



Agricultural Chemical Response and Reimbursement Account (ACRRA) ANNUAL REPORT Fiscal Year 2018



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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 three representatives from the agricultural industry as well as the commissioners of the Minnesota Departments of Agriculture and Commerce.

Over its more than 29 year history, the ACRRA program has reviewed over 1,359 applications and reimbursed over \$42 million to help cover the cost of cleaning up agricultural chemical spills.

In fiscal year 2018 (FY18), the Board had four scheduled meetings to review applications, approving 27 applications for reimbursement. Of the 27 applications reviewed by the Board, 13 were for new sites (initial applications) and 14 were subsequent applications due to ongoing cleanup activities. The total expended for applicant reimbursements or payments, cleanup activities, and abandoned sites, was \$1,375,977. Administrative expenses were \$422,251.

During the fiscal year, the ACRRA program received revenues totaling \$3,499,303. This is \$59,597 lower than the \$3,558,900 surcharge revenue received in FY17.

Cover Photo:

A tender truck hauling urea tipped over at an intersection near Oslo, MN. After spreadable urea was collected, contaminated water and soil from the ditch was removed and taken to a field in nearby North Dakota for spreading. Soil sampling was done to confirm that cleanup was complete. The ditch was backfilled and restored the next day.

Introduction

The ACRRA program was created as part of the 1989 Minnesota Groundwater Protection Act to provide financial assistance for cleaning up incidents causing agricultural chemical contamination. The ACRRA program 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 Minnesota Department of Agriculture's Pesticide and Fertilizer Management Division (PFMD) has several active programs for addressing agricultural chemical cleanups, including: emergency, comprehensive, voluntary, and abandoned site. Emergency releases occur suddenly, such as a valve failure, traffic accident, fire, or flood. The Emergency Response team of the Minnesota Department of Agriculture (MDA) has oversight of these cleanups. A site can be contaminated by agricultural chemical spills/releases over time and may be cleaned up under the oversight of one or more of the programs at various times.

The ACRRA program is funded by the collection of annual surcharges on pesticide and fertilizer sales, and on applicator and dealer licenses. As a condition of obtaining a license or registration from the MDA, a person must pay the ACRRA surcharge. The revenue collected supports the ACRRA program operations. Surcharge rates decreased at the beginning of January 1, 2018. Surcharge rates for FY17 and FY18 are as shown in *Table 1* below.

Table 1

ACRRA Surcharge Category	ACRRA Surcharges FY17	ACRRA Surcharges FY18
Commercial & Non-Commercial Pesticide Licenses	\$25	\$14
Structural Pest Control Company Licenses	\$100	\$55
Agricultural Fertilizer Licenses (includes lawn service)	\$50	\$28
Pesticide Dealer License (ag and non-ag)	\$75	\$41
Fertilizer Tonnage	\$0.30/Ton	\$0.17/ton
Pesticide Registration (percent of sales)	0.3%	0.17%
Out-of-State Pesticide Distributors (each site-annually)	\$3,000	\$1,650

Background

The ACRRRA program is administered by the ACRRRA staff. Duties performed by the staff include but are not limited to: receiving and reviewing applications; coordinating with applicants, consultants, and Incident Response Unit (IRU) staff; recommending eligibility as well as making funding recommendations to the Board based on statute and rule; developing legislative initiatives; fund financial forecasting; and, program outreach.

The ACRRRA program ensures that agricultural chemical impacts on the environment are minimized by helping to defray the costs of cleaning up agricultural chemical spills. It is the responsibility of the ACRRRA staff to manage 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 \$42 million to cover eligible corrective action clean-up costs. The MDA Commissioner sets the surcharge rate to maintain a minimum balance of one million dollars and an upper balance of five million dollars.

Incident Response Program Status

As of the end of FY18, there were 53 comprehensive and 85 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 FY18 included 13 new sites, and 17 voluntary project files were closed by IRU staff in FY18.

The types of sites currently active in the comprehensive and voluntary programs include: former and currently operating agricultural chemical retail facilities; pesticide and fertilizer warehousing and manufacturing facilities; a plant and tree nursery; wood treating facilities; golf course conversions; and, an aerial applicator operation.

Financial Report

REVENUES:

The ACRRA program revenues totaled \$3,499,303 in FY18. This is \$59,597 lower than FY17 revenues. Revenue includes investment earnings and surcharges collected through June 2018.

