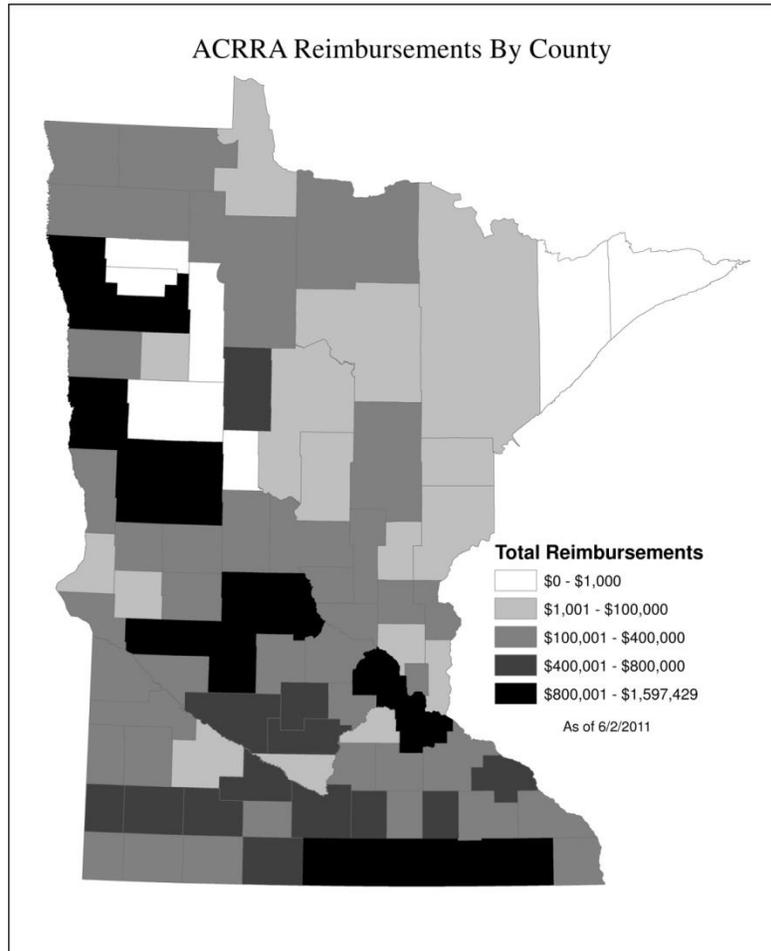


Agricultural Chemical Response and Reimbursement Account (ACRRA) ANNUAL REPORT

Fiscal Year 2011



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Pursuant to Minn. Stat. § 18E, Chapter 1512.0100 – 1512.1100,

The cost of preparing this report was approximately \$300.

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Executive Summary

The Agricultural Chemical Response and Reimbursement Account (ACRRA) was created as part of the 1989 Minnesota Comprehensive Ground Water Protection Act to provide financial assistance to eligible parties cleaning up agricultural chemical contamination. 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 Agriculture and Commerce.

Over its 21 year history, the ACRRA Program has disbursed nearly \$31 million to cover eligible corrective action costs at locations in nearly every county of the State (see chart by G. Elsner on report cover).

In Fiscal Year 2011 (FY11), the Commissioner of Agriculture received ACRRA surcharge revenues totaling \$1,079,780.

The Board met six times during the year approving payments for 19 applications for reimbursement totaling \$769,351. Of the 19 applications received, five were for new sites (initial applications) and fourteen were subsequent applications due to ongoing cleanup activities.

ACRRA funds in the amount of \$71,371 were expended per Minnesota Statute 18E.03 Subdivision 2 (a) to investigate 12 former sites.

To assist with the State's budget deficit, the Legislature transferred \$1.046 million from the ACRRA fund into the General Fund in fiscal year 2011.

Introduction

ACRRA was created as part of the 1989 Minnesota Ground-Water Protection Act to provide financial assistance for cleaning up agricultural chemical contamination. Contamination may occur suddenly, such as an unexpected release, or a site can be contaminated by agricultural chemicals over time. The program is funded through annual surcharges on pesticide and fertilizer sales, and on applicator and dealer licenses.

ACRRA 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 Agriculture and Commerce.

The Board determines the eligibility of applicants and whether costs submitted are eligible, reasonable, and necessary. Eligibility requires that the Minnesota Department of Agriculture (MDA) receives proper notice of an agricultural chemical incident, and corrective action requirements must be met.

