

2001 DRAFTING REQUEST

Bill

Received: 12/18/2001

Received By: traderc

Wanted: As time permits

Identical to LRB:

For: Alvin Ott (608) 266-5831

By/Representing: Beata Kalies

This file may be shown to any legislator: NO

Drafter: traderc

May Contact:

Addl. Drafters:

Subject: **Agriculture - pesticides**
Agriculture - soil and water

Extra Copies:

Submit via email: NO

Pre Topic:

No specific pre topic given

Topic:

Changes concerning the agricultural chemical cleanup fund and the Agrichemical management fund

Instructions:

See Attached

Drafting History:

<u>Vers.</u>	<u>Drafted</u>	<u>Reviewed</u>	<u>Typed</u>	<u>Proofed</u>	<u>Submitted</u>	<u>Jackctcd</u>	<u>Required</u>
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			rschluet 01/11/2002	_____			

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At intro.

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To Rebecca Traxwell... Please call for details

BILL
REQUEST FORM

LEGISLATIVE REFERENCE BUREAU
Legal Section Telephone: 266-3561
5th Floor, 100 N. Hamilton Street

Use of this form is optional. It is often better to talk directly with the LRB attorney who will draft the bill.

Use this form only for **BILL** drafts. Attach more pages if necessary.

Legislator, agency or other body requesting this draft: REP. OTT

Date: 12/17/01 Person submitting request (name, phone number): BEATA KALIES - 6-5831

Persons to contact for questions about this draft (names, phone numbers): BEATA (above)
Paul Morrison DATCP 224-4512 or Dave Schug FB 63847

Describe the problem, including any helpful examples.

How do you want to solve the problem?

Need to make statutory changes dealing with the balance of Agrichemical Management Fund + the Agricultural Chemical Clean up fund within Datsop. The "package" is what a committee created for the purpose of making the changes. Come up with as their first enclosed material specify areas...

* We are planning to meet sometime this week to talk over this draft. Would you be available? Maybe wed 12/19/01 at 10 AM? *

Please attach a copy of any correspondence or other material that may help us.

If you know of any statute sections that might be affected, list them or provide a marked-up (not retyped) copy.

You may attach a marked-up (not retyped) copy of any LRB draft, or provide its number (e.g., 1999 LRB-2345/1 or 1997 AB-67):

Requests are confidential unless stated otherwise.

- May we tell others that we are working on this for you? Yes No
- If yes: Anyone who asks? Yes No Any legislator? Yes No Only the following persons: _____

Do you consider this request urgent? Yes No If yes, please indicate why: _____

Should we give this request priority over any other pending request of this legislator, agency or body? Yes No If yes, sign your name here:

Yes No

Becky - I apologize for not giving you more heads up. I was working w/ Mark Personby at first & kept referring to him. It looks like he won't be able to get it. Thank you!!!! (C)

**ACCP/ACM Fee Advisory Committee
Meeting Agenda**

**December 12, 2001
Board Room
8:30 am**

DEC 07 2001

- 8:30 Review 11/2/01 meeting notes
- 8:40 Presentation of funding proposal
- 9:00 Discussion of proposal and alternatives
- 12:00 Adjourn

Next:

ACCP/ACM Fee Advisory Committee Meeting
November 2, 2001

Committee Members Present: Betsy Ahner (Wisconsin Fertilizer and Chemical Association), Bruce Barganz (Jefferson Co. Coop), David Flakne (Syngenta Corporation), John Manske (Wisconsin Federation of Cooperatives), Representative Alvin Ott (Wisconsin Assembly), John Retty (Wisconsin Agriservice Association), David Schug (Legislative Fiscal Bureau), Paul Zimmerman (Wisconsin Farm Bureau), Amy Winters (Wisconsin Agribusiness Council), and Aide to Senator Hansen

DATCP Staff Present: Don Akamatsu, Lori Bowman, Duane Klein, Paul Morrison, Nick Neher (Administrator), Ned Zuelsdorff, Debra McCusky

Meeting began at 8:45. Ned reviewed the proposed agenda, which included:

- Discussion of handouts
 - 10/10/01 Meeting Notes
 - ACCP Cost Breakout
 - Agrichemical Management Program Efficiencies
 - Comparisons to Minnesota's Program
 - Lead Arsenate Contamination
- Explanation of DNR use of funds – DNR Staff
- Discuss proposal to address retroactive fees (handed out at last meeting)
- Finalize funding options and legislative needs

No agenda changes were suggested.

DISCUSSION OF HANDOUTS:

There were no suggested changes to the **October 10, 2001 meeting notes.**

Breakout of ACCP costs. Morrison reviewed the ACCP cost breakdown and responded to questions. Based in part on our laboratory funding structure we conduct most of the sample analysis related to spill cleanups using ACM staff and laboratory, instead of leaving this to private labs and consultants and having it charged, at a higher rate, against the ACCP fund. We average about 60 spill responses per year. The case management and field oversight are all technical matters vs. financial, and include the Pollution Prevention Project, which was initiated using one-time federal funds, but is now entirely an ACM cost. ACM costs related to reimbursement include our claim review time, and time spent preparing for and reviewing work with the ACCP council. Nick mentioned his belief that the council review effectively reduces the number of contested cases.

Related to lab costs and increased ACM costs at certain points, Nick and Ned explained that the internal structure for laboratory funding and other services such as building rent and computer services are beyond Division control. Currently, as the primary users of analytical services, the Food and ARM Divisions fully fund the lab. One reason for the

greater decrease in the ACM fund balance during this biennium was the purchase of laboratory equipment needed for new pesticide chemistry. The ACM fund is paying \$250,000, over the biennium, for this equipment. Other larger parts of the increased ACM costs also are beyond the Division's control, such as expenditures for the Agriculture in the Classroom program.

"Supplies and services" costs include everything except staff salaries and fringe, e.g. office rent, office supplies, and computer costs. Field costs includes travel.

Comparison with other states. The committee asked what comparison can be done with other states who have similar programs? What are we doing differently than other states that make our program costs higher? Morrison explained the handout showing our review of the Minnesota programs, which we have found to be the closest overall comparison on scope of programs. Their ACRA program has more staff for a program paying out less in dollars (almost twice as many staff), plus many of their cleanups are under a voluntary program where the firm pays for the state staff to review the work. Minnesota fees on household products (sales percentage basis) are part of the ACRA program. Overall the fee percentage is lower but the high pesticide sales volume represented by this broader scope of percentage paying products means the industry is paying in more total dollars in MN. Another member suggested that both MN and MI are comparable in program costs and net fees paid. MN is entirely industry funded, whereas pesticide programs in most states are GPR subsidized.

The committee questioned whether we have looked at expanding the base of where the fees are coming from? No viable suggestions were provided.

DNR use of agrichemical related funds presented by: Jay Hochmuth (Division Administrator of DNR Air and Waste Division), Bob Strous (Chief, Fiscal and Program Evaluation Section R&R Program), Jill Jonas (Director of Bureau of Drinking Water and Groundwater), Eric Ebersberger (Management/Budget), Lance Potter (Management/Budget).

Eric Ebersberger distributed a handout detailing the Agrichemical revenues and expenditures. Bob Strous explained the remedial response items. The committee and department asked numerous follow-up questions. Following are a listing of responses:

- DNR can provide the entire list of 28 remedial action sites. Most of those not already listed are the individual Door County lead arsenate sites. Most are privately held sites. Some cost recovery has occurred, but in most of these cases the responsible entities do not have substantial additional assets from which to recover costs. Amounts recovered on these cases was not determined. The Kewaunee marsh is DNR owned, but the current railroad assisted with a large portion of disposal costs without admitting liability. DNR agreed to identify public ownership on the other sites.

- The \$5.8 million represents 16.5% of the programs total historical expenditures for all contamination incidents. The \$495,000 is 16.5% of current spending authority. Expenditures under this program go back to 1985.
- All spills should initially be reported to DNR, although sometimes the calls first come to DATCP. DATCP staff questioned the number of spills indicated as not having been transferred to DATCP. To our knowledge, all spills were forwarded to DATCP and were closed by DATCP. DNR agreed to provide a listing of the 31 cases that were apparently not transferred to DATCP. DNR also confirmed that the spill response costs listed are based on a formula derived from the percentage of total cleanup costs and not from actual cleanup funds expended on agrichemical spills. They agreed to determine whether actual agrichemical cleanup costs for spills could be determined. Cost recovery is also pursued on spill costs, but was not reported here.
- DNR explained that item 3 is for costs related to spill response and disposal, whereas item 4 is staff for spill response. The 4% was derived from the percent of spills handled in item 3 and used for both the percentage allocation for the cleanup costs and the 20 FTE spills (15 FTE warden time plus 5 regional spill coordinators)
- DATCP asked for additional explanation of the basis for the co-contaminated site costs, explaining that when DATCP is involved, DATCP provides the technical oversight on the agrichemical issues and DNR merely incorporates DATCP's comments. DNR explained that the figure was estimated by staff since specific records were not available to break out time based on contaminants on either this item or the landfill contamination cases, some of which involve pesticide contaminants.
- DNR explained that the Department of Commerce has spending authority for Brownfields that is initially derived from the Environmental Fund. DNR was aware of the Doberstein site obtaining a COM grant of \$150,000.

Jill Jonas explained the groundwater expenditures in items 8-11, noting that item 11 is only partially related to pesticides and is not included in DNR's total. DNR responded to questions with the following information:

- Item #11 is an ongoing funding source and DHFS has mentioned a need to increase this appropriation derived from DNR funds. The appropriation is for standard development overall, not just for pesticides.
- Most of the public water systems described in item 8's first bullet are privately owned systems. About 600 are public water systems and balance of about 11,000 are things like trailer courts, rural restaurants, etc. (places that provide water to others).
- The estimate of 1/3 time is supposed to be a representation of how much time is spent on pesticide issues related to water supplies. This is based on a supervisory review of position descriptions.

