



E C O S



Dear Colleagues:

On behalf of EPA and ECOS, we would like to invite your state to become a part of the Maximizing Performance Partnership Grants (PPGs) initiative that EPA launched in September 2006. Through this effort, we are working together to conserve state resources, direct resources to priority environmental needs, and fund multi-media and other innovative approaches to achieve our environmental goals. If your state is considering participating, please contact your Regional Administrator by February 9, 2007. This time frame will enable participating states to begin implementation in FY 2008.

As EPA and states address the nation's environmental challenges, we must use our limited resources as effectively as possible. With our increased emphasis on joint strategic planning in recent years, EPA and states are better positioned to focus resources where they are needed most. In addition, our growing experience with alternative and innovative approaches shows the potential for meeting environmental goals in new ways.

We now know PPGs can be better used to support state environmental protection efforts. Since September, EPA and state leaders have been conferring to identify specific issues the initiative might address, the benefits PPGs already offer, and possible new incentives that would make PPGs more attractive to states. We want states representing a range of current PPG usage to participate and explore ways they can get more value from their PPGs. We would also like states not now combining their grants in PPGs to consider doing so as part of this effort.

The Maximizing PPGs initiative puts a spotlight on PPGs and presents a unique opportunity for interested states to try new approaches. EPA's senior leadership is committed to ensure the success of this effort. Through this initiative, EPA will work with volunteer states to:

- Address real or perceived barriers to PPGs that are within EPA's purview;
- 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 approaches in EPA's accountability and management systems;
- Create "safe havens" to test promising new approaches;
- Develop other incentives to make PPGs more valuable to states; and
- Use the lessons learned to inform EPA's policy decisions, adjust management and accountability systems as needed, and develop practical "how-to" information that will help other states in the future.

States already use PPG flexibility in many beneficial ways. For instance, states use funds from one program to address a budget shortfall in another and meet cost-share requirements by using overmatch from one program to cover the match for 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. Additional examples are attached.

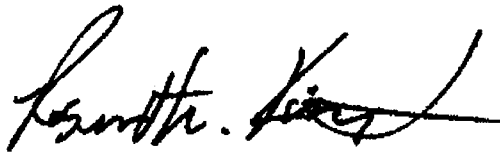
We hope these examples encourage you to consider ways your state might take greater advantage of PPGs and participate in this effort. While some states may only wish to make incremental changes in how they currently use PPGs, EPA is also encouraging more extensive proposals for improving how we achieve environmental goals.

The Office of Congressional and Intergovernmental Relations is the EPA lead for this effort and the ECOS-EPA Partnership and Performance Work Group will provide additional guidance and coordination. A PPG Task Force has also been formed to ensure that policy and implementation issues are identified, elevated, and resolved as quickly as possible. The Task Force includes senior-level staff from each EPA program and regional office, state members of the State Grant Work Group, and representatives of states that have already said they would like to participate. Additional states will be added as they join in the initiative.

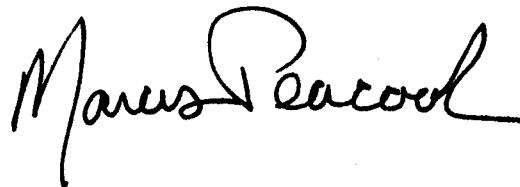
If you have additional questions or would like to learn more about PPGs, please feel free to contact Mayor Randy C. Kelly, Deputy Associate Administrator for Intergovernmental Relations, at (202)-564-7178. States can begin working with their regions right away to develop proposals for priority projects, alternative approaches, or other ideas they would like to pursue as part of this effort.

We hope many states will take advantage of this unique opportunity.