The ACRRA Program is administered using MDA staff funded with an annual appropriation from the fund. Duties performed by the ACRRA staff include: reviewing applications, making funding recommendations to the board based on statute and rule, fund financial forecasting, developing legislative initiatives, coordinating activities with the MDA Incident Response Program, and outreach. Incident Response Unit staff, funded through this program, includes a project manager and a hydrogeologist overseeing the investigation and clean-up of ACRRA eligible sites.

Background

ACRRA staff is dedicated to ensuring that agricultural chemical impacts on the environment are minimized by administering this program to help defray the cost of cleaning up agricultural chemical spills. Oversight of the corrective actions taken to clean up contamination is the responsibility of the MDA Incident Response Unit.

Since inception, the ACRRA program has disbursed approximately \$31 million to cover eligible corrective action clean-up costs. There have been over 550 non-emergency sites addressed in the Incident Response Voluntary and Comprehensive programs, including abandoned sites, and 5,122 emergency clean-up sites, such as from flooding, tornados, fires, transportation accidents or tank failures.

Incident Response Program Status

Incident Response Unit (IRU) staff, funded through this program, includes a project manager and a hydrogeologist overseeing the investigation and clean-up of ACRRA eligible sites. These staff were hired in the fall of 2009. The new staff were trained and have successfully opened approximately fourteen (14) sites from the IRU Priority List of contaminated sites. Additionally, in 2009 and 2010, approximately six (6) active ACRRA eligible sites were transitioned from existing IRU staff and assigned to the new project manager and new hydrogeologist to more equally distribute the IRU workload.

Eligible parties are allowed to apply for ACRRA reimbursement after the IRU staff has approved the corrective action design (CAD); the work plan which describes how the contaminated soil and/or ground water will be addressed. Because the nature and extent of contamination present at a site must be determined before the CAD can be developed, the investigations can involve several phases of soil and groundwater sample collection and analysis that occur over multiple years. Therefore applications for reimbursement associated with some of the sites opened since 2009 will not likely be received by the ACRRA staff until 2012 or later.

In addition, the new project manager has been working with a longer term IRU staff person on the annual investigation of twelve (12) to sixteen (16) former agricultural chemical retail cooperative sites (Abandoned Sites), determining the nature and extent of contamination by hiring state contractors and utilizing ACRRA funds. If responsible parties (RPs) for these Abandoned Sites are located that are viable, the IRU asks these RPs to conduct corrective actions for contaminated media at their former sites.

Starting in the fall of 2009, both the new project manager and the new hydrogeologist worked hard to identify the names and addresses of the current property owners of the 100+ former agricultural chemical retail cooperative sites as well as the RPs for these sites. The new hydrogeologist also evaluated the risk posed by the former sites and scored them using the EPA Hazard Ranking System (HRS-2) Preliminary Assessment (PA) Score sheet for placement on the IRU's Priority List of contaminated sites. Finally, the new staff sent letters to the 100+ property owners and RPs, if they could be located, notifying these parties that these sites had been scored and placed on the MDA IRU's Priority List of contaminated sites.

Financial Report

REVENUES:

Fiscal Year 2011 ACRRA surcharge revenues totaled \$1,079,780. This is a decrease of 53% from Fiscal Year 2010. This decrease is primarily due to the fee decrease instituted in 2010 by the Commissioner of Agriculture.

The chart below shows the surcharges per category in effect throughout FY2011. Surcharges were decreased by 2/3 in FY2010 to draw the balance down below five million dollars. No fee changes are planned for FY2012.

ACRRA Surcharge Category	FY11 ACRRA Surcharges
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	\$24.75
Fertilizer Tonnage	\$.10/Ton
Pesticide Registration (<i>% of Sales</i>)	0.1%
Out-of-State Pesticide Distributors (each site)	\$1,000

EXPENDITURES:

The ACRRA Board approved reimbursement of 19 applications in FY11. Of these applications; 12 were voluntary clean-ups, four (4) were comprehensive, and three (3) were emergencies. No applications for reimbursement were denied.

Expenditures for cleanup of abandoned sites in FY2011 totaled \$71,371. Reimbursement and payments to applicants totaled \$769,351 for this period. Administrative costs, including salaries were \$314,058. Total expenditures were \$1,154,780.