- DATCP explained that the estimate of 20 well compensation grants per year related to pesticides did not match DATCP's record of groundwater exceedances per year. DNR confirmed that these would not be nitrate cases and agreed to provide more complete records on those wells receiving grants for pesticide contamination.
- DNR explained the 800 atrazine number was an annual award of \$5,000 to \$10,000 to maintain a 800 phone number at the state lab of hygiene to respond to questions about atrazine. (Neither DATCP or Syngenta were familiar with this number.)
- DNR was unable to identify responsible industry sectors (spillers, etc.) that should be contributing to the services being provided. Funding sources to the Environmental Fund are broad, including such things as landfill tipping fees, vehicle registration fees, hazardous waste generator fees, etc. They believed their analysis suggested the fertilizer and pesticide industry was currently paying its fair share, but they were uncertain whether the future trend would be toward this industry paying more than its share or less than its share.

ACM program efficiencies: Morrison briefly reviewed the program efficiencies handout. He explained that most of the efficiencies are through absorption of added program responsibilities with inadequate or no additional resources.

The committee questioned how purchasing decisions are made for major laboratory equipment. Specifically, had the department considered cooperation with other states. Neher and Zuelsdorff explained that the multi-state options have been considered, but were determined to not meet program needs. This system has worked for seed analysis, but this scenario is not as complex or time critical as chemical analysis.

The committee questioned whether the department could reduce remedial costs by considering the "how clean is clean" issue. Klein and Morrison explained that this issue has been strongly considered since inception of the program. The department does not believe it can back off on what needs to be cleaned up, but has begun doing more on voluntary pollution prevention practices and believes this may provide better long-term savings.

Klein reviewed the lead arsenate guidance. He referenced the early 1990s work by DNR and their more recent decision to leave responsibility with DATCP. Under the DATCP guidance Klein explained the added program costs should be minimal, but achieve equivalent protection to the process that DNR would use. Committee members questioned why DNR should continue receiving the same revenues if responsibilities such as this are being transferred to DATCP.

General Discussion:

The committee asked whether any cleanups involve chemicals for which no fees are being collected. Klein explained that there have been a handful of unusual cases such as a cranberry pesticide site and the Hillshire Farms case, but the statutes have been modified to exclude some cases and they never represented a big chunk of the money. Lead arsenate could be placed in a similar category, but it was an agricultural pesticide use.

In response to questions, the committee concurred they were not prepared to endorse any fee increase package at that time. They suggested the department consider broadening the fee base to the extent possible, rather than simply raising existing fees, but could not identify other funding sources. They strongly suggested reducing the DNR share, based on weaknesses in DNR's justification. They also recognized that any savings or increased revenues the department could identify might be lost to balance GPR deficits.

DATCP will develop a proposal to increase revenues to the ACM and ACCP funds and present them to the committee on December 12.

Meeting adjourned at 12:15 p.m.

2 of 6

Potential Actions to
Balance the Agrichemical Management Fund and the
Agricultural Chemical Cleanup Fund
Within the
Department of Agriculture, Trade & Consumer Protection

Summary

The department believes a combination of programmatic adjustments, existing fee transfers, and increased fees are needed to balance these funds, as outlined in the following table. Accomplishing these changes requires passage of legislation and a modified rule, but the department can pursue the non-legislative components concurrent with the legislative process.

as
One
Package

ACTION	FISCAL IMPACTS	WHAT IS REQUIRED
A. Restructure ACCP by shifting 1 FTE from case management to pollution prevention and lead arsenate	15% reduction in ACCP expenditures (\$510,000 ACCP Fund savings)	Administrative discretion with constituent concurrence
B. Decrease ACCP reimbursement percentage from 80% to 75%, consistent with original statute	Reduce ACCP expenditures by \$180,000 per year (based on reduction above).	Statutory change
C. Provide increased ACCP surcharge authority to better reflect fertilizer related ACCP reimbursements and provide a <u>margin needed to assure a positive ACCP fund balance is maintained without further legislation.</u>	No fiscal impact is expected. Increasing the ACCP surcharge authority by \$0.50/ton is suggested, but no portion of this is expected to be implemented if the above changes are made.	Statutory change Subsequent rulemaking would also be required before any increased surcharge would be implemented
D. Reduce Environmental Fund transfers to reflect ongoing and anticipated agrichemical related work at DNR, COM and DHFS	Increases ACM fund revenues by \$775,000, while reducing the Environmental fund by a like amount	Statutory change and DNR must increase alternate funding or reduce spending for non-pesticide work
E. Increase feed tonnage and resume minimum tonnage fee to better reflect associated program costs and likely increases to address food safety concerns.	Feed tonnage increase of \$0.05 will provide \$140,000 in ACM fund revenue. A minimum fee of \$30 for 100 tons or less will restore \$15,000 in prior fees for small volume manufacturers (pet foods and specialty ingredients)	Statutory change
F. Increase fertilizer permit and delayed tonnage fee increase as needed to better reflect associated ACM fertilizer program costs	<u>Increase of \$0.15 for ACM provides \$195,000, but is delayed until the Producer Security loan is repaid.</u> Increasing permit review cost to \$100 provides \$7,500	Statutory change with effective date for sales after July 2005. Proposed now to show complete package and to avoid retroactive announcement.

✓
✓
✓
* see additional notes
✓

G. Modify pesticide fee payment structure to resolve potential "retroactive" fee changes	No impact on state funds Resolves potential industry windfalls and shortfalls	Statutory change	✓
H. Reduce ACCP Fund balance provisions from \$2 to \$5 million to just a maximum of \$3 million	Reduces potential legislative "raids" on larger fund reserves	Statutory change	✓
I. Improve timeliness of fee change notices by announcing fee changes through an administrative notice and hearing vs. full rulemaking for each change	Reduces ACCP fund balance fluctuation by allowing more timely adjustment in funding levels	Rulemaking	✓
J. Accelerated repayment of Producer Security loan	\$800k in 02/03 and \$700k in 03/04, dropping to less than \$350k for next 2 years, then to zero	Administrative discretion, with limited defaults in producer securities	✓

*
Please
see
additional
notes

A more detailed explanation of each action item follows in the attached analysis.

Background

The Agricultural Chemical Cleanup Program (ACCP) Fund is used exclusively for partial reimbursement of cleanup costs incurred by agricultural coops, farm centers and farmers (plus other distributors and consumers of fertilizers and pesticides). Initially these reimbursements were subsidized with a near 50/50 match of general purpose revenues (GPR). During this period the surcharge fees collected not only met but exceeded reimbursement demand. Following this multi-year start-up phase, GPR was reduced and removed, and surcharge collections were temporarily discontinued with a portion transferred to GPR.

Maximum ACCP surcharge fees are established by statute but can be adjusted to any lower level by rule. Statutes direct the agency to adjust fees as needed to maintain a fund balance of between \$2 and \$5 million. Surcharge fees recently resumed at the maximum level allowed by statute. Even at this maximum level, the ACCP fund is under a spending deficit. It will drop below \$2 million during the current fiscal year and is expected to reach a zero balance both early and late in FY 03/04, unless the proposed action described above are implemented.

The Agrichemical Management (ACM) Fund is used to fund DATCP operations in more than a dozen agrichemical program areas, including such broad areas as feed and fertilizer regulations, pesticide enforcement, groundwater protection, agricultural clean sweeps, ACCP program management, school IPM and the lawncare registry. For the ACCP the staff and laboratory expenses are from the ACM Fund and reimbursements are from the ACCP Fund. For agricultural clean sweeps both staff and grants are from the ACM Fund.

Transfers to DNR extend back to the mid 1980s groundwater law, before establishing the ACM Fund, ACCP Fund or Environmental Fund. Initially deposits were made to a Groundwater Account and the Environmental Repair Fund, with the amounts based on

projected pesticide-related cleanup work, plans to monitor groundwater by DNR and associated standards development. All such activities were combined with funding from other potential contaminants, based on the program authorities and staff assumptions of that time. Over time the funds into which these fees were deposited were re-named and reorganized and the transferred amounts were increased when the Environmental Fund projected a deficit. Despite its size, (or because of it) there has not been a comprehensive review that compares current responsibilities and expenditures of DNR with the revenue sources from which the Environmental fund operates. The attached information provides the results of an analysis for the agricultural component of the Environmental Fund.

Analysis

A. Restructuring ACCP

Spending under the ACCP fund can result from work initiated by DATCP and work initiated by responsible persons. Typically responsible persons initiate cases during property transfers and facility mergers. Once initiated, continuing costs at these sites are controlled at least in part by the level of management (i.e. the volume of workplans reviewed and cost estimates approved). A parallel program in Minnesota manages voluntary cleanups separate from mandated cleanups and has found that with a reduced level of mandated cases, their voluntary case load now exceeds the mandated cases. The department believes that reducing staff management could reduce industry expenditures to some degree. Alternatively, a more dramatic decrease in case management is expected to have detrimental affects, as has occurred with the limited project management that is available under the PECFA program (because of its size). Essentially, DATCP believes a mild reduction in case management will mean slower but acceptable case progress, whereas a more dramatic cut in case management would result in un-monitored and excessive expenditures on some cases.

DATCP has also conducted a pilot voluntary pollution prevention program that has DATCP staff and facility managers conduct a joint review of facilities and practices to identify and prioritize non-regulatory improvements that may reduce contamination potential. Initial response has been positive and those involved believe this program may reduce contamination problems in the long term. DATCP proposes that a portion of the reduction in case management effort be utilized to continue and expand this pollution prevention effort.

From the early 1900s through the 1950s lead arsenate was used as a pesticide on apple and cherry orchards, plus some other crops. The many years of applications made several times per year on orchards have resulted in accumulations at a level where some health risks exist in situations where frequent soil contact may occur. Current development pressure in Door County and other traditional apple growing areas of the state has and is continuing to result in conversions of former orchards to residential properties, parks and school grounds.

When the ACCP was started, DNR was concluding work on lead arsenate mixing sites in Door County. The agencies agreed, at that time, that DNR would continue as the lead

agency on lead arsenate issues. Recently DNR has informed DATCP that it intended to step back from this lead role for most known and future lead arsenate sites.

Prior work to assess the degree of contamination and an assessment by the Wisconsin Division of Environmental Health have been used by DATCP to develop guidance that would simplify the normal site-specific investigation and remedial design process. Identification and tracking of former orchard sites, along with responding to questions by developers, homeowners and potential property buyers is expected to be a significant time commitment. DATCP proposes that a portion of the current case management time be used to track lead arsenate contaminated sites and respond to questions.

