

Agricultural Chemical Response and Reimbursement Account (ACRRA) Annual Summary Report for Fiscal Year 2005

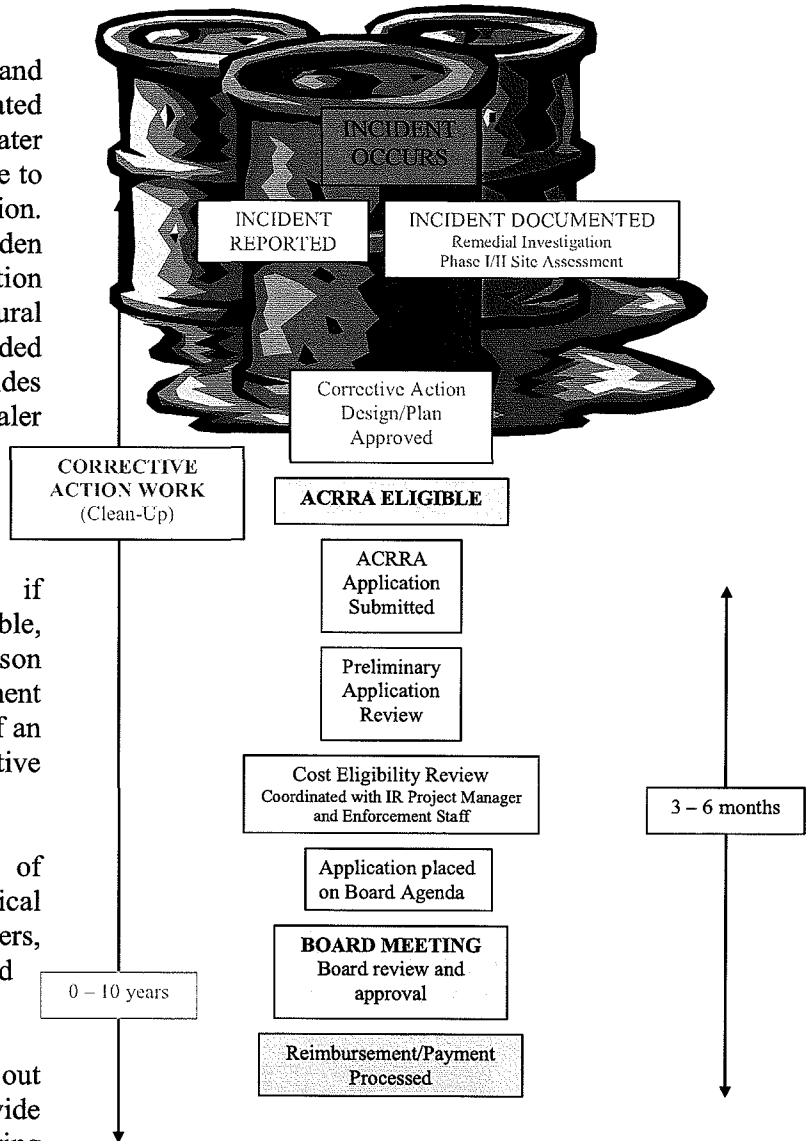
Program Overview

The Agricultural Chemical Response and Reimbursement Account (ACRRA) was created under the 1989 Minnesota Ground Water Protection Act to provide financial assistance to cleanup agricultural chemical contamination. Contamination may occur due to sudden incidents such as fire or transportation accidents, or sites contaminated by agricultural chemicals over time. The program is funded through annual surcharges on sales of pesticides and fertilizers and on applicator and dealer licenses.

The Agricultural Chemical Response Compensation Board administers the ACRRA funds. The Board determines if applicants and costs submitted are eligible, reasonable and necessary. For an eligible person to receive assistance the Minnesota Department of Agriculture (MDA) must receive notice of an agricultural chemical incident and corrective action requirements must be met.

The five-member board consists of representatives from the agricultural chemical registrants, manufacturers and dealers, farmers, the Departments of Agriculture and Commerce.

ACRRA is supported by MDA staff, funded out of account revenues. Staff perform a wide variety of duties, including: coordinating activities with Incident Response staff; reviewing applications and determining eligibility based on statute and rule; financial forecasting; legislative initiatives; and education for board members, industry and the public.



