

RevEx Issue #2 Subcommittee Meeting Notes

October 21, 2015

DATCP, CR 266

Attendees:

Lori Bowman, DATCP
Robby Personette, DATCP
Otto Oemig, DATCP
Kristin Faucon, Growmark
John Manske, Cooperative Network
Bruce Barganz, Frontier-Servco FS Cooperative
Mae Friederich, DATCP
John Petty, DATCP (portion of morning)
Barb Stalker, DATCP (portion of morning)
Jennifer Heaton-Amrhein, DATCP
Ben Schroeder, DeVere Chemical
Tom Bressner, WABA
David Flakne, Syngenta
Jean Kohlman, DATCP
Amy Winters, CropLife
April Vingum, Bell Labs
Tom Schmidt, Monsanto (by phone)
Kristen Power, Consumer Specialty Products Assoc. (by phone)
Paul Ferguson, Legislative Fiscal Bureau (by phone)

Absent:

Jodie Thruene, SC Johnson (provided feedback by email)
Tom Lochner, Wis. Cranberries Assoc.
Elisha Kemp, Dow Chemical
Tim Clay, Cooperative Network
Brian Swingle, Green Industry
Tyler Byrnes, Dept. of Administration

Welcome, goals, review

Lori Bowman called the meeting to order at 9:30, welcomed the subcommittee and gave a brief review of the RevEx project. There are eight major issues the Bureau and stakeholder group are reviewing and the recommendations will lead to a budget issue paper for the 2017-2019 budget. Today's meeting will focus on Pesticide Registration (Issue #2) and, if there's time, timing of the various pesticide licenses (Issue #3).

Bowman stated that Wisconsin's current pesticide registration process is complex and must be fixed. The department's only "must haves" are to eliminate the license fee reconciliation process and to collect about the same amount of revenue. Other goals would be to eliminate collecting confidential sales information and to simplify.

Bowman informed the group that staff developed some scenarios to discuss, from very simple to more complex. She asked the subcommittee to concentrate on the different scenario concepts, not the specific numbers used in the examples, since other RevEx issues may impact those. The examples today will show what a change in per product fee means and what impact it will have on some examples of "typical" registrants. The goal today is to narrow down the number of conceptual ideas to a couple acceptable ones. The department will then more broadly vet a smaller group of options through a survey of registrants.

Bowman also stated that the subcommittee should assume that the amount of funding going to the DNR environmental fund will be about the same as it has been historically. Subcommittee members asked if DNR fees are off the table to discuss. Bowman reiterated that DNR fees are not part of the RevEx discussion.

Current pesticide registration process

Jennifer Heaton-Amrhein presented a review of Wisconsin's current pesticide registration system, which has been in place for about 15 years. The system annually licenses about 1250 registrants who list over 12,000 products.

Scenario 0

Heaton-Amrhein presented Scenario 0 to the subcommittee. Scenario 0 keeps all aspects of the current pesticide registration process the same, except registrants would pay on the previous year's sales rather than estimating/reconciling/estimating. Under this scenario, registrants would pay exactly the same per product fee that they pay today. The subcommittee members felt that this option would eliminate some complexity for the department (the reconciliation), but is still very complex.

Scenario 1a and 1b

Heaton-Amrhein presented Scenario 1 to the subcommittee. Scenario 1 eliminates the percent of sales paid on nonhousehold products over \$75,000. To recoup that lost revenue, all fees across all product types and sales tiers would be increased by a certain percent. In the examples provided, Scenario 1a would maintain the existing product types and sales tiers and increase the ACM portion of the fees by 15%. Scenario 1b would maintain the product types, increase the number of sales tiers for nonhousehold products over \$75,000 and increase the ACM portion of the fees across all products types and sales tiers by 10%. A slide showed that the nonhousehold products over \$75,000 would pay less under these scenarios, but Flakne noted that because the percent of sales was actually passed along, the registrants themselves would actually pay more but the farmers would pay less. Otto Oemig showed how options 1a and 1b would affect a typical registrant. Several subcommittee members mentioned that they would like to not have to report sales data and do not like sales tiers. Subcommittee members also noted that Scenarios 1a and 1b do not simplify the system very much.

Scenario 2a and 2b

Robby Personette presented Scenario 2a, a flat fee option. Bowman reminded the subcommittee not to get too concerned about the actual number used in the examples, since they could change. Flakne noted that many states have flat fees, and that they numbers we used were higher than most of those states. Subcommittee members also wondered if the flat fee would inhibit new products from coming into the state or small products from registering. Bowman reported that most states have about 12,000 products, and several registrants stated that they typically register all products in all states in case they end up on the shelves.

