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REPORT

An Assessment of the U.S. Environmental Protection Agency's National Environmental Performance Track Program

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Summary

In the 1970s and 1980s in the United States, reducing emissions of environmentally harmful pollutants was pursued primarily through government mandates—a “command-and-control” approach. In the 1990s, some emitters, state agencies, environmental nongovernmental organizations (NGOs), members of the research community, and Congress began to investigate and advocate more flexible, innovative ways to reduce pollution. These organizations argued that the command-and-control approach was costly, overly prescriptive, and not always effective. They recommended that EPA supplement existing laws and regulations with complementary approaches to reducing pollution, including voluntary programs that encourage firms to take more responsibility for their own environmental performance. EPA created a series of voluntary environmental programs; among them was the National Environmental Performance Track program, introduced in 2000 and generally referred to as Performance Track.

Performance Track’s goal was to improve the environment by encouraging selected industrial, commercial, and government facilities to continuously improve their environmental performance beyond what was required by law. The program encouraged the facilities to consider their impacts on surrounding communities and the environment in an integrated and systematic way, rather than thinking only about traditional legal mandates related to, for example, air emissions, water discharges, and hazardous waste. Prospective members of Performance Track had to apply and meet specific admission criteria to join the program. Member facilities were asked to set three-year “stretch” goals for environmental improvement and publicly self-report on progress toward those goals annually. Members could reapply to the program at the end of three years, and, if accepted, they would set new three-year goals. In exchange, Performance Track offered its members benefits in several categories: regulatory and administrative; networking and information sharing; recognition, marketing, and publicity resources; and a single point of contact within EPA for questions about Performance Track membership and assistance with other EPA-related activities.

Several aspects of Performance Track were unique relative to previous EPA voluntary programs. Some of these unique features were that it offered its members broad recognition for environmental leadership (rather than recognition for specific actions) and that it proposed to offer new forms of regulatory flexibility.

Before EPA formally ended Performance Track in May 2009, the program had 578 member facilities representing about 240 independent organizations. Over the course of its operations between 2000 and 2009, Performance Track attracted more than 1,000 applications.

Purpose of This Study

In August 2008, prior to the program's termination, the Evaluation Support Division of EPA's Office of Policy, Economics, and Innovation asked the RAND Corporation to assess Performance Track by answering five evaluation questions:

1. Were the concepts on which the program was based sound?
2. Did the program design reflect the original concepts?
3. How effective was Performance Track at implementing the program design?
4. How did Performance Track work with other federal and state environmental programs?
5. Did the approach represented by Performance Track have a role, in tandem with other approaches, in accelerating the nation's environmental improvement?

Methodology

We reviewed the academic literature on voluntary environmental programs, conducted interviews with Performance Track staff, reviewed EPA documents pertaining to Performance Track, and held interviews and focus-group discussions with program stakeholders. Fifty-three individuals were contacted from 34 organizations, including Performance Track (both EPA staff and member facilities), EPA headquarters and regional offices, environmental NGOs, state regulatory agencies, academia, and the association for Performance Track members.

We also prepared a detailed logic model—a visual representation of the program's resources, activities, and goals—to facilitate understanding of the program and discussion with staff.

We identified the most important elements of the program, which we defined as the elements that were necessary for the program to function. Our analysis led us to focus on Performance Track's efforts to recruit and screen members, to develop and deliver benefits to members, and to facilitate environmental improvement by members. We focused on these three elements because, for Performance Track to operate as desired, it had to recruit qualified members, provide members with benefits that were valuable enough to motivate them to join the program, and induce members to improve their environmental performance. These three elements were also well aligned with three of EPA's original concepts for the program:

- Performance Track was to target two groups of facilities with differing levels of environmental performance.
- Members would be provided with benefits that were proportional to the performance of their group; members in the higher-performing group would receive more-valuable benefits.
- Members would agree to use environmental management systems (EMSs) to inform facility decisions, set voluntary goals for environmental improvement, and publicly disclose those goals and engage in public outreach. The voluntary goals were to go beyond self-defined interests, and the improvements by the higher-performing members were to be significant and measurable.

