SENATE BILL No. 184

By Committee on Agriculture and Natural Resources

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AN ACT concerning the environment; relating to the Kansas drycleaner environmental response act; amending such act to change the penalties for violations thereof; modifying the deductible rate for corrective actions, the environmental surcharge rate and the solvent fee; updating the delinquency penalty related to environmental surcharges and solvent fees; amending K.S.A. 65-34,142, 65-34,144, 65-34,147, 65-34,148, 65-34,150, 65-34,151 and 65-34,154 and repealing the existing sections.

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Be it enacted by the Legislature of the State of Kansas:

Section 1. K.S.A. 65-34,142 is hereby amended to read as follows: 65-34,142. As used in this act:

- (a) "Chlorinated drycleaning solvent" means any drycleaning solvent which that contains a compound—which that has a molecular structure containing the element chlorine.
- (b) "Corrective action" means those activities described in-subsection (a) of K.S.A. 65-34,148(a), and amendments thereto.
- (c) "Corrective action plan" means a plan approved by the secretary to perform corrective action at a drycleaning facility.
 - (d) "Department" means the department of health and environment.
- (e) "Drycleaning facility" means a commercial establishment that operates, or has operated in the past, in whole or in part for the purpose of cleaning garments or other fabrics utilizing a process that involves any use of drycleaning solvents. "Drycleaning facility" includes all contiguous land, structures and other appurtenances and improvements on the land used in connection with a drycleaning facility but does not include prisons or governmental entities.
- (f) "Drycleaning solvent" means any and all nonaqueous solvents used or to be used in the cleaning of garments and other fabrics at a drycleaning facility and includes, but is not limited to, perchloroethylene, also known as tetrachloroethylene, and petroleum-based solvents, and the products into which such solvents degrade.
- (g) "Drycleaning unit" means a machine or device—which that utilizes drycleaning solvents to clean garments and other fabrics and includes any associated piping and ancillary equipment and any containment system.
 - (h) "Fund" means the drycleaning facility release trust fund.

 (i) "Immediate response to a release" means containment and control of a known release in excess of that meets or exceeds a reportable quantity and notification to the department within 48 hours of any known release in excess of that meets or exceeds a reportable quantity.

- (j) "Owner" means any person who owns or leases, or has owned or leased, a drycleaning facility and—who is or has been responsible for the operation of drycleaning operations at such drycleaning facility.
- (k) "Person" means an individual, trust, firm, joint venture, consortium, joint-stock company, corporation, partnership, association or limited liability company. Person does not include any governmental organization.
- (l) "Release" means any spill, leak, emission, discharge, escape, leak or disposal of drycleaning solvent from a drycleaning facility into the soils or waters of the state.
- (m) "Reportable quantity" means a known release of a chlorinated drycleaning solvent in excess of that meets or exceeds one quart over a 24-hour period or a known release of a nonchlorinated drycleaning solvent in excess of that meets or exceeds one gallon over a 24-hour period.
 - (n) "Retailer" means any business that:-
- (1)- Is registered for purposes of the Kansas retailers' sales tax act and provides drycleaning, or drycleaning and laundry, services to final consumers; or
- (2)- has provided a drycleaning, or drycleaning and laundry, facility with a resale exemption certificate and is responsible for charging and collecting retailers' sales tax from final consumers of drycleaning or laundry services.
 - (o) "Secretary" means the secretary of health and environment.
- Sec. 2. K.S.A. 65-34,144 is hereby amended to read as follows: 65-34,144. (a) It shall be unlawful for any person to:
- (1) Operate a drycleaning facility in violation of this act, rules and regulations adopted pursuant to this act or orders of the secretary pursuant to this act:
- (2) prevent or hinder a properly identified officer or employee of the department or other authorized agent of the secretary from entering, inspecting, sampling or responding to a release as authorized by this act;
- (3) knowingly make any false material statement or representation in any record, report or other document filed, maintained or used for the purpose of compliance with this act;
- (4) knowingly destroy, alter or conceal any record required to be maintained by this act or rules and regulations adopted under this act;
- (5) willfully allow a release or knowingly fail to make an immediate response to a release in accordance with this act and rules and regulations pursuant to this act.

 (b) The director of the division of environment, upon a finding that a person has violated a provision of subsection (a), may impose on such person an administrative penalty in an amount not to exceed \$500 for every violation.

