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Joint Committee on Finance

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Agricultural Chemicals – Licenses and Surcharges (Agriculture, Trade and Consumer Protection)

[LFB 2017-19 Budget Summary: Page 58, #2]

CURRENT LAW

The Department of Agriculture, Trade and Consumer Protection (DATCP) collects various fees and surcharges on agricultural chemicals and commercial feed manufactured, distributed, or sold in Wisconsin. These fees and surcharges are deposited into the segregated (SEG) agrichemical management fund (ACM), agricultural chemical cleanup program fund (ACCP), and environmental fund, as well as several program revenue (PR) appropriations. Attachment 1 lists each fee deposited to the funds, as well as the revenues from the fee category in 2015-16.

The ACM provides funding for: (a) administration of the ACCP; (b) inspection and regulation of entities that manufacture, store, or distribute feed, fertilizer and pesticide products in Wisconsin; (c) administration of environmental quality programs related to groundwater; (d) grants for the Agriculture in the Classroom program; (e) DATCP animal health programs; and (f) the UW Discovery Farms program. In 2016-17, the ACM provided \$7.6 million in funding and 47.65 positions.

ACM revenues include fees on licenses and permits required of certain manufacturers or handlers of agricultural chemicals, as well as fees on each ton of certain agricultural products sold in Wisconsin. Aside from a 7¢ reduction in fertilizer tonnage fees in 2013 Act 20, ACM fees have remained the same since 2002. As of June 30, 2016, the balance of the ACM was \$8.5 million.

The ACCP supports reimbursement grants to eligible farms and businesses that remediate sites contaminated with fertilizers or pesticides. Additionally, 2015 Act 55 provided one-time transfers of \$1 million each year of the 2015-17 biennium from the ACCP to the nonpoint account of the environmental fund. ACCP revenues include several surcharges on licenses

required for pesticide and fertilizer manufacturers or distributors, as well as a tonnage fee assessed on fertilizer sold in Wisconsin. ACCP fees were last reduced by approximately 20% in 2013 Act 20. As of June 30, 2016, the balance of the ACCP was \$5.6 million.

Fees deposited to the environmental management account of the environmental fund support programs for contaminated land remediation, abandonment or replacement of contaminated groundwater wells, and DATCP chemical collection (clean sweep) grants, among other purposes. The agricultural chemical-related revenues deposited to the environmental management account originate mostly from assessments on fertilizer tonnage and pesticide products.

GOVERNOR

The provisions described in the following sections include program changes recommended by agricultural chemical revenues and expenditures (RevEx) advisory committees convened by DATCP in 2015 and 2016. The RevEx Project was intended to consider changes to: (a) simplify fee and surcharge assessments and DATCP licensing procedures; (b) reduce segregated fund revenues to address significant balances and structural surpluses in the ACM and ACCP funds; and (c) balance revenues from certain products and industry sectors with DATCP expenditures attributable to that industry segment. The Governor's proposal adopts many of these recommendations: reducing fees, simplifying administration, increasing ACCP reimbursements, and implementing an automatic surcharge holiday. Under the bill, revenues from the fees would be reduced by an estimated \$4,278,000 (\$2,045,000 in 2017-18 and \$2,233,000 in 2018-19).

DISCUSSION POINTS

1. Table 1 provides a summary of license fee, tonnage fee, and surcharge changes under the bill, including an additional change recommended by the administration, and their effective dates. The table is not comprehensive for all agricultural chemical fees deposited to the ACM, environmental management account, or several program revenue accounts that receive agricultural chemical fee revenues, as the bill would not affect all agricultural chemical fees collected by the state. However, the bill would affect all fees deposited into the ACCP. Table 2 reflects the anticipated fiscal effect during the next biennium of the fee changes outlined in Table 1 on each of the funds receiving fee revenue. Revenue estimates provided as part of this analysis assume no change in product registration.

TABLE 1

Agricultural Chemical Fee and Surcharge Changes

	<u>Current Law</u>	<u>Governor</u>	<u>Effective Date</u>
<u>Fertilizer</u>			
Fertilizer Tonnage (ACM Fund) #	\$0.23 per ton (\$25 minimum)	\$0.28 per ton [#] (\$25 minimum)	July 1, 2019 ^a
ACCP Surcharges			
Fertilizer Tonnage	\$0.35 per ton	\$0.10 per ton	July 1, 2018 ^a
Fertilizer License	\$11.20	\$20	October 1, 2017
Bulk Fertilizer Distribution (per location)	-	\$25*	October 1, 2017
<u>Pesticides</u>			
License Fees (ACM Fund)			
Pesticide Registration - Household			
Sales of \$0-\$24,999	\$141	\$372	January 1, 2018
Sales of \$25,000-\$74,999	\$626	\$372	January 1, 2018
Sales of \$75,000+	\$1,376	\$372	January 1, 2018
Pesticide Registration - Industrial			
Sales of \$0-\$24,999	\$221	\$372	January 1, 2018
Sales of \$25,000-\$74,999	\$766	\$372	January 1, 2018
Sales of \$75,000+	\$2,966	\$372	January 1, 2018
Pesticide Registration - Non-Household			
Sales of \$0-\$24,999	\$226	\$372	January 1, 2018
Sales of \$25,000-\$74,999	\$796	\$372	January 1, 2018
Sales of \$75,000+	\$2,966**	\$372	January 1, 2018
License Surcharges (ACCP Fund)			
Pesticide Registration - Non-Household			
Sales of \$0-\$24,999	\$2.80	\$30	January 1, 2018
Sales of \$25,000-\$74,999	\$96	\$30	January 1, 2018
Sales of \$75,000+	0.6%	\$30	January 1, 2018
Restricted-Use Pesticide Dealer	\$22.40	\$20	January 1, 2018
Pesticide Application Business	\$30.40	\$20	January 1, 2018
Pesticide Individual Applicator	\$11.20	\$10	January 1, 2018
Pesticide Application Business***	-	\$25*	January 1, 2018
License Fees (Environmental Fund)			
Wood Preservatives			
Sales of \$0-\$24,999	\$5	repeal	January 1, 2018
Sales of \$25,000-\$74,999	\$170	repeal	January 1, 2018
Sales of \$75,000+	1.1%	repeal	January 1, 2018
Pesticide Registration - All Products	\$94	\$108	January 1, 2018
Hazardous Household Waste Fee (per product)	\$30	repeal	January 1, 2018
<u>Commercial Feed</u>			
Feed Inspection (ACM Fund)	\$0.23 per ton	\$0.23 per ton (\$46 minimum)	January 1, 2018 ^b
Weights and Measures Inspection (PR)	\$0.02 per ton	\$0.02 per ton (\$4 minimum)	January 1, 2018 ^b

[#] As recommended by the administration after the bill was introduced.

* Newly proposed.

** Also requires payment of 0.2% gross annual sales.

*** For licensed application businesses that also manufacture or distribute pesticides in bulk.

^a For sales beginning on this date.

^b For feed distributed beginning on this date.

