

Agricultural Chemical Response and Reimbursement Account Public Notice

October 19, 2022

18E.03 AGRICULTURAL CHEMICAL RESPONSE AND REIMBURSEMENT ACCOUNT.

Subd. 3. **Determination of response and reimbursement fee.**

(a) The commissioner shall determine the amount of the response and reimbursement fee under subdivision 4 after a public hearing based on:

(1) the amount needed to maintain an unencumbered balance in the account of **\$2,000,000**;

(2) the amount estimated to be needed for responses to incidents as provided in subdivision 2, clauses (1) and (2); and

(3) the amount needed for payment and reimbursement under section [18E.04](#).

(b) The commissioner shall determine the response and reimbursement fee so that the total balance in the account does not exceed **\$6,500,000**.

(c) Money from the response and reimbursement fee shall be deposited in the treasury and credited to the agricultural chemical response and reimbursement account.

18E.04 REIMBURSEMENT OR PAYMENT OF RESPONSE COSTS.

Subd. 3. **Partial reimbursement.** (a) If the unencumbered balance of the account drops

below **\$3,000,000**, the board may only pay or reimburse an eligible person up to \$100,000 within the same fiscal year.

Subd. 4. **Reimbursement payments.**

(a) The board shall pay a person that is eligible for reimbursement or payment under subdivisions 1, 2, and 3 from the agricultural chemical response and reimbursement account for 80 percent of the total reasonable and necessary corrective action costs greater than \$1,000 and less than or equal to **\$550,000**.

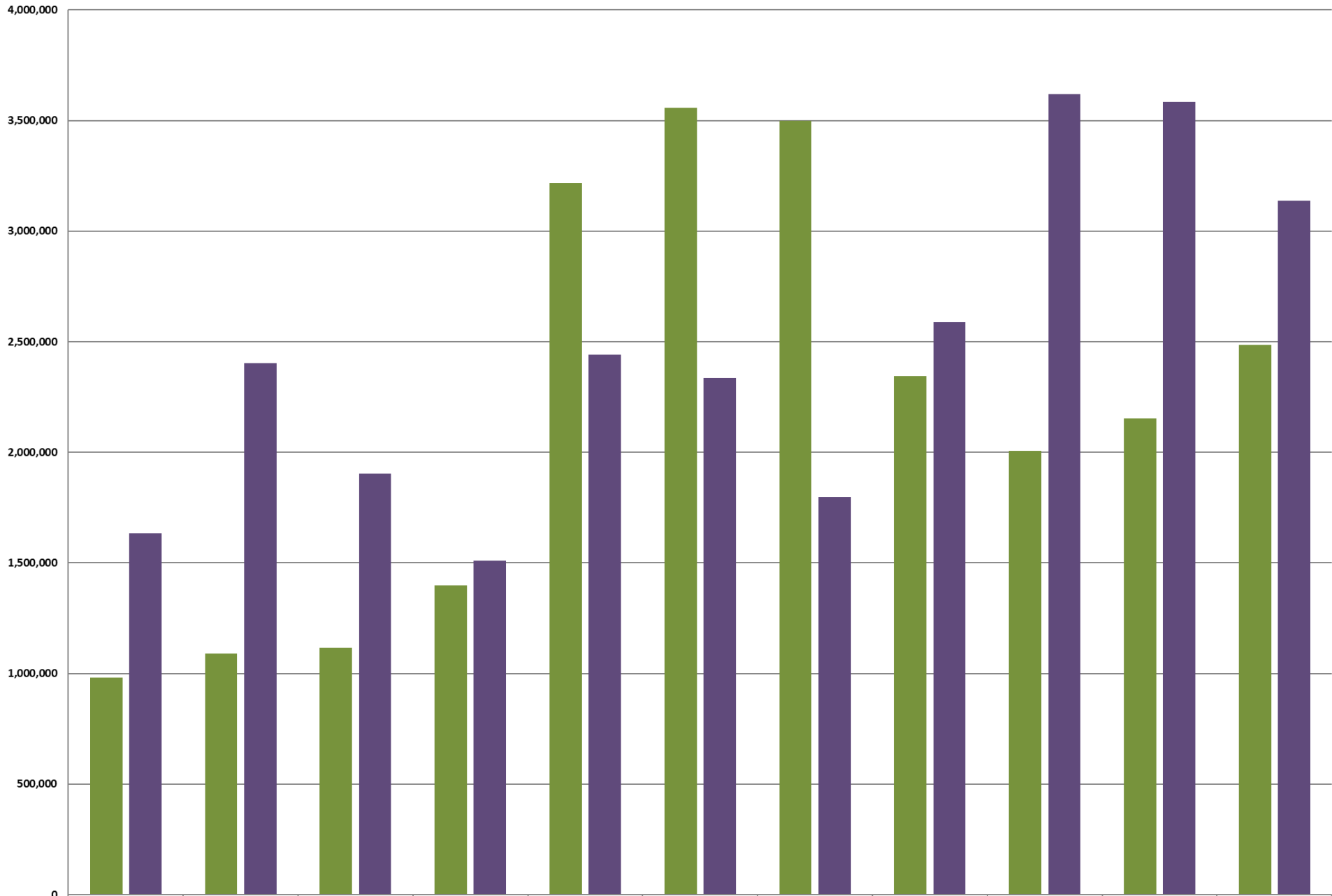
Expenditure assumptions due to statutory changes:

