

**Governor's Dry Cleaner Council**  
**Meeting Notes**  
**2801 Progress Drive, Madison**  
**October 4, 2013**  
**9 a.m. - noon**

**Attending:**

Governor's Council

Rich Klinke, Chair      Jeanne Tarvin  
Kevin Braden  
Brett Donaldson  
Jim Fitzgerald

Department of Natural Resources (DNR)

Terry Evanson              Mark Giesfeldt  
Judy Fassbender          Jeffrey Voltz  
Sarah Bradley              Michael Bruhn  
Kimberly Ake

Wisconsin Fabricare Institute (WFI)

Brian Swingle              Tom McKay

I.      Agenda Repair Items: No changes to agenda.

II.     DNR Office of Business Support and Sustainability

Kimberly Ake joined the DNR in February of this year as a member of the Cooperative Environmental Assistance team. Her focus will be on how DNR can expand environmental assistance to small businesses. A goal will be a comprehensive approach that can address water, air and waste. Kimberly will be looking for ways to provide performance based programs for small business through DNR's Green Tier Program. She is very interested in working with dry cleaners and will be reviewing the existing compliance calendar and WFI's 5 Star Program, as well as working with the small business council. Rick Klinke is currently on the small business council.

III.    Legislative Update

Michael Bruhn provided updates on two pieces of legislation impacting the Dry Cleaners Environmental Response Fund (DERF). Senate Bill 189 contained language that would remove the requirement for the Governor's Dry Cleaner Council to have representation for a dry cleaner with annual gross receipts of less than \$200,000. This has passed the full senate and is waiting to pass the full assembly. It is expected to be in place by the first of the year. The second piece of legislation is related to the council's recommendation in the 5 year DERF report to require Wisconsin Department of Revenue (DOR) to post a list of all licensed dry cleaners and the location affiliated with the license. The bill has been drafted and sponsored by Rep. Mursau. It does not yet have a co-sponsor.

IV.    Program Status

Attachment #1 was presented by Sarah Bradley for data on site activity, remaining cost, revenue, Environmental Improvement Fund (EIF) loan status, historical overview and future projections

A.      Revenue

Program revenue for fiscal year (FY) 2013 was \$811,500 which is almost an 11% decrease from FY2012 and double the decrease from FY2011. Total claims average about \$1.3 million annually. FY2014 claim request are already at \$900,000 for the first two quarters.

Discussion: The council indicated overall revenue decline was reflecting the shrinking of the dry cleaning industry in rural Wisconsin. Markets in urban areas have seen a recovery from the recession.

B. EIF Loan

After the October 1, 2013 draw, only \$473,350 remains of the \$6.2 million EIF loan. Current revenue only meets the needs of about half of submitted claims. If claim activity is similar to prior years the loan will be exhausted at the end of FY2013 (July 2014). However, due in part to several higher than average claims, FY14 claims are already higher than first two quarters of previous years and claim submissions will increase once it is known a waiting period for payment is about to be implemented. It is then likely that the loan will be exhausted as early as spring of 2014. At that time claims will be paid as monthly revenue is available from DOR. Clean up activity will likely decline as many sites rely on payment of reimbursement to fund the next stage of clean up. Based on current revenue and claims requests, it is estimated a waiting list of \$3 million in claims will exist by FY2018. The federal loan is required to be repaid by DERF in 2032.

C. Fund Solvency

Mark Giesfeldt addressed why the current model of DERF is not sustainable and requested that the council propose a new and improved program to address the program and small business needs. DNR will be starting the budget process for the 2015-17 Biennial Budget in January of 2014. The council needs to identify proposals for budgetary action no later than March of 2014.

V. Future of DERF

A. Improving collection of fee or changing fee calculation

Discussion: Council members and DNR staff discussed the lack of DOR enforcements or fee calculation confirmation for the current fee model. More detailed data from DOR would allow some analysis of accuracy of fee payment. Many other states have cross reporting for the location and amount of solvent delivery compared to fees paid. DNR could add this sort of reporting to existing Hazardous Waste Manifest reporting. Ideas were considered for ways to have DOR calculate fee, rather than dry cleaner, such as fee based on total sales tax receipts of the business.

B. Insurance Archiving

Discussion: Other states require program participants pursue insurance archiving before being eligible for the state cleanup program. This approach likely will not assist most DERF sites and requires up to \$10,000 for legal services. In addition, most policies have unlimited liability but limited clean up. DNR is exploring training for DNR project managers to help them become more informed of this option for DERF sites. It was suggested DNR do a survey to determine exactly how many DERF sites have done insurance archiving and which are using insurance funds.