- (e) In assessing an administrative penalty under this section, the director of the division of environment shall consider, when applicable, the following factors:
- (1) The extent to which the violation presents a hazard to human-health;
- (2) the extent to which the violation has or may have an adverse effect on the environment:
- (3) the amount of the reasonable costs incurred by the state indetection and investigation of the violation; and
- (4) the economic savings realized by the person in not complying with the provision for which a violation is chargedExcept as otherwise provided, a violation of K.S.A. 65-34,145(a), and amendments thereto, shall constitute an unlawful act pursuant to K.S.A. 65-3441, and amendments thereto, and subject to enforcement actions under K.S.A. 65-3445, and amendments thereto, and assessment penalties under K.S.A. 65-3446, and amendments thereto. Any order or decision of the director of the division of environment or the secretary finding violations pursuant to this section shall be subject to notice and opportunity for a hearing pursuant to K.S.A. 65-34,153, and amendments thereto.
- Sec. 3. K.S.A. 65-34,147 is hereby amended to read as follows: 65-34,147. It is the intent of the legislature that, to the maximum extent possible, moneys in the fund be utilized to address contamination resulting from releases of drycleaning solvents. The department is directed to administer the Kansas drycleaner environmental response act under the following criteria:
- (a) To the maximum extent possible, the department itself should deal with contamination from drycleaning facilities utilizing moneys in the fund. The department should discourage other units of government, both federal and local, including the United States environmental protection agency, from becoming involved in contamination problems resulting from releases from drycleaning facilities.
- (b) The department should make every reasonable effort to keep sites where drycleaning solvents are involved off of the national priorities list, as defined in 40 C.F.R. 300.5.
- (c) The department should not seek out contaminated drycleaning facility sites because of the existence of the fund or the other provisions of this act. The moneys are made available for use as sites are discovered in the normal course of the business of the agency.
 - (d)—Careful consideration should be given to interim or early

corrective action—which that may result in an overall reduction of risk to human health and the environment and in the reduction of total costs of corrective action at a site. Such interim or early corrective action should receive consideration by the department as a high priority.

- $\frac{\text{(e)}}{\text{(d)}}$ The department, in its discretion, may use innovative technology to perform corrective action.
- Sec. 4. K.S.A. 65-34,148 is hereby amended to read as follows: 65-34,148. (a) Whenever a release poses a threat to human health or the environment, the department, consistent with rules and regulations adopted by the secretary pursuant to subsections (d) and (e) of K.S.A. 65-34,143(d) and (e), and amendments thereto, shall expend moneys available in the fund to provide for *the*:
- (1) Investigation and assessment of-a *the* release-from a dryeleaning facility, including costs of investigations and assessments of contamination which *that* may have moved off the drycleaning facility;
- (2) necessary or appropriate emergency action, including but not limited to treatment, restoration or replacement of drinking water supplies, to—assure ensure that—the human health or safety is not threatened by a release or potential release;
- (3) remediation of releases from drycleaning facilities, including contamination—which that may have moved off-of the drycleaning facility, which and such remediation shall consist of clean up of affected soil, groundwater and surface waters, using the most—cost effective alternative that is technologically feasible and reliable, provides adequate protection of human health and environment and to the extent practical minimizes environmental damage:
 - (4) operation and maintenance of corrective action;
- (5) monitoring of releases from drycleaning facilities including contamination which that may have moved off-of the drycleaning facility;
- (6) payment of reasonable costs incurred by the secretary in providing field and laboratory services;
- (7) reasonable costs of restoring property, as—nearly *close* as practicable to the conditions that existed prior to *the* activities associated with the investigation of a *the* release or, clean up or remediation activities;
- (8) removal and proper disposal of wastes generated by-a *the* release of a drycleaning solvent; and
- (9) payment of costs of corrective action conducted by the department or by other entities—other than the department but approved by the department, whether or not such corrective action is set out in a corrective action plan, provided, however, that reimbursement for corrective action costs incurred before the effective date of this act shall be limited to \$100,000 per site that have received approval by the department to conduct such corrective action, whether or not such corrective action is

set out in a corrective action plan.

