2006 State Innovations Grant Program
PRE-PROPOSAL

Project Category - Innovation in Environmental Permitting: NEPT and State Performance-Based Environmental Leadership Programs and Environmental Management Systems

Summary Information

1. **Program Title/Location:** Indiana Environmental Performance Based Program, State of Indiana

2. **State Agency Applicant:** Indiana Department of Environmental Management (IDEM)
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4. This project is not being executed in cooperation with or funded by another federal or EPA program. Although, this program does encourage participation in several federal and EPA programs such as Environmental Management Systems, National Environmental Performance Track, LEED Buildings, Green Suppliers Network, CAIR and more.

5. No regulatory flexibility from any federal requirements is needed to implement the project. IDEM is interested in working with EPA to explore additional regulatory flexibility opportunities for NEPT and state performance based program members.

6. As the attached letter indicates, the IDEM Commissioner knows of and supports this project.

Pre-Proposal Narrative

1. Introduction

The following proposal is submitted by the Indiana Department of Environmental Management (IDEM) for funding to promote environmental management system (EMS) development and implement a voluntary partnership program through which both IDEM and the participating organization commit to new and innovative ways of achieving environmental goals beyond the minimum Federal and State standards. This performance based program will gather further information on whether EMSs and performance based programs can be used to redirect regulatory oversight from lower to higher priorities; encourage continuous environmental improvement, and explore regulatory flexibility options. In addition, grant funds will also be used to create EMS support software and provide training and on site EMS assistance to small businesses.

Our vision of the program's overall impact will be an increased number of successful EMSs implemented, an increased number of Performance Track members from Indiana, and finally, measurable reductions in releases to the environment. In addition, our vision is to create a state program offering innovative state and federal regulatory incentives to outstanding environmental performers so they can make a business case for implementing an EMS and allocate limited resources to continual improvement initiatives. The program will encourage superior performance by offering recognition, an opportunity to partner with IDEM, and regulatory flexibility for Indiana organizations that consistently demonstrate environmental stewardship and strive for continual environmental improvement.

The program demonstrates broad innovation because it is being designed for public or private Indiana facilities of any type, size, complexity level, or economic sector. It also provides regulatory incentives for each media: air, land, and water. The program demonstrates innovative changes in management and regulatory processes at IDEM by necessitating changes to rules and policies to allow for regulatory incentives that will improve overall environmental and administrative performance. Finally, a performance based EMS recognition program inherently supports each of the EPA Strategic Plan goals by promoting environmental stewardship leading to reductions in releases to the air, land, and water, and improving partnerships within the community.

The goals of the program are to:

- encourage Indiana organizations to implement environmental management systems;
- encourage increased allocation of resources towards continuous environmental improvement;
- achieve improvements in environmental quality via commitments by program members; and
- direct public resources to areas where the most environmental improvement can be made.
- explore regulatory flexibility possibilities for future application to the benefit of IDEM and the regulated community

The reasons a new program is needed are many. State governments are suffering financial cut backs and staff reductions. As a result, environmental protection needs to focus on high priority areas. Regulated entities with a history of compliance and proactive involvement, such as implementation of an EMS to ensure future compliance, do not necessarily warrant high priority. Lowering the priority of these "good performers" allows IDEM to inspect, closely review reports and lab results, and spend more time on poorly written permit applications from those organizations that should be considered high priority. IDEM would like to identify the "good performers" by establishing an EMS recognition program that offers incentives to its members. A program with regulatory incentives will encourage facilities to develop and implement an EMS where they may not have without such a program. Involving the "good performers" in a performance based program will enable us to track the environmental improvements these organizations are making.

The activities to be accomplished include:

- Coordinate with Region V EPA and Headquarters on Performance Track including application

submission/review, compliance screening, reporting/measurement, site visits, etc. (on-going)

- Develop program and regulatory incentives through state rule. (Spring 2006)
- Develop policy to describe program procedures in detail. (Summer 2006)
- Develop promotional materials. (Summer 2006)
- Measure baselines of various measures/outcomes. (Summer 2006 / on-going)
- Receive Innovations Grant (Summer/Fall 2006)
- Accept applications to the program. (Fall 2006 / on-going)
- Partner with the Clean Manufacturing Technology & Safe Materials Institute (CMTI) using their technical EMS expertise to assist potential applicants in EMS development and training.(on-going)
- Hire contractor to develop an EMS development and tracking software for applicants.
- Develop or utilize EPA's EMS Implementation Manual. Develop additional EMS Sector Implementation guides with a focus on common small businesses. (Fall 2006 / on-going)
- Determine eligibility of each applicant using their application, compliance check, review of their EMS materials, and site visit. Coordinate with NEPT. (Winter 2007 / on-going)
- Notify applicants on results and issue press releases. (Winter 2007 / on-going)
- Assist members of program with incentives including modifications to permits to allow them to benefit from incentives. (Winter 2007 / on-going)
- Collect annual surveys and compare to baselines. Coordinate with NEPT.(Winter 2008 / on-going)
- Report to EPA on various measures including reductions achieved by measures and successes/roadblocks of regulatory incentives offered to members. (Quarterly)
- Continue working with IDEM program offices to limit barriers to pollution prevention opportunities to members of the program. (on-going)
- In cooperation with NEPT, modify state program where needed. (Review at least annually)
- Provide final report to EPA on the effectiveness of focusing on high priority entities and on what was found and accomplished related to lessening barriers to pollution prevention. (Summer/Fall 2009)

