

Governor's Dry Cleaner Council
Meeting Notes
2811 Agriculture Dr., Madison
June 15, 2012
9:00 a.m. – 12:00 p.m.

Attending:

Governor's Council

Rich Klinke, Chair
Jeanne Tarvin

Terry Evanson
Cathy Burrow
Mark Giesfeldt

DNR

Jeffrey Voltz
Olivia Shanahan (intern)

WI Fabricare Institute

Brian Swingle

I. Agenda Repair

DOR form for solvent sellers. Brian pointed out that the current DOR form for reporting solvent fees states "PCE - \$5.00/gallon and Hydrocarbon - \$0.75/gallon". This is incorrect. Chapter 77.9962, WI stats, states, "75 cents per gallon of any dry cleaning product sold, other than perchloroethylene". Brian is working with DOR to correct the form.

II. Current Status of DERF – Cathy Burrow

Claim increase & EIF Depletion. Approximately \$4 million has been borrowed from EIF to pay dry cleaner claims. The \$6 million available from EIF will be exhausted in less than 7 quarters. Cathy now estimates that the money may be exhausted in as little as 4 quarters because claims increased by 1/3 between 2011 and 2012. ([Attachment #1](#))

Program Revenues. Program Revenues for 2012 have decreased to approximately \$850,000. ([Attachment #2](#))

Cathy & Terry reviewed the December 2011 DERP Five Year Progress Report and presented updated statistics and graphs. ([Attachment #3](#))

Discussion: The Council expects that claims will continue to increase as work begins on the glut of sites that entered DERP in 2008. It will likely be ~10 years before reimbursement claims begin to decline. The Council feels that forgiveness of the EIF loan is necessary and, in addition, more money needs to be infused into DERF to complete the cleanups.

Mark explained the current demand on the Environmental Fund due to cleanup of bankrupt industries and the State taking over existing cleanup efforts begun by industry. DERF already "owes" the EF over \$700,000 and more dry cleaner cleanups are depending upon EF to address vapor intrusion and other exposures to dry cleaner solvents.

A number of options were discussed for moving forward from this point.

III. Options & Assignments

A. Meeting with BFSG. The Governor's Dry Cleaner Council will meet with a core group of the Brownfield Study Group to discuss possible collaboration and options for alternative funding mechanisms, where dry cleaners might be a sub-group of a larger cleanup initiative.

a. Assignment: Mark Giesfeldt will set up this meeting

B. Publicly Available List of Licensed Dry Cleaners. The list of licensed dry cleaners in the state needs to be publically available. In addition, the physical address of the dry cleaner (as opposed to the

mailing address or tax preparers address) is needed. The Council feels that Department of Revenue should be approached and asked once again for this information.

- a. Assignment: Cathy Burrow will contact DOR and discuss how licensed dry cleaners can be made public. In addition, Cathy will work with DOR to change their forms so that the physical address of the dry cleaner is collected.

- C. Alternative Funding Options. A list of possible alternative funding options needs to be put together in preparation for the BFSG meeting recommended above. Those options may include:
 1. Increasing dry cleaner participation by identifying currently licensed and unlicensed dry cleaners
 2. Increasing the solvent fees
 3. Redirecting a portion of the current sales tax on dry cleaners to DERF
 4. Bonding as an option for remedial actions and operation & maintenance activities at DERF cleanups.

It was recommended that a matrix be put together that includes categories of DERF sites (e.g., sites in remedial action, site investigation, no action taken) and establish expected costs for each category. This will help flesh out total costs as well as alternative funding (such as demand for bonding).

- a. Assignment: Cathy & Jeffrey will put together a DERF matrix.
- b. Assignment: Governor's Council will work with the BFSG to build a case for policy and/or legislative changes.

- D. Quantifying the impact of DERF. The Council feels that it would be helpful to try to quantify the benefit of DERF to the state. One idea for this is to contact the UW-Business School and ask if a class would be willing to undertake this as a project. The goal would be to at minimum identify the variables and inputs that would be needed to undertake this assessment.
 - a. Assignment: Brian will discuss this with Mark McDermid, who has contacts in the UW-Business School

Projected Demand on DERF (06/20/12)