Authority for the program is covered under Minnesota Statutes § 18E and Minnesota Rules, Chapter 1512.0100 - 1512.1100.

Program Highlights

Over its 16-year history, the Agricultural Chemical Response and Reimbursement Account (ACRRA) program has disbursed \$22,609,948 to cover eligible corrective action costs at over 400 incident sites. Sites funded by the program range from small transportation-related spill areas to large areas at agricultural chemical facilities.

The Minnesota Department of Agriculture's Incident Response Unit is responsible for performing technical review and oversight of corrective actions taken to clean up agricultural chemical contamination.

In its role of providing funding for sites contaminated by agricultural chemicals, the ACRRA Program has worked in partnership with the agricultural chemical industry, consulting firms, environmental agencies, local businesses and other funding sources, to facilitate environmental cleanups, property improvements and redevelopment throughout Minnesota.

Fiscal Year 2005 Highlights

In state fiscal year 2005, the Commissioner of Agriculture collected ACRRA surcharge revenue totaling \$2,370,615. This figure reflects a \$47,399 decrease in revenue from fiscal year 2004. Fiscal year 2004 was the peak of our revenue stream resulting from the last surcharge increase that began in calendar year 2002.

During this period, ACRRA disbursements totaled \$1,971,566. Fiscal year 2005 disbursements were \$53,884 less than fiscal year 2004.

Revenues and Expenditures

Many factors continue to contribute to the variability of ACRRA revenues and expenditures. The program continues to realize cost savings from legislative changes made over the last several years. The change to limit reimbursement of eligible costs to eighty percent (80%) continues to be a major factor affecting disbursement of funds. Limiting the amount of disbursement to an eligible party to \$100,000 per fiscal year also continues to slow down expenditures.

Through careful fund management, the program continues to operate "in the black", collecting revenues in excess of expenditures. The program again saw a record number of applications even with the decrease in fund disbursements this fiscal year.

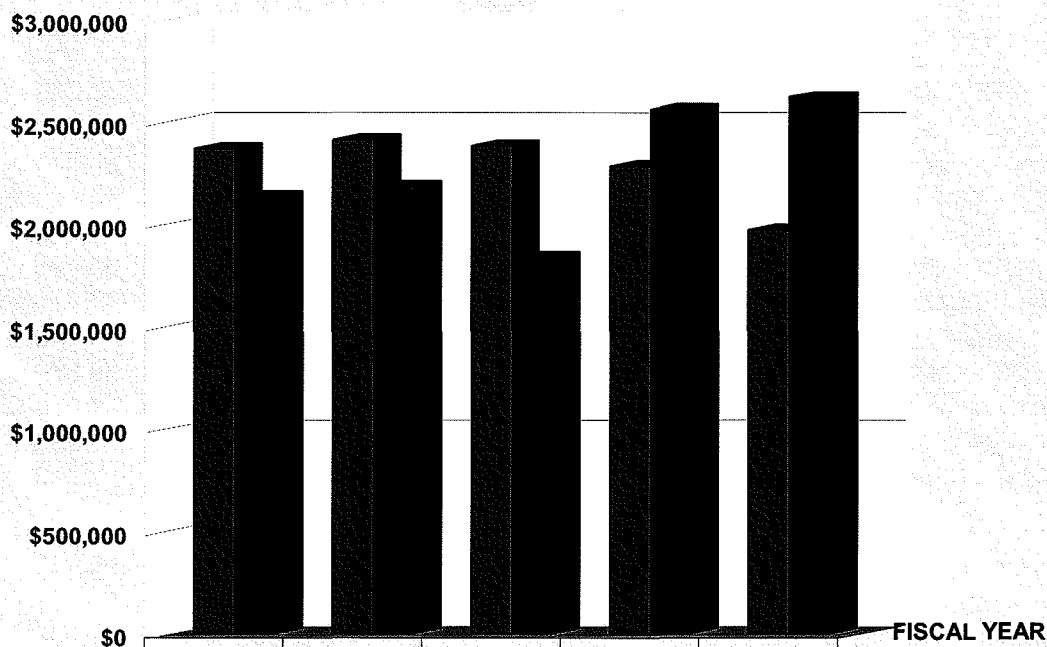
Revenues

Revenues exceeded expenditures for the third year in a row. Revenues totaling \$2,370,615 and expenditures totaling 2,141,704 created a \$228,911 surplus for the fiscal year.

