

## **RevEx Meeting Notes**

### **10/1/2015**

**Attendees:** Tyler Byrnes, Karen Gefvert, Marv Prestrud, April Vingum, Darin Von Ruden, John Manske, Frank Masters, Bruce Barganz, Robert Zimpel, Dave Tierney, Amy Winters, Tom Bressner, Jim Bruncker, Tom Lochner, Brian Swingle, David Flakne, Tim Clay, Paul Ferguson

**By Phone:** Jodie Thrune, Elisha Kemp

**Staff:** Lori Bowman, Jennifer Heaton-Amrhein, Robby Personette, Stan Senger

Lori Bowman called the meeting to order at 9:00 a.m. Work Group members introduced themselves and who they represent.

### **RevEx Background**

Bowman gave a brief background on the Agrichemical Management (ACM) Bureau's Revenue and Expenditures (RevEx) project, described the work group and subcommittee structure and explained the timeline and desired outcomes of the process. RevEx came about as a result of desired process and program efficiencies identified during BAM-IT and as a result of industry requests for the Bureau to look at some issues of concern. The work group must be completed with its tasks in time for the department to write a budget issue paper for the 2017-2019 budget. The deadline for DATCP's paper is September 2016.

### **RevEx Issues**

Bowman gave a presentation that provided background on the eight major RevEx issues and the role of the work group and subcommittees in evaluating the issues. A summary of the eight major issues is below.

**ISSUE #1:** The ACM Fund is a collection of fee revenue from pesticide, feed, fertilizer, soil and plant additive (SPA), and lime licenses that fund all the operational expenses for the bureau. The work group will evaluate whether or not revenues collected align with program expenditures from the fund.

**ISSUE #2:** The current pesticide manufacturers and labelers licensing process--particularly for nonhousehold pesticide products over \$75,000--is very complex and not auditable. The work group and pesticide registration and licensing subcommittee will evaluate alternative licensing methods to determine a less complex, auditable fee collection process.

**ISSUE #3:** All pesticide program licenses renew January 1. The work group and pesticide registration and licensing subcommittee will evaluate if the bureau can change the timing of one or more pesticide licenses to provide staffing efficiencies.

**ISSUE #4:** The Agricultural Chemical Clean-Up Program (ACCP) has experienced declining reimbursement needs and changes to eligibility. In addition, the ACCP fund continues to carry an excess balance. The work group and ACCP subcommittee will evaluate the entire ACCP, including funding issues.

**ISSUE #5:** ACCP surcharges are currently collected by dealers and paid by registrants via the pesticide manufacturers and labelers, pesticide business location, restricted use dealers, commercial applicator and fertilizer licenses. The bureau has been requested to evaluate alternatives to the current collection method. The work group and ACCP subcommittee will discuss this issue.

**ISSUE #6:** Currently, there is no minimum feed tonnage payment required, although there is a minimum fertilizer tonnage fee. Some feed licensees can pay a tonnage inspection fee as low as \$0.25, which is less than the cost to manage the associated paperwork. The work group and feed subcommittee will evaluate feed tonnage fee options. (Note: since the first meeting, this issue has been expanded to deal with all feed tonnage issues).

**ISSUE #7:** The department is issuing an increasing number of pet food licenses to small, custom pet food/treat manufacturers. The existing regulatory structure is very complex for some of these businesses. The work group and feed subcommittee will evaluate licensing options for this segment of the feed industry.

**ISSUE #8:** Fertilizer and SPA permits do not have an expiration date. It is difficult to know what products are actually in the marketplace and who should be reporting tonnage on what products. The work group and fertilizer/SPA subcommittee will evaluate permit renewal options for fertilizer and SPA products.

The work group discussed and clarified the issues.

### **ACM Fund and ACCP Fund Revenues and Expenditures**

Bowman also gave a presentation on the overall ACM and ACCP Fund revenues and expenditures, and the revenues and expenditures for each particular program area. The ACM Fund is responsible for all operational expenses of the Bureau, including salaries, rent, laboratory services, IT, etc. The ACCP Fund only pays for clean-up reimbursements. Both the ACM Fund and the ACCP Fund have large cash balances, however, the ACM Fund's revenues and expenditures are more closely balanced each year than the ACCP Fund, which is currently bringing in about two times the revenue it needs, annually. Bowman also explained how the licensing programs are statutorily required to collect money for many different agencies; the ACM Bureau does not keep all the revenue it collects. For example, the pesticide registration program collects money for DNR on every pesticide product listed, and the fertilizer tonnage fee includes revenue that is directly passed through to several other entities. The RevEx Work Group will only be dealing with the revenues/fees associated with the ACM Bureau. Bowman showed that ACM Fund revenues are relatively stable due to the large number of revenue sources, while the ACCP Fund revenues are more volatile because they are highly reliant on two, sales-based surcharge fees.

