Title: **Promoting Environmental Excellence through Environmental Leadership and Voluntary Performance Improvements**

Location: Frankfort, Kentucky

Applicant: The Kentucky Division of Compliance Assistance

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Funding Request; $189,000

Project Period; October 1, 2007 until September 30, 2010

Project Overview

This project will expand environmental performance and leadership throughout Kentucky. The project will: 1) implement a Targeted Assistance Project (TAP) to improve performance at targeted facilities; 2) use the TAP as a recruitment tool that will expand the membership of Kentucky's environmental leadership program, KY EXCEL, to more than 500 entities; and 3) encourage these new KY EXCEL members to perform waste reduction or energy efficiency projects at their facilities.

The keystone of this project is the development of the TAP. The TAP will focus on one or more sectors that have shown a demonstrated record of non-compliance. The TAP will build increased awareness of environmental responsibilities and improved environmental performance. It will also provide an opportunity for the Kentucky Division of Compliance Assistance to encourage the entities targeted in the TAP to join KY EXCEL and voluntarily participate in environmental leadership activities such as waste reduction and energy efficiency. This integrated approach to achieving compliance improvement and voluntary environmental leadership will improve Kentucky's environmental quality.

Statement of the Problem

The Kentucky Department for Environmental Protection has long implemented regulatory programs that permit, inspect, and enforce environmental activities across the state. These traditional command-and-control programs have resulted in significant improvements to the environment and increased the quality of life of Kentucky's citizens. In spite of these improvements, this approach has its limitations. Under the current compliance-based regulatory system, the performance of a facility is measured only against minimum regulatory standards. While this system helps to ensure minimum thresholds are maintained, it does little to encourage innovation to achieve greater environmental performance beyond the minimum standards. It is also resource limited

and as a result it is not practical for the agency to inspect every facility on a routine basis. Inspection and enforcement resources must be prioritized toward facilities that could pose the most significant risks to Kentucky's citizens and environment. This has the potential to leave some areas with limited oversight that results in non-compliance.

To complement its traditional programs, Kentucky recently established its compliance assistance and environmental leadership programs to facilitate enhanced environmental performance. The Department's Division of Compliance Assistance is currently implementing these programs to achieve two basic objectives. They are: 1) provide the regulated community with the knowledge and ability to meet environmental standards; and 2) recognize and encourage voluntary environmental leadership actions that reach beyond regulatory expectations. Both of these two programs have proven to be very successful and have opened the doors for continued opportunities in improving environmental performance at Kentucky's regulated locations.

In spite of Kentucky's efforts, there remain areas in need of improvement. Many of these problems are at small facilities that have limited resources for environmental management. For example, two specific areas that the department has determined have a significant need for additional assistance are UST locations and small wastewater treatment facilities. Inspection data indicate that there are a large number of small UST facilities with operators that do not fully understand their environmental obligations. As a result, they are frequently found to be out of compliance. Inspection data also indicate that wastewater facilities, particularly small wastewater facilities, are often inadequately maintained and operated. This contributes to nutrient and bacterial issues in Kentucky's many streams.

Goals and Objectives

The goals and objectives of this project are as follows:

1. Implement an Targeted Assistance Program (TAP) to improve performance at targeted facilities.

    - Objective - Document a measurable increase in compliance at facilities participating in the TAP.

2. Use the TAP as a recruitment tool that will expand the membership of Kentucky's environmental leadership program, KY EXCEL.

    - Objective – Increase KY EXCEL membership to more than 500 members.

3. Increase the number of new KY EXCEL members that perform waste reduction or energy efficiency projects at their facilities.

- Objective – At least 40% of the KY EXCEL members recruited into KY EXCEL in 2008-2010 will have at least one voluntary project commitment related to waste reduction or energy efficiency.