Both pollution prevention and lead arsenate are ACCP related work projects, but neither is expected to generate significant ACCP reimbursement expenses. DATCP believes reassigning 1 FTE to manage these issues will decrease current ACCP expenditures by industry by about 15%, with a resultant decrease in ACCP reimbursement claims of \$510,000, beginning two years after the change is implemented. This adjustment would allow performance of added program efforts under the ACM program with no added ACM costs.

B. Decreasing ACCP Reimbursement Rate

When the ACCP was initially developed the program required a responsible person to pay the first \$3,000 to \$7,500 (depending upon specified conditions), and then reimbursed 75% of all additional costs, up to a fund cap of \$300,000. Shortly after the program was initiated, the reimbursement rate was increased from 75% to 80%, retroactive to all prior claims. Expenses to the ACCP Fund could be reduced by returning to the 75% reimbursement rate. In combination with the 15% decrease described in item A., the department estimates this 5% reduction in reimbursement rate would reduce ACCP expenditures by \$180,000. This reduction would be implemented for all expenditures incurred (paid) after a pre-determined date, preferably the first day of the year following passage of the bill (January 1, 2003).

C. Increased ACCP Surcharge Authority for Fertilizer Tonnage

The combined impacts of items A. and B. would reduce ACCP expenditures to the same level as projected ACCP revenues. Both these proposals would have a delayed effect, leaving the fund balance near zero. Under existing rules fees are already set at the maximum levels for fertilizer and pesticides. While the department believes the fund could be managed in the future through these modifications, the delay may cause a short-term deficit and the existing structure provides no margin for missed estimates or inflationary impacts.

Within ACCP, staff report pesticide related issues continue to dominate the groundwater and analytical costs of the program. Since many of the most heavily pesticide contaminated sites have been addressed, fertilizers have become the controlling factor for more than half of today's excavated soil mass. Soil excavation and landspreading account for half the ACCP reimbursed expenses. ACCP Fund related fertilizer costs substantially exceed the \$494,000 in ACCP tonnage surcharges.

Based on our analysis, increases needed to balance the ACCP fund in a manner that more equally represents the cleanup costs being reimbursed would require the maximum ACCP fertilizer tonnage surcharge be increased in the statutes by \$0.55⁵⁰ per ton. If combined with items A. and B. above, plus additional changes described in items G. through I. below, the department believes that increasing the authority by only \$0.50 would be sufficient to handle any unanticipated variations in reimbursement requests. This \$0.50 increase in surcharge authority (or any portion of it) would not be implemented without additional rulemaking, combined with a justification demonstrating that without a change the ACCP Fund would suffer an insufficient balance to pay projected reimbursements. The attached projections suggest only a small portion of the increased fee authority may be needed to restore the fund balance, and that even this limited increase would only be needed for a few years. (Our projections assume a \$0.15 increase in the surcharge paid beginning FY 03/04 and ending FY 05/06. Subsequent years should resume at the current level. This would coincide with the start of the base fee increased described under item F.)

D. Reducing Environmental Fund Transfers

DATCP strongly believes the current balance of responsibilities and increases in funding to meet past Environmental Fund deficits have contributed to a substantial imbalance in agricultural revenues transferred to the Environmental Fund compared to the agricultural work performed under that fund.

When agricultural funding of DNR programs began in the mid 1980s, DNR was expected and did play a substantial role in agricultural work, including groundwater protection, spill response and cleanup of contaminated sites. In the years since, those roles have decreased dramatically. While DNR once coordinated and conducted most pesticide related groundwater monitoring and was very involved in the regulatory oversight for protection of groundwater from pesticides, these functions are now almost exclusively DATCP duties. While DNR once managed all pesticide and fertilizer spills, DNR now forwards essentially all spill calls to DATCP for management and closure. (In many cases, DATCP is the first called and we notify DNR so they can maintain a log of all reported spills.) While DNR was once responsible for all agricultural contaminated site investigations, all but a handful of historical cases have been transferred to DATCP's ACCP. This trend toward work responsibilities being transferred to DATCP continues, with the most recent example being the transfer of responsibility for lead arsenate contamination.

DNR acknowledges they do not track time and expenses in relation to revenue sources. Agricultural revenues in particular are such a minor component of DNR's Environmental Fund that their time codes do not attempt to distinguish agricultural work. This lack of specific records limits their ability to provide reliable estimates. Yet DNR also emphasizes their efforts to communicate with DATCP on any agricultural activities they conduct. While DATCP occasionally does not find out about DNR activities until considerably later, the department believes it has a reasonably complete knowledge of DNR's pesticide related activities. While not duplicative, most of DNR

activities have associated components at DATCP that are tracked by time and expense. DATCP believes that its data can be used to reliably estimate DNR's agrichemical related program time and cost. Such an analysis suggests a substantial imbalance between agrichemical revenues deposited to the Environmental Fund and agrichemical outputs from the DNR and external Environmental Fund appropriations. Our analysis suggests that continuing funding to the Environmental Fund should be approximately \$512,000 (compared to an estimated annual transfer of \$1,288,000). This analysis suggests that pesticide fees are substantially subsidizing non-agrichemical related work at DNR.

Most of the agrichemical revenues transferred to the Environmental Fund are derived from pesticide registrations. Of these, the agrichemical industry recognizes that the household and industrial products more closely parallel the "general public" benefactors of the Environmental Fund expenditures. Elimination of the Environmental Fund transfers for nonhousehold products and reducing transfers on household and industrial products to \$60 per product, plus the wood preserving surcharge, well compensation fee and fertilizer tonnage fees would closely match the continuing and anticipated agrichemical expenditures from the Environmental Fund.

E. Increasing Feed Tonnage Fees

DATCP's analysis of ACM program costs versus revenue sources point to two industry segments that are not paying fees proportionate to program expenses. The smaller of these imbalances is for feed related activities. Current expenditures are approximately \$743,000, whereas current (post-holiday) revenues from feed licenses and tonnage fees are only \$675,000. Given the increasing public emphasis on food safety and biosecurity, DATCP expects its animal feed-related activities to increase. Given current fiscal projections, increases in feed program efforts are expected to occur through reduction in time spent on related agrichemical programs (versus increased ACM appropriations).

A \$0.05 increase in feed tonnage fees would generate an estimated \$140,000 and reinstating a minimum fee for small tonnage firms would add about \$10,000. Small tonnage feed producers are primarily pet food producers and manufacturers of specialty ingredients or feed additives. Most such firms are believed to be out-of-state manufacturers. Labels on these products require a disproportionately higher degree of label review time. These revenues are expected to adequately cover the current share of feed related expenses to the ACM fund, plus marginal increases in the program. Should food safety or biosecurity issues require substantial changes to the program, this would require an overall review of program authorities, staffing and funding. Changes to feed tonnage would begin the calendar year after bill passage (January 2003) and be collected in F'Y 2003/2004.

F. Increasing Fertilizer Tonnage Base Fees and Permit Fees

A larger imbalance in ACM fees versus program costs exists for nutrients. Program expenses include the fertilizer regulatory program itself, plus nutrient management (part of the water quality program), bulk containment and ACCP staff, lab and supply expenses. Combined, these ACM fund expenditures for fertilizer related issues are estimated at \$1,400,000, whereas the current fertilizer license, permit and tonnage

revenues deposited to ACM are \$436,000. This funding shortfall represents most of the annual deficit between program revenues and annual operation costs for the Agrichemical Management bureau.

Reducing the Environmental Fund transfer would off-set a major portion of this deficit. This would leave the pesticide industry subsidizing fertilizer related issues, but both programs are within the agrichemical management arena; a much a closer match than the current transfer that subsidizes the waste management and groundwater programs far beyond those issues associated with agrichemicals. This proposal also recognizes that given the GPR shortfalls, a pesticide fee decrease is unlikely and it provides a practical and appropriate alternative to another dramatic fee increase on fertilizer.

Making up the difference between the Environmental Fund transfer reduction and the ACM shortfall associated with fertilizers could be accomplished with a tonnage fee increase of \$0.15 per ton, plus a low analysis fertilizer permit review fee of \$100. Combined these changes would generate about \$202,000. With an accelerated producer security repayment and the decreased Environmental Fund transfer, the tonnage increase could be forestalled until the producer security loan is repaid (beginning with products sold after July 1, 2006. Without the Environmental Fund transfer reduction the fertilizer tonnage fee would need to increase by \$0.60 per ton for product sold after July 1, 2002 and still increase another \$0.15 after July 1, 2006, or sooner if a large producer security default occurred.

G. Modifications to Resolve Retroactive Fee Payments

Under current law, manufacturers pay their license (registration) fees based on sale volume in a preceding 12 month period. When fee changes have occurred in the past, these changes have either affected sales that have already occurred or the fee changes have been postponed to avoid affecting past sales. Both the department and industry anticipate that such an issue may occur again if the existing fee payment structure is maintained.

In comparison, feed and fertilizer tonnage payments are based on actual sales, with payments made after the end of each year. The department believes a slight variation on the model used for feed and fertilizer could be applied to pesticides. While a simple switch to end-of-year payments would leave the department without revenue in the initial year, the department could use an estimated payment system based off projected forward sales. Manufacturers could report actual past year sales and estimate future sales based on the past amount. At the end of that year, they would report actual sales, make payment adjustments, and again estimate and pay for the subsequent year sales. To assure reasonable estimates on future sales (and avoid a first year revenue shortfall), the department would allow each manufacturer the choice of basing their estimate on 90% of prior year sales or making a smaller payment at risk of a substantial penalty if they substantially under-estimate their sales.

Under the system described above, the department assumes manufacturers in the upper fee tier may take advantage of the 90% payment option at the upper fee tier for those

nonhousehold products making percent-of-sales payments. Implementing this provision could delay the remaining 10% to the end of each calendar year, which is the subsequent fiscal year. This is estimated to have a first year fiscal impact of -\$35,000 for the ACM Fund and -\$192,000 for the ACCP Fund. Subsequent years would each include full payments comprised of 10% from the ending year and 90% for the following year. The first year losses would be gradually recovered in subsequent years as individual products are discontinued and replaced by new products. This provision would be first implemented for the 2004 licenses, in order to allow other provisions of this proposal to recover fund balances from their near-zero levels at the end of FY 02/03.

