By Senator Smith

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312-321D-02
                        A bill to be entitled
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           An act relating to performance-based
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           permitting; creating s. 403.08761, F.S.;
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           creating the "Florida Performance-Based
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           Permitting Act"; creating s. 403.08762, F.S.;
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           providing legislative findings and public
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           purposes; creating s. 403.08763, F.S.;
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           establishing the performance-based permit
           program; defining terms; requiring the
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           Department of Environmental Protection to
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           consider the compliance history of permit
           applicants; providing for categories of
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           violations and factors to be considered;
           providing for possible actions the department
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           may take relating to permits; providing for the
           creation of forms and for submission of
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           specified information; providing for compliance
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           incentives for applicants who meet certain
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           criteria; authorizing the adoption of rules;
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           amending s. 373.413, F.S.; providing for the
           application of s. 403.08763, F.S., to that
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           section; amending s. 403.087, F.S.; providing
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           for the department to consider the compliance
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           history of applicants for permits; amending s.
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           161.041, F.S.; providing for the application of
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           the performance based permitting program to ch.
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           161, F.S.; providing an effective date.
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    Be It Enacted by the Legislature of the State of Florida:
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Section 1. Section 403.08761, Florida Statutes, is 2 created to read: 3 403.08761 Short Title.--Sections 403.08761-403.08763 may be cited as the "Florida Performance-Based Permitting 4 5 Act." 6 Section 2. Section 403.08762, Florida Statutes, is 7 created to read: 8 403.08762 Legislative findings; public purpose. --9 The Legislature finds and declares that: 10 (a) Permit applicants with a history of compliance 11 with the environmental laws should be eligible for longer permits, short-form permit renewals, and other incentives to 12 reward and encourage such applicants. 13 (b) Permit applicants with a history of noncompliance 14 with the environmental laws should be subject to more 15 stringent requirements, and in some cases such applicants 16 17 should be denied permits for an appropriate period of time. Permit decision-making that considers past 18 19 compliance history and customizes the permit in recognition of 20 that history: 21 Increases protection for the environment because it encourages compliance; 22 2. Increases protection for the environment by 23 24 allowing the department to focus financial and personnel resources on those few in the regulated community with a 25 record of poor compliance; and 26 27 Increases protection for the environment because it allows permit applicants with a satisfactory record to better 28 29 focus their resources. 30 (d) In order to maximize the benefit of a permit 31 decision-making process that recognizes an applicant's

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compliance history, the evaluation of that history should be done in a more clear, consistent, and predictable manner. 2 3 (2) It is therefore declared to be the purpose of this 4 act to: 5 (a) Enhance the protection of the state's natural resources by establishing and making available to the 6 7 regulated community incentives to encourage compliance and to 8 reward those who meet or exceed compliance requirements; 9 (b) Provide the department with clear and specific authority to consider the compliance history of permit 10 11 applicants and those who control the applicants when evaluating reasonable assurance and when designing and 12 implementing its permitting programs; 13 (c) Clearly define the extent to which the department 14 may consider compliance history in its permitting 15 decision-making; and 16 17 (d) Promote objectivity and consistency in the evaluation process throughout the state by establishing 18 19 criteria for the review of compliance history and by defining the potential permitting consequences of compliance and 20 21 noncompliance with the environmental laws. 22 Section 3. Section 403.08763, Florida Statutes, is 23 created to read: 24 403.08763 Performance-based permit program. --(1) DEFINITIONS.--As used in this section, the term: 25 "Applicant" means the proposed permittee, the 26 (a) 27 owner, and the operator of a regulated activity seeking an 28 agency permit. If the applicant has not held an agency permit 29 during at least 4 of the 5 years preceding submission of the

permit application, the term also includes any person who has

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or permittee. The term also includes any person requesting that a permit be transferred to that person, and, if the transferee has not held an agency permit during at least 4 of the 5 years preceding submission of the request to transfer the permit, any person who has the legal or actual authority to control the proposed transferee.

