

**Governor's Dry Cleaner Council
Meeting Notes
2801 Progress Rd, Madison
December 11, 2015
9:30 a.m. – 11:30 a.m.**

ATTENDING:

Governor's Council

Rich Klinke, Chair
Tom McKay
Kevin Braden
Jeanne Tarvin
Jim Fitzgerald
David Cass

DNR

Jennifer Feyerherm
Theresa Evanson
Alyssa Sellwood
Judy Fassbender
Darsi Foss
Kim Ake
Lisa Ashenbrenner-Hunt

Wisconsin Fabric Care

Brian Swingle

Whyte Hirschboeck Dudek

Don Gallo

I. INTRODUCTIONS

Welcome to new member Dave Cass from Martinizing Dry Cleaners. Dave is second generation owner, whose father was founding member of Council.

II. AGENDA REPAIR ITEMS None

III. PROGRAM STATUS

Jennifer Feyerherm presented the slides included in Attachment A.

A. REVENUE

\$8M Fee Revenue: Revenues from solvent and licensing fees continues to decline. Current projections estimate that fees will only bring in \$8M through end of program in 2032.

B. LIABILITIES

\$24M Claims + Administration: We estimate that it will cost \$20M to clean up the remaining open DERF sites. Administrative fees over the next 17 years are estimated to be \$4 million. Actual claims in fiscal FY2015 were \$0.75M/yr, which is a decrease of previous average of \$1.2M/yr in claims seen between 2005-2014. Decreased claims in 2015 indicates less work being done. There is uncertainty in what additional costs might be claimed on the 49 open sites in DERF where no claims have been submitted. Rich Klinke questioned the level of contact DNR has with these sites and way to estimate this liability.

\$12M Loan+Interest: EIF Loan of \$6.2M used to offset decrease revenues and pay claims through 2014. Loan is used up and DERF pays back loan at \$1,000/yr, with balloon payment on principal and interest in 2029.

\$0.7M State-lead: State money used for work at DERF sites that is to be paid back to the fund.

\$???: Additional costs likely to address vapor intrusion on DERF sites. Don Gallo asked if sites will be reopened for Vapor Intrusion? At this time, DNR will not hunt to re-open sites, but re-opening possible if site comes into DNR for redevelopment. Any closed DERF site that has received reimbursement of less than \$500,000 can submit a claim for reimbursement in the future if the site is reopened and an eligible applicant is still available.

C. FUND SOLVENCY

DERF is not sustainable at this rate. It will need to pay out at least \$20M more than it can bring in through its end point in 2032.

D. FUND REPAIRS

Attachment A summarizes past repairs. Bottom line is that the legislature rejected all the 2015 repair recommendations in the biennium legislative fiscal bureau paper, and simply kicked the can down the road.

Terry Evanson discussed the short-term and long-term consequences of fund solvency issues:

A. SHORT TERM

Current time to payment on claims is 18 months. The long wait to get claims reimbursed decreases the rate in the clean-up of these sites, and it will take longer to get to closure.

B. LONG-TERM

Cannot pay off all the liabilities by 2032.

IV. PROGRAM DIRECTION DISCUSSION

Council members engaged in discussion on program direction.

Insurance: Question and discussion on how many eligible applicants are seeking use of insurance to pay for work. This is option for some cleaners where owner has, and can find policy, prepared prior to 1985 that will pay for investigative work. Insurance payout may take some pressure off of DERF, but it is not option to all in DERF. In addition, it is a difficult process to get insurance to pay up, so there is no incentive for owners to try and recoup past cost to pay back DERF for past claim reimbursement.

Enforcement/Brownfields: Discussion and acknowledgement that declining action under DERF will only require funding from different pot of money in future when owners abandons site, dies, or demonstrated inability to pay. Then sites become a Brownfield and government money from another pot must pay for the clean-up. In case of dry cleaner sites, the problem generally gets worse over time so not addressing now, only makes for more costly process in future.

Liability Management: Darsi discussed how PECFA sunset has been set up to manage this liability. All past claims due by a date, and then no claims can be submitted for work over 18 months old. This makes sure the liability is understood during current decision making. Council acknowledged that program was originally set up to have claims only at milestones, and that this is no longer the case, and claims can be submitted outside of milestones.

