As Amended by Senate Committee

Session of 2012

SENATE BILL No. 406

By Committee on Natural Resources

2-8

AN ACT concerning the Kansas storage tank act; relating to the underground storage tank fund; amending K.S.A. 65-34,123 and K.S.A. 2011 Supp. 65-34,102, 65-34,110, 65-34,117, 65-34,131, 65-34,132, 65-34,133 and 65-34,134 and repealing the existing sections.

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

Section 1. K.S.A. 2011 Supp. 65-34,102 is hereby amended to read as follows: 65-34,102. As used in the Kansas storage tank act:

(a) "Aboveground storage tank" means:

(1) Any storage tank in which greater than 90% of the tank volume, including volume of the piping, is not below the surface of the ground; or
(2) Any storage tank situated in an underground area, such as a basement, cellar, mine working, drift, shaft or tunnel, if the storage tank is situated upon or above the surface of the floor.

(b) "Aboveground fund" means the aboveground petroleum storage tank release trust fund.

(c) "Department" means the Kansas department of health and environment.

(d) "Facility" means all contiguous land, structures and other appurtenances and improvements on the land used in connection with one or more storage tanks.


(f) "Financial responsibility" means insurance, guarantee, surety bond, letter of credit, qualification as a self-insurer or any other method satisfactory to the secretary to provide for taking corrective action, including cleanup and restoration of any damage to the land, air or waters of the state, and compensating third parties for cleanup, bodily injury or property damage resulting from a sudden or nonsudden release of a regulated substance arising from the construction, relining, ownership or operation of an underground storage tank and in the amount specified in
the federal act.

(g) "Guarantor" means any person, other than an owner or operator, who provides evidence of financial responsibility for an owner or operator.

(h) "Operator" means any person in control of or having responsibility for the daily operation of a storage tank, but such term shall not include a person whose only responsibility regarding such storage tank is filling such tank with a regulated substance and who does not dispense or have control of the dispensing of regulated substances from the storage tank.

(i) "Own" means to hold title to or possess an interest in a storage tank or the regulated substance in a storage tank.

(j) (1) "Owner" means any person who: (A) Is or was the owner of any underground storage tank which was in use on November 8, 1984, or brought into use subsequent to that date; (B) in the case of an underground storage tank in use prior to November 8, 1984, owned such tank immediately prior to the discontinuation of its use; (C) is or was the owner of any aboveground storage tank which was in use on July 1, 1992, or brought into use subsequent to that date; or (D) in the case of an aboveground storage tank in use prior to July 1, 1992, owned such tank immediately prior to the discontinuation of its use.

(2) Owner does not include: (A) A person who holds an interest in a petroleum storage tank solely for financial security, unless through foreclosure or other related actions the holder of a security interest has taken possession of the storage tank; and (B) any city or county which obtains a storage tank or regulated substance as a result of tax foreclosure proceedings.

(k) "Person" means an individual, trust, firm, joint venture, consortium, joint-stock company, corporation, partnership, association, state, interstate body, municipality, commission, political subdivision or any agency, board, department or bureau of this state or of any other state or of the United States government.

(l) "Petroleum" means petroleum, including crude oil or any fraction thereof, which is liquid at standard conditions of temperature and pressure (60 degrees Fahrenheit and 14.7 pound per square inch absolute), including but not limited to, gasoline, gasohol, diesel fuel, fuel oils, kerosene and biofuels.

(m) "Petroleum product" means petroleum other than crude oil.

(n) "Petroleum storage tank" means any storage tank used to contain an accumulation of petroleum.

(o) "Regulated substance" means petroleum or any element, compound, mixture, solution or substance defined in section 101(14) of the comprehensive environmental response, compensation and liability act of 1980 of the United States as in effect on January 1, 1989, but not if

(p) "Release" means any spilling, leaking, emitting, discharging, escaping, leaching or disposing from a storage tank into groundwater, surface water or soils.

(q) "Removal" means the process of removing or disposing of a storage tank, no longer in service, and also shall mean the process of abandoning such tank, in place.