Someone questioned the staffing levels and different programs in the Bureau. Bowman explained that job duties are re-evaluated on a continual basis. Each position description is reviewed by supervisors and staff annually as part of performance evaluations. Also, as staff leave/retire, each position is evaluated for efficiencies and a decision is made to revise the position description and recruit, or to hold the position.

Tim Clay, representing Cooperative Network, was interested in the BAMIT alignment charts, and how they illustrate our administrative code and interpretations. Bowman stated that the alignment charts are helpful internally to ensure we are fully meeting our statutory responsibilities, that our administrative code aligns with statute, and that our programs and policies align with both statute and code.

Dave Flakne, representing Syngenta, was curious about aligning the revenues and expenditures for the programs. Flakne wondered if the fee structure could or should be developed on a fee for service basis. Flakne indicated that we should further evaluate if other divisions that obtain funding from the ACM Fund should evaluate alternative funding streams via the services that they (other division) provide.

Concern was expressed by several work group members that the ACM and ACCP Funds have excessive, historically high cash balances, and that other industries are not paying their fair share since revenues are either transferred to those accounts or directly funded out of the ACM Fund and ACCP Fund. Members questioned whether DATCP could be given more direct authority to raise or lower fees based on Bureau needs. Members also inquired about how much funding the Bureau was actually able to control. Bowman explained that currently DATCP has authority to raise or lower fees by rule, as long as they do not exceed the statutory maximum. A rule change takes about two years. A temporary fee adjustment can be done through an emergency rule, but that process also requires approval from the Governor and is only a short-term fix. Flakne and John Manske, ex officio and representing Cooperative Network, noted that some expenses from ACM fund were one time expenditures (Clean Sweep grants) or declining expenditures (grazing grants) and that the cash balance may increase in the future if fees are not adjusted.

Flakne asked about the intent of the pesticide registration money that goes to the DNR environmental fund, and how DNR actually uses that money. Bowman stated DNR does not account for its revenues and expenditures in the same manner that the ACM Bureau does, and that the DNR funds are off the table for the discussion by the RevEx work group. If members have questions or concerns about the DNR funding and expenditures, that will have to be addressed by a different group with a different membership.

Bruce Barganz, representing Frontier Servco FS and the ACCP Council, asked how the Food Safety Modernization Act (FSMA) would affect the feed program. Bowman responded that FSMA is a federal law and it is not clear yet how FSMA will be implemented at the state level. With previous federal feed laws, states contracted with the USDA-FDA to conduct inspections on a fee for service basis.

Related to Issue #6, one work group member suggested the first 10 ten tons of feed be included in the feed license, and after that, a tonnage fee would apply. The idea will be forwarded to the Issue #6 subcommittee.

April Vingum, representing Bell Labs, asked if there could be a flat license (product registration) fee and still cover all expenses. That will be sent to the Issue #2 and #3 subcommittee, along with the question of whether or not the ACM cash balance could be used to help transition the registration program from a calendar year to a fiscal year.

Bob Zimpel, representing TH Agrichemicals, asked how much of our revenues comes from enforcement penalties. Bowman explained that the Bureau does not receive any revenue from enforcement penalties. All civil forfeitures are collected by the counties where the action was taken.

Amy Winters, representing CropLife, mentioned that the Legislature will have input into this process. This workgroup can make recommendations, but the Legislature may approve something different. All subcommittee members agreed that is possible.

Bowman thanked the work group for its efforts today. She stated that Heaton-Amrhein would be scheduling subcommittee meetings for Issues 2 & 3 (pesticide registration) and Issues 4 & 5 (ACCP). The work group members stated they would prefer to have full-day meetings and get through the topics quickly rather than part-day meetings.

The meeting adjourned at 2:15 pm.