U.S. EPA
National Center for Environmental Innovation
State Innovation Grant
Request for Proposals (RFP) FY 2007

AGENCY NAME: U.S. Environmental Protection Agency (EPA), National Center for Environmental Innovation (NCEI)

FUNDING OPPORTUNITY NAME: State Innovation Grant Program

RFP NO: EPA-AO-OPEI-07-01

CATALOG OF FEDERAL DOMESTIC ASSISTANCE (CFDA): 66.940 -- Environmental Policy and Innovation Grants

DATES:

- The closing date for eligible applicants to submit pre-proposals is January 18, 2007. Proposals submitted through Grants.gov must be received by the closing date and time (11:59 pm Eastern Standard Time). See Section IV of this announcement for further information.
- Selection decisions are expected to be made in March 2007.
- The grant period for all applicants selected to receive assistance under this solicitation is anticipated to begin on October 1, 2007, and expire no later than September 30, 2011.

SUMMARY: In an effort to support innovation by state environmental regulatory agencies, the U.S. Environmental Protection Agency (EPA) is soliciting pre-proposals from the principal environmental regulatory agency for each state government, the District of Columbia, and the U.S. territories for "the State Innovation Grant Program," an assistance agreement program. CFDA 66.940 contains two parts. This solicitation applies only to Part One of CFDA 66.940- a competition to support projects that promote the testing of innovative approaches in state permitting programs that strive to create a performance-based regulatory system, promote environmental stewardship and beyond-compliance business operation, and/ or promote a culture of creative environmental problem solving.

I. FUNDING OPPORTUNITY DESCRIPTION

A. Background

In April 2002, EPA issued its plan for future innovation efforts, published as *Innovating for Better Environmental Results: A Strategy to Guide the Next Generation of Innovation at EPA* (EPA 100-R-02-002; http://www.epa.gov/innovation/pdf/strategy.pdf). EPA's *Innovation Strategy* presents a framework for environmental innovation consisting of four major elements:

1. strengthening EPA's innovation partnership with states and tribes;
2. focusing on priority environmental issues:
    - reducing greenhouse gases
    - reducing smog
    - restoring and maintaining water quality
    - reducing the cost of water and wastewater infrastructure;
3. diversifying environmental protection tools and approaches:
    - information resources and technology
    - environmental technology
    - incentives
    - Environmental Management Systems
    - results-based goals and measures; and
4. fostering more "innovation-friendly" systems and organizational cultures.

The State Innovation Grant Program strengthens EPA's partnership with the states by supporting state innovation compatible with EPA's *Innovation Strategy*. EPA wants to encourage states to build on previous experience (theirs and others) to undertake strategic innovation projects that promote larger-scale models for "next generation" environmental protection that promise better environmental outcomes and other beneficial results. EPA is interested in funding projects that: i) go beyond a single facility experiment and provide change that is "systems-oriented;" ii) provide better results from a program, process, or sector-wide innovation; and iii) promote integrated (multi-media) environmental management with a high potential for transfer to other states, U.S. territories, and tribes.

B. Project Summary

The U.S. Environmental Protection Agency (EPA) is soliciting pre-proposals for an assistance program, the "State Innovation Grant Program," to support innovation by state environmental regulatory agencies. The EPA National Center for Environmental Innovation (NCEI) is managing the competition for the State Innovation Grant Program, in collaboration with the EPA National Program Offices at Headquarters and the EPA Regional Offices.

This solicitation begins the fifth State Innovation Grant competition. "Innovation in Permitting" is again the theme for the 2007 State Innovation Grants solicitation. Under this theme, EPA is interested in pre-proposals for projects that:

- support the development of state Environmental Results Programs (ERPs);
- involve the application of Environmental Management Systems (EMS), including those that explore the relationship of EMS to permitting or otherwise promote the use of EMS to improve environmental performance beyond permit requirements (see *EPA's Strategy for Determining the Role of EMS in Regulatory Programs* at http://www.epa.gov/ems or http://www.epa.gov/ems/docs/EMS and_the_Reg_Structure_41204Fpdf); or
- implement National Environmental Performance Track (PT) or similar performance-based programs by states, particularly including the development and implementation of incentives.

EPA interprets "innovation in permitting" broadly to include permitting programs, pesticide licensing programs, and other alternatives or supplements to permitting programs. EPA is interested in creative approaches for both: 1) achieving mandatory federal and state standards; and 2) encouraging performance and addressing environmental issues above and beyond minimum requirements.

EPA intends to support state projects that involve innovation in environmental permitting (including alternatives to permitting) related to one of the EPA *Innovation Strategy*'s priority environmental areas (see Section I.A of this announcement), or to other priority areas identified previously by individual states in collaboration with EPA in a formal state-EPA agreement such as a Performance Partnership Agreement (PPA). Projects must propose to test these concepts in either federally-delegated/ authorized programs or state programs (voluntary or regulatory), while working within the existing statutory framework.

Environmental Results Program (ERP) Models

EPA is specifically interested in promoting applications of the Environmental Results Program (ERP) model (see http://www.epa.gov/ooaujeag/permits/erp/what.htm). An ERP is an integrated system of compliance assistance that encourages pollution prevention, self-certification (sometimes, where permissible, in lieu of permitting), and statistically-based measurement to gauge the performance of an entire business sector. A successful ERP also includes a statistically-based compliance monitoring and enforcement program to help ensure that participating facilities achieve and maintain compliance. The ERP approach was originally designed by the Massachusetts Department of Environmental Protection for improving the environmental performance of several small business sectors.

The ERP model offers a practical approach to meeting environmental challenges posed by small source permitting. Implementing an ERP allows a regulatory agency to address a large number of small sources of pollution, often overlooked by traditional regulation and environmental protection programs, in a strategic and efficient manner. The ERP model is typically adapted by a state to include all of the conditions inherent in permitting; and it generates comprehensive, measurable results at the sector, facility, and environmental media levels. An ERP utilizes a multi-media approach to encourage small sources to achieve environmental compliance. All applicable regulatory requirements, along with pollution prevention techniques, are brought together in a compliance assistance workbook that promotes improved environmental performance, is fully linked to performance measurement, and includes an annual self-certification form.

Currently, fifteen (15) states have implemented or are implementing ERPs through the state Innovation Grant Program, and several states have implemented them independently. Efforts are underway to learn from these growing state ERP experiences in order to develop an ERP Strategic Plan for scaling up ERP applications nationwide.

EPA's goal for Environmental Results Programs is to have this innovative approach become widely-known and used, become self-sustaining, and serve as a convenient and less costly alternative regulatory approach for improving environmental performance and compliance. EPA's scale-up interests for the ERP include:

- expanding applications of the ERP within and across business sectors;
- finding new tools or mechanisms that lower transaction costs of ERPs in priority environmental sectors and that lend themselves to state-to state export of technical assistance and sharing of data and results;
- establishing consistent measurement and reporting metrics across common business sectors for environmental results; and
- exploring the application of ERPs in conjunction with other priority innovations.

EPA is interested in facilitating the growth of a national network of states using ERPs, and in achieving economies of scale through multiple state projects in a common business sector. To date, the State Innovation Grant Program has supported ERPs for: auto body/ auto repair/ auto salvage sectors in four (4) state projects, dry cleaning in two (2) states, underground storage tanks (UST) in three (3) states, printing sector in one (1) state, animal feedlot operations in one (1) state, dental amalgam mercury recovery in one (1) state, underground injection wells management in one (1) state, and oil and gas production in one (1) state. Details on states that are prior recipients of State Innovation Grants for ERP projects are available at http://www.epa.gov/innovation/stategrants. For more information about ERP, go to http://www.epa.gov/permits/.

Environmental Management Systems

EPA is very interested in projects which involve the application of Environmental Management Systems (EMS), including those which explore the relationship of EMS to permitting or otherwise promote the use of EMS to improve environmental performance beyond levels attained through regulatory compliance. While EMS are most commonly used at the facility level, they have also been identified as a tool for addressing concerns on a community-wide basis. New projects could test the use of EMS within permitting programs to enhance the performance of regulated entities, or as complements to permitting programs to address unregulated sources of environmental harm. Further ideas for possible testing can be found in EPA's *Strategy for Determining the Role of Environmental Management Systems in Regulatory Programs*, available at http://www.epa.gov/ems/position. EPA's *Strategy* suggests a number of ways to explore the relationship of EMS to permitting. The examples provided below, while not exhaustive, are meant to encourage further idea generation and testing by state partners. Some of the policy ideas that could potentially be tested in a State Innovation Grant project include:

- achieving voluntary reductions in emissions and releases (consistent with or beyond existing regulations) in environmentally overburdened communities (including communities with environmental justice issues) or geographic areas with high concentrations of facilities and nearby populations;
- achieving better and more efficient environmental results in permitting programs that incorporate performance-based approaches as an alternative to prescriptive operational controls;
- supporting multi-media trade-offs to achieve higher overall environmental performance and pollution prevention;
- incorporating an EMS into a permit to yield better public involvement procedures and environmental results than traditional permit models;

- enhancing the environmental performance of third parties such as suppliers, customers, or environmental quality trading partners;
- identifying under what conditions regulators might rely on EMS in permits and rules to redirect regulatory oversight from lower to higher priority areas; and
- improving performance and efficiency by substituting for overlapping administrative and information-gathering requirements in rules and permits.

To date, the State Innovation Grant Program has supported EMS for: a community-based project in one (1) state, an industrial footprint project in one (1) state, a printing sector project in one (1) state, a waste management project in one (1) state, a project that targets EMS to strategically important sectors for improved compliance in one (1) state, a multi-sector project in one (1) state, and the carpet sector in one (1) state.

National Environmental Performance Track Program and State Performance-Based Environmental Leadership Programs

EPA is also interested in projects that advance the National Environmental Performance Track (PT) and similar state performance-based environmental programs (see http://www.epa.gov/performancetrack). Pre-proposals responding to this focus area should offer ways to develop and test models and approaches that are transferable to other states, specifically by testing tools, best practices, and performance measures. Within this solicitation's Performance Track focus area, EPA is interested in two sub-themes: 1) testing innovative incentives or methods for accelerating incentive delivery; and 2) exploring ways to better integrate Performance Track and similar state programs into state agency operations to strengthen program effectiveness and reduce transaction costs. states can respond to one or both sub-themes.