TABLE 2**Governor's Agricultural Chemical Fee and Surcharge Fiscal Effect**

<u>Fund/Account</u>	<u>Source</u>	<u>2015-16 Actual</u>	<u>2017-18 Fiscal Effect</u>	<u>2018-19 Fiscal Effect</u>
Agrichemical management	SEG	\$8,237,900	-\$990,000	-\$865,000
Agricultural chemical cleanup	SEG	2,007,000	-1,005,000	-1,350,000
Environmental management	SEG	<u>1,591,800*</u>	<u>-50,000</u>	<u>-20,000</u>
SEG Subtotal		\$11,836,700	-\$2,045,000	-\$2,235,000
Weights & measures	PR	<u>\$140,600*</u>	<u>\$0</u>	<u>\$2,000</u>
Totals		\$11,977,300	-\$2,045,000	-\$2,233,000

* Agricultural chemical fees only. Other revenues to these accounts are not shown.

2. In the last five years, not including transfers, the ACM had an average surplus of \$1.4 million annually. As of June 30, 2016, the balance of the ACM was \$8.5 million. The ACCP has also generated surpluses in recent years, averaging a surplus of \$1.5 million annually for the last five years, not including transfers. Transfers and program expenditures had exhausted substantially all of the ACCP fund balance as of June 30, 2011. However, as of June 30, 2016, the balance of the ACCP was \$5.6 million. Large fund balances in the ACM and ACCP have been subject to transfers to a variety of sources in recent years, including: (a) a total of \$10.5 million in ACM and ACCP SEG to the general fund between 2006-07 and 2010-11; (b) \$750,000 ACM SEG to the environmental fund in 2013-14; and (c) \$1 million ACCP SEG annually to the nonpoint account of the environmental fund in 2015-17. Further, the ACCP and ACM have supported non-agricultural chemical programs at UW and DATCP, as discussed previously.

3. Given that fees are primarily intended for administration costs at DATCP and cleanup of agrichemical spills, transfers from the funds and non-agricultural chemical expenditures have been unpopular with fee payers. Surpluses were a significant reason for DATCP convening the RevEx Project, and are addressed in a variety of ways, discussed in further detail below.

4. Tables 3 and 4 show the ACM and ACCP fund conditions for 2015-16 to 2018-19. Under the Governor's proposal, fund balances would be reduced in both the ACM and ACCP by a total of approximately \$2.8 million annually once all fee changes take full effect. Lower ACM revenues in the first year are primarily associated with introduction of flat fees for pesticide products and delayed collections for soil and plant additive (SPA) license and tonnage fees due to a recommended change in the product license year. In the second year of the biennium, increases to ACM revenues are associated with enactment of the minimum commercial feed tonnage fee and a return of SPA fees. ACCP revenues are lower primarily due to non-household pesticide surcharge reductions in the first year, and an automatic surcharge reduction mechanism in the second year. These proposed changes are discussed in more detail in later sections.

TABLE 3**ACM Fund Condition**

	<u>Actual 2015-16</u>	<u>Estimated 2016-17</u>	<u>Governor 2017-18</u>	<u>Governor 2018-19</u>	<u>Estimated 2019-2020</u>
Opening Balance	\$6,978,200	\$8,493,700	\$8,909,200	\$8,543,200	\$8,295,300
Fee Revenue	\$8,237,900	\$7,970,000	\$6,980,000	\$7,105,000	\$7,180,000
Interest and Misc. Income	<u>58,400</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Total Revenue	\$8,296,300	\$8,000,000	\$7,010,000	\$7,135,000	\$7,210,000
Expenditures	-\$6,780,800	-\$7,584,500	-\$7,376,000	-\$7,382,900	-\$7,382,900
Closing Balance	\$8,493,700	\$8,909,200	\$8,543,200	\$8,295,300	\$8,122,400

TABLE 4**ACCP Fund Condition**

	<u>Actual 2015-16</u>	<u>Estimated 2016-17</u>	<u>Governor 2017-18</u>	<u>Governor 2018-19</u>	<u>Estimated 2019-2020</u>
Opening Balance	\$5,374,800	\$5,567,400	\$5,567,400	\$5,662,400	\$5,312,400
Revenue	\$2,020,900	\$2,000,000	\$995,000	\$650,000	\$0**
Cleanup Expenditures	-828,300	-1,000,000	-900,000	-1,000,000	-1,000,000
Transfers*	<u>-1,000,000</u>	<u>-1,000,000</u>	<u>0</u>	<u>0</u>	<u>0</u>
Closing Balance	\$5,567,400	\$5,567,400	\$5,662,400	\$5,312,400	\$4,312,400

*2015 Act 55 transferred \$1 million annually to the nonpoint account of the environmental fund in 2015-17.

**This table assumes the proposed automatic surcharge reduction mechanism would be in effect, reducing revenue to \$0 during 2019-20. If the surcharge reduction mechanism were not enacted, revenue would be estimated at \$535,000.

5. Tables 3 and 4 show that, even with the reduction in fees, both the funds are expected to have significant balances. At the end of the 2017-19 biennium, the ACM would have an estimated balance of \$8.3 million, and the ACCP would have an estimated balance of \$5.3 million. Although both funds show a negative structural imbalance (when expenditures exceed revenues) for 2018-19, the balances should mitigate structural issues for a number of years into the future.

6. As part of the RevEx Project, DATCP conducted industry surveys of pesticide, fertilizer and commercial feed licensees. Across three surveys, DATCP received 463 survey responses to a variety of questions about proposed changes. Survey response data is incorporated throughout this paper on relevant issues. It should be noted that these surveys are not necessarily representative of the entire regulated industries. Survey responses to questions about company size, revenue, and product categories do not align with observed industry characteristics in some

instances. Where possible, survey data limitations are noted when responses are discussed.

7. Alternative 1 below includes a number of changes across a variety of sections. These changes have small or indeterminate fiscal impacts, are usually technical in nature, and are primarily intended to simplify administration of and compliance with current programs. They include the Governor's proposal, changes recommended by DATCP, and errata from the administration, and are labeled accordingly. These items had general support among RevEx participants or survey respondents.

ACM Fees

8. Pesticide products offered for sale in Wisconsin generally must be registered annually with DATCP. Under current law, pesticide registration fees are assessed in three categories: household, industrial, and non-household. Household pesticides include disinfectants, pet products, insect repellents, lawn or garden pesticides, and pesticides used for treatment of swimming pools. Industrial products are those that seek to control algae, fungi, and bacteria that are used in paints, construction, textiles, adhesives, additives, medical equipment or water, among others. Finally, non-household products are all other pesticides not in the industrial or household category, typically agricultural pesticides. Within each category, registrants must pay a different fee depending on the gross revenue for that product. These fees rise as a product reaches different revenue thresholds (less than \$25,000, \$25,000 to \$74,999, or greater than \$75,000) and vary by category. Further, registrants of non-household pesticides must pay a percentage of gross revenue.

9. DATCP reports the resulting fee structure for pesticides in Wisconsin is widely regarded as the most complicated in the nation. A majority of states require flat per-product registration fees. Some other states consider gross revenues, usually as a percentage of sales, but without discerning by sales tiers or product categories. In the Midwest, Minnesota and Michigan require payment based on gross revenues, assessing a flat fee and a percentage of sales. Iowa requires a flat fee plus a percentage of sales, with a maximum fee of \$3,000. Ohio, Indiana, and Illinois require flat fees for pesticide registration.

Governor's Proposal

10. The bill's provisions are intended to simplify Wisconsin's fee structure, reduce surpluses, reduce complexity and compliance costs, and reduce cyclical volatility in the ACM. The bill would delete revenue-based fees and associated revenue reporting, and shift to a flat per-product fee of \$480, which includes \$372 to be deposited in the ACM, and \$108 deposited in the environmental fund. Changes to the environmental fund transfer are discussed later. The new per-product pesticide registration fees (seen in Table 1) would reduce revenues by an estimated \$920,000 each year of the biennium. This reduction is consistent with the RevEx Project's goal to reduce fees in order to lower surpluses.

