



Agricultural Chemical Response and Reimbursement Account (ACRRA) ANNUAL REPORT Fiscal Year 2014



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Pursuant to Minn. Stat. § 3.197, the cost of preparing this report was approximately \$500

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Executive Summary

The Agricultural Chemical Response and Reimbursement Account (ACRRA) was created to provide financial assistance to eligible parties cleaning up agricultural chemical contamination. The ACRRA funds are administered by the Agricultural Chemical Response Compensation Board (Board), which consists of representatives from the agricultural industry as well as the Commissioners of the Minnesota Departments of Agriculture and Commerce.

Over its 25 year history, the ACRRA Program has reviewed over 1,180 applications and reimbursed over \$35 million to help cover the cost of cleaning up agricultural chemical spills.

In Fiscal Year 2014 (FY14), the Board met four times, approving payments for 44 applications reviewed. Of the 44 applications, 20 were for new sites (initial applications) and 24 were subsequent applications due to ongoing cleanup activities. The total expended for applicant reimbursements or payments, cleanup activities, and abandoned sites, was \$1,710,720. Administrative expenses, including ACRRA and Incident Response Unit (IRU) staff, were \$194,321, which is less than the previous year. This smaller expense total is due, in part, to efforts to preserve the fund such as redirecting salaries of IRU staff working on ACRRA sites to other accounts.

During the fiscal year, the Commissioner of Agriculture received ACRRA surcharge revenues totaling \$1,116,623.

During the past four (4) years, program expenditures have outpaced revenues by a wide margin and the fund's balance has been reduced by more than four million dollars. At the program's current pace, the fund balance is projected to dip below one million dollars in 2016 unless revenues are increased.

The Minnesota Department of Agriculture (MDA) held a public hearing on April 16, 2014 to discuss options to stabilize the fund balance. The majority of comments received were in support of the program, and measures to stabilize the fund balance. After much consideration, Agriculture Commissioner, Dave Frederickson, made the decision to raise the surcharges back to their 2005 levels.

Cover Photo:

The cover photo is from the former Blue Earth County Services Company (BECSC) in Amboy, Minnesota. In 2004 and 2005 the MDA identified the BECSC facility as one of several abandoned properties that previously handled agricultural chemicals. Based on review of the MDA's project files and licensing records, BECSC is no longer in business and is not a viable responsible party. The MDA conducted investigations in FY10 and FY13 to identify and delineate impacts of agricultural chemicals in soil. In FY14, the MDA conducted corrective actions (soil excavation and landfill disposal) at the site to remove the identified contamination.

Introduction

The ACRRRA program was created as part of the 1989 Minnesota Groundwater Protection Act to provide financial assistance for cleaning up agricultural chemical contamination (incidents).

ACRRRA funds are administered by the Agricultural Chemical Response Compensation Board. The five-member board consists of representatives from agricultural chemical registrants, manufacturers/dealers, farmers, and the Commissioners of the Minnesota Departments of Agriculture and Commerce.

The Board determines the eligibility of applicants and whether costs submitted are eligible, reasonable, and necessary. The MDA's Pesticide and Fertilizer Management Division (PFMD) has several active programs for addressing agricultural chemical cleanups in several categories including: emergency, comprehensive, voluntary, abandoned site, and pre-construction. Emergency releases occur suddenly, such as a valve failure, traffic accident, fire, or flood. A comprehensive or voluntary site can be contaminated by small agricultural chemical spills/releases over time and may be cleaned up under oversight.

The ACRRRA program is funded through annual surcharges on pesticide and fertilizer sales, and on applicator company and dealer licenses. As a condition of obtaining a license or registration from the MDA, a person must pay license fees as well as the ACRRRA surcharge.

Background

The ACRRRA program is administered by PFMD staff. Duties performed by the ACRRRA staff include: receiving and reviewing applications; determining eligibility; procuring information from applicants, consultants, and IRU staff; making funding recommendations to the board based on statute and rule; fund financial forecasting; developing legislative initiatives; program outreach; and, coordinating activities with the MDA IRU.

The ACRRRA staff is dedicated to ensuring that agricultural chemical impacts on the environment are minimized by administering this program to help defray the costs of cleaning up agricultural chemical spills and to managing program resources effectively. Oversight of the corrective actions taken to clean up contamination is the responsibility of the IRU.

Since its inception, the ACRRRA program has disbursed over \$35 million to cover eligible corrective action clean-up costs. The Commissioner of Agriculture determines the amount of the surcharges. The surcharge rate is set to maintain a balance of between one million and five million dollars. Based on projections that show the fund falling below one million dollars in 2016, a public hearing was held to discuss options to protect the declining fund balance. The majority of comments received was in support of the program and indicated how important the program is to environmental health. After much consideration, Agriculture Commissioner Dave Frederickson made the decision to revert the surcharges back to their 2005 levels.

