National Environmental Performance Partnership System

FY 2008-2011

National Guidance

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National Environmental Performance Partnership System
FY 2008-2011 National Program Guidance
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FY 2008-2011 Guidance for National Environmental Performance Partnership System (NEPPS)

II. Introduction/Context

Performance partnerships – through which EPA and states set priorities and design strategies together – are integral to planning and implementing our national environmental programs. To advance the joint planning that is central to performance partnerships, the Office of Congressional and Intergovernmental Relations (OCIR) is issuing this guidance in conjunction with the Agency-wide process for production and review of national program guidance through the Office of the Chief Financial Officer.

This guidance sets out the goal and objectives for the performance partnership program for FY 2008-2011.

III. Program Priorities

GOAL: *EPA and states implement performance-based partnerships that focus resources on agreed-upon environmental priorities, take advantage of the unique capacities of each partner, and measure performance based on the results that are achieved.*

For FY 2008-20011, the performance partnership effort will focus on:

- Strengthening joint strategic planning,
- Maximizing the value of Performance Partnership Grants,
- Improving state reporting and performance measures, and
- Addressing issues that impede progress in building state-EPA partnerships, and
- Setting the future direction for performance partnerships.

Objective 1: *Conduct joint strategic planning and reflect the results in Performance Partnership Agreements (or comparable state-EPA agreements) and in state grant work plans.*

<u>Strategies</u>:

- Encourage leaders of state environmental, public health, and agriculture agencies to engage with EPA in joint planning and priority setting and ensure that state priorities are fully considered in the Agency's planning and budgeting processes.

- Reflect the results of joint strategic planning in Performance Partnership Agreements (PPAs) (and comparable state-EPA agreements) as well as in Performance Partnership Grants (PPGs) and other state grant work plans.

Objective 2: Make effective use of Performance Partnership Grants to conserve state resources, direct resources to priority needs, and fund cross-media and innovative approaches to achieving environmental goals.

Strategies:

- Implement the Maximizing PPGs initiative to help interested states take greater advantage of the flexibility and other features of PPGs.

- Encourage states to incorporate cross-media and innovative approaches to environmental protection in PPAs and PPGs.

Objective 3: Advance partnership principles through effective collaboration with states on policy and implementation issues.

Strategies:

- Raise and resolve policy and implementation issues related to performance partnerships through appropriate mechanisms, elevating issues to the Deputy Administrator for resolution if necessary.

- Advance relationships based on the NEPPS principles through joint state-EPA work groups, the Environmental Council of the States, and other state organizations.

Objective 4: Focus state reporting on information needed to set goals and objectives, measure progress in achieving them, and ensure accountability.

Strategies:

- Implement changes to reporting that states identified as burdensome and of limited value.

- Revise the State Grant Performance Measures Template to strengthen accountability for meeting performance goals, in accord with guidance from the Office of Management and Budget.

- Continue improving performance measures for planning, managing, and measuring the success of environmental programs.

Objective 5:	*Implement policies, procedures, and requirements for state grants that accommodate state needs for flexibility and minimum administrative burden while ensuring fiscal and programmatic accountability.*

Strategies:

- Continue implementing requirements for state grants, including Performance Partnership Grants, under Part 35.

- Make the policy, administrative, and procedural changes needed to ensure that state grants are awarded in a timely manner.

Objective 6: Set the future direction for performance partnerships.

- Collaborate with states to set future directions for performance partnerships based on progress made during the first decade and consideration of changing conditions.

IV. Implementation Strategies

Strategic planning, based on an understanding of environmental conditions and program needs, is the underpinning for effective EPA-state partnerships. Changes to EPA's planning and budgeting processes over the past several years have helped to ensure greater state influence in the development of national and regional priorities and plans, and the results of joint planning are reflected in PPAs, PPGs, and other state-EPA partnership agreements.

Efforts to strengthen joint planning and priority setting will continue in FY 2009-2011. The focus will be on helping EPA and state managers understand and take advantage of joint planning opportunities and develop partnership agreements and grant work plans that truly reflect mutual consideration of each other's needs and priorities.

While many states have taken advantage of the flexibility available through PPAs and PPGs, these tools offer greater potential for leveraging resources to achieve environmental results. A major emphasis in FY 2008 will be implementing a Maximizing PPGs initiative in which volunteer states will expand how they use PPGs. To ensure the success of the initiative and performance partnerships generally, EPA's top leaders have committed to resolving policy issues that impede flexibility and the use of alternative approaches to achieving environmental results. The lessons learned will be turned in to policy and procedural changes needed to enhance the value of PPGs to conserve resources, direct resources to priority needs, and fund cross-media and innovative approaches to achieving environmental goals.

Another priority effort in FY 2008 and beyond will be continuing efforts to reduce state reporting burden, based on the suggestions states made in 2007 for reports that should be candidates for changes or elimination. In accord with guidance from the Office of Management and Budget, EPA and states will also refine the State Grant Performance Measures Template to ensure that state grant work plans are consistent with the Agency's strategic and annual planning, budgeting, and accountability processes.

Considerable progress has been made toward the goals set out for performance partnerships that were set out a decade ago. Many of the building blocks needed to build performance partnerships are now in place, and our objectives for FY 2008-2011 mark the beginning of a new phase in implementing performance partnerships. To ensure continued progress, EPA will collaborate with states during FY 2008 to set the future direction for our work in building performance partnerships.

From the outset, the design and implementation of performance partnerships has been a collaborative effort between EPA and states. That collaborative conservation approach will continue at the national level, using the various state-EPA mechanisms in place for identifying and resolving issues. The joint Partnership and Performance Work Group, comprised of EPA leaders and state officials drawn from the membership of the Environmental Council of the States, is the principal mechanism for raising and resolving partnership issues. The Partnership and Performance Work Group provides guidance to the State Grant Subgroup, which addresses associated with states grants, as well as the PPG Initiative Task Force which was formed to help implement the Maximizing PPG initiative. Collaborative conservation principles will also guide development of performance partnerships between EPA regions and individual states.