There were two surcharge rate changes during fiscal year 2005. These changes were due to increases in license fees for Structural Pest Control Companies and Pesticide Dealers (See current surcharge rates in box below.) It is anticipated that the increases will generate approximately \$40,000 in revenue in fiscal year 2006.

2005 ACRRA Surcharge Rates by Category	Rate
Commercial & Non-Commercial Pesticide Applicator Licenses	\$25
Structural Pest Control License (<i>Company License</i>)	\$100
Agricultural Fertilizer License	\$50
Lawn Service - Fertilizer	\$50
Pesticide Dealer License (<i>Restricted Use & Bulk Pesticides/per site</i>)	\$75
Fertilizer Tonnage	\$.30/Ton
Pesticide Registration (<i>Annual Gross Sales</i>)	0.3%
Out Of State Pesticide Distributors	\$3,000

ACRRA REVENUES & EXPENDITURES



	2005	2004	2003	2002	2001
■ TOTAL REVENUES	\$2,370,615	\$2,418,014	\$2,387,092	\$2,289,110	\$1,976,704
■ TOTAL EXPENDITURES	\$2,141,704	\$2,189,443	\$1,841,723	\$2,566,027	\$2,624,785

Revenues decreased by \$47,399 in fiscal year 2005. This reflects a decrease of two percent (2%) from the previous year. It is expected that revenues will remain relatively stable in the next year, barring economic changes in the agricultural industry.

Expenditures

The ACRRA Board authorized funding of 88 applications (31 initial and 57 subsequent) for agricultural chemical incident corrective action costs. The amount of individual authorized disbursements ranged from \$301 to \$100,000. Since the fund balance was again below \$2,000,000 most of the fiscal year, the amount an eligible party may collect from ACRRA was limited to \$100,000. If the eligible reimbursement or payment exceeds \$100,000 in a fiscal year, the remaining amount is deferred to the next year. Final reimbursement is then made after Board approval at the first meeting of the following fiscal year.

The Board also funded five applications that were deferred from the previous year.

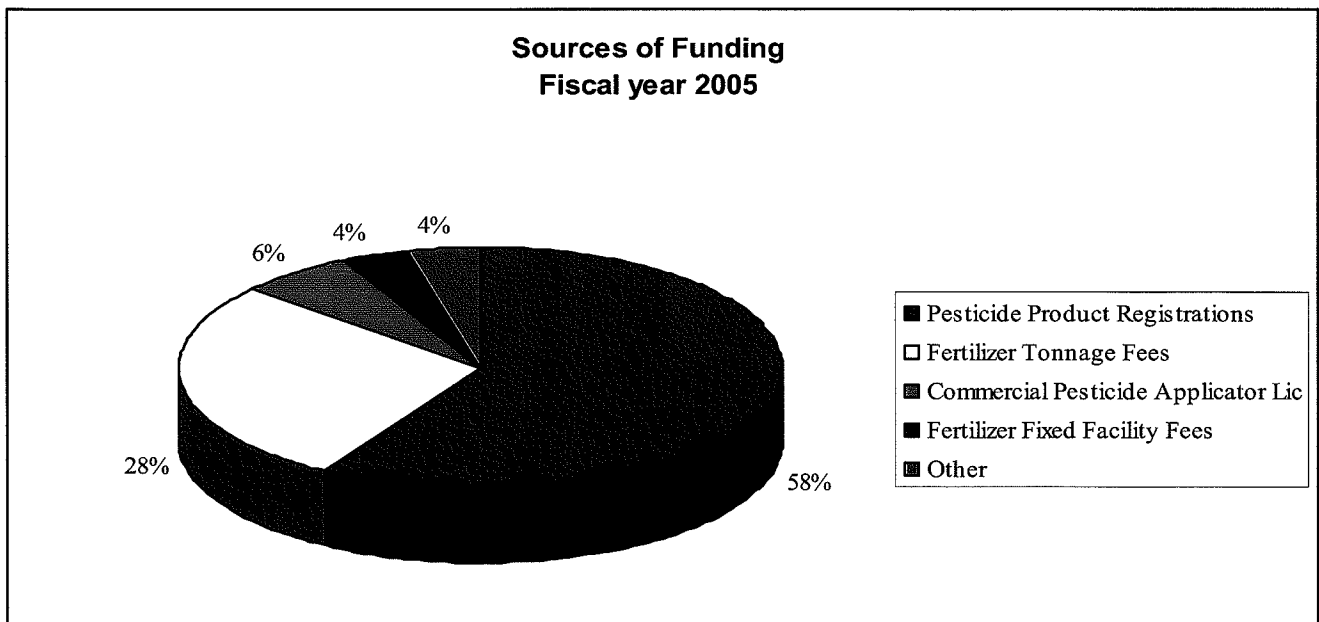
Total cleanup disbursements for fiscal year 2005 were \$1,971,566. This was a three percent decrease from fiscal year 2004. Board and staff administrative costs for the period of July 1, 2004 to June 30, 2005, totaled \$170,138.