- (b) "Agency" means the Department of Environmental

 Protection, water management districts acting pursuant to part

 IV of chapter 373, and local governments acting under a

 delegation agreement with the department or a water management district.
- (c) "Agency statutes" means chapter 161, part IV of chapter 373, chapter 376, and chapter 403.
- (d) "Environmental statutes" means any state or federal statute that regulates activities for the purpose of protecting the environment, but does not include any statute that regulates activities only for purposes of zoning, growth management, or land-use.
- (e) "Reasonable assurance" means that there is a substantial likelihood, although not an absolute guarantee, that the proposed activity and applicant will comply with agency rules, statutes, orders, and permit conditions.
- (f) "Regulated activity" means any activity, including the construction or operation of a facility, installation, system, or project, for which a permit or certification is required under an agency statute.
- (g) "Site" means a single parcel or multiple contiguous or adjacent parcels of land on which the applicant proposes to conduct, or has conducted, a regulated activity and includes any other contiguous parcels of land owned or controlled by the applicant. A site is a "new site" if the

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applicant has not held an agency permit for a regulated activity at that location for at least 4 of the 5 years preceding submission of an application.

- (2) PERIOD OF REVIEW.--One factor in determining whether a permit applicant has provided reasonable assurance of compliance with applicable statutes and agency rules is the compliance history of the applicant. The agency shall consider the compliance history of the applicant during the 5 years preceding submission of a complete application to the agency.
- (3) CATEGORIES OF VIOLATIONS.--Violations of agency rules and statutes and offenses under applicable criminal statutes are categorized as follows:
 - (a) Category A.--
 - 1. Felony criminal violations.
- a. The applicant has been convicted of, entered a plea of guilty or nolo contendere to, or had adjudication withheld for a felony criminal violation of any environmental statute in the United States.
- b. For purposes of this subparagraph, if the applicant is a business entity, violations include violations committed by those officers, directors, trustees, partners, or employees of the applicant who have legal or actual operational control over the regulated activity for which a permit is being sought.
- 2. Harm to humans. The applicant is responsible for a violation of an agency statute, rule, consent order, final order, final judgment, or agreement that resulted in significant physical harm or injury to one or more human beings.
 - (b) Category B.--
 - 1. Other criminal violations.

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1 a. The applicant has been convicted of, entered a plea of quilty or nolo contendere to, or had adjudication withheld 2 3 for a misdemeanor criminal violation of any environmental 4 statute in this state; or 5 The applicant has been convicted of, entered a plea of guilty or nolo contendere to, or had adjudication withheld 6 7 for a crime of dishonesty in this state which involves or is 8 related to the operation of a facility or activity requiring an agency permit. Such crimes may include theft, larceny, 9 10 dealing in stolen property, receiving stolen property, 11 burglary, embezzlement, obtaining property by false pretenses, possession of altered property, or any fraudulent or dishonest 12 13 dealing. 14 For purposes of this subparagraph, if the applicant is a 15 business entity, violations include violations committed by 16 17 those officers, directors, trustees, partners, or managerial 18 employees of the applicant who have legal or actual 19 operational control over the regulated activity for which a permit is being sought. 20 21 2. Circumvention or falsification. 22 a. The applicant is responsible for a violation involving the knowing circumvention of pollution-control 23 24 equipment required by agency rules, statutes, orders, or 25 permit conditions; The applicant is responsible for a violation 26 27 involving the knowing failure to install, maintain, or operate any monitoring device or method required to be maintained by 28 29 agency rules, statutes, orders, or permit conditions;

c. The applicant is responsible for a violation

involving the knowing submittal of any false statement,

representation, or certification in any application, record,
report, plan, or other document filed or required to be
maintained by agency rules, statutes, orders, or permit
conditions; or