H. Reduce ACCP Fund Balance Requirements

The ACCP statute provides DATCP rulemaking authority to manage the balance in the ACCP Fund, while also requiring the agency to maintain a balance in the fund of not less than \$2 million and not more than \$5 million. This statute also establishes maximum fee levels that can be imposed by the agency's rule. Based on fund projections, DATCP expects the fund to drop below the \$2 million balance by the end of the current fiscal year, and that even with the maximum fee level allowed by statute, the fund will not only remain below \$2 million, but will continue dropping.

In addition to the inability to maintain the statutory minimum, both DATCP and the paying agricultural industry are concerned that a balance that climbs as high as \$5 million might again become a target for another fund "raid". This concern is based on past transfers of funds from both the ACM and ACCP to GPR, despite the now realized predictions that these funds would reach a deficit if the transfers occurred.

The combined effects of statutory changes, rule changes and a larger history on program costs, plus other recommendations in this proposal, DATCP believes it can manage the fund with a lower balance. DATCP recommends the upper balance be decreased to \$3 million and the lower balance be eliminated. This provision must be combined with increased fee authority or elimination of the maximum fee being specified by statute, since it eliminated the \$2 million "margin" that allows time for statutory revisions. Rule revisions that allow the agency to adjust fees more rapidly through a notice and public hearing will further aid close management of the fund.

I. Improve Timeliness of ACCP Surcharge Adjustments

Currently DATCP establishes ACCP surcharge amounts through rules that numerically specify the fee amounts. To adjust these fees requires the full rulemaking process, which takes a minimum of one year to complete, plus a second year during which the industry collects the modified fees. Hence any rule change requires projecting the fee balance at least two years in advance. While emergency rules can be implemented more rapidly, they are limited to a 150 day period and can only be written upon demonstrating emergency conditions exist.

The department believes the existing rules that numerically specify the fee amount could be replaced with a rule that identifies a formula that will be used to adjust fees through an administrative notice and public hearing process. This notice and hearing process is

already successfully used by Minnesota's parallel to Wisconsin's ACCP, and would substantially eliminate the time lag between recognizing the need for a fee change and collection of those fees, without impacting industry's ability to collect those fees.

Under such an approach, the rule would evaluate the revenues, expenditures and fund status at the end of each fiscal year. By approximately August 1 of each year, the department would use a formula prescribed by the rule that considers each of these factors, to calculate and announce the intended surcharge for the subsequent year. The alternate surcharge would take effect almost immediately, with any changes to pesticide registration fees affecting products sold after October 1 and paid that December, and any changes in fertilizer tonnage being effective immediately and paid the subsequent August. Under such a rule, DATCP believes it could manage the fund balance between \$1 million and \$3 million. Without this type of rule, the delays caused by the current rule process may require a higher balance.

J. Accelerated Repayment of Producer Security Loan

2001 Wisconsin Act 16 provided a \$2,000,000 loan from the Agrichemical Management Fund to re-create the Agricultural Producer Security Program. Act 16 specified a minimum repayment schedule of \$250,000 on July 1 of each year, beginning July 1, 2003, with full payment (with 5% interest) by July 1, 2006



Alternatives to Be Considered

The committee that assisted the Division with reviewing funding options recognized the importance of the Agrichemical Bureau's programs and services, but also asked the department to consider program savings as part of the solution to the funding shortfall. While some program savings and restructuring have been included in the package above, the Division has identified additional options. These options have not been included because the Division believes these cuts to be counter productive to the long-term purposes of these programs. At the same time, these represent the changes that the Division would pursue first, if some of the fee increases, restructuring or transfers proposed above were not feasible.

- Fewer or smaller clean sweep grants. DATCP is authorized to spend \$560,000 per year for clean sweep grants. Grants are made to counties based on each county's estimate of the waste volume they may collect. History has shown that it is difficult to predict waste volumes. So while the department has been committing the full appropriation, some counties spend less than their grant and other counties spend greater than their grant. Overall, spending has varied from \$55,000 to \$250,000 below the appropriation. The Department could reduce either the number or size of clean sweep grants. Further limiting the size of grants would likely result in increased costs for counties that hold successful collection events. Limiting the number of grants would reduce the waste volumes collected.

Allocate same amount held + available to spend. Not have it spent.

- Decrease county interest for something that would increase costs for them.

- **Reduced DATCP role in spills sampling.** For most immediate spill responses post excavation sampling is required to assure the fertilizer or pesticide spill was fully recovered. Currently DATCP collects and analyzes these samples. Alternatively, those responsible for a spill could hire a consultant and private lab to collect and analyze the samples, then seek partial reimbursement for these costs from the ACCP Fund. DATCP believes the disproportionately high costs to retain a consultant on a simple spill and then reimburse that cost anyway is inappropriate. Yet the use of a private lab for sample analysis would reduce ACM expenses, while having a more limited impact on the ACCP fund. By substantially eliminating spills samples, the department believes it could reduce the laboratory services budget by an estimated \$46,000, essentially leaving this cost to private labs and partial reimbursement under the ACCP. The net impact of this transition would be increased private sector costs for spill response and decreased laboratory funding by 1 FTE.

- **Fertilizer sampling reductions.** The ACM Bureau currently runs a fertilizer sampling program to assure consumers are receiving the properly blended products that they purchase. Under a sampling system that is intentionally biased to collect more samples from firms with a poor compliance record, we have found a non-compliance rate between 15% and 20%. Efforts with individual sites with poor compliance generally increase compliance by those firms, but as equipment ages and personnel change, additional firms constantly develop problems. Over the past 15 years, we have substantially reduced the number of samples collected without significantly changing the rate of noncompliance. Our records clearly demonstrate a continuing need to monitor compliance, and with the increased efforts on nutrient management the importance of high quality fertilizers will become a growing concern. The department believes it could further reduce laboratory costs if it substantially decreased its sampling efforts. Cuts would need to be significant and long-standing enough to allow the laboratory to reduce staffing. A 50% reduction in fertilizer sampling may allow a laboratory reduction of 1 FTE, totaling \$37,000, but may require increased monitoring of product quality by industries, particularly when department sampling has already demonstrated a problem. Field staff time that was previously used for sampling may instead be more productively used for early season field screening of particle sizes, a primary indicator of blending problems.

Let the insurance companies do that?
Most are not covered by ins. that's why Dept. is doing it

can we date change in for the service?

increase costs to firms & decrease

Reg. would plan to do more monitoring - Dept. would check on suspension activity...

fertilizer are being reported more than previously

12/12/01

306

* must be taken as a package to work

Action Item A.

Action:

Restructure ACCP by shifting 1 FTE from case management to pollution prevention and lead arsenate. This will reduce the speed of progress on ACCP cases by an estimate 15%, while providing for new program needs expected from the agency.

facilities vs. maintenance
state (contingency)
where money is
needed
implement ideas
or things

Fiscal—ACCP:

Because of the time lag between work being done and claims paid, the reduced casework will gradually reduce ACCP reimbursement claims. In two to three years ACCP Fund reimbursements should drop an estimated \$510,000.

Fiscal—ACM:

By using existing staff the ACM Fund will experience no added costs to implement lead arsenate and pollution prevention.

Authority:

DATCP can use its administrative discretion to make this program adjustment.

- Change due to secondary less staff
- Casework will drop thru 15% reduction in case load over the next few years
- This costs will drop
Overall cleanup take longer, not necessarily less clean ups

Action Item B.

Action:

Decrease the ACCP reimbursement rate from 80% to 75% of costs between the deductible and cap.

Facilities would be responsible for an additional 5% of cleanup costs, consistent with the original program statutes.

Fiscal—ACCP:

The change would affect all costs incurred after a specified date, such as January 1, 2003. Cost savings would be recognized in the following couple years as those claims paid at the higher rate are completed. Fund reimbursements should drop an estimated \$180,000 (assuming action item A was also implemented).

Authority:

Section 94.73(6)(b) and (c), Wis. Stats. would be revised from 80% down to 75%.

Reimburse 5% less. Industry facilities would pay more.

Not necessarily clean up file dates

Action Item C.

Action:

Increase the authority to collect ACCP fertilizer tonnage surcharge fees by an additional \$0.50 per ton. This change would better reflect the fertilizer-related ACCP cleanup costs.

Fiscal—ACCP:

The full \$0.50 statutory authority would not automatically be collected. Rulemaking would limit actual fees to a level necessary to maintain reimbursements while maintaining a minimal fund balance. Current projections suggest a 3-year surcharge increase of \$0.15 to generate \$195,000 per year; then resume the current surcharge level. Assuming statutory changes in the spring of 2002, subsequent rulemaking would first collect fees on products sold in July 2003 and paid in August 2004

Authority:

Section 94.64(4)(a)5, Wis. Stats., would be amended from a maximum surcharge of \$0.38 to a maximum surcharge of \$0.88. Subsequent rulemaking would be necessary before the surcharge would actually change, since current rules set the surcharge at \$0.38.

fee:
Current is \$1.05
.38 out of a dollar goes here
so now it would be \$1.50
or more actual \$1.65

- increase statutory authority + collect \$.50 more
- doesn't happen unless needed
but Rule would determine amount.

- Need stat amendment because even time want change need to go to legislature. This would allow rule to be more flexible.
yet maintain balance.

Action Item D.

Action:

Reduce Environmental Fund transfers to better reflect ongoing and anticipated agrichemical-related work at DNR, COM and DHFS. Reducing the transfer of funds would increase ACM revenues without changing the total fee amount.

Fiscal—ACM:

DATCP recommends the fees be reduced to \$60 on household and industrial pesticide categories to better reflect the projected work, and eliminate the fee on nonhousehold pesticides (agricultural and commercial uses) where DATCP conducts essentially all the ongoing work. Other special fees for well compensation wood preserving pesticides and fertilizers would be unchanged. The net impact would be a \$775,000 reduction in Environmental Fund revenues and a \$775,000 increase in ACM Fund revenues, both beginning in FY 03/04.

