



## Legislative Fiscal Bureau

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May 3, 2007

Joint Committee on Finance

Paper #140

### **Agricultural Chemical Program (DATCP)**

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 50, #5]

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#### **CURRENT LAW**

DATCP's agrichemical management (ACM) fund receives revenues from several feed, fertilizer and pesticide license and tonnage fees. These funds are used for DATCP administration of feed, fertilizer and pesticide regulation programs and for the administration of agricultural chemical cleanup grants. The cleanup grants are funded from surcharges on the sale of agricultural chemicals, which are deposited to DATCP's agricultural chemical cleanup (ACCP) fund.

#### **GOVERNOR**

Transfer \$250,000 in 2007-08 and \$100,000 in 2008-09 from the segregated agricultural chemical cleanup (ACCP) fund to DATCP's food regulation program revenue appropriation account.

In addition, transfer \$125,000 in 2007-08 and \$125,000 in 2008-09 from the ACCP fund to DATCP's animal health inspection, testing and enforcement program revenue appropriation account.

#### **DISCUSSION POINTS**

1. The agricultural chemical cleanup program (ACCP) fund supports the cleanup of fertilizers and nonhousehold pesticides, including spills occurring at commercial fertilizer blending

facilities, commercial pesticide application businesses, and farm sites. Reimbursement grants may be provided for cleanup costs incurred within three years of the application date. Further grants may be provided for first and subsequent spills at the same site. The program requires a one-time deductible of \$3,000 for farms and small businesses and \$7,500 for larger commercial businesses. The program reimburses 75% of the cleanup costs between the deductible and the \$400,000 limit. (For costs incurred between 1998 and 2003, the ACCP fund reimbursed owners for up to 80% of agricultural chemical cleanup costs.)

2. The agricultural chemical cleanup fund collects revenues from the following sources: (a) a fertilizer tonnage surcharge of 63¢ per ton (reduced by 23¢, from 86¢ per ton in the 2005-07 biennial budget act, first realized in 2006-07); (b) a pesticide (nonhousehold) surcharge of \$5 per registered pesticide for products with Wisconsin sales of less than \$25,000, \$170 for products with Wisconsin sales from \$25,000 to \$75,000, or 1.1% of sales for products with Wisconsin sales greater than \$75,000; (c) a \$20 annual license surcharge for fertilizer manufacturers and distributors; (d) a \$40 annual restricted use pesticide dealer surcharge; (e) a \$55 annual surcharge for commercial application businesses; and (f) a \$20 annual surcharge for individual commercial applicators.

3. Table 1 provides an overview of the expected ACCP fund condition under the bill. Should the recommended transfers of \$600,000 not be adopted, the ACCP fund would be expected to have a June 30, 2009, balance of approximately \$5.4 million.

**TABLE 1**

**ACCP Fund Condition**

	<u>Actual</u> <u>2005-06</u>	<u>Estimated</u> <u>2006-07</u>	<u>Estimated</u> <u>2007-08</u>	<u>Estimated</u> <u>2008-09</u>
Opening Balance	\$1,151,500	\$2,843,400	\$3,879,400	\$4,254,400
Revenue	<u>3,806,000</u>	<u>3,456,000</u>	<u>3,500,000</u>	<u>3,500,000</u>
Total Available	\$4,957,500	\$6,299,400	\$7,379,400	\$7,754,400
Cleanup Expenditures	\$2,114,100	\$2,420,000	\$2,500,000	\$2,500,000
Pollution Prevention	<u>0</u>	<u>0</u>	<u>250,000</u>	<u>250,000</u>
Total Expenditures	\$2,114,100	\$2,420,000	\$2,750,000	\$2,750,000
Transfers to PR Accounts	0	0	375,000	225,000
Closing Balance	\$2,843,400	\$3,879,400	\$4,254,400	\$4,779,400