(r) "Repair" means modification or correction of a storage tank through such means as relining, replacement of piping, valves, fillpipes, vents and liquid level monitoring systems, and the maintenance and inspection of the efficacy of cathodic protection devices, but the term does not include the process of conducting a tightness test to establish the integrity of a tank.

(s) "Secretary" means the secretary of health and environment.

(t) "Storage tank" means any one or combination of tanks used to contain an accumulation of regulated substances, the associated piping and ancillary equipment and the containment system.

(u) "Tank" means a stationary device designed to contain an accumulation of substances and constructed of non-earthen materials such as concrete, steel or plastic, that provide structural support.

(v) "Terminal" means a bulk storage facility for storing petroleum supplied by pipeline or marine vessel.

(w) "Trade secret" has the same meaning as provided in K.S.A. 60-3320, and amendments thereto.

(x) "Underground storage tank" means any storage tank in which 10% or more of the tank volume, including volume of the piping, is below the surface of the ground. Underground storage tank does not include any storage tank situated in an underground area, such as a basement, cellar, mine working, drift, shaft or tunnel, if the storage tank is situated upon or above the surface of the floor.

(y) "Underground storage tank contractor" or "contractor" means a business which holds itself out as being qualified to install, repair or remove underground storage tanks.

(z) "Underground fund" means the underground petroleum storage tank release trust fund.

(aa) "Underground storage tank installer" or "installer" means an individual who has an ownership interest or exercises a management or supervisory position with an underground storage tank contractor. The term shall include the crew chief, expeditor, engineer, supervisor, leadman or foreman in charge of a tank installation project.

(bb) "Bulk plant" means an aboveground storage tank facility, not
located at a pipeline terminal or located on a federal facility, with a storage capacity of 1,320 gallons or more, but less than 1,000,000 gallons, used to dispense petroleum to tanker trucks for transportation and sale at another location;

(cc) "fuels supply fund" means the Kansas essential fuels supply trust fund.

"UST redevelopment fund" means the Kansas UST property redevelopment trust fund.

(cc) "Abandoned underground storage tank" means an underground storage tank that exhibits one or more of the following conditions:

(1) is not in use for more than three months;

(2) does not have a current tank permit issued by the department; or

(3) has been temporarily closed, in accordance with department guidelines, for more than 12 months.

(dd) "Property owner" means for the purposes of the underground storage tank property redevelopment trust UST redevelopment fund, a person who owns real property on which an abandoned underground storage tank is located.

Sec. 2. K.S.A. 2011 Supp. 65-34,110 is hereby amended to read as follows: 65-34,110. (a) It shall be unlawful for any person to practice, or hold oneself out as authorized to practice, as an underground storage tank installer or underground storage tank contractor or use other words or letters to indicate such person is a licensed installer or contractor unless the person is licensed in accordance with this section.

(b) The secretary shall:

(1) Develop and administer a written examination to candidates for licensing under the terms of this section. Questions used in the examination shall be derived from standard instructions and recommended practices published by such authorities as the petroleum equipment institute, American petroleum institute, steel tank institute, national association of corrosion engineers, Fiberglass tank and pipe manufacturers institute, national fire protection association, western fire chiefs association and underwriters laboratories. Additional questions shall be derived from state and federal regulations applicable to storage tanks. The secretary shall make available sample questions and related material to qualified candidates to be used as a study guide in preparation for the examination.

(2) Conduct at least one on-site inspection annually, observing procedures used by each licensed underground storage tank contractor for installing, repairing or removing an underground storage tank.

(c) Any person who willfully violates any provision of subsection (a) shall be guilty of a class C misdemeanor and, upon conviction thereof, shall be punished as provided by law.

(d) Prior to 12 months after the effective date of this act, the
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department shall conduct written examinations, at such times and locations
within the state as the department may designate, for the purpose of
identifying installers as being qualified to receive an underground tank
installer's license. Each underground tank installer's license shall be issued
for a period of two years and shall be subject to periodic renewal thereafter
under procedures prescribed by the department.