11. Adoption of the Governor's proposal is expected to simplify administration costs for DATCP and compliance costs for registrants. Under current law, while applying for licenses for the following year, registrants must estimate revenues for the next year for each product, and pay the associated fee based on the pesticide category and revenue tier. The following year, the registrant

must provide sales data to DATCP, which then reconciles the previous year's estimate with actual reported sales and applies a credit or debit to the registrant's fees for the following year. This estimation-reconciliation process is complex and can be burdensome for DATCP and businesses to complete. Further, DATCP reports it is difficult to program computer systems to calculate and reconcile fees, which complicates its transition to online registration. Finally, revenue-based fees require that registrants report sales data to DATCP, which must keep such data confidential. DATCP expresses concerns about continuing costs and liability related to collection, storage and disposal of this confidential sales information.

12. Under the Governor's proposal, fees collected for the ACM are estimated to be below budgeted expenditures for ACM SEG-supported programs. Considering this, DOA and DATCP recommend an increase to \$0.28 per ton, up from \$0.23, for fertilizer sold or distributed after June 30, 2018. This change would raise approximately \$100,000 each year starting in 2019-20. If the Committee wishes to ensure estimated revenues are sufficient to cover budgeted expenditures, DATCP also suggests it is also necessary to increase the proposed flat fee for pesticides to \$500 per product, up from \$480, to raise an additional \$250,000 annually during the biennium [Alternative 3b]. Combined, these changes would be expected to balance ACM revenues with budgeted expenditures in future years. DATCP argues Alternative 2 should be adopted, in order to maintain a fair distribution of fees among paying entities.

13. The proposed pesticide product changes under the RevEx Project, as mostly reflected by the bill, have received support from the agrichemical industry and farmers' groups. Of 222 survey responses relating to pesticide product registrations, 63% expressed support, 24% were opposed, and 13% were neutral. Respondents supporting the change noted that it would save time both in budgeting and fee calculation, and would not require reporting of sales information. A number of registrants who would pay more under the Governor's proposal have expressed support, noting that a simpler structure would be worthwhile, despite higher registration costs. Considering these potential benefits under the Governor's proposed pesticide product fee structure, the Committee could consider adopting the Governor's proposal as it relates to pesticide products [Alternative 3a].

14. On the other hand, bill provisions for pesticide registration would remove elements of progressivity from the fee structure and shift fee burdens among registration categories. Under the Governor's proposal, the lowest sales tier would provide 85% of revenues and the middle and highest sales tiers would provide 15% of revenues. By comparison, in 2016, 85% of products were registered in the lowest tier, and provided approximately 36% of revenues. The remaining 15% of product registrations, in the middle and highest sales tiers, provided approximately 64% of revenues. 2013 data provided by DATCP shows that 67 companies, or approximately 6% of companies registering products that year, provided 85% of total fees collected by the Department.

15. For registrants in the lowest sales tier, fees would average two times higher under the proposal. A number of survey responses indicated concerns about the impact of flat fees on smaller businesses, which would see increases under the proposed fee structure. However, DATCP reports it is common for large companies in the highest sales tier to register a multitude of products across all tiers. Survey response data indicates this is the case for a subset of registrants, with 9% reporting over 100 products registered, 9% reporting 50-100 products registered, and 22% reporting 10-49

products registered. The Department argues that larger agrichemical companies would still continue to pay significant fees due to the large number of products they register. However, the majority of respondents (60%) report 1-9 products registered, though it is not clear in what sales tiers these products are registered.

16. Farmers' groups support a flat-fee pesticide registration, as the percentage of sales fee on the highest tier of non-household pesticide products is typically passed on to farmers by a line item for pesticide registration on invoices. The Department argues that because the flat-fee structure removes the pass-through to farmers, farmers will receive the benefits of reduced fees on highest-tier non-household products, and the distributional effect of the bill would be less intense than discussed above. Although the Governor's proposal would remove certain fees that are conducive to being passed along to customers, it is expected manufacturers and distributors will realize a portion of savings related to the removal of a percentage of sales fee on non-household pesticide products. Thus, it is unclear to what extent total prices paid by farmers for pesticide products will decrease if flat fees were introduced.

17. If the Governor's proposal were adopted, it is expected smaller pesticide registrants would generally see fee increases, and larger registrants would see fee decreases. However, it is difficult to assess the overall distributional burden of such a change, as data is not available for product registrations by revenue or company size due to licensing system limitations and confidentiality restrictions. While the overall shift in fee payments for pesticide product registration remains unclear, a flat per-product fee structure would be less progressive than current law.

18. Survey responses note this structure would be one of the most expensive of per-product fees. While a majority of states have per-product registration fees, they typically range from \$100 to \$300 per product, and some are payable every other year. Only California and New York would have higher annualized per product fees than those under the bill.

19. It should also be noted that adoption of per-product based fees would shift fee burden by registration category. Currently, highest-tier registrants of non-household pesticides must include a percentage of sales as part of their registration fee. Removal of revenue-based reporting results in a shift in fee burden to household registrants, who have a similar amount of products but are not assessed a percentage of sales payment in their highest tier. The result is that registrants of agriculture-related pesticides and industrial pesticides would see 32% and 19% drops in total fees paid to DATCP, respectively. At the same time, household product registrants would see their fee burden increase by 22%. Survey response data collected as part of the RevEx Project indicate only 8% of pesticide registrants have products that are dispersed among categories, suggesting increases in fees in one category and decreases in another will not be borne by the same companies.

20. If the Committee wished to consider an alternative that would reduce complexity and avoid distributional effects of a flat-fee registration, it could consider Alternative 3c. An outline of fees under each alternative can be found in Table 5, with more detailed comparison in Attachment 2. This does not include required per-product transfers to the environmental fund, which are discussed later.

TABLE 5

Pesticide Product Registration Alternatives

	<u>Governor</u>	<u>Alternative 3c</u>	<u>Current Law</u>	
			<u>Sales Tier</u>	<u>Reg. Fee</u>
Household	\$372	\$130 + 2% of revenues \$25,000+ \$1,600 maximum	\$0-\$24,999	\$141
			\$25,000-\$74,999	\$626
			\$75,000+	\$1,376
Industrial	\$372	\$215 + 3% of revenues \$25,000+ \$3,500 maximum	\$0-\$24,999	\$221
			\$25,000-\$74,999	\$766
			\$75,000+	\$2,966
Non-Household	\$372	\$215 +3% of revenues \$25,000+; or \$2,850+0.3% for sales \$125,000+	\$0-\$24,999	\$226
			\$25,000-\$74,999	\$796
			\$75,000+	\$2,966+0.2%

21. This alternative is intended to simplify fees by removing sales tiers and sudden increases associated with a shift to the next tier. Instead, it would provide a graduated fee structure with a smooth increase in fees as revenues for each product increase (see Attachment 2). The fee structure would no longer require estimation of future years' revenues and would instead require payment based on the previous year's revenue for a product. Further, for household and industrial pesticides, which have a maximum fee, a company would be permitted to submit the maximum registration and forgo reporting revenue information for a product. This option would not be available for non-household registrants, which would still pay a percentage of sales fee in order to maintain a similar distributional burden to current law. Across the three registration categories, the fee burden in each tier would remain largely unchanged compared to current law, but would be decreased in order to balance them with expenditures as budgeted under the Governor's bill. While easier than current reconciliation, this alternative would still require DATCP to manage and store confidential sales information of most registrants.