- (b) Nothing in subsection (a) shall be construed to authorize the department to obligate moneys in the fund for *the* payment of *any* costs which *that* are not integral to corrective action for a release of drycleaning solvents from a drycleaning facility. Moneys from the fund shall not be used:-
- (1)— For corrective action at sites that are contaminated by solvents normally used in drycleaning operations where the contamination did not result from the operation of a drycleaning facility;-
- (2)- for corrective action at sites, other than drycleaning facilities, that are contaminated by drycleaning solvents—which that were released while being transported to or from a drycleaning facility by a party other than the owner of such drycleaning facility or the owner's agents or employees;-
- (3)— to pay any costs associated with any fine or penalty brought against a drycleaning facility owner under state or federal law; or-
- (4)— to pay any costs related to corrective action at a drycleaning facility that has been included by the United States environmental protection agency on the national priorities list or at any facility—which that is a hazardous waste—disposal facility, as defined in K.S.A. 65-3430, and amendments thereto.
- (c) Nothing in this act shall be construed to restrict the department from:
- (1) Modifying, in the discretion of the secretary, the priority status of a site where warranted under the system of priorities established pursuant to-subsection (d) of K.S.A. 65-34,143(d), and amendments thereto; or
- (2) temporarily postponing completion of corrective action for which moneys from the fund are being expended whenever such postponement is deemed necessary—in order to make moneys available for corrective action at a site with a higher priority.
- (d) At any multisource site, the secretary shall utilize the moneys in the fund to pay for the proportionate share of the liability for corrective action costs—which that is attributable to a release from one or more drycleaning facilities and for that proportionate share of the liability only.
- (e) At any multisource site, the secretary is authorized to—make a determination of determine the relative liability of the fund for costs of corrective action, expressed as a percentage of the total cost of corrective action at a site, whether known or unknown. The secretary shall issue an order establishing such percentage of liability. Such order shall be binding and shall control the obligation of the fund until or unless amended by the secretary. In the event of an appeal from such order, such percentage of liability shall be controlling for costs incurred during the pendency of the appeal.
 - (f) Any authorized officer, employee or agent of the department, or

 any person under order or contract with the department, may enter onto any property or premises, at reasonable times and upon written notice to the owner or occupant, to take corrective action where the secretary determines that such action is necessary to protect—the public human health or the environment. If consent is not granted by the person in control of a site or suspected site regarding any request made by any officer, employee or agent of the department, or any person under order or contract with the department, under the provisions of this section, the secretary may issue an order directing compliance with the request. The order may be issued after such notice and opportunity for consultation as is reasonably appropriate under the circumstances.

- (g) Notwithstanding the other provisions of this act, in the discretion of the secretary, an owner may be responsible for up to 100% of the costs of corrective action attributable to—such the owner or operator if the secretary finds, after notice and an opportunity for a hearing in accordance with the Kansas administrative procedure act, that:
- (1) Requiring the owner to bear such responsibility will not prejudice another owner or person who is eligible, under the provisions of this act, to have corrective action costs paid by the fund; and
 - (2) the owner:
- (A) Caused a release by willful or wanton actions and such release was caused by operating practices contrary to those generally in use at the time of the release;
- (B) is in arrears for moneys owed pursuant to this act, after notice and an opportunity to correct the arrearage;
- (C) substantially obstructs the efforts of the department to carry out its obligations under this act, <u>provided</u>, <u>however</u>, <u>except</u> that the exercise of legal rights shall not constitute a substantial obstruction;
- (D) caused or allowed the release because of a material violation of the performance standards established in this act or the rules and regulations adopted by the secretary under this act; or
- (E) has more than once failed to report or failed to take an immediate response to a release, knowing or having reason to know of such release.

For purposes of this subsection (g), unless a transfer is made solely to take advantage of this provision, purchasers of stock or other indicia of ownership and other successors in interest shall not be considered to be the same owner or operator as the seller or transferor of such stock or indicia of ownership even though there may be no change in the legal identity of the owner or operator. To the extent that an owner is responsible for corrective action costs under this subsection, such owner shall not be entitled to the exemption set out in-subsection (e) of K.S.A. 65-34,149(c), and amendments thereto.

(h) The fund shall not be liable for the payment of costs in excess of

 \$5,000,000 for corrective action at any contaminated drycleaning site. For purposes of this subsection, "contaminated drycleaning site" means the areal extent of soil—or, groundwater *or surface water* contamination with drycleaning solvents.