Finally, we used the information obtained from the literature, interviews, and focus groups to assess the program and answer the five evaluation questions.

Assessment of Performance Track

Chapter Nine of this report summarizes findings and presents conclusions for each evaluation question; a summary is presented in Table S.1. A discussion of the factors EPA might consider as it moves forward with voluntary programs follows.

Lessons Learned for Moving Forward with Voluntary Programs at EPA

This assessment and the experiences of EPA and Performance Track members provide lessons learned that ought to be considered by EPA as it moves forward with voluntary programs.

Continue to Experiment with Voluntary Programs. Developing new voluntary program concepts and designs and implementing those designs are difficult tasks. These difficulties, however, should not distract EPA from recognizing that the academic literature and many stakeholders, including Performance Track critics, argue that voluntary programs can positively influence organizational and individual behavior in ways that regulations cannot. EPA ought to continue experimenting with voluntary programs, since they may offer substantial long-run opportunities to improve the quality of the environment in the United States. For this experimentation to be successful, several conditions must be met:

- Experimentation—including its risks and benefits—must be welcomed by legislators and regulators at the federal and state levels, environmental NGOs, industry, and academia. Obtaining and maintaining this support is important, since voluntary programs, unlike regulatory programs, are not required by legislation.
- Experimentation should be viewed as long term, since individual efforts take years to initiate and to produce data that can be analyzed.
- Experimental programs should be developed and operated openly and transparently so that all stakeholders are aware of and discuss key program features, including goals, incentives, benefits, admission criteria, and plans for completing or terminating individual programs.

Regular program evaluations should be conducted, and programs should be modified or terminated if evaluations or other analyses determine that they are not working.

Some experiments will succeed and others will fail, but each should add to the knowledge base about how EPA can most effectively motivate firms, facilities, and, ultimately, individuals, to do what they can to improve the nation's environmental quality.

Promote Information Sharing and Networking Among Regulated Entities. A broad range of state and federal regulators, environmental NGOs, and members felt that voluntary programs provide an effective way to improve the flow of information and create new relationships among regulated facilities and with regulators. Stakeholders uniformly felt that voluntary programs should supplement more-traditional regulatory approaches by identifying and sharing information with firms and facilities to help them improve their environmental performance.

Table S.1
The Five Research Questions: Key Findings and Conclusions

Question	Key Findings	Conclusions
1. Were the concepts on which the program was based sound?	<p>The underlying concepts that led to Performance Track were as follows:</p> <ul style="list-style-type: none"> Membership would target two groups of facilities with differing levels of environmental performance. Members would be provided with benefits that were proportional to the performance of their group; members in the higher-performing group would receive more-valuable benefits. Members would agree to use EMSs to inform facility decisions, set voluntary goals for environmental improvement, and publicly disclose those goals and engage in public outreach. The voluntary goals were to go beyond self-defined interests, and the improvements by the higher-performing group were to be significant and measurable. 	<p>The concepts lacked specificity and detail to link them together to create a coherent program. For example, they did not clearly define what types of facilities should be targeted, what performance standards would be required or what specific benefits would be offered; nor did they justify the proposed environmental improvement strategies. As a result, the concepts did not provide a complete basis upon which to design a program.</p>
2. Did the program design reflect the original concepts?	<p>Performance Track's design indirectly defined its targeted membership by developing admission criteria. The criteria were based on existing guidance and experience, but program made no provisions to study the effectiveness of the criteria or whether they were leading to the desired membership.</p> <p>The program design gave it the tools to provide benefits that were within its control, but it did not provide enough tools to get other EPA offices and the states to help develop all of the originally envisioned regulatory benefits.</p> <p>The program design encouraged facilities to develop and use EMSs and pursue goals beyond regulatory requirements, but the flexibility inherent in the program's comprehensive approach to environmental improvement made the program difficult to explain, track, and assess.</p>	<p>Performance Track's design implemented some but not all of the original program concepts. EPA senior management's decisions to defer and not implement the Stewardship Track as originally proposed constrained the program design to a single membership tier that was unable to provide different levels of benefits based on performance. The design did reflect several other original concepts:</p> <ul style="list-style-type: none"> Attract facilities that were top performers or that had gone beyond compliance. Encourage members to adopt and use EMSs, set and publicly disclose voluntary goals, and reach out to the public. Encourage members to set goals that were more challenging than they would have chosen on their own and that were measurable through self-reporting.