22. It should be noted that revenue-based fees are subject to volatility associated with market forces in the agricultural chemical market. While revenues may vary, costs in DATCP programs are relatively constant. While Alternative 3c maintains progressive elements, its link to revenues means it would be subject to volatility, just as agricultural chemical funds are under current law. Conversely, a shift to flat per-product fees may have a negative effect on product registrations and reduce revenues as products are dropped from Wisconsin's market. Some survey respondents indicate they may discontinue certain product registrations if a flat-fee structure was implemented. It is possible that total registrations would decline if low sales products were no longer competitive under the flat fee structure, though to what extent remains unclear. Given these considerations, the Committee may wish to consider maintaining a fund balance sufficient to mitigate negative effects associated with market volatility and the transition to a new fee structure.

23. ACM fees generally provide for administration and regulation of the agricultural industry. Regulation helps protect public health, provide safe food, and limit environmental impacts. It could be argued that a graduated fee structure most equitably passes on costs to fee payers, since

the sales volume of product may be a significant determinant of these potential adverse effects, not the number of products. Conversely, there are fixed costs associated with product registration that suggest flat fees are appropriate, such as label inspection and processing paperwork for registrations.

Other Considerations

24. Approximately half of registered pesticide products report no sales in Wisconsin. DATCP notes this is typical of large national or multinational companies, which register these products in each state, even when they do not intend to sell them there. This is done to limit penalties and liability associated with unregistered products in the event that such products enter into the market. The bill seeks to clarify language regarding pesticide product registration, requiring payment of fees by companies that "intend to sell or distribute" pesticide products in Wisconsin, changed from "sell or distribute." However, if only products "intended" to be sold in Wisconsin were registered, DATCP would have to prove that unregistered products were specifically intended for sale in Wisconsin. As a result, product registrations could be nearly halved, which would reduce segregated agricultural chemical revenues significantly. The Committee could consider deleting this change, and maintain current law [Alternative 1a].

25. Under current law, the penalty for failure to register a pesticide product sold or distributed in the state is twice the normal registration fee. In Wisconsin, minimum risk pesticides, known as 25(b) pesticides in reference to the Federal Insecticide, Fungicide and Rodenticide Act (FIFRA), must be registered, but there is no fee associated with registration. As a result, the penalty for failure to register such a product is \$0 and a number of products are never registered. DATCP reports marketplace inspections have discovered 25(b) pesticides that are not registered. The Department notes that since this category of pesticide is unregulated by the federal government, state officials are often the first and only oversight provided to verify ingredient, safety, and use information provided on labels. The bill creates a penalty of \$250 for unregistered 25(b) products. DATCP reports revenue received from this penalty would not be significant, but would be expected to reduce non-registration of those products. Considering the potential risk to public safety of unregistered products, the Committee could consider adopting the proposal [Alternative 1b].

Cleanup Surcharges

26. The Governor's proposal provides a number of changes to surcharges deposited into the ACCP to reduce overall revenue and rebalance surcharge payments by entity and product. Over time, ACCP reimbursements have declined as a backlog of historical sites have been addressed through the program. Reimbursements have declined from a high of nearly \$4 million in 2000-01 to approximately \$1 million since 2011-12. Estimated expenditures on reimbursements are \$1 million in 2016-17. [A separate budget issue paper reestimates reimbursements to \$900,000 annually during the 2017-19 biennium.]

27. While reimbursements have declined in recent years, fee revenues have typically exceeded cleanup reimbursement expenses. Reductions to ACCP surcharges in 2013 Act 20, which reduced surcharges by approximately 20%, took full effect in 2015-16 but have not significantly reduced annual revenues. Under current law, DATCP is allowed to increase or decrease ACCP

surcharges by administrative rule, subject to maximum limits set by statute. DATCP is directed to reduce surcharges so that the ACCP balance does not exceed \$2.5 million at the end of each fiscal year, but it has never undergone this procedure.

28. The bill proposes instituting an automatic surcharge reduction in order to reduce the June 30, 2016, \$5.6 million fund balance. It would require DATCP to determine annually on May 1 the amount available in the ACCP. If the amount exceeds \$1.5 million, all ACCP surcharges would be reduced to \$0 in the subsequent year. If the amount is between \$750,000 and \$1.5 million, ACCP surcharges would be reduced to half of their usual amounts in the subsequent year. The first instance of this mechanism would occur on May 1, 2018, for the 2018-19 fee year. It is anticipated surcharges would be reduced to \$0, and approximately \$1.5 million in surcharge fee revenue would be forgone in 2018-19. Introduction of an automatic fee holiday would ensure future fund balances do not substantially exceed \$1.5 million, which would be sufficient to cover anticipated reimbursements during the succeeding fiscal year. The change is intended in part to limit future non-agricultural chemical use of ACCP funds, such as the 2015-17 transfers to the nonpoint account of the environmental fund.

29. As DATCP has never utilized current fee reduction procedures, the Committee could consider adopting the automatic surcharge reduction provision to trigger surcharge reductions when fund balances are sufficient for program purposes [Alternative 4a]. However, given that current law specifies surcharge reductions occur at a balance of \$2.5 million, the Committee could consider modifying the provision, with \$2.5 million and \$1.25 million reduction thresholds [Alternative 4b]. The Committee could also consider deleting the provision to maintain a larger fund balance than would be specified under the bill [Alternative 4c]. Current law includes a Joint Committee on Finance 14-day passive review of proposed emergency administrative rules that would implement surcharge reductions. Deleting the Governor's recommendation would preserve Committee review of certain proposed surcharge reductions.

30. Other proposed changes to ACCP surcharges seek to rebalance contributions by payer and category of agrichemical. A summary of the rebalancing of revenues from these changes is outlined in Table 6 below. The changes would reduce or eliminate certain payments commonly passed through to farmers and adjust flat surcharge amounts assessed to other businesses that manufacture or apply pesticides. Once fully in effect, these changes would result in approximately \$1.5 million less revenue annually, for a total of approximately \$535,000 annually deposited into the ACCP. However, it would be expected that surcharges would be reduced to \$0 in the near future as the ACCP fund balance under the Governor's bill would continue to exceed the proposed \$1.5 million surcharge reduction threshold.

TABLE 6**Estimated ACCP Fee Burden by Category (\$000s)
Share of Total Revenue**

	<u>Current Law</u>		<u>Governor</u>		<u>Alternative 5b</u>	
Fertilizer Registrants	\$9	(1%)	\$23	(4%)	\$23	(3%)
Farmers						
Fertilizer Pass-Through	662	(33)	190	(36)	190	(20)
Pesticides Pass-Through	1,106	(55)	0	(0)	540	(57)
Pesticide Registrants	59	(3)	187	(35)	58	(6)
Businesses	<u>171</u>	(8)	<u>135</u>	(25)	<u>135</u>	(14)
Total	\$2,007	(100%)	\$535	(100%)	\$946	(100%)

31. Under current law, the majority of revenues from ACCP surcharges come from a fertilizer tonnage fee and a percentage of sales fee for non-household pesticide products. Although remitted by registrants, these two fees are typically paid by farmers as a pass-through, who see a line item for these charges on their invoice. As a result, farmers have paid approximately 91% of ACCP fees since 2003. The proposal reduces fertilizer tonnage surcharges from \$0.35 per ton to \$0.10 per ton, and establishes a flat fee for non-household pesticide registration of \$30, deleting the tiered structure and revenue reporting as discussed above. These proposed changes would reduce total pesticide and fertilizer fees paid by farmers as a pass-through by approximately \$1.58 million, or 89%. It should be noted that although farmers would no longer see fees as a line item on invoices, they would continue to bear fees associated with the manufacture and distribution of fertilizers and pesticides they purchase, since these would be business costs passed on as part of the product price. Further, as discussed earlier, it remains unclear to what extent farmers would see price reductions if the percentage of sales fee were repealed.