C. Other funding sources

Discussion: Council members discussed the need for a funding source to assist with the debt of the loan. Possible sources suggested were the Environmental Fund and the Petroleum Inspection Fee (PIF). Expanding the categories the dry cleaning license fee applies to (e.g., include wet cleaning) could increase revenue available for DERF claims.

#### D. Conclusion

Council members agreed to convene to agree on next steps. The proposal at the end of the meeting was to identify a way to double program revenue in addition to identifying a funding source for the loan repayment. The council will then make a request to the legislature for a Legislative Fiscal Bureau fiscal analysis of the program and for proposed funding options.

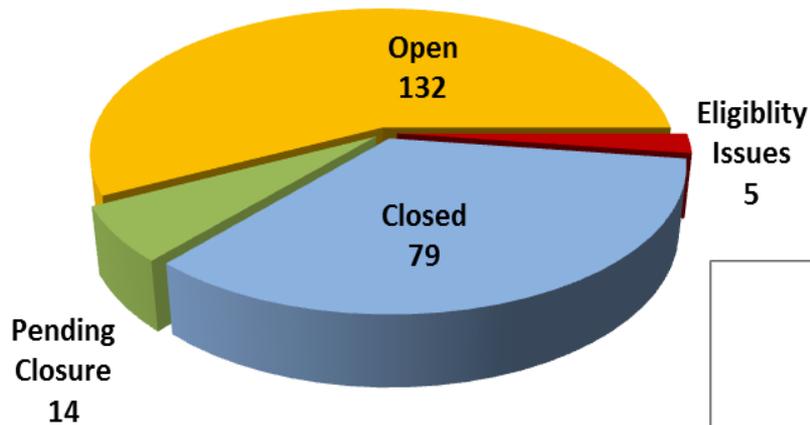
# GOVERNOR'S DRY CLEANERS ENVIRONMENTAL RESPONSE COUNCIL

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Friday, October 4, 2013

# Dry Cleaner Environmental Response Fund (DERF) Site Status

## 230 Sites in DERF



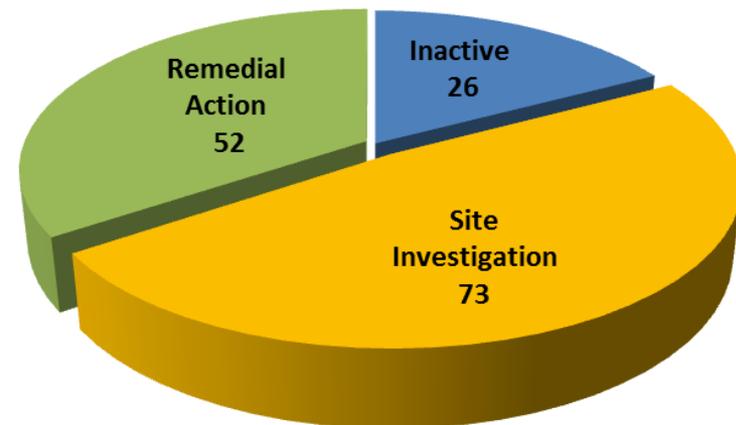
## Additional Data for Open Sites

Estimated cost remaining	\$19.5 million
Yet to submit 1st claim	> 50

## Ability to Pay/State Lead Sites

8 DERF Sites – State Lead  
 Approx. \$700,000 in expenditure repayment required from DERF to Environmental Fund for eligible expenses.

## 151 Open DERF Sites



# DERF Program Revenue

State Fiscal Year	Total	% Change from Previous Yr	% Change since 2000
1998	\$446,885.00		
1999	\$1,239,451.00		
2000	\$1,362,535.18	9.93%	
2001	\$1,144,309.70	-16.02%	-16.02%
2002	\$1,117,507.23	-2.34%	-17.98%
2003	\$1,146,619.06	2.61%	-15.85%
2004	\$1,043,143.37	-9.02%	-23.44%
2005	\$1,015,453.21	-2.65%	-25.47%
2006	\$1,104,435.77	8.76%	-18.94%
2007	\$938,344.44	-15.04%	-31.13%
2008*	\$1,084,748.79	15.60%	-20.39%
2009	\$1,023,974.72	-5.60%	-24.85%
2010	\$1,019,125.33	-0.47%	-25.20%
2011	\$986,979.27	-3.15%	-27.56%
2012	\$911,341.58	-7.66%	-33.11%
2013	\$811,504.76	-10.95%	-40.44%
YTD 2014	\$29,567.81		
Total to date	\$16,396,358.41		

