



Agricultural Chemical Response and Reimbursement Account (ACRRA) ANNUAL REPORT Fiscal Year 2015



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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 more than 26 year history, the ACRRA Program has reviewed over 1,205 applications and reimbursed over \$36 million to help cover the cost of cleaning up agricultural chemical spills.

In fiscal year 2015 (FY15), the Board met four times, approving 25 applications for reimbursement. Of the 25 applications, ten were for new sites (initial applications) and 15 were subsequent applications due to ongoing cleanup activities. The total expended for applicant reimbursements or payments, cleanup activities, and abandoned sites, was \$1,112,400. Administrative expenses were \$184,554. Note that salaries and administrative expenses for ACRRA-related work performed by the Incident Response Unit (IRU) were redirected to a different account in FY15 to try to preserve the ACRRA Fund.

The Commissioner of Agriculture (Commissioner) increased the rate of the ACRRA surcharges to the levels they were at in 2005 (see *Table 2* on page 4). The surcharge increase took effect on January 1, 2015. During the fiscal year, the ACRRA received revenues totaling \$1,396,077. This is \$279,454 higher than the \$1,116,623 surcharge revenue received in FY14.

Cover Photo:

The cover photo is from the West Central Ag Services site in Felton, Minnesota. An investigation of soil impacts was completed to delineate the extent and magnitude of nitrogen and pesticides. Corrective actions (excavation and land application of over 10,000 cubic yard of contaminated soil to nearby agricultural fields) were conducted following the investigation to remove the impacts from the site.

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 Pesticide and Fertilizer Management Division (PFMD) has several active programs for addressing agricultural chemical cleanups: emergency, comprehensive, voluntary, abandoned site, and pre-construction. 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.

ACRRRA 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 ACRRRA surcharge. The ACRRRA revenue collected supports program operations. For the first half of FY15, the surcharge rates were as shown in *Table 1* below. On January 1, 2015 (mid-way through the Fiscal Year), the Commissioner raised the ACRRRA surcharges to the levels they were at in 2005 - see *Table 2* below.

Table 1

ACRRRA Surcharge Category	ACRRRA Surcharges through December 31, 2014
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 (AG & Non-Ag)	\$24.75
Fertilizer Tonnage	\$0.10/Ton
Pesticide Registration (percent of Sales)	0.1%
Out-of-State Pesticide Distributors (each site-annually)	\$1,000

Table 2

ACRRRA Surcharge Category	ACRRRA Surcharges Beginning January 1, 2015
Commercial & Non-Commercial Pesticide Licenses	\$25
Structural Pest Control Company Licenses	\$100
Agricultural Fertilizer Licenses (includes lawn service)	\$50
Pesticide Dealer License (AG & Non-Ag)	\$75
Fertilizer Tonnage	\$0.30/Ton
Pesticide Registration (percent of Sales)	0.3%
Out-of-State Pesticide Distributors (each site-annually)	\$3,000

Background

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

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 ACRRRA staff to manage program resources effectively. Oversight of the corrective actions taken to clean up contamination is the responsibility of the IRU.

Since inception, the ACRRRA program has disbursed over \$36 million to cover eligible corrective action clean-up costs. The MDA Commissioner sets the surcharge rate following a public hearing. The surcharge rate is set to maintain a minimum balance of one million dollars and an upper balance of five million dollars. On April 16, 2014, a public hearing was held immediately following the regularly scheduled ACRRRA meeting. The public hearing was held to discuss the need to raise ACRRRA surcharges. The majority of comments received were in support of the program. After much consideration, the Commissioner made the decision to raise the surcharges proportionally to their current levels.

Incident Response Program Status

As of the end of FY15, there were 60 comprehensive and 85 voluntary sites that were actively being worked on by IRU staff. As of June 30, 2014 there were 65 comprehensive and 79 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 FY14 included 11 new sites while in FY15 there were 6 new voluntary sites that entered the AgVIC program. In FY15, 31 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 revenues totaled \$1,396,077 in FY15. This is \$279,454 higher than FY14 revenues. This amount includes not only investment earnings, but also surcharges collected through June 2015. *Tables 1 and 2* on page 2 show the surcharges per category in effect through December 2014, and January through June, 2015.