32. It should be noted that due to timing, fertilizer tonnage fee reductions have no fiscal effect during the 2017-19 biennium, since the first payments under the new fee schedule would be paid in September, 2019. However, it is expected that the reduced tonnage surcharge would result in approximately \$472,000 less revenue annually deposited in the ACCP, starting in 2019-20. Considering the reduction in fertilizer tonnage fees would reduce fees on farmers and rebalance ACCP contributions, the Committee could consider adopting the Governor's proposal [Alternative 5a]. Conversely, given that it would reduce fee revenue, the Committee could consider deleting it [Alternative 5c].

33. The Governor's proposal would simplify the non-household pesticide product surcharge to a flat fee, similar to ACM pesticide product registration discussed previously. The shift to a flat per-product surcharge would have a similar distributional effect as other ACM changes, increasing fees for lowest-tier registrants, and reducing them for highest-tier registrants. In the case of the non-household pesticide surcharge, 96% of revenue comes from highest-tier registrants. Under the Governor's proposal, this amount would be reduced to 10% of fees. Further, repeal of the non-household pesticide surcharge's percentage of sales fee is the main contributor to fee reductions in the ACCP, reducing fees by approximately \$1 million annually under the bill.

34. Given distributional concerns and the reduction in fee revenues from such a change, the Committee could consider Alternative 5b, which simplifies the fee structure, but maintains a graduated system based on sales. Table 7 lists these changes, with a more detailed comparison in Attachment 2. This alternative would reduce revenues from the surcharge by approximately half, but would ensure they are sufficient to cover estimated expenditures in future years. Further, it would largely maintain the same distributional burden as before, although highest-tier registrants would see most of the benefit from a surcharge reduction, considering they currently pay the vast majority of surcharges. However, the resulting surcharge revenues under this alternative would not provide as large of a shift in fee contributions to the ACCP as the Governor's proposal, as seen in Table 6. If the Committee wishes to maintain graduated fees, and adopted Alternative 3c above, it could consider deleting the Governor's fee structure for the non-household pesticide surcharge and adopt Alternative 5b.

TABLE 7

Non-Household Pesticide Surcharge Alternative 5b

<u>Governor</u>	<u>Alternative 5b</u>	<u>Current Law</u>	
		<u>Sales Tier</u>	<u>Fee</u>
\$30	\$3+0.3% of revenues \$25,000+; or 0.3% for sales \$125,000+	\$0-\$24,999	\$2.80
		\$25,000-\$74,999	\$96
		\$75,000+	0.60%

35. The bill would increase the fertilizer license surcharge to \$20, from \$11.20, and repeal the exception that fertilizer manufacturing license holders do not have to pay surcharges for commercial pesticide application licenses or restricted-use pesticide licenses. These modifications to fertilizer surcharges would be expected to increase ACCP SEG revenues by approximately \$7,000 annually. This item is included in both Alternative 5a and 5b.

36. The bill would also introduce new \$25 surcharges for pesticide application businesses that also manufacture or distribute pesticides in bulk, and each bulk fertilizer distribution location. DATCP reports these surcharges would target bulk containment facilities, which have historically represented the majority of ACCP reimbursements. These new surcharges would be expected to increase ACCP SEG revenues by approximately \$13,000 annually. This item is included in both Alternative 5a and 5b.

37. As part of the more general fee reductions in the ACCP, the proposal would decrease the restricted-use pesticide surcharge to \$20, from \$22.40, the pesticide application business surcharge to \$20, from \$30.40, and the individual pesticide applicator surcharge to \$10, from \$11.20. Reductions in these surcharges would be expected to reduce ACCP SEG revenues by approximately \$36,000 annually. This item is included in both Alternative 5a and 5b.

38. The bill changes to ACCP surcharges are anticipated to reduce fees in the ACCP significantly, and combined with automatic surcharge reductions would be expected to lower fund balances in the near term. Further, the bill increases eligibility for reimbursements, which may increase costs in the future. These factors could result in years when available balances combined

with yearly revenues may be insufficient to pay reimbursement claims. It should be noted that in such an instance, ACCP program administrative rules require interest to be paid by DATCP on balances that cannot be immediately paid. As proposed ACCP fees would not cover anticipated expenditures, reimbursement claims may accumulate.

39. Although the bill is estimated to reduce fees deposited into the ACM by a small amount, it would be expected to maintain significant balances in the near term. To avoid circumstances in which the ACCP fund may be exhausted and unable to immediately pay reimbursement claims, the Committee could consider specifying a procedure by which DATCP could make interfund transfers from the ACM to the ACCP under a 14-day passive review process by the Committee [Alternative 4d]. Such an alternative would provide for supplements to ACCP funds, and do so by transferring from a fund with substantially similar fee and payer base.

ACCP

40. Under current law, the maximum total reimbursement is 75% of up to \$400,000 in eligible cleanup expenses per site, less deductibles. The bill proposes increasing the maximum total eligible reimbursement costs to \$650,000 for any costs incurred after July 1, 2017. DATCP reports the intent of this change is to adjust the maximum reimbursement amount for inflation. Data provided by the federal Bureau of Labor Statistics indicate that \$400,000 in August, 1993, the effective date of the bill enacting the ACCP, would be equal in value to \$670,000 in January, 2017. DATCP estimates that total reimbursements will rise by 13% under the higher reimbursement maximum. It is anticipated the first costs under the increased maximum would be incurred during 2018-19. Given it is natural for costs to increase over time due to inflation, the Committee could consider adopting the proposal to adjust eligible reimbursement costs for inflation, to a maximum \$650,000 [Alternative 6a]. Conversely, the Committee could choose to delete the provision, given that an increase would expand the program and increase costs to the ACCP [Alternative 6b].

41. Alongside changes to the maximum reimbursement, the bill would establish a uniform ACCP deductible of \$3,000 for all costs incurred after July 1, 2017. Currently, the deductible is \$7,500 for most pesticide license holders and larger businesses, or \$3,000 for smaller businesses and farms. Both DATCP and DOA indicate that this change was a drafting error, and recommend the Committee delete this provision to maintain current law [Alternative 1c].

42. The proposal expands eligibility for reimbursements to bulk storage facilities constructed after July, 2013. DATCP estimates that expansion of eligibility to newer facilities would be associated with acute spills, and estimates less than \$20,000 in increased reimbursements per year under the provision. Given that expanded eligibility may prevent need for larger future cleanups by addressing contamination immediately, the Committee could consider adopting the proposal [Alternative 7a]. On the other hand, increased costs associated with expansion may warrant consideration of deleting this provision [Alternative 7b].

