

US EPA ARCHIVE DOCUMENT

EPA INNOVATION GRANT PROPOSAL FOR 2006-2009

PRE-PROPOSAL PROJECT SUMMARY INFORMATION PAGE

Project Title and Location: Infrastructure and Capacity Building for Improved Incentive Development and Delivery for Performance-Based Programs

Name of Applicant Agency: Virginia Department of Environmental Quality

Name of Project Contact: Contact Person: Sharon K. Baxter
Title: Pollution Prevention Director
Department: Office of Pollution Prevention
Agency: Virginia Department of Environmental Quality
Address: 629 E. Main Street
P.O. Box 10009
Richmond, Virginia 23240-0009
Telephone: (804) 698-4344
Fax: (804) 698-4533
E-mail: skbaxter@deq.virginia.gov

Types of Federal Regulatory Flexibility Potentially Needed: One of the primary areas of focus of this project is the provision of regulatory incentives for facilities participating in the Virginia Environmental Excellence Program (VEEP) and/or EPA's Performance Track program. As a result of recent legislation, Virginia is able to approve alternative compliance methods for VEEP facilities if they demonstrate that the result would be equal or better environmental protection than the approaches contemplated by existing regulations. Because many of Virginia's regulatory provisions are driven by Federal regulations, the need for a similar regulatory off-ramp may be identified during the course of this project in order for the promise of regulatory flexibility to be fully realized.

Support from the DEQ Director: The Director of the Virginia Department of Environmental Quality endorses this project.

Infrastructure and Capacity Building for Incentive Development and Delivery for Performance-Based Programs Pre-Proposal Project Narrative

Problem to Be Addressed By the Project. This project will focus on building capacity among the core regulatory programs within the Department of Environmental Quality (DEQ) to better integrate the Virginia Environmental Excellence Program (VEEP) and Performance Track (PT) in terms of policies, procedures and the delivery of incentives. DEQ believes that the ultimate result of this integration will be an overall improvement in environmental quality within the Commonwealth and a significant step towards the long-term goal of sustainability.

Project Goals & Expected Environmental Outcomes. This project is a systems-oriented approach that will focus on the next phase in the evolution of VEEP (and through the legislated connection PT): full integration of the program within the policies, procedures and activities of the various components of DEQ, including the three Central Office media offices as well as the seven regional offices, resulting in a more “innovation-friendly” organizational culture and system. This effort will be readily transferable to the other state performance-based programs nationwide and to EPA offices with only minor alteration for organization-specific needs. DEQ will build on its previous experience to undertake this innovative project and believes that the result will be a model for other states and EPA offices as their performance-based programs mature. As outlined below, the project represents a comprehensive and strategic approach to integrating the concepts and day-to-day operations of a voluntary performance-based program within a state environmental agency.

Project Background. DEQ launched VEEP in 2000 as a voluntary recognition and incentive program for facilities of all types. The three primary requirements for VEEP participation are the development of environmental management systems (EMS), a record of sustained compliance with environmental requirements and a commitment to implement “beyond compliance” pollution prevention activities. There are three levels of the program: E2, for facilities in the early stages of developing an EMS; E3, for facilities that have successfully developed an EMS; and, E4, for facilities that have had an EMS in place for a full cycle and that have had an independent third-party audit of their EMS conducted. Facilities accepted into PT are automatically considered VEEP E4 facilities. Compliance requirements are the same for all levels of the program.

Since the creation of the VEEP program almost six years ago, Virginia has come to be regarded as a leader nationally on issues related to performance-based programs, particularly those related to implementation of regulatory approaches that provide increased operational flexibility for the facility and greater results for the environment. At present, there are more than two hundred facilities participating in VEEP, representing various types of operations, from local/state/federal government departments to landfills to manufacturers to small commercial operations. DEQ believes that this broad approach is critical to the ultimate success of the program because all types of facilities can have an important role to play in environmental protection and leadership. The ultimate goal of VEEP is to move toward a new type of environmental protection system based not only on regulatory requirements but also on rewards, incentives and the encouragement of innovation.

Key Milestones & Schedule.

