

Introduced by

Representatives Keiser, D. Anderson, Lefor

Senators Klein, Unruh

1 A BILL for an Act to provide for limitations of penalties for environmental audits.

2 **BE IT ENACTED BY THE LEGISLATIVE ASSEMBLY OF NORTH DAKOTA:**

3 **SECTION 1.**

4 **Environmental audits - Violations.**

5 1. As used in this section:

6 a. "Environmental audit" means a voluntary, internal, and comprehensive evaluation
7 of a facility or activity which is intended to prevent noncompliance with
8 environmental laws, rules, or permits enforced by a regulatory agency under
9 chapter 23-25, 23-20.3, 23-29, 38-08, or 61-28. An environmental audit may be
10 conducted by an owner, operator, or prospective owner or operator. An employee
11 or independent contractor may conduct an environmental audit on behalf of the
12 owner, operator, or prospective owner or operator.

13 b. "Environmental audit report" means a set of documents labeled "Environmental
14 Audit Report: Privileged Document" prepared as a result of an environmental
15 audit which must include a description of the scope of the audit; the information
16 gained in the audit and findings, conclusions, and recommendations; and exhibits
17 and appendices. The exhibits and appendices to the environmental audit report
18 may include interviews with current or former employees, field notes and records
19 of observations, findings, opinions, suggestions, conclusions, guidance, notes,
20 drafts, memoranda, legal analyses, drawings, photographs, laboratory analyses
21 and other analytical data, computer-generated or electronically recorded
22 information, maps, charts, graphs, and surveys and other communications
23 associated with an environmental audit.

- 1 c. "Regulatory agency" means the agency with regulatory authority over the facility
2 or activity.
- 3 d. "Willfully" has the same meaning as provided under section 12.1-02-02.
- 4 2. A regulatory agency may not pursue civil penalties for a violation found during an
5 environmental audit which the regulated entity discloses to the regulatory agency in
6 writing within forty-five days after the violation is found, unless:
- 7 a. The violation caused imminent or substantial harm to human health or the
8 environment;
- 9 b. The violation is found by the regulatory agency before the regulated entity
10 discloses the violation in writing to the regulatory agency;
- 11 c. The regulated entity does not correct the violation within sixty days of discovery
12 or, if correction within sixty days is not possible, within a reasonable period as
13 agreed upon in writing by the regulatory agency, but not to exceed three hundred
14 sixty-five days;
- 15 d. The regulated entity established a pattern of repeated violations of environmental
16 law, rule, permit, or order by committing the same or similar violation that resulted
17 in the imposition of a penalty by a regulatory agency more than once within two
18 years before the date of the disclosure;
- 19 e. The regulated entity willfully violated a state or federal environmental law, rule, or
20 permit;
- 21 f. The violation is a result of gross negligence, as defined under section 1-01-17; or
- 22 g. The regulatory agency assumed primacy over a federally delegated
23 environmental program and a waiver of penalty authority for the violation would
24 result in a state program less stringent than the federal program or the waiver
25 would violate any federal rule required to maintain primacy. If a federally
26 delegated program requires the imposition of a penalty for a violation, to the
27 extent allowed under federal law or rule, the voluntary disclosure must be
28 considered a mitigating factor in determining the penalty amount.
- 29 3. To qualify for a penalty exemption under subsection 2, the regulated entity shall notify
30 the regulatory agency in writing before beginning the environmental audit. The notice
31 must specify the facility or portion of the facility to be audited, the audit's anticipated

- 1 start date, and the general scope of the audit. Unless the regulatory agency agrees in
2 writing to an extension, the environmental audit must be completed within one
3 hundred eighty days of the start date. This section may not be construed to authorize
4 uninterrupted or continuous environmental audits.
- 5 4. Reporting a violation is mandatory if the reporting is required under chapter 23-25,
6 23-20.3, 23-29, 38-08, or 61-28, any rule or permit implementing those chapters, any
7 federal law or rule, or any administrative or court order.
- 8 5. Notwithstanding subsection 2, the regulatory agency may pursue civil penalties
9 against a regulated entity for a violation disclosed under this section if the regulatory
10 agency finds the regulated entity:
- 11 a. Intentionally misrepresented material facts concerning the violation disclosed or
12 the nature of extent of any damage to human health or the environment; or
13 b. Initiated a self-audit to avoid liability for a violation after the regulated entity's
14 knowledge or imminent discovery.
- 15 6. Unless the privilege is expressly waived by the regulated entity that prepared the
16 report, an environmental audit report is privileged and not admissible evidence in a
17 civil action or proceeding. The regulated entity asserting this privilege has the burden
18 of proving the privilege. The privilege does not apply to:
- 19 a. Information relating to the types of violations listed in subsection 2.
20 b. Information relating to a violation subject to a regulatory agency's finding under
21 subsection 5.
22 c. Disclosures, notifications, and other information provided by the regulated entity
23 to the regulatory agency under this section.
- 24 7. Failure to label a document in an exhibit or appendix to an environmental audit report
25 does not constitute a waiver of the audit privilege under this section or create a
26 presumption the privilege does not apply.