The fund balance was \$3,150,974 at the end of FY16; \$4,373,616 at the end of FY17; and \$6,073,951 at the end of FY18. The ACRRA staff has been monitoring the fund balance since statute requires it to remain within the minimum (\$1,000,000) and maximum (\$5,000,000) amounts. After a public meeting on July 19, 2017, the Commissioner of Agriculture decided to lower the rate of surcharges in order to keep the fund balance within the required range. With the decrease in revenues and the continued projected reimbursements, it is anticipated that the fund balance will drop below the fund maximum in FY19.

Reimbursement applications are unpredictable, but the ACRRA staff anticipates strong numbers of cleanup projects going forward with IRU fully staffed and engaged in cleanups. The Board approved reimbursement of 27 applications in FY18. Of the 27 applications reviewed by the Board, 13 were new applications and 14 were subsequent applications. Of these 27 applications; 16 were for voluntary site clean-ups, six were comprehensive, and five were emergency incidents.

In FY18, direct payment to contractors for cleanup of abandoned sites totaled \$127,088. The FY18 reimbursements to applicants totaled \$1,248,889.

In FY18, the total amount expended for applicant reimbursements or payments, cleanup activities, and abandoned sites was \$1,375,977. Administrative expenses, including the ACRRA and IRU staff, were \$422,251. Total expenditures were \$1,798,227.

Statement of Revenues, Expenditures, and Fund Balance

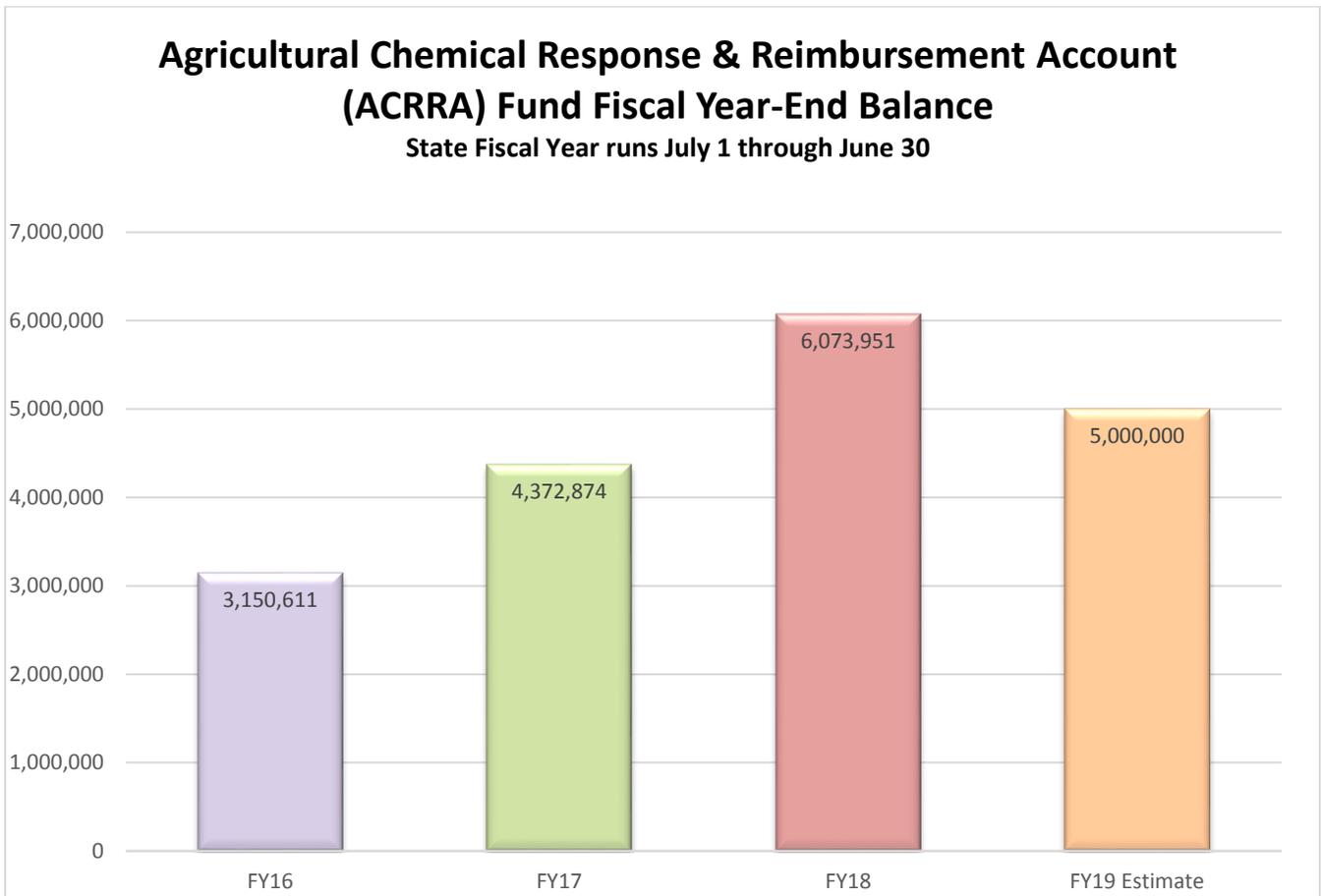
Minnesota Department of Agriculture
 Agricultural Chemical Response and Reimbursement Account
 For the fiscal year ending June 30, 2018 *

