

Governor's Dry Cleaner Council
Meeting Notes
DNR Waukesha Service Center
November 4, 2005
10 a.m. – 2:30 p.m.

Attending:

Governor's Council

Steve Plater, Chair
Rich Klinke
Jeanne Tarvin
Jim Fitzgerald
Jill Fitzgerald

DNR

Mark Giesfeldt
Terry Evanson
Jeff Soellner

DOA

Jason Rothenberg

WI Fabricare Institute

Brian Swingle

Reinhart-Boerner

Don Gallo

Review of funding status for DERF: Jeff Soellner

This fiscal year (FY06), the DNR has \$2.6 million in spending authority for DERF. Total claims in the year (July 1 – Nov 1, 2006) are \$1,232,704, leaving a fund balance of \$1,367,295. Claims have been coming in at a faster rate this year due to rule changes allowing more interim payments and because more environmental work cleaning up dry cleaner facilities is occurring. The DNR continues to project a revenue shortfall for FY06 of over \$700,000, with shortfalls increasing yearly thereafter.

The spreadsheet with these projections are attached to these notes.

Future Funding of DERF – dry cleaning fee structure and alternate funding mechanisms

1. **State Revenue Bonds.** This discussion focused on the possibility of State bonding to carry the financing costs that will otherwise be borne by the dry cleaners. There are dry cleaners who are not applying to the program because they are concerned there will not be money for reimbursement. The dry cleaner fees are authorized through 2032. Those fees would be brought forward through borrowing.

The council believes that the dry cleaning fee (1.8% on gross revenues from dry cleaning) will also need to be raised for 2 reasons:

- Dry cleaning revenues continue to fall, so to keep the income to the program level, a fee increase is needed.
- As a good faith gesture to convince legislators that the program is working to pay it's own way.

Jeff presented his assessment of the impact of bonding, which showed that the backlog of payments still occurs with bonding, mostly because the revenue stream (\$1 M/yr) is so small for paying off the bonds & keeping up with the program demand. It was agreed that Jeff would do additional investigation with DOA and Commerce for their experience with the PECFA bonding & reassess his cost projections.

2. **Sales tax based fee.** The Council discussed the idea of making the current fee (1.8%) applicable to all sales by dry cleaners – that is, the fee would be based on the sales tax

reported to DOR. This has the advantage of being verifiable. Currently, it is believed that some dry cleaners are shifting the reporting of revenues from dry cleaning to wet cleaning to avoid payment of the dry cleaning fee. Also, by making the fee applicable to all sales, it may be possible to avoid raising the fee. This idea is not popular with the dry cleaners, especially those who have sales unrelated to cleaning that would come under the fee.

3. **Comprehensive funding package.** Mark Giesfeldt lead a discussion about the possibility of the dry cleaners joining together with others interested in a comprehensive cleanup program. Others exploring such an idea are the brownfields and landfill cleanup. If a coalition of interested parties can work together, they may be able to find a larger funding mechanism that would avoid the backlog now facing the dry cleaners. Such a program may help dry cleaners address contaminated property liability when they are selling their businesses. Site prioritization for cleanup could also be part of such a program.

The Council was very interested in this idea. They were invited to participate in the Brownfield Study Group meeting taking place Dec. 1 in Madison.

4. **State of the DERF Program Report to the Legislature.** A comprehensive report on the program is due to the legislature at the end of 2006. This report could be used to highlight the revenue shortfall issues facing the program. The report could be prepared early to coincide with proposed legislative action.

The next legislative budget cycle is July 2007. Jeff will follow-up on the bonding idea. It was agreed that the DNR will share milestones on budget proposals, so that any budget recommendations can be done on a timely basis.

Eligible/Ineligible Costs for Demolition and Restoration of Structures: Terry Evanson.

We revisited the discussion of eligible/ineligible costs. It was recognized that new materials are sometime cheaper than reuse of old materials. "Betterment" of a dry cleaner establishment should not be eligible for reimbursement, but that word needs to be defined.

It was agreed that a subgroup of the committee should work out code language that may capture the intent of what costs are eligible when dry cleaner facilities are disturbed to facilitate cleanup. The volunteers for the sub-committee were: Brian, Don, Jim, Jeff & Terry.