Incident Response Program Status

As of the end of FY14, there were 65 comprehensive and 79 voluntary sites that were actively being worked on by IRU staff. As of June 30, 2013, there were 72 comprehensive and 68 voluntary sites that were actively being worked on by IRU staff. The number of voluntary sites that entered the Agricultural Chemical Voluntary Investigation and Cleanup (AgVIC) program in FY13 included 16 new sites, while in FY14 there were 11 new voluntary sites that entered the AgVIC program. In FY14, 19 project files were closed by IRU staff.

The types of sites currently active in the comprehensive and voluntary programs includes former and currently operating agricultural chemical retail facilities, pesticide and fertilizer warehousing and manufacturing facilities, wood treating facilities, and aerial applicator operations.

Financial Report

REVENUES:

ACRRA surcharge revenues totaled \$1,116,623 in FY14. This amount includes investment earnings. The chart below shows the surcharges per category in effect throughout FY14.

ACRRA Surcharge Category	FY14 ACRRA Surcharges
Commercial & Non-Commercial Pesticide Licenses	\$8.25
Structural Pest Control Company Licenses	\$33.00
Agricultural Fertilizer Licenses (includes lawn service)	\$16.50
Pesticide Dealer License	\$24.75
Fertilizer Tonnage	\$0.10/Ton
Pesticide Registration (percent of Sales)	0.1%
Out-of-State Pesticide Distributors (each site)	\$1,000

FY12 ended with a fund balance of \$5,088,398. The fund balance was \$3,275,991 at the end of FY13, and the fund balance was \$2,487,573 at the end of FY14.

Staff anticipates that reimbursements, payments, and other program costs will remain similar to costs in the recent past. Staff projects that revenues during the next fiscal year will increase due to higher ACRRA surcharges and that the fund balance will be stable in the near-term. Expenditures have been outpacing revenues; therefore, the change in anticipated revenues should level off the difference between Revenues and Expenditures midway through FY15. See the *Statement of Revenues, Expenditures and Fund Balance* on the following page.

EXPENDITURES:

The ACRRA Board approved reimbursement of 44 applications in FY14. Of these 44 applications, 20 were new applicants, and 24 were subsequent applications. Of these 44 applications; 31 were for voluntary site clean-ups, 11 were comprehensive, and two (2) were emergency incidents.

In FY14, direct payment to contractors for cleanup of abandoned sites totaled \$68,516.39.

The total expended for applicant reimbursements or payments, cleanup activities, and abandoned sites was \$1,710,720. Administrative expenses, including ACRRA and IRU staff, were \$194,321. Total expenditures were \$1,905,041.

In FY14, ACRRA expenditures outpaced revenues by \$788,418.

Statement of Revenues, Expenditures and Fund Balance

Minnesota Department of Agriculture
 Agricultural Chemical Response and Reimbursement Account
 For the fiscal year ended June 30, 2014 *

	**2014	2014	2013
REVENUES:			
Surcharge on License/Authorization	12%	131,091	127,521
Surcharge on Tonnage/Product Registration	87%	970,695	936,006
Investment Earnings	<u>1%</u>	<u>14,837</u>	<u>25,751</u>
Total Revenues	100%	1,116,623	1,089,278
EXPENDITURES:			
Reimbursement & Clean-up Costs		1,710,720	2,077,890
Administrative Expenditures (ACRRA)		176,899	179,330
Administrative Expenditures (Incident Response Unit)		17,422	144,465
Transfer Out***		<u>-0-</u>	<u>500,000</u>
Total Expenditures		1,905,041	2,901,685
Fund balance beginning of year		<u>3,275,991</u>	<u>5,088,398</u>
Ending Fund Balance		2,487,573	3,275,991

*All numbers rounded to nearest dollar.

