



Minnesota Pollution Control Agency

Office of the Commissioner

January 25, 2005

To the 2005 Legislature:

On behalf of Governor Pawlenty, I am pleased to submit the Pollution Control Agency's (PCA) budget recommendation for the FY 2006-07 budget. The most important aspect of this recommendation is the creation of a new Department of Environmental Protection. This new Department of Environmental Protection will combine the existing staff and authorities of the PCA with those of the Office of Environmental Assistance (OEA) and will be better positioned to meet the environmental challenges facing our state. The budget of the new Department consists of a total of \$24 million in expenditures from the state's General Fund and \$239 million from other funds. The FY 2006-07 budget submittals for both the PCA and the OEA include the change item for the new Department of Environmental Protection.

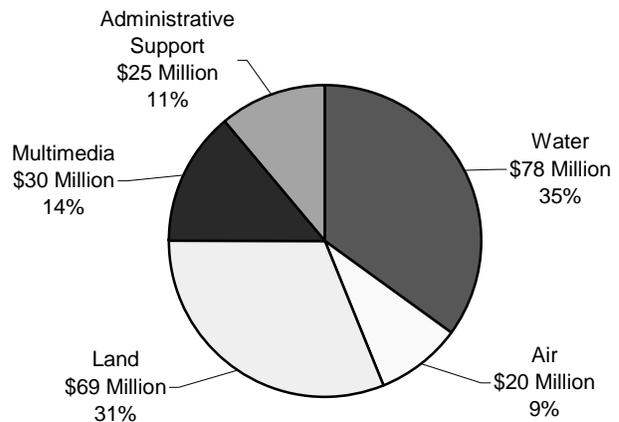
To provide context for the new Department of Environmental Protection's budget, we present you with information on the PCA contribution. The PCA's portion consists of \$24 million from the state's General Fund and \$198 million from other funds. These funds will be used to maintain the new Department of Environmental Protection's mission, core functions, and address the state's highest environmental priorities.

As the graphic indicates, PCA activities historically fall into the five program categories: Water, Air, Land, Multimedia and Administrative Support. These same categories will be maintained in the new Department of Environmental Protection's budget.

In building our portion of the Department of Environmental Protection's proposed budget, the PCA has avoided across-the-board reductions. Instead, the FY 2006-07 budget is the third biennial budget that is based on funding program priorities of the PCA and ensuring that activities link to the strategic plan. The program priorities are based on the following factors:

- ◆ Environmental conditions – both unaddressed emissions and to prevent areas from becoming impaired because that results in expensive restoration or cleanup activities.
- ◆ Lifecycle of the activity. For example, our remediation programs lead the nation in cleanups accomplished. We are finishing the last of the sites, classified as C and D level priority.
- ◆ Stakeholder input – PCA and OEA jointly put our budgeting dilemmas forward and our strategy to address them at a stakeholder meeting in July 2004.

POLLUTION CONTROL AGENCY
FY 2006-07 Governor Recommendation Budget by
Program less Department of Environmental Protection
Change Item \$222 Million Total all Funds



In keeping with our prioritization, the proposed PCA portion of the Department of Environmental Protection's budget reflects the shift in PCA focus from larger, point sources of pollution (large industrial or municipal sources) to smaller more diverse nonpoint sources. However, we recognize that to maintain improvements it is critical to continue operating strong, core regulatory programs. Within each of these areas, the PCA will continue to monitor the health of our environment, measure the effectiveness of our programs, and report on our results.

Currently only 12% of the annual budget for the PCA is from the general fund. Citizens and the PCA rank maintaining or restoring water quality as the highest environmental priority. The water programs receive 82% of the PCA general fund budget, followed by administrative support and emergency response. None of the PCA's lowest priorities are funded by general fund. Because water quality is the citizen's and PCA's highest priority, this budget includes a proposal for reductions and reallocations from the lower priority land programs to address the current funding needs for the water programs at PCA which would maintain the current water activity at the same level for two more years.

The development of this budget proposal for the PCA portion of the Department of Environmental Protection provided an opportunity to look critically at our mission, core functions, program priorities, and results. The PCA defined priorities based on sound science, as well as input from citizens and stakeholders. Our new Department of Environmental Protection and the resource contributions from both PCA and OEA, will help maintain past environmental improvements, move priority programs forward, and continue to meet Minnesotan's expectations for a cleaner, healthier place to live and do business. I look forward to working with you in building the new Department of Environmental Protection and the implementation of this budget.

Sincerely,

A handwritten signature in cursive script that reads "Sheryl A. Corrigan". The signature is written in dark ink and is positioned above the printed name and title.