- The Department estimates there have been 13 eligible parties that have experienced costs greater than \$350,000 and are still active cleanups.
 - If six of these sites have reached the new maximum of \$550,000, within the last three years, they would spend an additional \$ 200,000 ($\$200,000 \times 0.80 \times 6$) for a total of \$960,000 in expenditures to the account.
 - the remainder of the sites that have already gone over \$350,000 and are still active may spend an additional \$150,000 ($\$150,000 \times 0.8 \times 7$) this would equal a total of \$840,000 in expenditures to the account.
 - It is assumed that these sites could request this additional reimbursement immediately.
- The department is also estimating that there are four sites that have not currently requested reimbursements for up to the current maximum of \$350,000 but are very close and will likely experience costs higher than that.
 - If all of these sites reach the new maximum of \$550,000 they would spend an additional \$ 200,000 ($\$200,000 \times 0.80 \times 4$) for a total of \$ 640,000 in expenditures to the account sites.
 - It is also assumed that these sites could request this reimbursement in the next year.
- The Department estimates that over time the percent of sites that reach the maximum reimbursement remains at the current rate of 5% of the total which is roughly 3 sites per year, the fund would be exposed to an additional \$480,000 ($\$200,000 \times 0.80 \times 3$) in expenditures per year.

Current ACRRA Surcharge Rate by Category

Type of License	Current Surcharge as of 1/1/2022
Commercial & Non-Commercial Pesticide Licenses	\$25
Structural Pest Control Company Licenses	\$100
Fertilizer Licenses	\$50
Pesticide Dealer License (Ag & Non-Ag)	\$75
Fertilizer Tonnage	\$0.32/ton
Pesticide Registration (percent of sales)	0.32%
Out-of-State Pesticides Distributors (each site-annually)	\$3,135

ACRRA Revenues and Expenses



Revenues	982,310	1,089,329	1,116,540	1,397,244	3,217,320	3,558,158	3,499,304	2,343,111	2,007,709	2,154,741	2,484,649
Expenditures	1,632,226	2,401,685	1,905,041	1,509,225	2,441,913	2,336,258	1,798,027	2,589,051	3,620,295	3,583,031	3,136,980

Issues with any further surcharge increase

- The license categories are currently at the statutory maximum thus any remaining revenue needed will be generated from an increase in the fertilizer tonnage and pesticide registration gross sales fee.
- At the current rate the fertilizer tonnage and pesticide registration gross sales surcharge revenue is projected to be \$3 million this fiscal year.
- With the projected increase in expenditures to be \$2.44 million in the first year and then roughly \$480,000 additionally every year after that it is anticipated that in order to make up for the increased in expenditures projected the fertilizer tonnage and percentage gross sales ACRRA surcharge will need to generate an additional \$2.5 million for two years.

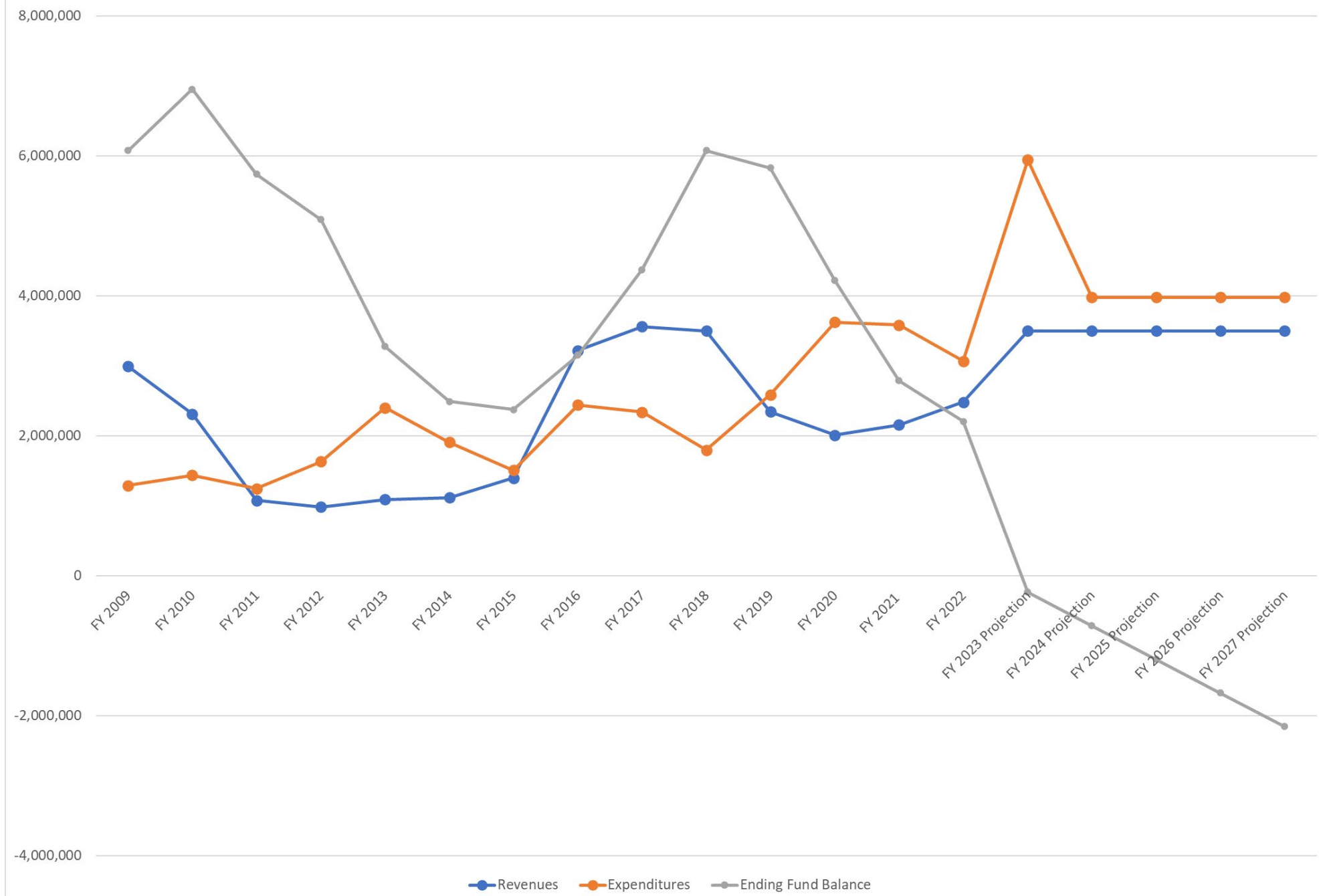
Issues with any further surcharge increase