- d. The applicant is responsible for a violation involving falsifying, tampering with, or knowingly rendering inaccurate any monitoring device or method required to be maintained by agency rules, statutes, orders, or permit conditions.
- 3. Harm to the environment. Any violation of an agency statute, rule, consent order, final order, final judgment, or agreement that resulted in significant harm or injury to the environment.
 - (c) Category C.--
- 1. The applicant is responsible for a violation of an agency statute, rule, consent order, final order, agreement, or final judgment involving the agency which resulted in a significant threat to human health or the environment.
- 2. The applicant is responsible for a violation of an agency statute, rule, consent order, final order, agreement, or final judgment involving the agency which is not addressed in subparagraph 1., which has not been resolved, and which the applicant has not in good faith participated in a process to resolve through a consent order or other agreement with the agency.
- (d) Category D; Pattern of noncompliance.--Two or more violations, on at least two separate occasions, of agency statutes, rules, consent orders, final orders, agreements, or final judgements involving the agency which establish a pattern of noncompliance indicating that the applicant is

unwilling or unable to comply with applicable agency standards and criteria.

- (4) RELEVANT COMPLIANCE HISTORY. -- In evaluating an applicant's compliance history, the agency shall consider only those violations categorized in subsection (3), and only in accordance with the following criteria:
- (a) If the application is for the renewal of an agency permit, or for a new permit at any site other than a new site, the agency shall consider the applicant's violations at that site, and shall also consider any of the applicant's Category A crimes at any site in the country.
- (b) If the application is for a new permit at a new site, the agency shall consider the applicant's violations at any site in this state.
- (c) If the application is for an operation permit for a regulated activity for which a construction permit was issued during the 5 years preceding the application, and if the agency evaluated the compliance history of the applicant during the review of the construction permit, the agency shall not reevaluate that compliance history, unless the entities whose histories were originally reviewed were responsible for additional violations occurring after the agency completed the construction permit review.
- (d) This section does not apply to general permits issued in accordance with ss. 373.414 and 403.814, and only subsections (12) through (15) apply to applications for closure and post-closure permits. However, the agency may continue to use its authority under s. 403.087 to consider the compliance history of those seeking to use a general permit.
- (5) PROVING-UP CIVIL VIOLATIONS.--The agency may consider all civil violations that were committed during the

relevant review period and that resulted in the initiation of a formal enforcement action by the agency. However, if a civil violation has not been resolved or adjudicated before the time the agency takes final action on the application, the civil violation must be established by a preponderance of the evidence in any subsequent proceeding challenging the agency's proposed agency action. In all such proceedings:

- (a) The permit applicant has the initial burden in any proceeding challenging the proposed agency action of establishing a prima facie case that it has provided reasonable assurance and is entitled to the permit;
- (b) The agency, or any party seeking to establish violations under this subsection, then has the burden of presenting by a preponderance of the evidence a prima facie case supporting the violations it contends were the responsibility of the applicant, as well as the pattern of noncompliance if a Category D violation is alleged; and
- (c) The permit applicant retains the ultimate burden of persuasion that it has provided reasonable assurance with respect to all issues.
- that the applicant is responsible for any Category A, B, or D violations, the agency shall initiate a further review. If the agency determines that the applicant is responsible for any Category C violations, the agency may initiate a further review. The following factors must be considered and weighed in order to evaluate such violations in the context of the applicant's overall compliance history, and to determine whether the applicant has provided reasonable assurance of future compliance with agency rules and statutes:

Τ	(a) The number of violations or crimes and the
2	seriousness of such violations or crimes;
3	(b) The number of other similar facilities controlled
4	by the applicant;
5	(c) The number and complexity of permits held by the
6	applicant;
7	(d) Whether the violations or crimes involved
8	regulatory programs that are the same as, or similar to, the
9	regulatory program from which the permit is being requested;
LO	(e) Whether the violations or crimes involved
L1	activities that are the same as, similar to, or related to the
L2	regulated activity for which a permit is being requested;
L3	(f) Whether the applicant has resolved, or in good
L4	faith participated in a process to resolve, all previous
L5	violations by the applicant; and
L6	(g) Whether the applicant has developed an
L7	environmental management system that complies with the
L8	requirements of subsection (10).
L9	(7) POSSIBLE ACTIONSAfter considering the
20	applicant's compliance history, including any mitigating
21	factors, the agency may in its discretion take one or more of
22	the following actions:
23	(a) Issue a permit with special conditions designed to
24	minimize the likelihood of similar future violations.
25	(b) Issue a permit with an accompanying administrative
26	order. The administrative order may include a schedule for
27	coming into compliance with agency rules, statutes, orders, or
28	permit conditions; additional operating, training, or auditing
29	procedures necessary to assure compliance; specified penalties
30	for future noncompliance; and financial assurance in the form

31 of a cash deposit, bond, insurance policy, or letter of credit

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sufficient to cover damages or cleanup costs that could forseeably result from future violations.

