

Regulatory Analysis

TITLE 327 Indiana Department of Environmental Management LSA Document #26-47

I. Description of Rule

a. History and Background of the Rule – The Safe Drinking Water Act (SDWA) was enacted by Congress in 1974 to protect drinking water quality across the nation by establishing minimum standards to protect tap water and requires all owners and operators of public water supplies (PWS) to comply with these standards (42 U.S.C. 300f et seq.). To ensure that PWS systems will comply with SDWA standards and in accordance with IC 13-18-16, IDEM’s Drinking Water Permits section regulates the construction of PWSs under the Public Water Supply Construction Permits rule at 327 IAC 8-3. Specifically, the requirements at 327 IAC 8-3-2 require all PWSs to submit a drinking water construction permit application to IDEM prior to the construction, installation, or modification of any facility, equipment, or device. All PWSs are required to pay an associated permit fee when submitting a construction permit application unless they are excluded from the payment of this fee under 327 IAC 8-3-7.

Currently, five categories of PWS sources are listed under the fee exemption under 327 IAC 8-3-7, including nonprofit organizations. However, all five categories must also be a “governmental entity” to qualify. Churches, most of which operate as nonprofit organizations, are not currently eligible for the exemption. Small churches in particular are currently faced with the burden of paying fees for PWS construction permits. In 2024, IDEM was approached by a small church and a state representative seeking to exempt small churches from the permit application fees due to the financial burden. This rulemaking is a result of these conversations.

b. Scope of the Rule – The purpose of this rulemaking is to add a new exemption category under 327 IAC 8-3-7 for churches as nonprofit religious organizations while maintaining the category of nonprofit organizations that are also governmental entities.

c. Statement of Need – This rulemaking change waives permit fees for churches that meet the definition of nonprofit religious organizations as defined in IC 34-6-2.1-134 and who are defined as public water systems regulated by IDEM. Waiving these permit fees will benefit the regulated community by saving money and payment processing time and will not negatively impact IDEM.

d. Statutory Authority for the Proposed Rule – IC 4-22-2; IC 13-14-8; IC 13-14-9; IC 13-15-1-2; IC 13-15-2-1; IC 13-16; IC 13-18-3-1; IC 13-18-4-1.

e. Fees, Fines, and Civil Penalties – There are no fees, fines, or civil penalties associated with this rulemaking.

II. Fiscal Impact Analysis

a. Anticipated Effective Date of the Rule – April, 2026.

b. Estimated Fiscal Impact on State and Local Government – Because this rule exempts churches as nonprofit religious organizations from the permit fee requirement, IDEM will see a small decrease in revenue. However, this decrease is negligible..

The average number of permit applications received per year from PWS systems that are churches for the past five years is 6.6 applications, which would have resulted in a revenue decrease of \$5,676 received from churches per year if they had been included under the permit fee exemption. IDEM’s Drinking Water Branch Permits Section estimates that it has received a total of 10 permit applications from churches in 2025, and adding these churches to the permit fee exemption in 327 IAC 8-3-7 would result in an estimated annual revenue decrease of \$8,600 for the agency.

c. Sources of Expenditures or Revenues Affected by the Rule – Because this rule exempts churches as nonprofit religious organizations from the permit fee requirement, IDEM will see a small decrease in revenue. However, this decrease is negligible.

The average number of permit applications received per year from PWS systems that are churches for the past five years is 6.6 applications, which would have resulted in a revenue decrease of \$5,676 received from churches per year if they had been included under the permit fee exemption. IDEM’s Drinking Water Branch Permits Section estimates that it has received a total of 10 permit applications from churches in 2025, and adding these churches to the permit fee exemption in 327 IAC 8-3-7 would result in an estimated annual revenue decrease of \$8,600 for the agency. Funds currently obtained from permit applications from these churches go into IDEM’s Water Management Permitting fund #36730.

III. Impacted Parties

There are a total of 786 churches classified as public water systems in the state of Indiana. Of these churches, approximately 6-10 will submit a permit application in one calendar year to receive the exemption benefit. Most permit applications submitted by churches are related to the necessity of installing a new well or treatment unit. This rule reduces the fiscal burden for these churches ~~in the State of Indiana~~ by adding churches them as nonprofit religious organizations to the list of sources that are exempt from submitting permit application fees at 327 IAC 8-3-7, while maintaining the exemption for nonprofit organizations that are governmental entities.

IV. Changes in Proposed Rule

This rulemaking proposes to make the following changes to existing rule language in 327 IAC 8-3-7:

- Adds language at 327 IAC 8-3-7(a)(6) exempting churches meeting the definition of nonprofit religious organizations as defined under IC 34-6-2.1-134.