Administrative costs constitute less than eight percent (8%) of program expenditures. Administrative costs and disbursements equal total expenditures of \$2,141,704 for this fiscal year. Additional data on expenditures and revenues is shown in *Table 1* on the next page.

MINNESOTA DEPARTMENT OF AGRICULTURE
AGRICULTURAL CHEMICAL RESPONSE AND REIMBURSEMENT ACCOUNT
STATEMENT OF REVENUES, EXPENDITURES & FUND BALANCE
For the fiscal years ended June 30,

Table 1

	2005%	2005	2004	2003
REVENUE:				
Pesticide Product Registrations	59%	\$ 1,388,849	\$ 1,425,860	\$ 1,436,118
Fertilizer Tonnage Fees	28%	661,271	709,259	653,387
Commercial Pesticide Applicator Lic	6%	141,015	137,985	136,425
Fertilizer Fixed Facility Fees	4%	84,253	73,100	78,875
Other	4%			
Investment Earnings		41,687	20,105	25,277
Pesticide Dealer Storage License		16,875	15,325	17,750
Recoveries		0	0	0
Non-commercial Pesticide Appl Lic		29,765	29,680	33,370
Structural Pest Control Company Lic		5,450	5,150	4,450
Commercial Applicator-Aquatic		1,450	1,550	1,440
Pesticide Storage - Outside of State		0	0	0
Net revenues		2,370,615	2,418,014	2,387,092
EXPENDITURES:				
Reimbursement claims paid		1,971,566	2,025,450	1,679,574
Administrative expenditures		170,138	163,993	162,149
		2,141,704	2,189,443	1,841,723
EXCESS OF REVENUE OVER EXPENDITURES		228,911	228,571	545,369
FUND BALANCE -- beginning of fiscal year		1,764,659	1,536,088	990,719
FUND BALANCE -- end of fiscal year		\$ 1,993,570	\$ 1,764,659	\$ 1,536,088



Agricultural Chemical Response Compensation Board Members

- ◆ **Sandra Gardner, Board Chair**
Representing agricultural chemical registrants and manufacturers
 - *Syngenta Crop Protection, Inc.*

- ◆ **Tom Revier, Board Vice-Chair**
Representing farmers
 - *Revier Farms*

- ◆ **Jeff Like, Board Member**
Representing agricultural chemical dealers
 - *Chandler Cooperative*

- ◆ **James Pearson, Executive Director, PetroFund Program**
Delegate for Glen Wilson, Commissioner
 - *Minnesota Department of Commerce*

- ◆ **Perry Aasness, MDA Deputy Commissioner**
Delegate for Gene Hugoson, Commissioner
 - *Minnesota Department of Agriculture*

Two Board member changes occurred this year. Roger Strand, former Board Chair and representative of agricultural chemical dealers, was not reappointed by Governor Pawlenty. Jeff Like was appointed to represent agricultural chemical dealers. Sharon Clark, former Department of Agriculture Deputy Commissioner, retired during this fiscal year and the new Deputy Commissioner, Perry Aasness was named as her replacement.