Sheryl A. Corrigan
Commissioner

POLLUTION CONTROL AGENCY

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	762	518	518	518	1,036
Recommended	762	518	300	300	600
Change		0	(218)	(218)	(436)
% Biennial Change from 2004-05					-53.1%
General					
Current Appropriation	14,715	14,715	14,715	14,715	29,430
Recommended	14,715	14,715	11,764	11,764	23,528
Change		0	(2,951)	(2,951)	(5,902)
% Biennial Change from 2004-05					-20.1%
State Government Spec Revenue					
Current Appropriation	48	48	48	48	96
Recommended	48	48	48	48	96
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Environmental					
Current Appropriation	26,812	26,812	26,812	26,812	53,624
Recommended	26,812	26,812	58,800	59,107	117,907
Change		0	31,988	32,295	64,283
% Biennial Change from 2004-05					119.9%
Remediation					
Current Appropriation	11,404	11,404	11,404	11,404	22,808
Recommended	11,404	11,404	11,403	11,403	22,806
Change		0	(1)	(1)	(2)
% Biennial Change from 2004-05					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	599	681	300	300	600
General	13,358	16,285	11,764	11,764	23,528
State Government Spec Revenue	44	52	48	48	96
Special Revenue	87	0	0	0	0
Environmental	24,321	29,042	58,800	59,107	117,907
Remediation	10,705	11,703	11,403	11,403	22,806
Statutory Appropriations					
Public Facilities Authority	5,189	5,707	2,263	2,263	4,526
State Government Spec Revenue	0	1	1	1	2
Special Revenue	11,922	14,158	12,342	12,342	24,684
Federal	25,065	28,351	19,773	17,497	37,270
Environmental	104	329	2,390	2,393	4,783
Remediation	25,034	33,935	13,807	12,670	26,477
Gift	0	0	11	11	22
Total	116,428	140,244	132,902	129,799	262,701

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Category</u>					
Total Compensation	53,258	54,862	59,068	61,208	120,276
Other Operating Expenses	47,785	67,473	52,066	47,925	99,991
Capital Outlay & Real Property	501	485	444	284	728
Local Assistance	10,762	12,607	25,865	24,924	50,789
Other Financial Transactions	4,122	4,817	1,408	1,411	2,819
Transfers	0	0	(5,949)	(5,953)	(11,902)
Total	116,428	140,244	132,902	129,799	262,701
<u>Expenditures by Program</u>					
Water	35,428	43,743	39,964	38,048	78,012
Air	9,011	10,421	10,047	10,354	20,401
Land	46,047	57,015	35,165	33,940	69,105
Multimedia	14,226	15,194	35,268	34,999	70,267
Administrative Support	11,716	13,871	12,458	12,458	24,916
Total	116,428	140,244	132,902	129,799	262,701
Full-Time Equivalents (FTE)	758.0	759.4	812.7	803.8	

POLLUTION CONTROL AGENCY

Change Summary

	<i>Dollars in Thousands</i>			Biennium 2006-07
	FY2005	Governor's Recomm. FY2006	FY2007	
<i>Fund: ENVIRONMENT & NATURAL RESOURCE</i>				
FY 2005 Appropriations	518	518	518	1,036
Technical Adjustments				
One-time Appropriations		(518)	(518)	(1,036)
Subtotal - Forecast Base	518	0	0	0
Change Items				
LCMR Project	0	300	300	600
Total Governor's Recommendations	518	300	300	600
<i>Fund: GENERAL</i>				
FY 2005 Appropriations	14,715	14,715	14,715	29,430
Subtotal - Forecast Base	14,715	14,715	14,715	29,430
Change Items				
General Fund Reduction	0	(2,951)	(2,951)	(5,902)
Total Governor's Recommendations	14,715	11,764	11,764	23,528
<i>Fund: STATE GOVERNMENT SPEC REVENUE</i>				
FY 2005 Appropriations	48	48	48	96
Subtotal - Forecast Base	48	48	48	96
Total Governor's Recommendations	48	48	48	96
<i>Fund: ENVIRONMENTAL</i>				
FY 2005 Appropriations	26,812	26,812	26,812	53,624
Subtotal - Forecast Base	26,812	26,812	26,812	53,624
Change Items				
Department of Environmental Protection	0	19,754	19,754	39,508
General Fund Reduction	0	11,702	11,702	23,404
Air Fee Increase	0	532	839	1,371
Total Governor's Recommendations	26,812	58,800	59,107	117,907
<i>Fund: REMEDIATION</i>				
FY 2005 Appropriations	11,404	11,404	11,404	22,808
Subtotal - Forecast Base	11,404	11,404	11,404	22,808
Change Items				
General Fund Reduction	0	(1)	(1)	(2)
Total Governor's Recommendations	11,404	11,403	11,403	22,806

POLLUTION CONTROL AGENCY

Change Summary

<i>Dollars in Thousands</i>				
	FY2005	Governor's Recomm.		Biennium
		FY2006	FY2007	2006-07
Fund: PUBLIC FACILITIES AUTHORITY				
Planned Statutory Spending	5,707	2,263	2,263	4,526
Total Governor's Recommendations	5,707	2,263	2,263	4,526
Fund: STATE GOVERNMENT SPEC REVENUE				
Planned Statutory Spending	1	1	1	2
Total Governor's Recommendations	1	1	1	2
Fund: SPECIAL REVENUE				
Planned Statutory Spending	14,158	12,214	12,214	24,428
Change Items				
Department of Environmental Protection	0	128	128	256
Total Governor's Recommendations	14,158	12,342	12,342	24,684
Fund: FEDERAL				
Planned Statutory Spending	28,351	19,773	17,497	37,270
Total Governor's Recommendations	28,351	19,773	17,497	37,270
Fund: ENVIRONMENTAL				
Planned Statutory Spending	329	329	329	658
Change Items				
Department of Environmental Protection	0	2,061	2,064	4,125
Total Governor's Recommendations	329	2,390	2,393	4,783
Fund: REMEDIATION				
Planned Statutory Spending	33,935	25,507	24,370	49,877
Change Items				
General Fund Reduction	0	(11,700)	(11,700)	(23,400)
Total Governor's Recommendations	33,935	13,807	12,670	26,477
Fund: GIFT				
Planned Statutory Spending	0	0	0	0
Change Items				
Department of Environmental Protection	0	11	11	22
Total Governor's Recommendations	0	11	11	22