- Maintains in 327 IAC 8-3-7(a)(2) the exemption for government entities that are nonprofit organizations from paying permit fees.

V. Benefit Analysis

a. Estimate of Primary and Direct Benefits of the Rule – The primary and direct benefit of this rulemaking is to exempt churches in the state from paying permit fees by categorizing them as nonprofit religious organizations under the definition at IC 34-6-2.1-134. Waiving these permit fees will benefit the regulated community by saving them between \$100 to \$860 per permit application, as well as payment processing time, and will not negatively impact IDEM.

b. Estimate of Secondary or Indirect Benefits of the Rule – The secondary or indirect benefit of this rulemaking is that it will allow for greater cost savings for small churches. IDEM’s Small Systems Laboratory Assistance Program (SSLAP) is designed to provide government and nonprofit PWSs serving a population of less than or equal to 100 free laboratory analysis for Total Coliform and Nitrate levels in water samples. Adding churches as exempt from permit fees under 327 IAC 8-3-7 allows IDEM to waive the fees for churches and provides additional financial assistance for small churches that meet the SSLAP requirements.

c. Estimate of Any Cost Savings to Regulated Industries – This rulemaking will provide a cost savings for churches in the state by waiving permit fees ranging from \$100 up to \$860 per application fee.

Based on data provided by IDEM’s Drinking Water Branch Permits Section over the last five years, the estimated number of permit applications submitted by churches for the full cost of \$860.00 are as follows:

- 2021- 6 permit application fees
- 2022- 5 permit application fees
- 2023- 6 permit application fees
- 2024- 8 permit application fees
- 2025- 8 permit application fees (to date)

The average number of permit applications received from PWS systems that are churches for the past five years is 6.6 applications, which would have resulted in a savings of \$5,676 for churches if they had been included under the permit fee exemption. IDEM’s Drinking Water Branch Permits Section estimates that it will receive a total of 10 permit applications from churches in 2025, and adding these churches to the permit fee exemption in 327 IAC 8-3-7 would result in an estimated annual cost savings of \$8,600 for the regulated community.

VI. Cost Analysis

a. Estimate of Compliance Costs for Regulated Entities – There are no compliance costs for regulated entities associated with this rulemaking. This rule provides cost

savings for churches in the state by exempting them from the permit fee requirement. Additionally, if churches serving a population of 100 or less choose to enroll in IDEM's SSLAP, they will be able to offset a portion of their water sampling costs by using the provided equipment for Total Coliform and Nitrate sampling through the program.

b. Estimate of Administrative Expenses Imposed by the Rules – There are no associated administrative expenses imposed by this rulemaking.

c. The fees, fines, and civil penalties analysis required by IC 4-22-2-19.6 – There are no fees, fines, or civil penalties to regulated entities resulting from this rulemaking. This rule is intended to relieve the burden of permit application fees for churches in the state.

d. If the implementation costs of the proposed rule are expected to exceed the threshold set in IC 4-22-2-22.7(c)(6) – There are no compliance or implementation costs associated with this rulemaking.

VII. Sources of Information

a. Independent Verifications or Studies – Data provided by IDEM's Drinking Water Branch Permits Section regarding the permit application fees received from regulated entities over the past several years.

b. Sources Relied Upon in Determining and Calculating Costs and Benefits – No outside sources were relied upon in calculating the costs and benefits for this rulemaking. All data and information were provided by IDEM's Drinking Water Branch Permits Section.

VIII. Regulatory Analysis

This rulemaking will provide a cost savings for churches in the state by waiving permit fees ranging from \$100 up to \$860 per application fee.

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The average number of permit applications received per year from PWS systems that are churches for the past five years is 6.6 applications, which would have resulted in a savings of \$5,676 per year for churches if they had been included under the permit fee exemption. IDEM's Drinking Water Branch Permits Section estimates that it will receive a total of 10 permit applications from churches in 2025, and adding these churches to the permit fee exemption in 327 IAC 8-3-7 would result in an estimated annual cost savings

of \$8,600 for the regulated community. This rulemaking will have a positive fiscal impact for all churches in the state by exempting them from the permit application fee requirements otherwise required of other regulated entities. In particular, this will significantly decrease the financial burden on smaller churches in permitting their PWS sites and will also align them with IDEM's SSLAP program that provides free sampling procedures for both Total Coliform and Nitrate levels. This rulemaking does not increase costs for the agency or significantly impact revenue sources under SDWA programs. IDEM estimates a total benefit to all churches in the state of between \$5,000-\$8,000 per year. While IDEM will have a corresponding decrease in permit fee revenues in this range, the fiscal impact to IDEM is considered negligible. Thus, IDEM has determined that the benefits of the rule outweigh its costs.

IX. Contact Information of Staff to Answer Substantive Questions

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