V. Tracking Progress

Progress toward meeting the FY 2008-2011 objectives will be monitored in several ways.

- On an ongoing basis, the State-EPA Partnership and Performance will assess progress in issues associated with performance partnerships, with particular attention in FY 2008 to implementation of the Maximizing PPGs initiative.

- Periodically, OCIR will collect information from EPA offices on their progress in reducing state reporting burden.

- At least biannually, OCIR will collect information from the regions about the scope and contents of PPAs and PPGs.

VI. Program Contacts

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National Environmental Performance Partnership System
FY 2008-2011 National Guidance

EPA and states share responsibility for protecting public health and the environment. Since 1995, EPA and states have been implementing the National Environmental Performance Partnership System (NEPPS), an environmental performance system designed to improve the efficiency and effectiveness of state-EPA partnerships.

Several fundamental concepts underlie NEPPS. Goals, priorities, and strategies should be based on information about environmental conditions. Performance should be evaluated based on results that are achieved in the environment. And by taking full advantage of the unique capacities of EPA and states and leveraging our collective resources most efficiently and effectively, we can achieve the greatest results.

Performance partnerships – in which EPA and states set priorities, design strategies, and negotiate grant agreements together – are integral to the planning and implementation of our national environmental programs. To advance the joint planning that is central to performance partnerships, the Office of Congressional and Intergovernmental Relations (OCIR) is issuing this guidance in conjunction with the Agency-wide process for production and review of national program guidance through the Office of the Chief Financial Officer (OCFO).

This guidance[1] sets out an overarching goal for performance partnerships as well as objectives and strategies for FY 2008-20011.

Overview of Performance Partnerships

In 1995, when EPA and state leaders agreed to build the National Environmental Performance Partnership System (NEPPS),[2] they envisioned a performance-based system of environmental protection. By focusing EPA and state resources on the most pressing environmental problems and taking advantage of the unique capacities of each partner, performance partnerships would help achieve the greatest environmental and human health protection.

The performance partnership system includes the following elements:

- **Joint strategic planning** based on an understanding of environmental conditions and program performance;

[1] This guidance is a compilation of existing policies and initiatives. It does not impose any legally binding requirements.
[2] See *Joint Commitment to Reform Oversight and Create a National Environmental Performance Partnership System*, at http://www.epa.gov/ocir/nepps/policies_guidance.htm.

- **Resources directed to priorities** through flexible funding and work sharing arrangements;

- **Performance measures and environmental indicators** for managing programs and measuring results;

- **Innovative strategies** to augment traditional solutions to environmental problems;

- **Effective oversight** and assistance tailored to state performance and needs; and

- **Public understanding of environmental conditions** and engagement in protection efforts.

Tools for Implementing Performance Partnerships

The most common way that EPA and states implement performance partnerships is by negotiating **Performance Partnership Agreements (PPAs).** These agreements typically set out jointly-developed priorities and protection strategies and how EPA and the state will work together to address priority needs. More than half of the state environmental agencies now negotiate PPAs, and the remaining states reflect the results of their joint planning in other state-EPA agreements.

By choosing to combine two or more individual environmental program grants in a **Performance Partnership Grant (PPG),** states can gain greater flexibility in how the use and manage the funds they receive from EPA. In addition to streamlining administrative requirements, PPGs allow states to direct resources where they are needed most, implement strategies that cut across program boundaries, or try other innovative solutions to environmental problems. More than two-thirds of the state environmental agencies and more than half of the state agriculture agencies now combine two ore more grants in PPGs.

Progress in Building the Performance Partnership System

After a decade of progress, the building blocks for the performance partnership system are in place and we are poised to make the vision of performance partnerships a reality. When we began, there were limited opportunities for states to influence EPA goals and priorities and the annual performance commitments states would be expected to meet. Today, EPA's planning process has been substantially reformed. All of EPA's national program guidance is issued at the same time, allowing for comprehensive planning. States are engaged at every step along the way so that EPA's national priorities reflect consideration of regional and state priorities; states have an opportunity to see and negotiate changes in proposed annual performance commitments affecting them. Most states now negotiate Performance Partnership Agreements (PPAs) or comparable agreements as part of their joint planning efforts.

A decade ago, states had limited flexibility to address alternative state priorities or approaches. Categorical grant funds could only be used for a defined set of activities and it was difficult to fund cross-cutting projects. Now, joint planning and priority setting provides opportunities for states to propose alternative priorities, strategies, and approaches to achieving environmental goals. The completely revised Part 35 grant rule

provides for a range of flexibility in how state grant funds can be used; states gain the greatest flexibility if they combine funds in PPGs.

When NEPPS was launched, the critical nature of the state role in developing and testing innovative approaches to environmental protection was not fully understood, and it was unclear how states could get EPA approval to test new approaches. Now, EPA's Office of Environmental Innovation and an Innovations Action Council -- comprised of EPA and state leaders -- champion innovations by promoting, testing, and expanding the use of successful innovations. EPA and states now implement a portfolio of innovations, and EPA supports state innovations through policy, information-sharing, and technical assistance as well as by providing several million dollars in grants funding.

A central element of performance partnerships is increasing the use of outcome measures to assessing progress in improving environmental and human health conditions and understanding how well protection efforts are working. When performance partnerships began, EPA and states relied almost entirely on output (or activity) measures, but the relative percentage of outcome measures has increased steadily since then. The state-EPA effort to develop and use a core set of performance measures set the stage for ongoing efforts to improve measures and environmental indicators that continue today. Implementation of the Government Performance and Results Act, the Office of Management and Budget's (OMB) Performance Assessment Rating Tool, and reforms made to EPA's own accountability system, all focusing on results, have bolstered efforts to improve performance measures. In response to guidance from OMB, EPA and states collaborated to develop a State Grant Performance Measures Template that provides a consistent way to report the results of state grants. On a related track, EPA and states are working to streamline state reporting requirements, seeking to reduce or eliminate reporting that is burdensome and of limited value. Further, to make it easier to exchange information electronically, EPA and states are building a national Data Exchange Network.