Project Narrative

This project will expand environmental performance and leadership throughout Kentucky. The project will: 1) implement an Environmental Results Program (TAP) to improve performance at targeted facilities; 2) use the TAP as a recruitment tool that will expand the membership of Kentucky's environmental leadership program, KY EXCEL, to more than 500 entities; and 3) encourage these new KY EXCEL members to perform waste reduction or energy efficiency projects at their facilities.

The keystone of this project is the development of the TAP. The TAP will focus on one or more sectors that have shown a demonstrated record of non-compliance. The TAP will build increased awareness of environmental responsibilities and improved environmental performance. It will also provide an opportunity for the Kentucky Division of Compliance Assistance to encourage the entities targeted in the TAP to join KY EXCEL and voluntarily participate in environmental leadership activities such as waste reduction and energy efficiency. This integrated approach to achieving compliance improvement and voluntary environmental leadership will improve Kentucky's environmental quality.

Through this project, the Division will conduct the following activities:

1. Identify sector(s)

   The Department for Environmental Protection tracks its environmental management information in its enterprise database, TEMPO. The database is used to track all agency activities implemented by the Department and is inclusive of all facilities regulated in Kentucky. This comprehensive data system makes it possible for the agency to do unique and detailed assessments related to compliance rates and specific areas on non-compliance.

   It will be the Division's goal to use this data to evaluate the compliance rates of the various sectors regulated by the Department. In addition to assessing the actual compliance rates, the Division will also determine the number of facilities in the sector, count the number of inspections conducted at these locations annually, evaluate the geographic distribution of the sectors, consider the likelihood of sector participation in the TAP, and solicit agency input regarding sectors with a significant need for assistance. Based on this evaluation, the Division will identify one or two sectors that will be targeted by the TAP.

2. Determine compliance baseline

   One of the modules contained in TEMPO is designed to facilitate the inspections process and track inspection results. The system contains inspection checklists that are unique to each regulatory program. These checklists are very specific and cover most of the key requirements applicable to the facility. Inspectors use these checklists to assess compliance at a facility. The compliance status of each element in the checklist is tracked separately in TEMPO.

   Once the Division has identified the sector(s) it will address in the TAP, it will use this inspection data to determine the baseline compliance status of the sector(s). This baseline will be determine for the overall compliance status of the sector as well as the compliance status of each of the individual checklist elements. Because TEMPO provides a means to comprehensively assess the entire population of the database, it will likely not be necessary to do a statistical sampling of the sector to determine the compliance baseline. The Division will seek input from EPA when conducting this step to ensure that an appropriate baseline is established.

3. Collaborate and solicit input from stakeholders

   Sector stakeholders will be consulted before the Division begins to develop TAP materials. The specific makeup of the stakeholders and process for conducting this solicitation will depend on the sector selected. However, there will be three fundamental inputs that the agency will seek to obtain from these stakeholders: 1) What are the barriers to achieving compliance within the sector; 2) What are the barriers to conducting positive environmental leadership behaviors that exceed minimum regulatory standards; and 3) What are the most effective methods to reach out to the sector and encourage participation in the TAP.

4. Develop TAP materials

   Based on stakeholder input and the compliance baseline data compiled by the agency, the division will develop a multi-media compliance guidance document that includes information on environmental leadership that highlights waste reduction and energy efficiency opportunities. The division will prepare a self-assessment checklist that can be used by program participants to evaluate their compliance. The Division will also prepare a presentation that can be used in classroom styled training of program participants. Wherever possible, the division will use or modify existing materials prepared by other states, agencies, and organizations.

5. Stakeholder Review

   Prior to finalizing the materials developed for the TAP, draft versions will be provided to stakeholders for refinement.

6. Conduct training

The educational component of the TAP will be conducted in three formats. A direct mailing will be used to provide basic compliance information, point to online resources, and encourage participation in classroom styled training. The classroom styled training will be conducted in locations across the state to facilitate participation. The number and location of these trainings will depend on the sector(s) selected. Finally, all TAP materials and resources will be placed on the Division's Website to allow the participants to access compliance resources and training documents.