POLLUTION CONTROL AGENCY

Change Summary

<i>Dollars in Thousands</i>				
	FY2005	Governor's Recomm.		Biennium
		FY2006	FY2007	2006-07
<u>Revenue Change Items</u>				
<i>Fund: GENERAL</i>				
Change Items				
Department of Environmental Protection	0	40	40	80
<i>Fund: SPECIAL REVENUE</i>				
Change Items				
Department of Environmental Protection	0	128	128	256
<i>Fund: ENVIRONMENTAL</i>				
Change Items				
Department of Environmental Protection	0	1,281	1,284	2,565
Air Fee Increase	0	532	839	1,371
<i>Fund: GIFT</i>				
Change Items				
Department of Environmental Protection	0	11	11	22

POLLUTION CONTROL AGENCY

Change Item: Department of Environmental Protection

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	(\$11,760)	(\$11,760)	(\$11,760)	(\$11,760)
Revenues	(12,107)	(12,310)	(12,561)	(12,837)
Environmental Fund				
Expenditures	11,760	11,760	11,760	11,760
Revenues	12,107	12,310	12,561	12,837
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends creating a Department of Environmental Protection and transferring all staff and authorities of the Pollution Control Agency (PCA) and the Office of Environmental Assistance (OEA) to the new Department. The Governor also recommends that funding for the new Department of Environmental Protection be supported through environmental fees and taxes whenever possible, including those now currently deposited in the General Fund. Specifically, the Governor recommends amending MS 297H.13 to deposit \$33.760 million or 70% of the solid waste management tax, whichever is greater, into the Environmental Fund and that General Fund appropriations for the OEA would then be appropriated from the Environmental Fund.

Tremendous progress has been made in the past several decades to address the most obvious and critical of Minnesota's environmental problems. However, significant issues remain and they are often complex, with solutions requiring a range of activities affecting several environmental media. The new Department of Environmental Protection will be able to "blend" the best of technology, technical and financial assistance along with prevention, management (regulation) and cleanup or restoration solutions, to increase the efficiency of efforts to address complex environmental issues such as impaired waters or air toxics. Addressing and preventing these environmental problems requires the ability to use various strategies, as necessary, to achieve the best environmental outcome.

Background

The evolving nature of Minnesota's environmental challenges led to this proposal to create a new Department of Environmental Protection.

- ⇒ Through the creation of a new department, the PCA and OEA can better leverage each other's expertise and financial resources to deliver environmental protection as efficiently as possible.
- ⇒ Significant sources contributing to Minnesota's impaired waters and air pollution are not subject to regulation. Therefore, focusing on pollution prevention will be critical to restoring and protecting the quality of Minnesota's water and air.
- ⇒ Minnesota has made great strides in transforming from a disposal only method of managing resources to an integrated system of resource management. However, more work needs to be done in this area using new approaches that would be readily available in a new Department of Environmental Protection.
- ⇒ The recent Environmental Information Report identifies many stressors that are not under the sole purview of any governmental entity. The preferred way to address many of these stressors is through collaboration and partnerships.

Relationship to Base Budget

The new Department of Environmental Protection would be funded primarily through environmental fees and taxes, with reduced dependence on the General Fund. This proposal simplifies and stabilizes funding for environmental activities:

- ⇒ The majority of the solid waste tax (70%) would be deposited in the Environmental Fund, rather than half into the General Fund and half into the Environmental Fund.
- ⇒ The level of funding for state mandated activities in solid and household hazardous waste would be stabilized and consolidated. Currently, 43% of the SCORE recycling grants and all of the household hazardous waste management funds are appropriated from the Environmental Fund, with the remainder from the General Fund, which faces additional pressures. Consolidating funding support through the Environmental Fund will also make transparent, to citizens and the Legislature, the extent to which state support is provided for mandated environmental activities.
- ⇒ The OEA is appropriated \$4.7 million each year from General Fund for environmental assistance programs. In addition, the OEA is appropriated \$7.060 million each year from the General Fund for SCORE pass-through grants. Currently, the OEA receives appropriations from the General Fund and the Environmental Fund. As a result of this change item, all funding for OEA activities and grants would now be appropriated from the Environmental Fund.
- ⇒ Should additional revenues be generated by the Solid Waste Tax, the Legislature would have the opportunity to direct additional appropriations from the Environmental Fund to environmental activities, including support of state-local waste reduction and recycling partnerships.

Key Measures

The creation of a new Department of Environmental Protection would result in alignment of goals and objectives for preventing pollution to or restoring air, water and land and increased effectiveness in achieving desired environmental outcomes.

- ⇒ Continued support of the partnership approach by stabilizing existing funding levels to support local programs. This is likely to increase the willingness of local units of government to partner with the new department in other critical areas—such as impaired waters.
- ⇒ The new funding structure would be simple and understandable to the general public, fee payers and the legislature.
- ⇒ Linkage between revenue sources and uses.

