

SESSION OF 2015

SUPPLEMENTAL NOTE ON HOUSE BILL NO. 2192

As Recommended by House Committee on
Energy and Environment

Brief*

HB 2192 would create the Environmental Stewardship Fund (Fund) in the Department of Health and Environment (KDHE). The Fund would be used to pay for remediation activities at contaminated "orphan" sites, *i.e.*, sites with no party responsible for cleanup. It would be funded by a portion of the proceeds from the environmental assurance fee, a \$0.01 per gallon fee already being assessed on petroleum products other than aviation fuel. The Fund would have an operating minimum of \$2.0 million and a maximum of \$5.0 million.

The bill also would create an incentive program for owners of single-wall underground petroleum tanks who replace those tanks with a secondary containment system. The incentive program would reimburse applicants no more than \$50,000 per facility. The incentives would be paid from the Underground Storage Tank (UST) Redevelopment Fund, up to a maximum of \$3.0 million per fiscal year. As part of this program, KDHE would waive the first costs of corrective action if contamination is discovered during the tank replacement. Essentially, this would waive the "deductible" a tank owner must pay before being eligible for UST Trust Fund moneys to assist with cleanup.

The Secretary of Health and Environment would be authorized to adopt rules and regulations deemed necessary to carry out the program.

*Supplemental notes are prepared by the Legislative Research Department and do not express legislative intent. The supplemental note and fiscal note for this bill may be accessed on the Internet at <http://www.kslegislature.org>

Background

Proponents testifying in support of the bill in the House Committee on Energy and Environment included representatives of KDHE, the Petroleum Marketers and Convenience Store Association of Kansas, and GSI Engineering. Written testimony in support of the bill was received from the American Council of Engineering Companies of Kansas. There was no neutral or opponent testimony.

KDHE is responsible for protection of human health and environment from releases of hazardous substances, petroleum, and other pollutants. Proponents explained the Environmental Stewardship Fund is needed to offset reductions in existing funds available for environmental cleanup and emergency actions at the approximately 83 orphan sites in Kansas. The proposed funding source, the environmental assurance fee, currently supports the aboveground, underground, and UST redevelopment funds. It cycles off when those funds reach their statutory maximums, usually eight to nine months into the year. The Environmental Stewardship Fund would receive revenue up to a \$5.0 million maximum only after the other three funds are fully funded. If all four funds are fully funded, the fee would cycle off for the remainder of the year.

Proponents noted the incentive program for owners of single-wall underground petroleum tanks to upgrade to new secondary containment tank systems would help offset the \$250,000 to \$300,000 cost of installing a new tank with secondary containment. They estimated up to 80 percent of USTs are single-wall tanks.

The fiscal note prepared by the Division of the Budget indicates enactment of the bill would increase fee fund revenue by \$5.0 million and increase fee fund expenditures by \$3.0 million in FY 2016. The Environmental Stewardship Fund would be operated like the other petroleum funds administered by KDHE and have an annual operating minimum of \$2.0 million and a maximum of \$5.0 million. Any

fiscal effect associated with the bill is not reflected in *The FY 2016 Governor's Budget Report*.