Sincerely,



Robert W. King, Jr.  
President  
Environmental Council of the States



Marcus Peacock  
Deputy Administrator  
U.S. Environmental Protection Agency

Attachment

**Uses of Flexibility  
in Performance Partnership Grants (PPGs) (1997-2006)**

<b>State</b>	<b>Region</b>	<b>Benefit</b>	<b>Use of programmatic and administrative flexibility</b>
AZ	9	Fund staff during hiring freeze	When the state agency is under a hiring freeze, the PPG allows <b>Arizona</b> to protect high priority or high turnover positions by funding them with federal dollars rather than state dollars. (04)
AZ	9	Support enforcement initiative	Arizona used CWA 106 personnel to focus on drinking water priorities and conducted an enforcement initiative on small water systems failing to conduct annual nitrate monitoring.
CO	8	Support multi-media compliance/enforcement efforts	<b>Colorado</b> has used PPGs to fund cross-media enforcement policies on Supplemental Environmental Projects, municipal enforcement, and small business.
CO	8	Advance state voluntary and performance-based programs	<b>Colorado's</b> PPG has been used to support a cross-media mercury program using pollution prevention, partnerships, and voluntary actions; further implement a self-audit program; advance the state's Environmental Leadership program; and incorporate Environmental Management Systems into regulatory, permitting, enforcement, and compliance and assistance programs.
CO	8	Support water quality monitoring	<b>Colorado</b> used PWSS funds to support additional CWA 106 monitoring. There will be no reduction in PWSS efforts because the state will use SRF program support authorities and state drinking water permit fees in place of federal PWSS funds. (05)
CO	8	Address emergency situation	Under a PPG combining funds from multiple programs, <b>Colorado</b> supplemented the public water supply program with approximately \$55,000 to provide technical assistance to water systems impacted by emergencies: forest fires and extreme drought. (02)
CT	1	Address staffing shortages	<b>Connecticut</b> shifted funds within its water programs to temporarily cover laboratory services. The state had excess funds in one program area due to a hiring freeze and needed to support the state labs which suffered cuts due to layoffs.
CT	1	Support cross-program compliance, permitting, and pollution prevention	Through a PPG, <b>Connecticut</b> funded cross-program work to improve permitting and enforcement coordination and jointly negotiated compliance assistance and pollution prevention programs. (04)
IL	5	Fund pollution prevention	<b>Illinois</b> uses the flexibility in its PPG to fund the pollution prevention program. (04, 06)
IN	5	Address state-identified priority	Through a PPG, <b>Indiana</b> invested in children's health and other strategic priorities.
IA	7	Meet cost-share requirement	By capping the CAA 105 match, which the state had had trouble meeting, <b>Iowa</b> is able to meet it through overmatch from other programs. (06)
LA	6	Address emergency situation	Due to two hurricanes, <b>Louisiana</b> experienced considerable shortfalls in resources and faced possible layoffs of staff. The state requested flexibility through the PPG to shift funds originally budgeted for equipment and contractual expenses to personnel to help with this situation. (06)
LA	6	Address state-identified priority	The time-period for a PPG in <b>Louisiana</b> was extended to allow the state to use some funds to address deteriorating air quality problems in Calcasieu Parish and to conduct cross-media permit training. (02)

State	Region	Benefit	Use of programmatic and administrative flexibility
LA	6	Support cross-media training	Louisiana's PPG funded cross-media permit training.
MA	1	Support multi-media compliance/enforcement efforts	Massachusetts tapped air, water, and waste enforcement funds for a PPG that supports a multi-media inspection program focused on compliance and prevention. (04)
ME	1	Reduce management costs and improve cash flow	Maine's PPG drastically reduces financial transaction costs through one pooled drawdown; allows the state to maintain program staff for grants awarded on different cycles; helps address short term cash flow issues; and helped the state gain legislative authority to pool position authority and expenditures in one state account, providing flexibility in how the state uses the fund. (06)
ME	1	Address state-identified priority	Maine's Clean State Initiative draws from multiple program areas, and the Watershed and Ecosystem Health Program assists with the state's lakes and ponds education program. (04)
MI	5	Support integrated organizational structure	PPG flexibility supports Michigan's integrated organizational structure, which includes multi-media divisions for compliance and enforcement, monitoring and field studies, data integration, emergency response, and permitting. (06)
MS	4	Address emergency situation	PPG flexibility allowed Mississippi to target resources to areas where needed for hurricane response, immediately replace equipment and supplies destroyed by the storm to get offices and staff back to work, and continue storm-related activities. (06)
MS	4	Support multi-media compliance/enforcement efforts	Mississippi used a PPG with taps from CAA 105, CWA 106, and RCRA enforcement funds, to conduct multi-media inspections in state-designated high priority watersheds.
MO	7	Developed automated permitting system	Through PPG flexibility, Missouri streamlined their permitting process by moving to automated electronic permitting systems. New permittees will receive a timely visit from field personnel to help ensure permits are appropriate for the facilities. The state expects to see a reduction in the number of serious violations and subsequent enforcement actions and overall increased effectiveness of permits. (06)
MT	8	Address funding shortfalls	For several years, Montana has used CWA 106 funds to cover shortfalls in the public water supply, air, and hazardous waste programs. (02-04)
MT	8	Support special projects	In Montana, PPG carryover funds have been used to support special projects such as conducting an air impact analysis for a state-required environmental impact statement and permit. (04)
NE	7	Meet cost-share match requirements	Under the PPG's composite match requirement, Nebraska was able to use excess state funds for the water and air programs to cover the RCRA cost-share requirements, for which there were insufficient state funds. (02)
NE	7	Address monitoring needs	Nebraska included \$300,000 in CWA 319 funds to conduct the additional water monitoring under the CWA 106 program that Region 7 had asked the state to do. (04)
NE	7	Meet cost-share match requirement	In Nebraska, matching funds for the CAA 105 program are capped and limited to the amount contributed in the first year that the state was awarded a PPG. This allows the state to overmatch the CAA 105 funds in the PPG to meet other matching requirements. (04)
NE	7	Support training	A small amount of Nebraska's match funds are distributed to the programs in the PPG to support training that would not otherwise be available. (04)