Fund statements that detail revenues and legislative appropriations (available to the public at <http://www.finance.state.mn.us>) provide the linkage between revenue sources and uses. More detailed fund statements that identify current environmental revenues and appropriations to OEA, DNR, Health and PCA from the Environmental Fund are available on the PCA's web site <http://www.pca.state.mn.us>.

Statutory Change:

297H.13 Applicable general authority statutes for the MPCA and MOEA contained in 116.03; 115A; 115B; 400; and 473

POLLUTION CONTROL AGENCY

Change Item: General Fund Reduction

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	(\$2,950)	(\$2,950)	(\$2,950)	(\$2,950)
Revenues	0	0	0	0
Environmental Fund				
Expenditures	11,700	11,700	11,700	11,700
Revenues	0	0	11,700	11,700
Remediation Fund				
Expenditures	(11,700)	(11,700)	0	0
Revenues	0	0	0	0
Net Fiscal Impact	(\$2,950)	(\$2,950)	(\$2,950)	(\$2,950)

Recommendation

The Governor recommends a reduction in General Fund expenditures of \$2.95 million in FY 2006 and FY 2007. General funds would be reduced for the Water Program by \$2.55 million and for the Administrative Support Program by \$.4 million. The Governor also recommends the reallocation of \$11.7 million in environmental funds, in FY 2006 and FY 2007 only, to address the current funding needs and the general fund reduction for the water programs at the Pollution Control Agency (PCA) which would maintain the current water activity at the same level.

Background

Funding the water programs will result in preserving the core regulatory programs at their current levels for two more years, which preserves activities associated with addressing impaired waters. Specifically, it will maintain current levels of activity in point source permitting, ISTS, feedlots and maintain levels of effort on monitoring, TMDLs, watershed basin activities and partnership funding through 319 and the Clean Water Partnership. In the past, the PCA has addressed funding needs for high priority water activities through biennial budget requests to redirect funds, the enactment of small water quality fee increases and a new storm water fee, using the flexibility of the federal Performance Partnership Grant and most recently, state funding flexibility through Environmental Fund Consolidation. In order to continue to operate the core regulatory programs, a long-term resolution needs to be developed for the FY 2008-09 biennium.

Currently, only 12% of the annual budget for the PCA is from the General Fund. Citizens and the PCA rank maintaining or restoring water quality as the highest environmental priority. The water quality programs receive 82% of the PCA General Fund budget, followed by administrative support and emergency response. None of the PCA's lowest priorities are funded by General Fund. Because water quality is the citizens' and PCA's highest priority, the Governor recommends reductions and reallocations from the lower priority land programs to cover the \$11.7 million needed to maintain water programs at PCA. \$5.1 million in reduced remediation site cleanups and \$6.6 million of Closed Landfill Program (CLP) Reserves would be reallocated to the water programs in FY 2006 and FY 2007. Increased water quality permit fees, significant core regulatory program reductions, development of other funding sources or a combination of these options will be necessary beginning with FY 2008 to meet program needs. The reduction in remediation site cleanups will result in delays in the cleanup work at the lowest priority sites – five Superfund sites and 14 CLP sites, all of which are by law, the state of Minnesota's responsibility. This factor is exacerbated if bonding is not authorized for 12 remaining CLP sites.

The \$.4 million reduction in Administrative Support represents 20% of the General Funds that currently support this program. The reduction would result in decreased services in fiscal management, human resources management, information systems management, organizational development and training, communication services and business systems.

Relationship to Base Budget

The federal funds in the water quality area have been significantly reduced and the lack of sufficient funding at the state and federal level erodes our ability to maintain staffing levels. Fee statutes are structured so that we can not address increased costs that result from a “same-level” or maintenance level program. The PCA will be unable to maintain the gains it has made in water quality permitting and monitoring. These are key activities associated with addressing impaired waters and the PCA will be unable to maintain the program at the current level. The reallocation of resources allowed through Environmental Fund Consolidation expires annually unless legislative action is taken.

Key Measures

This meets the Pawlenty/Molnau values, goals and principles in two areas:

- ⇒ Funding will be priority driven, rather than spending driven.
- ⇒ Change the focus from how government spends to how government meets citizen’s needs.

This proposal also supports the PCA vision, goals and objectives related to “clean, sustainable ground water systems” and “clean, fishable, swimmable surface waters”. Furthermore, it preserves our core regulatory programs at their current levels which prevent further impairments of our water resources. Specifically, it will:

- ⇒ Maintain staffing levels in point source permitting — enable permitting backlog to remain low and permit issuance within 180 days to continue its growth.
- ⇒ Maintain staffing level and activity related to ISTS — pilot projects, additional technical assistance to the counties and review of alternative technologies.
- ⇒ Maintain staffing level for feedlots—enable permitting and registration to occur in timely manner, inspections and enforcement actions taken, education/technical assistance to farmers, and funding and technical assistance to delegated counties
- ⇒ Maintain level of effort on monitoring, TMDLs, watershed basin activities and partnership funding through 319 and Clean Water Partnership.

Alternatives Considered

While the legislature has approved reallocations of a similar nature in the past, they have not been of this magnitude. In order to completely address water program funding needs the PCA would need significant increases in water quality permitting fees or inflationary increases and neither has been available in the past. The non-point source activities do not have a fee-based funding source.