	EIF Transfer (Incoming)	For Reference - EIF Transfer Interest Charges (^)	(^) Accrued Interest on EIF \$6.2 million loan	Projected Reimbursement Funds Available to Pay Claims	Estimated Reimbursement Claims Submitted	Request for Payment Exceeding DERF Balance
FY12	\$ 691,000	\$ 4,116	\$ 4,116	\$ 1,266,000	\$ 1,250,000	\$0
FY13	\$ 920,000	\$ 10,073	\$ 10,073	\$ 1,485,000	\$ 1,500,000	\$0
FY14	\$ 734,150	\$ 18,000	\$ 18,000	\$ 1,289,150	\$ 1,500,000	\$209,850
FY15		\$ 24,000	\$ 24,000	\$ 545,000	\$ 1,400,000	\$1,064,850
FY16		\$ 60,000	\$ 60,000	\$ 535,000	\$ 1,450,000	\$1,979,850
FY17		\$ 204,000	\$ 204,000	\$ 525,000	\$ 1,500,000	\$2,954,850
FY18		\$ 204,000	\$ 204,000	\$ 515,000	\$ 1,500,000	\$3,939,850
FY19		\$ 204,000	\$ 204,000	\$ 505,000	\$ 1,500,000	\$4,934,850
FY20		\$ 204,000	\$ 204,000	\$ 495,000	\$ 1,500,000	\$5,939,850
FY21		\$ 204,000	\$ 204,000	\$ 485,000	\$ 1,500,000	\$6,954,850
FY22		\$ 204,000	\$ 204,000	\$ 475,000	\$ 1,500,000	\$7,979,850
FY23		\$ 204,000	\$ 204,000	\$ 465,000	\$ 1,000,000	\$8,514,850
FY24		\$ 204,000	\$ 204,000	\$ 455,000	\$ 1,000,000	\$9,059,850
FY25		\$ 204,000	\$ 204,000	\$ 445,000	\$ 1,000,000	\$9,614,850
FY26		\$ 204,000	\$ 204,000	\$ 435,000	\$ 642,825	\$9,822,675
FY27		\$ 204,000	\$ 204,000	\$ 425,000		\$9,397,675
FY28		\$ 204,000	\$ 204,000	\$ 415,000		\$8,982,675
FY29		\$ 204,000	\$ 204,000	\$ 405,000		\$8,577,675
FY30		\$ 204,000	\$ 204,000	\$ 395,000		\$8,182,675
FY31		\$ 204,000	\$ 204,000	\$ 385,000		\$7,797,675
FY32		\$ 204,000	\$ 204,000	\$ 375,000		\$7,422,675
Sunset - Balance Due	\$6,200,000		\$ 3,380,189	\$ -		\$7,422,675
Totals		\$ 3,380,189		\$ 12,320,150	\$ 19,742,825	

Forgiving the EIF Loan and associated interest results in unfunded obligations of \$7,422,675 at Sunset of DERF in

A reimbursement backlog will begin with the exhaustion of EIF funds. Payments to Dry Cleaners will be delayed. This results in Dry Cleaners carrying excessive interest payment costs (assuming they can secure loans for cleanup work). More likely, cleanups will halt or be delayed until additional funding is available.

\$19,392,825 Estimated Claims Remaining
 \$12,320,150 Estimated Claims Paid by 2032
\$7,072,675 Claims Unfunded at Sunset of Program
 \$6,000,000 Loan Repayment Due to EIF
 \$3,380,189 Accrued Interest Owed
 \$16,452,864 Unfunded Claims & Monies owed at 2032 DERF Sunset

Estimated Annual Interest for EIF Transfer (^)	
variable	3.40%
short term	long term

Assumptions:

- (*) DERF Revenue is projected to continue declining below 1,000,000 / year, with approx \$300,000 going to administrative expenses. Revenue may not meet expectations due to fluxuations in national economy & business outlook for dry cleaning.
- (^) Assumes a low variable rate (from 0.2%-1%) over the next 5 years based on current trends, then 3.4% per year extending further out. This rate fluctuates from month to month based on the daily interest earnings rate of the state investment fund, and will vary. 3.4% is the 10 year average for the past 10 years.
- (") Estimate of total claims remaining is based on the projected cost to closure for active clean-up sites and an estimated \$145,000 total cost per site for those sites that have not begun cleanup.