4. The expected decrease in revenues deposited to the ACCP fund in 2006-07, in comparison to 2005-06, is due to a fee reduction adopted in 2005 Act 25 (the 2005-07 biennial budget act). Under the act, the fertilizer tonnage surcharge was reduced by 23¢, from 86¢ to 63¢, effective with all fertilizer sold on July 1, 2005. However, since fertilizer tonnage surcharges are not remitted to DATCP until August of the following fiscal year in which they were collected, these reduced surcharges were not remitted to DATCP until August, 2006 (fiscal year 2006-07). The result of Act 25 was to lower the fertilizer tonnage surcharge to the level that was approved by the Legislature in the 2003-05 budget bill, prior to the Governor's item veto, which had the effect of increasing the surcharge from 63¢ to 86¢.

### **Food Regulation Transfer**

5. DATCP administers the majority of the state's food safety program. DATCP's food safety program is designed to safeguard public health and ensure a safe and wholesome food supply. As specified in Chapter 97 of the statutes, DATCP's responsibilities include oversight of food labeling, dairy product manufacturing and handling, food processing and retail food establishments.

6. In addition to the Department's food, dairy, and meat inspection responsibilities, DATCP's Division of Food Safety also performs the following associated activities: (a) routine sampling of food ingredients and food products; (b) response to consumer complaints and food-related emergencies; (c) providing food safety information to the public; (d) collaborating with other public health staff on food safety issues; and (e) investigating (with possible enforcement) other circumstances that could adversely impact food safety and public health. As a result, DATCP's Division of Food Safety regulates the entire food chain, from farm to consumer (aside from restaurants, which are overseen by the Department of Health and Family Services).

7. DATCP's food safety programs are funded by a combination of general purpose revenues (GPR) and program revenues (PR) from industry license and inspection fees. DATCP's food regulation program revenue appropriation account receives these food and dairy fees, and uses the revenues for related food and dairy inspection and licensing activities. In 2006-07 DATCP is provided \$3,150,000 GPR and 42.21 GPR positions and \$4,450,200 PR and 58.59 PR positions.

8. DATCP's food regulation PR appropriation account supports the Department's food safety efforts. Fees deposited to this appropriation consist of a variety of producer and licensing fees, including food product inspection fees, dairy and cheese plant, milk hauler and producer license fees, food warehouse and processing plant fees, and retail food establishment fees. Table 2 provides the estimated account condition for DATCP's food regulation PR appropriation under the bill.

**TABLE 2****Food Regulation PR Appropriation Account Condition (SB 40)**

	Actual <u>2005-06</u>	Estimated <u>2006-07</u>	Estimated <u>2007-08</u>	Estimated <u>2008-09</u>
Opening Balance	\$453,500	\$17,100	\$161,700	\$237,200
Fee Revenue	\$4,032,000	\$4,461,300	\$4,693,400	\$4,730,900
ACCP Transfer Revenue	<u>0</u>	<u>0</u>	<u>250,000</u>	<u>100,000</u>
Total Available	\$4,485,500	\$4,478,400	\$5,105,100	\$5,068,100
Appropriations:	\$4,468,400	\$4,316,700	\$4,910,800	\$4,910,800
Compensation Reserves	0	0	112,900	226,400
Less Lapses	<u>0</u>	<u>0</u>	<u>-155,800</u>	<u>-161,300</u>
Total Expenditures	\$4,468,400	\$4,316,700	\$4,867,900	\$4,975,900
Closing Balance	\$17,100	\$161,700	\$237,200	\$92,200

9. As shown in Table 2, revenues are expected to generally trend upward over the biennium. The increase in revenues from 2005-06 to 2006-07 is due to a number of food and dairy program fee increases, which DATCP promulgated by administrative rule, that first took effect in 2006. These increases were promulgated by the Department in order to fund the costs of its ongoing food inspection program. Revenues are again expected to increase in 2008-09 due to the second phase of the grade A milk procurement fee increase (from 0.0086¢ per hundredweight of grade A milk to 0.0096¢ per hundredweight), which takes effect on July 1, 2008. As part of modifications adopted during legislative review of these rules, DATCP lessened the increase in fees paid by retail food establishments, with the understanding the Department would begin the rule promulgation process over for these establishments as part of a larger effort of examining the level of fees paid by, and services received by, these establishments. Thus, additional revenue could be realized in 2008-09 should this rule promulgation process result in increased fees for retail food establishments.