(e) Beginning 18 months after the effective date of this act, no
contractor shall engage in the installation, repair or removal of an
underground storage tank unless such contractor has been issued a
contractor license. Each contractor license shall be issued for a period of
two years and shall be subject to periodic renewal thereafter under
procedures prescribed by the department.

(f) A contractor must meet the following requirements to qualify for a
contractor license:

1. At least one active officer or executive of the business must
   possess a valid underground storage tank installer's license.
2. Any person who manufactures an underground fuel storage tank
   for use in Kansas, or piping for such tank, or who installs or repairs such
   tanks or piping, shall maintain evidence of financial responsibility in an
   amount equal to or greater than $1,000,000 per occurrence and $2,000,000
   annual aggregate for the costs of corrective action directly related to
   releases caused by improper manufacture, installation or repair of such
   tank or piping.
3. The requirement in paragraph (2) shall not apply to the
   installation or repair of a fuel tank or piping performed by the owner or
   operator of such fuel tank or piping.
4. Evidence of financial responsibility shall be presented with an
   application for a contractor license and subsequent renewals of contractor
   license to the department.
5. The contractor must state in its license application and agree that
   at all times on any and all jobs involving the installation, repair or removal
   of an underground storage tank, an individual who possesses a valid
   underground storage tank installer's license will be present at the job site
   not less than 75% of the time during the progress of the work, and that
   such installer shall exercise responsible supervisory control over the work.
6. The secretary may promulgate rules and regulations to implement
   the provisions of this subsection.
7. The secretary may elect to establish reciprocal arrangements with
   states having similar licensing requirements and to provide for the
   licensing in this state of persons who have successfully completed
   examinations and otherwise qualified for licensure in another state.
8. A valid interim contractor license or an unexpired contractor
   license shall be valid in all counties and municipalities throughout the
state, and the issuance of either license to a contractor shall serve as
authority for the contractor to engage in the installation, repair and
removal of underground storage tanks in any jurisdiction within the state
without requirement for obtaining additional county or local licenses.
However, local jurisdictions may impose more stringent requirements for
installation, repair or removal of such tanks than are imposed by state
regulations, in which case a contractor shall be required to conduct its
operations in the local jurisdiction in conformity with the local
requirements.

Sec. 3. K.S.A. 2011 Supp. 65-34,117 is hereby amended to read as
follows: 65-34,117. (a) There is hereby established on and after July 1,
1992, an environmental assurance fee of $.01 on each gallon of petroleum
product, other than aviation fuel, manufactured in or imported into this
state. The environmental assurance fee shall be paid by the manufacturer,
importer or distributor first selling, offering for sale, using or delivering
petroleum products within this state. The environmental assurance fee
shall be paid to the department of revenue at the same time and in the same
manner as the inspection fee established pursuant to K.S.A. 55-426, and
amendments thereto, is paid. The secretary of revenue shall remit the
environmental assurance fees paid hereunder 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 either the
aboveground fund or underground fund, as provided by subsection (b).
Exchanges of petroleum products on a gallon-for-gallon basis within a
terminal and petroleum product which is subsequently exported from this
state shall be exempt from this fee.

(b) Moneys collected from the environmental assurance fee imposed
by this section shall be credited as follows:

(1) At any time when the unobligated principal balance of the
underground fund is equal to $2,000,000 or less, the moneys shall be
credited to the underground fund until the unobligated principal balance of
underground fund equals or exceeds $5,000,000.

(2) At any time when the unobligated principal balance of the
aboveground fund is equal to $500,000 or less and the moneys are not
required to be credited to the underground fund under subsection (b)(1),
such moneys shall be credited to the aboveground fund until the
unobligated principal balance of the aboveground fund equals or exceeds
$1,500,000 or until subsection (b)(1) requires moneys to be credited to the
underground fund, whichever occurs first. At any time when the
unobligated principal balance of the aboveground fund exceeds
$1,500,000, the excess shall be transferred to the underground fund.