Because of the fact that the fertilizer tonnage and pesticide registration gross sales surcharges are paid the year after the products are sold, when a decision is made to raise or lower those fees, the actual revenue for those surcharges are not realized until the following year.

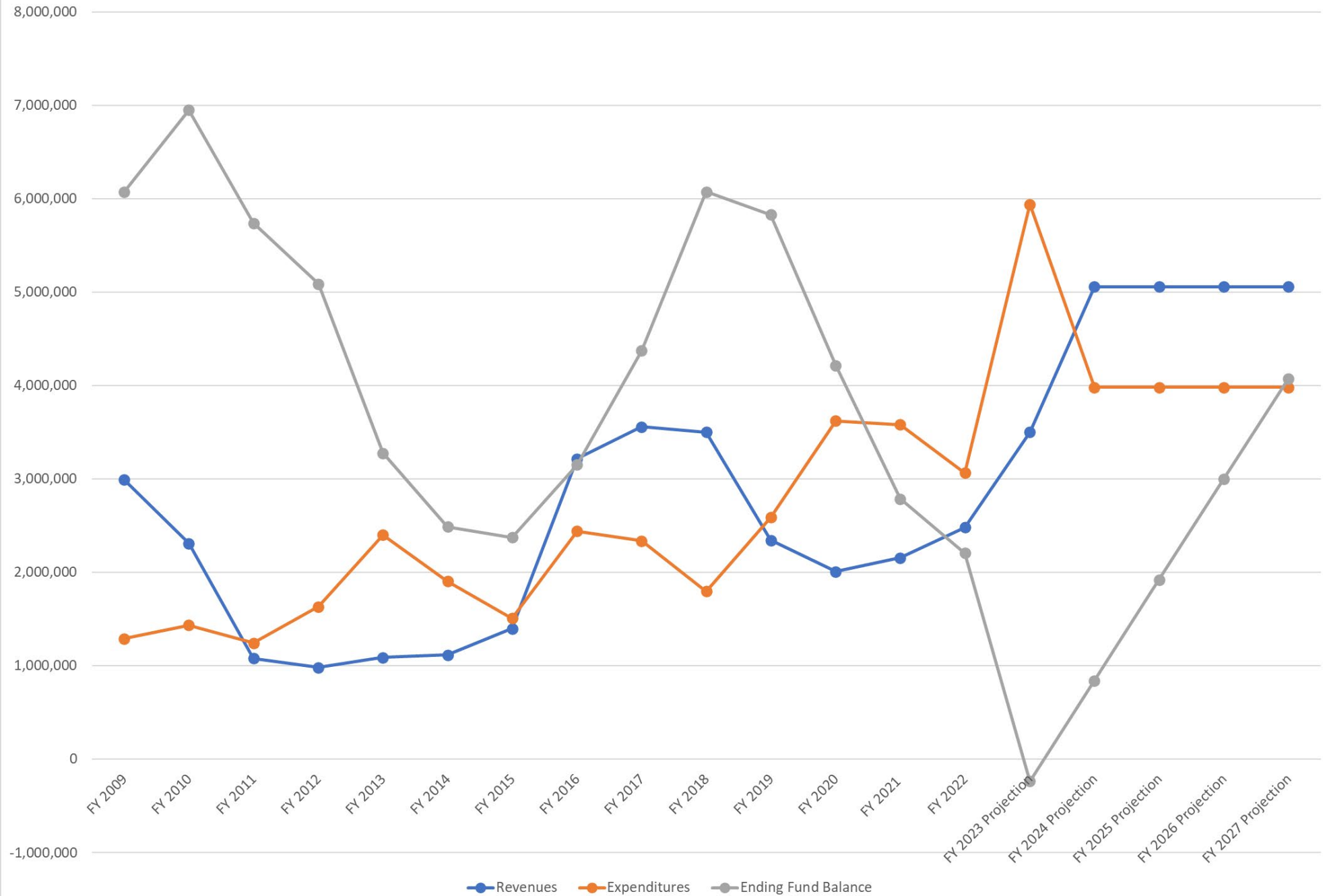
This means if it is determined to raise the fees to cover the added expenditures with raising the maximum reimbursement amount those higher revenues would not be deposited into the account until the following year.