10. Table 2 also depicts an increase of expenditures from DATCP's food regulation PR appropriation of approximately 12% from 2006-07 to 2007-08. This anticipated increase is largely due to the reclassification, and resulting salary increase, of a number of DATCP's food inspection positions in the 2005-07 biennium in order to reflect the duties performed by these positions.

11. Due to repeated under-spending (expenditures are less than the authorized amount) from DATCP's food regulation PR appropriation over the last two biennia, DOA estimated annual expenditure authority lapses of approximately 3% (expenditures will be less than authorized), this lapse estimate is reflected in Table 2. In addition, the lapse amount includes rent savings of \$16,300 in 2007-08 and \$21,800 in 2008-09 related to vacating the Green Bay office (staff were reassigned

to Madison, or now work out of their homes).

12. DATCP officials attribute past instances of under-spending largely to hiring slow-downs and freezes. While the Department had generally maintained between eight and 10 vacant positions for the past number of years, the Department argues that it has acted to fill vacant positions with the implementation of fee increases in 2006. As a result, DATCP officials suggest that expenditures could be higher than shown in the table. However, with an appropriation of this size (nearly 60 positions) it could be reasonable to assume some level of position vacancies to account for normal turnover. As of April, 2007, DATCP has approximately five vacant positions in its food regulation PR appropriation. However, DATCP officials indicate they expect to have four of these positions filled by the end of the fiscal year.

13. Further, under the Governor's recommendations, DATCP is provided \$3.8 million GPR annually for its food and dairy regulation program, as opposed to \$4.9 million PR recommended for this program. Some argue that current fee levels result in general fund subsidization of DATCP's food and dairy inspection program. They argue that food inspection and licensing fees should be increased to more fully reflect DATCP's costs of administering the program. However, others argue that food safety is a public interest and should be funded by general purpose revenue.

14. DATCP's food regulation PR appropriation account has been targeted for lapses to the general fund frequently over the last five fiscal years. Table 3 provides an overview of these lapses. In each instance, the food regulation appropriation account was either explicitly chosen by the Governor and Legislature as the source of the lapse funds, or DATCP selected the appropriation account to meet more general lapse requirements. In the 2003-05 biennial budget act, the Governor recommended lapses of \$425,900 annually from the account, but the Joint Committee on Finance and Legislature reduced these lapses to \$301,200 in each of 2003-04 and 2004-05. However, a partial veto by the Governor allowed DATCP, along with other agencies, to submit an alternative plan to DOA for the allocation of various required lapse amounts. DATCP ultimately lapsed an additional \$192,800 (above the level in the enrolled bill).

**TABLE 3**

**Food Regulation PR Lapses to the General Fund**

<u>Fiscal Year</u>	<u>Lapse</u>
2001-02	\$132,700
2002-03	431,400
2003-04	334,700
2004-05	460,500
2005-06	<u>0</u>
Total	\$1,359,300

15. Due to the potential for additional fee increases and the amount of the program revenue that has been lapsed from the account to the state's general fund, the Committee could consider eliminating the SEG transfers to DATCP's food regulation appropriation account. Were the transfers from the ACCP to DATCP's food regulation appropriation account not adopted, the account could have a June 30, 2009, imbalance of \$260,000. DATCP would have to consider raising food establishment or other fees by rule, or reducing expenditures (and, thereby program operations), or some combination of these to maintain a positive balance.