- (i) There shall be a deductible of \$5,000 of corrective action costs incurred because of a release from a dryeleaning facility On and after July 1, 2025, any owner or other person applying for reimbursement from the fund for costs incurred or anticipated to be incurred for performing corrective actions shall submit a \$10,000 deductible due with submission of such application to the department. Nothing herein shall prohibit the department from taking corrective action because the department cannot obtain the deductible.
- Sec. 5. K.S.A. 65-34,150 is hereby amended to read as follows: 65-34,150. (a) Subject to the provisions of K.S.A. 65-34,152, and amendments thereto, there is hereby imposed an environmental surcharge in the form of a gross receipts tax for the privilege of engaging in the business of laundering and drycleaning garments and other household fabrics in this state. The tax shall be at a rate of 2.5% 5% of the gross receipts received from drycleaning or laundering services. The tax shall be paid by the consumer to the retailer, and it shall be the duty of the retailer to collect from the consumer the full amount of the tax imposed or an amount as nearly as possible or practicable to the average thereof.
- (b) Gross receipts otherwise taxable pursuant to this section shall be exempt from the tax imposed by this section if they arise from:
- (1) Services rendered through a coin-operated device, whether automatic or manually operated, available for use by the general public;
- (2) the laundering without use of drycleaning solvents of uniforms, linens or other textiles for commercial purposes, including any rental of uniforms, linens or dust control materials; or
- (3) charges or services to entities that qualify for exemption from retailers' sales tax on laundering and drycleaning services pursuant to K.S.A. 79-3606, and amendments thereto.
- (c) The tax imposed by this section shall be imposed on the same tax base as the Kansas retailers' sales tax and shall be in addition to all other state and local sales or excise taxes.
- (d) The secretary of revenue shall remit the taxes paid under this act to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the fund. For the purpose of this section, the proceeds of the tax shall include all funds collected and received by the director of taxation pursuant to this section, including interest and penalties on delinquent taxes.

 (e) Every retailer liable for the payment of taxes imposed by this section shall report the taxes for the same periods and at the same time as the returns that the retailer files under the Kansas retailers' sales tax act, as prescribed by K.S.A. 79-3607, and amendments thereto. Each retailer shall report the tax imposed by this act on a form prescribed by the secretary of revenue.

- (f) (1) All taxes imposed by this section and not paid at or before the time taxes are due from the retailer under the Kansas retailers' sales tax act shall be deemed delinquent and shall bear interest at the rate prescribed by subsection (a) of K.S.A. 79-2968(a), and amendments thereto, from the due date until paid. In addition, there is hereby imposed upon all amounts of such taxes remaining due and unpaid after the due date a penalty on the unpaid balance of the taxes due in the amounts and percentages prescribed by K.S.A. 79-3615, and amendments thereto.
- (2) The secretary of revenue shall report any such delinquency to the secretary at least once each calendar year in accordance with K.S.A. 75-5133, and amendments thereto.
- (3) The secretary or the director of the division of environment, upon finding that a person has violated any provision of this section, may impose a penalty, in addition to any other penalty provided by law. Such penalty shall not exceed \$10,000 per violation that shall constitute an actual and substantial economic deterrent to the violation for which it is assessed and, in the case of a continuing violation, every month that such violation continues shall be deemed a separate violation.
- (4) The secretary or the director of the division of environment may collect any delinquent taxes, including any interest or penalty assessed pursuant to this act, upon issuance of an order requiring payment of the amount due subject to K.S.A. 65-34,153, and amendments thereto.
- (g) Whenever any taxpayer or person liable to pay tax imposed by this section refuses or neglects to pay the tax, the amount of the tax, including any interest or penalty, shall be collected in the manner provided by law for collection of delinquent taxes under the Kansas retailers' sales tax act
- (h) Insofar as not inconsistent with this act, the provisions of the Kansas retailers' sales tax act shall apply to the tax imposed by this section.
- (i) The secretary of revenue is hereby authorized to administer and enforce the provisions of this section and to adopt such rules and regulations as may be necessary to carry out the responsibilities of the secretary of revenue under this section.
- Sec. 6. K.S.A. 65-34,151 is hereby amended to read as follows: 65-34,151. (a) Subject to the provisions of K.S.A. 65-34,152, and amendments thereto, there is hereby imposed a fee on the purchase or

acquisition of drycleaning solvent by any owner of a drycleaning facility. The fee shall be paid to the director of taxation by the person who distributes the solvent.