** transfers less same amount collected*

Authority:

Section 94.681(7)(a)1. and 2., Wis. Stats., would be amended such that the department would transfer \$60 for each household and each industrial pesticide product to the environmental fund for environmental management.

- DNR does not have keep pesticide sales + did not spend what need to be done

- DATCP analysis shows this would be more appropriate.

current		to change:
\$94 per	(non household industrial household)	\$ 60 household
\$124		\$ 60 industrial
		\$ 0 non household

Action Item E.

Action:

Increase feed tonnage fees and resume the minimum tonnage fee. This change would better reflect the increased costs of ACM programs designed to assure adequate labeling, quality and purity of animal feeds, as needed to address increased food safety concerns.

Fiscal—ACM:

Increasing the feed tonnage fee by \$0.05 per ton will provide \$140,000. A minimum fee of \$30 would generate another \$10,000. Assuming spring 2002 legislation, the fee would first apply to feed sold on January 1, 2003 and would be collected in March 2004.

Authority:

Section 94.72(6)(a), Wis. Stats., would be amended to collect a fee of \$0.23 through December 2002 and \$0.28 starting January 2003. This paragraph would also establish a minimum fee of \$30 for sales of 100 tons or less.

- Currently underway with .05 increase
- greater portion will be fee
- expenditures related

- * when fee holiday comes in minimum was eliminated - Now it being re-imposed - special per food try
- low volume
- > mini-annual fee

Action Item F.

Action:

Increase fertilizer permit fees and increase fertilizer tonnage fees effective for products sold as of July 2006. This would partially replace the producer security loan repayment revenue and is expected to provide a "no change" transition once ACCP surcharges are able to resume at their current rate (see item C).

Fiscal—ACM:

Increasing fertilizer tonnage by \$0.15/ton will provide \$195,000 and increasing low analysis fertilizer permits to \$100 will add \$7,000. This item would commence revenue collection for products sold after July 2006, to coincide with the end of the Producer Security loan repayment and the end of a projected 3-year fertilizer tonnage surcharge for ACCP (as a future diversion from 'redirecting' the anticipated fee reduction).

Authority:

Section 94.64(3m)(b)intro., Wis. Stats., would be amended to collect a fee of \$100, instead of the current \$25.

Section 94.64(4)(a)1., Wis. Stats., would be amended to collect a fee of \$0.30 through June 2006 and \$0.45 starting July 2006.

← divert some nitrogen related costs

Permit cost -
labo review +
approval process -
Needs to be more
because of the
diversion of the
for products
@ 50 a year
- Needs
change
what
- 5000000
on

Action Item G.

*Deal w/ retro-
active issue*

Action:

Modify the pesticide fee payment structure to collect start-of-year fees based on projected sales with end-of-year reconciliation. Manufacturer's that estimate sales of at least 90% of the prior-year sales would be exempt from a penalty for under-estimating fees due.

Others would be penalized 20% for estimating more than 20% below actual sales.

** may if about
pay 90%
New products
no penalties
since no
prior
sales*

Fiscal—ACCP:

DATCP expects the high-volume pesticide manufacturers (about 250 products) would pay based on a 90% estimate. Others would not substantially benefit by estimating less than 100% of prior year sales. The 90% estimate for the 250 products would be reconciled in the next year's application. A perpetual one-year delay of \$192,000 is expected for the ACCP fund.

*Rebate if
over-
estimates*

Fiscal—ACM:

Using the same conclusions as ACCP, the ACM fund can expect a perpetual one-year delay of \$35,000.

Authority:

Section 94.681, Wis. Stats., would be amended to convert from payments based on 'preceding year' sales to estimates of 'new year' sales, and to provide penalties for under-estimates based on prior sales. Changes would be effective for 2004 licenses.

Action Item H.

*Current
\$ 2-5 M
Don't want
too many
dollar string
- \$ 0-3
good
managers
good*

Action:

Reduce the ACCP Fund maximum balance to \$3 million and eliminate the minimum fund balance. DATCP would be responsible for maintaining the fund with a lower balance, consistent with projections and with a lower potential for future diversions of uncommitted funds.

Fiscal—ACCP:

This action item will not directly change revenues or expenditures, but would allow the other action items described by this proposal to comply with law. DATCP will fall below the existing \$2 million minimum balance in March 2002. Without this provision, DATCP anticipates the action items will not generate sufficient revenues to comply with existing law.

Authority:

Section 94.73(15), Wis. Stats., would be amended to eliminate the minimum balance and decrease the maximum balance from \$5 million to \$3 million.

Action Item I.

Action:

Revised the existing fee rule to a formula-based approach that would allow a more rapid implementation of ACCP surcharge fee changes. The formula would consider the fund balance at the end of each fiscal year, and the difference between prior year revenues and prior year expenditures to determine whether the existing surcharge levels should be maintained, increased or decreased. A public notice and hearing would then announce the surcharges that should be collected the coming year.

*- Rule making takes at least a year
- Fundraising needs 15 months to collect & current year needs 2 year ahead for change*

Fiscal—ACCP:

This action item will not directly change revenues or expenditures, but would allow the other action items to be implemented in a more timely and efficient manner.

Authority:

DATCP has statutory authority to amend current rules as needed to maintain the fund balance, with certain limits on the fund balance and maximum fee levels.

Combined with other provisions of this proposal (particularly items C, G and H), DATCP could redraft the rule in a manner that uses a public notice process instead of future rulemaking to provide a time notice of fee changes that can be implemented rapidly.

if spread more than takes month increase by a cert of

*- Why not write formula in the statute?
- amounts can be changed but formula into stat*

*- Statute would have a formula in the statute
- ACCP only can't do that
- still have statutory max
- Now just have to now... anything*

limits not actual in the statute

Action Item J.

Action:

Accelerate repayment of the loan from the ACM Fund used to initiate the Wisconsin's Producer Security Fund.

Fiscal—ACM:

Under statute the loan must be paid beginning no later than July 2003 and be fully repaid no later than July 2006, with minimum annual payments of at least \$250,000. This proposal would repay \$800,000 in July 2002, \$700,000 in July 2003, and \$250,000 in the remaining years, with a final payment of interest in July 2006. This rapid repayment schedule is subject to limited defaults in the early years of the Producer Security program.

Authority:

DATCP can use its administrative discretion to make this program adjustment, provided no major producer security claims are filed in the early years of that program.

→ Current NOTING repay in Next year 2002
→ if pay minimum, worse own more interest.
but Sept 03 full amounts will start...
inflow slow... how will this affect bonding ???
John Norton says \$1M is used for base on bonding... NO major defaults nor NO defaults
Cash flow is changed not equity flow will this affect the whole package



for Rebecca - LMB

Legislative Fiscal Bureau

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4506

October 30, 2001

TO: Representative Alvin Ott
Room 318 North, State Capitol

FROM: Kendra Bonderud, Fiscal Analyst

SUBJECT: Pesticide and Fertilizer Fees Deposited in the Environmental Fund.

At your request, this memorandum describes pesticide and fertilizer fees collected by the Department of Agriculture, Trade and Consumer Protection (DATCP) that are deposited in the environmental management account of the segregated environmental fund and the uses of environmental management account revenues for activities related to pesticides and fertilizer. It also describes the estimated balance of the environmental management account, all other revenues deposited in the environmental management account and the uses for which funds from the account are appropriated.

Background

The segregated environmental fund is comprised of the environmental management account and the nonpoint account. The environmental management account described in this memorandum mainly funds DNR activities related to groundwater management and environmental response and repair and Department of Commerce brownfields grants. The environmental management account includes appropriations for DNR administrative, enforcement, preventative, cleanup and groundwater management activities. The account also funds environmental programs administered by other state agencies, including Commerce, the Department of Health and Family Services, the Department of Military Affairs and the University of Wisconsin System. The nonpoint account funds Department of Natural Resources (DNR) and DATCP nonpoint source water pollution abatement programs.

The estimated condition of the environmental management account of the environmental fund is shown in Table 1. Appropriations from the account are shown in the attachment.

TABLE 1**Environmental Management Account of the Environmental Fund,
Condition 1999-00 Through 2002-03 (\$ in Millions)**

	1999-00 <u>Actual</u>	2000-01 <u>Preliminary</u>	2001-02 <u>Estimated</u>	2002-03 <u>Estimated</u>
Opening Balance, July 1	\$12.1	\$22.6	\$1.9	\$0.2
Revenue	<u>26.9</u>	<u>19.5</u>	<u>25.4</u>	<u>26.2</u>
Total Revenue Available	39.0	42.1	27.3	26.4
Expenditures	16.4	23.0	27.3	26.1
Encumbrances, Continuing Balances, Reserves and Lapses	<u>0.0</u>	<u>17.2</u>	<u>-0.2</u>	<u>0.0</u>
Total Expenditures	16.4	40.2	27.1	26.1
Closing Balance, June 30	\$22.6	\$1.9	\$0.2	\$0.3

Environmental Management Account Revenues

Revenues to the environmental management account of the environmental fund are generated from several fees that totaled approximately \$26.9 million in 1999-00 and \$19.5 million in 2000-01, and are estimated to total \$25.4 million in 2001-02 and \$26.2 million in 2002-03. The revenues are shown in Table 2 and are described in the following section in the order in which they are listed in Table 2. All revenues to the environmental management account of the environmental fund are available for expenditure from any of the appropriations from the account, with the exceptions of revenues from cooperative remedial action, environmental assessments and site specific remediation.