Statement of Revenues and Expenditures and Fund Balance

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

	<u>2011</u>	<u>2011</u>	<u>2010</u>
REVENUE:			
Pesticide Product Registrations	44%	\$ 473,849	\$ 1,723,952
Fertilizer Tonnage Fees	41%	444,726	387,649
Commercial Pesticide Applicator Lic	5%	58,795	61,105
Fertilizer Fixed Facility Fees	3%	30,240	31,989
Other includes:	7%	72,171	105,402
Investment Earnings			
Specialty Fertilizer Tonnage Fees			
Pesticide Dealer Licenses			
Soil & Plant Amendment Tonnage Fees			
Non-commercial Pesticide Applicator Licenses			
Structural Pest Control Company Licenses			
Structural Pest Control Applicator Licenses			
Total Revenues	100%	<u>1,079,781</u>	<u>2,310,096</u>
EXPENDITURES:			
Reimbursement & Clean-up Costs		840,722	1,176,336
Administrative Expenditures (ACRRA)		187,212	259,007
Administrative Expenditures (Incident Response Unit)		126,846	(was incl. in 259,007)
Total Expenditures		<u>1,154,780</u>	<u>1,435,343</u>
EXCESS OF REVENUE OVER EXPENDITURES		(75,000)	874,753
FUND BALANCE -- beginning of fiscal year		6,949,322	6,074,569
TRANSFER OUT* --		<u>(1,046,000)</u>	
FUND BALANCE -- end of fiscal year		<u>\$ 5,828,323**</u>	<u>\$ 6,949,322</u>

**per laws of 2010, Chapter 215, Article 5, Section 3, Subdivision 6*

***all numbers rounded to nearest dollar*

Related Program Activities

Brownfields Coordination Group -

ACRRA program staff continues to participate in a multi-agency group to share information on contamination remediation programs. Representatives from the state departments of Agriculture, Commerce, Health, Employment and Economic Development, Pollution Control, Metropolitan Council, League of Minnesota Cities, and others meet quarterly and perform community outreach activities.

Funding Workshops for Cleanup of Contaminated Lands -

The Metropolitan Council and the Minnesota Department of Employment and Economic Development sponsor these ongoing workshops jointly for local governmental units and other interested parties. The workshops describe Brownfields programs and funding sources for cleaning up hazardous materials, and petroleum. ACRRA and MDA Incident Response Program Staff presented information on both programs at two metro locations and one location in greater Minnesota in FY11.

MDA Abandoned Sites Project Update

The Incident Response Unit received a grant from the U.S. Environmental Protection Agency in 2004 and 2005 to identify and locate abandoned agricultural chemical sites in Minnesota. More than 500 abandoned sites were located and evaluated with this grant money. Some of these sites did not require additional follow up. Other sites had already been placed on existing priority lists within the IRU, awaiting future work. The remaining 135 sites were determined to require follow up. All land owners have been notified that they could initiate their own investigations and cleanups if the work was approved by the MDA staff. These land owners could receive partial reimbursement for these costs from the ACRRA fund.

MDA staff visited eighteen (18) abandoned sites before selecting twelve (12) for investigation in FY2011. Results from the FY2011 investigations found that five (5) sites required follow-up investigation and ultimately, corrective actions (cleanup). Responsible parties have been directed by the MDA to conduct cleanup at these five sites. Of the other seven (7) sites, six (6) were closed without additional investigation or cleanup, and one (1) will require additional investigation and cleanup by the MDA using ACRRA monies because the responsible party is no longer viable. Total ACRRA funds used for investigation of the twelve abandoned sites in FY2011 was \$71,371.00.

In fiscal year 2012, the IRU will use ACRRA funds to perform investigations at approximately 16 sites in central Minnesota.

Agricultural Chemical Response Compensation Board Members

Sandra Gardner, Board Chair

Representing agricultural chemical registrants and manufacturers

Tom Revier, Board Vice-Chair

Representing farmers

Kevin Jones, Board Member

Representing agricultural chemical dealers

Joel Fischer, Board Member, Petrofund Executive Director

Delegate for Michael Rothman, Commissioner
Minnesota Department of Commerce

Matthew Wohlman, Assistant Commissioner

Delegate for David Frederickson, Commissioner
Minnesota Department of Agriculture

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

Minnesota's Legislative Coordinating Commission
Senate Environment and Natural Resources Committee
House Environment and Natural Resources Committee