

February 14, 2020

The Honorable Ron Highland, Chairperson
House Committee on Agriculture
Statehouse, Room 458-W
Topeka, Kansas 66612

Dear Representative Highland:

SUBJECT: Fiscal Note for HB 2575 by House Committee on Agriculture

In accordance with KSA 75-3715a, the following fiscal note concerning HB 2575 is respectfully submitted to your committee.

HB 2575 would increase the environmental surcharge tax applied to dry cleaning retailers from 2.5 percent to 5.0 percent of gross receipts. Under current law, the taxes are remitted to the Dry Cleaning Facility Release Trust Fund. The bill would also create a tiered deductible schedule for owners or operators of sites that have been contaminated by dry cleaning facilities. The schedule would be as follows:

1. A deductible of \$10,000 for an operator of a dry cleaning facility that has been determined to be the source of contamination;
2. A deductible of \$7,500 for any owner of the property who has received direct or indirect payment from the operation of a dry cleaning facility that has been determined to be the source of contamination;
3. A deductible of \$5,000 for any owner of the property of a former dry cleaning facility that has been determined to be the source of contamination if the owner purchased or obtained ownership of the property after closure of the dry cleaning facility and had no preexisting relationship with any previous responsible parties; and
4. A deductible of \$5,000 for any state agency seeking corrective action through the Dry Cleaning Facility Release Trust Fund on behalf of an owner or operator.

The bill would require the Department of Revenue to report annually to KDHE any dry cleaning retailers who are delinquent in collecting and remitting to the state the environmental surcharge tax and of dry cleaning solvent distributors to collect and remit to the state the fee on purchases of dry cleaning solvents. The bill would authorize KDHE to impose a penalty of up to \$10,000 for violations of any statutory provisions of the environmental surcharge tax or the dry

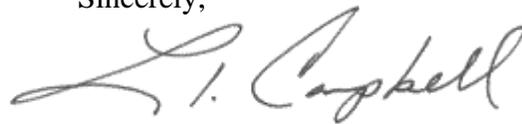
cleaning solvent fee. The bill would eliminate a provision that prohibits KDHE from purposely seeking out contaminated dry cleaning sites and requires the agency to discover sites in the normal course of business.

Estimated State Fiscal Effect				
	FY 2020 SGF	FY 2020 All Funds	FY 2021 SGF	FY 2021 All Funds
Revenue	--	--	--	\$695,625
Expenditure	--	--	\$3,700	\$699,325
FTE Pos.	--	--	--	--

The Kansas Department of Health and Environment estimates increasing the environmental surcharge tax would generate additional revenue of \$695,625 annually for the Dry Cleaning Facility Release Trust Fund beginning in FY 2021. The revenue would be used for an equal amount of costs related to the assessment, remediation and monitoring of sites contaminated by dry cleaning facilities.

The Department of Revenue estimates the bill would require additional administrative costs totaling \$3,700 from the State General Fund in FY 2021. The total amount includes \$2,450 to update publications and send notices by mail to all registered dry cleaning businesses and \$1,250 for information technology programming costs. Any fiscal effect associated with HB 2575 is not reflected in *The FY 2021 Governor's Budget Report*.

Sincerely,



Larry L. Campbell
Director of the Budget

cc: Dan Thimmesch, Health & Environment
Lynn Robinson, Department of Revenue