** Percent of total revenues

*** Per laws of 2010, Chapter 215, Article 5, Section 3, Subdivision 6

10-Year History

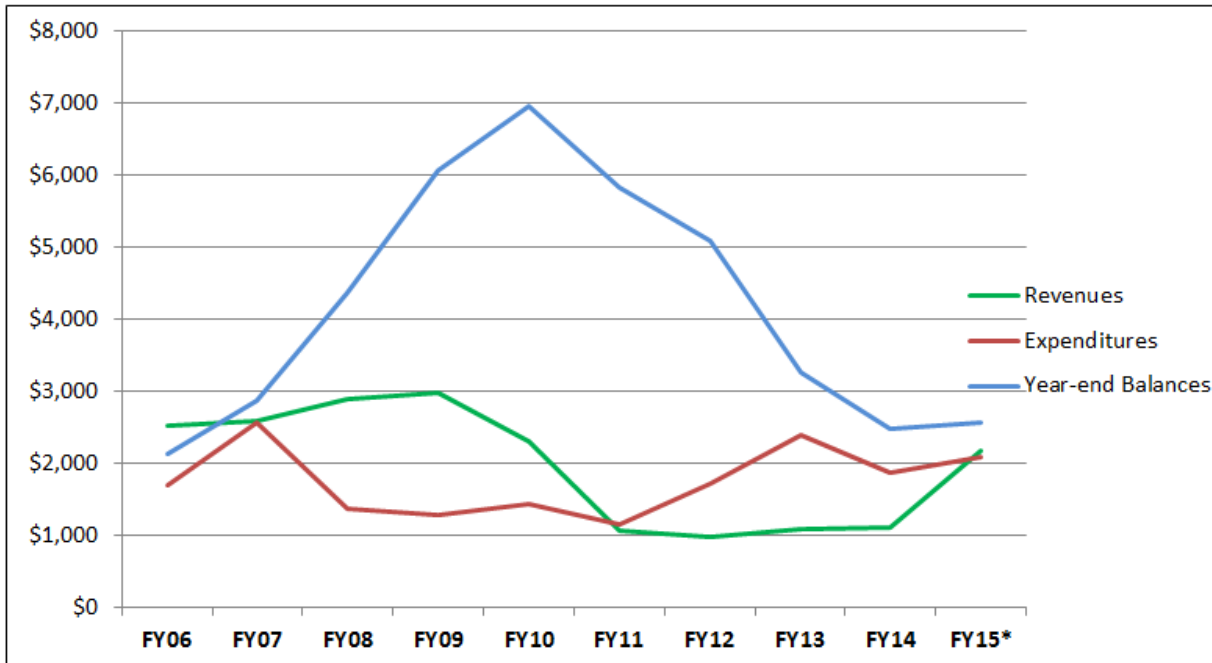
10-Year History / Anticipation of ACRRA Revenues & Expenses with Fiscal Year-end Balances

Dollar figures are in thousands

	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13	FY14	FY15*
Revenues	\$2,538	\$2,603	\$2,908	\$2,990	\$2,310	\$1,080	\$981	\$1,089	\$1,116	\$2,178
Expenditures	\$1,694	\$2,570	\$1,383	\$1,290	\$1,435	\$1,155	\$1,721	\$2,402	\$1,872	\$2,100
Year-end Balances	\$2,147	\$2,871	\$4,374	\$6,064	\$6,949	\$5,828	\$5,088	\$3,276	\$2,488	\$2,566

**Fiscal year-end 15 numbers are estimates*

Dollar figures are in thousands



Related Program Activities

MDA Abandoned Sites Project Update

In FY14, the IRU contracted for the excavation of 100 cubic yards of nitrogen contaminated soil at a former agricultural chemical retail facility in Amboy. This soil was disposed of off-site in a landfill, and no more work is required at this facility. Three (3) monitoring wells at a former site in Villard were abandoned in FY14; this project file will be closed. At a former agricultural chemical facility in Owatonna, additional soil sampling was completed to fully delineate the extent of soil contaminated with pesticides in FY14. In FY15 this soil will be excavated from two locations.

Finally, additional soil investigation and the installation of at least three (3) ground water monitoring wells are needed at a former facility in Foley where the soil and ground water are contaminated with nitrogen. This work will be completed in FY15.

Mallard Ridge Site

The Mallard Ridge wood treatment site is a former wood treating facility in Zimmerman now located within property owned by a church. In FY13, MDA contracted for the excavation and disposal of approximately 1,221 tons of treated, pentachlorophenol contaminated soil. In FY14 the IRU contracted for the completion of a Corrective Action Report, the installation of an additional monitoring well, the collection of ground water samples, and the oversight of field activities. In FY15, additional monitoring wells will be installed, ground water samples will be collected, and documentation of these activities will be completed.

Agricultural Chemical Compensation Board Members

Chair, Tom Revier
Representing Farmers

Vice-Chair, Kevin Jones
Representing Agricultural Chemical Dealers

Member, Bob Wesolowski
Representing Agricultural Chemical Manufacturers and Wholesalers

Member, Joel Fischer
*Delegate for the Commissioner of the
Minnesota Department of Commerce*

Member, Matthew Wohlman
*Delegate for the Commissioner of the
Minnesota Department of Agriculture*

ACRRA Board Staff

Joe Spitzmueller
Executive Director

Rae Lynn Herbster
Board Administrator

Adreanne Johnson
Administrative Assistant

*This report was prepared on behalf of the
Agricultural Chemical Response Compensation Board and the Commissioner of Agriculture for the:*

House Committee on Ways and Means
Senate Committee on Finance
House Environment, Natural Resources and Agriculture Finance
House Agriculture Policy Committee
Senate Environment, Economic Development and Agriculture Committee
Senate Jobs, Agriculture and Rural Development Committee
Minnesota Environmental Quality Board