Scenario 2b is a lower per product flat fee option, but adds a "registrant fee" that would be assessed at the registrant level based on total combined product sales for all products into the state. This option is beneficial to the smallest registrants with a couple of low-selling products, but adds complexity back into the system. Otto Oemig showed how options 2a and 2b would affect a typical registrant.

Subcommittee members expressed that they like the flat fee option (2a) that is simple and similar to other states more than the flat fee + a registrant fee. While the lowest selling products pay more, the highest selling products pay less. Most companies currently have multiple products in multiple sales tiers so the overall impact for many registrants is marginal. Committee members noted that a flat fee per product would also stabilize funding better than one based on sales, which can fluctuate.

Scenario 3a and 3b

Heaton-Amrhein presented Scenario 3. Scenario 3 keeps the product types but compresses the sales tiers per product type from 3 to 2. The option also eliminates the % of sales for nonhousehold products over \$75,000. For all product types, the mid-level sales tier has the fewest number of products. In Scenario 3a, the mid-level sales products are included with the lowest selling products. In Scenario 3b, the mid-level sales products are included with the highest selling products. The subcommittee noted that if this option were chosen, 3a would be preferable to 3b because with 3b, if you go up a small amount in one product, you're bumped into the higher tier which can be a substantial fee increase. Otto Oemig showed how options 3a and 3b would affect a typical registrant.

Scenario 4a and 4b

Personette presented Scenario 4, which eliminates product types but keeps sales tiers. Scenario 4a keeps the existing sales tiers, while Scenario 4b expands the number of sales tiers for products over \$75,000. The option also eliminates the % of sales for nonhousehold products over \$75,000 since there would no longer be any product types. Under this this option, household products with sales over \$75,000 would pay substantially more per product than they are currently.

Recommendation

The subcommittee discussed all the scenarios and felt that the flat fee is the most simple and equitable, but that the amount presented was a little high compared to other states. Bowman reminded the subcommittee that a portion of that fee is mandated to go to the DNR environmental fund and that other states might have different funding mechanisms. Bowman asked if the products with \$0 sales would still register under a flat fee. The registrants stated again that they typically register all products in all states.

The subcommittee stated that 2a is the preference, followed by 2b. They requested the department look at how the amount shown in the examples compares to other states. When asked who would oppose a flat fee, Heaton-Amrhein stated that a small company with only 1 low-selling product would pay more than they are paying now. Bowman proposed that the Bureau send out a survey to registrants to gauge their feedback and get a perspective on who will object. A survey would also give people a heads up that there may be a change. The earliest for this change is July 1, 2017, to be implemented on the cycle that starts on or after January 1, 2018.

Issue #3: Timing of pesticide license renewals

Personette presented background on Issue #3, timing of pesticide license renewals. Currently, we process and issue all pesticide licenses (registration, pesticide business location, restricted use dealers, and individual commercial applicators) on a calendar year basis. Two licensing associates and an LTE handle all that work. The peak of work is November through April. The department could better utilize manpower if we were to move either the pesticide registration license or all the other pesticide licenses to renew mid-year.

Barganz stated that from a retailer perspective, he would prefer that they leave the applicator certification and licensing when it is. Personette said that he has heard the lawn care industry would also like to leave those licenses on a calendar year basis. Flakne said that the vast majority of states renew pesticide registration at calendar year end, and the registration folks would be ok with moving Wisconsin's pesticide registration to mid-year, especially if it is going to be on-line. He said there are some concerns if fees are based on sales, but if that goes away, changing becomes much easier. Schroeder said calendar year is better if basing registration fees on sales, but if that is going away mid-year is fine. Vignum said she prefers July 1 if doing mid-year. Thrune reported post-meeting that mid-year is fine.

Bowman mentioned that if the pesticide registration license is moved, there are transition issues to consider. For example, the 2017 pesticide registration would typically expire on December 31. How would we handle the time between January 1 and July 1? Extend the 2017 license to cover an additional 6 months? Would we need to collect any fees or a portion of the fees? Subcommittee members suggested the department prepare a paper on transition issues and possible solutions, including exploring if the existing ACM fund balance could help cover any gap in fees caused by a transition.

Follow-up:

- Prepare and send out a summary of what happens in the Issue #4 and #5 (ACCP) subcommittee and how that will impact pesticide registration.
- Prepare and send out details of how a transition to a July 1 pesticide registration renewal date might work and how it might be funded.
- Research the flat fees and other pesticide fees in other states.
- Survey registrants on the flat fee and July 1 license renewal option.

The meeting adjourned at approximately 1:45 pm.