



Agricultural Chemical Response and Reimbursement Account (ACRRA) ANNUAL REPORT

Fiscal Year 2023

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Minnesota Department of Agriculture
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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 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 34-year history, the ACRRA program has reviewed over 1,511 applications and reimbursed over \$55 million to help cover the cost of cleaning up agricultural chemical spills.

In Fiscal Year (FY) 2023, the board had four scheduled meetings to review applications, approving 21 applications for reimbursement. Of the 21 applications reviewed by the board, seven 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 \$1,732,982. Administrative expenses were \$436,384.

During the fiscal year, the ACRRA program received revenues totaling \$4,770,838. This is \$2,286,189 higher than the \$2,484,649 total revenue received in FY22.

Legislative Changes

During FY22, legislation was passed that amends Minnesota Statute 18E. The changes took effect January 1, 2023. On that date, there were three changes to the statute:

1. The maximum reimbursable amount per site increased from \$350,000 to \$550,000.
2. The ACRRA fund balance requirements changed. Previously, the commissioner of agriculture was responsible to keep the ACRRA fund balance between \$1 million and \$5 million. As of January 1, 2023, the fund must be maintained within the range of \$2 million and \$6.5 million.
3. Prior to this change, the Board was required to only issue partial reimbursements of \$100,000 per year if the fund balance dropped below \$2 million. As of January 1, 2023, the Board must limit reimbursements once the fund balance drops below \$3 million.

Introduction

The Agricultural Chemical Response and Reimbursement Account (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 sites. 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. An increase in surcharge rates occurred on January 1, 2023. Surcharge rates for Fiscal Year FY22 and FY23 are as shown in Table 1 below.

Table 1:

ACRRA Surcharge Category	ACRRA FY22 Surcharges	ACRRA FY23 Surcharges
Commercial & Non-Commercial Pesticide Licenses	\$25	\$25
Structural Pest Control Company Licenses	\$100	\$100
Agricultural Fertilizer Licenses (includes lawn service)	\$50	\$50
Pesticide Dealer License (ag and non-ag)	\$75	\$75
Fertilizer Tonnage	\$0.32/ton	\$0.48/ton
Pesticide Registration (percent of sales)	0.32%	0.48%
Out-of-State Pesticide Distributors (each site annually)	\$3,135	\$4,705

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 \$55 million to cover eligible corrective action clean-up costs. The MDA commissioner sets the surcharge rate to maintain a minimum balance of \$2 million and an upper balance of \$6.5 million.

Incident Response Program Status

As of the end of FY23, there were 43 comprehensive and 76 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 FY23 included 11 new sites, and in FY23, 15 voluntary project files were closed by IRU staff.

The types of sites currently active in the comprehensive and voluntary programs include former and currently operating agricultural chemical retail facilities, pesticide manufacturing facilities, a plant and tree nursery, wood treating facilities, and several golf course conversions.

Financial Report

REVENUES:

The ACRRA program revenues totaled \$4,770,838 in FY23. This is \$2,286,189 higher than FY22 revenues. Revenue includes investment earnings and surcharges collected through June 2023.

The fund balance was \$2,787,343 at the end of FY21; \$2,135,000 at the end of FY22; and, \$4,736,472 at the end of FY23. The ACRRA staff has been monitoring the fund balance since statute requires it to remain within the minimum (\$2 million) and maximum (\$6.5 million) amounts. After a public hearing, the commissioner of agriculture determined that the ACRRA surcharge rates needed to be raised in 2023. With the increase in revenues, the fund balance is predicted to increase in FY24.

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 21 applications in FY23. Of the 21 applications reviewed by the board, seven were new applications and 14 were subsequent applications. Of these 21 applications, 16 were for voluntary site clean-ups, four were comprehensive, and one was an emergency incident.

In FY23, direct payment to contractors for cleanup of abandoned sites totaled \$275,125 and the reimbursements to applicants totaled \$1,422,449.

In FY23, the total amount expended for applicant reimbursements or payments, cleanup activities, and abandoned sites was \$1,732,982. Administrative expenses, including the ACRRA and IRU staff, were \$436,384. Total expenditures were \$2,169,366.