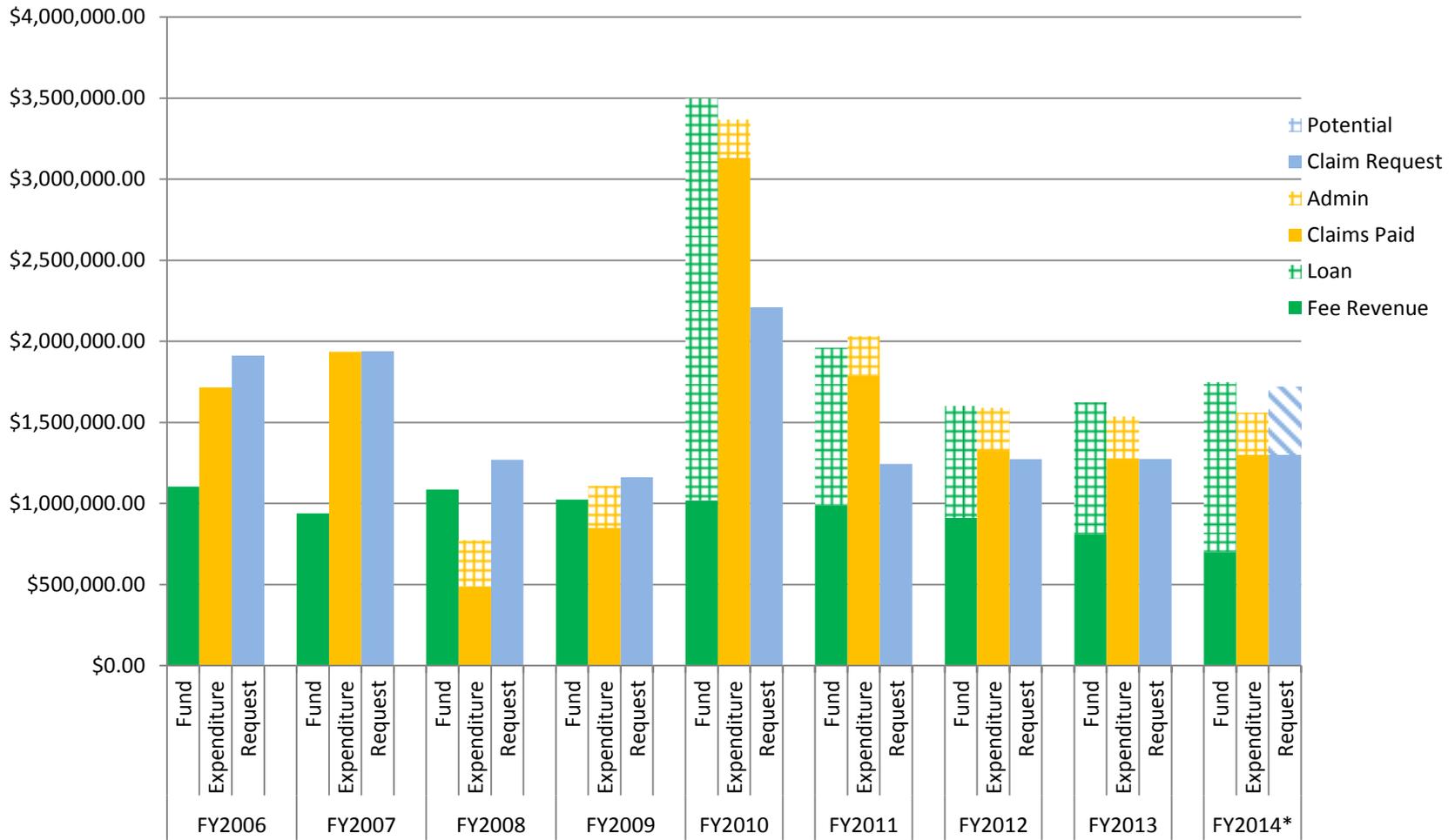
(\*) 4th quarter of FY08 included a 1% increase in tax, thus raising revenue in comparison to past years.

# Environmental Improvement Fund

## Loan Status

		Available to DERF
FY2010		
requested for claims	\$2,478,500.00	
repaid	-\$1,000.00	\$3,522,500.00
FY2011		
requested for claims	\$974,150.00	
repaid	-\$1,000.00	\$2,549,350.00
interest accrued	\$4,468.49	
FY2012		
requested for claims	\$691,000.00	
repaid	-\$1,000.00	\$1,859,350.00
interest accrued	\$5,461.64	
FY2013		
requested for claims	\$812,000.00	
repaid	-\$1,000.00	\$1,048,350.00
interest accrued	\$6,792.23	
FY2014		
requested for claims	\$575,000.00	<b>\$473,350.00</b>
<b>Amount Owed</b>	<b>\$5,543,372.36</b>	