TABLE 2

**Environmental Fund Revenues for the Environmental Management Account,
1999-00 Through 2002-03**

<u>Revenue Source</u>	1999-00 Revenue <u>Actual</u>	2000-01 Revenue <u>Preliminary</u>	2001-02 Revenue <u>Estimated</u>	2002-03 Revenue <u>Estimated</u>
Vehicle Environmental Impact Fee	\$8,650,100	\$8,772,000	\$12,185,900	\$13,549,100
Environmental Repair Tipping Fee	5,416,400	3,757,800	3,930,000	4,009,000
Transfer from WHEDA	4,000,000	0	0	0
Petroleum Inspection Fund	1,916,300	1,816,300	1,816,300	1,816,300
Groundwater Waste Generator Fee	1,289,600	862,900	873,300	890,900
Pesticide and Fertilizer Fees	1,289,300	1,282,200	1,288,000	1,288,000
Hazardous Spill Reimbursement	814,500	270,600	820,000	820,000
Cooperative Remedial Action	807,700	11,900	0	0
Hazardous Waste Generator Fee	691,900	576,400	595,000	595,000
Sanitary Permit Surcharge	595,100	509,700	550,000	550,000
Well Compensation Fee	431,200	364,000	349,300	356,400
Environmental Assessment	129,500	104,100	130,000	130,000
Land Disposal Permit	99,800	104,300	90,000	90,000
Bulk Tank Surcharge	41,600	39,300	65,700	65,700
Environmental Repair Surcharge	10,800	6,300	6,200	6,200
Environmental Repair Base Fee	7,200	6,100	8,400	8,400
Civil Action Damages	7,000	26,400	0	0
Septic System Servicing Fee	6,000	39,400	25,000	25,000
Nonmetallic Mining Fee	0	0	505,100	505,100
Transfer from Tribal Gaming	0	0	500,000	1,000,000
Well Compensation Lapse	0	0	1,000,000	0
Investment Income	673,900	983,200	600,000	500,000
Miscellaneous Revenue	9,100	8,300	18,000	18,000
Total	\$26,887,000	\$19,541,200	\$25,356,200	\$26,223,100

Vehicle Environmental Impact Fee. A \$6 per vehicle fee is assessed at the time of titling new and used vehicles, including manufactured homes formerly titled by the Department of Transportation and currently titled by the Department of Commerce. Between December 1, 1997, the effective date of the fee, and November 30, 1999, the fee was \$5 per vehicle. The Department of Transportation and Department of Commerce collect the fees and deposit them in the environmental management account. Under 1999 Act 9, the fee would have been repealed on June 30, 2001. Under 2001 Act 16, the \$6 per vehicle fee was recreated on July 1, 2001, and was

increased to \$9, effective October 1, 2001. The fee is expected to generate over one-half of revenues to the account in 2002-03, but is repealed on December 31, 2003.

Environmental Repair Tipping Fee. DNR assesses solid waste tipping fees to solid waste facilities and deposits the fees into the environmental management account. The tipping fees are based on: (a) annual tonnage; (b) whether the facility disposes of high-volume industrial waste or other waste; and (c) whether the facility is an "approved" or "nonapproved" facility. DNR collects the tipping fees.

Solid and hazardous waste facilities (landfills) pay an environmental repair tipping fee for each ton of waste disposed of at the facility, except materials used for lining, daily cover, capping or constructing berms, dikes or roads within the facility. Facilities that dispose of municipal, hazardous or non-high volume industrial waste pay 50¢ per ton and facilities that dispose of high-volume industrial waste pay 20¢ per ton (high-volume industrial waste includes paper mill sludge, bottom ash, foundry process waste and fly ash).

In addition, nonapproved facilities pay 1.5¢ per ton of solid non-hazardous waste disposed and 15¢ per ton of hazardous waste. (There are no hazardous wastes disposed of in Wisconsin at this time and thus, no revenue is generated from hazardous waste tonnage fees.) Nonapproved facilities also pay an environmental repair surcharge equal to 25% of the tonnage fee if the facility has a closure agreement, or 50% of the tonnage fee if the facility does not have a closure agreement.

Transfer from WHEDA. 1999 Act 9 directed the Wisconsin Housing and Economic Development Authority to transfer \$4,000,000 from the Wisconsin development reserve fund (WDRF) to the environmental management account on a one-time basis in 1999-00 and eliminated the brownfields loan guarantee program. When the brownfields loan guarantee program was created in the 1997-99 budget, \$4,000,000 was transferred from the recycling fund to the WDRF for the program. No loans were ever guaranteed under the program.

Petroleum Inspection Fund. An annual appropriation of \$1,816,300 in 2001-02 and \$1,816,300 in 2002-03 is made from the petroleum inspection fund to the environmental management account. The appropriation includes \$766,900 in each year for groundwater management and \$1,049,400 (including \$80,000 for well compensation) for environmental repair. A petroleum inspection fee of 3¢ per gallon is assessed on all petroleum products brought into the state. The fee generates approximately \$111 million annually. Fee revenues are deposited in the segregated petroleum inspection fund and are used primarily to fund cleanup of petroleum-contaminated sites under the PECFA program.

Groundwater Waste Generator Fee. To support groundwater programs, DNR collects, and deposits in the environmental management account, a groundwater waste generator fee of 10¢ per ton from solid and hazardous waste disposal facilities for waste disposed of at the facility, except materials used for lining, daily cover, capping or constructing berms, dikes or roads within the

facility. The fee is 1¢ per ton for prospecting or mining waste, including tailing solids, sludge or waste rock.

Pesticide and Fertilizer Fees. DATCP collects a number of pesticide and fertilizer fees that are deposited in the environmental management account, the segregated agrichemical management fund and the segregated agricultural chemical cleanup fund. The fees that are deposited in the environmental management account are described as follows. Table 3 shows the estimated revenue to the environmental management account from the types of pesticide and fertilizer fees in each of 2001-02 and 2002-03.

1. Registration fees are assessed annually on manufacturers and labelers of pesticides and collected by DATCP. Currently, the flat fee ranges from \$215 to \$2,760 based on the annual sales. These fees will statutorily increase to a range from \$265 to \$3,060 in 2002-03. Of the total fee, \$124 for each household pesticide product licensed and \$94 for each industrial and nonhousehold pesticide product licensed is deposited in the environmental management account. The remaining fees are deposited in the agrichemical management or agricultural chemical cleanup funds.

2. Registration applicants pay a cleanup surcharge, which is deposited in the environmental management account, for nonhousehold pesticide products that are wood preservatives solely labeled for use on wood and that contain pentachlorophenol or coal tar creosote. The surcharge ranges from \$5 if sales of the product in the state are less than \$25,000 to 1.1% of gross revenues if sales of the product exceed \$75,000 in the state.

3. Persons who sell or distribute fertilizer or who distribute a soil or plant additive in Wisconsin are required to pay a groundwater fee of 10¢ per ton of fertilizer, with a minimum fee of \$1 for aggregate sales of 10 tons or less, for deposit in the environmental management account. Additional fertilizer tonnage fees are collected by DATCP for deposit in the agrichemical management fund, agricultural chemical cleanup fund and University of Wisconsin System appropriations.

4. Producers of pesticides must pay a well compensation fee of \$150 annually.

TABLE 3

**Pesticide and Fertilizer Fees Deposited in the Environmental Management Account
Estimated Annual Fees, 2001-02 and 2002-03**

<u>Fee Type</u>	<u>Annual Amount</u>
Household pesticide registration	\$662,000
Industrial pesticide registration*	100,000
Nonhousehold pesticide registration	378,000
Fertilizer groundwater tonnage fee	131,000
Pesticide producer fee	<u>17,000</u>
Total	\$1,288,000

* Includes registration fee and wood preservative surcharge.

Hazardous Spill Reimbursement. When DNR cleans up hazardous substances spills with state funds, it seeks compensation from responsible parties. The compensation is deposited in the environmental management account. DNR may also recover its costs of remedying adverse effects upon the waters of the state resulting from the unlawful discharge or deposit of pollutants in the waters.

Cooperative Remedial Action. DNR is authorized to seek and receive voluntary contributions of funds from a municipality or any other public or private source for all or part of the costs of remedying environmental contamination if the activities being funded are part of a cooperative effort by DNR and the person providing the funds, to remedy the contamination. Any funds received are deposited into the environmental management account. Any cooperative remedial action revenues, and any interest income on such revenues, may only be used for the activities agreed on by DNR and the person providing the funds.

Hazardous Waste Generator Fee. DNR assesses a \$210 base fee plus \$20 per ton to all generators of hazardous waste that are required to report annually to DNR under the state's hazardous waste law. Producers of at least 220 pounds of hazardous waste in any month report annually and pay the fee unless the waste is: (a) recovered for recycling or reuse; (b) leachate being transported to a wastewater treatment plant; or (c) removed from the site as part of an environmental cleanup project. The minimum fee for a single generator is \$125 and the maximum is \$17,000. DNR deposits the fees it collects in the environmental management account.

Sanitary Permit Surcharge. Local governments are required to issue a sanitary permit before a person may install any septic tank or private sewage system. The fee for the sanitary permit must be at least \$61, of which \$20 is sent to the Department of Commerce. In addition to the

sanitary permit fee, the local government that issues the permit is required to collect a \$25 groundwater surcharge and pay it to Commerce, which then deposits the surcharge in the environmental management account.

Well Compensation Fee. DNR collects a well compensation fee from an owner or operator of a licensed solid or hazardous waste disposal facility equal to 4¢ per ton of non-mining waste disposed of at the facility for payment to the environmental management account.

Environmental Assessment. When a court imposes a fine or forfeiture for violation of administrative rules or DNR orders related to pollution discharge, drinking water or septic tank statutes, it also imposes an environmental assessment. The courts transfer the assessments to DNR and DNR deposits them in the environmental management account. The assessment is equal to 10 percent of the fine or forfeiture. Fifty percent of the assessments are credited to a University of Wisconsin System environmental education appropriation to fund environmental education grants.

Land Disposal Permit. Persons who discharge certain pollutants into the waters of the state are required to obtain a water pollutant discharge elimination system permit from DNR. The permit holder is also required to pay a \$100 annual groundwater fee if the permittee discharges effluent on land or produces sludge from a treatment work that is disposed of on land. The permittee is required to pay a \$200 annual groundwater fee if the permittee discharges effluent on land and disposes of sludge from a treatment work on land. DNR collects the permit fee for deposit in the environmental management account.

Bulk Tank Surcharge. Persons must receive approval from Commerce of plans for installation of or change in the operation of a previously approved installation for the storage, handling or use of flammable or combustible liquids. In addition to any plan review fees, Commerce collects a groundwater fee of \$100 per plan review submittal for tanks with a capacity of 1,000 gallons or more and deposits it in the environmental management account.

