

Governor's Dry Cleaner Council
Meeting Notes
DNR Waukesha Service Center
May 4, 2007
9:30 a.m. – 2:30 p.m.

Attending:

Governor's Council

Rich Klinke, Chair
Jim Fitzgerald
Bret Donaldson
Jill Fitzgerald
Kevin Braden
Jeanne Tarvin

DNR

Mark Giesfeldt
Pat McCutcheon
Terry Evanson
Jeff Soellner

WI Fabricare Institute

Brian Swingle

Reinhart-Boerner

Don Gallo

Guests

Brian Cass
Chuck Cass
Tom Grimm

Welcome Brett Donaldson

Brett Donaldson, who was recently appointed by the Governor, was welcomed to the Dry Cleaner Environmental Response Council.

Fund Update – Jeff

Jeff gave a fund update. The current status and future fund projection tables are attached to these notes. As of May 2007, all of the spending authority allotted to DERF has been claimed in reimbursements. There are 10.5 claims that will be paid from FY07 appropriation and another 10.5 claims that will be paid from FY08 appropriation. One claim will be split between the 2 fiscal years. **Over \$428,400 of FY08 money has already been claimed.** If dry cleaner license fees are not increased, spending authority will be approximately \$750,000 for FY08, meaning that more than half of next year's money available for reimbursement has already been claimed.

In February, Jeff and RR staff worked with consultants to estimate future demand on DERF. (Spreadsheet of DERF Liability attached) It is estimated that there will be about \$20 million in future demand. Jeff explained how the money was distributed over each fiscal year to estimate demand per year. It is estimated that there could be as much as \$6 million in demand in FY08. However, experience shows that the actual demand is likely to be closer to \$3 million. In either case, there is significantly more demand than the \$750,000 (at 1.8% license fee) or \$1.1 million (at 2.8% license fee) that may be available.

Legislative Initiatives & Future of DERF Program – All

Brian explained that the WFI Board wants:

- 2.8% license fee as an upper cap on fees
- The program entry deadline extended 8 years (to 2016)
- A solution to additional funding

Immediate Funding Issues

The Council discussed the projected future liability of known sites and the additional unknown costs that would be incurred by extending the entry deadline beyond Aug. 30, 2008. It is clear that at 2.8%, the license fee will not cover existing program costs so it's difficult to look at a deadline extension with the current license fee as the primary revenue generator.

Funding Options. The following funding options were discussed:

1. Redirect the State sales tax paid by dry cleaners to DERF. Dry cleaners in many other states are not subject to state sales tax. The Governor's Council will pursue with the legislature the possibility of redirecting the 5% sales tax currently paid by dry cleaners (approximately \$2.5 million/yr) to DERF. This, plus the current 1.8% would result in approximately \$3.6 million/yr. The sales tax shift would be temporary until DERF costs drop back to a level that can be sustained by the current 1.8% fee.
2. Temporary increase above 2.8% in the dry cleaner license fee. It was recognized that a temporary (perhaps 5 year) increase in the license fee to 5% may be necessary to overcome the increased demand in DERF.
3. Private financing of debt. Because it does not appear that the \$8.5 million State bonding recommended by the Council in their 5 year report will be implemented, it was suggested that the dry cleaners could pursue private financing of a bond. There was no discussion of the financing cost or the method and cost to sell this type of debt.

August 30, 2008 Program Closure Date

The Council strongly feels that the program must be open to dry cleaners beyond August 30, 2008. Dry cleaners look at DERF as an "insurance" program. Dry cleaners are concerned that the following issues will occur if the Aug. 30, 2008 deadline is not extended:

- Strip mall owners will not rent them business space without the availability of DERF and dry cleaners may even lose their leases. It is difficult for dry cleaners to buy pollution liability insurance.
- Dry cleaners won't be able to cleanup contaminated properties.
- Dry cleaners won't have financial resources if they have a future release of solvent.
- Encourage dry cleaners to cheat on paying the license fee because they see no benefit to themselves.

Possible Program Changes. In looking beyond August 30, 2008, discussion of possible program changes included:

1. Change the scope of the program and the fee structure. An additional fee could be required for future participation in DERF. This idea is similar the State of Illinois program where dry cleaners pay mandatory license fees and voluntary insurance fees.
2. Create a "prioritization" cleanup program. This would require that every dry cleaner perform a Phase 2 investigation, report the results to the DNR and that relative risk be assigned to each site. Then sites are cleaned up according to their priority ranking. The State of Florida uses this approach.
3. Create a "State-lead" program, similar to the Environmental Repair Program, where the DNR directs the cleanup schedule and perhaps contracts for investigation & cleanup. This would allow pacing the program according to annual income.
4. Apply a higher deductible for site entering in the future and/or charge an application fee (say, \$30,000) to enter the program.