Enforcement: Judy discussed that DNR is prioritizing sites and will increase enforcement for critical sites. DERF applicants are required to do clean-up even though the fund is not solvent.

One CleanUp Fund: Darsi presented the Brownfield Study Group Report and shared that the Dry Cleaner Council may find benefit to partnering with the Brownfield Study Group to push for a One CleanUp Fund. This approach is intended to give DNR the pot of money, but to allocate funds to where risk is highest and there are better opportunities for economic benefit. The Council was interested in this option. Darsi to send Brownfield Study Group Report and will facilitate Council getting on the February 11th agenda and setting up a pre-meeting call to initiate discussion.

Dry Cleaners as Payers: There are only about 100 owners (180-200 facilities) of dry cleaners in state. If they are made to carry the load of repairing the fund, likely to be too big of burden for these small businesses, and will ultimately fail.

Current Alternatives: Brian mentioned that the only alternatives to DERF now are to look for insurance to pay and to evaluate if you have property in desirable location that could receive Brownfield dollars.

V. 2016 PROGRAM EVALUATION REPORT TO GOVERNOR/LEGISLATURE

Council must prepare report in 2016. Alyssa to prepare draft based on the 2011 template. Report will present financial data, but will also need recommendations. Council suggested meeting again in Spring 2016 after meeting with Brownfield Study Group to discuss recommendations for this report. If we look to make specific request to legislature for next biennium budget it should clearly state the \$/yr needed to manage the current fund demand, with recognition of initial need to payoff backlog (estimate at \$500K for next biennium).

VI. INSURANCE NOTIFICATION

Terry discussed outreach to Dry Cleaners on §292.65(4)(m), Stats.: Notification of applications and receipt of funds.

An owner or operator shall notify the department of any application, including any insurance claim, made to obtain funds to cover eligible costs . . . the status of the application, and, if the owner has received any funds, . . .the amount of funds . . .received.

Council agreed that informational letter to dry cleaners was okay for DNR to send, but to make sure that they know that applications or payment from insurance will not affect their eligibility in DERF. They cannot double dip, but they can get funds from either place to pay for the work that is required of them for environmental cleanup.

VII. CALENDAR AND SURVEY

Lisa and Kim presented from Small Business Assistance Program at DNR. Post card for air compliance mailed every year and ~300 calendars prepared every two years and mailed to dry cleaners in WI. Calendar is tool to stay in communication with these owners, and to provide them a resource for complying with federal reporting rules if they use PERC. Post card to be replaced with on-line reporting form because response on post card is poor.

Brian Swingle sent a survey prepared by DNR to his members of WFI to evaluate use of the calendar and whether they use PERC. 14 responded to survey. Ten indicated they use PERC, and majority indicated they use calendar for record keeping and information tool for federal requirements. Council acknowledged that this is generally an older industry, and therefore, pen and paper (vs. electronic) is still preferred by the owner/operators for record keeping. Calendar will continue to be prepared and provided as hard copy to Dry Cleaners. (Brian only needs 10 to 20 copies in future.)

With respect to language and the Korean Dry Cleaning community, it was suggested that Kim and Lisa reach out to the Korean Dry Cleaning Association (out of IL) to get feedback on the usefulness of the calendars for their Wisconsin members. Evaluate if calendar needs to be translated.

VIII. MEETING WRAP UP

Thank you and acknowledgement of Terry Evanson. This is her last meeting because she will be retiring this spring.

ACTION ITEMS:

- Darsi Foss to send link to Brownfield Study Group Report to Council Members
- Darsi Foss to facilitate meeting between Council and Brownfield Study Group
- Alyssa to work with Rich to set up meeting in Spring after meeting with Brownfield Study Group to evaluate recommendation for 2016 Program Evaluation Report to Governor/Legislature.