Table S.1—Continued

Question	Key Findings	Conclusions
3. How effective was Performance Track at implementing the program design?	<p>Performance Track’s admission criteria provided some selectivity among applicants and members. Some members left because they found that the cost of membership exceeded the benefits. Other members said that more-rigorous requirements would have led them to withdraw. However, some regulators and environmental NGOs viewed the criteria as too lenient. These concerns undermined support for the program from these groups and diminished the image or “brand” of environmental leadership the program sought to create.</p> <p>Performance Track delivered benefits that were within its control, but it had limited success in collaborating with other EPA offices and the states to develop and deliver the regulatory benefits (greater regulatory flexibility and reduced frequency of routine federal inspections) that had been part of the program concept.</p> <p>The program encouraged members to set some goals that were environmentally significant (according to the member’s EMS and some EPA definitions) and to often exceed those goals, sometimes by wide margins. Some members also reported changes in corporate culture that improved facility environmental performance and employee morale.</p>	Performance Track implemented many aspects of the program design, including recruiting and screening, providing a range of member benefits, and encouraging a broad range of environmental improvements among most of its members, according to self-reported data.
4. How did Performance Track work with other federal and state environmental programs?	Performance Track depended on state environmental regulatory agencies and other EPA offices to provide some of its benefits, though it had relatively little to offer these entities to encourage their cooperation in providing benefits. Over time, the program found ways to work with many states and most EPA offices, including through information sharing, participation in program activities (e.g., member recruiting and screening), development of “challenge goals” that would advance the goals of these offices, and cross-marketing of related voluntary and other existing programs.	Although Performance Track found ways to work with many states and most EPA offices, the extent of that collaboration was less and often in a different form from that originally envisioned.
5. Did the approach represented by Performance Track have a role, in tandem with other approaches, in accelerating the nation’s environmental improvement?	<p>Voluntary approaches to improving environmental performance, including some features of Performance Track, are widely viewed as an important supplement to traditional regulatory approaches. Some members reported that voluntary programs improve information sharing, improve environmental management, and lead to changes in corporate culture that they felt do not occur with traditional regulatory programs.</p> <p>The academic literature also argues that voluntary programs can attract firms with a diverse set of benefits and that voluntary programs may be able to improve the environment in several ways. Unfortunately, evaluations of voluntary programs are few and offer little definitive support for or against such programs at present.</p>	VPs can complement regulatory approaches to accelerate environmental improvement.

NOTE: EMS = environmental management system.

Strive for Program Concepts, Designs, and Expectations That Are Complete, Clear, and Understandable by All Stakeholder Groups. Several aspects of Performance Track's development and introduction contributed to creating different understandings and expectations for the program. First, the underlying program concepts were incomplete because they lacked the detail and linkages needed to define the two types of facilities that Performance Track sought to attract, relate benefits to performance, and provide assurances that environmental improvements were occurring. Second, the program design was developed in phases, with the second phase deferred and not implemented as originally proposed. This precluded the program from providing benefits that were proportional to performance as originally proposed. Finally, early announcements describing Performance Track and its desired membership created ambiguity about the types of facilities it would admit.

The lack of specificity in the program concept, the deferment and nonimplementation of the second component of the originally proposed program, and ambiguous announcements about the program's membership contributed to stakeholders developing different understandings and expectations for the program. The most notable example of varying expectations was that some stakeholders felt the program's membership would consist of several hundred of the nation's most environmentally progressive facilities; others expected its membership to grow into the thousands as it encouraged a broad range of facilities to demonstrate many forms of environmental leadership. Another example of how these differing expectations affected the program was that some members felt that new regulatory benefits should be added to the program to fulfill the original concept even as some regulators and some environmental NGO representatives thought that the current offerings should be reduced because they believed that some existing members were undeserving.