POLLUTION CONTROL AGENCY

Change Item: Air Fee Increase

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	\$0	\$0	\$0	\$0
Revenues	0	0	0	0
Environmental Fund				
Expenditures	532	839	1,147	1,457
Revenues	532	839	1,147	1,457
Net Fiscal Impact	\$0	\$0	\$0	\$0

Recommendation

The Governor recommends that the appropriation for air quality program efforts at the Pollution Control Agency (PCA) be increased to cover the current budget gap created by the increasing costs of maintaining the current level of program effort. The revenue for this appropriation would come from an increase in the annual air emission fee that is charged to major emitters of air pollution.

Background

The appropriation for the air program has not been increased since FY 2003. Salary, benefits (particularly health coverage) and program support costs increases, have created a significant budget gap for the air program over the last few years. Federal and state law provides for fees to be adjusted for program cost increases in order to ensure major air pollution sources are permitted. This change will enable the air program to maintain the same level of staffing and service capabilities.

This change item will not affect the general fund budget because the PCA proposes to increase fees to cover the budget gap. M.S. 116.07 Subd. 4d (b) directs the PCA to charge emission fees to cover the costs of the air quality program. The gap projected for FY 2006 includes the accumulation of program cost increases from FY 2004 and FY 2005, requiring a larger initial increase in FY 2006. The FY 2007 through FY 2009 increase covers the increasing program costs with an assumed annual increase of 4%. The PCA proposes to increase those air emission fees by approximately 7% for the biennium (depending on actual emissions during the year) to cover the program's budget costs. This appropriation increase will allow the PCA to continue to devote the level of effort necessary to meet requirements for air pollution regulation and monitoring activities. One of the most important of these activities is the permitting of new and expanding facilities, which accommodates economic development throughout the state and the issuance of federal operating permits.

Relationship to Base Budget

This change item is a small change in the PCA's budget, and represents an increase of 8% in the air quality program budget for the biennium.

Key Measures

This change initiative will allow the PCA to continue the same level of effort in its air quality regulatory and monitoring program. This current level of service includes maintaining support for the existing compliment, contracting for assistance in order to reduce the permitting backlog, and keeping state rules current with federal requirements. If the change is not approved, the PCA will need to cut back in the level of effort in this program which could result in falling further behind in air permitting, compliance efforts, reduced monitoring of air quality, and additional levels of federal oversight.

Alternatives Considered

Reduction in permitting, compliance, enforcement, monitoring and program support efforts.

POLLUTION CONTROL AGENCY

Program: MULTIMEDIA

Change Item: LCMR Project – Accelerating and Enhancing Surface Water Monitoring for Lakes and Streams

Fiscal Impact (\$000s)	FY 2006	FY 2007	FY 2008	FY 2009
General Fund				
Expenditures	0	0	0	0
Revenues	0	0	0	0
Environment and Natural Resources Trust Fund				
Expenditures	\$300	\$300	0	0
Revenues	0	0	0	0
Net Fiscal Impact	\$300	\$300	0	0

Recommendation

The projects recommended by the Legislative Commission on Minnesota Resources (LCMR) are displayed as part of the Agency's Biennial Budget Request. The Governor is not making specific recommendations on these projects.

Background

LCMR has recommended that \$600,000 will be available for acceleration of agency programs and cooperative agreements with the Minnesota Lakes Association, Rivers Council of Minnesota, and the University of Minnesota to accelerate monitoring efforts through assessments, citizen training, and implementation grants.

Relationship to Base Budget

Currently, the PCA only has surface water data for 8% of Minnesota's streams and 14% of its lakes. To complement the PCA's 3 part monitoring strategy of professionally collected information from lakes and streams on a 10 year rotating basis, obtaining state-wide remote sensing data every 5 years, and obtain citizen collected data to indicate trends has focused this LCMR continuation project on enhancing each part of the strategy. In the current FY04-05 LCMR project, the remote lake sensing project, the biological index project and development and piloting of a framework for a volunteer monitoring system will be completed to enhance surface water data collection. Through this continuation, we will improve the state's ability to assess Minnesota's waters.

Key Measures

The state's ability to assess Minnesota's waters will be improved by:

- ◆ Developing a progressive site selection approach to biological monitoring;
- ◆ Applying new remote sensing technologies to stream assessment; and
- ◆ Expanding the ability of individuals and organizations to collect useable data.

See LCMR web site at <http://lcmr.leg.mn/lcmr.htm>

Agency Purpose

The mission of the Pollution Control Agency (PCA) is to help Minnesotans protect and improve the air, land, and waters to sustain healthy ecosystems. Established in 1967, the agency's purpose is to protect Minnesota's environment through monitoring environmental quality, providing Minnesotan citizens and businesses with the information they need to protect and improve the environment, and developing and enforcing environmental regulations.

The vision for the PCA is based on its enabling legislation, and is comprised of five parts:

- ◆ clean, fishable, and swimmable waters;
- ◆ clean and clear air;
- ◆ land supports desired uses;
- ◆ clean, sustainable ground water systems; and
- ◆ a well managed organization.

The results of PCA's efforts are demonstrable: the air, land, and water are cleaner now than they were 30 years ago.