Developing a more effective EPA oversight of state programs is another key aspect of performance partnerships, employing the concept of tailoring the amount and type of EPA oversight based on a state's performance and needs. The tailored approach would help address duplication of effort and inappropriate EPA intervention in state actions, while ensuring a level playing field. At the national level, the State Review Framework now provides a tool for consistent assessment of state compliance and enforcement programs. Similarly, the Office of Water's Permitting for Environmental Results provides criteria and infrastructure for consistent reviews of state water permit programs. In addition to reform efforts at the national level, some EPA regions and states have worked out better oversight arrangements.

With performance partnerships, EPA and states set out to increase public understanding of and engagement in environmental protection efforts. EPA and states have a long history of educating and engaging the public, such as through comparative risk projects and strategic planning efforts; opportunities for citizen involvement continue to grow. There is an ever-increasing amount of environmental information is readily accessible via the Internet and there is greater transparency about government actions; this provides the public with more ways to learn about and influence protection efforts. Public understanding of environmental progress and remaining challenges was strengthened with EPA's publication in 2003 of the first draft national Report on the Environment; many states publish similar reports.

After a decade of progress, EPA and states are now poised to make the vision of performance partnerships a reality. As this brief summary indicates, building the performance partnership system has involved changes and actions affecting virtually every EPA interaction with states. Since states are critical to achieving national environmental goals, the national program manager guidance for each program incorporates work to strengthen EPA-state partnerships.

To take advantage of the progress made and to reflect the conditions that have changed in the past decade, EPA will embark on a collaborative effort with states to set the future direction for performance partnership.

Performance Partnerships: Goal and Objectives for FY 2008-2011

The goal -- and vision -- for performance partnerships follows:

> ***EPA and states implement performance-based partnerships that focus resources on agreed-upon environmental priorities, take advantage of the unique capacities of each partner, and measure performance based on the results that are achieved.***

This performance partnerships guidance focuses specifically on the policy and implementation work to be undertaken in FY 2008-2011 to advance the National Environmental Performance Partnership System. Guidance from EPA's other national programs addresses program-specific efforts that support performance partnerships.

For FY2008-2011, the focus of the performance partnership program will be on improving joint planning and priority setting, enhancing the value of performance partnership tools, fostering use of innovative approaches to environmental protection, and addressing barriers that impede state-EPA partnerships. Another key effort during this period will be setting the future direction for performance partnerships.

Objective 1: Conduct joint strategic planning and reflect the results in Performance Partnership Agreements (or comparable state-EPA agreements) and in state grant work plans.

Strategies:

- Encourage leaders of state environmental, public health, and agriculture agencies to engage with EPA in joint planning and priority setting and ensure that state priorities are fully considered in the Agency's planning and budgeting processes.

- Reflect the results of joint strategic planning in Performance Partnership Agreements (PPAs) (and comparable state-EPA agreements) as well as in Performance Partnership Grants (PPGs) and other state grant work plans.

Joint Planning and Priority Setting

The performance partnership system is designed to help focus limited EPA and state resources on priority environmental needs, taking into account that an individual state's priorities may be different from priorities at the national or regional levels. To do this, EPA and states engage in joint planning and priority setting so that both parties' priorities are known and considered when making decisions of mutual importance. Ideally, joint planning in based on an understanding of environmental conditions and program implementation needs.

In recent years, EPA has made significant changes to its annual planning and budgeting processes to expand opportunities for regions, states, and tribes to participate both early and throughout the processes. For example, the National Program Manager (NPM) guidance is built in part on priorities and needs submitted by EPA regions and states, and all NPM guidance is now issued concurrently so that proposed priorities, strategies, and performance measures can be considered for all programs at the same time. An online system for setting Annual Performance Commitments allows states and tribes to review and comment on draft commitments, offering an unprecedented level of transparency and collaboration and increasing opportunities to align national, regional, state, and tribal priorities. The results of joint planning should be reflected in PPAs (or comparable state-EPA agreements) as well as in work plans for PPGs and other state grants.

An explanation of the current joint planning process can be found on the Improving Planning and Priority Setting web page of the Office of the Chief Financial Officer (OCFO).[3]

Increasing State Strategic Planning Capacity. To improve state capacity in strategic planning, states and EPA have been conducting planning pilot projects, supported by funding of $1.2 million over three years under a cooperative agreement between EPA and

[3] Available at: http://www.epa.gov/ocfo/opaa/index.htm

the Environmental Council of the States (ECOS). The projects are designed to build states' planning capabilities, stimulate state-regional joint planning, and support improvements to PPAs and other state-EPA agreements. In 2006, as part of this effort, representatives of 24 states participated in a designed to share state experiences in setting goals and priorities and measuring results.

Improving the Value of Performance Partnership Agreements

A fundamental concept underlying performance partnerships is that each state is different, and that each EPA-state partnership negotiation must take into account the particular capacities, needs, and interests of that state. No single approach is appropriate for every state. Each state and EPA region must decide together what mechanisms and approaches are most appropriate for building their own partnership.

This purposely flexible approach has led to many variations in the scope, content, and format of PPAs. Individual PPAs can range from general statements about how the state and EPA will work together as partners (perhaps identifying joint priorities that will be addressed) to comprehensive, multi-program documents that detail each party's roles and responsibilities. Some PPAs meet relevant statutory and regulatory requirements and also serve as the work plans for PPGs and/or other grants. And while some states have not negotiated formal PPAs, many have nonetheless participated in joint planning and priority setting and other performance partnership-related activities with their respective EPA regional offices, and the results are articulated in grant work plans or other agreements.

