



Agricultural Chemical Response and Reimbursement Account (ACRRA) ANNUAL REPORT Fiscal Year 2016



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Contents

Executive Summary.....	1
Introduction	2
Background.....	3
Incident Response Program Status.....	3
Financial Report	4
Statement of Revenues, Expenditures and Fund Balance.....	5
ACRRA Fund Fiscal Year-end Balances.....	6
MDA Abandoned Sites Project Update	7
Agricultural Chemical Compensation Board Members	8
ACRRA Board Staff.....	8

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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 27 year history, the ACRRA program has reviewed over 1,214 applications and reimbursed over \$39 million to help cover the cost of cleaning up agricultural chemical spills.

In fiscal year 2016 (FY16), the Board had four scheduled meetings to review applications, approving 35 applications for reimbursement. Of the 36 applications reviewed by the Board, 19 were for new sites (initial applications) and 17 were subsequent applications due to ongoing cleanup activities. The total expended for applicant reimbursements or payments, cleanup activities, and abandoned sites, was \$2,100,618. Administrative expenses were \$341,295.

During the fiscal year, the ACRRA program received revenues totaling \$3,217,320. This is \$1,821,243 higher than the \$1,396,077 surcharge revenue received in FY15.

Cover Photo:

The photo collage includes an overview of the activities associated with site cleanups including soil sampling, monitoring well installation, stream and well sampling, review of facility operations and excavation of contaminated soil.

Introduction

The ACRRRA 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 ACRRRA 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 ACRRRA 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 ACRRRA surcharge. The revenue collected supports the ACCRA program operations. Surcharge rates for FY16 are as shown in *Table 1* below.

Table 1

ACRRRA Surcharge Category	ACRRRA Surcharges FY16
Commercial & Non-Commercial Pesticide Licenses	\$25
Structural Pest Control Company Licenses	\$100
Agricultural Fertilizer Licenses (includes lawn service)	\$50
Pesticide Dealer License (ag and 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 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 inception, the ACRRRA program has disbursed over \$39 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 FY16, there were 62 comprehensive and 91 voluntary sites that were actively being worked on by IRU staff. As of June 30, 2015 there were 60 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 FY16 included 26 new sites, and in FY16, 13 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 and fertilizer warehousing and manufacturing facilities, a plant and tree nursery, wood treating facilities, golf course conversions and aerial applicator operations.

Financial Report

REVENUES:

The ACRRA program revenues totaled \$3,217,320 in FY16. This is \$1,821,243 higher than FY15 revenues. Revenue includes investment earnings and surcharges collected through June 2016.

The surcharge rate increase that took effect on January 1, 2015 has stabilized the fund balance. The fund balance was \$2,487,573 at the end of FY14; \$2,374,425 at the end of FY15; and \$3,150,974 at the end of FY16. The ACRRA staff will monitor the fund balance to ensure it remains within the minimum (\$1,000,000) and maximum (\$5,000,000) amounts.

Administrative expenses were up in FY16. Applicable salaries paid to IRU staff were redirected back to the ACRRA account this year. These expenses had previously been pointed to the Pesticide Regulatory Account to reduce the pressure on the ACRRA fund as it declined and approached the minimum balance.

Additionally, Farmer's Elevator Company of Alvarado, a party adversely affected by Board's decision to deny reimbursement, appealed the determination. The Board met several times to discuss the eligibility of this application and agreed to settle with the party in the amount of \$30,000; original costs submitted totaled \$130,572.50. The Board's decision to settle was a business decision made to avoid further costs associated with an appeal. The Board reasserted their original determination that the costs submitted in the original application were ineligible for reimbursement. The settlement amount was taken from the reimbursement account.

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 35 applications in FY16. Of the 36 applications reviewed by the Board, 19 were new applications and 17 were subsequent applications. Of these 36 applications; fifteen (15) were for voluntary site clean-ups, thirteen (13) were comprehensive, and eight (8) were emergency incidents.

In FY16, direct payment to contractors for cleanup of abandoned sites totaled \$52,573.60.

In FY16, the total expended for applicant reimbursements or payments, cleanup activities, and abandoned sites was \$2,100,618. Administrative expenses, including the ACRRA and IRU staff, were \$341,295. Total expenditures were \$2,441,913.