FY13 ended with a fund balance of \$3,275,991. The fund balance was \$2,487,573 at the end of FY14. The fund balance was \$2,374,425 at the end of FY15.

The impact of the surcharge increase will not be fully realized until the spring of 2016. Staff anticipates that reimbursements, payments, and other program costs will remain similar to costs in the recent past. Staff projects that revenues will increase during the coming fiscal year, and the fund balance will remain fairly level during FY16, but ACRRA staff anticipates the Fund balance will increase in FY17. See *Statement of Revenues, Expenditures and Fund Balance* on the following page.

Reimbursement applications are less predictable, but ACRRA staff anticipates a general increase in number of projects going forward as IRU becomes fully staffed. The ACRRA Board approved reimbursement of 25 applications in FY15. Of these 25 applications, 10 were new applications and 15 were subsequent applications. Of these 25 applications; 17 were for voluntary site clean-ups, six (6) were comprehensive, and two (2) were emergency incidents.

In FY15, direct payment to contractors for cleanup of abandoned sites totaled \$184,129.

In FY15, the total expended for applicant reimbursements or payments, cleanup activities, and abandoned sites was \$1,112,400. Administrative expenses, including ACRRA and IRU staff, were \$184,554. Total expenditures were \$1,509,225.

Statement of Revenues, Expenditures and Fund Balance

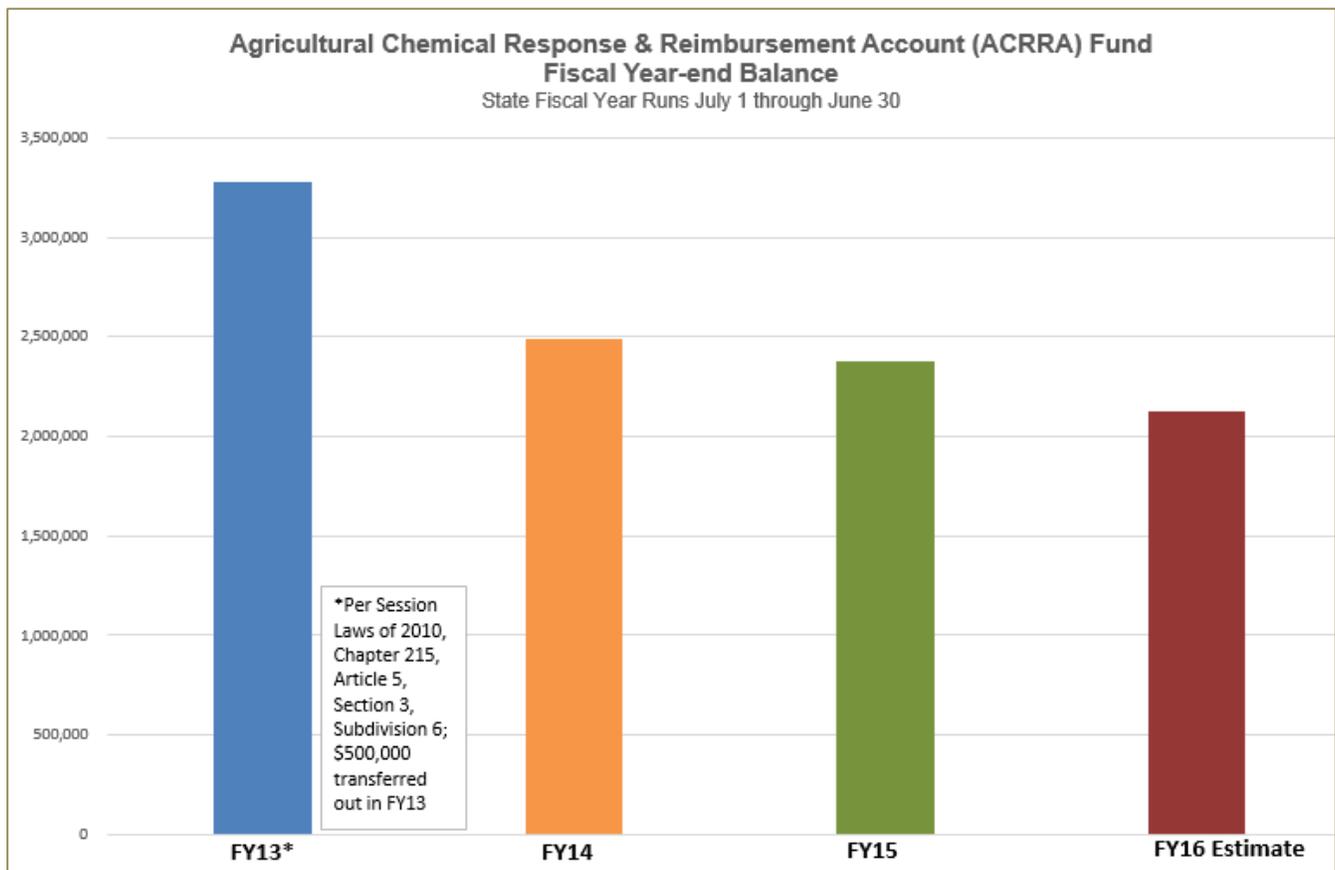
Minnesota Department of Agriculture
 Agricultural Chemical Response and Reimbursement Account
 For the fiscal year ended June 30, 2015 *