	**2018	2018	2017
REVENUES:			
Surcharge on License/Authorization	7%	253,874	425,505
Surcharge on Tonnage/Product Registration	90%	3,162,162	3,093,616
Investment Earnings	3%	<u>83,268</u>	<u>39,779</u>
Total Revenues	100%	3,499,303	3,558,900
EXPENDITURES:			
Reimbursement and Clean-up Costs		1,375,977	1,902,465
Administrative Expenditures (ACRRA)		208,033	194,813
Administrative Expenditures (Incident Response Unit)		214,218	238,979
Total Expenditures		<u>1,798,227</u>	<u>2,336,257</u>
Fund Balance Beginning of Year		<u>4,372,874</u>	<u>3,150,611</u>
Ending Fund Balance		<u>6,073,951</u>	<u>4,372,874</u>

* All numbers rounded to nearest dollar

** Percent of total revenues

ACRRA Fund Fiscal Year-End Balances



MDA Abandoned Sites Project Update

Former Esselman's Store, Mayhew Lake Township

The former Esselman's Store (Site) was operated as an agricultural chemical facility in Mayhew Lake Township from 1976 to 2003 by Robert and Donna Esselman. Robert Esselman passed away in 2003 and Donna Esselman is the remaining Responsible Party (RP) for this Site. In 2003 the Site was sold and is now operated as a trucking business. Pesticide and fertilizer contamination were identified in soil and groundwater at the Site. Petroleum contamination is also present in both soil and groundwater, which is being investigated through Minnesota Pollution Control Agency (MPCA) programs.

Water samples have been collected from 10 drinking wells within Mayhew Lake Township since June 2012. Agricultural chemical contamination above the Minnesota Department of Health (MDH) drinking water guidelines has been identified in four of the 10 drinking water wells sampled; MDH well advisories have been issued for these four drinking water wells. Two of the four contaminated drinking water wells receive bottled water, while the other two drinking water wells have had water treatment systems installed. Three of these four wells are also contaminated with petroleum compounds.

In 2016, the RP's representative informed the MDA and the MPCA that the RP was financially unable to proceed with either the agricultural chemical or the petroleum investigations and corrective actions.

During fiscal year 2018 (FY18), additional soil borings and temporary monitoring wells were completed to close data gaps and provide further delineation of soil and groundwater contamination associated with the Site. Groundwater sampling of the monitoring well network and selected residential wells was also completed to monitor contaminant concentrations and provide additional data on the nature and extent of agricultural chemical contamination in the shallow and deep groundwater associated with the Site.

Based on the results reported for the four groundwater sampling events conducted at the monitoring and residential wells in FY18 and results from the soil sampling and temporary monitoring wells investigation in FY18, continued groundwater sampling will be necessary during fiscal year 2019 (FY19) to further evaluate the agricultural chemical contamination. Quarterly and annual groundwater monitoring reports will be prepared and submitted to the MDA IRU during FY19. The MPCA will also evaluate and select a drinking water supply alternative for the provision of clean water to residences and businesses within the Township that are affected by the petroleum contamination. Work conducted through MPCA programs is being funded by the Petrofund.

Agricultural Chemical Response Compensation Board Members

Chair, Bob Wesolowski

Representing Agricultural Chemical Manufacturers and Wholesalers

Vice Chair, Jessica Ratka

Representing Farmers

Member, Jeff Wheeler

Representing Agricultural Chemical Retailers

Member, Joel Fischer

*Delegate for the Commissioner of the
Minnesota Department of Commerce*

Member, Susan Stokes

*Delegate for the Commissioner of the
Minnesota Department of Agriculture*

ACRRA Board Staff

Executive Director

Roger Mackedanz

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

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