Testing Innovative Incentives and Improving Incentive Delivery

It is critical to deliver better incentives faster, in order to attract and retain members in Performance Track and similar state programs. Incentives need to deliver business value to current and potential program members in the form of enhanced external reputation, cost reductions, revenue increases, or improved capital productivity. Incentives could increase members' flexibility to reduce pollution through more innovative and potentially cost-effective means. Incentives in these areas will broaden the attractiveness of program membership. Some specific ideas that states may want to test include:

- developing a process that more systematically identifies and evaluates incentives that would be attractive to specific economic or industrial sectors in order to target those environmental impacts that may be associated with sector operations;
- providing incentives that are demand-driven, and draw more actively on perspectives and ideas from current and potential program members, as well as what is successful in Performance Track and similar state programs;
- improving alignment and coordination among states and EPA to help ensure that incentives are implemented in an efficient and timely manner, that they achieve maximum effectiveness, and that the delivery roles for state and federal government incentives are

complementary; such efforts could also help to identify and remove potential state regulatory, or other, barriers that could inhibit the effectiveness of a particular incentive; and
- providing incentives that alter the timing or focus of capital investment, that could make performance-based environmental programs significantly more attractive, and result, in aggregate, in greater and faster environmental improvement.

Additionally, states may want to consider the following as some examples of priority areas for incentives development and implementation:

- permitting incentives that reduce time, uncertainty, cost, and/ or effort, such as expedited permit reviews for renewals and modifications or expanded use of permitting techniques that afford operational flexibility and reduced monitoring frequency, recordkeeping and/ or reporting provisions;
- leveraging of existing flexibilities;
- development of source- and sector-specific innovation alternatives to conventional environmental requirements;
- financial incentives, such as reduced or waived permitting fees;
- financial and competitiveness incentives through preferences for program participants in state contracting and procurement;
- financial sector incentives, such as exploring options to better position members with regard to facility valuation and investment, lending, and insurance; and
- reduced inspections of member facilities through use of risk-based targeting.

Integrating Performance Track and Related State Programs into State Environmental Programs

Delivering better incentives faster is predicated on increasing understanding of, and alignment between, Performance Track and similar state performance-based programs, and between these programs and state and federal environmental media programs. Also, states may want to consider new ways to reduce transaction costs between states and EPA, in order to more broadly and successfully develop and implement these programs. Some ideas that states may want to explore to accomplish these goals include:

- implementing effective new ways of documenting and disseminating information on: 1) leading practices including cost savings, revenue enhancements, and other program results; 2) analyzing and documenting the business case for facility involvement in performance-based programs, highlighting associated financial benefits (e.g., risk reduction and competitive advantage); and 3) measurable and innovative media-specific results, focused on key geographic or other environmental problems;
- integrating Performance Track or similar state program activities into key state agency planning documents and operations;
- using these programs to address important or emerging environmental issues by focusing on key sectors, including sectors not normally addressed by these programs (e.g., small businesses, the agriculture sector, the retail sector, wastewater and water utilities, and local governments); and
- exploring new approaches to build understanding and commitment in state media program offices.

State projects may test strategies that demonstrate the role and value that Performance Track and similar state programs can play in meeting the program office goals and achieving better overall environmental results. These approaches and strategies may focus on:

- increasing the understanding of how similar state programs can relate to core program functions, goals, and performance measures; or
- embracing cultural or system changes that deliver positive results for the state media program office and increase recognition of the value of these performance-based programs (e.g., these programs may provide media program offices the ability to operate more efficiently, test new approaches, and achieve positive environmental results more quickly); or
- testing approaches to create a recognizable "brand" for these state performance-based programs, which can be a critical factor in providing positive recognition for members (a program benefit), attracting new members, maximizing awareness of the program among key constituencies, and recruiting new members.

Prior Awards Made for the State Innovation Grant Program

Of State Innovation Grant Program awards made in prior rounds under the theme of "Innovation in Permitting" (including those with pending awards): fifteen (15) were provided for development of Environmental Results Programs, seven (7) were related to Environmental Management Systems and permitting, five (5) were to enhance Performance-Based Environmental Leadership programs, two (2) were for Watershed-based permitting, and one (1) was for an information technology innovation for the application of Geographic Information Systems (GIS) and a web-based portal to a permitting process. For information on prior State Innovation Grant Program solicitations and awards, please see highlights of previous awards in Attachment 3, or see the EPA State Innovation Grants website at http://www.epa.gov/innovation/stategrants.

C. Statutory Authority

The National Center for Environmental Innovation (NCEI) is a multi-media program office which resides in the Office of Policy, Economics, and Innovation (OPEI) within the EPA Office of the Administrator. As such, the program draws statutory authority from all of the existing program authorities. The statutory authority for this action includes: the Clean Air Act, Section 103 (b)(3) *(42 U.S.C. § 7403 (b)(3)*) the Clean Water Act, Section 104 (b)(3) (*33 U.S.C. § 1254 (b)(3)*); the Solid Waste Disposal Act, Section 8001 (*42 U.S.C. §6981*); the Toxics Substances Control Act, Section 10 (*15 U.S.C. §2609*); the Federal Insecticide, Fungicide, and Rodenticide Act, Section 20 (*7 U.S.C. § 136r)*; and the Safe Drinking Water Act, Sections 1442 (a) and (c) *(42 U.S.C. § 1(a) and (c)*).

Clean Air Act, Section 103 (b) (3) *(42 U.S.C. § 7403 (b) (3)*) – authorizes EPA to establish grants for the research and development of programs which prevent and control air pollution.

Clean Water Act, Section 104 (b) (3) (*3 U.S.C. § 1254 (b) (3)*]) – authorizes EPA to establish grants for programs which prevent, reduce or eliminate water pollution.

Federal Insecticide, Fungicide, and Rodenticide Act, Sections 20 (*7. U.S.C. § 136r*)*)*; – as amended, authorizes EPA to establish grants to carry out the purposes of environmental pesticide control, and research integrated pest management in coordination with the Secretary of Agriculture. These grants shall be available for research, development, monitoring, public education, training, demonstrations, and studies.

Solid Waste Disposal Act, Section 8001 (*42 U.S.C. §6981*)– authorizes EPA to render financial and other assistance to promote the coordination of research, investigations, experiments, training, demonstrations, surveys, public education programs, and studies relating to the planning, implementation, and operation of resource recovery and resource conservation systems and hazardous waste management systems, including the marketing of recovered resources.

Safe Drinking Water Act, Sections 1442 (a) and (c) (*42 U.S.C. § 1(a) and (c)*) – authorizes research, studies, and demonstrations relating to the causes, diagnosis, treatment, control and prevention of physical and mental diseases and other impairments of man resulting directly or indirectly from contaminants in water, or to the provision of a dependably safe supply of drinking water.

Toxics Substances Control Act, Section 10 (*15 U.S.C. §2609*) – authorizes in consultation and cooperation with the Secretary of Health and Human Services and with other heads of appropriate departments and agencies, conducting research, development, and monitoring as is necessary to carry out the purposes of toxic substances control. EPA may make grants for research, development, and monitoring to control toxic substances.

D. Alignment with EPA's *Strategic Plan*

All pre-proposals submitted must support Goal 5 of EPA's 2003-2008 *Strategic Plan*, Compliance and Environmental Stewardship. The State Innovation Grant Program is guided by *Strategic Plan* Objective 5.2, which requires that our efforts improve environmental performance through pollution prevention and innovation; and Sub-objective 5.2.4, which promotes environmental policy innovation.

Because of EPA's emphasis on multi-media objectives, applicants are strongly encouraged to link their efforts to one or more of the other goals, objectives, and sub-objectives identified in EPA's *Strategic Plan*.

- ***Goal 1*** **--** Clean Air and Global Climate Change
- ***Goal 2*** **--** Clean and Safe Water
- ***Goal 3*** **--** Land Preservation and Restoration
- ***Goal 4*** **--** Healthy Communities and Ecosystems
- ***Goal 5*** **--** Compliance and Environmental Stewardship

For more information on EPA's *Strategic Plan*, go to http://www.epa.gov/ocfo/plan/2003sp.pdf.

E. Measuring Environmental Results

Measuring Environmental Results: Outputs and Outcomes
Pursuant to EPA Order 5700.7, *"Environmental Results under EPA Assistance Agreements,"* EPA requires that all grant recipients adequately describe environmental outputs and environmental outcomes to be achieved under assistance agreements. Outputs and outcomes differ both in their nature, and in how they are measured. Applicants should identify the relevant environmental outputs and environmental outcomes of their projects in the pre-proposal.

1. **Environmental Outputs**
   The term "output" means an environmental activity, effort, and/ or 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. Some examples of expected or anticipated environmental outputs from projects funded by the State Innovation Grant Program include, but are not limited to: progress reports; the number of stakeholder meetings used to involve participants in the process; methodologies for recruiting facilities, communities, or organizations; the number of new or improved permits issued (with types and significance of innovations); compliance assurance activities conducted; the development of a monitoring program; the development of a report or training manual; and the number of workshops or training courses conducted.

2. **Environmental Outcomes**
   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 knowledge or attitude-based, behavioral, health-related, or environmental in nature, and ultimately reflect improvements in environmental or environmentally-based health-risk conditions. Examples of outcomes include, but are not limited to: changes in environmental conditions or reductions in pollutant releases. Outcomes may not necessarily be fully achievable within an assistance agreement funding period, but they should strive to be quantitative. There are three major types of environmental outcomes.

   - **Short term outcomes** reflect changes in learning, knowledge, attitude, skills, or understanding.
   - **Intermediate outcomes** reflect changes in behavior, practice, or decisions. Intermediate outcomes are outcomes that are expected to lead to beneficial long-term outcomes but are not themselves "ends," and typically take the form of changes in regulated community behavior.
   - **Long-term or end outcomes** reflect changes in environmental condition. Long-term outcomes are the desired end or ultimate results of a project or program. They represent results that lead to environmental or public health improvement.

   Some examples of ***environmental outcomes*** from projects funded by the State Innovation Grant Program include, but are not limited to, those described below:

- A short-term outcome could be an increase in regulated entities' understanding of available options for "beyond compliance" management.
- An intermediate outcome could be an improvement in compliance (e.g., an increase in the number of dry cleaners that monitor emission control equipment with the proper frequency). The completion of compliance self-certification reports, the adoption of best management practices, or a reduction in emissions may be viewed as intermediate outcomes for measuring progress toward meeting end outcomes such as improving ambient air quality and reducing illness from air pollution.
- A long term or end outcome could be an improvement in overall environmental performance as measured against targeted compliance or sustainability goals, such as emissions reductions (in tons or lbs/year) or an improvement in worker and community health (e.g., a change in water quality and resultant reduction in human health risk or environmental impacts).

II. AWARD INFORMATION

A. Amount of Funding Available, Funding Range, and Likely Number of Awards

For this solicitation, EPA anticipates total available funding of $800,000- $1,400,000, and awarding 4-10 assistance agreements, contingent upon available funding. Projects may be funded incrementally, across their period of performance, at EPA's discretion. For those projects receiving awards under this solicitation, EPA anticipates total funding for each project to be between $50,000 and $275,000.