Environmental Repair Base Fee and Surcharge. Owners of approved solid waste facilities do not pay a base fee into the environmental management account. There are two different annual base fees for nonapproved facilities. If the owner of a nonapproved facility has signed an agreement with DNR to close the landfill on or before July 1, 1999, the annual base fee is \$100. If no closure agreement has been signed, the annual base fee is \$1,000. The amount of the base fee is deducted from the tipping fees for nonapproved facilities described previously. Nonapproved facilities with a closure agreement pay a fee of 1.875¢ per ton of solid non-hazardous waste or 2.25¢ per ton without a closure agreement.

Civil Action Damages. The environmental management account receives compensation resulting from court ordered payments by responsible parties for specific cleanup activities.

Septic System Servicing Fee. Persons who remove and dispose of septage from septic tanks, soil absorption fields, holding tanks, grease traps or privies must pay DNR a septic servicing license

fee of \$50 per servicing vehicle for two years. In addition, the licensee is required to pay DNR a groundwater fee of \$50 that is deposited in the environmental management account.

Nonmetallic Mining Fee. DNR administers nonmetallic mining reclamation rules that became effective December 1, 2000. Counties were required to enact and administer a nonmetallic mining reclamation ordinance that complies with the administrative rules by June 1, 2001. A city, village or town may also adopt an ordinance and administer a program. DNR administers nonmetallic mining reclamation in counties that do not adopt nonmetallic mining reclamation ordinances. A county, city, village or town with a nonmetallic mining ordinance is required to collect fees that equal the cost of the examination and approval of nonmetallic mining reclamation plans and the inspection of nonmetallic mining reclamation. The municipality is also required to collect DNR's annual share of fees equal to the Department's statewide cost to inspect, enforce, consult with and audit the regulatory authority under the statute and rule. DNR's share of the fees, established in administrative rule, is \$30 if the mine size in unreclaimed acres is one to five acres, \$60 for six to 10 acres, \$90 for 11 to 15 acres, \$120 for 16 to 25 acres, \$140 for 26 to 50 acres and \$150 for 51 acres or larger. Municipalities will collect DNR's share of the fees and transmit the fees to DNR for deposit in the environmental management account. If the county or municipality does not adopt a nonmetallic mining reclamation ordinance, DNR is the regulatory authority and charges annual fees that equal, for fees due on or before December 31, 2003, \$450 to \$1,250, depending on the mine size in unreclaimed acres.

Transfer From Tribal Gaming Revenue. Eight tribal gaming agreements with the state contain provisions for payments of certain monies by tribes to the state. Tribal gaming revenues are appropriated for a variety of purposes. Under 2001 Act 16, \$500,000 is transferred from tribal gaming revenues to the environmental management account in 2001-02 and \$1,000,000 is transferred in 2002-03.

Well Compensation Lapse. Under 2001 Act 16, \$1,000,000 is lapsed from the unencumbered balance of the well compensation grant program continuing appropriation to the environmental management account. The DNR well compensation grant program provides grants to homeowners for the replacement of contaminated wells and is appropriated \$400,000 annually. Almost \$1.1 million had accumulated in the appropriation balance by the end of 2000-01. Lapse of the \$1,000,000 makes the funds available for any of the appropriations from the environmental management account.

Investment Income. Interest earned on state investments is distributed to various funds, including the environmental management account, based on its monthly cash balance. Any interest is credited to the account for use in cleanup and administrative activities of the program.

Site Specific Remediation. Under 2001 Act 16, the following moneys will be deposited in the environmental management account: (a) any moneys received in settlement of actions initiated under federal Comprehensive Environmental Response, Compensation and Liability Act; and (b) all moneys received under settlement agreements or orders, in settlement of actions or proposed

actions for violations of environmental statutes, that are designated to be used to restore or develop environmental resources, to provide restitution or to make expenditures required under the order or agreement. Any revenues received under this provision will be used only for the purposes for which received.

Expenditures

The environmental management account has authorized expenditure levels of \$27.3 million in 2001-02 and \$26.1 million in 2002-03, with 107.2 positions. The Attachment lists all appropriations from the account in 2001-03, the expenditure authority and authorized positions. The largest use of funds from the account is for DNR administrative functions, with appropriations of \$10.3 million in 2001-02 and \$10.4 million in 2002-03, with 103.7 positions. The second largest use of funds is for Commerce brownfields grants, with an appropriation of \$7.0 million annually. A description of the uses of the appropriations from the account follows. The description includes information about the general uses of funds and any use related to pesticides and fertilizer.

DNR Air and Waste Division General Operations. In 2001-03, DNR is appropriated \$4,204,700 SEG and 59 SEG positions annually from the environmental management account for administrative functions in the remediation and redevelopment program, waste management program and Air and Waste Division management. The remediation and redevelopment program is authorized 42.5 of the 59 positions to regulate the cleanup of contaminated properties, promote the return of contaminated properties to beneficial reuse, provide technical assistance to people conducting cleanups, provide redevelopment assistance to promote cleanup and reuse of properties, approve site closure when groundwater and soil cleanup standards are met, administer cleanup at closed solid waste landfills and facilities, respond to hazardous substances spills and abandoned containers, administer brownfields financial assistance under various programs and administer cleanups at sites where the responsible party is unable or unwilling to complete the cleanup. Brownfields are abandoned, idle or underused industrial or commercial facilities or sites, the expansion or redevelopment of which is adversely affected by actual or perceived environmental contamination.

DNR remediation and redevelopment staff perform the following types of activities at sites with pesticide-related contamination: (a) lead in administering cleanup of a pesticide-contaminated site where no responsible party has been identified or is able to undertake the cleanup (the Department of Agriculture, Trade and Consumer Protection generally takes the lead at pesticide sites where a responsible party is identified and able to undertake the cleanup); (b) generally lead in administering the cleanup of co-contaminated sites where there is contamination from agricultural chemicals and other hazardous substances such as petroleum or industrial chemicals (DATCP generally takes the lead where the contamination is solely from agricultural chemicals); (c) administer cleanup and associated contracts at state-funded agrichemical contaminated sites; and (d) provide a first response at agricultural chemical spills when DNR receives the first notification of the spill. DNR estimates that approximately one-half to one full-time equivalent of the 42.5 positions funded from the environmental management account perform these activities, for

approximate annual staff costs of \$38,000 to \$75,000. These activities are performed by many remediation and redevelopment staff located throughout the state.

The waste management program is authorized 16 of the 59 positions to regulate the transportation, treatment, storage and disposal of solid and hazardous waste, review and approve plans for solid and hazardous waste facilities, license solid and hazardous waste facilities and transporters, inspect facilities, administer nonmetallic mining reclamation and metallic mining regulations, manage special wastes and provide technical assistance and outreach. The Division management is authorized the remaining 0.5 position for central management of the Air and Waste Division.

DNR Enforcement and Science Division General Operations. In 2001-03, DNR is appropriated \$1,170,800 SEG and 11 SEG positions annually from the environmental management account for environmental enforcement activities related to investigation and resolution of violations of environmental laws administered by the Air and Waste and Water programs. DNR officials estimate that environmental enforcement staff use approximately 4% of their time to provide a first response at agricultural chemical spills, which would equal approximately 0.4 position with an annual cost of \$30,000.

DNR Water Division General Operations. In 2001-03, DNR is appropriated \$2,333,400 SEG and 22 SEG positions annually from the environmental management account for administrative functions in the Water Division. This includes: (a) 12 positions in the drinking water and groundwater program for activities related to groundwater quality standards development, groundwater monitoring, management of drinking water systems, management of private water systems, and plan review of high capacity wells; (b) eight positions in the watershed management program for activities related to policy development, watershed planning and regulation, and water quality assessment; (c) one position in the water integration team to provide cross-program support for the programs of the Division; and (d) one position for central management of the Water Division.

DNR officials indicate that approximately one-third of the time of the 12 environmental management account positions in the drinking water and groundwater program is spent on activities related to pesticides and fertilizer, equaling approximately four full-time equivalent staff with annual staff costs of approximately \$260,000. Examples of these activities are: (a) maintain the Department's groundwater retrieval network database; (b) establish protocols for delivery of analysis of agricultural chemicals such as nitrates and pesticides from laboratories; (c) manage data on nitrates and pesticides in groundwater; (d) sample private wells for pesticides and nitrates; (e) provide assistance and advice to private well owners with wells contaminated with pesticides or nitrates; (f) work with public water systems to assure that pesticide and nitrate monitoring is conducted when required, assist with interpretation of pesticide and nitrate sampling results and conduct source water assessments at all wells used by municipal water systems; (g) establish minimum standards and procedures for the protection of public health, safety and welfare in obtaining safe drinking water from public drinking water wells; (h) monitor water quality in

approximately 2,100 public wells, including testing water for approximately 35 agricultural chemicals on a three-year sampling schedule; (i) establish groundwater quality standards for substances used in agriculture that have been detected or have a probability of entering the groundwater and establish ranges of responses DNR may require for exceedences of the standards; (j) implement a process to enable private well owners with contaminated wells to access funds for well replacement (described under "well compensation"); and (k) investigate complaints related to the impacts of agricultural activities on private wells.

DNR officials indicate that a minimal undetermined portion of the time of the eight environmental management account positions in the watershed management program is spent on activities related to pesticides and fertilizer. The program is also funded from the nonpoint account and other funding sources. Examples of activities related to pesticides include: (a) staff assistance related to household and agricultural hazardous waste clean sweep programs; (b) monitoring studies of pesticides in fish tissue; (c) monitoring of cranberry operations to detect impacts related to pesticide use; (d) development of guidance related to bioaccumulative toxic impacts of pesticides; (e) development of an agreement with Canada to address a list of pollutants to be eliminated from Lake Superior, including several pesticides; (f) review of pesticide issues in water pollutant discharge elimination system permits; and (g) delineation of sensitive areas related to aquatic plant management.

DNR Administration and Technology Division General Operations. In 2001-03, DNR is appropriated \$1,810,700 SEG in 2001-02 and \$1,817,600 SEG in 2002-03 and four SEG positions annually from the environmental management account for central departmental functions such as legal services, finance, administrative and field services, data processing, information technology, human resources and facility rent costs.