The expected environmental outcomes include:

Short Term	Intermediate	Long Term	Outcome/Output	Tracking Mechanism
		X	Documented voluntary reductions in releases to the environment, including the air, land, and water	Annual Surveys (IDEM – OPPTA)
		X	Documented violations and corrections identified as a result of IDEM refocusing resources to high priority areas	Inspectors (IDEM – OAQ, OLQ, OWQ)
X			New partnerships between various state agencies to offer additional incentives including financial incentives for various grants and loans.	Project Manager (IDEM-OPPTA)
	X		Increased number of EMSs implemented	(IDEM-OPPTA)
X			Increased number of organizations educated in pollution prevention and EMS strategies	Attendance at workshops (CMTI)
		X	Improvements in permitting such as fewer mistakes in permit applications, expedited permits, streamlined permit renewal application process, consideration of pollution prevention	Average time to approve permit (IDEM-OAQ,OWQ)

			projects during permitting, flexible permit language, etc. *(administrative efficiencies)*	
	X		Successful implementation of innovative environmental regulatory incentives offered by IDEM for EMS implementation.	Project Manager (IDEM-OPPTA) Number participants utilizing the incentives
	X		Increased number of organizations participating in NEPT and other state and national programs such as Energy Star, LEED, Wastewise, National Waste Minimization Program, CLEAN, etc.	Project Manager (IDEM-OPPTA)
X			Improved partnerships between federal and state government and industry	Project Manager (IDEM –OPPTA)
		X	Increased public resources at locations where environmental improvement is needed	Number of sources inspected that would not have otherwise been. (IDEM OAQ, OWQ, OLQ)
X			Identification of potential improvements to various IDEM policies and procedures *(administrative efficiencies)*.	Program Manager (IDEM – OPPTA)

2. Project Schedule and Timeframe

Spring 2006 - Summer 2006 — Finalize development: 2nd Notice of Public Comment for Rulemaking to establish the program and several regulatory incentives; Finalize language for all incentives offered; Determine application process; Complete any necessary training for staff promoting the program; Finalize partnerships and responsibilities.

Summer 2006 — Promotion: Web site complete; Application developed; Brochures and booth drafted; Press event held to announce program; CMTI Partnership MOA drafted; Requests for quote issued and contract drafts begun for EMS website/software; **Innovations grant received.**

Fall 2006- Winter 2007 — Implementation: Responding to requests for assistance; Providing on-site assistance to facilities, offering EMS training programs to facilities; Accepting applications to join the program; Brochures printed and distributed; Booth available for use; advertising the program at various conferences and workshops; CMTI Partnership MOA signed; EMS website/software contract selected and contract signed.

Winter 2007- Spring 2009 — Implementation and Modifications: Reviewing applications and announcing facilities meeting the program requirements; Continue assisting potential applicants and promoting the program; Speaking at meetings/workshops/conferences to promote the program; Begin offering incentives to successful applicants and tracking outcomes; Modifying the program as necessary; Continue identifying potential incentives; Quantifying success stories through monetary and environmental benefits; EMS website/software approved/distributed.

Summer 2009 — Implementation and Documentation: Continue program as described above; Begin development of final report; Begin consideration of future of program.

Fall 2009- Winter 2010 — Final Report: Complete and submit Final Report to EPA; **Innovations grant completed;** Determine future of program including funding and office responsible for management.

3. Program Criteria

a. Target National Priority Environmental Areas

Per the innovations core requirement of innovations in permitting, IDEM is requesting funding to implement a performance based recognition program offering permitting incentives. Draft incentives for organizations with approved EMSs include: streamlined permit renewals (air, drinking water, and NPDES), expedited permits, on-site pre-permit meetings with the permit writer and compliance inspector, lower level permit modifications for pollution prevention projects at FESOP sources, reduced reporting frequency for certain reports, and expedited drinking water well selection approval. Other ideas include reduced sampling and monitoring frequencies, lowered inspection priority (all program areas), and reduced reporting frequency (NPDES and air). The purpose of offering these incentives is to ultimately reduce pollutants released to the environment (air, land, and water) by removing barriers to pollution prevention and creating incentives for sustained and beyond compliance behavior that further reduces releases to the environment. In addition, IDEM hopes to use inspector resources it saves by focusing inspections on higher priority sources instead of "good performers".

