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Agricultural Chemical Response and Reimbursement Account (ACRRA) Fiscal Year 2010

Annual Report



Photos by Mike Fick, MDA

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NOTE: COVER PHOTOS:

The June 2010 tornado that swept through the city of Wadena provided a powerful illustration of the role ACRRA plays in disaster recovery. On June 17, 2010, a tornado caused extensive damage to Wadena. Leaf River Ag Service, an agricultural chemical facility, was directly in the path of the storm. The facility stores bulk fertilizer, bulk pesticides and small packaged pesticides. The photo on the left shows what remained of the bulk pesticide building. The photo on the right is the location of a large warehouse where small packaged pesticides, seeds, and other products were stored. The MDA responded immediately to provide advice and oversight of the clean-up activities. Storm damage resulted in a release of pesticide products as well as anhydrous ammonia. The storm also resulted in dry bulk fertilizer being exposed. Facility personnel worked long hours to clean up the site, and with the help of an environmental contractor they managed to stabilize the site quickly. ACRRA funds are available to defray the cleanup costs under our emergency cleanup program.

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 for 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 20 year history, the ACRRA Program has disbursed \$29,990,464 to cover eligible corrective action costs at more than 500 incident sites.

In Fiscal Year 2010 (FY10), the Commissioner of Agriculture received ACRRA surcharge revenues totaling \$2,310,096.

The Board met six times during the year, approving payments for 27 applications for reimbursement totaling \$989,069. Of the 27 applications received, 11 were for new sites (initial applications) and 16 were subsequent.

Two changes were made to the program in 2009. First, Minn. Stat. 18E was amended to increase the amount allowed for administrative costs from \$225,000 to \$450,000. This allowed for funding of additional project management staff to work on ACRRA eligible clean-ups to alleviate the backlog of comprehensive sites. Secondly, the ACRRA surcharges were reduced to allow the fund balance to drop back down to the statutory limit of between \$2 million and \$5 million. These new surcharge rates became effective January 1, 2010.

Additionally, to assist with the State's budget deficit, the Legislature transferred 1.2 million dollars from the ACRRA fund into the General Fund.

Introduction

ACRRA was created as part of the 1989 Minnesota Ground-Water Protection Act to provide financial assistance for cleanups of 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 the Minnesota Department of Agriculture (MDA) and Minnesota Department of Commerce.

The Board determines the eligibility of applicants and determines whether costs submitted are eligible, reasonable, and necessary. Eligibility requires that 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 (IRUN) staff funded through this program includes a project manager and a hydro-geologist 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 nearly \$30 million to cover eligible corrective action clean-up costs. There have been more than 540 non-emergency sites in the Incident Response Voluntary and Comprehensive program, including abandoned sites, and 4973 emergency clean-up sites, such as from flooding, tornados, fires, or tank failures.

Financial Report

REVENUES:

Fiscal Year 2010 ACRRA surcharge revenues totaled \$2,310,096. This is a decrease of 23 percent from Fiscal Year 2009. This reflects the surcharge and fee changes that took effect mid-year.

Surcharges and fees were decreased by two-thirds beginning January 1, 2010. It is expected that this reduction, when combined with the increased project management staff costs and the transfer of \$1.2 million by the Minnesota legislature will draw the fund down to the cap of \$5 million over the next biennium.

The chart below shows the surcharges per category in effect through 2010 and the new surcharges effective January 1, 2010.

ACRRA Surcharge Category	2009 ACRRA Surcharges	Surcharges effective 1/1/2010
Commercial & Non-Commercial Pesticide Licenses	\$25	\$8.25
Structural Pest Control Company Licenses	\$100	\$33
Agricultural Fertilizer Licenses (includes lawn service)	\$50	\$16.50
Pesticide Dealer License	\$75	\$24.75
Fertilizer Tonnage	\$.30/Ton	\$.10/Ton
Pesticide Registration (<i>% of Sales</i>)	0.3%	0.1%
Out-of-State Pesticide Distributors (each site)	\$3,000	\$1,000

EXPENDITURES:

The ACRRA Board approved reimbursement of 27 applications in FY10. Of these applications, 16 were voluntary clean-ups, nine were comprehensive, and two were emergencies.