DNR Customer Assistance and External Relations Division General Operations. In 2001-03, DNR is appropriated \$585,500 SEG and 7.7 SEG positions annually from the environmental management account for activities including: (a) 2.5 positions for customer service related to environmental permits; (b) 2.5 positions for communication and education; (c) one position in the community financial assistance program for administration of environmental grants; and (d) one position in the cooperative environmental assistance program to provide a point of contact for businesses on pollution prevention, waste minimization, technical assistance and negotiation of agreements with facilities related to environmental flexibility.

Commerce Brownfields Grants. In 2001-03, Commerce is appropriated \$7,000,000 SEG annually for grants to provide financial assistance to businesses and governmental entities to fund the costs of brownfields redevelopment projects and associated environmental remediation activities. Brownfields redevelopment includes work undertaken to acquire a brownfields facility or site, or to raze, demolish, remove, reconstruct, renovate or rehabilitate the facility or existing buildings, structures or other improvements at the site. The redevelopment project must be for promoting the facility or site for commercial, industrial or similar economic development purposes. Environmental remediation activities include environmental assessment of the contamination, site

investigation, abatement or removal of the pollution at the site and restoration of soil or groundwater at the site.

While most Commerce brownfields grants include activities to investigate or remediate industrial or petroleum hazardous substances, a few grants have related to pesticides or agricultural chemicals. Past grant awards have included: (a) \$150,000 for cleanup at a wood preservative treatment facility in Taylor County; and (b) \$390,000 to remove PCBs (polychlorinated biphenyls), pesticides and other hazardous substances from a former industrial facility in West Milwaukee.

DNR State-Funded Response Actions. DNR is appropriated \$3,321,300 SEG annually for expenditures related to: (a) DNR-lead cleanups of contaminated sites where the responsible party is unknown or can not or will not clean up the site; (b) the state share at certain Superfund site cleanups; (c) the state match to federal Leaking Underground Storage Tank Trust Fund (LUST) expenditures; (d) emergency spill response and cleanups; (e) response and cleanup of abandoned containers of hazardous substances where the responsible party can not be identified; (f) \$3 per capita payments to certain municipalities for groundwater monitoring and equipment purchases; (g) provision of temporary emergency water supplies; (h) DNR-lead remedial actions at abandoned privately-owned landfills; and (i) DNR-lead cleanups resulting from responsible party payment of court settlements. Expenditures from the appropriation averaged \$3.6 million annually for the five years from 1996-97 through 2000-01. Examples of sites where state funds have been used are old landfills, industrial sites, contaminated municipal water supplies, pipeline spills, train spills and spills of hazardous substances at industrial sites.

One use of the appropriation has been to cleanup contamination at pesticide-related sites where there is no responsible party willing or able to complete the cleanup. DNR estimates that over \$5.8 million in expenditures from the appropriation in the past 15 years (averaging almost \$400,000 annually) have been for cleanup at 28 sites contaminated primarily with agricultural chemicals. This represents roughly 16% of state-funded cleanup dollars spent from the appropriation during those years. Examples of use of the appropriation for pesticide sites include the following cleanups and approximate expenditures: (a) \$775,000 for a Burnett County wood preservative treatment facility; (b) \$500,000 for Door County lead arsenic pesticide mixing sites; (c) \$2 million for a Marathon County wood preservative treatment facility; (d) \$1.7 million for a Rock County fire at a pesticide distributor; (e) \$100,000 for a Kewaunee County train spill of pesticides; and (f) \$500,000 for an Adams County spill of an agricultural chemical hazardous waste. Additional funds were spent on a Taylor County wood preservative treatment facility and a statewide pesticide study.

The state funded response appropriation has also been used to respond to hazardous substances spills. In 2000, 835 spills were reported to DNR, of which 51 involved agricultural chemicals. Of the 51, 20 were transferred to DATCP for a response, and the remaining 31 (4%) remained under DNR's authority. DNR estimates that it spends approximately \$750,000 annually for spill response and related waste disposal, and thus 4% of that total would represent approximately \$30,000 annual expenditure for DNR response to agricultural chemical spills.

DNR Principal Repayment and Interest for Remedial Action. DNR is authorized \$41 million in general obligation bonding authority to conduct remedial action at contaminated sites. Of the total, \$3 million was authorized in 2001 Act 16, and \$38 million was authorized in previous legislation. In addition, DNR is authorized \$7 million in general obligation bonding authority to conduct remedial action at Great Lakes areas of concern such as contaminated sediments in harbors and rivers on the Great Lakes. Prior to 2001-02, all debt service payments were made with GPR, including expenditures of \$1,873,000 GPR in 2000-01. Under 2001 Act 16, a SEG annual debt service appropriation is created in the environmental management account to pay up to \$2,400,000 SEG in 2001-02 and \$2,700,000 SEG in 2002-03 for debt service on the general obligation bonds. A corresponding decrease in use of GPR for debt service was provided. The GPR sum sufficient appropriation will pay any debt service costs in excess of the SEG appropriation, and it is expected that no GPR will be needed during the 2001-03 biennium.

Bonding to conduct remedial action at contaminated sites can be used to fund: (a) the state's cost-share for cleanup of federal Superfund or LUST sites; or (b) state-funded cleanup under the environmental repair statute or hazardous substances spills statute. Bonding authority can be used for public purpose projects such as cleanup of contaminated groundwater, soils and sediments, and activities such as investigation, remedial design and cleanup of a specific site when the responsible party is unknown, unable or unwilling to fund the cleanup.

DNR Brownfield Site Assessment Grants. In 2001-03, DNR is appropriated \$1,700,000 SEG annually for grants to provide financial assistance to local governments for eligible brownfields properties for: (a) environmental assessment of a contaminated property; (b) site investigation of environmental contamination; (c) demolition of structures, buildings or other improvements; (d) asbestos abatement, if it is a necessary part of the demolition activity; and (e) removal and proper disposal of abandoned containers, underground petroleum product storage tank systems or underground hazardous substance storage tank systems. In the first grant cycle in 1999-01, grants were provided for industrial or commercial sites with contamination from gasoline and other industrial waste.

DNR Brownfields Green Space Grants. In 2001 Act 16, \$1,000,000 SEG was provided in 2001-02 for grants to local governments for brownfields remediation projects that will have a long-term public purpose benefit, including the preservation of green space, the development of recreational areas or the use of a property by the local government.

DNR Sustainable Urban Development Zones. In 2001-02, \$525,000 SEG is provided for grants to local governments to investigate environmental contamination and for environmental remediation of brownfields properties. Of the amount, DNR is required to provide \$150,000 to the City of Platteville and \$250,000 to the City of Fond du Lac. The remaining \$125,000 will be awarded to municipalities through a competitive process.

DNR Well Compensation Grants. DNR is appropriated \$400,000 SEG annually for grants to homeowners for the replacement of contaminated wells. A well compensation grant pays up to 75% of the cost of a replacement water system if the well is contaminated with a substance, including pesticides, with a concentration exceeding groundwater standards established in administrative rules. The maximum grant is \$9,000. DNR estimates that in recent years, it has processed approximately 10-20 claims per year for replacement of wells contaminated with pesticides.

DHFS Programs. The Department of Health and Family Services is appropriated \$386,600 SEG in 2001-02 and \$386,700 SEG in 2002-03 and 3.5 SEG positions annually to research the health impacts of groundwater standards and develop air quality standards.

DNR Administrative Facilities. DNR is appropriated \$69,800 SEG in 2001-02 and \$157,500 SEG in 2002-03 for repayment of principal and interest on general obligation bonds issued for construction of departmental administrative facilities.

DNR Household Hazardous Waste Grants. DNR is appropriated \$150,000 SEG annually for grants to municipalities for household hazardous waste collection and management programs (Clean Sweep).

DNR Groundwater Monitoring and Research. DNR is appropriated \$125,000 SEG annually for contracts for groundwater monitoring projects or studies of the impacts of various substances on groundwater quality. Studies with total costs of \$245,500 over the past six years have related to the impact of pesticides and agricultural chemicals on groundwater quality. This equals an average expense of approximately \$40,900 annually. Examples of the study topics include: (a) a groundwater model for the central sands region that assesses the environmental and economic impacts of irrigated agriculture; (b) nitrate loading and monitoring frequency; (c) nitrate-contaminated drinking water study; (d) relationship between water quality, private wells and land use in a watershed; (e) acute and chronic toxicity of nitrates to brook trout; and (f) agricultural chemicals in municipal and private water supplies.

UW System Environmental Education. The University of Wisconsin System receives 50% of environmental assessment revenue that is used by the Wisconsin Environmental Education Board to fund environmental education grants. The UW System received \$51,515 in environmental assessment revenue in 2000-01. The revenue is deposited in the environmental management account and is available only for expenditure from the environmental education appropriation. The appropriation will receive an estimated \$65,000 in revenue in each of 2001-02 and 2002-03.

DMA Emergency Response. The Department of Military Affairs is appropriated \$10,500 SEG annually for emergency response training.

DNR Cooperative Remedial Action. Any cooperative remedial action revenues, and any interest income on such revenues, may only be used for the activities agreed on by DNR and the person providing the funds.

DNR Indemnification Agreements. A sum sufficient appropriation was created in the environmental management account in 1999 Act 9, that will be used if DNR makes any payments under an agreement that indemnifies the municipality against liability damages to persons, property or the environment attributable to PCBs (polychlorinated biphenyls) resulting from the municipality's: (a) acceptance and disposal of sediments contaminated with PCBs from remediation projects in streambeds or lakebeds in the Great Lakes basin; or (b) conveyance or treatment of leachate that is contaminated with PCBs and is from a landfill that accepts sediments contaminated with PCBs from sediment remediation projects in streambeds or lakebeds in the Great Lakes basin.

DNR Site Specific Remediation. Any revenues received for site specific remediation, as established in 2001 Act 16, will be used only for the purposes for which received. This includes moneys received under settlement of actions under certain federal regulations and state environmental statutes.

I hope this information is helpful. Please contact me if you have further questions.

KB/sas
Attachment

One of the items
in the "package"
refers to reducing
the Environmental
Fund transfers

I thought this
may be helpful
in that area.

see
item D