(3) At any time when the moneys cease to be credited to aboveground
fund before the unobligated principal balance of the aboveground fund equals or exceeds $1,500,000, such moneys shall again be credited to the aboveground fund when the unobligated principal balance of the underground fund equals or exceeds $5,000,000. Such moneys shall continue to be credited to the aboveground fund until the unobligated principal balance of the aboveground fund equals or exceeds $1,500,000 or until subsection (b)(1) requires moneys to be credited to the underground fund, whichever occurs first.

(4) At any time when subsections (b)(1), (b)(2) and (b)(3) do not require moneys to be credited to either the underground fund or the aboveground fund, the excess shall be transferred to the Kansas essential fuels supply trust and the UST redevelopment fund. If the unobligated principal balance of the Kansas essential fuels supply trust fund is equal to $2,000,000 or less, the moneys shall be credited to the Kansas essential fuels supply trust fund until the unobligated principal balance of the Kansas essential fuels supply trust fund equals or exceeds $5,000,000 or until subsections (b)(1), (b)(2) or (b)(3) require money.

(c) At any time when subsections (b)(1), (b)(2), (b)(3) and (b)(4) do not require moneys to be credited to either the underground fund or the aboveground fund, no environmental assurance fees shall be levied unless and until such time as the unobligated principal balance in the underground fund is less than or equal to $2,000,000 or the unobligated principal balance in the aboveground fund is less than or equal to $500,000, in which case the collection of the environmental assurance fee will resume within 90 days following the end of the month in which such unobligated balance occurs. If no environmental assurance fees are being levied, the director of accounts and reports shall notify the secretary of revenue whenever the unobligated principal balance in the underground fund equals or exceeds $5,000,000, and the secretary of revenue shall then give notice to each person subject to the environmental assurance fee as to the imposition of the fee and the duration thereof.

The director of accounts and reports shall cause to be published each month, in the second issue of the Kansas register published in such month, the amount of the unobligated principal balances in the underground fund and the aboveground fund on the last day of the preceding calendar month.

(d) Every manufacturer, importer or distributor of any petroleum product liable for the payment of environmental assurance fees as provided in this act, shall report in full and detail before the 25th day of every month to the secretary of revenue, on forms prepared and furnished by the secretary of revenue, and at the time of forwarding such report, shall compute and pay to the secretary of revenue the amount of fees due
on all petroleum products subject to such fee during the preceding month.

(e) All fees imposed under the provisions of this section and not paid on or before the 25th day of the month succeeding the calendar month in which such petroleum products were subject to such fee shall be deemed delinquent and shall bear interest at the rate of 1% per month, or fraction thereof, from such due date until paid. In addition thereto, there is hereby imposed upon all amounts of such fees remaining due and unpaid after such due date a penalty in the amount of 5% thereof. Such penalty shall be added to and collected as a part of such fees by the secretary of revenue.

(f) The secretary of revenue is hereby authorized to adopt such rules and regulations as may be necessary to carry out the responsibilities of the secretary of revenue under this section.

Sec. 4. K.S.A. 65-34,123 is hereby amended to read as follows: 65-34,123. The underground fund and the aboveground fund shall be and are hereby abolished on July 1, 2014.

Sec. 5. K.S.A. 2011 Supp. 65-34,131 is hereby amended to read as follows: 65-34,131. (a) There is hereby established as a segregated fund in the state treasury the Kansas essential fuels supply trust fund. The Kansas essential fuels supply trust fund is hereby redesignated as the UST redevelopment fund. The fuels supply UST redevelopment fund shall be administered by the secretary. Revenue from the following sources shall be deposited in the state treasury and credited to the fuels supply UST redevelopment fund:

(1) The applicable proceeds of the environmental assurance fee imposed by K.S.A. 65-34,117, and amendments thereto; and
(2) interest attributable to investment of moneys in the fuels supply UST redevelopment fund.