- (c) Require independent compliance audits or programs at the regulated activity at the applicant's cost.
- (d) Issue a permit with a duration of less than 5 years, if not prohibited by federal law.
- (e) Issue a permit with more frequent reporting requirements than are generally required by rule or practice.
- <u>(f) Issue a permit requiring financial assurance</u> <u>designed to guarantee performance.</u>
- (8) PERMIT DENIAL. -- The agency may deny a permit application only if the agency determines that the provisions of subsection (7) would not reasonably be expected to result in future compliance, and then the agency may, in its discretion, deny a permit application in accordance with the following:
- (a) If the applicant is responsible for a Category A violation, the agency may deny the permit application, and the applicant is not entitled to apply for a permit for that regulated activity for a period of 1 year from the time a final order denying the permit has been entered.
- (b) If the applicant is responsible for two or more Category B violations, the agency may deny the permit application, and the applicant is not entitled to apply for a permit for that regulated activity for a period of 6 months from the time a final order denying the permit has been entered.

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provided for in subsection (7). The following criteria will
apply to any such permit:

- 1. The agency shall include a statement in its notice of intended agency action explaining that the agency has determined that the applicant has a pattern of noncompliance and that this determination has formed the basis for taking any of those actions provided for in subsection (7). The agency shall also include a notification that an application to renew the permit could be denied if the pattern of noncompliance continues.
- 2. If, at the time for permit renewal, the agency determines that the applicant has demonstrated a continuing pattern of noncompliance, the agency shall deny the permit application, and the applicant is not entitled to apply for a permit for that regulated activity for a period of 6 months from the time a final order denying the permit has been entered.
- (d) If the agency denies a permit application in accordance with this subsection for a permit that includes corrective-action requirements, the agency may deny that portion of the permit authorizing operation, and may issue a permit that contains only the corrective-action requirements and conditions.
- (9) MULTIPLE DENIALS.--If the applicant has twice been denied a permit in accordance with subsection (8) during the 5 years preceding submission of a complete application to the agency, the applicant may not apply for a permit for any regulated activity in this state.
- (10) ENVIRONMENTAL MANAGEMENT SYSTEMS.--An applicant may propose an environmental management system as part of a permit application or modification. For the purposes of

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paragraph (6)(f) and (12)(b), such a program must be approved by the department and be included as a specific permit 2 3 condition. An approved environmental management system must: Be designed to eliminate or reduce the likelihood 4 5 of reoccurrence of violations; 6 (b) Establish compliance standards and procedures to 7 be followed by the applicant's employees and agents which are 8 reasonably capable of reducing the prospect of violations; 9 (c) Provide that specific individuals who have substantial control over the applicant or who have a 10 11 substantial role in applicant's policymaking have been assigned overall responsibility to oversee compliance with 12 such standards and procedures; 13 (d) Provide that the applicant use due care not to 14 delegate substantial discretionary authority to individuals 15 whom the applicant knows, or should have known through the 16 17 exercise of due diligence, engaged in violations; (e) Be communicated effectively to all employees and 18 19 independent contractors by requiring routine participation in training programs and by disseminating written or electronic 20 21 information that explains program requirements in a practical 22 manner; 23 (f) Establish monitoring and auditing systems 24 reasonably designed to detect environmental violations by the applicant's employees and independent contractors; 25 26 Establish a readily available reporting system 27 whereby employees and independent contractors may report

(h) Be consistently enforced through appropriate

environmental violations by others within the organization

disciplinary and incentive mechanisms, including, as

without fear of retribution; and

appropriate, discipline of individuals responsible for the failure to detect an environmental violation.