- (b) The amount of the fee imposed by this section on each gallon of drycleaning solvent shall be an amount equal to the product of the solvent factor for the drycleaning solvent and the fee rate of \$3.50 plus .25 added on January 1 of each calendar year, beginning in 1996, until the fee rate reaches a maximum of \$5.50 per gallon.
 - (c) The solvent factor for each drycleaning solvent is as follows:

10	Drycleaning solvent	Solvent Factor
11	Perchloroethylene	1.00
12	Chlorofluorocarbon-113	1.00
13	1,1,1-trichloroethane	1.00
14	Other chlorinated drycleaning solvents	1.00
15	Any nonchlorinated drycleaning solvent	0.10

- (d) In the case of a fraction of a gallon, the fee imposed by this section shall be the same fraction of the fee imposed on a whole gallon.
- (e) No person who distributes drycleaning solvent shall sell any such solvent for use in a drycleaning facility unless such person first obtains the registration number of the owner of such facility.
- (f) The secretary of revenue shall remit the fees paid pursuant to this section to the state treasurer in accordance with the provisions of K.S.A. 75-4215, and amendments thereto. Upon receipt of each such remittance, the state treasurer shall deposit the entire amount in the state treasury to the credit of the fund. For the purpose of this section, the proceeds of the fee shall include all funds collected and received by the director of taxation pursuant to this section, including interest and penalties on delinquent fees.
- (g) Subject to rules and regulations adopted pursuant to this section, the fees imposed by this act shall be paid to the director of taxation for the same reporting period and on the same reporting date as the purchaser or user of the solvent reports Kansas retailers' sales tax, as prescribed in K.S.A. 79-3607, and amendments thereto. The fees imposed by this section shall be reported on a form prescribed by the secretary of revenue.
- (h) (1) Subject to rules and regulations adopted pursuant to this section, all fees imposed under the provisions of this section and not paid on or before the 25th day of the month succeeding the reporting period in which the solvent was purchased shall be deemed delinquent and shall bear interest at the rate prescribed by—subsection (a) of K.S.A. 79-2928 K.S.A. 79-2968, and amendments thereto, from the due date until paid.—In addition, there is hereby imposed upon all amounts of such fees remaining due and unpaid after the due date a penalty on the unpaid balance of the fees due in the amounts and percentages prescribed by K.S.A. 79-3615,

and amendments thereto.

- (2) The secretary of revenue shall report any such delinquency o the secretary at least once each calendar year in accordance with K.S.A. 75-5133, and amendments thereto.
- (3) The secretary or the director of the division of environment, upon finding that a person has violated any provision of K.S.A. 65-34,151, and amendments thereto, may impose a penalty not to exceed \$10,000 per violation. Such penalty shall constitute an actual and substantial economic deterrent to the violation for which such penalty is assessed and, in the case of a continuing violation, every day that such violation continues shall be deemed a separate violation.
- (4) The secretary or the director of the division of environment may collect any delinquent fee, including any interest or penalty assessed pursuant to this act, upon issuance of an order requiring payment of the amount due subject to K.S.A. 65-34,153, and amendments thereto.
- (i) Whenever any person liable to pay the fee imposed by this section refuses or neglects to pay the fee, the amount of the fee, including any interest or penalty, shall be collected in the manner provided by law for collection of delinquent taxes under the Kansas retailers' sales tax act or this act.
- (j) Insofar as not inconsistent with this act, the provisions the Kansas retailers' sales tax act shall apply to the fees imposed by this section.
- (k) The secretary of revenue is hereby authorized to administer and enforce the provisions of this section and to adopt such rules and regulations as may be necessary to carry out the responsibilities of the secretary of revenue under this section.
- Sec. 7. K.S.A. 65-34,154 is hereby amended to read as follows: 65-34,154. On or before the first day of the regular legislative session each year, the secretary shall submit to the members of the standing committee on—energy agriculture and natural resources of the senate and to the members of the standing committee on—environment agriculture and natural resources of the house of representatives, or any successor committees, a report regarding:
- (a) Receipts of the fund during the preceding calendar year and the sources of the receipts;
- (b) disbursements from the fund during the preceding calendar year and the purposes of the disbursements;
- (c) the extent of corrective action taken under this act during the preceding calendar year; and
 - (d) the prioritization of sites for expenditures from the fund.
- Sec. 8. K.S.A. 65-34,142, 65-34,144, 65-34,147, 65-34,148, 65-34,150, 65-34,151 and 65-34,154 are hereby repealed.
 - Sec. 9. This act shall take effect and be in force from and after its

1 publication in the statute book.