B. Grants or Cooperative Agreements and the Substantive Federal Involvement

For the sake of simplification, this solicitation frequently refers to this funding opportunity as a "grant program" and the funding itself as a "grant." However, the State Innovation Grant Program is in fact an assistance agreement program. As such, EPA reserves the right to award State Innovation Grant Program funding to a recipient either in the form of a grant or in the form of a cooperative agreement, at the EPA's sole discretion. A grant may be deemed appropriate if the recipient can conduct the work with little federal agency involvement. A cooperative agreement may be appropriate when there will be substantial federal involvement with the recipient during the performance of an activity or project. EPA will award cooperative agreements for those projects for which it expects to have substantial technical interaction with the recipient throughout the performance of the project. For these projects, EPA may require: EPA review and approval of project phases or plans, analysis plans, quality assurance plans, and proposed subgrants and contracts; information acquisition planning; the identification of candidate peer reviewers; collaboration with EPA on the scope of work and mode of operation of the project; coordination with other points within EPA and other federal agencies; EPA monitoring of the recipient's performance; EPA approval of any proposed changes to work plan or budget; EPA approval of the qualifications of key personnel; EPA review and comment on reports prepared under the assistance agreement and the development of project evaluations; and other similar activities.

C. Start Date/Project Duration

All projects should have an anticipated start date of October 1, 2007. Proposed project periods may be up to four years. Most projects funded by the State Innovation Grant Program run three years.

D. Term and Renewability of Awards

Grant duration is one to four years, based upon requests from the states. States may propose projects with final outcomes on a longer timescale, but the final workplan must commit to submitting a report that includes a description of both completed and anticipated project outcomes within three months of completion of the project. Funding will not be provided to renew any State Innovation Grant project award beyond the term of the initial award. EPA may choose to fund a project incrementally, over its lifetime.

E. Contracts and Sub-Awards

Successful applicants (recipients) must compete contracts for products and services; and must conduct cost, price and value analyses to the extent required in 40 CFR, Parts 30 or 31 as applicable and any state or local regulations covering competitive procurement requirements. Though applicants are not required to identify contractors or consultants in their application, there are limitations on consultant compensation. The naming of a specific contractor or consultant in an application that EPA approves does not relieve the recipient it of its obligation to comply with all competitive procurement requirements.

Sub-grants or sub-awards may be used to fund partnerships with non-profit organizations and/ or governmental entities. However, recipients cannot use sub-grants or sub-awards to avoid competitive procurement requirements by using these instruments to acquire commercial products or services for carrying out its cooperative agreement. The nature of the transaction between the recipient and the sub-grantee must be consistent with both: the standards for distinguishing between vendor transactions and sub-recipient assistance under Subpart B, Section 210 of OMB Circular A-133 and the definitions of “sub-award” and “sub-grant” at 40 CFR 30.2 and 40 CFR 31.3, respectively, as applicable.

F. Miscellaneous

Funding for these projects is not guaranteed, and is subject to both the availability of funds and the evaluation of proposals based on the criteria in this announcement. EPA reserves the right to make additional awards under this announcement (from the date of original selections) if additional funding becomes available. Any additional selections for awards will be made no later than 6 months after the original selection decision. Additional selections, if any, will be made in accordance with both the terms of this announcement and EPA policy.

EPA reserves the right to reject any or all application(s), and to make any number of or no awards under this announcement.

III. ELIGIBILITY INFORMATION

A. Who May Apply?

Only the principal environmental regulatory agency from a state, the District of Columbia, U.S. territory or possession (generally, where delegated authorities from the U.S. Environmental Protection Agency exist for federal environmental regulation) is eligible to apply. States are encouraged to partner with other regulatory agencies within their state, with other states' environmental regulatory agencies, or with federally-recognized American Indian Tribal governments interested in working together on the same sector or similar environmental problems, in developing team pre-proposals for this solicitation.

B. Cost-Sharing or Matching

No matching funds are required. However, an applicant may provide any level of voluntary "leverage" funding (e.g., a contribution of partial state funding) in their budget. Applicants may use their own funds or other resources for a voluntary match or cost share if the standards at 40 CFR 30.23 or 40 CFR 31.24, as applicable, are met. Only eligible and allowable costs may be used for matches or cost shares. Other federal grants may not be used as matches or cost shares without specific statutory authority (e.g. HUD's Community Development Block Grants). Voluntary "leverage" funding will be considered, along with in-kind contributions, as identified in Section V.B of this solicitation.

C. Eligibility Screening Requirements: Threshold Criteria

Before a pre-proposal is transmitted to either the Regional Panel or a Headquarters Technical Panel for evaluation, it will be screened by the NCEI State Innovation Grant Program staff to determine whether or not the project meets the basic requirements necessary for the legitimate use of funds appropriated by EPA. An applicant's proposed project must first meet the following three (3) important Threshold Criteria in order to be further considered for funding under the Evaluation Criteria listed in Section V.B (Pre-Proposal Evaluation) of this announcement. A proposed project that does not meet the Threshold Criteria will not be further evaluated. EPA must be able to determine, from the pre-proposal alone, whether or not the proposed project meets these three (3) Threshold Criteria.

- **Threshold Criterion #1 -** A project must consist of *activities* authorized under one or more of the six EPA grant authorities cited in Section I.C (Statutory Authority) of this announcement. Most of the statutes authorize assistance agreements for the following activities: "*...research, investigations, experiments, training, demonstrations ...* ." These *activities* relate generally to the gathering or transferring of information, and/ or to advancing the state of knowledge. A project's pre-proposal must emphasize "learning from" a new approach or innovation, as opposed to only "fixing" an environmental problem using a well-established method. A pre-proposal must clearly demonstrate how the project's activities will advance the state of knowledge and/ or transfer information. The statutory term "demonstration" means involving new or experimental methods or approaches, where the results will be disseminated so that others can benefit from the knowledge gained in the

demonstration project. A project that is accomplished through the performance of routine, traditional, or established practices, or a project that is simply intended to carry out a task rather than transfer information or advance the state of knowledge, however worthwhile, is not a demonstration. The term "research" may include the application of established practices when they contribute to "learning" about or from an environmental concept or problem.

- **Threshold Criterion #2 -** In order to be funded, a project's *general focus* must be one that is specifically linked to at least one of the goals referenced in Section I.D (Alignment with EPA's *Strategic Plan*) of this announcement. For example, a project must address either: the causes, effects, extent, prevention, reduction, and/ or elimination of air, water, or solid/ hazardous waste pollution; and/ or a project must "carryout the purposes of" the Toxic Substances Control Act or the Federal Insecticide, Fungicide and Rodenticide Act. While the primary purpose of the State Innovation Grants is to promote innovative approaches to environmental protection, an over-arching goal of the State Innovation Grant Program is to fulfill the statutory purposes of the applicable grant authorities- in most cases "to prevent or control pollution." Pre-proposals for projects relating to other topics sometimes included under the term "environment" (e.g. recreation, conservation, restoration, or protection of wildlife habitats) must clearly demonstrate how these topics relate to and fulfill the statutorily-required purpose of pollution prevention and/ or control for statutes cited in Section I.C of this solicitation. Pre-proposals for projects with an integrated, multi-media (and/ or multi-statute) approach are encouraged. For assistance in understanding the statutory authorities under which EPA is providing these assistance agreements, please contact the EPA representative listed in Section VII of this solicitation.

- **Threshold Criterion #3 –** Applications/ pre-proposals must be received by EPA on or before the solicitation closing date published in Section IV.C of this announcement. Applications received after the published closing date will be returned to the sender without consideration. Applications that do not substantially comply with the application submission instructions and requirements set forth in Section IV of this announcement will be rejected. Where a page limit identified in Section IV.A and B with respect to parts of the application is exceeded, any pages in excess of the page limitation will not be reviewed.

D. Areas Not Eligible for Consideration

State Innovation Grants will not be applied to the development or demonstration of new environmental technologies. These assistance agreements will not be awarded for the development of information systems or data, unless there is a clear link to innovation in specific permitting programs. For projects that include information systems innovation, the development of these systems must not exceed twenty percent (20%) of the federally-funded cost of the project.

E. Other Eligibility Information

Each state is limited to one (1) individual pre-proposal for this solicitation. However, an exception to the "one-pre-proposal-per-state" rule is available for states choosing to submit a team pre-proposal. A state's primary environmental regulatory agency is encouraged to team with other agencies within their state, with neighboring states, and/ or with federally-recognized

American Indian Tribal governments. Therefore, in addition to their one (1) individual pre-proposal, a state's primary environmental regulatory agency may also be a participant in one (1) team pre-proposal with another state, a tribe, or another state or local regulatory agency within their own state (e.g., natural resources, air quality, or transportation, etc.). States are allowed to submit no more than one (1) individual pre-proposal/ application, and one (1) group/ team or joint pre-proposal/ application. Project pre-proposals/ applications submitted by ineligible sources will not be considered, and senders will be notified of rejection based upon ineligibility.

F. Communication Between Potential Applicants and EPA During Open Solicitation

During the solicitation period, states may not speak with any EPA staff about the State Innovation Grant Program, except the Agency contact identified in Section VII of this solicitation. General ground rules in EPA Grants Competition Policy prohibit EPA staff from "weighing in" on any particular strategy for competing. Specifically, EPA staff can not:

- provide advice or information that gives someone a competitive advantage;
- disclose information or ideas that are in a competing application/ proposal;
- offer to write applications/ proposals for potential applicants or review and comment on draft applications/ proposals;
- assist applicants in responding to the evaluation/ selection factors in the solicitation; or
- provide information on the Agency's approach to evaluating applications/ proposals or selecting applicants for award that is not otherwise stated in the solicitation.

IV. APPLICATION AND SUBMISSION INFORMATION

A. General

As described in Part B below, pre-proposals may be no more than ten (10) pages total, including the Project Summary (the SF-424 Application for Federal Assistance does not count toward the page limit). The pre-proposal must include: a one (1) page Project Summary, a one (1) page Budget Summary, a one (1) page Summary of Environmental Results Past Performance, a one (1) page Summary of Programmatic Capability, and a Pre-proposal Narrative not to exceed six (6) pages. Each of these required pre-proposal elements will count toward the ten (10) page limit. One-to-two (1-2) page resumes of up to three (3) key personnel **only** may be submitted as attachments in excess of the ten (10) page limit. All pre-proposals must: be formatted for 8 ½" x 11" paper, have 1" margins on all sides, be single-spaced, use fonts no smaller than 12 point Times New Roman, and be submitted in English as one (1) single file in a word processing format (e.g., Microsoft Word or Word Perfect).