- (11) FORM.--The agency shall establish a form, by rule, to be used for the purpose of implementing this section.

 Each permit application subject to this section that is submitted to the agency must be accompanied by this completed form in order to be considered complete. During the permit review process, the form shall be updated by the appliant to reflect any changes until the application is determined to be complete. The form must include the following:
- (a) A section requiring each applicant to report the relevant criminal history of the applicant, including the nature of the offense, the date of the offense, the court having jurisdiction in the case, the date of conviction or other disposition, and the disposition of the offense; and
- (b) A section requiring each applicant who has not held an agency permit during the 5 years preceding submission of the permit application to identify those persons having legal or actual authority to control the owner, operator, or permittee. The form shall specify in detail what information must be reported.
- (12) COMPLIANCE INCENTIVES.--Any applicant who meets the criteria set forth in this subsection is eligible for the following incentives, unless otherwise prohibited by state or federal statute, agency rule, or federal regulation, and provided that the applicant meets all other applicable criteria for the issuance of a permit. In order to obtain a benefit, the applicant must affirmatively request it as part of the permit application.
- (a) Tier 1. An applicant is eligible for the following incentives if the applicant conducted the regulated activity

for at least 4 of the past 5 years or, if it is a new regulated activity, the applicant conducted a similar regulated activity under an agency permit for at least 4 of the past 5 years, and the applicant has not been responsible for any Category A, B, C, or D violations.

- 1. Extended permit. A renewal of an operation or closure permit, which may include expansions or modifications involving construction, shall be issued for a period of 5 years, and shall be automatically renewed for an additional 5 years without agency action under the following conditions:
- a. At least 180 days before the end of the first
 5-year period, the applicant shall complete and submit the
 prescribed form to the agency. The applicant shall
 concurrently publish notice of the application in a newspaper
 of general circulation in the county in which the regulated
 activity is conducted, and inform the public that the agency
 will accept comments on the compliance history of the
 applicant for a period of 30 days after the notice is
 published. Within 45 days after publication, the agency shall
 conduct a review of the compliance history of the applicant,
 including consideration of any timely public comments, and
 shall determine whether the applicant continues to meet the
 criteria set forth in paragraph (a).
- b. If the applicant no longer meets the criteria set forth in this paragraph, the agency shall so notify the applicant, and shall require the applicant to submit a permit-renewal application in accordance with applicable agency statutes and rules. A renewal application submitted within 60 days after such notification is considered a timely application for renewal for purposes of s. 120.60.

- c. If the applicant meets the criteria set forth in this paragraph, the agency may notify the applicant, but need take no further agency action for the renewal to be effective.
- d. If the applicant seeks to transfer the extended permit to another entity, the transferee shall complete and submit the prescribed form as part of the transfer application. If the agency determines that the transferee has met the criteria set forth in this paragraph over the previous 5 years, and if the transfer complies with all other applicable criteria, the agency shall agree to the transfer of the extended permit.
- 2. Short-form renewals. Renewal of permits not involving substantial construction or expansion may be made upon a shortened application form specifying only the changes in the regulated activity or a certification by the permittee that no changes in the regulated activity are proposed, if that is the case. Applicants for short-form renewals shall complete and submit the prescribed compliance form with the application and will remain subject to the compliance history review of this section. All other procedural requirements for renewal applications remain unchanged. This subparagraph supplements any expedited review processes found in agency rules.
- (b) Tier 2. An applicant is eligible for the following incentives if the applicant meets the same requirements as for Tier 1 described in paragraph (a) and has implemented an environmental management system as provided in subsection (10) which results in achieving performance objectives that exceed the agency's minimum compliance standards:
- 1. Extended permits and short-form renewals as described above. However, if the applicant has conducted a

regulated activity at a site for at least 5 years, the applicant is eligible for a 10-year permit at that site.

