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Agricultural Chemical Response and Reimbursement Account (ACRRA) Annual Summary Report for Fiscal Year 2006

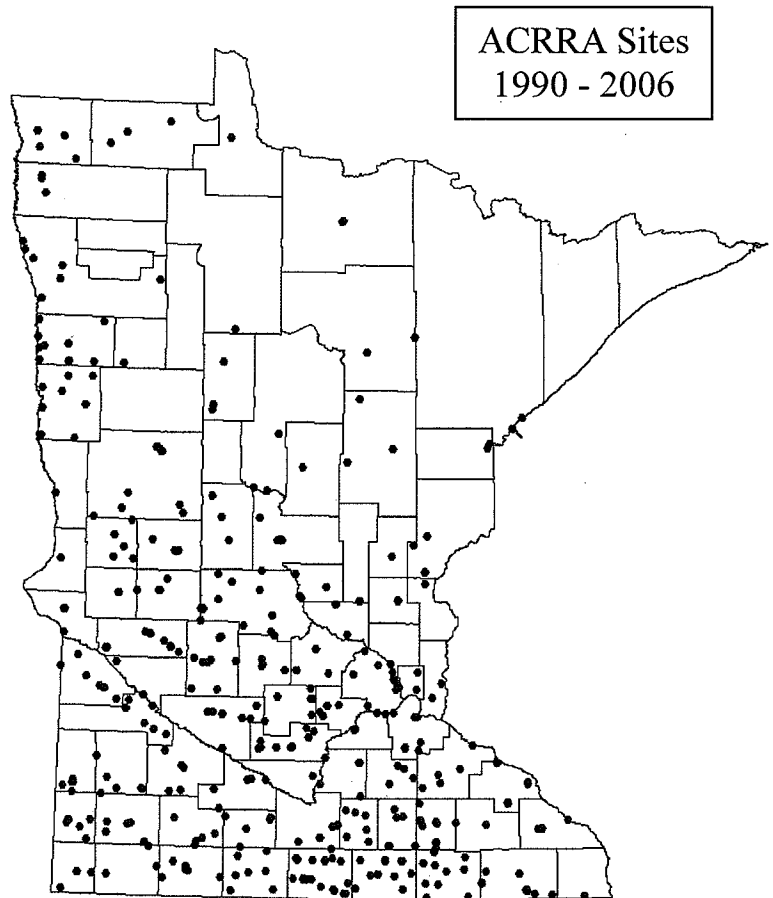
Program Overview

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 MDA Incident Response Unit staff; reviewing applications and



determining eligibility based on statute and rule; financial forecasting; developing 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 17-year history, the Agricultural Chemical Response and Reimbursement Account (ACRRA) program has disbursed \$24,085,137 to cover eligible corrective action costs at over 426 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.

Revenues and Expenditures

In state fiscal year 2006, the Commissioner of Agriculture collected ACRRA surcharge revenue totaling \$2,537,747. This figure reflects a \$167,132 increase in revenue from fiscal year 2005.

Through careful fund management, the program continues to operate "in the black", collecting revenues in excess of expenditures. Revenues have exceeded expenditures since fiscal year 2003.

Revenues totaling \$2,537,747 and expenditures totaling \$1,694,326 created a \$843,421 surplus for the fiscal year. These revenue surpluses have allowed the fund to recover from the low balances seen in past years.

During state fiscal year 2006, ACRRA disbursements totaled \$1,475,189. Fiscal year 2006 disbursements were \$496,377 less than fiscal year 2005.

Many factors contribute to the level of ACRRA revenues and expenditures. Primarily, surcharge changes and the implementation of legislative initiatives have had a positive effect on the fund balance. The revenue stream continues to be strong in large part due to the last surcharge increase that began in calendar year 2002.