- ***Essential Elements of PPAs***

The most effective PPAs contain several key elements, as set out by a joint EPA-state work group[4] in 2004. These recommended "essential elements" are:

- A description of environmental conditions, priorities, and strategies;
- Performance measures for evaluating environmental progress;
- A process for joint evaluation on the how well the PPA is working and an agreement to implement any needed improvements that are identified;
- A description of the structure/process for mutual accountability, including a clear definition of roles of each party in carrying out the PPA and an overview of how resources will be deployed to accomplish the work; and

[4] State-EPA Planning Alignment/PPA Work Group, now the Partnership and Performance Work Group

- A description of how the priorities in the PPA align with those in the EPA Regional Plan, EPA Strategic Plan, and/or the state's own strategic (or other related) plan.

In keeping with the flexibility inherent in the NEPPS process, how these elements are addressed in individual agreements may vary. Incorporating each of these elements still allows for a wide range of PPAs. The topics may be covered at different levels of detail depending on what is appropriate for a particular state. There is also room for variation in content (e.g., PPAs that cover all programs or just a few programs), as well as in organizational structure and format.

Ideally, the PPA should reflect the results of joint planning between EPA and the state and explain the strategic thinking behind the work it encompasses. The PPA should also define the roles and responsibilities of each partner and assure accountability by explaining how progress will be measured. With these elements, the PPA can become the unifying agreement that sets out the relationship between EPA and the state and how they expect to work together to implement the strategies for achieving the goals and objectives in the agreement and make progress toward environmental results.

The most effective PPAs have an underpinning of strategic thinking that is based on an understanding of environmental conditions and program needs. A state does not need its own strategic plan as a prerequisite for successful participation in joint planning and priority setting with EPA. However, joint planning will be more productive, and ultimately more successful, if both parties have done some degree of strategic thinking in advance and come to the table prepared with their well-developed strategic ideas. Entering into joint planning armed with the results of strategic thinking will help make sound arguments for resources; support requests for flexibility, such as requests to focus on some priorities but not others; and determine appropriate roles and responsibilities of each partner.

- ***Advancing Innovative and Cross-Media Approaches***

There is growing recognition among EPA and state program managers that regulatory innovations and cross-media approaches can deliver increased environmental benefits through reduced administrative costs and better alignment of program resources to meet pressing environmental needs. EPA and states are encouraged to discuss innovative and multi-media approaches during joint planning sessions, incorporate them into new and revised PPAs, and support them through PPGs and other state grants. These initiatives also provide opportunities for state and federal government, as well as the regulated community, to target financial and human resources more strategically to produce better overall environmental results.

The PPA negotiation process presents an excellent opportunity for discussing and defining how EPA and a state will work together on innovative or cross-media projects. PPGs (and other state grants) may be leveraged to help support such initiatives. Because they are a high priority for EPA and many states, increasing collaboration and

coordination between state performance-based environmental initiatives and corresponding programs such as Performance Track would be especially useful. Other possible topics for the PPA include relationships between EPA and state voluntary programs and pollution prevention efforts. It may also be useful to address how EPA and the state work together on data management projects, such as the effort to build the Environmental Information Exchange Network. Discussions might also explore ways to strengthen state capacity for developing and implementing innovative programs and the development of performance-based program measures or metrics that can be used to complement or replace traditional activity measures.

- ***Other Considerations in Developing PPAs***

Performance Measures. Ever since NEPPS was created, EPA and states have been working continuously on multiple fronts to improve how we measure the success of environmental protection efforts as well as to improve the data management systems used to report and analyze environmental and program information. Despite significant progress, there are still many opportunities for improvement. Consequently, perhaps the most challenging of the tasks in negotiating PPAs is developing an appropriate, balanced set of outcome and output measures that will allow for flexibility while ensuring accountability. Care should also be taken to minimize the reporting burden.

Each EPA national program office is working with regions and states to develop the measures and the information they need to manage programs nationally and to be able to report on progress. The NPM guidance for each program should guide the regions in negotiating appropriate measures for the PPA and grant agreements. Generally, though, PPAs that are broad, strategic documents are likely to focus more on intermediate and long-term outcomes linked to environmental goals and objectives. Implementing these PPAs would typically be supported by more detailed PPG and/or other grant work plans that include shorter-term output measures for activities or work efforts, linked to environmental goals and objectives, that would be undertaken with grant funds. PPAs that also serve as grant work plans would contain similar detail. Beginning in FY 2006, the measures for grants are incorporated in the State Grant Performance Measures Framework (see page 25).

PPA Changes and Renewals. The EPA regional administrators and state commissioners are the decision-makers for PPAs; disagreements among staffs should be raised and resolved at that level. Affected national program managers should be involved if a dispute concerns issues of national policy. Both EPA and states should consider the PPA as voluntarily binding. However, the PPA can be re-opened and changed if both EPA and the state agree to do so; a formal re-opener clause can be included in the PPA if both parties think one is needed. Whenever possible, changes should be reserved for mid-course reviews or when a PPA is being renewed.

Multi-Year PPAs (and Grants). Some regions and states elect to negotiate multi-year PPAs that discuss priorities and strategies for two or more years. Although the intent is for such multi-year agreements to remain intact for the duration, they should be reviewed

annually to ensure they reflect current needs, and amended if necessary. Although it is possible to negotiate multi-year grant work plans -- either as an integral part of, or in support of, the PPA -- PPGs and other grants are subject to the annual reporting and evaluation requirements that apply to all federal grants. While a multi-year work plan can reduce transaction costs by setting out the framework and plans for the goals, objectives, and work to be accomplished over time, specific commitments should be negotiated annually to reflect the amount of funding that is available.

PPAs and Legal Requirements. PPAs are voluntary agreements and cannot "trump" legal requirements such as delegation agreements. However, PPAs can articulate how each partner will fulfill the requirements under delegation agreements or similar legal documents. Should a state and region wish to review existing legally binding agreements, the PPA can be an appropriate vehicle for setting out how the review will be conducted, taking care to ensure compliance with any legal requirements for changing the legally binding agreement.