ATTACHMENT A
PRESENTATION SLIDES – PROGRAM UPDATE

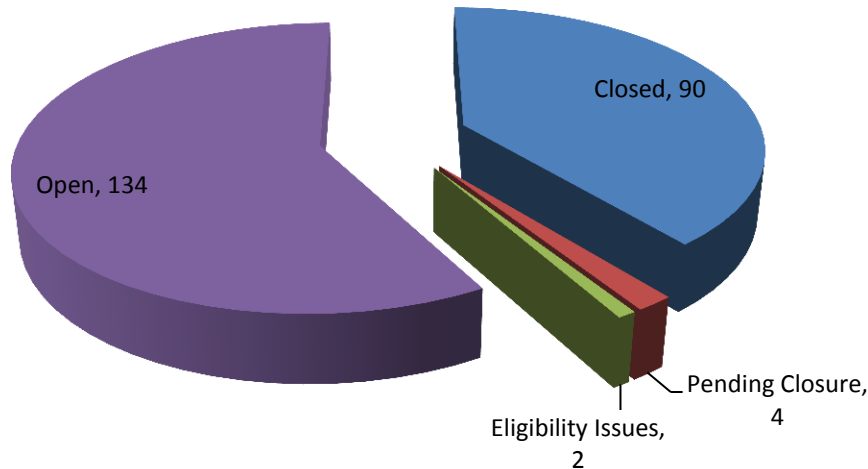
Governor's Dry Cleaners Environmental Response Council