7. Encourage and monitor self-audits

Following the training effort, the division will work with program participants to encourage routine self-assessments. The agency will send quarterly notices to program participants reminding them to complete their assessment. Although the agency will not require the facilities to submit their self-assessments, All assessments received will be reviewed and stored in TEMPO.

8. Provide compliance assistance

Any facilities that have compliance questions or identify compliance concerns while participating in the TAP will be given full assess to the Division's compliance assistance program. Staff from this program will be prepared to answer regulatory questions, conduct site visits to help assess compliance, and work with facilities to correct identified problems.

9. Recruit KY EXCEL members

Throughout the TAP development and implementation process, the division will seek opportunities to educate facilities about KY EXCEL and the opportunities and benefits of conducting voluntary environmental activities. During the TAP training, a special segment of the training will be devoted to voluntary leadership. A special emphasis will be placed on opportunities to reduce waste and increase energy efficiency. Throughout the project, KY EXCEL staff will provide assistance to facilities that wish to engage in leadership activities and become members of KY EXCEL.

10. Evaluate compliance improvement

Using the same methodology employed to determine the TAP sector(s) compliance baseline, after one year of TAP participation, the compliance rates of the TAP participating facilities will be reassessed to determine if there has been an overall improvement in compliance. In addition, changes in the compliance rates of the individual checklist elements will also be assessed. As with the

compliance baseline determination, the ability of TEMPO to query the entire population of participants may eliminate the need to perform a statistical sampling. The Division will seek input from EPA when conducting this step to ensure that an appropriate assessment is conducted.

In addition to the compliance evaluation, the division will also solicit input for the program participants to determine which elements of the program were most effective in creating a change in behavior.

11. Evaluate leadership activities

After one year of TAP implementation, the division will also assess the change in behaviors of TAP participants related to environmental leadership activities. The facilities will be assessed to determine their understanding of leadership activity opportunities and will gage the number of participating facilities that became involved in voluntary environmental activities. The division will also determine the number of KY EXCEL participants that decided to join the program as a result of participation in the TAP. The number of these participants that committed to complete a waste reduction or energy efficiency project will also be assessed.

12. Document KY EXCEL projects results

All KY EXCEL members are required to report annually on the results of the projects they implement to satisfy their membership commitments. Because KY EXCEL membership is very diverse and not all participants have the capability to provide quantitative results associated with their activities, the division may not be able to accurately quantify all of the achievements of KY EXCEL members. Where data is available, the division will compile actual volumes of waste reduced and energy saved by KY EXCEL members recruited as a result of the TAP.

Implementation Activities	***Start Date***	***Target Completion***	***Outputs***
Identify sectors	10/07	12/07	List of sectors to be included in the TAP
Determine compliance baseline	01/08	02/08	Targeted sector baseline compliance reports defining overall compliance rates as well as requirement-specific compliance rates
Collaborate and solicit input from stakeholders	03/08	03/08	Summary of stakeholder input
Develop TAP materials	04/08	09/08	Training materials, sector specific

			compliance handbook, self-assessment checklist
Stakeholder Review	10/08	12/08	Summary of changes to TAP materials as a result of stakeholder and public input
Conduct training	01/09	03/09	List of individuals that attended the training events
Encourage and monitor self-audits	01/09	06/10	Self-audit reminder notices, self-audit reports
Provide compliance assistance	01/09	06/10	Compliance assistance reports for assistance activities at TAP participant locations
Recruit KY EXCEL members	01/09	06/10	List of KY EXCEL participants, KY EXCEL applications, voluntary project list
Evaluate compliance improvement	07/10	08/10	Targeted sector compliance reports defining overall compliance rates as well as requirement-specific compliance rates
Evaluate leadership activities	07/10	08/10	KY EXCEL member annual project reports
Document KY EXCEL projects results	09/10	09/10	KY EXCEL annual report