Handouts at the meeting:

1. Exel spreadsheet of projected costs
2. June 24, 2005 Letter to Mark Giesfeldt from the Governor's Dry Cleaner Council regarding reimbursement of certain ineligible costs
3. July 25, 2005 Letter from Mark Giesfeldt to Steve Plater regarding Eligible/Ineligible Costs for DERP Reimbursement
4. October 31, 2005 Memo from Jim Fitzgerald to Theresa Evanson in response to Mark Giesfeldt's 7/25/2005 letter.

DERF Fund update for 11-10-2005

Payments completed

Category	Spending Authority for FY '06	Payments made in 06	Number of payments	Balance for 06
Immediate = 9.7%	\$ 252,200.00			\$ 252,200.00
high risk 25%	\$ 586,950.00	\$ 350,891.39	3 payments	\$ 236,058.61
medium risk 60%	\$ 1,408,680.00	\$251,921.19	8 payments	\$ 1,156,758.81
low risk 15%	\$ 352,170.00	\$ 200,047.04	4 payments	\$ 152,122.96
TOTALS	\$ 2,600,000.00	\$ 802,859.62	15 payments	\$ 1,797,140.38

Claimed but not yet paid

dollars claimed *	number of claims / category
\$ 26,828.98	1 claim / high category
\$ 310,552.08	5 claims / medium category
\$ 84,083.27	3 claims / low category
\$ 421,770.57	9 claims / sum of all above
\$ 60,552.08	6 claims unknown category
\$482,322.65	15 claims / total sum

* minus estimated deductible

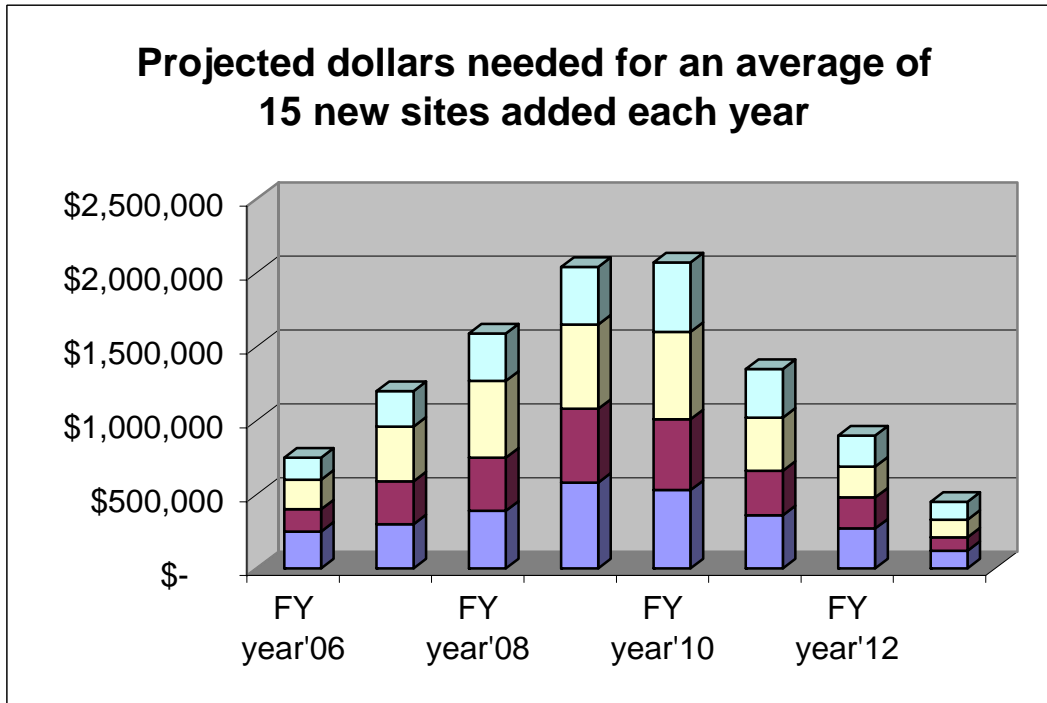
approx. total claims this
fiscal year to date = \$1,285,182.20

approx. fund balance with unpaid
claims included = \$1,314,817.80

For New Sites Projected Expenditures

	total new projects added				
	1st. quarter	2nd. quarter	3rd. quarter	4th. quarter	
FY year'04				15	for biennium FY '04 - '05 - 30 predicted
FY year'05	18	22	27	30	39 new sites applied and 37 were eligible
FY year'06	33	36	41	45	
FY year'07	50	54	57	60	
FY year'08	64	67	71	75	no new project after this date