### **Animal Health Inspection, Testing and Enforcement Transfer**

16. DATCP's Division of Animal Health administers the animal health and disease control programs, including programs for diseases that affect domestic and wild animals and humans. The Division's duties include the following: (a) monitoring for disease outbreaks; (b) regulating the sale and movement of animals; (c) regulating animal identification, vaccination, and tracking; (d) animal disease testing and data collection; and (e) animal-related business regulation. Further, the Division serves as the state clearinghouse for certificates of veterinary inspection and other health certificates issued in connection with the import or movement of animals.

17. DATCP's Division of Animal Health is funded by a combination of GPR and PR revenues. Of the 33 positions provided to the Division, 25.75 positions are funded from the Department's animal health general operations GPR appropriation, and 7.25 positions are funded from the Department's animal health inspection, testing and enforcement PR appropriation. The 7.25 positions funded from the PR appropriation include 3.0 animal health consultants, 2.0 licensing permit associates, 1.0 inspector, 1.0 veterinarian, and 0.25 administrative manager. Under the animal health program, animal health inspectors and consultants are assigned regional areas of the state and are responsible for all applicable duties within that area.

18. DATCP's animal health inspection, testing and enforcement appropriation is funded by animal market, dealer, and trucker licenses and deer farm and aquaculture registrations. Fees deposited into this account include: animal health inspection fees, interstate health certificate fees, farm-raised deer registration fees, fish farm fees, livestock market fees, livestock dealer fees and livestock trucker fees.

19. Table 4 provides an estimated account condition for DATCP's animal health inspection, testing and enforcement appropriation under the bill.

**TABLE 4****Estimated Animal Health Inspection, Testing and Enforcement Account Condition (SB 40)**

	Actual <u>2005-06</u>	Estimated <u>2006-07</u>	Estimated <u>2007-08</u>	Estimated <u>2008-09</u>
Opening Balance	\$450,800	\$288,800	\$88,600	\$2,000
Fee Revenue	\$313,000	\$313,000	\$313,000	\$313,000
ACCP Transfer Revenue	<u>0</u>	<u>0</u>	<u>125,000</u>	<u>125,000</u>
Total Revenue	\$313,000	\$313,000	\$438,000	\$438,000
Total Available	\$763,800	\$601,800	\$526,600	\$440,000
Appropriations	\$475,000	\$513,200	\$664,200	\$664,200
Compensation Reserves	0	0	15,000	30,400
Less Lapses	<u>0</u>	<u>0</u>	<u>-154,600</u>	<u>-154,600</u>
Total Expenditures	\$475,000	\$513,200	\$524,600	\$540,000
Closing Balance	\$288,800	\$88,600	\$2,000	-\$100,000

20. Approximately \$90,000 annually of the lapses shown in Table 4 is funding that is offset by anticipated federal grants for the Department's animal health efforts. The remaining \$64,600 annually is the amount of expenditure authority DOA estimates will go unexpended.

21. As shown in Table 4, DATCP's animal health inspection, testing and enforcement appropriation has a structural imbalance under the Governor's recommendations in the 2007-09 biennium (expenditures are estimated to exceed revenues by nearly \$100,000 annually, including the one-time ACCP transfers). Also, even with the anticipated transfers from the ACCP fund, DATCP's animal health inspection, testing and enforcement appropriation account is projected to have a June 30, 2009, deficit of \$100,000. As a result, DATCP staff indicate the Department is currently working on a proposed rule package (with the goal of introducing this package later this spring) to increase fees deposited to the animal health inspection, testing and enforcement appropriation. Department officials state that if the ACCP transfer is approved as part of the budget the necessary fee increases could be reduced and/or delayed. However, even if the transfer is approved the Department will still need to address the structural imbalance in the appropriation account (approximately \$225,000 annually, excluding the ACCP transfers).

22. It could be argued that transferring ACCP funds to the animal health inspection, testing and enforcement appropriation account is an inappropriate use of agrichemical surcharge revenue. Opponents of the transfer note that ACCP revenues derive from fees paid by farmers and agricultural chemical businesses, with the intent that these fees be used to support the cleanup costs of agricultural chemical spills. They argue diverting these revenues for animal health purposes

forces farmers and agrichemical businesses to subsidize the costs of DATCP's animal health program. Instead, they argue that DATCP should increase fees that are deposited to the animal health inspection, testing and enforcement appropriation to bring expenditures in line with revenues.