1. Establish Project Management Process: Primary staffing of the project will be through the

- existing VEEP staff. An internal committee (Project Oversight Committee) will be created consisting of representatives of Central Office media offices, regional offices and VEEP program staff to provide the general direction and oversight of the project and to report periodically on its progress to DEQ's Executive Management Team (EMT), which is composed of the Director (its Chair), Deputy Director, Regional Office Directors and Central Office Program Directors. The EMT, which meets quarterly, will make all policy decisions related to the project (except those delegated to the Project Oversight Committee) and direct appropriate agency staff to implement the approved recommendations. (October 2006)
2. Provide Opportunities for Public Involvement/Stakeholder Input: The Project Oversight Committee will meet with representatives of the recently created VEEP Participants Association to discuss project goals, schedule and expected outcomes and revise the project plan and schedule as necessary based on feedback from stakeholders. Updates on the project will be provided (and feedback sought) at the annual VEEP meeting and the annual Environment Virginia conference. Non-governmental organizations will be invited to participate in those forums as well as in the development of the awards program (see 4.j. below). (October 2006)
 3. Hire Contractor: DEQ will hire a qualified contractor to provide project support, including researching, document drafting, meeting facilitation, training module development and delivery, and other tasks included in the project. (November 2006)
 4. Contractor Tasks:
 - a. VEEP/PT Policy and Procedures Review: Conduct a review of the current status of VEEP and Performance Track policies and procedures development and implementation. Make initial recommendations for Project Oversight Committee review regarding improving information flow and facilitating the development and implementation of incentives. (December 2006 – January 2007)
 - b. Conduct Baseline Survey of DEQ Managers: Conduct baseline survey of DEQ managers prior to implementation of in-reach training to assess knowledge of VEEP and Performance Track, including basic structure/requirements of participation of programs, relationship between the programs, incentives currently available, suggestions for incentives, etc. (February 2007)
 - c. Review of Incentives for VEEP/PT Facilities Provided to Date: Conduct a review of incentives or benefits (both formal and informal) provided to date to VEEP and Performance Track facilities, building on the research conducted for the ECOS/EPA Performance-Based Programs Project for best practices from other states, such as the internal Memorandum of Agreement on expedited permitting that the Texas CEQ has implemented. (February 2007 – April 2007)
 - d. Recommendations for Incentives Delivery Plan: Develop recommendations for Project Oversight Committee review for implementation of incentives (including the completion of implementation of Performance Track incentives available to date), which may involve recommendations for suggested language for future Performance Partnership Agreements and Grants between EPA Region III and DEQ. The Project Oversight Committee will make recommendations to the EMT regarding streamlining and standardizing the delivery of regulatory flexibility incentives to VEEP and PT participants. The approved recommendations will be incorporated into the VEEP Operations Manual (see 4.i. below). (April 2007 – July 2007)
 - e. Organize and Facilitate EMS Enforcement Forum: Organize and conduct a forum for DEQ (and possibly EPA) staff to explore the potential incentives for promoting environmental management systems through DEQ's enforcement program, including the use of Supplemental Environmental Projects. Based on outcome of the forum, the

- Project Oversight Committee will make recommendations to the EMT. (September 2007)
- f. Promotion of Private Sector Incentives: Investigate options and develop recommended strategies for consideration by the Project Oversight Committee for promoting private sector incentives and benefits for VEEP and Performance Track facilities. DEQ is aware of efforts within the private sector (including the insurance industry, bond rating and market rating professionals, etc.) to recognize and reward the high-performance of facilities such as those in VEEP and Performance Track. Organize and conduct a forum for relevant financial sector institutions. (Fall 2007 – Winter 2008))
 - g. Develop and Deliver DEQ Training Program: Conduct a review of other state and federal programs to identify existing tools, outreach strategies and training programs for potential use during the project. Develop a training plan and materials for DEQ staff, including overview training for new employees and more-focused training for existing staff who have some familiarity with the program (the Project Oversight Committee will make recommendations to the EMT who will make a decision as to which employees will be required to attend the training and at what frequency). Conduct staff training. Incorporate into VEEP Operations Manual (see 4.i. below). (Spring 2007 – Spring 2009)
 - h. Review of DEQ Information Management System for Opportunities: Research and make recommendations to the EMT regarding increasing the visibility of and content related to VEEP available to DEQ program and regulatory staff through the Department's primary compliance and permitting data system, the Comprehensive Environmental Data System (CEDS), and potentially the Department's new CEDS "data mining" initiative. (Spring 2007)
 - i. Develop VEEP Operations Manual: Develop a VEEP Operations Manual through the review of existing processes, interviews with appropriate staff and review of relevant materials from other states and EPA that addresses the following topics: application/renewal process; review of applications; member services; regulatory incentives (development and delivery); conducting facility site visits; annual performance reporting; data and website management; recruitment; DEQ in-reach; and, compliance screening. The Operations Manual will include sample documents and language to use by VEEP staff as well as program staff (e.g., sample language to be inserted into inspection reports and other correspondence between DEQ and regulated facilities promoting VEEP and Performance Track). (Winter 20007 – Summer 2009)
 - j. Develop Governor's Environmental Excellence Awards Implementation Plan: Review options and make recommendations to the EMT for implementation of the "Governor's Environmental Excellence Awards" program included in the 2005 legislation related to VEEP. This process will involve participation of various stakeholders involved in the predecessor awards program, including the Virginia Manufacturers Association and non-governmental organizations. (Winter – Spring 20007)
 - k. Conduct End-of-Project Survey of Participating Financial Institutions: Conduct survey of financial institutions participating in the forum to assess whether any change in incentives for high-performing facilities has been implemented. (Summer 2009)
 - l. Conduct End-of-Project Survey of DEQ Managers: Conduct survey of DEQ managers at the end of the project to assess whether knowledge of VEEP and Performance Track has increased as a result of the project. (Summer 2009)
 - m. Conduct End-of-Project Review of VEEP/PT Results: Conduct review to determine whether VEEP/PT participation rates have increased over the project term. Conduct a review of VEEP/PT annual performance reports and Toxics Release Inventory reports

to determine the environmental outcomes of the initiative.