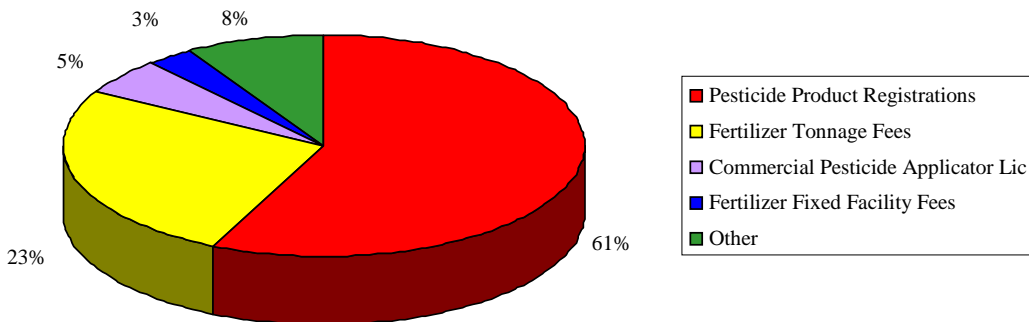
Expenditures for cleanup of abandoned sites and applications for reimbursement totaled \$1,176,336. Board and MDA staff administrative costs were \$259,007. Total expenditures for the period were \$1,435,343

Statement of Revenues and Expenditures

**MINNESOTA DEPARTMENT OF AGRICULTURE
 AGRICULTURAL CHEMICAL RESPONSE AND REIMBURSEMENT ACCOUNT
 STATEMENT OF REVENUES, EXPENDITURES, & FUND BALANCE
 For the fiscal years ended June 30**

	2010	2010	2009
REVENUE:			
Pesticide Product Registrations	61%	\$ 1,723,952	\$ 1,809,668
Fertilizer Tonnage Fees	23%	387,649	692,273
Commercial Pesticide Applicator Lic	5%	61,105	160,540
Fertilizer Fixed Facility Fees	3%	31,989	86,850
Other includes:	8%	105,402	240,938
Investment Earnings			
Specialty Fertilizer Tonnage Fees			
Pesticide Dealer Storage License			
Soil & Plant Amendment Tonnage Fees			
Non-commercial Pesticide Applicator License			
Structural Pest Control Company License			
Commercial Applicator-Aquatic			
Total Revenues	100%	2,310,096	2,990,269
EXPENDITURES:			
Reimbursement & Clean-up Costs		1,176,336	1,130,976
Administrative expenditures		259,007	159,074
Total Expenditures		1,435,343	1,290,050
EXCESS OF REVENUE OVER EXPENDITURES		874,753	1,700,218
FUND BALANCE -- beginning of fiscal year		6,074,569	4,374,351
FUND BALANCE -- end of fiscal year		\$ 6,949,322	\$ 6,074,569

Sources of Revenue FY10



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 one metro location and two locations in greater Minnesota in FY10.

MDA Abandoned Sites Project Update

The Incident Response Unit (IRU) 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. Some of the land owners were notified that they could initiate their own investigations and cleanups, and the land owners could receive partial reimbursement for these costs from the ACRRA fund if the work was approved by the MDA staff.

Since 2006, MDA has used ACRRA funds to conduct investigations at 22 abandoned sites, including 10 in 2009. MDA staff visited 20 abandoned sites before selecting 10 for investigation in 2009. Results from the 2009 investigations found that three sites required follow-up investigation and ultimately, corrective actions (cleanup). Responsible parties have been directed by MDA to conduct cleanup at these three sites. Of the other seven sites, six were closed without additional investigation and one was closed with contingencies. Total ACRRA monies used for direct clean-up of abandoned sites was \$52,226.53.

Utilizing ACCRA account money, final cleanup activities were completed at the former Minnesota Valley Fertilizer & Chemical, Inc. site located in Tintah, Minnesota, in 2009. This site was initially investigated as part of the Abandoned Sites program in 2005.

In fiscal year 2011 the IRU will use ACRRA account monies to perform investigations at approximately 12 sites in southeast and south-central Minnesota.

Board Members

Agricultural Chemical Response Compensation Board

Sandra Gardner, Board Chair

Representing agricultural chemical registrants and manufacturers

Tom Revier, Board Vice-Chair

Representing farmers

Jeff Like, Board Member (term ended 9/30/2009)

Representing agricultural chemical dealers

Kevin Jones, Board Member (term began 1/2/2010)

Representing agricultural chemical dealers

Joel Fischer, Executive Director, PetroFund Program

Delegate for Glen Wilson, Commissioner
Minnesota Department of Commerce

Greg Buzicky, Director, Pesticide & Fertilizer Management

Delegate for Gene Hugoson, 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

*Authority for the program is covered under Minnesota Statutes § 18E
and
Minnesota Rules, Chapter 1512.0100 – 1512.1100.*

*In accordance with the Americans with Disabilities Act, an alternative form of communication is
available upon request. TDD: 1-800-627-3529*

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REPORT COSTS

The costs to produce the ACRRR Annual Report for Fiscal Year 2010 are summarized below:

<i>ITEM</i>	<i>COST</i>
<i>Labor, (1 Staff 16 hours)</i>	<i>\$528.64</i>
<i>Copying & Distribution</i>	<i>\$35.50</i>
<i>TOTAL</i>	<i>\$564.14</i>