Joint Evaluation of Performance Partnerships

EPA and states share responsibility for building successful partnerships, working to make the best use of our collective resources to achieve environmental and program results. Defining the roles and responsibilities of each partner is integral to developing performance partnership and grant agreements, and successful implementation of these strategies and plans is dependent upon the partners carrying out their respective parts. Joint evaluation – in which EPA and state officials assess progress and remaining challenges together – facilitates mutual understanding of each other's strengths and opportunities for improvement, and sets the stage for continuous improvements in how they work together.

A well-managed system for conducting joint evaluations is essential to resolving the tension between providing more flexibility to states through PPAs and PPGs and ensuring accountability for results. Joint evaluation also provides EPA with the information needed to demonstrate the results of the significant federal investment in state and tribal assistance grants and comply with the Government Performance and Results Act (GPRA). Joint evaluation also provides an opportunity for reviewing EPA's progress in meeting its own commitments to the state, such as commitments to provide technical assistance, staff training, and analytic or legal support.

Important Note: Joint evaluation of performance partnerships takes place at several levels and in many ways. This section discusses evaluation of individual PPAs as well as general evaluation of NEPPS implementation at the national level. Evaluation of state grants, including PPGs, is subject to specific regulatory requirements under 40 CFR Part 35.

- ***Evaluation of Individual Performance Partnership Agreements***

By design, there are no specific requirements for the performance partnership negotiation process or for the scope, contents, and structure of PPAs. This allows each EPA region and state to work out agreements that are appropriate to the needs and conditions of the state. Similarly, the process and contents for joint evaluation of individual state-EPA performance partnerships are not specified and can be designed to fit individual circumstances. At a minimum, EPA and the state are urged to reach agreement on how they will jointly evaluate their partnership, and ideally, outline their evaluation plans in the PPA. Taking stock periodically of the state-EPA partnership can be valuable for all states, however, even if they do not negotiate PPAs.

The elements of the performance partnership system (see Overview of Performance Partnerships, page 9) can be a good starting point for state-EPA discussion about what is working and where improvements are needed in the partnership . A discussion centered around the recommended elements of a PPA (see page 14) can help the EPA region and the state delve more deeply into their strategic planning efforts and how well they are working. Central to any evaluation is assessment of progress toward the goals and objectives set out in the PPA.

While there are no specific requirements for joint evaluation of PPAs that do not serve as grant work plans, there are joint evaluation requirements for grant agreements.[5]

- ***Evaluation of Performance Partnerships at the National Level***

The NEPPS framework includes a commitment to joint evaluation of the performance partnership system. At the national level, EPA and state officials have used a variety of mechanisms to review how well the performance partnership system is working and to identify needed policy or procedural improvements. For example, planning alignment and PPA reforms were evaluated in FY 2005, and the results helped set the agenda for additional improvements.[6] The PPG-related issues raised by state and EPA participants in a series of workshops, such as the need to improve the timeliness of grant awards, are on the agenda for resolution by the EPA's Performance Partnership Steering Committee and the state-EPA Planning and Partnership Work Group.

After a decade of implementation, it is now time to take a more comprehensive look at progress in building performance partnerships and set the direction for the future. In FY 2008-2011, EPA and states will embark on a collaborative effort to do so (see Objective 6, page 27).

[5] See question 2-17 in *Best Practices Guide*, linked from Highlights box at http://www.epa.gov/ocir/nepps.
[6] For more about evaluation results, see the links from http://www.epa.gov/ocfo/opaa/index.htm.

Objective 2: Make effective use of Performance Partnership Grants to conserve state resources, direct resources to priority needs, and fund cross-media and innovative approaches to achieving environmental goals.

Strategies:

- Implement the Maximizing PPGs initiative to help interested states take greater advantage of the flexibility and other features of PPGs.
- Encourage states to incorporate cross-media and innovative approaches to environmental protection in PPAs and PPGs.

Purpose and Benefits of Performance Partnership Grants

In 1996, EPA asked Congress for new authority that would give states, interstate agencies, and tribes greater flexibility in how they use and manage federal grant funds. Congress responded by authorizing EPA to award Performance Partnership Grants (PPGs) in the Omnibus Consolidated Rescissions and Appropriations Act of 1996[i] and again in EPA's 1998 Appropriations Act.[7] The EPA administrator has authorized states and interstate agencies to combine funds from up to 19 environmental program grants into a single grant. (See Appendix A for a list of grants eligible for inclusion in PPGs.)

The PPG program is designed to:

- Strengthen partnerships between EPA and state and interstate agencies through joint planning and priority setting and better deployment of resources;

- Provide state and interstate agencies with flexibility to direct resource s where they are most needed to address environmental and public health priorities;

- Link program activities more effectively with environmental and public health goals and program outcomes; and

- Provide savings by streamlining administrative requirements.

PPGs are popular with states: nearly three-quarters of state environmental agencies and half of the state agriculture agencies receive some or all of their grants in PPGs. Most have taken advantage of the administrative savings and flexibility available in PPGs. There has been only modest use of the ability to shift funds from one program to another. However, many states have used PPGs to fund cross-cutting, innovative efforts such as data integration projects, sector or geographic initiatives, compliance assistance programs, and pollution prevention projects.

[7] Pub. L. 104-134, 110 Stat. 1321, 1321-299 (1996)

The *Best Practices Guide for Performance Parternship Grants,*[8] posted on-line in 2007, provides detailed information about the policies and regulations governing PPGs. Among the topics addressed are the purpose and goals of PPGs, the relationship between PPAs and PPGs, how the Part 35 regulations provide flexibility through PPGs and other state grants, accountability requirements for PPGs and state grants, activities eligible for funding under PPGs, and how the state match requirement is calculated for PPGs.