B. Required Pre-proposal Package Elements

Each pre-proposal package must include the following components:

1. **Project Summary Page**: [Length: one (1) page of the total ten (10) pages] The project summary must include all of the information outlined below:
   a. **Project Title** - Provide a name for the proposed project.
   b. **Project Applicant -** Provide the name of the state agency applying. For multi-state or multi-government agency pre-proposals, one state must be identified as the lead and main contact, with all other partner agencies and contacts listed as well).
   c. **State Project Manager -** Identify who, within each agency in the case of team projects, will serve as the main contact and principal party responsible for accomplishing the activities outlined in the pre-proposal. Include the mailing address, e-mail address, telephone, and fax number for each contact.
   d. **Total Project Cost -** Specify the total dollar amount of the proposed project, the total dollar amount being requested from EPA, as well as the total dollar amount(s) of any additional resources or funding from other sources. Clearly indicate whether or not the project is being executed in cooperation with, or funded by, another federal program; if so, identify the program and its contribution.
   e. **Project Period -** Specify the project's anticipated beginning and ending dates. Funds are expected to be available for beginning project/program activities on or after October 1, 2007 and ending no later than September 30, 2011.
   f. **Summary Statement -** Provide a one (1) or two (2) sentence summary statement that describes both the problem or issue that the project proposes to address and the approach that the project will utilize in solving the problem.
   g. **Statutory Authority and Flexibility -** Specifically identify what if any federal or state statutory authority enables or allows for this project. Indicate whether, and what type(s), of regulatory flexibility (from any federal, state, or local government[s]) may be necessary in order to implement the project. If flexibility is required, briefly outline the steps that have and/ or will be taken in order to obtain the regulatory flexibility.
   h. **State Agency Support -** Provide a statement indicating that the Commissioner (or Secretary or Administrator, or Director, as appropriate) or senior deputy of the state regulatory agency is aware of this application and endorses the project. Selected finalists will be required to provide a letter to this effect with the final application and proposal.

2. **Pre-proposal Project Narrative**: [Length: no more than six (6) pages of the total ten (10) pages] The project narrative must include each of the elements listed below:

   a. **Project Description** - The text of the project description should be brief, but must explicitly address each of the following: i) the well-supported need for the project and the tasks and activities that will be conducted in order to accomplish the objective(s); ii) the specific problem or issue to be addressed and the reason your proposal should receive funding support, including local conditions such as attainment status, sensitive populations, environmental justice areas, or geographical areas of impact; iii) the link(s) to one or more of EPA's 5 Strategic Goals (see Section I.D of this

announcement); iv) the specific innovative changes that will take place in management and regulatory processes, with attention to meeting the Threshold and Evaluation Criteria cited in this announcement; v) how the project demonstrates broad, strategic innovation (e.g., application of the innovation across an entire sector or regulatory program rather than for a single facility) and the vision for the project's overall impact; vi) an estimated time-line or schedule of expected target dates for key milestones to achieve specific tasks and accomplishments during the funding and project period, clearly identifying the *key* process and outcome milestones and when they will be accomplished; vii) your organization's experience with and plan for timely and successfully achieving the objectives of the proposed project; and viii) your staff's expertise/qualifications/knowledge and your organization's resources or ability to obtain them, in order to successfully achieve the goals of the project.

b. **Program Guidelines, Eligibility Requirements, and Selection Criteria** - Specifically describe how the proposed project meets each of the guidelines for the specific purposes of this assistance agreement program (Section I, Part A through Part E and Section II, Parts A and C of this announcement), including each of the Threshold Criteria in Section III, Part C; and clearly address how the proposed project meets each of the Evaluation Criteria disclosed in Section V, Part B, and to the best extent possible, the Qualitative Selection Factors in Section V, Part B.3, specifically the factors dealing with national strategic value of the project, environmental justice, and past performance of the state in State Innovation Grant Program–funded projects.

c. **Environmental Outputs** - Clearly identify the specific project outputs to be achieved during the project period such as: reports, meetings, or notices to stakeholder groups involved in the process; the number of training manuals, workshops or training courses conducted, and people trained; the methodologies for recruiting facilities, communities, or organizations; the number of new or improved permits issued (with types and significance of innovations); or compliance assurance activities conducted. Describe how you will measure whether or not the project is achieving each of the outputs.

d. **Environmental Outcomes -** Clearly identify the quantitative and qualitative short-term, intermediate, and long-term outcomes of the project. Outcomes must reflect benefits, impacts or changes in environmental attitudes, behaviors, or conditions for individuals and populations. Provide information on how each environmental outcome will be measured, including what measurements will be conducted and how these will be evaluated and compared against current baseline conditions. Specifically describe the methods that will be utilized to evaluate the results of the project.

e. **Public Involvement -** Clearly identify a commitment for public involvement and a plan that ensures public knowledge of and participation in the project (see http://www.epa.gov/publicinvolvement/pdf/policy2003.pdf and http://www.epa.gov/publicinvolvement/brochures). If relevant, identify potentially sensitive or controversial issues as they relate to the proposal; describe current collaboration efforts with stakeholders on sensitive or potentially controversial issues;

and, if known, identify steps that have been and/ or will be taken to resolve these issues and enable the project to be implemented without litigation.

f. **Collaborations or Partnerships -** Clearly identify any and all proposed partnerships and/ or stakeholder groups that will be involved in the proposed project, and describe what each of their roles will be in project staffing, funding, design, implementation, and evaluation.

3. **Pre-proposal Budget Summary -** Length: no more than one (1) page of the total ten (10) pages. Be sure to review Section II.A of this announcement, "Amount of Funding Available and Funding Range," before preparing your budget. The proposed budget summary must show expected costs for all major categories (personnel, travel, supplies, rent, subcontracts, etc.). No matching funds are required. However, project budgets may include any level of voluntary "leverage" funding (partial contributions from states), that along with in-kind contributions, will be considered as selection factors identified in Section V below. The budget summary must clearly indicate: the dollar amount of EPA monies requested, the dollar value of any state or other leverage funding, and the total cost of the project. An example of a budget summary format is given below.

State:
Agency:
Project Title:

	Total Project Costs	Proposed State Leverage Funds	EPA Funding
Personnel (incl. fringe and overhead)	$ 41,000	$ 5,000	$ 36,000
Travel	$ 7,000	-	$ 7,000
Capital Equipment	-	-	-
Supplies	$ 4,000	-	$ 4,000
Contractual	$ 8,000	$ 7,000	$ 1,000
Other	-	-	-
TOTAL:	$ 60,000	$ 12,000	$ 48,000

4. **Environmental Results Past Performance -** Length: no more than one (1) page of the total ten (10) pages. The past performance summary must include a list of projects, programs, or assistance agreements that your state agency has implemented successfully within the last three (3) years, of which no fewer than three (3) or more than five (5) were supported by EPA. The summary must include a description of how your agency documented and/ or reported on achieving or making progress toward achieving the expected results (e.g., outputs and outcomes) under these agreements. If your agency was not making progress, please indicate whether and how you documented this. In evaluating applications, as indicated in Section V of this solicitation, EPA may consider the information provided by the applicant as well as any relevant information from other sources including but not limited to any current and prior federal agency grantors (e.g., to

verify and/ or supplement the information provided by the applicant). If your agency has no relevant or available past performance or reporting history, please indicate this clearly and you will receive a neutral score for this factor under Section V.

5. **Programmatic Capability -** Length: no more than one (1) page of the total ten (10) pages. The capability summary must include a list of federally funded agreements similar in size, scope and relevance to the proposed project that your state agency has performed within the last three (3) years (no more than five (5) and no fewer than three (3) with EPA agreements listed first), and a description of how your agency: i) was technically able to successfully manage and carry out these agreements; and ii) met the reporting requirements under those agreements, including submission of acceptable final technical reports. In evaluating applications, as indicated in Section V of this solicitation, EPA may consider the information provided by the applicant as well as any relevant information from other sources including but not limited to current and prior federal agency grantors (e.g., to verify and/ or supplement the information provided by the applicant). If your agency has no relevant or available past performance or reporting history, please indicate this clearly and you will receive a neutral score for the elements of this factor under Section V.

C. Application Instructions

Applicants are requested to apply online using the Grants.gov website with an electronic signature. Applicants are encouraged to submit their pre-proposals early. If the Authorized Organization Representative (AOR) experiences submission problems, he/she may contact Grants.gov for assistance by phone at 1-800-518-4726, refer to the Grants.gov website at http://www.grants.gov/help/help.jsp, or by e-mail at support@grants.gov. If the AOR continues to experience submission problems, he/she may contact Sherri Walker by phone at: (202) 566-2186 and/ or by email to: innovation_state_grants@epa.gov. For those applicants who lack the technical capability to apply electronically via Grants.gov, please contact Sherri Walker by phone at: (202) 566-2186 and/ or by email to: innovation_state_grants@epa.gov for alternative submission procedures. The closing date and time for any applicant to submit a pre-proposal under this announcement is **January 18, 2007, 11:59 pm Eastern Standard Time**. Proposals submitted through Grants.gov must be received by 11:59 pm Eastern time on January 18, 2007.

Instructions for Submission Using Grants.gov

With Grants.gov, you will be able to submit your entire pre-proposal package on line with no hard copy or computer disks. Please be sure to view the additional instructions for online submission under this announcement available for download on Grants.gov. If you have any technical difficulties while applying electronically, please refer to http://www.grants.gov/help/help.jsp or call the toll free Contact Center at: (800) 518-4726.

The electronic submission of your application must be made by an official representative of your institution who is registered with Grants.gov and is authorized to sign applications for federal assistance. For more information, go to http://www.Grants.gov and click on "Get Registered, on the left side of the page". *Note that this registration process may take a week or longer to*

complete. If your organization is not currently registered with Grants.gov, please encourage your office to designate an AOR and ask that individual to begin the registration process as soon as possible.

To begin the application process under this announcement, go to http://www.Grants.gov and click on "Apply for Grants" tab on the left side of the page. Then click on "Apply Step 1: Download a Grant Application Package and Instructions" to download the PureEdge viewer and obtain the application package for the announcement. To download the Pure Edge viewer click on the "Pure Edge Viewer" link. Once you have downloaded the viewer, you may retrieve the application package by entering the Funding Opportunity Number, EPA-OA-OPEI-07-01, or the CFDA number that applies to the announcement (CFDA 66.940), in the appropriate field. You may also be able to access the application package by clicking on the button "How To Apply" at the top right of the synopsis page for this announcement on http://www.grants.gov (to find the synopsis page, go to http://www.grants.gov and click on the "Find Grant Opportunities" button on the left side of the page and then go to Search Opportunities and use the Browse by Agency feature to find EPA opportunities).

Be sure to download and read both the instructions and the application package at the Grants.gov web site.

Proposal Submission Deadline

Your organization's AOR must submit your complete proposal electronically to EPA through Grants.gov (http://www.Grants.gov), and it must be received in its entirety no later than January 18, 2007 (11:59 pm Eastern Standard Time).