Current Situation and Need

Kentucky has recently initiated a compliance assistance program and environmental leadership program that are both administered by the Division of Compliance Assistance. Both of these two programs have proven to be very successful and have opened the doors for continued opportunities in improving environmental performance at Kentucky's regulated locations. Kentucky has not implemented a TAP as described in this workplan and is interested in evaluating its ability to improve performance. There are a number of opportunities where the Department believes a TAP will improve compliance at regulated facilities. In addition, the Department believes that during the implementation of the TAP it will be possible to encourage program participants to reach beyond compliance and voluntarily perform environmentally beneficial activities.

Public Benefits
A successful TAP provides program participants with the resources and motivation to successfully meet their environmental responsibilities. Facilities that are not compliant with regulatory standards pose a risk to human health and the environment. By increasing compliance rates, there is a decrease in adverse public and environmental health risks.

By increasing participation in KY EXCEL, public benefits increase beyond the benefits realized by basic compliance. Rather than just achieving reduced risks, environmental leadership programs enhance public and environmental heath by improving air, land, and water quality both directly and indirectly when voluntary environmental activities are completed. These benefits are expanded when peer groups observe this leadership behavior and decide to also participate in voluntary activities. KY EXCEL has also created unique partnerships and synergies that would not have been achieved without the program.

Environmental Outputs
The following outputs will be achieved as a result of implementing this project:

- Training materials
- Compliance handbook
- Self-assessment checklist
- Number of trainings conducted
- Number of assistance requests
- Number of KY EXCEL assistance events

Environmental Outcomes
Kentucky will also report outcome measures resulting from activities performed under this proposal.

TAP Outcomes
- Number of individuals that participate in the TAP Program
- Percentage of participants that perform self-assessments
- Change in participant compliance rates (this item will be measured as an overall compliance rate as well as a requirement specific compliance rate. As a result, this will measure both administrative and environmental outcomes.)

KY EXCEL Outcomes
- Number of TAP participants that join KY EXCEL
- Number of voluntary leadership activities performed
- Increase in number of P2 and E2 projects implemented
- Volume of waste reduced*
- Amount of energy use reduced*
- Other environmental and behavioral outcomes as reported by KY EXCEL members**

* KY EXCEL members are required to annually report the progress and results of their voluntary project activities. However, the diversity of KY EXCEL membership requires that the Division give latitude to the members on the level of detail they report. The Division will provide as much quantitative data as possible regarding these outcomes but some results may need to be reported qualitatively.
** Each year, KY EXCEL members are required to report on their project inputs (the investments into their projects) as well as their outcomes (their project accomplishments). Where KY EXCEL members have the capacity to report on the environmental and behavioral changes resulting from their projects, they will be asked to do when they report their outcomes.

Public Involvement

As a state government entity, the Department for Environmental Protection places a high priority on implementing transparent programs and ensuring public participation in the regulatory process.

During the development of KY EXCEL, the Division solicited the input of hundreds of stakeholders and interested parties. Throughout the development and implementation of the TAP, the Department will again encourage input and seek stakeholder involvement. Stakeholders will also be asked to review TAP materials prior to their completion. Representatives of the general public will be included in these stakeholder meetings.

The agency will inform the general public about the TAP by publishing articles in the Cabinet's Land, Air & Water magazine. In addition, all records created by this project will be open for public review, including a list of program participants. DCA will also include a page on its website describing the TAP project and how to contact the agency with suggestions or concerns. TAP materials will be posted on the Division's webpage to enable public access. Project activities and results will be compiled in the Division's Annual Report. The public will be invited to provide the agency with input and feedback throughout the development and implementation of the project.