At A Glance

- ◆ Performing permitting, inspection, compliance determination, and enforcement activities for nearly 7,400 facilities that impact air, water, and land.
- ◆ Protecting and cleaning up water from urban and rural runoff, Individual Sewer Treatment System (ISTS), and feedlot upgrades in 130 active watershed projects.
- ◆ Monitoring at more than 500 sites across the state to determine environmental conditions of air, surface waters, and groundwater.
- ◆ Coordinating volunteer monitoring at 800 lakes for water clarity.
- ◆ Certifying facility operators and providing training to over 4,200 regulated parties.
- ◆ Overseeing state financed clean-up at 265 contaminated sites and oversight of an additional 3,000 sites.

Core Functions

The PCA's mission is implemented through the following service strategies or core functions:

- ⇒ Issuing permits that require the prevention, control, or cleanup of pollution; limiting releases of pollutants; directing the construction or operation of a facility; and controlling the storage, collection, transporting and processing of waste.
- ⇒ Inspecting permitted facilities to ensure they comply with the terms of their permits, and if they do not, taking actions to return them to compliance.
- ⇒ Forming alliances with local governments, businesses, environmental partners, and the public to collectively focus on building knowledge and changing behaviors.
- ⇒ Evaluating environmental conditions in a local, state, regional, and global context; integrating data and trend analysis into PCA planning and decisions; measuring and reporting on environmental progress; and identifying new environmental problems.
- ⇒ Ensuring that all citizens have access to the best scientific information to effectively participate in managing their own human health and environmental risks.
- ⇒ Partnering with other agencies and local government to implement key regulatory programs.

Operations

The PCA Citizens' Board sets agency policy and takes action on certain other significant or controversial issues. The commissioner directs the work of the agency's staff.

The PCA has 759 FTE (includes 17 FTE student workers and interns) who work at eight regional offices throughout Minnesota. Programs and services are managed and delivered through these regional offices: Duluth, Brainerd, Rochester, Mankato, Detroit Lakes, Willmar, Marshall, and Saint Paul.

The Remediation Services Division provides emergency response and remediation (clean up) services for contaminated sites, redevelopment proposals, and closed landfills. Superfund and leaking storage tank cleanup are also based in this division.

The Regional Environmental Management Division provides for environmental problem solving at the local level. Focus is on building local capacity to restore and improve the environment. Water quality and air quality local

planning and implementation programs are based in this division as well as the clean water partnership, feedlots, total maximum daily load (TMDL) implementation, and basin planning.

The Industrial Environmental Services Division provides regulatory services to current and historical industrial sources of air, water, and land pollution. Permitting, compliance, and enforcement for water quality, air quality, industrial solid waste, hazardous waste, and industrial stormwater are based in this division as well as associated rule making tanks (regulatory).

The Municipal Environmental Services Division provides regulatory services to operators of publicly and privately owned wastewater treatment and stormwater facilities. Services are also provided to mixed municipal landfills and transfer stations. The regulatory services include permitting, compliance, and enforcement.

The Environmental Outcomes and Analysis Division monitors and evaluates the physical, chemical, and biological conditions of Minnesota's environment. With this information, they identify potential impacts to human health and the environment, help set environmental goals, establish environmental standards, help develop permit limits, and report results to staff, stakeholders, and citizens.

The Operational Support Services Division oversees the PCA's finances and its business operations (vehicle fleet, leases, mail and shipping, etc.), human resources processes and issues, and communication services. These staff are mainly located in St. Paul.

The Technology Assistance and Education Division provides information, economic, technical, and educational assistance that results in implementation and increased use of environmentally and economically beneficial behaviors, technologies, and products. The Customer Assistance Center responds to requests for information and assistance from citizens. Small business assistance and pollution prevention are also based in this division.

Budget

In the 1970s, the PCA was primarily funded through the General Fund and federal grants. Since then, the PCA has successfully used rules and permits to limit pollution from big facilities. In the 1980s, environmental fees and taxes were established to fund these types of programs.

Today, the major sources of air and water pollution are non-point sources, which are largely not associated with existing fee structures. In 2002, the Legislative Auditor recommended revisiting how the PCA is funded to better address today's environmental priorities. The governor's recommendation for PCA Fund Consolidation was adopted by the legislature in 2003. The fund consolidation has enhanced the PCA's ability to direct resources to priority programs.

The agency is funded by a mix of general (12%), other state (i.e. environmental, remediation, special revenue, public facilities authority) (69%) and federal (19%) funds.

Contact

For more information, contact: Ralph Heussner, Communications Director at (651) 296-6977.

The PCA web site at www.pca.state.mn.us gives visitors easy access to useful information about Minnesota's environment. Types of information available through the site include regulatory news and updates, rules, public notices, agency initiatives, details about environmental quality, and current "hot topics."