Proposal Materials

The following forms and documents are required to be submitted by applicants using Grants.gov under this announcement:

1. **Standard Form (SF) 424, Application for Federal Assistance**
   Complete the form. There are no attachments. You must include your organization's fax number and email address in Block 5 of the Standard Form SF 424.
   Please note that a certified, unique Dun and Bradstreet (D&B) Data Universal Number System (DUNS) number is required on the SF-424. Organizations may have multiple DUNS numbers, but only one (1) can be certified. Organizations may obtain a DUNS number at no cost by calling the toll-free DUNS number request line at: (866) 705-5711.

2. **Pre-Proposal Narrative Package**
   Prepare as described in Section IV, Parts A and B of this announcement, including: Project Summary, Pre-Proposal Narrative, Budget Summary, Environmental Results Past Performance, and Program Capability. The pre-proposal narrative package should be in a word processing format (e.g., Microsoft Word or Word Perfect) and consolidated into one (1) single file.

Submission Instructions

Documents 1 and 2 listed under Proposal Materials above should appear in the "Mandatory Documents" box on the Grants.gov "Grant Application Package" page.
For document 1, click on the appropriate form then click "Open Form" below the box. The fields that must be completed will be highlighted in yellow. Both optional fields and completed fields will be displayed in white. If you enter an invalid response or incomplete information in a field, you will receive an error message. When you have finished filling out each form, click "Save." When you return to the electronic "Grant Application Package" page, click on the form you just completed, then click on the box that says "Move Form to Submission List." This action will move the document over to the box that says "Mandatory Completed Documents for Submission." For document 2, you will need to attach electronic files. Prepare your pre-proposal as described above in Section IV, Parts A and B of this announcement, and save the document to your computer as an MS Word (™) or other word processing file. When you are ready to attach your pre-proposal to the application package, click on "Project Narrative Attachment Form," then open the form. Click "Add Mandatory Project Narrative File," then attach it (from the location previously saved to on your computer) using the browse window that appears. You may then click "View Mandatory Project Narrative File" to view it. Enter a brief but descriptive title (no more that 40 characters long) for your project in the space beside "Mandatory Project Narrative File Filename." When you have finished attaching the necessary documents, click "Close Form." When you return to the "Grant Application Package" page, select "Project Narrative Attachment Form," then click "Move Form to Submission List." The form should now appear in the box that says "Mandatory Completed Documents for Submission."

Once you have finished filling out all of the forms and attachments, and they appear in one of the "Completed Documents for Submission" boxes, click the "Save" button that appears at the top of the Web page. It is suggested that you save the document a second time, using a different name, since this will make it easier to submit an amended package later if necessary. You must use the following file naming format when saving your files: "*Your State Agency's Name* – FY07 – State Innov Grant– 1st Submission" or "*Your State Agency's Name* – FY 07 State Innov Grant – Back-up Submission." If it becomes necessary to submit an amended package at a later date, the name of the 2nd submission should be changed to "*Your State Agency's Name* – FY07 State Innov Grant– 2nd Submission." Once your application package has been completed and saved, send it to your AOR for submission to the U.S. EPA through Grants.gov. Please advise your AOR to close all other software programs before attempting to submit the application package through Grants.gov.

In the "Application Filing Name" box, your AOR must enter your organization's name (abbreviate where possible), the fiscal year (e.g., FY07), and the grant category (e.g., State Innov Grant). The filing name can not exceed 40 characters. From the "Grant Application Package" page, your AOR must submit the application package by clicking the "Submit" button that appears at the top of the page. The AOR will then be asked to verify the agency (EPA) and funding opportunity number (EPA-AO-OPEI-07-01) for which the application package is being submitted. If problems are encountered during the submission process, the AOR should reboot his/her computer before trying to submit the application package again. It may be necessary to turn off the computer (not just restart it) before attempting to submit the package again. If the

AOR continues to experience submission problems, he/ she may contact: Grants.gov for assistance by phone at: (800) 518-4726 or by email to: support@Grants.gov; or Sherri Walker by phone at: (202) 566-2186 or by email to: innovation_state_grants@epa.gov.

Application packages submitted thru Grants.gov will be time/ date stamped electronically. If you have not received a confirmation receipt from EPA (not from support@grant.gov) within three (3) days of the application deadline, please send an email to: innovation_state_grants@epa.gov. Failure to do so may result in your application not being reviewed.

If you have never used Grants.gov before, here are some tips.

Most organizations have found Grants.gov to be a user friendly system. The most frequent concern has occurred when an organization has delayed obtaining their unique electronic signature until the last minute.

Register for your electronic signature early! An electronic signature requires three levels of authorization before you can submit it online. You need to decide who will be the AOR, the caretaker of the electronic signature for your organization. If all goes well, this process takes about a week. However, some organizations have encountered both internal and external delays, causing the registration process to take longer.

Remember, you cannot submit your application online until your organization has e-authentication credentials. Here are the basic steps:

1. Obtain a Certified DUNS Number. You must have a certified, unique Dun and Bradstreet Universal Data Numbering System (DUNS) number. Some organizations may have more than one DUNS number registered. Only one can be certified. This can lead to unanticipated delays.

2. Central Contractor Registry and Credential Provider Registration. Once you have your unique, approved DUNS number, you need to register with the Central Contractor Registry.

3. Grants.gov Electronic Signature Authorization. Once steps 1 and 2 are complete, you will then need to contact Grants.gov. The Authorized Organization Representative (AOR) will be assigned a password that will enable him or her to sign the Grants.gov applications electronically. The AOR must be an individual who is able to make legally binding commitments for the applicant organization. Organizations may designate more than one AOR.

Be sure to download and read both the instructions and the application at the Grants.gov web site

D. Freedom or Information Act (FOIA) and Confidential Business Information (CBI).

Applicants should be aware that pre-proposals submitted under this, or any other EPA assistance agreement program, are subject to the Freedom of Information Act (FOIA) (*5 U.S.C. §552*). This means that, subject to certain exemptions under Section 552 (b) of the Act, the public can request and receive copies of all information submitted in your assistance agreement pre-proposal.

In accordance with 40 CFR 2.203, applicants may claim all or a portion of their application/ pre-proposal as confidential business information. EPA will evaluate confidentiality claims in accordance with 40 CFR Part 2. Applicants must clearly mark both applications/ pre-proposals and those portions of application/ pre-proposals they claim as confidential. If no claim of confidentiality is made, EPA is not required to make the inquiry to the applicant otherwise required by 40 CFR 2.204 (c) (2) prior to disclosure. EPA intends to post all of the submitted pre-proposals (with financial and other CBI information redacted) to the State Innovation Grants website at the time selections are announced in effort to promote the sharing of information and collaboration among the states, U.S. territories, and tribes.

V. PROPOSAL REVIEW INFORMATION

A. Description of the Review, Selection, and Award Process

EPA will select state recipients under the 2007 State Innovation Grants competition through the process described below. Following an initial screening of pre-proposals by NCEI for compliance with the Threshold Criteria (Section III.C of this solicitation), each pre-proposal will be evaluated by two (2) review panels: one (1) in the respective EPA Region that covers the state, and one (1) of several NCEI technical panels convened simultaneously at EPA Headquarters related to topics relevant to the solicitation (e.g., ERP, EMS, PT). Each panel will draw on specific areas of expertise inside the Agency. These panels will evaluate pre-proposals using the criteria found in Section V.B below (Section V.B.1 for the Headquarters Technical Panels and Section V.B.2 for the Regional Panels) and each panel will develop rankings of the applicants based on their evaluations. Both the Regional and Headquarters Technical Panels will provide their rankings of pre-proposals to NCEI's State Innovation Grant Program staff, that will then develop recommendations for the selection of finalists based upon the panels' rankings and the Qualitative Selection Factors described in Section V.B.3 of this announcement. NCEI and OPEI decision officials will then make their final selections for funding based on these recommendations, and in doing so may also consider the Qualitative Selection Factors in Section V.B.3 below.

B. Pre-Proposal Evaluation

All eligible pre-proposals (those that meet the Threshold Criteria in Section III.C of this solicitation) will be evaluated by both a Headquarters Technical Panel and a Regional Panel according to the Evaluation Criteria set forth below. Applicants should directly and explicitly address these criteria as part of their pre-proposal submittal.

1. Quantitative Evaluation Criteria to be Considered by Headquarters Technical Panels

Each eligible pre-proposal will be evaluated by an EPA subject-specific technical panel (e.g., ERP, EMS, PT, others as necessary) convened by NCEI appropriate to the pre-proposal submitted. These Headquarters Technical Panels will evaluate pre-proposals using the criteria described below. As referenced in Sections I.A and I.D of this solicitation, the Evaluation Criteria for the State Innovation Grant Program are intended to distinguish those projects that are most consistent with EPA's *Innovation Strategy* and *Strategic Plan*, and have the most potential to build on the lessons that EPA and states have learned from previous innovation initiatives.

a. **Targeting National Priority Environmental Issues** **25 points**
Each proposed project will be evaluated based upon its relevance to the State Innovation Grant Program's 2007 theme (innovation in environmental permitting or alternatives to permitting that will provide measurably better results than conventional program approaches). Additionally, each pre-proposal will be evaluated based upon how well it addresses national environmental protection improvement priorities identified in EPA's *Innovation Strategy* and *Strategic Plan*. All pre-proposals must demonstrate their project's potential contribution to achieving one or more of EPA's *Strategic Goals* (see http://www.epa.gov/ocfo/plan/plan.htm). Pre-proposals for projects utilizing multi-media approaches to address national innovation priorities will be evaluated more favorably under this criterion.

b. **Building on Our Existing Knowledge of Innovative Approaches and Expanding the Testing of Priority Innovations** **20 points**
Pre-proposals will be evaluated based on the extent and quality to which they address one (1) or more of three (3) strategic areas identified below:

i. Supporting the development of state Environmental Results Programs (ERPs);
ii. Applying Environmental Management Systems (EMS) including those that explore the relationship of EMS to permitting or otherwise promote the use of EMS to improve environmental performance beyond permit requirements (see *EPA's Strategy for Determining the Role of EMS in Regulatory Programs* at http://www.epa.gov/ems or http://www.epa.gov/ems/docs/EMS_and_the_Reg_Structure_41204Fpdf);
iii. Supporting state implementation of National Environmental Performance Track Program or similar performance-based environmental programs, particularly including the development and implementation of incentives.