Based on the current fund balance this would result in the Board needing to limit the reimbursements due to MS 18E.04 Subd. 3 for a period of time.

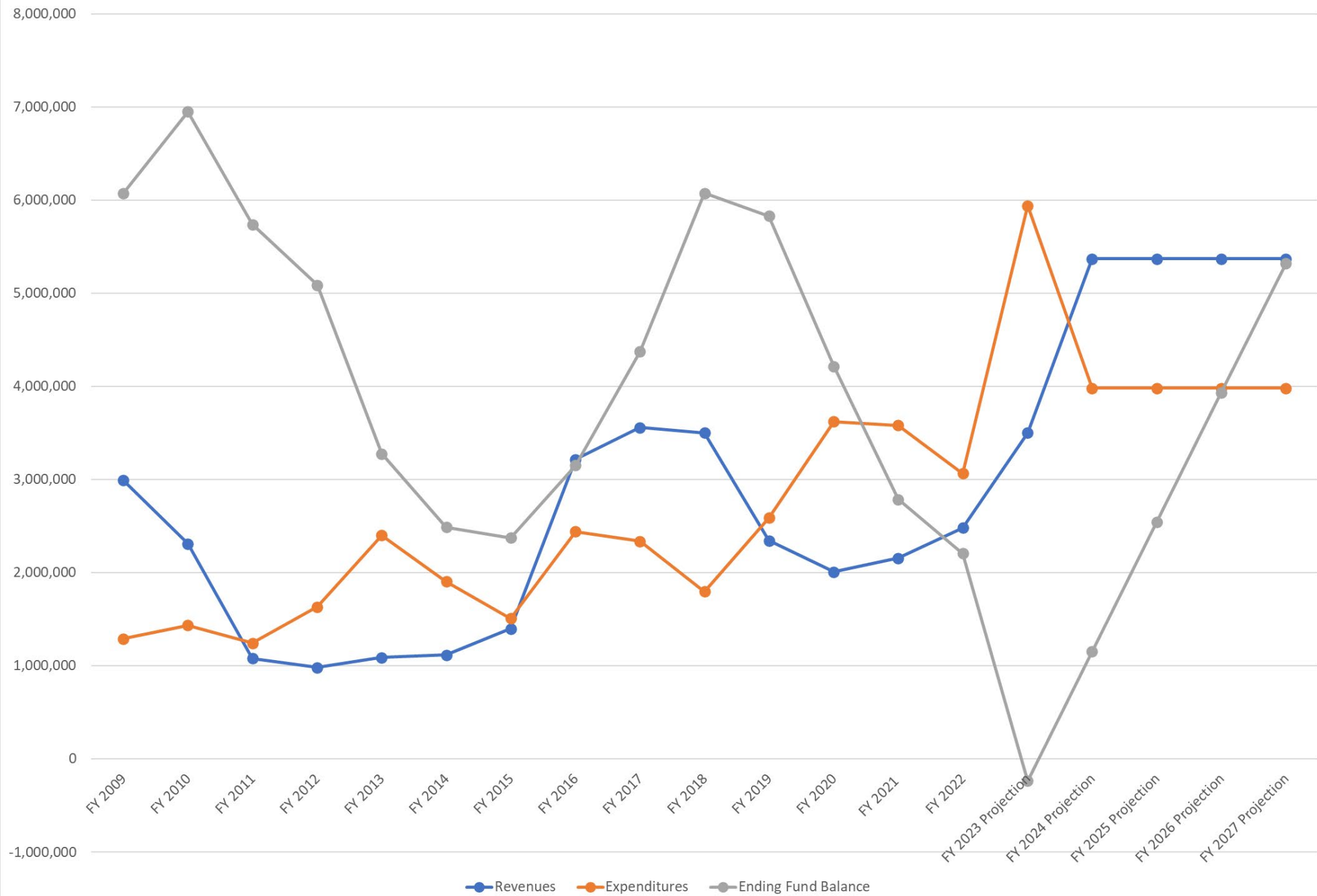
ACRRA Outlook - Current



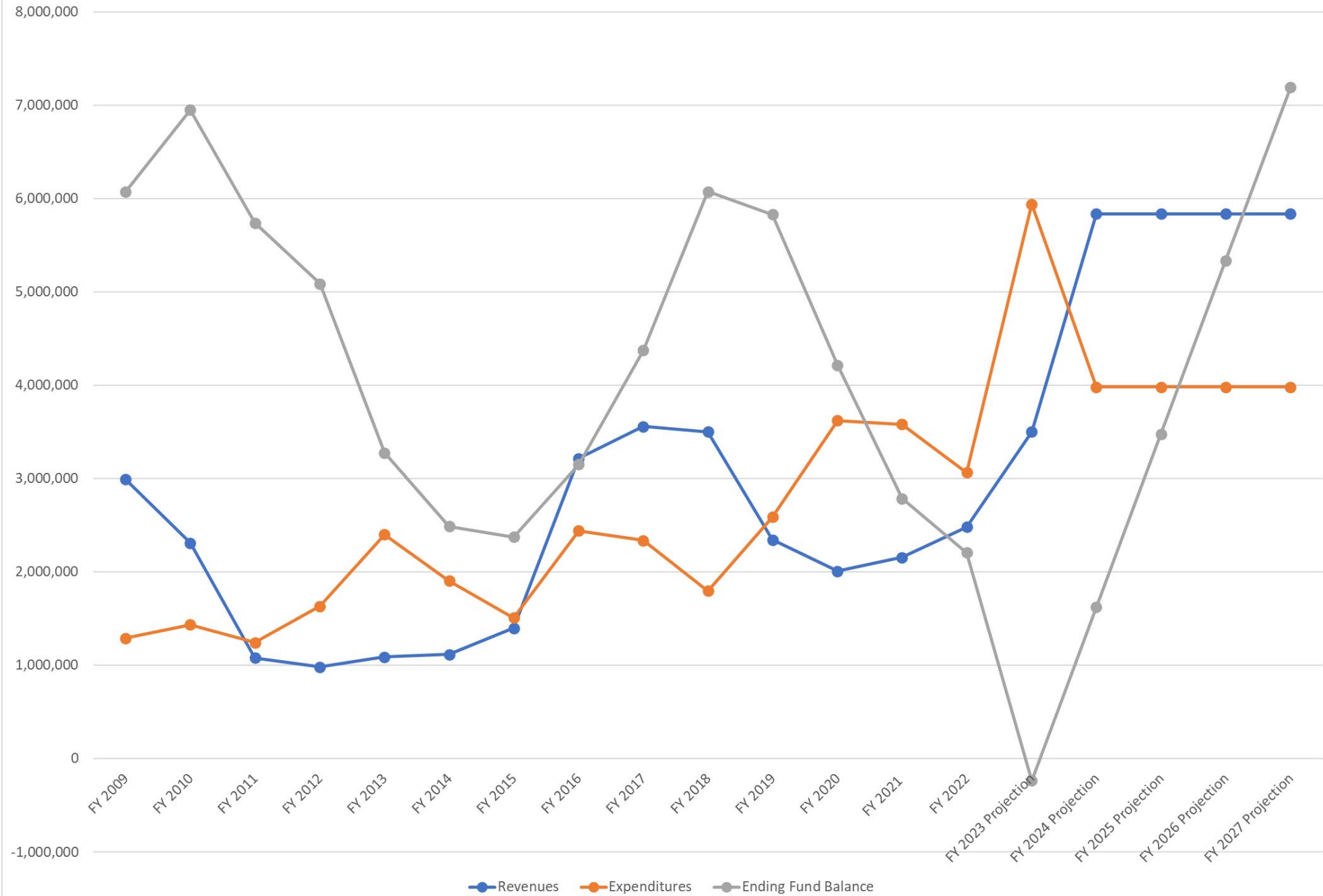
ACRRA Outlook - 50% Increase



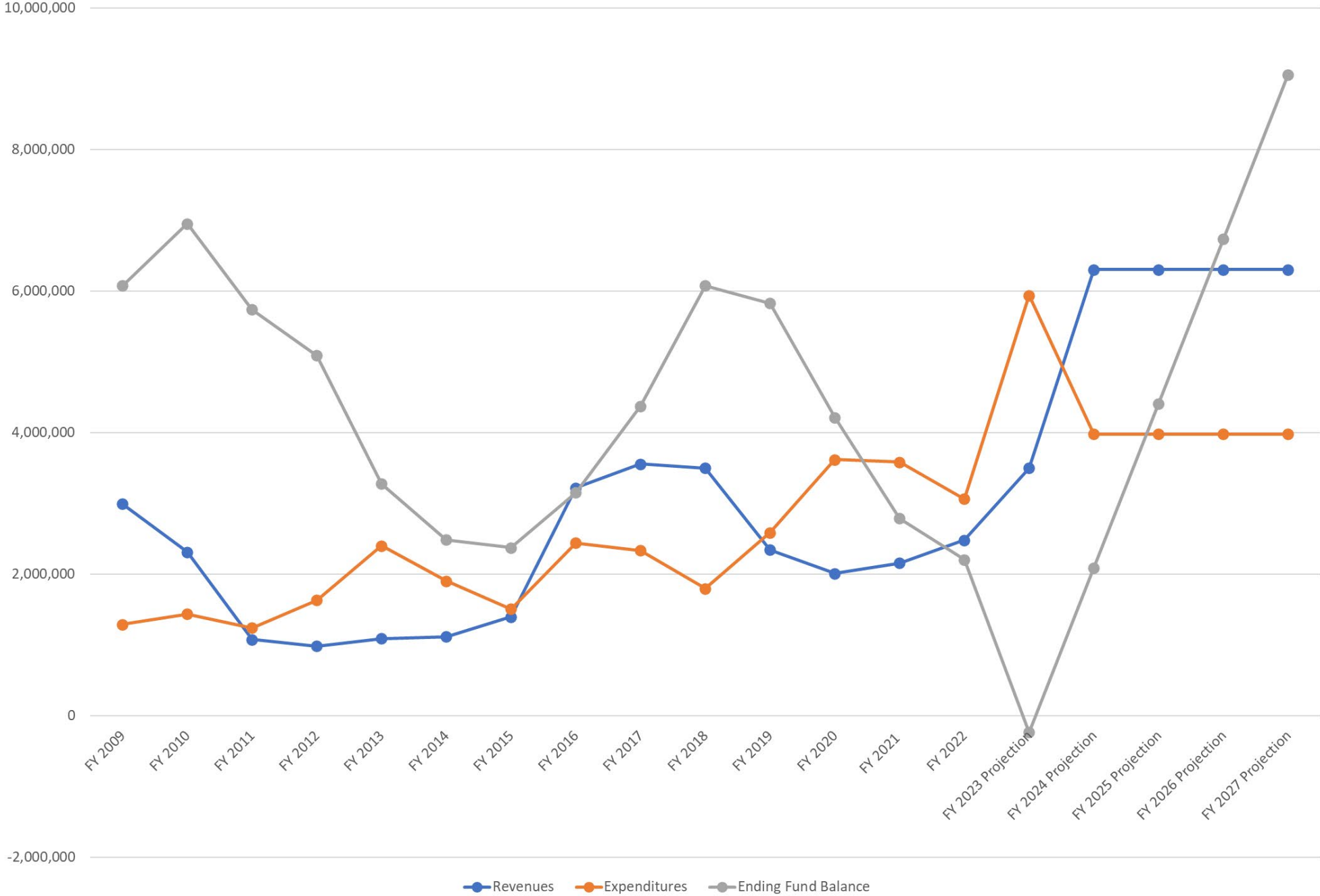
ACRRA Outlook - 60% Increase



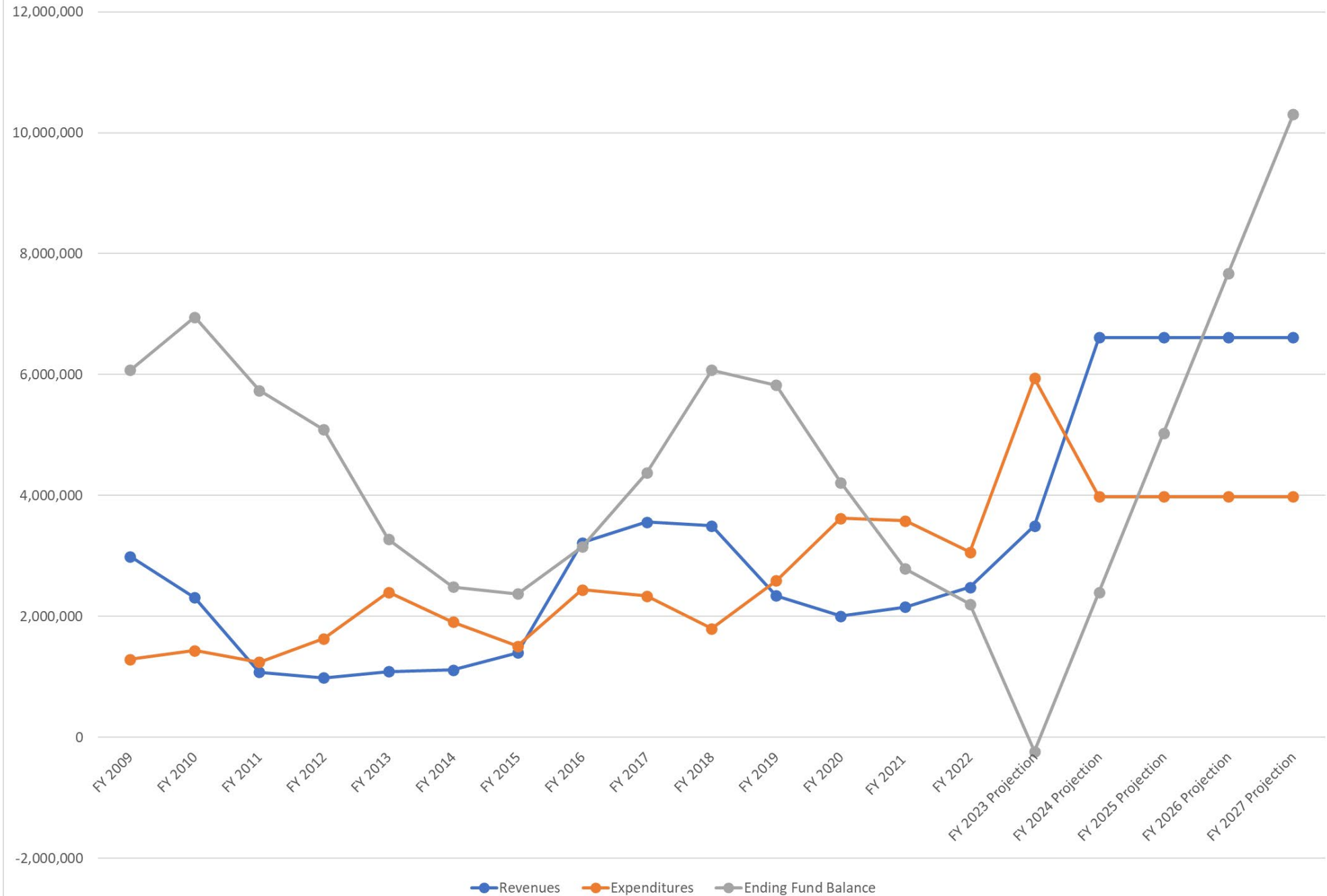
ACRRA Outlook - 75% Increase



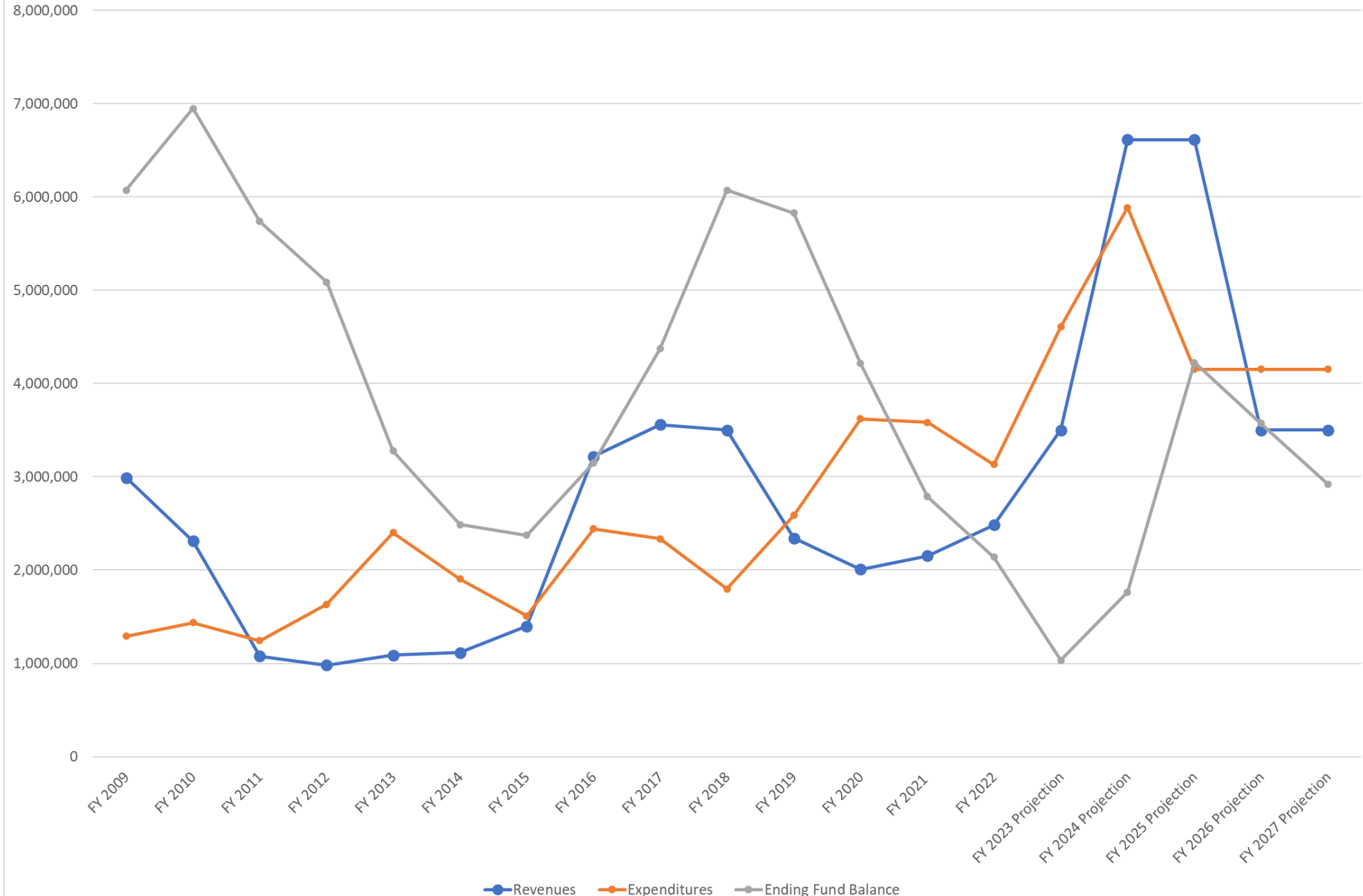
ACRRA Outlook - 90% Increase



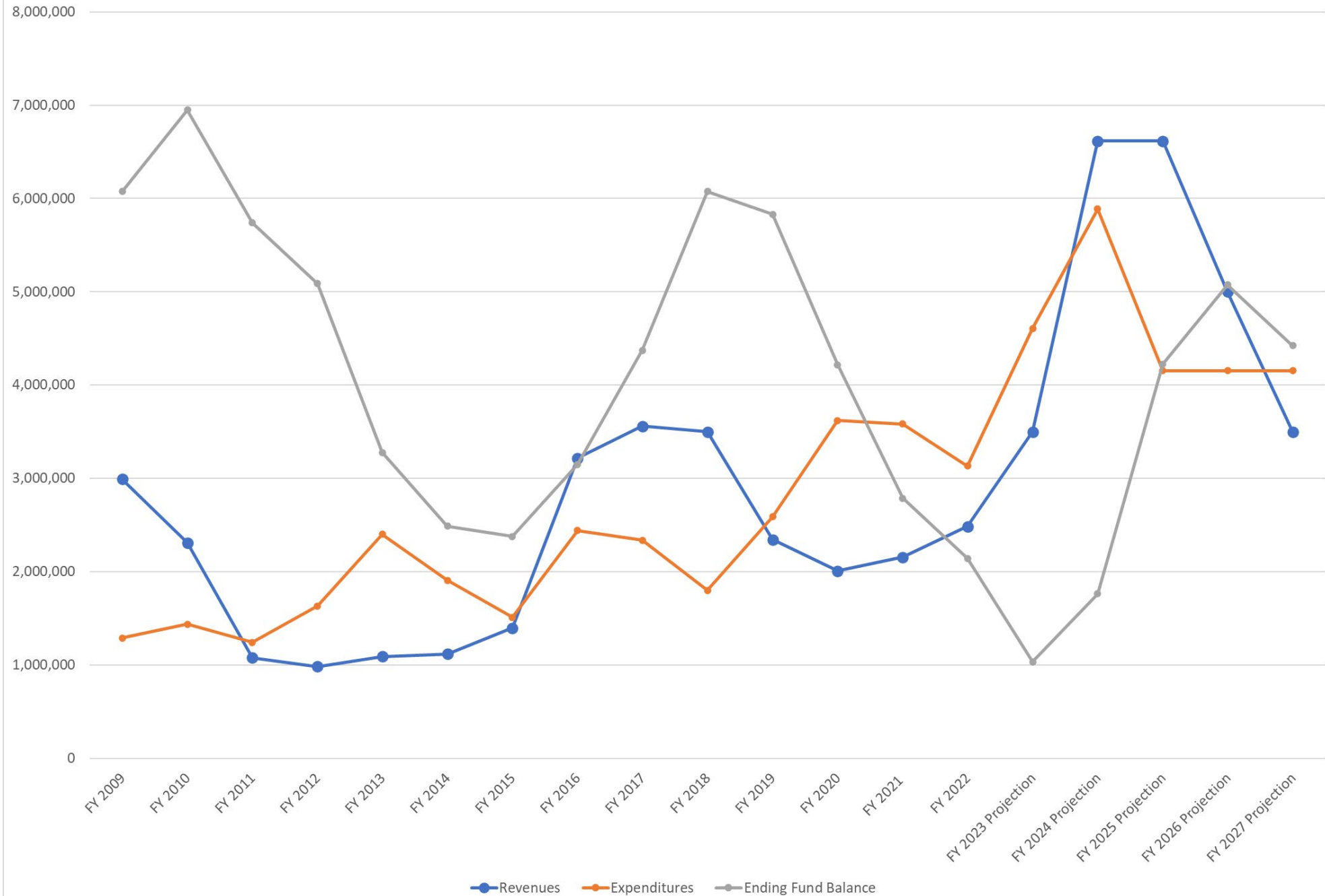
ACRRA Outlook - 100% Increase