It is difficult to develop program concepts and designs and to communicate them clearly and consistently, but doing so helps set common expectations, pinpoints areas of disagreement, and provides opportunities to make changes that improve the likelihood of long-term stakeholder support.

Design Voluntary Programs That Are Tightly Focused. Performance Track's design allowed members to select goals from 37 environmental indicators, negotiate targets, and demonstrate progress toward (rather than meet) those targets. This flexibility increased the number and type of facilities that could apply, provided the applicant with the flexibility to think broadly about its facility's environmental impact, and encouraged applicants to set challenging goals. However, this flexibility also meant that the types and magnitude of proposed environmental improvements could vary significantly from facility to facility. This made it difficult to convince some regulators and environmental NGO representatives that all members were making significant improvements and that those improvements were commensurate with the program's benefits. This flexibility also made it more challenging for Performance Track staff to conduct informed negotiations with facilities about reasonable "stretch" goals. Finally, this flexibility also increased the cost and complexity of collecting, managing, and analyzing the data for applicants, members, and EPA.

While more-focused program concepts and designs may appeal to fewer facilities, their relative simplicity can make it easier to explain the program and its benefits to all stakeholders.

Protect the EPA Brand. Much of the criticism that Performance Track experienced related to the acceptance of a relatively small number of facilities that some regulators and some environmental NGO representatives believed to be unworthy of positive recognition by EPA. Acceptance of these facilities caused some stakeholders to lose faith in the program. This dimin-

ished the value of the image or “brand” of environmental leadership the program sought to create. Even more problematic, the inclusion of these facilities in what was effectively viewed as EPA’s environmental leadership program led to concerns that the program was damaging EPA’s reputation with the public, environmental NGOs, and other stakeholder groups. VPs must balance the desire to draw in a broad base of facilities (i.e., including facilities with questionable environmental histories) with the need to protect the program’s brand and EPA’s reputation.

Identify and Independently Evaluate Key Program Elements and Their Overall Effectiveness. Performance Track was conceived following a number of voluntary programs that had used one or more of the elements it incorporated, but many of its assumptions and strategies had not been widely studied. The lack of independent assessments of Performance Track’s admission criteria and its mechanisms for facilitating environmental improvement made it difficult to win and sustain support from some regulators and environmental NGOs. To avoid similar problems in the future, EPA should assess the validity of key assumptions and the effectiveness of program strategies, program design, and program implementation. These assessments are especially important for new assumptions, mechanisms, and designs that are not supported by preexisting empirical analysis. Conducting such analyses before full-scale implementation will improve individual programs in the long run and expand the knowledge base regarding assumptions, strategies, and effective program concepts, designs, and implementation approaches.

Continue to Experiment with Ways to Change Corporate Culture to Benefit the Environment. Performance Track members reported that the program’s requirements to have and use EMSs, set continuous improvement goals, and increase community outreach led to beneficial changes in corporate culture, including improved employee engagement, morale, recruiting, and retention. EPA should continue to experiment with providing positive recognition and other strategies that encourage changes in corporate culture.

Identify Innovative Ways to Enable Independent Validation of Environmental Performance. Performance Track’s members said that their participation in the program led to improvements in environmental performance that were not always reflected in the data collected by Performance Track. At the same time, some regulators and environmental NGOs questioned whether the self-reported improvements were real, much less the result of participating in Performance Track. Industry should work with researchers to document and analyze the improvements that voluntary programs offer both to firms and the environment. In addition, industry should work with EPA to develop ways to independently validate environmental performance at reasonable cost (e.g., randomized independent performance audits of a subset of members, installation of continuous monitoring equipment).

Closing Thoughts. Performance Track sought to improve the quality of the environment by encouraging facilities to recognize and improve all aspects of their environmental performance and by providing a more open and collaborative relationship between facilities and their regulators.

While Performance Track’s concepts, design, and implementation each had mixed success, we believe that the significant environmental challenges that the United States faces require that EPA continue to seek out new approaches that can complement and enhance traditional regulatory approaches.

We hope that this assessment can support and advance these efforts.