Statement of Revenues, Expenditures, and Fund Balance

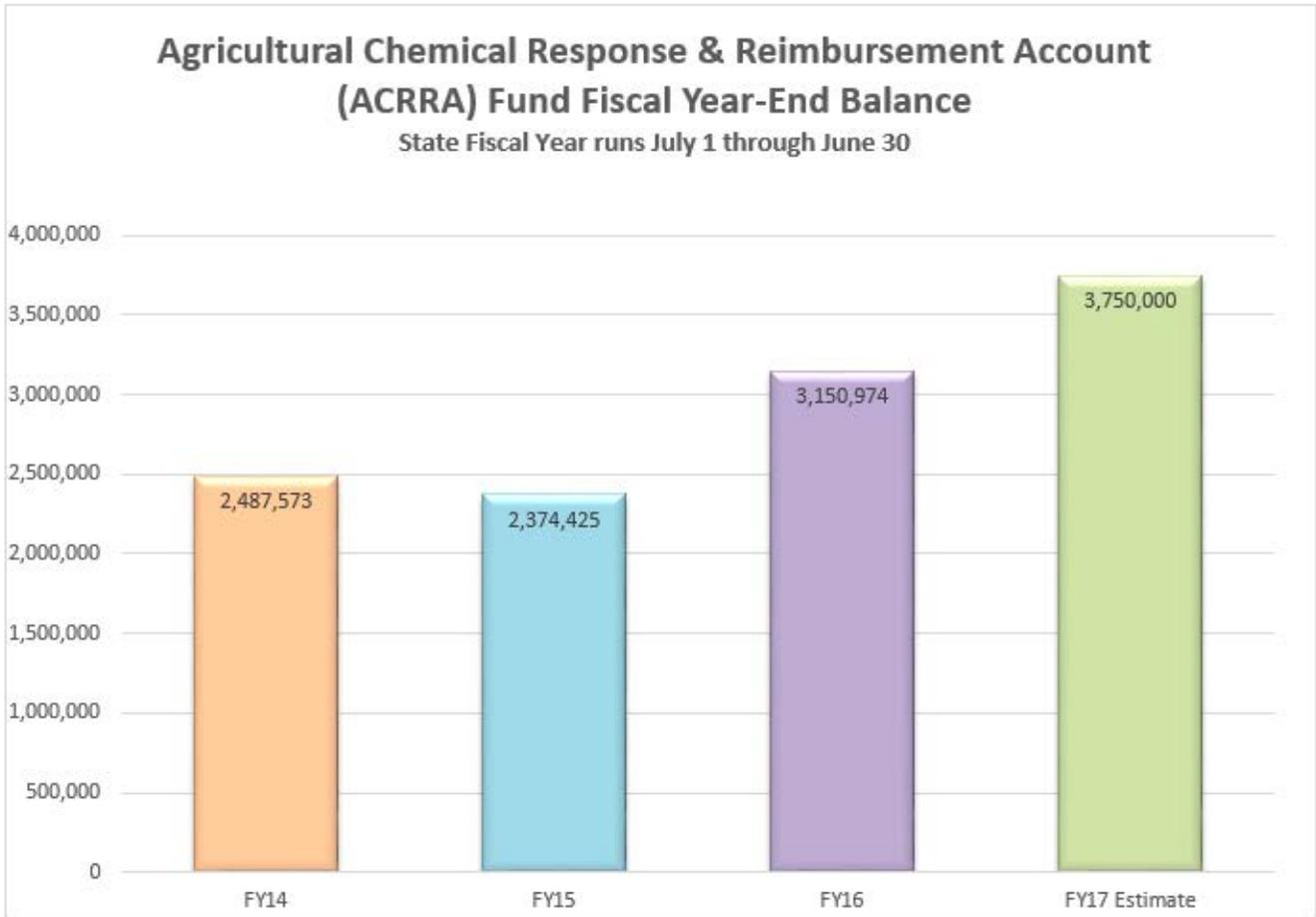
Minnesota Department of Agriculture
 Agricultural Chemical Response and Reimbursement Account
 For the fiscal year ended June 30, 2016 *

	**2016	2016	2015
REVENUES:			
Surcharge on License/Authorization	13%	420,619	394,539
Surcharge on Tonnage/Product Registration	86%	2,777,639	989,166
Investment Earnings	<1%	<u>19,062</u>	<u>12,373</u>
Total Revenues	100%	3,217,320	1,396,077
EXPENDITURES:			
Reimbursement & Clean-up Costs		2,100,618	1,324,671
Administrative Expenditures (ACRRA)		184,415	183,213
Administrative Expenditures (Incident Response Unit)		156,880	1,341
Total Expenditures		<u>2,441,913</u>	<u>1,509,225</u>
Fund balance beginning of year		<u>2,375,567</u>	<u>2,487,573</u>
Ending Fund Balance		<u>3,150,974</u>	<u>2,374,425</u>

* All numbers rounded to nearest dollar.

** Percent of total revenues

ACRRA Fund Fiscal Year-End Balances



MDA Abandoned Sites Project Update

Former Benton County Coop, Foley

Low concentrations of nitrogen were detected in soil samples at this former facility which did not require corrective actions. Groundwater samples were collected from four (4) monitoring wells and from a city water supply well located on an adjacent property. Low concentrations of nitrogen were detected in the groundwater samples. No corrective actions were required for this site. Based on the results of the site investigation, the four (4) monitoring wells were abandoned in FY16 by a drilling contractor. The project file has been closed by IRU staff.

Former Cashman Seed & Fertilizer, Owatonna

In FY16 a construction contract was completed for the excavation and disposal of approximately 300 tons of pesticide contaminated soil. An environmental consultant contracted by IRU provided oversight of the soil excavation and disposal. The City of Owatonna owns the property and uses the former dry fertilizer building for storage. Because contaminated soil remains below structures and is not currently accessible at the site, the project file was contingently closed by IRU staff. The contaminated soil will be removed in the future when the soil becomes accessible.

Mallard Ridge Site, Zimmerman

The site is a former wood treating facility, and is now located within property owned by a church. Soil and groundwater at this site were contaminated with pentachlorophenol (PCP), a wood treatment compound. Previously, approximately 1,221 tons of treated, PCP contaminated soil were excavated and disposed of in an industrial landfill. Groundwater samples were collected from the monitoring well network and the church well over a number of years. Although PCP has been detected in groundwater near the former wood treatment operational area, no PCP contamination has been found in the church well.

In FY17, the seven (7) monitoring wells will be abandoned by a drilling contractor, and the IRU will work with the church to file a deed affidavit on the property noting the existence of the former wood treatment facility and the presence of residual, low level PCP contamination in soil and groundwater.

Agricultural Chemical Compensation Board Members

Past Chair, Kevin Jones

*Representing Agricultural Chemical Dealers
Resigned effective January 2016*

Chair, Bob Wesolowski

*Representing Agricultural Chemical Manufacturers and Wholesalers
Voted in as Chair in January 2016*

Vice Chair, Jessica Ratka

*Representing Farmers
Voted in as Vice Chair in January 2016*

Member, Jeff Wheeler

*Representing Agricultural Chemical Retailers
Newly appointed member effective January 2016*

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

Jennie Hodgeman

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