Discussion of how to reduce immediate program costs

There was significant discussion about average cost to investigate, cleanup and close dry cleaner sites. Based on 18 site closures that have requested reimbursement, the average total cost is \$131,000. (To date, 24 sites have been closed in DERF. Six have claimed no reimbursement. The list is attached to these notes.) The DNR estimates an average cost of \$140,000 per site for new sites entering the program which is believed to be conservative.

We discussed the flexibility DNR has regarding timing of cleanups after discovery. Mark Giesfeldt said that DNR has worked with industries to prioritize multiple sites over a period of years to spread out industry cost and effort. However, these agreements have occurred after identifying which sites need investigation and cleanup. To institute this, a date for initial site assessment of all dry cleaners would be necessary.

The dry cleaners would prefer an option where each site enters the program at the time of the individual dry cleaner's choosing but then the DNR decides when the cleanup actually begins. However, most dry cleaners enter the program when they are seeking refinancing or selling their business and want to complete the cleanup as soon as possible.

Recommendations Governor's Dry Cleaner Council will make to the Legislature

Representatives of WFI and the Governor's Council will meet with legislators and recommend the following:

1. Redirect the current 5% State sales tax to DERF in addition to keeping the current 1.8% license fee. This will generate \$3.6 million/year for DERF.
2. Seek an extension of the program application deadline beyond Aug. 30, 2008, particularly if funding is available beyond the biennium to support this.

Conclusion

DNR's DERF Team will discuss how to prioritize and or lengthen the time required for dry cleaner cleanup to reduce immediate costs

Next meeting of the Council will be after the Budget is signed by the Governor.

Attachments:

Agenda, May 4, 2007

Fund status, May 2007

DERF Future Liability, developed Feb. 2007

Closed DERF sites, May 2007

Governor's Dry Cleaner Council

Meeting Agenda

May 4, 2007
DNR Waukesha Service Center
9:30 a.m. – 2:30 p.m.

1. Welcome - Rich Klinke & Mark Giesfeldt
Welcome to Brett Donaldson
2. Review of fiscal status of the Dry Cleaning Fund – Jeff
 - Recent Program Audit & Long-term liability
3. Legislative initiative – fee increase and bonding proposals – Rich
4. Future of DERF Program - All
 - Discussion of alternatives for the program after Aug. 30, 2008
 - Time frame for legislative initiative to implement program changes

Summary of DERF Status
May 2007

Available \$ and payments to date

Spending Authority for FY '07	Adjusted for FY '07	Starting balance for FY '07	Payments Made in FY'07	Remaining balance for FY'07	
\$ 101,850.00	\$ (252,200.00)	\$ 101,850.00	\$ -	\$ 101,850.00	Immediate = 9.7% (of total \$)
\$ 237,037.50	\$ 126,100.00	\$ 281,343.90	\$ 507,425.25	\$ (226,081.35)	high risk 25% of balance
\$ 568,890.00		\$ 1,249,090.85	\$621,728.48	\$ 627,362.37	medium risk 60% of balance
\$ 142,222.50	\$ 126,100.00	\$ 302,601.21	\$495,609.82	\$ (193,008.61)	low risk 15% of balance
\$ 1,050,000.00	\$ -	\$ 1,934,885.96	\$ 1,624,763.55	\$ 310,122.41	
			51 payments		

	not yet paid	available funds	
Immediate = 9.7%		\$ 101,850.00	
high risk 25%	\$ 149,965.20	\$ (376,046.55)	
medium risk 60%	\$ 20,512.10	\$ 606,850.27	
low risk 15%	\$ 60,260.40	\$ (253,269.01)	
unknown risk	\$ 79,363.92	\$ (79,363.92)	
total	\$ 310,101.62	\$ 20.79	total available
10.5 claims waiting			
		\$ 738,542.40	complete total not yet paid in FY'07
		\$ 2,363,305.95	FY '07 funds requested to date

plus state 2 leads & contract payment for start of FY '08 \$ 280,379.77

FY '08 requests \$	428,440.78
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	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16	FY 17	totals	
Each FY expected SI + RA	\$ 6,276,429	\$ 5,038,412	\$ 3,038,824	\$ 1,629,637	\$ 918,472	\$ 363,379	\$ 195,000	\$ 145,000	\$ 75,000	\$ 35,000	\$ 17,715,153	current sites
Projected cost @ new sites	\$ 100,000	\$ 475,000	\$ 595,000	\$ 670,000	\$ 690,000	\$ 570,000	\$ 120,000				\$ 3,220,000	new sites
Total per Fiscal Year	\$ 6,376,429	\$ 5,513,412	\$ 3,633,824	\$ 2,299,637	\$ 1,608,472	\$ 933,379	\$ 315,000	\$ 145,000	\$ 75,000	\$ 35,000	\$ 20,935,153	total projection

Projected Costs for New Sites
 Entering Program between 2/2007 and 8/2008

new site projects (sites not yet in)

	1st. quarter	2nd. quarter	3rd. quarter	4th. quarter	Total for the year
FY 07				4	4
FY 08	4	4	3	4	15
FY 09	4				4
					<u>23</u>

Dollar demand for new sites!

FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	total
100000	100000	120000	120000	120000			
	375000	375000	450000	450000	450000		
		100000	100000	120000	120000	120000	
totals	100000	475000	595000	670000	690000	570000	3220000

We are still only estimating 15 new sites per year at \$140K each, which could be too conservative but it is consistent with the previous projections.

Assumption:

- Estimated costs for all new projects
- \$25,000 added 1 year after start-up
- \$25,000 added 2 years after start-up
- \$30,000 added 3 years after start-up
- \$30,000 added 4 years after start-up
- \$30,000 added 5 years after start-up
- \$140,000 total increase per site assumed

Closed Dry Cleaner Sites
As of May 2007

Location Name	Location Address	City	Zip	County	Region	startdate	end date
ATHENA CORP	200 W WISCONSIN AVE	APPLETON	54911	OUTAGAMIE	NE	07/26/1991	04/10/1997
LEATHER RICH INC	210 S SILVER LAKE ST	OCONOMOWOC	53066	WAUKESHA	SE	12/15/1993	04/10/1998
GLENWOOD CLEANER	2713 18TH ST	KENOSHA	53140	KENOSHA	SE	11/22/2000	02/17/2001
LINDEMANS CLEANING INC	1231 S MONROE AVE	ALLOUEZ VIL	54301	BROWN	NE	10/14/1996	01/25/2002
CHOICE CLEANERS - LAKE COUNTRY SQ	601 RYAN ST	PEWAUKEE		WAUKESHA	SE	05/27/1999	09/19/2002
CLOTHES CLINIC INC	31 LONE OAK LN	HARTFORD	53027	WASHINGTON	SE	08/20/2001	12/09/2003
SUPER DRY CLEANERS	5914 N 76TH ST	MILWAUKEE	53218	MILWAUKEE	SE	02/14/2001	02/23/2004
KLINKE CLEANERS	2502 MONROE ST	MADISON	53711	DANE	SC	10/06/1998	04/01/2004
STANNARD DRY CLEANERS	653 N MAIN ST	OSHKOSH	54901	WINNEBAGO	NE	01/10/1995	08/10/2004
CHAPPEL FORMAL WEAR - TAILOR & CLE	17385 W BLUEMOND RD	BROOKFIELD		WAUKESHA	SE	09/19/2003	12/14/2004
SEMM INC DBA CEDARBURG DRY CLEAN	W62 N253 WASHINGTON A	CEDARBURG	53012	OZAUKEE	SE	09/28/1999	02/07/2005
VALET 1 HR INC DBA HAMPTON 1 HR VAL	4616 W HAMPTON AVE	MILWAUKEE	53218	MILWAUKEE	SE	08/13/2003	03/08/2005
VOGUE CLEANERS	412 E MAIN ST	WATERTOWN	53094	JEFFERSON	SC	07/19/2002	04/26/2005
EXPRESS CLEANERS CORP	5620 S 108TH ST	HALES CORNERS	53130	MILWAUKEE	SE	02/27/2003	05/10/2005
CASH ADVANCE	3825 DURAND AVE	RACINE	53405	RACINE	SE	07/29/2002	08/25/2005
BEST CLEANERS	7238 N 76TH ST	MILWAUKEE	53223	MILWAUKEE	SE	01/22/2003	11/15/2005
ONE HOUR MARTINIZING (FORMER)	3232 W LOOMIS RD	GREENFIELD	53221	MILWAUKEE	SE	03/04/2004	01/03/2006
ONE HOUR MARTINIZING	7103 S 76TH ST	FRANKLIN	53132	MILWAUKEE	SE	04/12/2000	02/07/2006
ROYAL CLEANERS (FORMER)	135 S BROADWAY	DEPERE		BROWN	NE	08/08/2003	02/08/2006
EAGLE CLEANERS	320 E WALL ST	EAGLE RIVER		VILAS	NO	01/21/2000	05/15/2006
MODEL CLEANERS	66 S MACY ST	FOND DU LAC	54936	FOND DU LAC	NE	10/14/2003	07/06/2006
ONE HOUR MARTINIZING	310 DELAFIELD ST	WAUKESHA	53188	WAUKESHA	SE	08/18/2003	07/25/2006
KLINKE CLEANERS	626 WESTGATE MALL	MADISON	53711	DANE	SC	10/02/1998	11/02/2006
ROBIN INC	2919 N LEXINGTON DR	JANESVILLE	53545	ROCK	SC	06/14/2002	04/13/2007