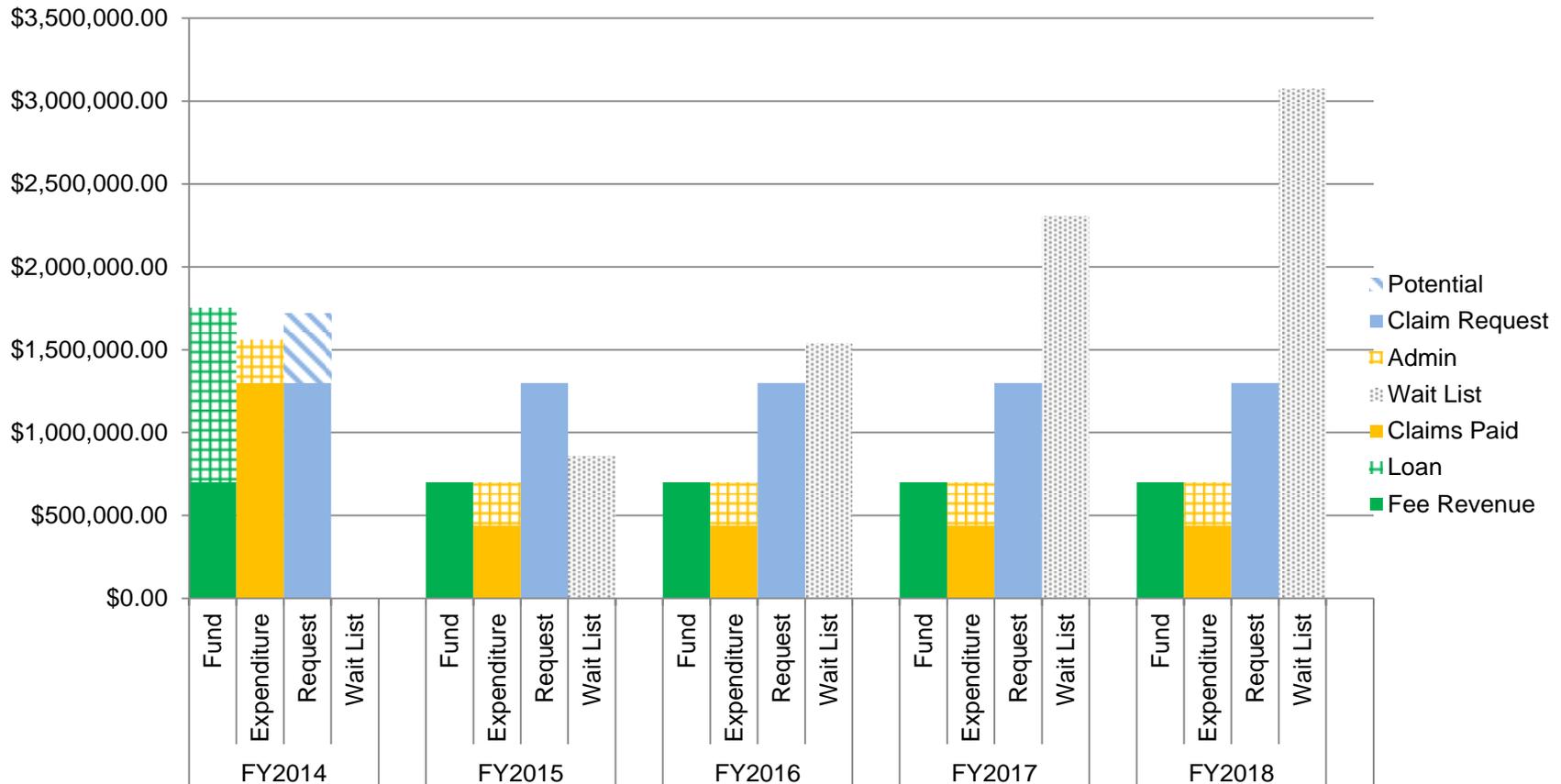
# Historical Revenue and Expenditure



\*estimate

Waiting Period (Oct. 2007 – 2010)  
 Recession (Dec. 2007 – June 2009)  
 Fee Increase  
 Application Period Ends

# 5 Year Projection



Assumes consistent annual revenue of \$700,000 and annual claim request of \$1.3 million

# Future Communication Efforts

## **Claim Payment Wait List:**

Notification to DERF applicants/agents that wait list will be implemented for payments.

## **Legislation Update (once enacted):**

Broader outreach communication reminding industry of fee requirements and notification of publication by Wisconsin Department of Revenue of licensed dry cleaners.