23. Others argue that transferring available balances from separate DATCP programs and accounts to DATCP's animal health appropriation allows the Department to maintain the current level of program services within the animal health program without immediately raising fees.

### **Other Considerations**

24. The two ACCP transfer initiatives proposed by the Governor are somewhat unique in that, in the past, transfers from SEG funds have typically been made to the state's general fund not PR appropriation accounts.

25. The ACCP fund is one of two segregated funds (along with the agrichemical management fund) administered by DATCP that derive revenue from agricultural chemical fees and surcharges. While the ACCP reimburses the costs of agricultural chemical cleanups, the ACM funds the administration and management of DATCP's agrichemical program (including staff who administer agricultural chemical cleanups). Over the past decade, \$5.6 million has been transferred from these two funds to the state's general fund. These transfers have generally been opposed by payers to these funds, as they view these transfers as improper uses of the fee revenues they have paid. (Although it should also be noted that from 1994-95 through 1998-99 state GPR expenditures for agricultural chemical cleanup grants totaled \$4.1 million.) Moreover, it could be argued that transferring SEG revenues to DATCP's food regulation appropriation and animal health inspection, testing and enforcement appropriation would result in farmers and agricultural chemical interests subsidizing the operations of DATCP's food regulation and animal health programs. As a result, the Committee could consider rejecting the transfers.

26. On the other hand, Department officials argue that the transfers under the bill would ensure agriculture-related fees would still be used for agricultural purposes. They argue this scenario is preferable to having the fees transferred to the state's general fund (as has happened with large balances in the past).

### **ACCP Balance**

27. Since 2003, DATCP has been required to adjust surcharge amounts as necessary in the ACCP fund in order to end each fiscal year with a balance of not more than \$2.5 million. However, as shown in Table 1, the ACCP fund had a June 30, 2006, balance of approximately \$2.8 million and is expected to have a June 30, 2009, balance of \$4.8 million under the bill. In order to meet the statutory requirement to reduce the ACCP fund balance, DATCP may either promulgate a revised administrative rule reducing fees, or reduce fees by emergency rule (without the finding of an emergency) until a permanent rule is promulgated. Under s. 227.24 of the statutes, an agency may promulgate an emergency rule without full administrative rule notice, hearing, and publication requirements. However, any DATCP proposal to adjust agrichemical surcharges via emergency



rule procedures must first be submitted to the Joint Committee on Finance (JFC) under a 14-day passive review process. If JFC does not object to the proposed emergency rule within 14 working days, DATCP may begin the emergency rule procedures. If, within 14 working days, the Co-chairs of the Committee notify the Secretary that a meeting is being scheduled to review the proposed rule, DATCP may not begin emergency rule procedures until JFC approves the rule.

28. DATCP officials have opted to reduce ACCP fees via the normal administrative rule procedures. At its February, 2007, meeting, the Board of the Department of Agriculture, Trade and Consumer Protection adopted a scope statement to begin the process to modify administrative rule ATCP 40 to lower ACCP surcharges. DATCP officials estimate this process could take the agency up to 24 months. As a result, it is unlikely any substantial fee reductions would be realized in the 2007-09 biennium under the administrative rule process begun by the Department.

29. Given the projected June 30, 2009, ACCP balance of \$4.8 million under the bill and the two-year time period it could take DATCP to promulgate ACCP fee reductions, the Committee could consider reducing fees to bring the projected fund condition of the ACCP below \$2.5 million, as statutorily required. Table 5 provides an overview of the fees that are deposited to the ACCP, and the associated revenue expected in 2006-07. The table also outlines a scenario (Alternative B1) whereby fee revenues would be expected to decrease by approximately \$1 million annually compared to current levels. Under this scenario, each fee would be reduced by roughly 30% from its current level.