43. The bill repeals financial assistance to businesses that reimburse costs associated with capital improvements designed to prevent pollution from agricultural chemicals. Under current law, businesses are eligible for up to 50% cost-share for expenses up to \$500,000, minus any costs reimbursed due to cleanup efforts. Current law authorizes up to \$250,000 to be spent each year

under this provision. The pollution prevention program was authorized under 2007 Act 20, but has never been implemented. DATCP indicates it was not implemented because potential industry grantees under the program indicated improvements would cost so little they would not be worth seeking reimbursement through a grant process. Considering the existing law related to pollution prevention is not being used, nor intended to be used, the Committee could consider deleting the provision [Alternative 1d].

Environmental Fund

44. Under current law, DATCP is to transfer \$94 to the environmental management account of the segregated environmental fund for each pesticide product registration, plus an additional \$30 hazardous household waste fee for each non-household pesticide product registration. Additionally, DATCP is to transfer all license fees related to wood preservatives to the environmental management account. The transfer amount has been relatively stable, and was \$1,591,800 during 2015-16.

45. The proposal also seeks to simplify the structure of pesticide product-related transfers to the environmental management account by transferring \$108 per pesticide product registration, regardless of product type. It would also delete the wood preservative surcharge. However, there are few wood preservatives registered, and as a result this amount can vary significantly from year to year.

46. The intention of proposed changes to environmental fund transfers was to hold the fund harmless, although the bill is estimated to decrease transfers by an average of approximately \$30,000 annually. However, it is not expected the provision would significantly affect the condition of the environmental management account, which has annual revenues that typically exceed \$50 million. Considering the project's intention to hold the environmental fund harmless, the Committee could consider increasing the transfer to \$110, offset by a reduction in the fee deposited into the ACM by \$2, to ensure the same transfers to the environmental management account as in the past [Alternative 8b]. Conversely, the Committee could choose adopt the Governor's proposal to slightly decrease transfers to the environmental management account [Alternative 8a]. The Committee could also consider deleting the Governor's proposal as it relates to transfers to the environmental management account [Alternative 8c].

Commercial Feed

47. The bill introduces a minimum fee for inspection of commercial feed totaling less than 200 tons annually. Under current law, the fee for feed inspection is \$0.25 per ton. The provision would result in \$50 minimum fee, consisting of \$46 deposited into the ACM and \$4 in weights and measures inspection revenue. DATCP reports approximately 750 of 1,300 entities that report feed tonnage report less than 200 tons annually. Currently, low-volume entities can pay fees as low as \$0.25 per ton, which DATCP notes does not cover staff costs associated with product label review and technical assistance required to get products to market in compliance with legal requirements. It is estimated that introduction of minimum tonnage fees will result in collection of an additional \$23,000 ACM SEG and \$2,000 weights and measures program revenue in 2018-19, the first year this provision would take effect. Annualized minimum fees for commercial feed in nearby states are

as follows: Iowa \$40, Illinois \$50, Indiana \$20, Michigan \$50, and Minnesota \$75. Survey responses indicate 48% of respondents support, 29% are neutral and 23% oppose the measure, although low-tonnage entities were underrepresented by approximately 17% in the responding sample. While the minimum fee would primarily impact small businesses, it should be noted that DATCP intends for the minimum tonnage fee to correspond to reduced reporting requirements for low-volume entities, which may simplify compliance and lower costs. Given the fixed costs associated with administration of feed inspection, and common practice among neighboring states, the Committee could consider approving the proposal to establish a minimum tonnage fee [Alternative 9a]. Conversely, given that half of reporting entities would see a fee increase under the proposal, the Committee could consider deleting the provision [Alternative 9b].

48. As part of the RevEx Project, DATCP is seeking to rewrite provisions related to regulation of commercial feed in Wisconsin. The Department notes these laws were last updated in 1979, and are difficult to apply to current industry practice. It is in the process of conducting a study of the feed industry to develop a more appropriate regulatory framework for commercial feed. This proposal includes provisions related to that process, which seek to clarify current regulations while DATCP and industry members continue to assess future changes.

49. The bill would add language to clarify that the first person to sell or distribute feed in Wisconsin, or to bring feed into Wisconsin, would be responsible for payment of inspection fees. The Committee could consider a modification of the proposed language to say: "the one who first sells or distributes commercial feed in this state, or to a person in the state." DATCP indicates such a change would allow the Department to audit only transactions, which are easier to track and verify than feed transport. Further, the bill would delete the requirement that receipts of sale of feed must include notice of whether inspection fees have been paid. The Department recommends these changes to align feed inspection payments to a general rule that the first person that sells commercial feed in Wisconsin, or to a person in Wisconsin, must pay the commercial feed tonnage fees [Alternative 1e]. Further, another provision would repeal exempt buyer status, a seldom used provision pertaining to in-state sellers who distribute significant tonnage outside Wisconsin. Exempt buyers are required to pay inspection fees for all feed tonnage distributed out of state, in lieu of out-of-state purchasers paying the fees. DATCP reports only two entities are registered as exempt buyers in the state. If the Committee adopts language changes described above, this provision would become obsolete and should be considered for deletion [Alternative 1f].

Fertilizer and Soil and Plant Additives

50. The bill would modify fertilizer manufacturer and distribution licenses to expire on September 30 annually instead of August 14. It would also modify soil and plant additive (SPA) licenses to expire on September 30 annually instead of March 31 [Alternative 1g]. Alongside these changes would be a delay in the SPA tonnage reporting year, to align it with the fertilizer tonnage year [Alternative 1h]. The intent of this provision is to align the fertilizer and SPA license and tonnage years to simplify registration and reporting; DATCP reports 35% of companies with either fertilizer or SPA permits register both types. It should be noted that SPA permit and tonnage payments for 2017-18 would be delayed until September, 2018, and thus be \$0 during fiscal year 2018, reducing revenues in the ACM by approximately \$75,000 due to payment timing.

51. The bill would also modify fertilizer and SPA permits to require that permit holders notify DATCP annually, before renewing their licenses, whether they intend to maintain, amend or discontinue their active permits [Alternative 1i]. Under current law, fertilizer and SPA permits are provided after a one-time payment of a fee, and do not expire. This process would allow DATCP to maintain a registry of active permitted products.

ALTERNATIVES

Technical Changes and Errata

1. Provide the following changes to DATCP agricultural chemical programs as recommended by the Governor, DATCP, or errata from the administration.

a. Provide that pesticide product registration fees will be paid by companies that sell or distribute pesticide products in Wisconsin. (DATCP recommendation)

b. Establish a penalty of \$250 for failure to register 25(b) federally exempt pesticides. (Governor's proposal)

c. Maintain the \$7,500 deductible for pesticide license holders and larger businesses as outlined in current law. (DOA and DATCP recommendation)

d. Delete the ACCP pollution prevention program. (Governor's proposal)

e. Provide that the first person to sell or distribute commercial feed in Wisconsin, or to a person in Wisconsin, shall pay the associated inspection fee (DATCP recommendation). Further, delete requirements that receipts include notice of whether inspection fees have been paid (Governor's proposal).

f. Delete the exempt buyer provision for commercial feed. (Governor's proposal)

g. Modify fertilizer manufacturer and distribution licenses, and soil and plant additive licenses to expire annually on September 30. (Governor's proposal)

ALT 1g	Change to	
	Base	Bill
SEG-REV	-\$25,000	\$0

h. Modify the soil and plant additive tonnage reporting and payment year to align with the fertilizer tonnage year. (Governor's proposal)

ALT 1h	Change to	
	Base	Bill
SEG-REV	-\$35,000	\$0

i. Require fertilizer and soil and plant additive license holders to notify DATCP annually with their intention to maintain, amend or discontinue their permits. (Governor's proposal)

ACM Fees

2. Provide one of the following for the fertilizer tonnage fee deposited into the ACM:

a. Adopt the DOA and DATCP's errata item to increase the fertilizer tonnage fee to \$0.28 per ton, from \$0.23 per ton, for feed sold or distributed after June 30, 2018.

b. Maintain current law. (The fee would remain at \$0.23 per ton.)