- 2. Fewer routine inspections than other regulated activities similarly situated.
- 3. Expedited review of requests for permit modifications.
- 4. Other incentives as may be provided by the agency, which may include recognition by the secretary or program-specific incentives.
- (13) RULEMAKING.--In addition to the rulemaking necessary to adopt the form identified in subsection (10), the agency may adopt rules to administer this section. Any such rules adopted by the department apply to all agencies as defined in this section, unless an agency has adopted its own rule that is substantially identical to the agency's rule.
- with permittees and permit applicants before taking any of the actions authorized under this section, in order to encourage compliance and avoid overly burdensome consequences of noncompliance. In each case in which the agency initiates a formal enforcement action, it shall clearly and specifically:
- $\underline{\mbox{(a)} \mbox{ Inform the alleged violator of the provisions of}}$ this section;
- (b) Put the alleged violator on notice of the potential consequences of continuing noncompliance; and
- (c) Inform the alleged violator if the agency has determined that a Category A, B, or C violation has occurred.
- 28 (15) EXISTING AUTHORITY.--This section may not be
 29 construed to limit the agency's existing authority to consider
 30 factors other than an applicant's compliance history, such as
 31 the technical merits of the proposed project or the

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applicant's financial and human resources, when determining whether the applicant has provided the reasonable assurance necessary to receive the requested permit. Nor may anything in this section be construed to limit the agency's existing authority to impose special conditions in any permit, or to revoke any permit.

subsection (12), shall take effect July 1, 2002, although the agency may continue to evaluate compliance history based upon other provisions of law until July 1, 2005. After July 1, 2005, this section shall supersede all other provisions of law authorizing the agency to consider the compliance history of applicants for permits, other than general permits. Subsection (12) takes effect July 1, 2005.

Section 4. Subsection (5) of section 403.087, Florida Statutes, is amended to read:

403.087 Permits; general issuance; denial; revocation; prohibition; penalty.--

(5) The department shall issue permits to construct, operate, maintain, expand, or modify an installation which may reasonably be expected to be a source of pollution only if the applicant affirmatively provides the department with reasonable assurance that the proposed activity and applicant will comply with department rules, statutes, orders, and permit conditions, when it determines that the installation is provided or equipped with pollution control facilities that will abate or prevent pollution to the degree that will comply with the standards or rules adopted by the department, except as provided in s. 403.088 or s. 403.0872. The compliance history of the applicant shall be one factor in determining whether the applicant has provided such reasonable assurance.

However, separate construction permits shall not be required 2 for installations permitted under s. 403.0885, except that the 3 department may require an owner or operator proposing to construct, expand, or modify such an installation to submit 4 5 for department review, as part of application for permit or 6 permit modification, engineering plans, preliminary design 7 reports, or other information 90 days prior to commencing 8 construction. The department may also require the engineer of 9 record or another registered professional engineer, within 30 10 days after construction is complete, to certify that the 11 construction was completed in accordance with the plans submitted to the department, noting minor deviations which 12 13 were necessary because of site-specific conditions. 14 Section 5. Subsection (6) is added to section 373.413, Florida Statutes, to read: 15 373.413 Permits for construction or alteration. --16 17 (6) The provisions of s. 403.08763, the Performance-Based Permitting Program, applies to all permits 18 19 issued under this section other than general permits. 20 Section 6. Subsection (5) is added to section 161.041, 21 Florida Statutes, to read: 22 161.041 Permits required.--(5) The provisions of s. 403.08763, the Performance 23 24 Based Permitting Program, shall apply to all permits issued 25 under this chapter. Section 7. This act shall take effect July 1, 2002. 26 27 28 29 30

SENATE SUMMARY Creates the "Florida Performance-Based Permitting Act." Provides legislative findings and public purpose. Requires the Department of Environmental Protection to consider and review the compliance history of applicants seeking review or modification of a permit and applicants seeking a permit for a regulated activity. Creates categories of violations. Provides factors and criteria to be considered in evaluating an applicant's compliance program. Provides that applicants meeting certain criteria are eligible for specified compliance incentives. Authorizes adoption of rules.