EPA will rank pre-proposals under this criterion based on the extent to which they address the priority areas: ERP, EMS, or PT. While other concept pre-proposals may be submitted, they will not be evaluated as favorably under this criterion as proposals that address one or more of the above areas. A pre-proposal will also be scored under this criterion based upon how well it builds on existing knowledge, expanding the use or testing new applications for a successful innovation approach.

c. **Producing Environmental Results - Measurable or Quantifiable Outputs and Outcomes** **20 points**

Pre-proposals will be evaluated based on the quality of the evaluative component of their projects. Specifically, under this criterion, pre-proposals will be scored based upon the quality and extent of their description of the project's: goals and time frame for expected environmental outcomes; measures and/ or indicators to be used in demonstrating environmental results; and potential effect on administrative efficiency, program costs, or cost savings to regulated or permitted entities. and the measurements that will be used to demonstrate these. Project pre-proposals that develop faster, flexible, and more efficient approaches may be evaluated more favorably than others. Pre-proposals should include, as applicable, estimations of: anticipated emissions reductions (in tons or lbs/year), the cost-effectiveness of the project (in $/lb or $/ton), health and/ or environmental benefits (quantified or qualified), cost savings, streamlining of process, percent increase in compliance rate, and any other measurements as requested in Section I.E of this solicitation; and the methods by which success in achieving each of these outcomes will be measured.

d. **Transferring Innovation** **20 points**

Each pre-proposal will be evaluated based on the project's potential for replication or broader application in other sectors, permitting programs, agencies, states, or tribes. Pre-proposals that identify a plan and commitment to sharing the lessons from and outcomes of the project, and providing guidance to other prospective users and partners, will be evaluated more favorably under this criterion. Pre-proposals should clearly describe their plans for and commitment to the following project components:

- documenting and publicizing the outcomes and methods of this innovation and making the information available to other jurisdictions;
- making information about the project, including performance data, available to stakeholders in a form that is both easily accessible and understandable;
- assuming the role of convener by hosting one or more information exchange meetings for other states, tribes and/ or interested stakeholders to facilitate the transfer of information and innovation (the pre-proposal budget should reflect sufficient funding for the expenses of invitational travel to the meeting[s]);
- promoting organizational or system change, or developing a culture of innovative environmental problem-solving as a "way of doing business" within the state or more broadly;
- providing consultation and mentoring to other states or tribes wishing to adopt similar innovations;
- participating in national or regional workshops and symposia to report on the project progress; and
- identifying potential need for and new applications of, the tool / approach as a model for "next generation" environmental protection.

e. **Budget Reasonableness** **10 points**

Project pre-proposals will be evaluated under this criterion based on the efficiency of cost and reasonableness of budget, as determined based upon NCEI's experience in the State Innovation Grant Program with states' projects of similar type and scope. Each pre-proposal will be evaluated based upon the extent to which the budget for the project is reasonable, as compared to cost for implementation of similar innovations in other states or by the submitting state. This assessment will include the total budget, with all required categories, and any leveraged resources.

f. **Project Technical Feasibility** **20 points**

Under this criterion, pre-proposals will be evaluated based on the likelihood of project success within the proposed budget and time frame, and the extent to which there may be technical issues to be addressed, and how those issues will be resolved. A pre-proposal will be scored under this criterion based upon how well it describes the proposed plan for a successful technical approach and how well it considers the state's prior experience, and the experience of other states, in constructing the technical approach**.**

g. **Public Involvement Process** **10 points**

State pre-proposals must incorporate a commitment and plan to ensure public knowledge of, and participation in, the project; and they will be evaluated on this basis under this criterion. Pre-proposals will be evaluated based upon how well they describe the plan and commitment for public involvement in the proposed project (see http://www.epa.gov/publicinvolvement/pdf/policy2003.pdf and http://www.epa.gov/publicinvolvement/brochures). If relevant, the pre-proposal must identify: potentially sensitive or controversial issues relating to the proposal, current collaboration efforts with stakeholders on these issues, any steps that have been and/ or will be taken to resolve these issues, and the likelihood that the project can be implemented without litigation.

2. Quantitative Evaluation Criteria to be Considered by Regional Panels

Each eligible pre-proposal will also be evaluated by a review panel from within the state applicant's EPA Region, assembled to include programmatic and innovation experience relevant to the nature of the pre-proposal and sufficient background to understand state program priorities and operations. These Regional Panels will evaluate pre-proposals submitted from within their geographical jurisdiction using the criteria described below.

a. **Addressing EPA Regional-State Priorities** **25 points**

Each pre-proposal will be evaluated under this criterion based upon the extent to which it describes how the project addresses one or more shared state and EPA regional priority issues. Pre-proposals that address areas that have been identified as a state/ regional priority prior to this competition through some documented consultation by states with their EPA Region (e.g. Performance Partnership Agreements) will be evaluated more favorably under this criterion. This consultation may have been through a less formal planning mechanism, but should be documented prior to this competition so as to allow transparency in evaluation under this criterion.

b. **Programmatic Capability** **25 points**

Each pre-proposal will be evaluated based upon the applicant's technical ability to successfully carry out the proposed project, taking into account the following factors: i) past performance in successfully completing and managing federally funded agreements similar in size, scope, and relevance to the proposed project performed within the last 3 years; ii) history of meeting reporting requirements under federally funded agreements similar in size, scope, and relevance to the proposed project performed within the last three (3) years, and of submitting acceptable final technical reports under these agreements; iii) organizational experience and plan for timely and successful accomplishment of the objectives of the proposed project; and iv) staff expertise/qualifications/ knowledge and agency resources, or the ability to obtain them, in order to successfully achieve the goals of the proposed project.

Note: In evaluating applicants under this factor, EPA will consider the information provided by the applicant, and may also consider relevant information from other sources including, but not limited to, EPA files and/ or those of prior/current grantors (e.g., to verify and/ or supplement the information supplied by the applicant). Applicants with no relevant or available past performance or reporting history (items i and ii above) will receive a neutral score for these factors.

c. **Regulatory and Statutory Environment for Project Implementation** **15 points**

Each pre-proposal will be evaluated based upon whether the statutory and regulatory climate to support the innovation exists within the state to implement the project as proposed. The Regional Evaluation Panels will consider what, if any, statutory changes and/ or regulatory flexibility from federal, state, or local governments may potentially be necessary in order to implement the project, and what impact these circumstances may have on the likely success and timely completion of the proposed project. In order to address this criterion, pre-proposals must: describe what specific statutory and/ or regulatory authority under federal, state, or local laws already exists to allow the project to go forward; and clearly identify the steps that have been and/ or will be taken to implement the project (e.g., development, review, and authorization of state rule, permit, order, etc.), including the project authorization timeline. The need for regulatory or statutory flexibility is secondary. States must disclose whether or not they are currently involved in litigation, or if they can reasonably anticipate litigation, that could delay or stop the proposed project. Applicants will be scored under this criterion based upon the existence of statutory and regulatory authority, and reasonable assurance that tools such as regulatory flexibility can be granted and/ or litigation avoided or overcome, in order to ensure implementation and successful completion of the project within the specified period of performance.

d. **Budget Reasonableness** **10 points**

Each proposed budget will be evaluated based upon the content and reasonableness of its budget. Proposed project budgets should include all required categories, any leveraged resources, and be comparable to similar projects conducted by the state in the past. Regional Panels will also consider each state's past project performance and budget expenditures.

e. **Environmental Results Past Performance** **10 points**

Each pre-proposal will be evaluated based upon the extent to and quality with which the applicant has adequately documented and/ or reported on their agency's success and progress towards achieving expected results (e.g., outcomes and outputs) under federally funded agency assistance agreements performed within the last three (3) years, and if such progress was not being made, whether the applicant adequately documented and/ or reported why not.

Note: In evaluating applicants under this factor, EPA will consider the information provided by the applicant, and may also consider relevant information from other sources including, but not limited to, agency files and/ or those of prior/ current grantors (e.g., to verify and/ or supplement the information supplied by the applicant). Applicants with no relevant or available past performance reporting history will receive a neutral score for this factor.

f. **Collaboration/Partnerships** **10 points**

Each pre-proposal will be evaluated based upon the degree to which the project proposes to work in partnership with a diverse set of stakeholders in order to implement the proposal. Applicants are encouraged to collaborate with other entities. Pre-proposals that reflect significant teaming relationships for performance of the project with other regulatory or natural resource management agencies within the state, with other states, or with federally-recognized American Indian tribes will be evaluated more favorably.

g. **Leveraged Resources** **10 points**

Under this criterion, applicants will be evaluated based on the extent to which they demonstrate: i) how they will coordinate the use of EPA funding with other federal and/ or non federal sources of funds to leverage additional resources in order to carry out the proposed project(s); and/ or ii) that EPA funding will compliment activities relevant to the proposed project(s) carried out by the applicant with other sources of funds or resources. Pre-proposals that provide cost sharing by a state will be evaluated more favorably.

3. **Qualitative Selection Factors to be Considered by NCEI Decision Officials**

As part of the decision process for selecting awards under this announcement, in addition to the review panel ranking and scoring of pre-proposals, NCEI State Innovation Grant Program staff will consider Qualitative Selection Factors (described below) in developing recommendations for decision officials in the Office of Policy, Economics and Innovation (OPEI). OPEI decision officials will review NCEI State Innovation Grant staff recommendations, and may reconsider the following Qualitative Selection Factors, in accepting or rejecting the recommendations from staff:

- the strategic value of project to the national program;
- geographic diversity – in order to provide a distribution of projects across the Regions wherever possible;
- project diversity – in order to provide an array of project types within the specified focus areas;
- environmental justice issues- within the context of the theme of innovation in permitting; and
- prior performance of states in past SIG competitions, including: the development and completion of workplans; the timely completion of progress reports; the provision of useful/practical/transferable data; the success of previous projects in meeting the described project goals; the availability to work with or mentor other agencies, states, or tribes; and the willingness and availability to participate in program evaluation.

4. Completion of Full Application Package

After the 2007 State Innovation Grant Program selections have been made, EPA will work in consultation with the states whose projects have been selected to assist them in completing a full application package. A full application package will include a detailed final proposal workplan narrative and a Quality Assurance Project Plan (QAPP) that will govern the collection of data.

VI. AWARD ADMINISTRATION INFORMATION

A. Award Notices

Selections for State Innovation Grant Program awards will be made by NCEI, contingent upon the availability of funds. As in previous competitions, EPA anticipates that the assistance agreements awarded under the State Innovation Grant Program competition will be managed by EPA Regions. States selected to receive awards (finalists) will be contacted by the appropriate EPA Regional Office. EPA will provide each state finalist with all information necessary for the preparation of the full application package, and will be available to answer any questions.

EPA reserves the right to negotiate appropriate changes in workplans, after the selection and before the final award, consistent with EPA's Competition Policy (EPA Order 5700.5A1, Section 11). Notification advising the applicant that their proposal has been tentatively selected and is being recommended for award is **not** an authorization to begin performance. The Award Notice, which will be signed by the Regional Grants Management Official, is the authorizing document and it will be provided through postal mail. At a minimum, this process may take up to 60 days from the date of selection, and more likely will take 120-150 days to complete the award.