**TABLE 5**  
**ACCP Fees and Revenue under a 30% Reduction**

<u>Surcharge</u>	<u>Current Law</u>		<u>30% Reduction</u>	
	<u>Fee</u>	<u>Revenue</u>	<u>Fee</u>	<u>Revenue</u>
Fertilizer license surcharge	\$20	\$7,000	\$14	\$4,900
Fertilizer tonnage surcharge	63¢	927,100	44¢	647,400
Pesticide application business surcharge	\$55	91,800	\$38	63,500
Pesticide dealer - restricted use surcharge	\$40	15,100	\$28	10,600
Pesticide individual applicator surcharge	\$20	124,800	\$14	87,400
Pesticide registration nonhousehold surcharge*	\$5	138,000	\$3.50	96,600
	\$170	49,800	\$120	35,200
	1.1% of		0.75% of	
	revenue	2,002,400	revenue	1,365,300
Other		<u>100,000</u>		<u>100,000</u>
Total		\$3,456,000		\$2,410,900
Annual Reduction				\$1,045,100

\*\$5 for products with sales up to \$25,000, \$170 for products with sales of \$25,000 to \$74,999, and 1.1% of gross revenues for products with sales of \$75,000 or greater.

30. Due to the differing license years for the surcharges shown in Table 6, the Committee may want to consider timing the implementation of fee reductions in order to ensure fee reductions do not take effect mid-way through a fee collection period. For example, effective dates for the fee reductions could be chosen as follows: (a) reduce the fertilizer license surcharge to \$14 effective with the license year beginning August 15, 2007; (b) reduce the fertilizer tonnage surcharge to 44¢ per ton effective with fertilizer sold on August 15, 2007; (c) reduce the pesticide application business surcharge to \$38, the pesticide dealer - restricted use surcharge to \$28, and the pesticide individual applicator surcharge to \$14 effective with the license year beginning January 1, 2008; and (d) reduce the pesticide registration nonhousehold surcharge effective with the payment period beginning on October 1, 2007 (for the license year beginning on January 1, 2008). These reductions could be structured to not affect the current statutory maximum level for any of the ACCP fees or surcharges listed, and DATCP would then be able to modify these fees by administrative rule, up to the current statutory maximum (current fee levels) if needed in the future. Because the effective dates and fee collection dates of the fee reductions shown in Table 6 do not coincide with the commencement of the state's fiscal year, the full effect of the fee reductions on revenues would not be realized until 2008-09. The reductions shown in Table 5 would be expected to reduce revenues deposited to the ACCP fund by approximately \$765,400 in 2007-08 and \$1,045,100 annually beginning in 2008-09 (Alternative B1). Under this scenario, the ACCP fund would be expected to have a June 30, 2009, balance of approximately \$2.9 million (\$3.5 million if the ACCP transfers to the two PR accounts are not adopted). Although base level expenditures of \$2.8 million would be expected to exceed revenues of \$2.4 million by approximately \$400,000 in 2009-10.

31. If the Committee sought to further reduce ACCP fees, fee reductions of approximately 40% or 50% from current levels could be considered. Estimated annual revenues under these scenarios can be seen in Table 6.

**TABLE 6****ACCP Fees and Revenue under a 40% and 50% Reduction**

<u>Surcharge</u>	<u>40% Reduction</u>		<u>50% Reduction</u>	
	<u>Fee</u>	<u>Revenue</u>	<u>Fee</u>	<u>Revenue</u>
Fertilizer license surcharge	\$12	\$4,200	\$10	\$3,500
Fertilizer tonnage surcharge	38¢	559,200	32¢	470,900
Pesticide application business surcharge	\$33	55,100	\$28	46,800
Pesticide dealer - restricted use surcharge	\$24	9,000	\$20	7,500
Pesticide individual applicator surcharge	\$12	74,900	\$10	62,400
Pesticide registration nonhousehold surcharge	\$3	82,800	\$2.50	69,000
	\$102	29,900	\$85	24,900
	0.66% of revenue	1,201,400	0.55% of revenue	1,001,200
Other		<u>100,000</u>		<u>100,000</u>
Total		\$2,116,500		\$1,786,200
Annual Reduction		\$1,339,500		\$1,669,800