3. Provide one of the following for pesticide product registration:

a. Adopt the Governor's proposal to assess a flat \$480 per pesticide product and repeal revenue reporting requirements.

ALT 3a	Change to	
	Base	Bill
SEG-REV	- \$1,840,000	\$0

b. Modify the Governor's proposal, as recommended by DATCP, to assess a flat \$500 per pesticide product.

ALT 3b	Change to	
	Base	Bill
SEG-REV	- \$1,340,000	\$500,000

c. Adopt the following pesticide product registration fee structure. Further, specify that fees will be paid based on the previous year's payment period. Specify that household and industrial registrants may pay the maximum fee in lieu of reporting revenue for a product.

- For household products, \$130, plus 2% of revenues above \$25,000 annually, with a maximum fee of \$1,600.

- For industrial products, \$215, plus 3% of revenues above \$25,000 annually, with a maximum fee of \$3,500.

- For non-household products, either (a) \$215, plus 3% of revenues above \$25,000 annually, or (b) for products with sales above \$125,000 annually, \$2,850 plus 0.3% of revenues.

ALT 3c	Change to	
	Base	Bill
SEG-REV	-\$1,160,000	\$680,000

- d. Maintain current law.

ALT 3d	Change to	
	Base	Bill
SEG-REV	\$0	\$1,840,000

ACCP Balance

4. Provide one of the following for management of the ACCP balance:
- Adopt the Governor's proposal to implement an automatic surcharge mechanism which reduces fees to \$0 when the fund balance exceeds \$1.5 million, or by 50% when the fund balance is between \$750,000 and \$1.5 million.
 - Modify the Governor's proposal to implement an automatic surcharge mechanism which reduces fees to \$0 when the fund balance exceeds \$2.5 million, or by 50% when the fund balance is between \$1.25 million and \$2.5 million.
 - Maintain current law.
 - In addition to Alternatives 4a, 4b or 4c, specify DATCP may transfer, from the agrichemical management fund to the agricultural chemical cleanup fund, an amount sufficient to pay cleanup reimbursement claims if funds in the agricultural chemical cleanup fund are otherwise insufficient. Require DATCP to submit the proposed transfer to the Joint Committee on Finance for review. Specify if, within 14 working days of being notified of the proposed transfer, the Co-Chairs of the Committee have notified DATCP of an objection to the proposal, the Department may only make the transfer if approved by a vote of the Committee.

ACCP Surcharges

5. Modify fee surcharges deposited into the ACCP in one of the following ways:
- Adopt the Governor's proposal, which: (a) institutes a flat surcharge fee of \$30 for non-household pesticide products; (b) reduces the surcharge on fertilizer tonnage to \$0.10 per ton, from \$0.35 per ton, effective July 1, 2018; (c) increases the fertilizer license surcharge to \$20, from \$11.20 and repeals the exception that fertilizer manufacturing license holders do not have to pay surcharges for commercial pesticide application licenses or restricted-use pesticide licenses; (d) introduces a new \$25 surcharge for pesticide application businesses that manufacture or distribute pesticides in bulk, and bulk fertilizer distribution locations; (e) decreases the restricted-use pesticide surcharge to \$20, from \$22.40; (f) decreases the pesticide

application business surcharge to \$20, from \$30.40; and (g) decreases individual pesticide applicator surcharge to \$10, from \$11.20.

ALT 5a	Change to	
	Base	Bill
SEG-REV	-\$2,962,000	\$0

b. Modify the Governor's proposal to provide the surcharge fee for non-household pesticide products is either: (a) \$3, plus 0.3% of revenues above \$25,000 annually; or (b) for products with sales above \$125,000 annually, 0.3% of sales. This alternative would otherwise adopt the Governor's ACCP surcharge changes listed in Alternative 5a.

ALT 5b	Change to	
	Base	Bill
SEG-REV	-\$2,140,000	\$822,000

c. Maintain current law.

ALT 5c	Change to	
	Base	Bill
SEG-REV	\$0	\$2,962,000

ACCP Reimbursements

6. Modify the reimbursement maximum for the agricultural chemical cleanup program in one of the following ways:

a. Adopt the Governor's proposal to increase the lifetime maximum eligible reimbursement costs to \$650,000 per site for costs incurred after July 1, 2017.

ALT 6a	Change to	
	Base	Bill
SEG	\$115,000	\$0

b. Delete provision. (The lifetime maximum eligible reimbursement costs per site would remain at \$400,000.)

ALT 6b	Change to	
	Base	Bill
SEG	\$0	-\$115,000

7. Modify reimbursement eligibility for the agricultural chemical cleanup program in one of the following ways:

a. Adopt the Governor's proposal to expand eligibility for reimbursements to bulk storage facilities constructed after July, 2013.

ALT 7a	Change to	
	Base	Bill
SEG	\$40,000	\$0

b. Delete provision.

ALT 7b	Change to	
	Base	Bill
SEG	\$0	- \$40,000

Environmental Fund Transfer

8. Modify transfers of fees to the environmental fund in one of the following ways:

a. Adopt the Governor's proposal to establish a transfer of \$108 per pesticide product registration to the environmental fund. Further, delete the \$30 hazardous household waste fee and wood preservative surcharge.

ALT 8a	Change to	
	Base	Bill
SEG-REV	- \$30,000	\$0

b. Modify the Governor's proposal by increasing the transfer to \$110 per pesticide product registration. (This provision would also delete the \$30 hazardous household waste fee and wood preservative surcharge.)

ALT 8b	Change to	
	Base	Bill
SEG-REV	- \$30,000	\$0

c. Delete provision.

ALT 8c	Change to	
	Base	Bill
SEG-REV	\$0	\$30,000

Commercial Feed Fees

9. Modify the fee for commercial feed inspection in one of the following ways:

a. Adopt the Governor's proposal to establish a minimum fee of \$50 for inspection of commercial feed totaling less than 200 tons annually.

ALT 9a	Change to	
	Base	Bill
SEG-REV	\$46,000	\$0
PR-REV	<u>4,000</u>	<u>0</u>
Total	\$50,000	\$0

b. Maintain current law. (There would be no minimum fee for commercial feed inspection.)