(b) The fuels supply fund shall be used for the following funds credited to the UST redevelopment fund may be expended to:

(1) To Reimburse an eligible property owner of an aboveground storage tank or bulk plant in accordance with the provisions of K.S.A. 2011 Supp. 65-34,132, and amendments thereto, for allowable expenses for an upgrade or permanent closure of an aboveground abandoned underground storage tank or bulk plant; and;
(2) permit the secretary to conduct activities to permanently close an abandoned underground storage tank, if the underground storage tank owner or operator has not been identified or is unable or unwilling to perform permanent closure of the underground storage tank; and or
(3) payment of pay the administrative technical and legal costs incurred by the secretary in carrying out the provisions of K.S.A. 2011 Supp. 65-34,131 and 65-34,132, and amendments thereto, including the cost of any additional employees or increased general operating costs of the department attributable thereto, which costs shall not be payable from
any moneys other than those credited to the fuels supply trust UST redevelopment fund.

(c) On or before the 10th of each month, the director of accounts and reports shall transfer from the state general fund to the above Kansas essential fuels supply trust UST redevelopment fund interest earnings based on:

(1) The average daily balance of moneys in the above Kansas essential fuels supply trust UST redevelopment fund for the preceding month; and

(2) the net earnings rate of the pooled money investment portfolio for the preceding month.

(d) All expenditures from the above Kansas essential fuels supply trust UST redevelopment fund shall be made in accordance with appropriation acts upon warrants of the director of accounts and reports issued pursuant to vouchers approved by the secretary for the purposes set forth in this section.

(e) This section shall be part of and supplemental to the Kansas storage tank act.

Sec. 6. K.S.A. 2011 Supp. 65-34,132 is hereby amended to read as follows: 65-34,132. (a) The secretary may provide for the reimbursement to eligible property owners of aboveground storage tanks or bulk plants in accordance with the provisions of this section and subject to the availability of moneys in the Kansas essential fuels supply trust UST redevelopment fund. An aboveground storage tank or bulk plant A property owner shall be eligible for reimbursement under this section, if such aboveground storage tank or bulk plant is used for the storage of petroleum products for resale, property owner has been approved by the secretary and:

(1) The property owner has never placed petroleum in the underground storage tank or withdrawn petroleum from the underground storage tank;

(2) the property owner is not the United States government or any of its agencies;

(3) the property owner is in substantial compliance with the Kansas storage tank act;

(4) the property owner provides 30-day notice and access to the department to perform an environmental assessment of the site during the underground storage tank removal; and

(5) if petroleum contamination is discovered during the environmental assessment of this site, the property owner applies to the underground fund to perform corrective action to address the contamination.

(b) A property owner shall not be eligible for reimbursement unless
the underground storage tank owner or operator is unable or unwilling to perform corrective action or cannot be found. In such case the secretary may recover all reimbursement paid and any related administrative and legal expenses, from the underground storage tank owner or operator.

(c) Reimbursement pursuant to subsection (a) is subject to the following:

(1) The property owner must submit an application for reimbursement on forms supplied by the department and receive approval from the secretary of the proposed underground storage tank removal plan;

(2) upon approval of such plan, the property owner shall obtain and submit to the secretary at least three bids from persons qualified to perform the underground storage tank removal except that, the secretary may waive this requirement upon a showing that the property owner has made a good faith effort, but has not been able to obtain three bids from qualified bidders.

(3) The secretary may, in the secretary's discretion, determine those costs which are allowable as underground storage tank removal costs.

(d) The secretary may reimburse the property owner of an aboveground storage tank facility or bulk plant for upgrade expenses or for permanent closure expenses, in the amount specified in subsection (e), if all of the following criteria are met:

(1) The aboveground underground storage tank facility was registered with the department on or after November 22, 1993; and

(2) the aboveground underground storage tank contains petroleum products; and

(3) A deed restriction was placed on the property prohibiting the installation of underground storage tanks for the 10 years following the date of the underground storage tank removal. As a condition for reimbursement, the applicant must provide a notarized copy of the recorded deed restriction for the property with the seal of the register of deeds to the department.