Figure 1 DERF Annual Program Revenues

	Total	% Change from Prev Year
Fiscal Year 99	\$ 1,239,451.00	
Fiscal Year 00	\$ 1,362,535.18	9.93%
Fiscal Year 01	\$ 1,144,309.70	-16.02%
Fiscal Year 02	\$ 1,117,507.23	-2.34%
Fiscal Year 03	\$ 1,146,619.06	2.61%
Fiscal Year 04	\$ 1,043,143.37	-9.02%
Fiscal Year 05	\$ 1,015,453.21	-2.65%
Fiscal Year 06	\$ 1,104,435.77	8.76%
Fiscal Year 07	\$ 938,344.44	-15.04%
Fiscal Year 08 (*)	\$ 1,084,748.79	15.60%
Fiscal Year 09	\$ 1,023,953.88	-5.60%
Fiscal Year 10	\$ 1,019,125.25	-6.05%
Fiscal Year 11	\$ 986,979.27	-3.15%
Fiscal Year 12	\$ 687,065.11	
TOTAL	\$ 14,913,671.26	

(*) 4th quarter of FY08 included a 1% increase in tax, thus raising revenue in comparison to past years.

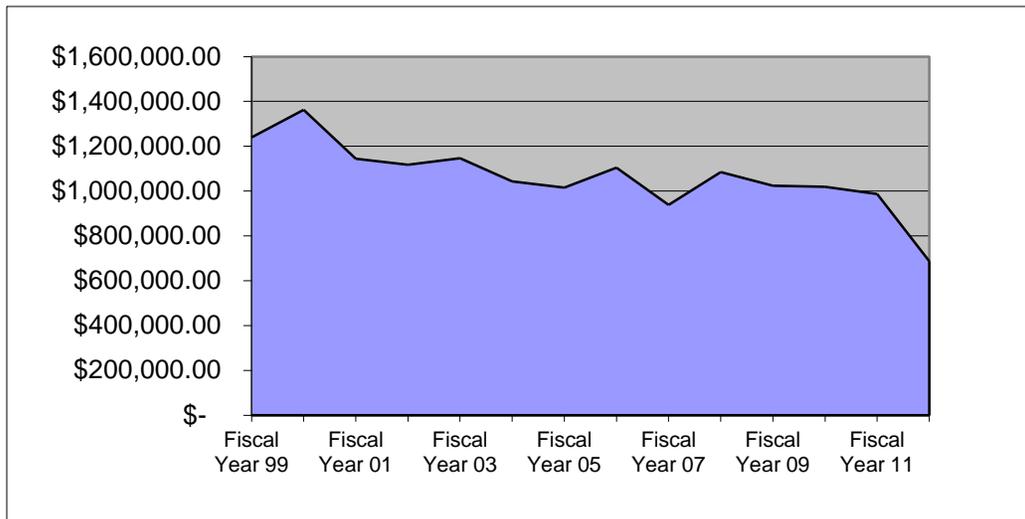


Figure 1
DERF Annual Program Revenues

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Figure 2
EIF to DERF Transfer History

	Amount Borrowed by DERF from EIF	EIF Monies Available on Loan to DERF
		\$6,000,000.00
FY10	\$2,477,500.00	\$3,522,500.00
FY11	\$973,150.00	\$2,549,350.00
FY12	\$691,100.00	\$1,858,250.00
	\$4,141,750.00	\$1,858,250.00

Average Request (disregarding initial) -\$241,240.91
Estimated Number of Quarters Remaining 7.7

Figure 5
Upward Trend in Payments for Cleanup

	# of Sites	Avg. DERF Payment (to date)
Closed sites; cleanup complete	51*	\$93,719.75
Active sites; undergoing cleanup	92~	\$123,487.63

*63 sites have received final closure. ~122 sites are active.

Only sites that have submitted a claim to DERF were included .

This table supports the conclusion that less complex sites were cleaned up first. Sites with more complexity and/or contamination will take more money to remediate.

Figure 12
Ability to Pay/Environmental Fund (EF) Expenditures

Site Name	Amount DERF Owes to EF	EF Payment of DERF Deductible (not reimburseable)
Sterling Cleaners, Appleton	\$16,711.38	\$10,000
Barb & Ron's, Appleton		
Sandies*, Little Chute		
Fox Valley Laundries, Oshkosh	\$2,168.00	\$2,168
Shilobrit's, Neenah	\$162,338.81	\$10,000
Shilobrit's, Oshkosh	\$162,100.19	\$10,000
Westby Cleaners, Westby	\$445,126.95	\$10,000
Total	\$788,445.33	\$42,168

* \$300,000 authorized from EF for Sandies