	**2015	2015	2014
REVENUES:			
Surcharge on License/Authorization	28%	394,539	131,091
Surcharge on Tonnage/Product Registration	71%	989,166	970,695
Investment Earnings	1%	<u>12,373</u>	<u>14,837</u>
Total Revenues	100%	1,396,077	1,116,623
EXPENDITURES:			
Reimbursement & Clean-up Costs		1,324,671	1,710,720
Administrative Expenditures (ACRRA)		183,213	176,899
Administrative Expenditures (Incident Response Unit)		1,341	17,422
Total Expenditures		<u>1,509,225</u>	<u>1,905,041</u>
Fund balance beginning of year		<u>2,487,573</u>	<u>3,275,991</u>
Ending Fund Balance		<u>2,374,425</u>	<u>2,487,573</u>

*All numbers rounded to nearest dollar.

** Percent of total revenues

ACRRA Fund Fiscal Year-end Balances



MDA Abandoned Sites Project Update

During FY15, the IRU contracted for the preparation of bid specifications to conduct corrective actions for pesticide contaminated soil at the former Cashman Seed & Fertilizer site in Owatonna. In FY16 a construction contract will be completed for the excavation and disposal of the pesticide impacted soil, and the MDA's consultant will provide oversight and a summary report on the corrective actions. Due to the shallow extent of soil contamination at this site, no groundwater sampling was completed.

At the former Benton County Coop site in Foley, in FY15 four (4) monitoring wells were installed to investigate soil and groundwater impacted with nitrogen. Soil samples were collected during the installation of the wells. Laboratory analytical results of the soil samples indicated that low concentrations of nitrogen were detected, but did not require corrective actions. Groundwater samples were collected from the monitoring wells and from a City supply well located on the adjacent property. Aquifer testing and a Contamination Impacts Survey were also completed. Based on the results of the FY15 activities, it is anticipated that the four (4) monitoring wells will be sealed in FY16 and that the project file will be closed.

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, IRU contracted for the excavation and disposal of approximately 1,221 tons of treated, pentachlorophenol-contaminated soil. In FY14, IRU contracted for the completion of a Corrective Action Report, the installation of an additional monitoring well, the collection of groundwater samples, and the oversight of field activities. In FY15, IRU contracted for the installation of two additional monitoring wells, the collection of groundwater samples, and oversight of field activities. In FY16, it is anticipated that additional groundwater monitoring will be completed to document plume delineation, the seven (7) monitoring wells associated with the site will be sealed, and the project file will be closed.

Agricultural Chemical Compensation Board Members

Past Chair, Tom Revier
Representing Farmers
Resigned effective January 2015

New Chair, Kevin Jones
Representing Agricultural Chemical Dealers
Voted in as Chair in April 2015

Vice-Chair, Bob Wesolowski
Representing Agricultural Chemical Manufacturers and Wholesalers
Voted in as Vice-Chair in April 2015

Member, Jessica Ratka
Representing Farmers
Newly appointed member effective March 2015

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

Executive Director
Joe Spitzmueller

Board Administrator
Rae Lynn Herbster

Administrative Assistant
Adreanne Johnson

*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