32. Were the timing of the 40% and 50% fee reductions selected to ensure they would not take effect mid-way through a fee collection period (as in the 30% fee reduction discussed above), the ACCP fund would be projected to have a June 30, 2009, balance of approximately \$2.4 million under the 40% fee reduction, and a June 30, 2009, balance of approximately \$1.8 million (\$2.4 million if the ACCP transfers to the PR accounts are not adopted) under the 50% fee reduction. Based on a 40% reduction revenues would be expected to decline by \$971,600 in 2007-08 and \$1,339,500 annually beginning in 2008-09 (Alternative B2). If an approximately 50% reduction were adopted, revenues would be reduced by approximately \$1,213,600 in 2007-08 and \$1,669,800 annually thereafter (Alternative B3).

33. Under all of the fee reduction alternatives, DATCP would retain its authority to increase the fees up to their statutory maximum levels. Due to the varying structural imbalances under the fee reduction scenarios, it is possible DATCP would propose rule modifications to increase fees in the 2009-11 or future biennia.

34. Rather than lowering ACCP fees, the Committee could also consider transferring funds from the ACCP to the state's general fund. Between 1998 and 2001, the ACCP was generating large balances and almost \$3 million was transferred from ACCP SEG to the general fund. If the Governor's recommendations were adopted, \$1.9 million could also be transferred from the ACCP to the general fund in each year of the 2007-09 biennium. The ACCP would still be projected to have a July 1, 2009, balance of approximately \$1 million (Alternative B4).

35. The Committee could also consider both lowering fees and transferring funds from the ACCP to the general fund. For example, if the Committee opted to reduce ACCP fees by 30%, the ACCP fund could also sustain transfers to the general fund of \$950,000 in both 2007-08 and 2008-09 and have a projected July 1, 2009, balance of approximately \$1 million (Alternative B5). However, while such transfers could be used to support the general fund, agricultural interests and fee payers have argued that segregated revenues collected for a specific purpose (agricultural cleanups) should not be diverted to benefit the general fund.

**ALTERNATIVES TO BILL**

**A. ACCP Transfers to PR Accounts**

1. Approve the Governor's recommendation to transfer \$250,000 in 2007-08 and \$100,000 in 2008-09 from the segregated agricultural chemical cleanup (ACCP) fund to DATCP's food regulation program revenue appropriation account, and \$125,000 in 2007-08 and \$125,000 in 2008-09 from the ACCP fund to DATCP's animal health inspection, testing and enforcement program revenue appropriation account.

<b>ALT A1</b>	<b>Change to Bill Revenue</b>	<b>Change to Base Revenue</b>
PR	\$0	\$600,000

2. Approve the Governor's recommendation for one of the following:

a. Transfer \$250,000 in 2007-08 and \$100,000 in 2008-09 from the segregated agricultural chemical cleanup (ACCP) fund to DATCP's food regulation program revenue appropriation account.

<b>ALT A2a</b>	<b>Change to Bill Revenue</b>	<b>Change to Base Revenue</b>
PR	-\$250,000	\$350,000

b. Transfer \$125,000 in 2007-08 and \$125,000 in 2008-09 from the ACCP fund to DATCP's animal health inspection, testing and enforcement program revenue appropriation account.