<b>State</b>	<b>Region</b>	<b>Benefit</b>	<b>Use of programmatic and administrative flexibility</b>
NH	1	Support special projects	<b>New Hampshire</b> has used PPG funds to make the state's contribution to the New England States and Eastern Canadian Provinces Action Plan for mercury, acid rain, and climate change.
NH	1	Purchase needed equipment	<b>New Hampshire</b> used PPG funds to purchase air monitoring equipment to upgrade technology for ozone analyzers to aid in start-up of automated site operation and surveillance.
NH	1	Hire temporary personnel	<b>New Hampshire</b> has used PPG carryover funds for one-time projects including hiring a beach inspector for 10 weeks; hiring interns to conduct water quality assessments on the Connecticut River; and hiring summer interns to conduct hazardous waste field surveys at small quantity and large quantity generators to assess their relative compliance with the state's hazardous waste rules.
OR	10	Address state-identified priority	Data showed that Portland air emissions were being caused by area and mobile sources. <b>Oregon</b> shifted some resources away from air point sources to address them.
PA	3	Meet cost-share requirements	<b>Pennsylvania</b> was able to cover a shortfall in RCRA match funds with overmatch from their water program. (06)
PR	2	Support staff travel for multi-media purposes	<b>Puerto Rico's</b> PPG has supported UST staff to travel and conduct work related to both UST and CWA 106, using travel funds from the CWAS 106 program. (06)
SD	8	Support state-identified priority	<b>South Dakota</b> used the PPG to support state priorities including the Spruce Up South Dakota effort and geologic mapping in the Black Hills. (06)
SD	8	Support mapping, monitoring, TMDLs, data management	<b>South Dakota</b> used PPGs to fund projects including GIS mapping, development of TMDLs, special air monitoring, and data management improvements. (03)
TX	6	Support special projects	<b>Texas</b> uses unexpended funds at the end of a two-year PPG grant cycle to support special projects. Once Region 6 determines that the state has met all of its program commitments, it reviews the state's list of special projects for matches with specific agency priorities. Examples of special projects funded over several years include an evaluation of arsenic distribution in Texas ground water, the purchase of video conferencing equipment for state field offices, and a study of the Guadeloupe Mountain particulate matter size distribution. (06)
TX	6	Address permit backlog	<b>Texas</b> used unexpended PPG funds to address its NPDES permit backlog; R6 also provided access to a national EPA contract to assist in reducing the backlog. (02)
TX	6	Address staffing and contractor support needs	<b>Texas</b> split CWA 319 funds between a categorical grant and PPG. The PPG portion was used primarily for staff support for the nonpoint source program; the categorical portion was used to activities that are contracted outside the agency, such as for TMDL development. (02)
UT	8	Support training	<b>Utah's</b> PPG supports a joint priority -- enhancing state capacity -- which includes supporting travel for staff training. (06)
UT	8	Support special projects	PPG paperwork reduction facilitated <b>Utah's</b> receipt of \$40,000 in funds over three years from HHS to help fund the Olympic Partnership effort.
UT	8	Meet program commitments	<b>Utah</b> met its air program commitments for the asbestos and lead programs with PPG carryover funds.
VA	3	Meet cost-share requirement	<b>Virginia</b> was able to use overmatch from other programs to cover a shortfall for the pollution prevention program. (06)

<b>State</b>	<b>Region</b>	<b>Benefit</b>	<b>Use of programmatic and administrative flexibility</b>
<b>VT</b>	<b>1</b>	Address staff shortages	<b>Vermont</b> used a PPG to prevent the layoff of state staff in the nonpoint source program, helping the state its most acute need and highest priority. (02)
<b>VI</b>	<b>2</b>	Support regulation development	<b>Virgin Islands</b> used unspent salary funds to develop the Decentralized Wastewater Treatment Performance Regulations and an Environmental Resources Directory.
<b>WA</b>	<b>10</b>	Develop TMDLs	In <b>Washington</b> , some CWA 106 ground water funds have been used to support TMDL development.
<b>WA</b>	<b>10</b>	Meet cost-share requirement	<b>Washington</b> was able to use PPG match provisions to help address its CAA 105 maintenance of effort requirement. (06)
<b>WY</b>	<b>8</b>	Address permit backlog	<b>Wyoming</b> used CAA 105 funds to supplement CWA 106 to address a coal bed methane permitting backlog while state funding sources were being authorized. Mineral royalties now fund the additional FTE needed by the state water program.
<b>WY</b>	<b>8</b>	Support staff salary increases	Under a PPG, <b>Wyoming</b> used funds saved by not performing a non-critical study to increase staff salaries to make them competitive. (02)