	1st. quarter	2nd. quarter	3rd. quarter	4th. quarter	Total for the year
FY year'04					
FY year'05					
FY year'06	\$ 250,000	\$ 150,000	\$ 200,000	\$ 150,000	\$ 750,000
FY year'07	\$ 300,000	\$ 290,000	\$ 370,000	\$ 240,000	\$ 1,200,000
FY year'08	\$ 390,000	\$ 360,000	\$ 520,000	\$ 320,000	\$ 1,590,000
FY year'09	\$ 580,000	\$ 500,000	\$ 570,000	\$ 390,000	\$ 2,040,000
FY year'10	\$ 530,000	\$ 480,000	\$ 590,000	\$ 470,000	\$ 2,070,000
FY year'11	\$ 360,000	\$ 300,000	\$ 360,000	\$ 330,000	\$ 1,350,000
FY year'12	\$ 270,000	\$ 210,000	\$ 210,000	\$ 210,000	\$ 900,000
FY year'13	\$ 120,000	\$ 90,000	\$ 120,000	\$ 120,000	\$ 450,000
					\$ 10,350,000



Assumption:

- Estimated costs for all new projects
- \$50,000 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

**Current and Projected Sites
Dollars Needed / Revenue Available**

		D.C. license %		1.8		2.3		2.8		3.6		3.9		5				
		% increase				27.7		55.5		100		116.6		177.7				
		increase authority				\$ 290,850		\$ 582,750		\$ 1,050,000		\$ 1,224,300		\$ 1,865,850				
		projected authority		\$ 1,050,000		\$ 1,340,850		\$ 1,632,750		\$ 2,100,000		\$ 2,274,300		\$ 2,915,850				
1st. quarter	2nd. quarter	3rd. quarter	4th. quarter	total projected payments	revenue available	\$ left	revenue available	\$ left	revenue available	\$ left	revenue available	\$ left	revenue available	\$ left	revenue available	\$ left		
FY year06	\$ 850,000	\$ 950,000	\$ 825,000	\$ 750,500	\$ 3,375,500	\$ 2,600,000	\$ (775,500)	\$ 2,600,000	\$ (775,500)	\$ 2,600,000	\$ (775,500)	\$ 2,600,000	\$ (775,500)	\$ 2,600,000	\$ (775,500)	\$ 2,600,000	\$ (775,500)	FY year06
FY year07	\$ 800,000	\$ 696,000	\$ 645,000	\$ 775,000	\$ 2,916,000	\$ 274,500	\$ (2,641,500)	\$ 565,350	\$ (2,350,650)	\$ 857,250	\$ (2,058,750)	\$ 1,324,500	\$ (1,591,500)	\$ 1,498,800	\$ (1,417,200)	\$ 2,140,350	\$ (775,650)	FY year07
FY year08	\$ 810,000	\$ 750,000	\$ 900,000	\$ 780,000	\$ 3,240,000	\$ (1,591,500)	\$ (4,831,500)	\$ (1,009,800)	\$ (4,249,800)	\$ (426,000)	\$ (3,666,000)	\$ 508,500	\$ (2,731,500)	\$ 857,100	\$ (2,382,900)	\$ 2,140,200	\$ (1,099,800)	FY year08
FY year09	\$ 670,000	\$ 650,000	\$ 570,000	\$ 600,000	\$ 2,490,000	\$ (3,781,500)	\$ (6,271,500)	\$ (2,908,950)	\$ (5,398,950)	\$ (2,033,250)	\$ (4,523,250)	\$ (631,500)	\$ (3,121,500)	\$ (108,600)	\$ (2,598,600)	\$ 1,816,050	\$ (673,950)	FY year09
FY year10	\$ 530,000	\$ 480,000	\$ 590,000	\$ 470,000	\$ 2,070,000	\$ (5,221,500)	\$ (7,291,500)	\$ (4,058,100)	\$ (6,128,100)	\$ (2,890,500)	\$ (4,960,500)	\$ (1,021,500)	\$ (3,091,500)	\$ (324,300)	\$ (2,394,300)	\$ 2,241,900	\$ 171,900	FY year10
FY year11	\$ 360,000	\$ 300,000	\$ 360,000	\$ 330,000	\$ 1,350,000	\$ (6,241,500)	\$ (7,591,500)	\$ (4,787,250)	\$ (6,137,250)	\$ (3,327,750)	\$ (4,677,750)	\$ (991,500)	\$ (2,341,500)	\$ (120,000)	\$ (1,470,000)			FY year11
FY year12	\$ 270,000	\$ 210,000	\$ 210,000	\$ 210,000	\$ 900,000	\$ (6,541,500)	\$ (7,441,500)	\$ (4,796,400)	\$ (5,696,400)	\$ (3,045,000)	\$ (3,945,000)	\$ (241,500)	\$ (1,141,500)	\$ 804,300	\$ (95,700)			FY year12
FY year13	\$ 120,000	\$ 90,000	\$ 120,000	\$ 120,000	\$ 450,000	\$ (6,391,500)	\$ (6,841,500)	\$ (4,355,550)	\$ (4,805,550)	\$ (2,312,250)	\$ (2,762,250)	\$ 958,500	\$ 508,500	\$ 2,178,600	\$ 1,728,600			FY year13
FY year14					\$ 0	\$ (5,791,500)	\$ (5,791,500)	\$ (3,464,700)	\$ (3,464,700)	\$ (1,129,500)	\$ (1,129,500)							FY year14
FY year15					\$ 0	\$ (4,741,500)	\$ (4,741,500)	\$ (2,123,850)	\$ (2,123,850)	\$ 503,250	\$ 503,250							FY year15
FY year16					\$ 0	\$ (3,691,500)	\$ (3,691,500)	\$ (783,000)	\$ (783,000)	\$ 2,136,000	\$ 2,136,000							FY year16
FY year17					\$ 0	\$ (2,641,500)	\$ (2,641,500)	\$ 557,850	\$ 557,850									FY year17
FY year18					\$ 0	\$ (1,591,500)	\$ (1,591,500)											FY year18
FY year19					\$ 0	\$ (541,500)	\$ (541,500)											FY year19
FY year20					\$ 0	\$ 508,500	\$ 508,500											FY year20
				\$	16,791,500													

