result in increased membership in Performance Track. ADEQ has heard from several members of the regulated community that knowing more about these incentives would make more likely that they would apply to the program. ADEQ will measure the success of this endeavor by asking applicants why they applied, and whether the new guidance on these incentives played a role in their decision. If it does play a significant role in the decision, ADEQ will measure results of the quantified environmental improvement project as a success of the incentive improvements.

Key Activities, Milestones and Outcomes

Task	Start	End	Outcome
Generally			
Finalize MOA between ADEQ, EPA, and the air quality departments of Maricopa, Pima, and Pinal Counties regarding Arizona Environmental Performance Track	03/06	06/06	Finalized MOA
Adoption of federal performance track incentives for MACT. Quarterly review and report to EPA on the project status.	03/06	04/07 06/06 04/09	Adopted MACT rule Completed review and report
Annual member, partnership and agency staff survey followed by an annual conference with Performance Track members and collaborative partnership agencies and trade associations to evaluate the effectiveness of the program and discuss future incentives designed to benefit existing and future members and to encourage mentoring programs	09/06	09/08	Completed survey and evaluation; improve desirability of Arizona Performance Track to potential members; increased membership
Develop and track quarterly performance measures for Performance Track.	03/06	04/09	Completed quarterly performance reports
Review with EPA all National and Arizona Environmental Performance Track applications and current members' annual reports.	03/06	04/09	New Arizona Performance Track Members
Participate in EPA Performance Track weekly state conference calls and national and regional Performance Track conferences	03/06	04/09	Better knowledge of nation-wide issues

Task	Start	End	Outcome
Ongoing public outreach on performance track through speaking engagements at seminars	03/06	03/09	More informed regulated community
Conduct training for all agency enforcement staff on requiring the development of an EMS as part of a Compliance Schedule when negotiating Consent Orders and Judgments when appropriate including sample text utilizing the four EMS templates as a guidance resource.	03/06	03/09	More informed staff on EMS's resulting in increase use of EMS's by non-complaint companies
Enhance the ADEQ Performance Track Web Page by providing "one-stop" access to the National and Arizona Environmental Performance Track programs and incentives; recognize and profile members and their continuous improvement projects; provide direct links to current members; guidance documents and resources to encourage and promote Performance Track membership supplemented by ongoing public education and outreach.	06/06	10/06	Enhanced web page to educate public on the benefits of Performance Track
Conduct annual site visits of a minimum of 10% of Arizona Performance Track member facilities.	03/06	03/09	Completed site visits for integrity of program
EMS Guidance and Templates			
Review existing ADEQ developed EMS guidance and templates	09/06	11/06	Understanding of what changes required
Develop EMS survey to be distributed to small businesses during inspections	9/06	11/06	EMS Survey
Conduct training of ADEQ inspectors on EMS's and use of the survey	12/06	1/06	Informed Inspectors
Distribute EMS surveys during inspections	1/06	12/06	Information Regarding Small Business awareness/interest in EMS's
Hold two meetings with small businesses regarding EMS's to gauge interest in EMS's and discuss ADEQ's EMS guidance development	1/06	6/06	Inform Small Businesses of Benefits of EMS and Gain Information on Development Hurdles
Modify EMS guidance to meet standards set by EPA's National Performance Track program	12/06	04/07	Revised guidance that meets EPA standards
Modify EMS templates to meet EPA's standards as needed	04/07	06/07	Revised templates that meet EPA standards
Post revised guidance and templates on ADEQ Performance Track web page	06/07	09/07	Available guidance and templates on web page