<b>ALT A2b</b>	<b>Change to Bill Revenue</b>	<b>Change to Base Revenue</b>
PR	-\$350,000	\$250,000

3. Delete provision.

ALT A3	Change to Bill Revenue	Change to Base Revenue
PR	-\$600,000	\$0

**B. ACCP Fees and Surplus**

1. Reduce fees and surcharges deposited to the ACCP fund as follows (generally consistent with a 30% fee reduction): reduce the fertilizer license surcharge from \$20 to \$14 effective with the license year beginning August 15, 2007; (b) reduce the fertilizer tonnage surcharge from 63¢ to 44¢ per ton effective with fertilizer sold on August 15, 2007; (c) reduce the pesticide application business surcharge to from \$55 to \$38, the pesticide dealer - restricted use surcharge from \$40 to \$28, and the pesticide individual applicator surcharge from \$20 to \$14 effective with the license year beginning January 1, 2008; and (d) reduce the pesticide registration nonhousehold surcharge from \$5 to \$3.50 for products with sales up to \$25,000, from \$170 to \$120 for products with sales of \$25,000 to \$74,999, and from 1.1% of gross revenues to 0.75% of gross revenues for products with sales of \$75,000 or greater, effective with the payment period beginning on October 1, 2007 (for the license year beginning on January 1, 2008).

ALT B1	Change to Bill Revenue	Change to Base Revenue
SEG	-\$1,810,500	-\$1,810,500

2. Reduce fees and surcharges deposited to the ACCP fund as follows (generally consistent with a 40% fee reduction): reduce the fertilizer license surcharge from \$20 to \$12 effective with the license year beginning August 15, 2007; (b) reduce the fertilizer tonnage surcharge from 63¢ to 38¢ per ton effective with fertilizer sold on August 15, 2007; (c) reduce the pesticide application business surcharge to from \$55 to \$33, the pesticide dealer - restricted use surcharge from \$40 to \$24, and the pesticide individual applicator surcharge from \$20 to \$12 effective with the license year beginning January 1, 2008; and (d) reduce the pesticide registration nonhousehold surcharge from \$5 to \$3 for products with sales up to \$25,000, from \$170 to \$102 for products with sales of \$25,000 to \$74,999, and from 1.1% of gross revenues to 0.66% of gross revenues for products with sales of \$75,000 or greater, effective with the payment period beginning on October 1, 2007 (for the license year beginning on January 1, 2008).

ALT B2	Change to Bill Revenue	Change to Base Revenue
SEG	-\$2,311,100	-\$2,311,100

3. Reduce fees and surcharges deposited to the ACCP fund as follows (generally consistent with an approximately 50% fee reduction): reduce the fertilizer license surcharge from \$20 to \$10 effective with the license year beginning August 15, 2007; (b) reduce the fertilizer tonnage surcharge from 63¢ to 32¢ per ton effective with fertilizer sold on August 15, 2007; (c) reduce the pesticide application business surcharge to from \$55 to \$28, the pesticide dealer - restricted use surcharge from \$40 to \$20, and the pesticide individual applicator surcharge from \$20 to \$10 effective with the license year beginning January 1, 2008; and (d) reduce the pesticide registration nonhousehold surcharge from \$5 to \$2.50 for products with sales up to \$25,000, from \$170 to \$85 for products with sales of \$25,000 to \$74,999, and from 1.1% of gross revenues to 0.55% of gross revenues for products with sales of \$75,000 or greater, effective with the payment period beginning on October 1, 2007 (for the license year beginning on January 1, 2008).

<b>ALT B3</b>	<b>Change to Bill Revenue</b>	<b>Change to Base Revenue</b>
SEG	- \$2,883,400	- \$2,833,400

4. Transfer \$1.9 million in 2007-08 and \$1.9 million in 2008-09 from the ACCP fund to the general fund.

<b>ALT B3</b>	<b>Change to Bill Revenue</b>	<b>Change to Base Revenue</b>
GPR	\$3,800,000	\$3,800,000

5. Adopt Alternative B1. In addition, transfer \$950,000 in 2007-08 and \$950,000 in 2008-09 from the ACCP fund to the general fund.

<b>ALT B3</b>	<b>Change to Bill Revenue</b>	<b>Change to Base Revenue</b>
GPR	\$1,900,000	\$1,900,000
SEG	- 1,810,500	- 1,810,500

6. Maintain current law.

Prepared by: Chris Pollek