- ***Beneficial Uses of PPGs***

States already use PPGs in many beneficial ways. For instance, states use funds from one program area to address a budget shortfall in another, and meet cost-share requirements by using overmatch from one program to cover the match from another. Using PPG flexibility, states hire temporary personnel, fund emergency activities such as hurricane response, address permit backlogs, and support staff training and travel. They use PPGs to fund multi-media inspections and permitting, sector compliance/enforcement initiatives, and data system improvements.[9]

Maximizing PPGs Initiative

In September 2006, EPA launched an initiative to maximize the use of PPGs as a tool to help conserve state resources, direct resources to priority environmental needs, and fund multi-media and other innovative approaches to achieving environmental goals.

Most states now combine at least some grant funds in PPGs and benefit from reduced paperwork and administrative streamlining. Fewer states have used the programmatic flexibility available through PPGs to fund important cross-cutting projects or to shift resources among programs in accord with the state's priorities. Through this initiative, EPA hopes to encourage greater state use of PPG authorities.

With the increased emphasis on joint strategic planning in recent years, EPA and states are now better positioned to direct resources where they are needed most. There is also greater experience in using multi-media and other alternative approaches to reaching environmental goals. This experience sets the stage for a fresh look at PPGs and how they can be better used to support state environmental protection efforts.

Through the initiative, EPA will work with volunteer states to:

- Address real or perceived barriers that are within EPA's purview;

[8] A direct link to the *Guide* can be found in the Highlights box on the NEPPS home page at http://www.epa.gov/ocir/nepps/.

[9] More examples of how states have used PPGs can be found at http://www.epa.gov/ocir/nepps/speeches_publications.htm.

- Promptly elevate and carefully consider policy issues, and wherever possible, resolve them in favor of providing flexibility;

- Test ways to accommodate multi-media projects and alternative priorities and approaches in accountability and management systems; and

- Create "safe havens" as needed to test new approaches.

The joint EPA-ECOS invitation for states to participate[10] encouraged a wide array of proposals. Some states may make only incremental changes in how they currently use PPGs, while others may receive their grants in a PPG for the first time. EPA also encouraged states to submit more extensive proposals and committed to finding ways, wherever possible, to support promising approaches to achieving environmental goals. Most state proposals were expected to fall within one these general categories:

- *Comprehensive, Integrated PPG* -- An integrated PPG in which resources are allocated in accord with the results of comprehensive joint planning.

- *Multi-Media Environmental Priority PPG* -- A PPG used to address priority, multi-media environmental problems or fund cross-cutting projects.

- *First-Time or Expanded PPG* -- A state's first PPG or a state's current PPG that is expanded to include more grants.

In 2007, EPA regional offices will work with the volunteer states to develop their proposals and FY 2008 PPG work plans. The Office of Congressional and Intergovernmental Relations (OCIR) is leading the effort for EPA, guided by the ECOS-EPA Partnership and Performance Work Group. A Maximizing PPGs Task Force -- comprised of senior staff from each EPA headquarters and regional office as well as interest states -- has been formed to help design the effort and ensure that policy and implementation issues are identified, elevated, and resolved as quickly as possible.

The PPGs developed as part of the initiative will be implemented in FY 2008 and will be monitored on an ongoing basis. Lessons learned from the initiative will be used to inform policy decisions and to develop practical "how-to" information on how states and regions can use PPG features to help them address priority needs.

[10] See Maximizing PPG Initiative: Joint Message from Deputy Administrator and ECOS President link on http://www.epa.gov/ocir/nepps/policies_guidance.htm.

Objective 3: Advance partnership principles through effective collaboration with states on policy and implementation issues.

Strategies:

- Raise and resolve policy and implementation issues related to performance partnerships through appropriate mechanisms, elevating issues to the Deputy Administrator for resolution if necessary.

- Advance relationships based on the NEPPS principles through joint state-EPA work groups, the Environmental Council of the States, and other state organizations.

Policy Development

Developing needed policies and identifying and resolving issues has been an ongoing part of building the performance partnership system.

- ***Collaboration with States***

From the outset, EPA has employed a collaborative approach with states to develop and refine needed policies and procedures needed to implement performance partnerships. States are engaged through a variety of joint committees, work groups, and task forces addressing matters associated with performance partnerships. For example, state representatives were members of the revised Part 35 regulation work group that developed the rules governing all state grants, including PPGs. The joint Partnership and Performance Work Group provides ongoing leadership to performance partnerships, focusing on issues such as reporting burden, the state role in strategic planning, and increasing the value of PPAs and PPGs.

Collaboration with states is not limited to implementation of performance partnerships. Perhaps the most important change that has occurred over the past decades states is that states are now actively engaged with EPA on virtually everything -- from setting goals and priorities to developing regulations and guidance to drafting performance measures to designing data exchange systems. While there are many opportunities for increased collaboration, the dynamic of the EPA-state relationship has shifted and is now more balanced than ever before.

- ***Policy Challenges***

Most of the basic building blocks for performance partnerships are now in place, but many policy challenges remain. In various evaluations and reviews of performance partnerships, several themes have emerged which suggest areas where additional policy solutions are needed.

Some remaining issues stem from the inherent tensions involved in providing greater flexibility while also ensuring accountability. Further, EPA's accountability and

management systems are primarily organized by environmental media and grant program, and do not readily accommodate multi-media or alternative approaches to achieving environmental objectives. Recent Office of Management and Budget requirements for consistent reporting on state grants and application of the Program Assessment Rating Tool (PART) have reinforced the media-specific orientation.

One objective of performance partnerships is to help focus resources where they are needed most, allowing states to shift funds among programs to address priority problems. In practice, there have been few such shifts. In addition to the media-specific orientation described earlier, there are several other reasons why this flexibility has been rarely used. Media program managers may not see the same need for funding flexibility as do agency senior managers, and they are reluctant to entertain shifts because funding is barely adequate to cover base program requirements. Regions and states perceive limited room for negotiation on national program manager (NPM) guidance, implementation strategies, and performance targets. Many believe EPA has not been consistent in its response to state requests for resource shifts and it is unclear what factors EPA considers in making these decisions.