over \$1.013M worth of claims so f

Assumptions:

- DERF Revenue will continue at \$1,050,000 / year
- Estimated costs for all projected new projects
 - \$ 50,000 added 2 years after start-up
 - \$ 30,000 added 3years after start-up
 - \$ 30,000 added 4 years after start-up
 - \$ 30,000 added 5 years after start-up
 - \$140,000 total increase per new site assumed
- For current unpaid eligible projects (55) we used their estimate for Site Investigation costs if available (if not we used \$50K site investigation costs) and then projected out the same \$30,000 for three years after that for Remediation costs.
- For current paid projects(26) we estimated \$40,000 for the next year payment and \$36,000 for the next year payment. So we estimated \$76,000 payment for remaining remedial actions. A very conservative number.

**Current and Projected Sites
Dollars Needed / Revenue Available**

D.C. license %	1.8	2.3	2.5	2.5% DC license fee	2.5% DC license fee
% increase		27.7	38.8	plus two \$4,000,000 loans	plus two \$4,500,000 loans
increase authority		\$ 290,850	\$ 408,333	minus \$890,506.32 yearly payment	minus \$1,001,819.50 yearly payment
projected authority	\$ 1,050,000	\$ 1,340,850	\$ 1,458,333	@ 4.30% for 5 years	@ 4.30% for 5 years