ALT 9b	Change to	
	Base	Bill
SEG-REV	\$0	- \$46,000
PR-REV	<u>0</u>	<u>- 4,000</u>
Total	\$0	- \$50,000

Prepared by: Rory Tikalsky
Attachments

ATTACHMENT 1

Agricultural Chemical Fee Revenues

<u>License/Fee</u>	<u>ACM</u>	<u>ACCP</u>	<u>EMA*</u>	<u>Other</u>	<u>Total Fees/ Surcharges</u>	<u>2015-16 Total Revenue</u>
Commercial Feed License	\$25				\$25	\$38,300
Commercial Feed Tonnage	23¢			2¢ ^a	25¢	1,269,100
Fertilizer License	\$30	\$11.20			\$41.20	31,600
Fertilizer Permit Applications	\$25				\$25	17,200
Fertilizer Tonnage	23¢	35¢	10¢	29¢ ^b	\$0.97	1,840,600
Lime License	\$10				\$10	1,100
Lime Tonnage				1.25¢ ^c	1.25¢	13,400
Pesticide Application Business	\$70	\$30.40			\$100.40	238,900
Pesticide Dealer - Restricted Use	\$60	\$22.40			\$82.40	29,800
Pesticide Individual Applicator	\$40	\$11.20			\$51.20	441,400
Pesticide Reciprocal Certification	\$75				\$75	34,600
Soil or Plant Additive License and Permit	\$125				\$125	40,800
Soil or Plant Additive Tonnage	25¢		10¢	10¢ ^d	45¢	91,100
Primary Producer Fee			\$150		\$150	24,900
Special Local Needs Permit	\$250					1,500
Pesticide Registration - Household						
\$0-\$24,999	\$141		\$124		\$265	1,351,000
\$25,000-\$74,999	\$626		\$124		\$750	318,100
\$75,000 or more	\$1,376		\$124		\$1,500	732,200
Pesticide Registration - Industrial						
\$0-\$24,999	\$221		\$94		\$315	281,900
\$25,000-\$74,999	\$766		\$94		\$860	84,000
\$75,000 or more	\$2,966		\$94		\$3,060	294,100
Pesticide Registration - Non-Household						
\$0-\$24,999	\$226	\$2.80	\$94		\$322.80	1,625,200
\$25,000-\$74,999	\$796	\$96	\$94		\$986	386,500
\$75,000 or more	\$2,966**	0.60%	\$94		\$3,060 + 0.80%	3,288,500
Wood Preservative Surcharge						
\$0 - 24,999			\$5		\$5	200
\$25,000 - \$74,999			\$170		\$170	0
\$75,000 or more			1.1%		1.1%	<u>34,500</u>
Total						\$12,510,500

^a Deposited to DATCP's weights and measures inspection appropriation for weights and measures testing.

^b Includes 17¢ for UW soil and fertilizer research, 10¢ to fund UW-Extension fertilizer education and outreach, and 2¢ for weights and measures testing.

^c Deposited to DATCP's liming research appropriation to fund UW lime material research.

^d Deposited to DATCP's fertilizer research appropriation to fund UW soil and fertilizer research.

* Environmental management account of the environmental fund.

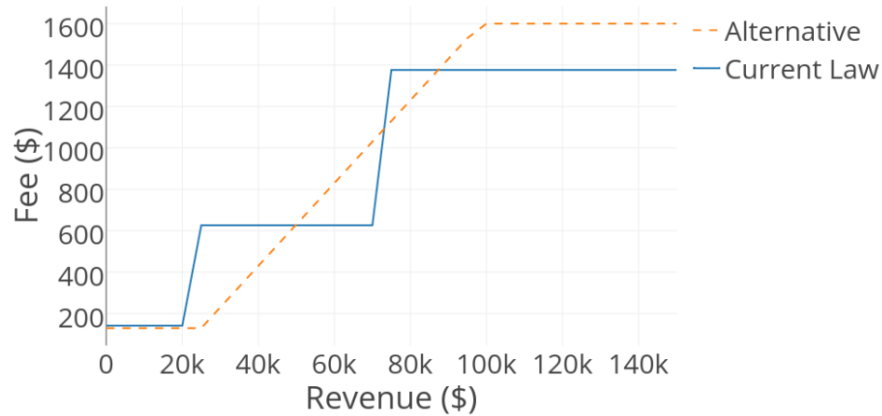
**Also requires payment of 0.2% of gross annual sales.

ATTACHMENT 2

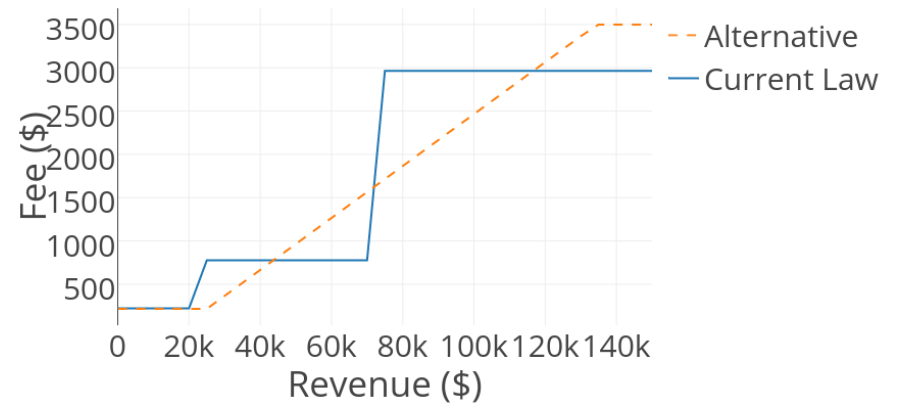
Fees by Revenue under Alternatives 3c and 5b

Household			Industrial		
Revenue	Current Law	Alternative 3c	Revenue	Current Law	Alternative 3c
\$0	\$141	\$130	\$0	\$221	\$215
25,000	626	130	25,000	776	215
50,000	626	630	50,000	776	965
75,000	1,376	1,130	75,000	2,966	1,715
100,000	1,376	1,600	100,000	2,966	2,464
125,000	1,376	1,600	125,000	2,966	3,215
150,000	1,376	1,600	150,000	2,966	3,500

Household (ACM)



Industrial (ACM)



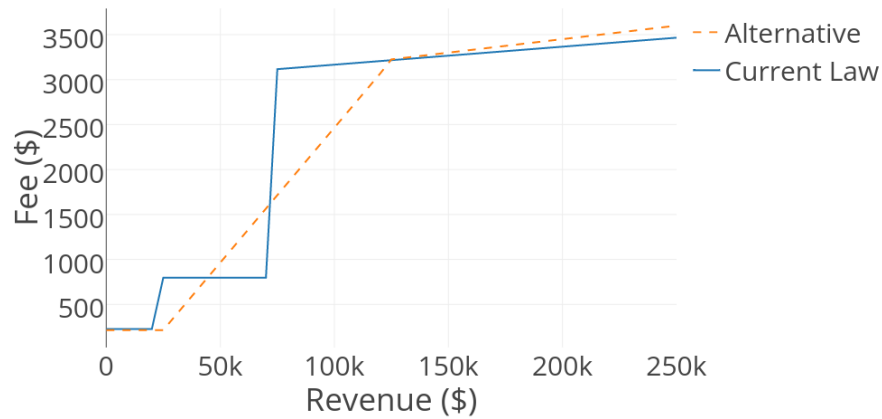
Non-Household (ACM)

Revenue	Current Law	Alternative 3c
\$0	\$226	\$215
25,000	796	215
50,000	796	965
75,000	3,116	1,715
100,000	3,166	2,464
125,000	3,216	3,225
150,000	3,266	3,300
175,000	3,316	3,375
200,000	3,366	3,450
225,000	3,416	3,525
250,000	3,466	3,600

Non-Household Surcharge (ACCP)

Revenue	Current Law	Alternative 5b
\$0	\$2.80	\$3
25,000	96	3
50,000	96	78
75,000	450	153
100,000	600	228
125,000	750	375
150,000	900	450
175,000	1,050	525
200,000	1,200	600
225,000	1,350	675
250,000	1,500	750

Non-Household (ACM)



Non-Household Surcharge (ACCP)