ACRRA Program Activities

ACRRA Board Retreat – 2/3/05

Board Members, MDA staff and consultants participated in presentations and discussions on topics such as ACRRA history, the Incident Response process, land application and future trends of the agricultural industry. Sandy Gardner, ACRRA Board Chair, presented information on crop production chemicals from an industry perspective. Important industry trends and issues that will have an impact on the ACRRA program included: 1. the amount of crop protection chemicals is decreasing due to the use of seeds with engineered traits; 2. agricultural industry consolidations will continue; and 3. environmental stewardship is increasing as the industry increases efficiencies in order to be more competitive in today's changing market.

Brownfields Coordination Study Group - Ongoing

ACRRA and Incident Response staff continue to participate in a multi-agency group to share information on contamination remediation programs. Representatives from the state departments of Agriculture, Commerce, Health, Employment and Economic Development and Pollution Control, the Metropolitan Council, the League of Minnesota Cities and others meet quarterly. Program changes, interface and education activities are some of the topics discussed.

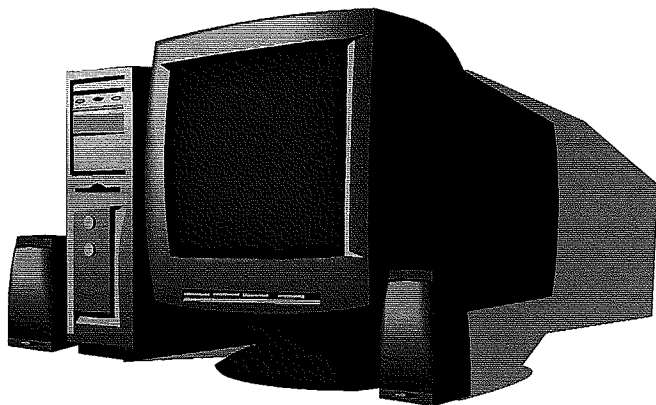
Grant Funding Workshops for Cleanup of Contaminated Lands – Ongoing

The Metropolitan Council and the Minnesota Department of Employment and Economic Development sponsor these ongoing workshops jointly. They highlight funding opportunities for agricultural chemicals, hazardous materials and petroleum cleanups. ACRRA and Incident Response staff presented information on both programs at four locations in Minnesota.

Statutory Changes

Minnesota Statutes Chapter 18E changed during the 2005 Legislative Session to increase the amount that can be used for program administration from \$175,000 to \$225,000 per fiscal year. This is the first increase of the administrative cost allowance initiated in 1993. The change was due to increases in overhead costs, computer upgrades and database development.

Related Program Activities



“What’s in My Neighborhood?”

The MDA Incident Response Unit has recently activated a web based mapping application for agricultural chemical investigation data. The “What’s in My Neighborhood – Agricultural” site can be accessed through MDA’s web site at www.mda.state.mn.us/incidentresponse.

Visitors to the website will find updated information about Incident Response Unit programs, be able to access county spills lists and an interactive mapping application, allowing users to zoom in on areas of interest by zip code, city or township.

Abandoned Sites Project Update

The Incident Response Unit continues work on a project that has identified abandoned agricultural chemical sites throughout Minnesota. Funding for the project is from the U.S. Environmental Protection Agency’s Brownfield Grants through the Minnesota Pollution Control Agency.

MDA field staff identified agricultural chemical facilities that have gone out of business within their respective areas. . Many of these sites were abandoned years ago, and records may not exist regarding the location of the facility, what was stored there, where storage and handling occurred and what risk the site may pose to human health or the environment.

The project identified 585 abandoned sites. Information gathered during site inspections is being evaluated to determine potential environmental and human health risks from the sites. Incident response staff are in the process of notifying site owners of options for further investigation and clean up activities.

Depending on the level of risk and the identification of responsible parties, sites may be further investigated through MDA’s Agricultural Voluntary Investigation and Cleanup program (AgVIC), opened in the Comprehensive Investigation program, or they may be scored and added to MDA’s priority list. The project will continue into the fall of 2006.

*This report was prepared on behalf of the
Agricultural Chemical Response Compensation Board
and the Commissioner of Agriculture for:
Minnesota’s Legislative Coordinating Commission
Senate Environment and Natural Resources Committee
House Environment and Natural Resources Committee*