B. Administrative and National Policy Requirements

1. **Applicable Grant Regulations and Orders -** 40 CFR, part 31 establishes uniform administrative rules for federal grants and cooperative agreements. Applicants must also comply with EPA Order 5360.1AZ which requires the development and implementation of Quality Assurance Project Plans for the acquisition and analysis of environmental data.

2. **DUNS -** All applicants are required to provide a Dun and Bradstreet (D&B) Data Universal Numbering System (DUNS) number when applying for a federal grant or cooperative agreement. Applicants can receive a DUNS number, at no cost, by calling the dedicated toll-free DUNS Number request line at (866) 705-5711, or by visiting the D&B website at www/dnb.com.

3. **Paperwork Reduction Act -** The information collection provisions in this announcement for the solicitation of pre-proposals have been approved by the Office of Management and Budget (OMB) pursuant to the Paperwork Reduction Act, 44 U.S.C. 3501 et seq. in a generic Information Collection Request (ICR) entitled "Generic Administrative Requirements for Assistance Programs," (ICR No. 938.06 and OMB Approval No. 2030-0020). A copy of the Information Collection Request (ICR No. 938.06) may be obtained by written request to: Monica Lewis, Office of Environmental Information, U.S. EPA (MC 2822T), 1200 Pennsylvania Ave., NW), Washington, DC 20460; or by calling: (202) 566-1678. The EPA is not requiring that states perform a "collection of information" as defined by 5 CFR 1320.3 (c) in order to qualify for funding under this solicitation.

4. **Disputes -** Assistance agreement competition-related disputes will be resolved in accordance with the dispute resolution procedures published in 70 FR (Federal Register) 3629, 3630 (January 26, 2005) which can be found at http://www.epa.gov/ogd/competition/resolution.htm. Copies of these procedures may also be obtained by written request to: Sherri Walker, National Center for Environmental Innovation, Office of the Administrator, U.S. EPA (MC1807T), 1200 Pennsylvania Ave., NW, Washington, D.C. 20460; by fax to: (202) 566-2220; or by e-mail to: innovation_state grants@epa.gov.

5. **Compliance with Executive Order 12372 -** Applicants must comply with the Inter-Governmental Review Process and/ or consultation provisions of Executive Order 12372. To the extent required by individual states for their state agencies, final successful applicants will be required to contact affected state, regional, and local governments as mandated by Executive Order (E.O.) 12372.

6. **Compliance with EPA Order 5700.5A1 -** This competition is in compliance with the requirements of EPA Order 5700.5A1, Policy for Competition of Assistance Agreements (effective date January 15, 2005). In accordance with EPA's Competition Policy, EPA staff will not converse with individual applicants about draft proposals, nor provide informal comments on draft proposals, nor provide advice to applicants on how to respond to ranking criteria. Applicants are solely responsible for the contents of their applications.

   However, EPA will respond to written questions from applicants (directed to: innovation_state_grants@epa.gov) regarding: Threshold Criteria for eligibility, administrative issues related to pre-proposal submission, and requests for clarification about the announcement. Please type "State Innovation Grant Question" in the subject

line of your email. All questions and answers should be posted on the website (http://www.epa.gov/innovation/stategrants) within five (5) business days of receipt.

7. **EPA Regulations Applicable to Award of Assistance Agreements -** A listing and description of general EPA Regulations applicable to the award of assistance agreements may be viewed at http://www.epa.gov/ogd/appkit/applicable_epa_regulations_and_description.htm.

8. **Special Conditions for Projects that Receive an Award -** EPA will negotiate Programmatic Terms and Conditions with selected award recipients.

9. **Limitations on EPA Involvement -** While the Agency will negotiate the precise terms and conditions relating to substantial EPA involvement as part of the award process, EPA will not select any employees or contractors for the recipient(s).

10. **Project or Program Evaluation Assistance -** State Innovation Grant recipients may be required to assist EPA, or an EPA-designated third party evaluator, in conducting a project evaluation during the course of, and/ or immediately following completion of, the project by providing: data interviews, and/ or assistance in contacting project cooperators or stakeholders.

C. Reporting Requirement

Quarterly progress reports and a detailed final project report are required and must be submitted in a timely fashion by all award recipients. Quarterly reports summarizing technical progress, planned activities for next quarter, and a summary of expenditures are mandatory. Applicants are further required to make a commitment to share all data collected with EPA for the purpose of assessment on a regional and/ or national level. Reports are to be provided to both the EPA designated Federal Project Officer (FPO) for an award and to the NCEI simultaneously. The final report must be completed no later than ninety (90) calendar days following the completion of the project period. The final report must include: a complete overview/summary of all of the activities conducted within the grant project period; any and all data and results; and an explanation of any impediments and how they were addressed. The schedule/deadlines for submitting quarterly reports will be established by EPA after approval of the award. Electronic submission of reporting documents is preferable to paper reporting.

VII. AGENCY CONTACT

A. For Information or Questions about Responding to this Solicitation

For Further Information - Questions may be submitted in writing via: e-mail to: innovation_state_grants@epa.gov; mail (see below); or fax to: (202) 566-2220. EPA will respond to all questions in writing, and all questions and responses will be posted on the EPA State Innovation Grant website at http://www.epa.gov/innovation/stategrants. State agencies are advised to monitor this website for information posted in response to questions received during the competition period. The EPA contact for questions regarding this solicitation is:

Sherri Walker
State Innovation Grant Program
National Center for Environmental Innovation
Office of the Administrator
U.S. EPA (MC 1807T)
1200 Pennsylvania Ave., NW
Washington, D.C. 20460
202-566-2186
202-566-2220 FAX

B. **Alternative Contact -** Additionally, interested parties may contact the State Innovation Grant Program through NCEI's general program number: (202) 566-0495.

Attachment 1 Pre-Proposal Checklist for State Innovation Grant Program

1. Project Category (Section I.B)

☐ Read Section I.B. "Project Summary."

2. Cover Letter -no more than one (1) page total

☐ Applicants may provide a one (1) page cover letter that does not count toward the 10-page limit.

3. Project Summary (no more than one (1) page total) (Section IV.B.1)

☐ Project Title
☐ State Agency Applicant (designate lead for multi-state, multi-agency, or state-tribe project)
☐ State Project Manager (name, phone and fax numbers, e-mail, and mailing address)
☐ Total Project Cost
☐ Project Period
☐ Provide a 1-2 sentence Summary Statement
☐ Indicate if the project is being executed in cooperation with or funded by another federal or EPA program, and if so, identify the program and its contribution.
☐ Indicate if any, and what types of, regulatory flexibility (from a federal, state, or local requirement) are potentially necessary in order implement the project.
☐ Indicate, in a cover message or letter, that the Commissioner (or Secretary or Administrator, as appropriate) or senior deputy of the state agency is aware of and supports this project (a letter of commitment from Agency Senior Management will be required for finalists when they submit a full application package.

4. Pre-proposal Narrative (no more than six (6) pages total) (Section IV.B.2)

☐ Project Description
☐ Environmental Outputs
☐ Environmental Outcomes
☐ Collaboration or Partnerships
☐ Project Schedule and Timeline.
☐ Budget Summary
☐ Address all Threshold Criteria. (Section III.C)
☐ Address all Evaluation Criteria (Headquarters Technical Panel). (Section V.B.1)
☐ Address all Evaluation Criteria (Regional Panel). (Section V.B.2)
☐ Address Qualitative Selection Factors. (Section V.B.3)

5. Summary Budget Information (no more than one (1) page total) (Section IV.B.3)

☐ State Contact Information
☐ Project Title
☐ Review Section II.A "funding range" before preparing your budget.
☐ Show expected costs by major categories.

☐ Describe how state funds will be spent, and what the sources of those funds are.
☐ Include the dollar amount requested from EPA.
☐ Include the dollar amount of voluntary "leverage" funding offered by the state.
☐ Include the dollar amount of the total project budget.

6. Results Past Performance (no more than one (1) page total) (Section IV.B.4)

☐ Submit a list of federally funded assistance agreements that your state agency has implemented within the last three (3) years (no fewer than three (3) and no more than five (5) of which were EPA agreements).
☐ Describe how your agency documented and/ or reported on whether or not it was making progress towards achieving the expected results (e.g., outputs and outcomes) under those agreements.
☐ If your agency did not making progress, indicate whether, and how, this was documented.
☐ If your agency has no relevant or available past performance reporting history, indicate this.

7. Programmatic Capability (no more than one (1) page total) (Section IV.B.5)

☐ Submit a list of federally funded agreements similar in size, scope and relevance to the proposed project that your state agency has performed within the last three years (no more than five (5), and no fewer than three (3), with EPA agreements listed first).
☐ Describe how your agency was technically able to successfully carry out and manage those agreements.
☐ Describe your agency's history of meeting the reporting requirements under those agreements, including submitting acceptable final technical reports.
☐ Provide information on your agency's organizational experience, and plan for timely and successfully achieving the objectives of the proposed project, and your staff expertise/qualifications/knowledge and resources, or the ability to obtain them, to successfully achieve the goals of the proposed project.
☐ If your agency has no relevant or available past performance or past reporting history, please indicate this.

8. SF-424 Application (does <u>not</u> count toward the ten (10) page limit)

☐ Standard Form SF-424, Application for Federal Assistance
☐ Dun and Bradstreet (D&B) Data Universal Number System (DUNS) number

9. Total Pre-proposal (no more than ten (10) pages total)

☐ Project Summary (One (1) page)
☐ Budget Summary (One (1) page)
☐ Narrative (not exceed six (6) pages)
☐ Environmental Results Past Performance (One (1) page)
☐ Programmatic Capability (One (1) page)

Attachment 2 Definitions

Environmental Innovation is the integration of alternative regulatory and non-regulatory strategies that promise better environmental and/ or public health protection than that provided through existing regulatory approaches.

Environmental Justice is the fair treatment and meaningful involvement of all people regardless of race, color, national origin, or income with respect to the development, implementation, and enforcement of environmental laws, regulations, and policies. Environmental justice is achieved when everyone enjoys the same degree of protection from environmental and health hazards and equal access to the decision-making process to have a healthy environment in which to live, learn, and work.

> ***Fair treatment*** means that no group of people, including a racial, ethnic, or a socioeconomic group, should bear a disproportionate share of the negative environmental consequences resulting from industrial, municipal, and commercial operations or the execution of federal, state, local, and Tribal programs and policies.
>
> ***Meaningful involvement*** means that: 1) potentially affected community residents have an appropriate opportunity to participate in decisions about a proposed activity that will affect their environment and/ or health; 2) the public's contribution can influence the regulatory agency's decision; 3) the concerns of all participants involved will be considered in the decision making process; and 4) the decision makers seek out and facilitate the involvement of those potentially affected.