Collaborations and Partnerships

Kentucky participated in the ERP State Consortium's kick-off meeting in Denver. Kentucky is interested in continuing this participation and will be attending future consortium meetings. Although the TAP process contained in this workplan differs in some areas from an ERP, there are still similarities. Through this collaboration with ERP states, the program will seek the input of states with established ERP programs to determine actions that will benefit Kentucky's TAP.

KY EXCEL provides an ongoing opportunity to form partnerships between the Department for Environmental Protection and KY EXCEL program members. The Department meets routinely with these entities, which represent a broad cross-section of Kentucky's corporate and private citizens, to share experiences, discuss new opportunities, and mentor each other on leadership and compliance activities. It is anticipated that this sprit of partnership will continue as the program membership grows.

Although it is not possible to define the exact nature of how these members will be incorporated into this specific project, the Department will solicit and welcome their input, participation, and experiences toward the implementation of this proposal.

The Division will also seek partnerships with professional associations and stakeholders related to the sector(s) targeted by the TAP.

Compliance With Requirements

This project directly supports EPA's Strategic Goals as well as several Cross-Goal Strategies. By improving overall compliance performance and developing the concept of environmental stewardship, the program specifically aligns with Goal 5: *Compliance and Environmental Stewardship*, and with 5.1 *Improve Compliance* and 5.2 *Improve Environmental Performance Through Pollution Prevention and Innovation*. In addition, the program supports Goal 1: *Clean Air and Global Climate Change* and Goal 2: *Clean and Safe Water*, by encouraging pollution prevention practices and directly measuring the amount of pollution reduced to each media. The program also will enhance Goal 3: *Land Preservation and Restoration*, and Goal 4: *Healthy Communities and Ecosystems* by identifying and rewarding the completion of projects that specifically improve the community through cooperative efforts. Cross-Goal Strategies that are used in the program include developing *Partnerships*, sharing *Information* through reporting, networking, documentation, and education, and rewarding *Innovation* in practices and technology.

Transferability

Kentucky will share all TAP tools developed for the targeted sector(s). This material will be made available electronically to the ERP State Consortium and will also be posted on the Division's Webpage. Nationally, nearly half of all states have some form of environmental leadership program in place. There is little consistency between the programs and although EPA NPT representatives are beginning to network with states, there is significant work remaining to be done to maximize the improvements to the environment that leadership programs can contribute. Kentucky plans to document the successes gained by linking the TAP approach to KY EXCEL. The Division will also offer guidance to other states that chose to form a similar linkage.

Reporting

The Division of Compliance Assistance will prepare quarterly reports in addition to an annual report on program results. The reports will include a summary of activities; projects; completion of project milestones; summary of project outputs; measurable results by media; expenditures of funds; important outcomes and unexpected problems or issues; and KY EXCEL membership growth. The annual report will also highlight broader program accomplishments, anticipated improvements, total annual results vs. baseline, and will highlight successful activites completed by KY EXCEL members. At the project's conclusion in September 2010, a final report will be prepared summarizing all activities conducted within the grant project period, any and all data and results; and an explanation of any impediments and how they were addressed.

Budget

The funds requested through this proposal are not a continuation of or overlap with any other federal funding. As used in the following table, state and agency funds refer to general fund receipts allocated to the program by the Kentucky Legislature and state agency fees collected from regulatory programs. In addition, although DCA received a 2005 State Innovation Grant for KY EXCEL, this project is separate from the 2005 SIG activities and is not considered a continuation of previous funding. The 2005 SIG was awarded to Kentucky for the development of an environmental leadership program, which became KY EXCEL. The 2007 grant will be used to determine the effectiveness of using compliance assistance as an opportunity to encourage targeted facilities to improve performance and also reach beyond compliance and engage in voluntary environmental leadership activities.