(3) application is made on or before January 1, 2011, on a form provided by the department;

(4) upgrade expenses must be incurred after August 1, 2001, and not later than July 1, 2009. Upgrade expenses are limited to reasonable and necessary to the installation or improvement of equipment or systems required for compliance with 40 CFR 112. Such expenses shall include, but are not limited to, installation or upgrade of the following:

(A) Secondary containment;

(B) integrity testing;

(C) corrosion protection;

(D) loss prevention;
(E) engineering costs;
(F) security;
(G) drainage; and

(H) removal of noncompliant tanks;

(5) expenses for permanent closure activities, must be incurred after August 1, 2001, and not later than July 1, 2009.

(e) Only expenses for activities reasonable and necessary to permanently close an aboveground underground storage tank facility are eligible for reimbursement. Reasonable and necessary activities eligible for reimbursement include, but are not limited to, the following:

(A) Removal of the tank and piping system;
(B) removal of tank support and confinement systems;
(C) removal of security systems;
(D) cleaning and disposal of tanks; and

(E) disposal of waste petroleum and other waste material including concrete.

(f) Applications for reimbursement must be made on forms supplied by the department. Applications for reimbursement must include documentation of the facility upgrade or permanent closure activities and expense. Proof of payment of all expenses for which reimbursement is requested must be provided. The department will review those expenses based on current industry costs and provide reimbursement of reasonable and necessary costs. The department shall reimburse an applicant for 90% of the approved cost of the facility upgrade or permanent closure not to exceed $25,000 per facility. Disputes regarding application approval, reimbursements rates or reimbursement amounts will be referred to the Kansas essential fuel supply trust UST redevelopment fund compensation advisory board.

(d) If the owner of an aboveground storage tank facility contracts with another individual or business entity to perform the upgrade or permanent closure activities, the expenses may be submitted to the department for reimbursement under this section. The department may deny any claim for reimbursement that fails to provide adequate proof of payment in full to the contracting party. The owner may obtain prior approval from the department of the activities to be performed and the expenses to be incurred.

(e) Owners of aboveground storage tanks or bulk plant may enter into an agreement with the department to perform upgrades or permanent closures after the deadline and receive reimbursement if they comply with the following criteria:

(1) The owner has signed a contract with a vendor to perform the work prior to the deadline; and

(2) the vendor indicates that they are unable to perform the work.
before the deadline.

(f) (g) The secretary may adopt such rules and regulations deemed necessary to carry out the provisions of this section.

(g) (h) The provisions of this section shall be part of and supplemental to the Kansas storage tank act.

Sec. 7. K.S.A. 2011 Supp. 65-34,133 is hereby amended to read as follows: 65-34,133. (a) There is hereby established the Kansas essential fuel[s] supply trust UST redevelopment fund compensation advisory board composed of five members, including the state fire marshal or the state fire marshal's designee, the director of the division of environment of the department or designee, two representatives from the petroleum industry, at least one of which shall be a petroleum marketer and one representative from the petroleum equipment installation industry. The governor shall appoint the appointive members of the board, and the members so appointed shall serve for terms of the duration of fuels supply UST redevelopment fund. The governor also shall designate a member of the board as its chair, to serve in such capacity at the pleasure of the governor. The secretary shall provide staff to support the activities of the board.

(b) Appointed members of the board attending meetings of such board, or attending a subcommittee meeting thereof, when authorized by such board, shall receive the amounts provided in subsection (e) of K.S.A. 75-3223, and amendments thereto.

(c) The board shall provide advice and counsel and make recommendations to the secretary regarding disputes over the disbursement of moneys from the Kansas essential fuel[s] supply trust UST redevelopment fund.

Sec. 8. K.S.A. 2011 Supp. 65-34,134 is hereby amended to read as follows: 65-34,134. The Kansas essential fuels supply trust UST redevelopment fund compensation advisory board and the Kansas essential fuels supply trust UST redevelopment fund shall be and are hereby abolished on July 1, 2012 2024. At the time of such abolishment remaining funds shall be deposited in the underground fund.


Sec. 10. This act shall take effect and be in force from and after its publication in the statute book.