For information on how this agency measures whether it is meeting its statewide goals, please refer to www.departmentresults.state.mn.us

POLLUTION CONTROL AGENCY

Agency Overview

Dollars in Thousands

	Current		Governor Recomm.		Biennium 2006-07
	FY2004	FY2005	FY2006	FY2007	
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	762	518	518	518	1,036
Recommended	762	518	300	300	600
Change		0	(218)	(218)	(436)
% Biennial Change from 2004-05					-53.1%
General					
Current Appropriation	14,715	14,715	14,715	14,715	29,430
Recommended	14,715	14,715	11,764	11,764	23,528
Change		0	(2,951)	(2,951)	(5,902)
% Biennial Change from 2004-05					-20.1%
State Government Spec Revenue					
Current Appropriation	48	48	48	48	96
Recommended	48	48	48	48	96
Change		0	0	0	0
% Biennial Change from 2004-05					0%
Environmental					
Current Appropriation	26,812	26,812	26,812	26,812	53,624
Recommended	26,812	26,812	58,800	59,107	117,907
Change		0	31,988	32,295	64,283
% Biennial Change from 2004-05					119.9%
Remediation					
Current Appropriation	11,404	11,404	11,404	11,404	22,808
Recommended	11,404	11,404	11,403	11,403	22,806
Change		0	(1)	(1)	(2)
% Biennial Change from 2004-05					0%
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	599	681	300	300	600
General	13,358	16,285	11,764	11,764	23,528
State Government Spec Revenue	44	52	48	48	96
Special Revenue	87	0	0	0	0
Environmental	24,321	29,042	58,800	59,107	117,907
Remediation	10,705	11,703	11,403	11,403	22,806
Statutory Appropriations					
Public Facilities Authority	5,189	5,707	2,263	2,263	4,526
State Government Spec Revenue	0	1	1	1	2
Special Revenue	11,922	14,158	12,342	12,342	24,684
Federal	25,065	28,351	19,773	17,497	37,270
Environmental	104	329	2,390	2,393	4,783
Remediation	25,034	33,935	13,807	12,670	26,477
Gift	0	0	11	11	22
Total	116,428	140,244	132,902	129,799	262,701

Dollars in Thousands

	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Expenditures by Category</u>					
Total Compensation	53,258	54,862	59,068	61,208	120,276
Other Operating Expenses	47,785	67,473	52,066	47,925	99,991
Capital Outlay & Real Property	501	485	444	284	728
Local Assistance	10,762	12,607	25,865	24,924	50,789
Other Financial Transactions	4,122	4,817	1,408	1,411	2,819
Transfers	0	0	(5,949)	(5,953)	(11,902)
Total	116,428	140,244	132,902	129,799	262,701
<u>Expenditures by Program</u>					
Water	35,428	43,743	39,964	38,048	78,012
Air	9,011	10,421	10,047	10,354	20,401
Land	46,047	57,015	35,165	33,940	69,105
Multimedia	14,226	15,194	35,268	34,999	70,267
Administrative Support	11,716	13,871	12,458	12,458	24,916
Total	116,428	140,244	132,902	129,799	262,701
Full-Time Equivalent (FTE)	758.0	759.4	812.7	803.8	

Program Description

This program protects and improves Minnesota’s rivers, lakes, wetlands, and ground water so they support healthy aquatic life and public uses. This program receives its authority through delegation of the federal Clean Water Act (CWA) from the U.S. Environmental Protection Agency and state statutes.

The Pollution Control Agency (PCA) establishes designated uses for each water body, such as swimming, drinking, and fishing. In order to meet each use, the PCA must set a standard for the pollutants that impact the designated use. The PCA then monitors these waters to determine whether or not they meet the standards.

Monitoring indicates the water bodies that are not meeting their designated uses. About 60% of Minnesota’s assessed water bodies meet water quality standards for their designated uses. The remaining 40% have been placed on an impaired waters list for which a clean-up plan must be developed and implemented.

The PCA’s mission is to restore these impaired waters while preventing degradation of those not yet impaired. This is accomplished by regulating municipal and industrial discharges, controlling urban and rural sources of pollution such as runoff and failing individual sewage treatment systems, and monitoring and assessing water quality to provide information upon which to make social, financial, technical, and environmental management decisions.

The PCA’s strategic goals for this program are:

- ◆ assess Minnesota surface waters to determine if they meet their intended uses, and make this information widely available;
- ◆ maintain and improve the quality of Minnesota’s water resources that currently meet designated use; and
- ◆ restore water bodies that do not currently support designated uses.

The PCA’s Strategic Plan can be accessed at www.pca.state.mn.us/publications/reports/strategicplan.html.

Population Served

This program serves all citizens of the state by protecting Minnesota’s lakes, streams, and wetlands from many kinds of pollution. The goal is to maintain the ability of Minnesotans to drink, fish, and swim in Minnesota’s abundant water resources.

- ⇒ The program regulates a large and diverse array of business and municipal activities in Minnesota.
- ⇒ The program provides grants and loans to local units of government to address pollution problems such as urban and rural runoff and failing septic systems.
- ⇒ The program supports river basin management groups who receive financial and technical assistance from the PCA.

Services Provided

The water programs use a basin approach to deliver the following services:

Assess:

- ◆ monitoring rivers and lakes to determine whether they meet standards (See Multi-media Program description for more complete details).

<u>Program at a Glance</u>
<ul style="list-style-type: none"> ◆ Impaired waters, clean up, and preservation of high quality waters via a basin/watershed approach ◆ Water quality point source permitting, compliance determination and enforcement ◆ Water quality monitoring ◆ Animal Feedlots permitting, compliance determination and enforcement ◆ Clean Water Partnership (grants to local units of government to improve water quality) ◆ Individual Sewage Treatment Systems (ISTS) ◆ Stormwater Program development, permitting, compliance determination, and enforcement

Restore/Improve:

- ◆ developing river basin plans to address water quality problems;
- ◆ providing grant and loan funds to clean up pollution from urban and rural runoff, individual sewage treatment upgrades, and feedlot upgrades at over 350 project sites in the past five years; and
- ◆ initiating over 105 impaired water studies (TMDLs) to determine sources of impairment.