	total projected payments	revenue available	\$ left	revenue available	\$ left	revenue available	\$ left	revenue available	\$ left	revenue available	\$ left	
FY year'06	\$ 3,375,500	\$ 2,600,000	\$ (775,500)	\$ 2,600,000	\$ (775,500)	\$ 2,600,000	\$ (775,500)	\$ 2,600,000	\$ (775,500)	\$ 2,600,000.00	\$ (775,500.00)	FY year'06
FY year'07	\$ 2,916,000	\$ 274,500	\$ (2,641,500)	\$ 565,350	\$ (2,350,650)	\$ 682,833	\$ (2,233,167)	\$ 3,792,327	\$ 876,327	\$ 4,181,013.50	\$ 1,265,013.50	FY year'07
FY year'08	\$ 3,240,000	\$ (1,591,500)	\$ (4,831,500)	\$ (1,009,800)	\$ (4,249,800)	\$ (774,834)	\$ (4,014,834)	\$ 1,444,153	\$ (1,795,847)	\$ 1,721,527.00	\$ (1,518,473.00)	FY year'08
FY year'09	\$ 2,490,000	\$ (3,781,500)	\$ (6,271,500)	\$ (2,908,950)	\$ (5,398,950)	\$ (2,556,501)	\$ (5,046,501)	\$ (1,228,020)	\$ (3,718,020)	\$ (1,061,959.50)	\$ (3,551,959.50)	FY year'09
FY year'10	\$ 2,070,000	\$ (5,221,500)	\$ (7,291,500)	\$ (4,058,100)	\$ (6,128,100)	\$ (3,588,168)	\$ (5,658,168)	\$ (3,150,193)	\$ (5,220,193)	\$ (3,095,446.00)	\$ (5,165,446.00)	FY year'10
FY year'11	\$ 1,350,000	\$ (6,241,500)	\$ (7,591,500)	\$ (4,787,250)	\$ (6,137,250)	\$ (4,199,835)	\$ (5,549,835)	\$ (4,652,367)	\$ (6,002,367)	\$ (4,708,932.50)	\$ (6,058,932.50)	FY year'11
FY year'12	\$ 900,000	\$ (6,541,500)	\$ (7,441,500)	\$ (4,796,400)	\$ (5,696,400)	\$ (4,091,502)	\$ (4,991,502)	\$ (1,434,540)	\$ (2,334,540)	\$ (1,102,418.00)	\$ (2,002,418.00)	FY year'12
FY year'13	\$ 450,000	\$ (6,391,500)	\$ (6,841,500)	\$ (4,355,550)	\$ (4,805,550)	\$ (3,533,169)	\$ (3,983,169)	\$ (1,766,713)	\$ (2,216,713)	\$ (1,545,904.50)	\$ (1,995,904.50)	FY year'13
FY year'14	\$ 0	\$ (5,791,500)	\$ (5,791,500)	\$ (3,464,700)	\$ (3,464,700)	\$ (2,524,836)	\$ (2,524,836)	\$ (1,648,887)	\$ (1,648,887)	\$ (1,539,391.00)	\$ (1,539,391.00)	FY year'14
FY year'15	\$ 0	\$ (4,741,500)	\$ (4,741,500)	\$ (2,123,850)	\$ (2,123,850)	\$ (1,066,503)	\$ (1,066,503)	\$ (1,081,060)	\$ (1,081,060)	\$ (1,082,877.50)	\$ (1,082,877.50)	FY year'15
FY year'16	\$ 0	\$ (3,691,500)	\$ (3,691,500)	\$ (783,000)	\$ (783,000)	\$ 391,830	\$ 391,830	\$ (513,233)	\$ (513,233)	\$ (626,364.00)	\$ (626,364.00)	FY year'16
FY year'17	\$ 0	\$ (2,641,500)	\$ (2,641,500)	\$ 557,850	\$ 557,850	\$ -	\$ -	\$ 945,100	\$ 945,100	\$ (169,850.50)	\$ (169,850.50)	FY year'17
FY year'18	\$ 0	\$ (1,591,500)	\$ (1,591,500)							\$ 286,663.00	\$ 286,663.00	FY year'18
FY year'19	\$ 0	\$ (541,500)	\$ (541,500)									
FY year'20	\$ 0	\$ 508,500	\$ 508,500									
	\$ 16,791,500											

this method would take the longest to get payments to Dry Cleaners because of the added \$1,018,195.60 interest
 this method would take longer to get payments to Dry Cleaners because of the added \$905,062.70 interest

(last year new payment projected to come in)