b. Building on Existing Knowledge and Expanding

This project pre-proposal builds on several existing innovative approaches: EMS and permitting and the National Environmental Performance Track (NEPT). IDEM has very few participants in the NEPT. One reason is the lack of incentives IDEM provides participants. Another is the work involved for a facility to establish an EMS program. This state program will encourage facilities without an EMS to raise the level of their environmental program to being more proactive by offering hands on assistance. IDEM envisions the state program to be an excellent "feeder" program to NEPT. In addition, the state's regulated entities requested incentives offering better business value. By building on what NEPT has developed, IDEM believes it can provide state incentives to members of this new state program as well as to members of NEPT.

c. Measuring Improvement

Each major environmental media office (air, land, and water) are involved in the development of this program and are providing regulatory incentives to the program members. Because of the multimedia approach, IDEM anticipates improvements will be made in various areas including: pollution reductions, increased compliance, innovation in permitting, improved agency efficiency, and increased cooperation between IDEM and regulated entities. Outcomes, measures, goals, and timeframes have been described in sections above. Overall, success of this program will be measured by the number of facilities implementing an EMS as a result of the program, amount of pollution reductions reported by participants through annual surveys and by the cost to manage such a program. As indicated in the "Expected Outcome" table in the previous section, IDEM is committed to tracking, measuring, reporting, and evaluating the results of this program.

d. Transferring Innovation

In developing the criteria of this program, IDEM worked closely with other states that have implemented similar recognition programs. Because performance based programs are replicable in other states, we would offer assistance/guidance to any state interested in viewing and discussing the details of our program. We actively participate on the Great Lakes Regional Pollution Prevention Roundtable where we share information monthly on our programs. We have actively participated in ECOS' and EPA's OPEI & IAC workgroups and discussions regarding further implementation of NEPT and providing additional incentives to NEPT and state program members. We write articles quarterly for the pollution prevention newsletter LINK and participate annually in the National Pollution Prevention Roundtable Conference. We would be very interested in presenting the status of our program at conferences and further meetings with EPA. We will also openly share any EMS software, fact sheets, and manuals developed.

e. Project Costs

A budget is provided on the last page of this pre-proposal. It has been proposed with cost estimates that

are to the best of our knowledge and believed to be reasonable. Not shown on the budget are costs already incurred by IDEM. This includes staff time since June 2005 to begin development of the program concept.

f. Project Technical Feasibility

Although this project will last beyond the length of the grant, success of the project can certainly be determined within three years based on the measures discussed throughout the application. This program will be managed by the IDEM's Office of Pollution Prevention & Technical Assistance (OPPTA). A senior environmental manager has been assigned to manage the project and additional staff will assist with implementation. Staff have received ISO 14000 training and have passed lead auditor exams. In addition, OPPTA is currently successfully managing the CLEAN Community Challenge, an EMS based recognition program for municipalities. Although CLEAN does not yet offer many of the regulatory incentives that will be offered in this new state program, CLEAN does provide a solid example of how to assist an entity with EMS development, how to perform site visits to assess EMSs and identify aspects and impacts, and how to partner with CMTI to provide EMS workshops and on-site assistance. In addition, as a partner, CMTI brings years of EMS implementation experience as ISO 14000 auditors, trainers, and as a PEER Center.

g. Team Proposal

IDEM plans to partner with CMTI (Clean Manufacturing Technology & Safe Materials Institute) to provide on-site assistance and to offer trainings and workshops on EMS development and program membership. In addition, IDEM will be working with various state agencies to develop financial incentives for participants through existing state grants and loans programs.

h. Other EPA Regional-State Priorities

IDEM and Region V EPA have met several times to discuss Indiana's Performance Partnership Agreement. In addition, IDEM has met with Region V EPA multiple times throughout the year to discuss developing a statewide recognition program that offers its own incentives beyond NEPT. Region V has been fully supportive of the state's efforts related to development of a state performance based program in cooperation with NEPT. Discussions continue as IDEM relays ideas for additional federal incentives and works with EPA to ensure it will be supportive of the permitting incentives offered through the state program and coordinate a dual application process.

i. Institutional Readiness and Commitment

A senior environmental manager was hired to design and manage this program. Her background was in air permitting at a local air agency and had formally worked with various industries to identify potential pollution prevention projects. Her knowledge of air permitting regulations and of the regulatory rulemaking process in general has already proven invaluable. For additional information, please refer to section f. and g. above. The pollution prevention branch chief is also assisting in management of this program. She has had several years experience in developing a similar statewide environmental performance based program called CLEAN. The OPPTA assistant commissioner has been key in the program development and was a former industry consultant. The IDEM Commissioner and each of the Assistant Commissioners are also supportive of this program's development and implementation.

j. Inclusion of a Public Involvement Process

Public involvement has already begun. In September 2005, a first notice was issued in the Indiana Register, four public meetings have been held throughout the fall of 2005, and meetings have been held as requested by the public wanting to learn more about the program. Currently, rule language and legislation is being drafted to develop this program. This will provide additional opportunity for public comment and involvement.