ACRRA Outlook - 100 % increase to pest gross sales and fert tonnage and then drop back to 2022 levels after two years



ACRRA Outlook - 100 % increase to pest gross sales and fert tonnage and then reduce by 1/2 of that increase after 2 years and then drop to 2022 levels after 3 years



ACRRA Surcharge with % Change

		Percent of current rate		
	2017	2020	Current	100% increase
Commercial & Non-Commercial Pesticide License	\$ 25.00	\$ 14.00	\$ 25.00	\$ 25.00
Structural Pest Control Company License	\$ 100.00	\$ 55.00	\$ 100.00	\$ 100.00
Fertilizer License	\$ 50.00	\$ 28.00	\$ 50.00	\$ 50.00
Pesticide Dealer License	\$ 75.00	\$ 41.00	\$ 75.00	\$ 75.00
Fertilizer Tonnage	\$.30/ton	\$ 0.17	\$ 0.32	\$ 0.64
Pesticide Registration	0.30%	0.17%	0.32%	0.64%
Out-of-State Pesticide Distributor	\$ 3,000.00	\$ 1,650.00	\$ 3,135.00	\$ 6,270.00

Fees as represented on a per acre cost

Crop	Fertilizer Cost for farmers using fertilizer	Fertilizer pounds per acre on average	Cost per acre of the ACRRA surcharge for fertilizer tonnage at current fee (\$0.32/ton)	Cost per acre of the ACRRA surcharge for fertilizer tonnage at 100% increase (\$0.64/ton)	Pesticide Cost farmers using pesticides	