Link to EPA's Strategic Goals. Due to its multimedia focus on recognizing and rewarding beyond compliance environmental results at all types of facilities, this project will directly align with EPA's Goal 5 (Compliance and Environmental Stewardship) and specifically to Sub-objective 5.2 "Improve Environmental Performance Through Pollution Prevention and Innovation." It will also indirectly support Goals 1 (Clean Air and Global Climate Change), 2 (Clean and Safe Water), 3 (Land Preservation and Restoration) and 4 (Healthy Communities and Ecosystems) via the environmental improvements resulting from increased participation in VEEP and PT and the increased implementation of incentives.

Innovative Changes in Management & Regulatory Processes. As outlined above, this project will result in changes in DEQ's management and regulatory processes that will significantly increase the agency's ability to promote incentives and provide regulatory flexibility for high-performing facilities. Specifically, the following changes/products will result from the project: development of an operations manual for VEEP/PT that will govern all aspects of the program and include policies and procedures to be available to staff via the DEQ intranet and the public via the agency's external web page. Part of the review of existing policies and procedures at the start of the project will include examination of the current agency objective related to environmental management systems included in each DEQ employee's Employee Work Profile (e.g., annual performance plan).

Program Authority and Coordination with EPA. VEEP's launch in 2000 was initiated under the general authority of the agency as outlined in the *Virginia Code*. At that time, DEQ entered into its first Memorandum of Agreement with EPA regarding the program. The MOA with EPA Region III outlines the two agencies' commitment toward regulatory innovation and the program and identifies the processes and procedures that will be used to review applications as well as requests by participants for regulatory flexibility. In April, 2002, DEQ signed a second MOA on the program with EPA Headquarters. That MOA commits EPA and DEQ to work together to coordinate the VEEP and PT programs in terms of administration, marketing and provision of incentives. Coordination between the agencies as well as implementation of incentives has also been a component of DEQ's Performance Partnership Agreements and Performance Partnership Grants since Federal Fiscal Year 2005.

The 2005 Virginia General Assembly adopted legislation that formally codified VEEP. The law, which became effective on July 1, 2005, outlines the program intent and structure. It also establishes a new regulatory incentive for E3 and E4 (which would include PT) facilities: "alternate compliance methods", which may include changes to monitoring and reporting requirements and schedules, streamlined submissions requirements for permit renewals, the ability to make certain operational changes without prior approval, and other changes that would not increase a facility's impact on the environment. DEQ believes that its new legislative authority to grant "alternative compliance methods" represents a significant step toward the next generation environmental protection that will be more efficient for the agency in the long run, provide more flexibility for the facility and provide better environmental results.

From late 2004 to the present, Virginia has been an active participant in the ECOS/EPA Performance-Based Programs Project. Virginia Department of Environmental Quality David K. Paylor has served as Chair of the effort, which has included two surveys of states, the development of a detailed set of recommendations on incentives, integration and marketing for EPA's senior

managers, and implementation of a number of those recommendations. This project will directly build on the recommendations coming out of that effort.

Outcome Goals & Measures. There are both short- and long-term outcomes expected as a result of the project. Initially, an increase in the number of facilities seeking acceptance into VEEP or PT as a result of an increase in knowledge and understanding of the programs on the part of the DEQ staff most frequently interacting with facilities (e.g., inspectors, permit writers, trainers, etc.) is expected. For the same reason, over a longer term, DEQ expects that there will be a greater understanding of the programs on the part of facilities whose environmental performance has been sub-standard; therefore, an expected outcome would be an improvement in compliance rates and overall environmental performance (which is strongly related to worker and community health). Over the course of the project, DEQ expects that more incentives will be requested and delivered as a result of the increase in staff understanding (and resultant promotion).

The following list summarizes the expected outputs/outcomes:

1. Short term (attitude): Surveys of DEQ managers at the beginning and end of the project (see 4.b. and 4.l. above).
2. Short term (actions): Number of financial institutions attending the financial incentives forum.
3. Intermediate term (decisions): Number of financial institutions revising policies to create financial incentives after the forum (captured through a follow-up survey – see 4.k. below).
4. Intermediate term (decisions): Tracking of VEEP and Performance Track participation rates over the course of the project.
5. Intermediate term (reduction of environmental releases): Tracking of VEEP and PT accomplishments through the annual performance reporting process and Toxics Release Inventory data trends

Project Budget Summary

[withheld by EPA]