Maximizing PPG Initiative. These policy issues are often cited as key barriers to implementing performance partnerships, and they are likely to emerge again when the Maximizing PPG initiative is implemented in FY 2008. Because the initiative has the attention and commitment of EPA's most senior leadership, the initiative should provide a high-level forum for finding solutions to these long-standing concerns.

Leadership Mechanisms for Performance Partnerships

The **Office of Congressional and Intergovernmental Relations** (OCIR) is the lead office of performance partnerships. As lead office, OCIR is responsible for advancing state-EPA partnerships and facilitating the resolution of policy and implementation issues associated with performance partnerships. To carry out this responsibility, EPA works with all EPA program and regional offices, and elevates issues to the Deputy Administrator as needed.

The **State-EPA Partnership and Performance Work Group**, comprised of EPA senior managers and state leaders drawn from the ECOS membership, is the principal mechanism through which EPA and states work together to advance performance partnerships and results-based management overall.

Objective 4: Focus state reporting on information needed to set goals and objectives, measure progress in achieving them, and ensure accountability.

Strategies:

- Implement changes to reporting that states identified as burdensome and of limited value.

- Revise the State Grant Performance Measures Template to strengthen accountability for meeting performance goals, in accord with guidance from the Office of Management and Budget.

- Continue improving performance measures for planning, managing, and measuring the success of environmental programs.

To set the stage for effective strategic planning, EPA and states need performance measures that can be used to assess progress in improving environmental and human health conditions and how well protection efforts are working.
Traditionally, EPA and states have relied primarily on output (or activity) measures to assess environmental programs. Activity measures - such as counting the number of permits issued or inspections conducted -- are important for showing progress in implementing environmental programs. However, such measures do not show the results of these actions. Outcome measures are needed to show changes in environmental conditions and to indicate where protection efforts are working and where additional attention is needed.

Environmental professionals have been working to improve environmental indicators and performance measures for many years. With the advent of performance partnerships -- as well as new laws and policies requiring government agencies to assess the results of their programs -- EPA and states are focusing even more attention on measures development.

Because unnecessary state reporting diverts resources from other important protection tasks, EPA and states are also trying to reduce state reporting that has high cost but is of limited value. In FY 2007, EPA and states launched an effort to identify state reports that could be reduced or eliminated; work to implement the state proposals for reporting changes is continuing. The growing National Environmental Data Exchange Network, which enables EPA and states to exchange data electronically, is also helping to reduce the costs of state reporting.

State Reporting Burden Reduction Initiative

In response to state concerns about the overall burden of reporting requirements, EPA initiated two efforts in October 2006. In the *State Reporting Burden Initiative*, states were asked to identify their top five burdensome, low-value reporting requirements imposed by EPA. In the *Measures Review and Streamlining Initiative*, states were asked

to identify potential reductions in measures that were listed in the FY 2007 National Program Manager guidance documents. The results of these complementary initiatives are being used to inform development of FY 2008 guidance and measures, negotiation of grant work plans, and discussion of future priorities.

For the burden reduction initiative, 38 states provided 239 specific recommendations for proposed reporting changes or elimination. States suggested changes in reporting frequency and noted regional differences in reporting requirements. They recommended more electronic data submission and that there should be "no net gain" in the number of performance measures.

In early 2007, EPA categorized the opportunities for burden reduction into immediate, short-term, and long-term implementation, taking into account factors such as whether proposed revisions could be implemented administratively and or whether they would require regulatory or statutory changes. EPA will continue its work in FY 2008 and beyond to implement the reporting changes.

State Grant Performance Measures Template

In the FY 2007 budget, the Office of Management and Budget (OMB) directed EPA to develop a standardized template for states to develop and submit their state grant agreements that includes clear linkages to EPA's Strategic Plan and long-term and annual goals, as well as consistent requirements for regular performance reporting. EPA then worked with its state partners to develop and implement a State Grant Performance Measures Template for state grants awards funded by EPA's FY 2007 appropriations. The template developed for FY 2007 was developed as an interim step to facilitate implementation in the first year. The performance measures template drew largely upon existing annual performance measures that support the annual commitment process.[11]

In the FY 2008 budget, OMB directed to expand the template beyond measures in EPA's Annual Commitment System and to include language to strengthen accountability for meeting performance goals. In response to OMB's guidance, EPA will continue collaborating with states to ensure that state grant work plans improve in translating results from grant work plans into the Agency's strategic and annual planning, budgeting, and accountability processes.

In FY 2008, the focus will be on:

- Refining the performance measures by (1) consulting with states to identify additional measures and align the state grant measures with the *EPA 2006-2011 Strategic Plan*; (2) incorporating the results of the Agency's State *Reporting Burden Reduction and Measures Streamlining Initiatives;* (3) ensuring that the grant template performance

[11] Guidance for implementing the FY 2007 State Grant Performance Measures Template can be found at www._____. The measures template for each program is included in that program's NPM guidance, which can be found at www._____.

measures can facilitate state by state breakouts, commitments, and targets; and (4) aligning the state grant measures at the lowest level possible (e.g., the annual performance measure) within EPA's performance measurement framework.

- Assessing and implementing policy options to strengthen the role of the template in grant accountability); and

- Identifying and implementing modifications to the Annual Commitment System as necessary for documenting state grant performance.

Objective 5: Implement policies, procedures, and requirements for state grants that accommodate state needs for flexibility and minimum administrative burden while ensuring fiscal and programmatic accountability.

Strategies:

- Continue implementing requirements for state grants, including Performance Partnership Grants, under Part 35.

- Make the policy, administrative, and procedural changes needed to ensure that state grants are awarded in a timely manner.