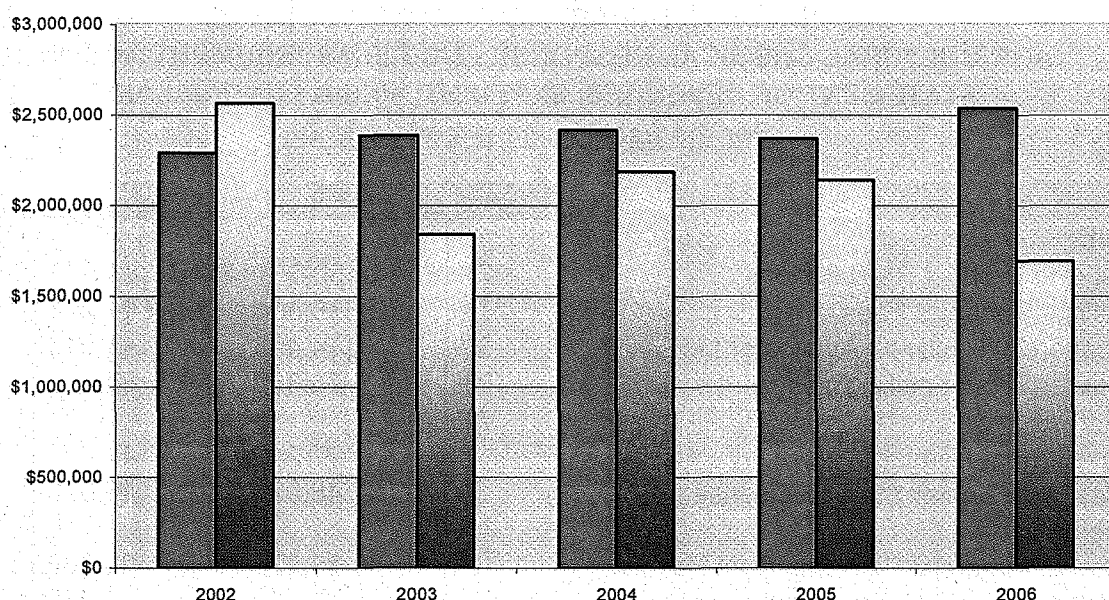
The program also continues to realize cost savings from legislative changes made over the last several years. The change to limit reimbursement of eligible costs to eighty percent (80%) continues to be a major factor affecting disbursement of funds. Limiting the amount of disbursement to an eligible party to \$100,000 per fiscal year has also had a positive impact on the fund balance.

There were no surcharge rate changes during fiscal year 2006. (See current surcharge rates in box below.) No rate changes are anticipated for the next two years.

It is expected that revenues will remain relatively stable in the next year, barring economic changes in the agricultural industry.

2006 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 FIVE-YEAR PROGRAM HISTORY



	2002	2003	2004	2005	2006
REVENUES	\$2,289,110	\$2,387,092	\$2,418,014	\$2,370,615	\$2,537,747
EXPENDITURES	\$2,566,027	\$1,841,723	\$2,189,443	\$2,141,704	\$1,694,326

The ACRRA Board authorized funding of 76 applications (26 initial and 50 subsequent) for agricultural chemical incident corrective action costs. The amount of individual authorized disbursements ranged from \$392 to \$179,200.

Total cleanup disbursements for fiscal year 2006 were \$1,475,189¹. This was a 32% decrease from fiscal year 2005.

Board and staff administrative costs for the period of July 1, 2005 to June 30, 2006, totaled \$219,137.

Administrative costs were less than 13% of total program expenditures. Minnesota Statutes Chapter 18E was changed last year to increase the amount allowable for program administration from \$175,000 to \$225,000 per year. This was the first increase of the administrative allowance since 1993.