Statement of Revenues, Expenditures, and Fund Balance

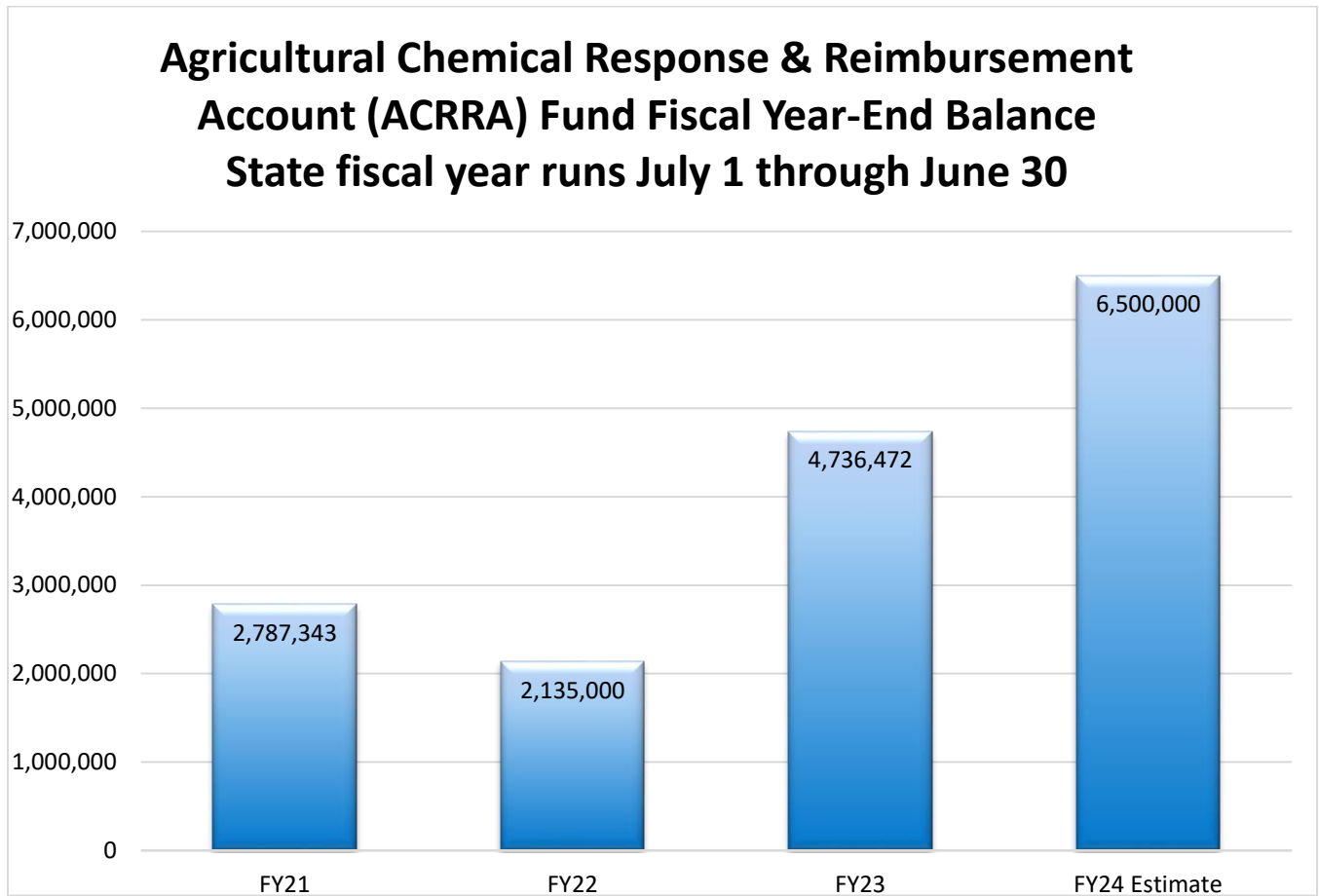
Minnesota Department of Agriculture

Agricultural Chemical Response and Reimbursement Account

For the Fiscal Year ending June 30, 2023 *

	*2023	2023	2022
REVENUES:			
Surcharge on License/Authorization	9%	\$440,812	\$421,371
Surcharge on Tonnage/Product Registration	88%	\$4,212,688	\$2,052,724
Investment Earnings	3%	\$117,388	\$10,554
Total Revenues	100%	\$4,770,838	\$2,484,649
EXPENDITURES:			
Reimbursement and Clean-up Costs		\$1,732,982	\$2,709,397
Administrative Expenditures (ACRRA)		\$273,475	\$263,589
Administrative Expenditures (Incident Response Unit)		\$162,909	\$161,102
Total Expenditures		<u>\$2,169,366</u>	\$3,134,088
Fund Balance Beginning of Year		\$2,787,334	\$2,787,334
Ending Fund Balance		<u>\$4,736,472</u>	\$2,135,000

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 for this Site. In 2003, the Site was sold and is now operated as a trucking business. Pesticides 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.

In 2016, the Responsible Party's (RP) 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.

Water samples have been collected from 14 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 six of the 14 drinking water wells sampled; MDH well advisories have been issued for all six of the wells. Four of the six agricultural chemical contaminated drinking water wells receive bottled water from the MDA. The other two wells are also contaminated with petroleum compounds and have had water treatment systems installed by the MPCA. Monitoring costs for both the drinking and supply wells are shared annually between the MPCA and MDA for consulting, reporting, and field supplies.

In FY22, the MDA conducted a Limited Investigation of selected areas of the Site, primarily under structures, that had yet to be fully delineated for sources of soil and groundwater contamination. This involved the completion of 24 soil borings, three temporary monitoring wells, and three soil vapor probes.

During FY23, the MDA continued to sample the monitoring well network and selected residential wells to provide additional data on the nature and extent of agricultural chemical contamination in the shallow and deep groundwater of the Site. Analysis from FY23 well monitoring has shown increasing levels of nitrogen concentration in some wells.

As a result of the FY22 Limited Investigation, the extent of subsurface soil contamination at the Site has been delineated and potential corrective actions beneath the former pesticides dike location and beneath the former dry fertilizer building are being evaluated. The current owner of the Site has stated they may be willing to sell the property in approximately four years; at which point, the MPCA would be able to purchase the Site for remediation.

To better understand the MDA's potential long-term costs of this project, the MDA will continue to work with the MPCA with corrective actions and cost-sharing for the Site. Work conducted through MPCA programs is being funded by Petrofund.

Agricultural Chemical Response Compensation Board Members

Chair, Jeff Wheeler

Representing Agricultural Chemical Retailers

Vice Chair, Janet Hou

Representing Agricultural Chemical Manufacturers and Wholesalers

Member, Michael Skaug

Representing Farmers

Former Member, James Hlatky

Representing Farmers

Member, Joel Fischer

Delegate for the Commissioner of the Minnesota Department of Commerce

Member, Peder Kjeseth

*Delegate for the Commissioner of the Minnesota Department of Agriculture
Delegation began January 2022*

ACRRA Staff

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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