Task	Start	End	Outcome
Revise Performance Track application and written literature to reflect web availability	09/07	12/07	Revised application and literature
Hold three meetings/training sessions with small businesses to explain EMS guidance and templates	09/07	12/07	Informed small business on use of EMS guidance
Agriculture Performance Track			
Hold three meetings with members of the agricultural community and other state and federal agencies to discuss applicability of the existing Performance Track program to agricultural operations	01/07	04/07	Knowledge of existing program applicability to agriculture operations
Modify existing program or explore options for new comparable program based on input received in open meeting	02/07	09/07	Revised PT program description or draft of comparable program
Develop guidance documents for agricultural program	09/07	11/07	Guidance documents for promoting membership
Post program description/guidance on ADEQ Performance Track web page	12/07	02/07	Available program description and guidance on web page
Improvements to Flexibility in Permits and Reduced Reporting Incentives			
Develop list of contacts of other state agencies that regulate facilities eligible for Performance Track	07/06	08/07	List of agency contacts
Review <i>EPA White Paper # 3 on the Design of Flexible Air Permits</i> to further develop Arizona's flexibility in permits as an incentive	08/07	09/07	Better understanding of how concept can be applied
Meet with state agency representatives to discuss Performance Track, permit flexibility, and reduced reporting incentives	09/07	10/07	List of other agency interests/issues w/PT
Develop additional requirements needed to receive multi-agency incentives	11/07	03/08	Completed list of added incentive requirements
Post additional agencies offering incentives on ADEQ Performance Track web page	04/08	06/08	List of state agencies and their incentives
Draft external guidance on permit flexibility and reduced reporting incentives	04/08	08/08	Completed external guidance on permit flexibility and reduced reporting incentives
Post external guidance on ADEQ Performance Track web page	09/08	12/08	Guidance on web page
Revise application and other written literature to reflect web availability of guidance on permit flexibility and reduced reporting incentives	01/09	03/09	Application and literature improved to attract more members

Transferability

ADEQ will make available on its web-page the following when available: the description of the Performance Track-like program for agricultural operations; the EMS development guidance and templates meeting EPA Performance Track Standards; and the guidance documents created for permit flexibility and reduced reporting obligations.

Public Involvement

As was done in the development of the current version of Arizona Performance Track, Arizona will continue to involve stakeholders in the development of meaningful incentives and lower the administrative burdens of applying for membership. We anticipate participation from: trade groups (e.g., Arizona Environmental Strategic Alliance, Small Business Administration, and Western Growers Association), other State of Arizona Agencies (e.g., the Arizona Department of Water Resources, and the Arizona Department of Agriculture), counties (e.g., the Air Permitting Departments of Maricopa, Pima and Pinal Counties). ADEQ will make every effort to include members of the public that are interested in participating by issuing press releases and posting relevant information on our web-site.

Reporting Requirements

ADEQ will submit quarterly progress report updates and a detailed follow-up case-study report that will be prepared and submitted at the end of the grant period. The case study report will include: a summary of the project, reductions achieved (if applicable), a cost analysis, any problems encountered, successes achieved, and lessons learned.

Total Project Costs

ADEQ anticipates that the total project costs will exceed \$450,000, with this grant providing \$225,000 and ADEQ funding the remainder. Should the costs exceed \$225,000, ADEQ fund the remaining costs through in-kind resources through existing funding sources.

Detailed Itemize Budget

	Federal	State
A. Personnel	\$108,000.00	\$186,008.00
B. Fringe Benefits	\$32,100.00	\$38,992.00
C. Contractual Cost		
D. Travel	\$7,500.00	
E. Equipment		
F. Supplies	\$7,500.00	
G. Other		
H. Total Direct Costs	\$155,100.00	\$225,000
I. Total Indirect Costs	\$69,900.00	
J. Total Cost	\$225,000.00	\$225,000

Key Personnel

The project manager will be Henry Darwin, Director of Compliance and Enforcement for ADEQ. Henry currently coordinates all of ADEQ's compliance efforts and manages the Arizona Performance Track program, which he developed with help from EPA and the regulated community. He has previously managed both the air quality and water quality compliance programs at ADEQ. Henry also worked for a major water and power utility as in-house environmental counsel and served briefly as an Assistant Arizona Attorney General on special assignment to ADEQ's hazardous waste program. In 2001, Henry received a Bronze Medal from EPA's Office of Enforcement and Compliance Assurance for his role in the largest RCRA settlement at the time, and ADEQ's Supernova Star Award, the highest award given to an ADEQ employee. He is the primary author of ADEQ's Compliance and Enforcement Handbook and has spoken extensively about environmental compliance issues, including Arizona Performance Track. Henry has previously been involved in applying for, receiving and implementing EPA grants. Most notably, Henry was involved in grants received from EPA to develop ADEQ infrastructure for participating in the exchange network.

Henry is a licensed attorney in Arizona and holds a B.S., cum laude, in Hydrology from the University of Arizona and a J.D. from Lewis & Clark College's Northwestern School of Law where he received a Certificate in Environmental and Natural Resources Law.