Cost per acre of the ACRRA surcharge for pesticide percent of gross sales at current fee (0.32%)	Cost per acre of the ACRRA surcharge for pesticide percent of gross sales at 100% increase (0.64%)
Corn	\$119.50	453	7.4 cents	14.8 cents	\$38.29	12.3 cents	24.5 cents
Soybeans	\$30.65	67	1 cent	2 cents	\$44.29	14.2 cents	28.3 cents
Wheat	\$87.49	275	4.4 cents	8.8 cents	\$26.71	8.5 cents	17 cents
Alfalfa	\$59.88	125	1.9 cents	3.8 cents	\$9.84	3.1 cents	6.3 cents
Sugar Beets	\$87.36	368	5.9 cents	11.8 cents	\$140.50	45 cents	90 cents
Oats	\$46.87	112	1.9 cent	3.8 cents	\$18.73	6 cents	12 cents

Fertilizer and pesticide costs for the 2021 crop year, University of Minnesota FINBIN data.

Fertilizer pounds per acre were based on 2017 data, the last year that we have available for fertilizer sales in Minnesota. USDA NASS census was a basis for the data and compared to MDA fertilizer data, NASS survey data for fertilizer applied per crop and USDA NASS survey data.

If you would like to submit a written response,
please email it to Jennie Andryski at
Jennie.Andryski@state.mn.us

Thank you!

Roger Mackedanz

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651-201-6400