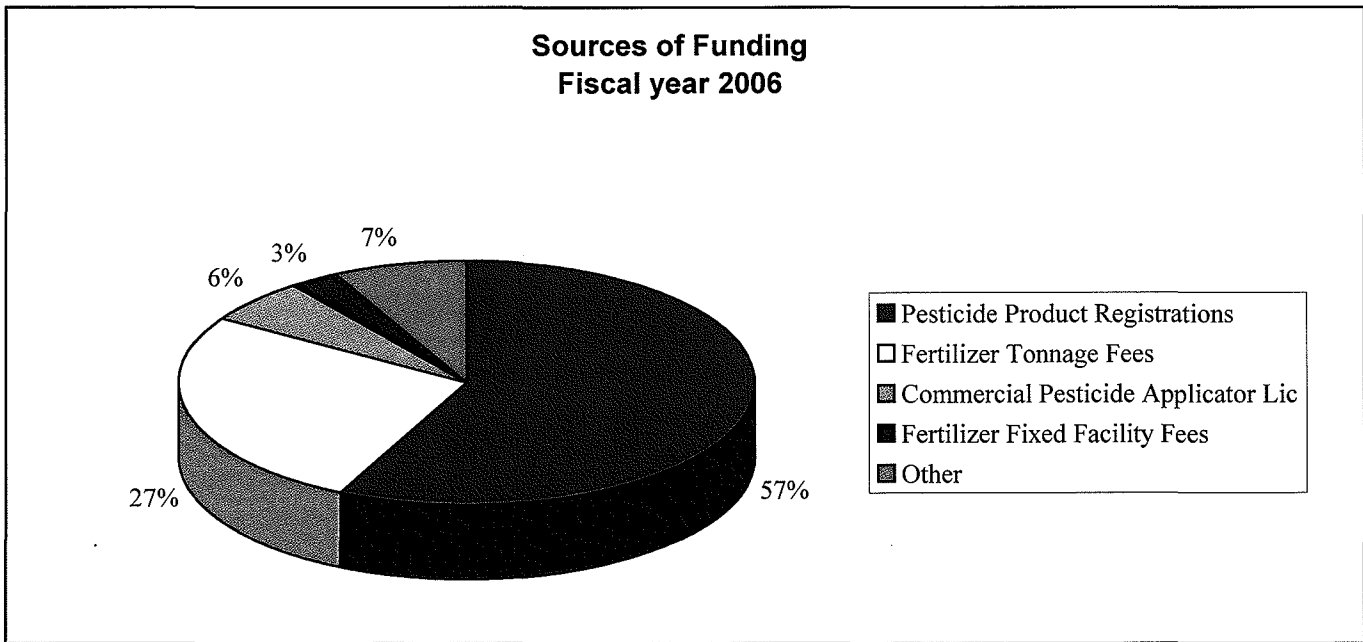
Administrative costs and disbursements equal total expenditures of \$1,694,326 for this fiscal year. Additional data on expenditures and revenues is shown in *Table 1* on the next page.

¹ This is an adjusted figure from the Final State Fiscal Year 2006 Fund Report. \$690,438 in disbursements from the July 2006 Board Meeting were erroneously added to fiscal year 2006 in the Minnesota Accounting and Procurement System. This error is being rectified.

Table 1

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

	2006%	2006	2005	2004
REVENUE:				
Pesticide Product Registrations	57%	\$ 1,450,651	\$ 1,388,849	\$ 1,425,860
Fertilizer Tonnage Fees	27%	678,804	661,271	709,259
Commercial Pesticide Applicator Lic	6%	144,493	141,015	137,985
Fertilizer Fixed Facility Fees	3%	75,350	84,253	73,100
Other	7%			
Investment Earnings		97,249	41,687	20,105
Pesticide Dealer Storage License		48,925	16,875	15,325
Recoveries		0	0	0
Non-commercial Pesticide Appl Lic		29,275	29,765	29,680
Structural Pest Control Company Lic		11,350	5,450	5,150
Commercial Applicator - Aquatic		1,650	1,450	1,550
Pesticide Storage - Outside of State		0	0	0
Net revenues		2,537,747	2,370,615	2,418,014
EXPENDITURES:				
Reimbursement claims paid		1,475,189	1,971,566	2,025,450
Administrative expenditures		219,137	170,138	163,993
Total Expenditures		1,694,326	2,141,704	2,189,443
EXCESS OF REVENUE OVER EXPENDITURES		843,421	228,911	228,571
FUND BALANCE -- beginning of fiscal year		1,993,570	1,764,659	1,536,088
FUND BALANCE -- end of fiscal year		\$ 2,836,991	\$ 1,993,570	\$ 1,764,659



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*

No Board member changes occurred this year.

Staff Changes

Sharon Huber, who was the ACRRR Board Administrator since the creation of the program, left to take another position in the Department of Agriculture. Ms. Huber was instrumental in developing and administering the program requirements.

Carol Logan has been hired as the new ACRRR Administrator and has been with the program since May of 2006. Carol was formerly employed by the Financial Department of Gillette Children's Speciality Healthcare. Carol can be reached at (651)201-6490.

Program Activities

Brownfields Coordination Group -

ACRRR 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.

Funding Workshops for Cleanup of Contaminated Lands

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. ACRRR and Incident Response staff presented information on both programs at four locations in Minnesota.

“What’s in My Neighborhood?”

The MDA Incident Response Unit has 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.

*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**