Friday, December 11, 2015

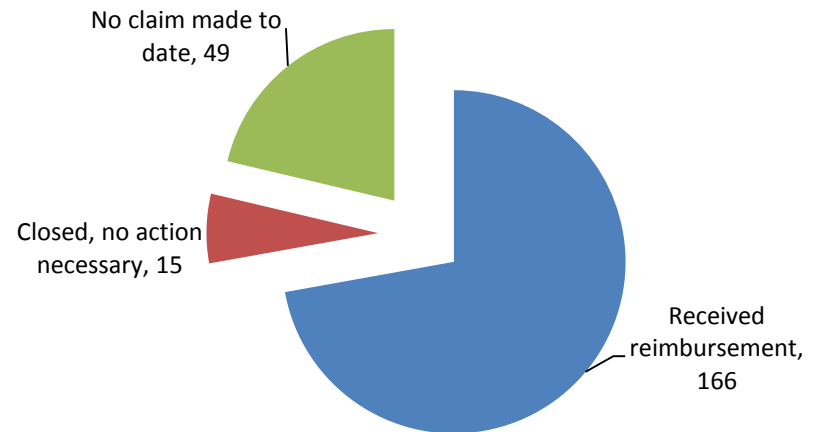


Dry Cleaner Environmental Response Fund (DERF) Site Status

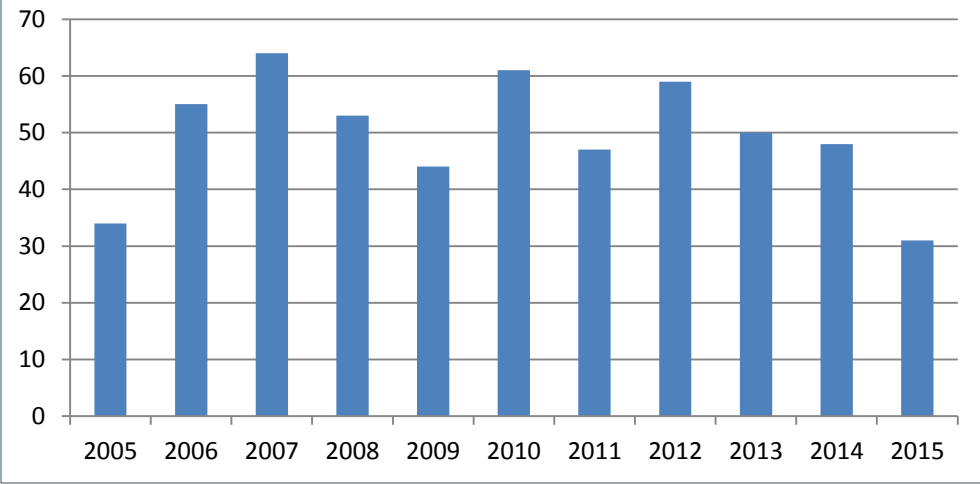
230 sites in DERF – Open vs Closed



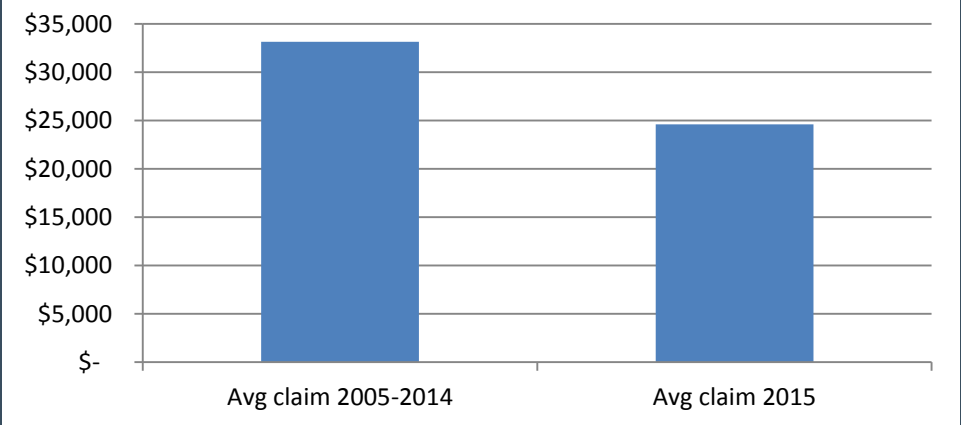
230 Sites in DERF - Claims Made



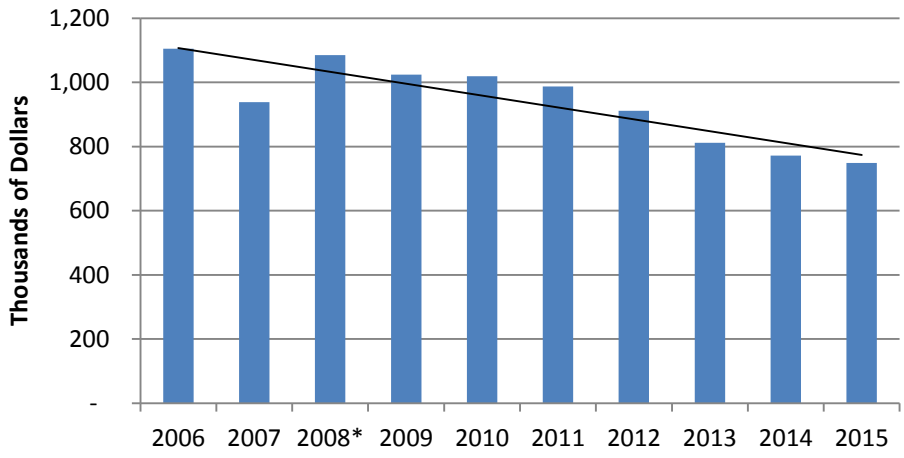
Number of DERF Claims per year



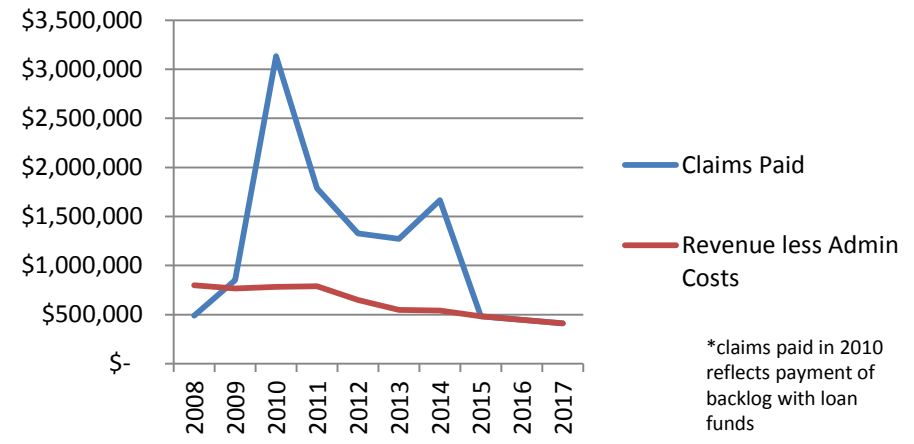
Average Historic Claim Amount vs 2015 Average