Basic Part 35 and Performance Partnership Grant Requirements

In 2007, the Office of Congressional and Intergovernmental Relations (OCIR) published an on-line *Best Practices Guide for Performance Partnership Grants*[12]. This reference tool explains the purpose and features of PPGs and how PPGs can help in achieving agreed-upon environmental and program goals and objectives. In addition, the *Guid*e contains plain language explanations of key regulations, policies, and procedures for developing and managing PPGs.

The *Guide*, which is also linked directly to the source documents, should be considered basic guidance for implementing PPGs. Among the topics addressed are grant work plan requirements, eligible activities under PPGs, composite match for PPGs, competitive grants in PPGs, grant evaluation requirements, and the EPA Order on Environmental Results.

Timeliness of State Grant Awards

Delays in awarding PPGs (and other state grants) creates a variety of problems that affect the states' ability to implement programs. A state-EPA work group examining the issue

[12] A direct link to the *Guide* can be found in the Highlights box on the NEPPS home page at http://www.epa.gov/ocir/nepps/.

characterized the problem as two-fold: delays in making initial awards, and delays in awarding all program grant funds after EPA receives its appropriations.

In FY 2008, EPA and the states will focus efforts on revising EPA's policy on timeliness of awards to reflect policy changes and technical updates; developing performance measures and reports on the timeliness of state grant awards; and training regional staff.

Improving timeliness under current policy. Under current policies, project officers can improve the timeliness of state grant awards, including PPG awards.

Under continuing resolutions, regions receive that portion of all STAG accounts, including State Revolving Funds (SRF), that the Agency is allowed to spend while the continuing resolution is in effect. The Agency can make initial state grant awards with these funds. For PPGs, current policy allows regions to pool all STAG funds, if necessary, to make initial PPG awards. Project officers, by working closely with their budget officers and grants management officers, can determine how much money is available for each state and prepare a funding recommendation for this amount once the PPG work plan is approved or conditionally approved.

Project officers can also "conditionally approve" the PPG work plan (see 40 CFR Part 35.111) to ensure that states receive PPG awards in a timely manner. If only some of the programs in the PPG have approved work plans, the project officer may prepare a funding recommendation for the PPG – but include a condition that the remaining portions of the work plan must be approved in order for the state to receive additional, specified funding increments. Using conditional approvals can prevent situations where unresolved work plan issues in one program hold up the entire PPG award.

For more information on the current EPA policy, please see Grants Policy Issuance (GPI) 92-6, "Policy on the Timely Award of Assistance." Regions, NPMs, and project officers will be notified formally when the Agency issues any policy that supplements or supercedes existing policy on timely awards.

Objective 6: Set the future direction for performance partnerships.

Strategy

- Collaborate with states to set future directions for performance partnerships based on progress made during the first decade and consideration of changing conditions.

Future Strategy for Performance Partnerships

The basic infrastructure for performance partnerships is now largely in place. EPA's revamped joint planning processes actively engage states in setting goals and priorities as well as annual performance commitments. States now have a range of flexibility under Part 35 grant rules, and especially with PPGs, to direct grant resources to their own

priorities. We have improved performance measures and indicators that focus on results, and better, more integrated data systems make reporting and analysis easier. Perhaps the most fundamental change is cultural: EPA involves states in virtually everything -- from planning to regulation development to policy development.

While we have made considerable progress in many areas, impediments to performance partnerships remain to be addressed. Indeed, recent trends present new challenges. The pressure for more consistent performance measurement and greater fiscal accountability could inhibit the flexibility we have been working to provide. OMB's performance reviews have highlighted the difficulties involved in demonstrating program results and cost-effectiveness of environmental programs. Shrinking budgets are putting additional strains on core environmental programs.

With a decade of experience as backdrop, it is time to build on the progress we have made and adapt to changing circumstances. An updated strategy will set a direction for the future of performance partnerships that will extend the opportunities and benefits of performance partnerships more broadly.

Some preliminary analysis is being conducted in FY 2007 that will help set the stage for EPA's collaboration with states in FY 2008 on an updated strategy. Further, the Maximizing PPG initiative will help to test ways to resolve some of the challenging issues that remain; the experience gained from the initiative will help inform the updated strategy.

Building and implementing performance partnerships affects virtually every EPA and state environmental program. For that reason, development of a strategy for the future will be undertaken as a collaborative effort involving EPA and state officials at both the senior management and program levels.

Appendix A

Grant Programs Eligible for Performance Partnership Grants

Grant Program	**Required Match**
Air Pollution Control – CAA 105	40%**
Radon Assessment and Mitigation –TSCA 306	50%
Water Pollution Control – CWA 106	0%**
Water Nonpoint Source Implementation -- – CWA 319	40%**
Wetlands Development Grants Program – CWA 104(b)3 *(competitive)*	25%
Water Quality Cooperative Agreements – CWA 104(b)3 *(competitive)*	0%
Public Water System Supervision --SDWA 1443(a)	25%
Underground Injection Control – SDWA 1443(b)	25%
Hazardous Waste Management – SWDA 3011(a)	25%
Brownfields Response – CERCLA 128(a)*, ***	0%
Underground Storage Tanks – SWDA 2007(f)2	25%
Pesticides Program Implementation – FIFRA 23(a)1	0%
Lead-Based Paint Activities – TSCA 404(g)	0%
Toxic Substances Compliance Monitoring – TSCA	25%
Pesticides Cooperative Enforcement – FIFRA 23(a)1	0%
Environmental Information Exchange Network* – Authority in EPA Appropriations Acts	0%
Pollution Prevention Initiatives – PPA 6605 *(competitive)*	50%
Sector Program (compliance/enforcement)* *(competitive)*	0%

* Program added to list of grants eligible for PPGs after publication of the Part 35 rule.
**State must also meet Maintenance of Effort requirements.
***Under a pilot effort, each Regional office may include the Brownfields grant in one state or tribal PPG. Regional offices must obtain prior approval of the Assistant Administrator, Office of Solid Waste and Emergency Response, and Associate Administrator, Office of Congressional and Intergovernmental Relations, to include the Brownfields grant in more than one PPG.