Environmental Management Systems (EMS) are continual cycles of planning, implementing, reviewing and improving the processes and actions that an organization undertakes to meet its business and environmental goals. An EMS allows an organization to systematically manage its environmental and health safety matters. Most EMS are built on the "Plan, Do, Check, Act" model. This model leads to continual improvement based upon: 1) Plan: planning, including identifying environmental impacts and establishing goals; 2) Do: implementing, including training and operational controls; 3) Check: checking, including monitoring and corrective action; and 4) Act: reviewing, including progress reviews and acting to make needed changes to the EMS. For more information, see http://www.epa.gov/ems/. This website provides information and resources related to EMS for businesses, associations, the public, and state and federal agencies.

Environmental Results Programs (ERP) is an innovative approach that combines compliance assistance, self-audit/certification, statistically-based inspections, and performance measurement in order to: strengthen or replace an existing regulatory structure, achieve compliance obligations, and improve environmental results. ERPs educate owners and operators of regulated facilities about how to more effectively meet or exceed compliance obligations, and enable regulators to obtain long-term verifiable results. For more on ERPs, see http://www.epa.gov/permits/erp/what.htm.

Government Performance and Results Act (GPRA) 1993 is a management reform initiative that holds federal agencies accountable for using resources wisely and achieving program results. GPRA requires agencies to: develop plans for what they intend to accomplish, measure how well they are doing, make appropriate decisions based on the information they have gathered, and communicate information about their performance to Congress and to the public.

Indicators are measures, usually quantitative, that provide information on program performance and evidence of a change in the "state or condition" of a system.

Performance Measurement is the ongoing monitoring and reporting of program progress and accomplishments, using pre-selected performance measures.

Pollution Prevention is any practice that: 1) reduces the amount of any hazardous substance, pollutant, or contaminant entering any waste stream or released into the environment (including fugitive emissions) prior to recycling, treatment, or disposal; 2) reduces the hazards associated with such substances, pollutants or contaminants; 3) reduces or eliminates the creation of pollutants through increased efficiency in the use of raw materials, energy, water or other resources; or 4) protects natural resources by conservation.

Public Involvement is the full range of actions and techniques used to meaningfully involve the public in decision-making processes.

Regulatory Flexibility is providing alternatives to prescribed regulatory requirements for a regulated facility that should lead to superior environmental performance, cost savings, and/ or expedited regulatory permitting and review.

Attachment 3 **Highlights of Previously Selected Pre-proposals**

The State Innovation Grant Program is designed to support state innovation and address key environmental priorities identified in EPA's *Innovation Strategy* (*Innovating for Better Environmental Results: A Strategy to Guide the Next Generation of Environmental Protection*). Projects funded in prior State Innovation Grant Program competitions, all related to innovation in environmental permitting, represent a diversity of project types from a variety of geographic areas. These projects include: fifteen (15) Environmental Results Program (ERP) projects, seven (7) Environmental Management System (EMS) projects, two (2) Watershed-based permitting projects, one (1) project for streamlined and enhanced permitting through the application of innovative information technology (IT) systems, and five (5) Performance Track (PT) projects. For additional information, see http://www.epa.gov/innovation/stategrants.

- Arizona (Region 9) received a 2002 award for the development of a web-based GIS storm-water permitting system to simplify and expedite application and review of permits (for more information on the results of this completed project, see http://www.epa.gov/innovation/stategrants/sig2002.htm).
- The Arizona (Region 9) Department of Environmental Quality (ADEQ) received a 2006 State Innovation Grant award to improve its existing Performance Track Program.
- Colorado (Region 8) received a 2002 award to develop a pilot multi-facility permitting project that would implement a whole-facility EMS approach to achieve performance beyond regulatory compliance.
- Delaware (Region 1) received a 2002 award for the development of an auto body ERP Program that relies on integrated, multi-media compliance assistance, self-certification, and performance measurement (for more information on results of this completed project, see http://www.epa.gov/innovation/stategrants/sig2002.htm).
- The Georgia (Region 4) The Georgia Department of Natural Resources (GADNR) received a 2006 award for integrating Environmental Management Systems into environmental permitting for the carpet manufacturing industry.
- Illinois (Region 5) EPA received a 2002 award to develop an ERP for Class V car and truck repair facilities.
- Indiana (Region 5) received a 2004 award for the development of a voluntary Community EMS model under their Comprehensive Local Environmental Action Network (CLEAN) to encourage comprehensive environmental planning and continuous improvement.
- The Indiana (Region 5) DEM was selected in 2005 to implement an Environmental Results Program for auto salvage yards in the state. The auto salvage ERP will address compliance for air, water, toxic materials and waste. The project provides the opportunity for an integrated, result-oriented approach to ameliorate environmental problems associated with the auto salvage sector.
- The Indiana (Region 5) Department of Environmental Management (IDEM) received a 2006 award to implement an environmental stewardship program that encourages businesses and

industry to go beyond compliance activities to better protect the environment. Designed to parallel the EPA National Performance Track Program, the IDEM Environmental Stewardship Program will challenge businesses to improve environmental performance by offering incentives.

- The Kentucky (Region 4) DEP received a State Innovation Grant in 2005 to expand the state's environmental leadership program – the state's adaptation of the National Performance Track Program under this grant. Implementation of this program is one of the KDEP's top three state-wide priorities. KDEP is working in partnership with environmental agencies from other states bordering Kentucky to develop shared membership criteria and support for common business sectors (e.g., agriculture and mining).
- The Louisiana (Region 6) Department of Environmental Quality (LADEQ) received an award in 2006 to implement an Environmental Results Program for the oil and gas production industry to address discharges regulated under the state's Air and Water programs. Through the ERP project, the LDEQ will replace the traditional permitting process and consolidate all permitting and regulatory requirements into a multi-media, self-certification compliance assistance program. Facilities will also benefit from some regulatory flexibility. LDEQ's goal is to improve environmental stewardship while reducing the cost and effort associated with permitting for the nearly 30,000 oil and gas production facilities in the state.
- Maine (Region 1) was awarded a State Innovation Grant in the 2004 competition for the development of an auto body - auto repair sector ERP program featuring targeted assistance, self certification, and a two-tiered certification incentive program.
- Massachusetts (Region 1) received a 2002 award to develop a watershed-based permitting system to integrate non-point-source control with point-source permitting to achieve a nutrient TMDL (for more information on results of this completed project, see http://www.epa.gov/innovation/stategrants/sig2002.htm).
- The Massachusetts (Region 1) DEP was selected in the 2005 competition for a program leading a consortium of seven states to further promote implementation of Environmental Results Programs, for improving environmental compliance by small business sectors. The collaborative effort will develop and test a set of common, core business sector performance measures designed to assess improvement in environmental performance.
- Michigan (Region 5) received a 2004 award for the development of an Environmental Results Program for hundreds of small business dry cleaners throughout the state, modeled after similar ERPs in other states.
- Minnesota (Region 5) received a 2004 award for the development of a feedlot Environmental Results Program to implement an ERP approach for facilities that fall below the federal CAFO definition.
- New Hampshire (Region 1) DES was selected in 2005 to develop a state-based Environmental Leadership Program that will complement their participation in EPA's National Performance Track Program. Planned project tasks include: building a "virtual EMS" tutorial through the NH college/ university system; "greening the supply chain" mentoring projects; and implementing Performance Track incentives for applicable member facilities.

- The Nevada (Region 9) DEP was selected in 2005 to implement an Environmental Results Program for the dry cleaning sector in the state's two most populated counties–Washoe (Reno/ Sparks) and Clark (Las Vegas/ Henderson). NVDEP has set goals of a 25 percent improvement in permit compliance and a 20 percent increase in the use of best management / pollution prevention practices.
- The New Jersey (Region 2) Department of Environmental Protection (NJDEP) received a 2006 State Innovation Grant award to implement an Environmental Results Program for dental facilities to curtail the release of mercury-bearing amalgam from dental filling material into the environment. The ERP will require dental facilities to employ best management practices (BMPs) for the collection and recycling of mercury-containing wastes including the installation and operation of amalgam separators.
- Rhode Island (Region 1) received a 2004 competition award for the development of an auto salvage sector ERP program to address specific goals for improvement in Environmental Business Practices Indicators for this sector.
- The Rhode Island (Region 1) Department of Environmental Management (RIDEM) received a 2006 State Innovation Grant award to implement a project that will assess whether or not the Environmental Results Program approach can be as effective as, or more effective than, traditional regulatory approaches in improving compliance for the Underground Storage Tank (UST) sector. RIDEM is conducting this project in collaboration with the Florida Department of Environmental Protection (FDEP) which maintains a traditional compliance assistance and enforcement program for this sector.
- South Carolina (Region 4) received a 2004 award for the development of Environmental Management Systems guidance for permit decision-making for waste management facilities. The EMS approach requires careful attention to multi-media management and continuous performance improvement.
- Texas (Region 6) received a 2002 award to develop an innovative permitting program to bridge the state's activities under recent laws promoting EMS and setting enforcement priorities on the basis of risk and performance.
- Vermont (Region 1) received a 2004 award to create a retail gasoline sector ERP program. The project addresses multi-media environmental management concerns through the establishment of sector-specific, multi-media best practices.
- The Virginia (Region 3) DEQ was selected in 2005 to apply ERP to their Underground Storage Tank/ Leaking Underground Storage Tank (UST/ LUST) Program. VADEQ will develop a "second generation" UST ERP workbook, a CD-ROM/ online interactive version of EPA's electronic workbook. VA DEQ plans to apply the UST ERP approach to nearly 1,000 UST owner/ operators across the state.
- The Virginia (Region 3) Department of Environmental Quality (VADEQ) received a State Innovation Grant in 2006 to further align its environmental leadership program, the Virginia Environmental Excellence Program (VEEP), with EPA's National Environmental Performance Track Program. This project will further integrate VEEP policies, procedures, and delivery of incentives with those of the Performance Track Program. The project

includes organizing a forum for relevant financial sector institutions to investigate how rewarding strong environmental performance aligns with their interests in insurance, bond ratings, and other business activities.

- Washington (Region 10) Department of Ecology (WADoE) was selected in 2005 to implement an Environmental Management System Program for the pulp and paper sector in the state. The WADoE project is adapting the use of EMS to give facilities in the sector an "Industrial Footprint" measurement to assess their overall environmental impact. This will result in an improvement in the effectiveness of state permitting and non-regulatory efforts at complex facilities. Initially, the project will assess the "Industrial Footprint" of eight chemical pulp and paper mills in Washington.
- Wisconsin (Region 5) received a 2004 award for the development of ERP and EMS programs to improve environmental stewardship while providing permit flexibility.
- Wyoming (Region 8) received a 2004 award for the development of a watershed-based permitting program for the Powder River Basin to address integrated management of water quality in a basin impacted by coal-bed methane (CBM) extraction.