DETAILED ITEMIZED BUDGET

FUNDING USE	REQUESTED AMOUNT	LEAVERAGE FUNDS	SUMMARY OF INTENDED USE
Personnel	$144,000 Federal - $144,000 State Leverage Funds - $75,000	State and agency funds will be used to support a small portion of the salaries for personnel involved in the program oversight and technical assistance relating to the Environmental Leadership Program (KY EXCEL) and the Environmental Results Program.	➔ Identify sectors ➔ Determine compliance baseline ➔ Collaborate & solicit input from stakeholders ➔ Develop TAP materials ➔ Conduct training ➔ Encourage & monitor self-audits ➔ Provide compliance assistance ➔ Recruit KY EXCEL members ➔ Evaluate compliance improvement ➔ Evaluate leadership activities ➔ Document KY EXCEL project results
Supplies	$3,000 Federal - $3,000 State Leverage Funds - $3,000	State and agency funds will be used to purchase day to day office supplies required for the implementation of the TAP.	➔ General Office Supplies ➔ Supplies for training sessions ➔ Development of materials ➔ Printing/Postage

Travel & Training	$8,000 Federal - $8,000 State Leverage Funds - $2,000	State and agency funds will be used to support training and travel of employees performing KY EXCEL and TAP activities.	➔ Participate in TAP Consortium Meetings ➔ Participate in national innovation symposium ➔ Train internal staff; potential KY EXCEL members; and TAP program participants
Contractual	$2,000 Federal - $2,000 State Leverage Funds - $2,000	State and agency funds will be used to support contractual expenses related to the development and implementation of the TAP.	➔ Web-page enhancements ➔ Develop TAP materials ➔ Conduct training ➔ Presentations at conferences ➔ Recruitment
Total Direct Costs	**$157,000**		
Total Indirect Costs	**$32,000**		
TOTAL COST	**$189,000**		Three year period

* In addition to the funds that the Commonwealth of Kentucky is incorporating into this project, it is anticipated that KY EXCEL members will be contributing a significant investment as they conduct the voluntary environmental projects required by their KY EXCEL membership. If KY EXCEL is able to achieve its membership objective during this 3-year grant cycle, and assuming that each member invests approximately $5,000 - $10,000 in in-kind resources and capital investment toward accomplishing their projects, the total investment leveraged as a result of this funding proposal will range between $2,000,000 and $4,000,000.

Project Management Qualifications

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Mr. Keatley graduated from Michigan State University with a degree in Wildlife and Fisheries Biology and holds a Masters of Public Administration degree from the University of Kentucky. He has been with the department for 13 years. Mr.

Keatley has worked in the Division of Waste Management and the Department's Commissioner's Office where he coordinated many department and cabinet-level policy initiatives and projects. Mr. Keatley also served as the enforcement branch manager for the Division of Water and later became acting director of a newly formed Division of Enforcement. For the past three years he has served as the Director of the Division of Compliance Assistance, which includes the KY EXCEL program.

Julia A. Kays, Internal Policy Analyst III (Grants and Budget Administrator)
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Ms. Kays has 10 years of experience with the Kentucky Department for Environmental Protection. Her responsibilities include budget management, program evaluation, and serves as the Division's grant administrator. Ms. Kays actively coordinates program staff to ensure project success and conformance to grant requirements. Prior to working at the Division of Compliance Assistance, Ms. Kays coordinated and tracked the activities of more than 50 regional office staff responsible for conducting compliance inspections at wastewater, drinking water, and other facilities that were permitted or regulated by the Division of Water.

Kenya Stump, Environmental Scientist III (Project Lead)
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Mrs. Stump holds a Bachelor of Science in Chemistry, a Master of Science in Environmental Science, and a Master of Public Administration in Environmental Management and has a Post-Graduate Certificate in Environmental Systems. Mrs. Stump has nine (9) years of experience in the environmental field. She worked for the University of Kentucky, Business Environmental Assistance Program for six (6) years. She was responsible for researching environmental regulations; conducting air quality site assessments; developing compliance assistance tools; managing client technical and compliance issues; conducting training seminars; reviewing permit applications and providing guidance for co-workers on air quality applications and technical issues.