DERF Program Revenue 2006-2015



DERF Revenue and Claims Paid



DERF Program Costs

	<u>\$ Millions</u>
Program revenues spent to date:	18
Loan money spent to date:	6
Estimated future claims:	20
Estimated future administrative costs:	4.5
Estimated loan interest:	6
Total program costs:	54.5
Estimated future revenues:	8
Estimated shortfall:	22.5

Current backlog status:

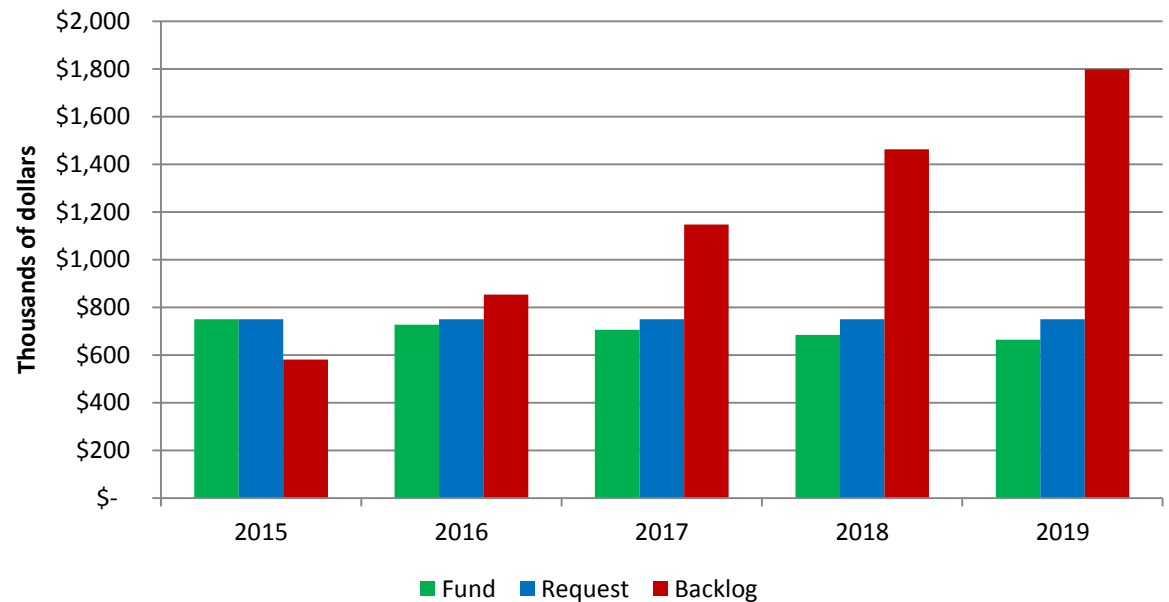
- 23 claims
- \$415,000
- May 2017

Backlog payment process:

- February 1
- May 1
- August 1
- October 1

- Administrative costs reserved first
- No partial payments
- No amending claims in line

DERF: 5 Year Projection



Attempts to Improve DERF's Bottom Line

- 2008: License fees increased from 1.8% to 2.8% of gross receipts
- 2009: Loan of \$6.2 million from Environmental Improvement Fund. Transfer complete June, 2014
- 2012: Attempt to make list of licensed dry cleaners publicly available

LFB 2015 Budget Recommendation: Program Funding

- 40% reduction in appropriations
 - Take it all from awards (paid claims) or
 - Split reductions according to the % of funds spent on each:
70% awards, 28% DNR, 2% DOR
- Transfer \$1 mil in FY16 and FY17 from
 - the general fund; or
 - the segregated petroleum inspection fund
- Increase license fees to 3.5%
 - estimated to generate \$276,000 over 2 years

LFB 2015 Budget Recommendation: Repayment of Loans

- Transfer \$6,220,600 from the petroleum inspection fund by:
 - Maintaining current authorization for land recycling loan program to provide up to \$20M; or
 - Repealing the land recycling loan program, making funds available for wastewater funding under the clean water fund program
- Transfer \$698,500 from the petroleum inspection fund to repay the environmental management account.