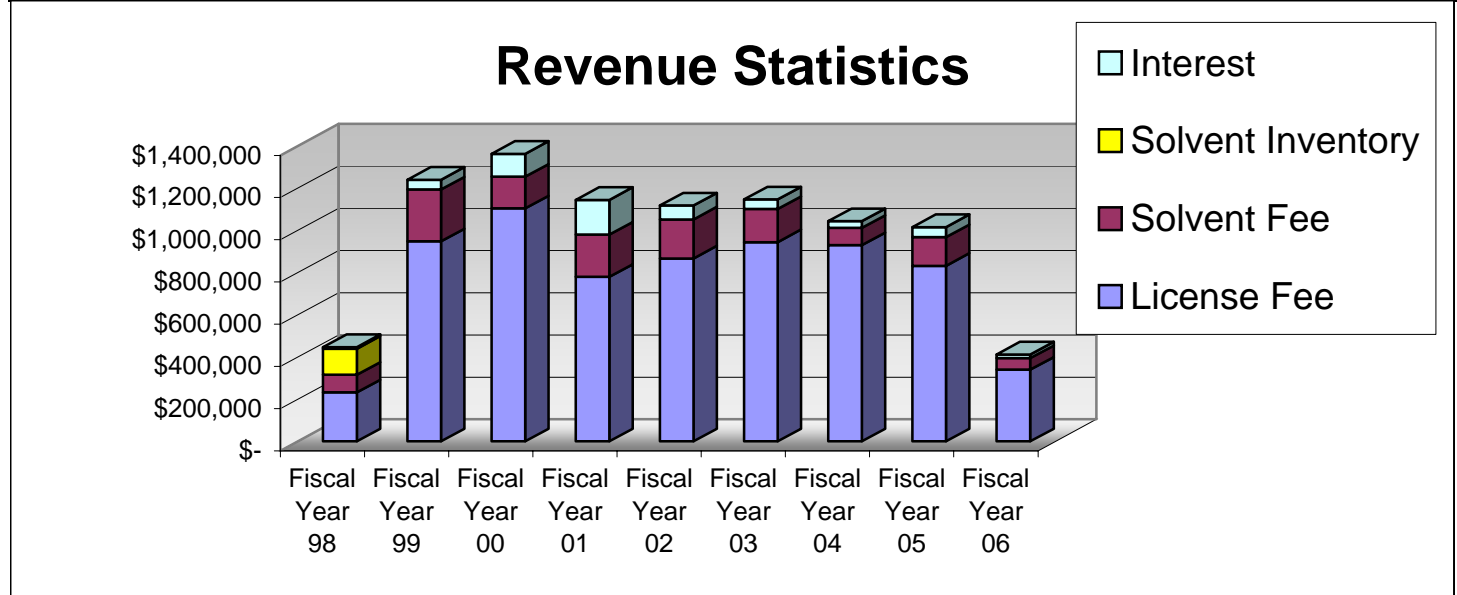
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Dry Cleaner Environmental Response Program

Actual Revenues to date (October 31, 2005)

	License Fee	Solvent Fee	Solvent Inventory	Interest	Total
Fiscal Year 98	\$ 232,604.00	\$ 83,439.00	\$ 123,022.00	\$ 7,820.00	\$ 446,885.00
Fiscal Year 99	\$ 947,993.00	\$ 245,562.00	\$ 223.00	\$ 45,673.00	\$ 1,239,451.00
Fiscal Year 00	\$ 1,103,692.92	\$ 150,367.91		\$ 108,474.35	\$ 1,362,535.18
Fiscal Year 01	\$ 779,359.84	\$ 200,121.06		\$ 164,828.80	\$ 1,144,309.70
Fiscal Year 02	\$ 866,676.48	\$ 185,037.25		\$ 65,793.50	\$ 1,117,507.23
Fiscal Year 03	\$ 943,767.54	\$ 157,192.25		\$ 45,659.27	\$ 1,146,619.06
Fiscal Year 04	\$ 929,318.15	\$ 82,604.42		\$ 31,220.80	\$ 1,043,143.37
Fiscal Year 05	\$ 831,851.01	\$ 135,993.87		\$ 47,608.33	\$ 1,015,453.21
Fiscal Year 06	\$ 339,535.15	\$ 55,267.03		\$ 17,259.36	\$ 412,061.54
Total to date	\$ 6,974,798.09	\$ 1,295,584.79	\$ 123,245.00	\$ 534,337.41	\$ 8,927,965.29



% DERF Revenue per Funding Source