Prevent/Protect:

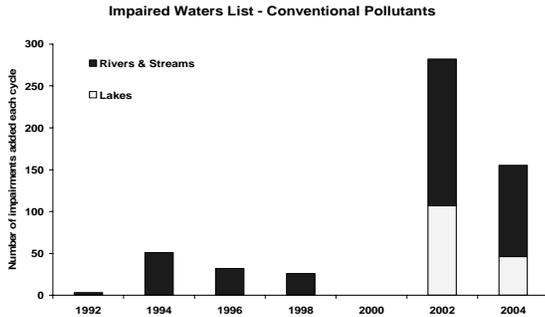
- ◆ issuing permits under the federal Clean Water Act (CWA), including inspections and enforcement follow-up as necessary (1,400 municipal and industrial wastewater permits);
- ◆ issuing stormwater permits under the federal CWA, including inspections and enforcement follow-up as necessary (over 2,900 municipalities, industries, and construction sites). Under federal law, phase II of this program added another 9,200 of these activities in 2003; and
- ◆ issuing permits under the federal CWA or state law for over 500 animal feedlots, including inspections and enforcement follow-up as necessary, with 30,000 feedlots registered under state law, administered by the PCA and county governments.

Historical Perspective

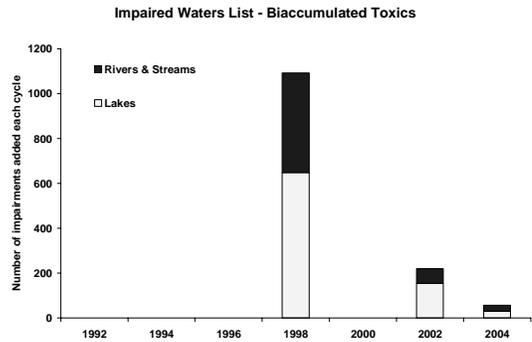
In the past, efforts were focused on regulating industrial and municipal discharges, with a special emphasis on municipal wastewater treatment facilities. At the time, this focus was appropriate because these sources were the largest controllable source of water pollution. Since 2002, emphasis has been placed on increasing the percentage of up-to-date permits that currently exists in Minnesota. The PCA is addressing this problem through a “Water Quality Point-Source Permitting and Compliance/Enforcement Plan” that can be found on the PCA web site at: <http://www.pca.state.mn.us/publications/reports/water-pointsourceplan.pdf>. One issue for municipal sources that remains to be addressed is the small un-sewered or under-sewered community.

The PCA continues to address more dispersed sources of pollutants, such as urban and agricultural stormwater runoff, individual sewage systems, feedlots, and forestry as examples. More emphasis and funding have been directed to these sources of pollutants reaching our waters. Although individual sources within these land uses are often small, their cumulative impacts are significant. The emphasis placed on these new sources during the past years does not replace the work that must continue to be directed at municipal and industrial sources. During the past year, emphasis has been placed on increasing the percentage of up-to-date permits that currently exists in Minnesota. The PCA is addressing this problem through a recently developed “Water Quality Point-Source Permitting and Compliance/Enforcement Plan” that can be found on the PCA web site at: <http://www.pca.state.mn.us/publications/reports/water-pointsourceplan.pdf>.

During the last biennium, the PCA and its partners evaluated the importance of and approaches to addressing Minnesota’s impaired waters and preserving its high quality waters. The Clean Water Act requires states to not only list the impaired waters, but to develop clean-up plans and eventually implement those plans. Existing federal and state resources are not adequate to meet these requirements. More information can be found in the two reports at: <http://www.pca.state.mn.us/publications/reports/lrwq-iw-1sy04.pdf> and <http://www.pca.state.mn.us/publications/reports/lrwq-s-lsy03.pdf>. Currently the state lists more than 1,890 impairments affecting 1,115 water bodies (lakes and streams). Two-thirds of the impairments are attributed to mercury.



Target PCA expects that only one of these bodies of water will be cleaned up by 2010.



Target, PCA expects that 63 rivers & streams will be cleaned up by 2005. By 2010, PCA expects that 134 rivers and streams and 46 lakes will be cleaned up.

Key Measures

The PCA assesses waters and lists the impaired waters every two years in accordance with the CWA. Once listed, the PCA is required to identify all of the sources for the pollutant causing the poor water quality and allocate responsibility for addressing the impairment. Once the allocation study is complete, the PCA works with stakeholders to remediate the impairment, leading to the water returning to its designated use. The PCA has completed studies on 20 rivers and streams and is now implementing clean-up efforts on these. In addition, the PCA currently has 85 studies underway to determine the sources of impairment.

The PCA has set a goal of 95% compliance with effluent limits for all water quality major facilities. Since January 2002, the PCA has achieved the goal and is striving to stay above the goal.

Program Funding

This program is funded by a mix of general (33%), other state (i.e., environmental, special revenue, and public facilities authority) (32%) and federal funds (35%).

During the past decade, the water program has experienced a variety of funding challenges. The water fee revenues have not kept pace with inflation, and legislators have transferred money into the fee account on many occasions to address potential deficits. Several PCA proposals for fee increases have not been enacted by the legislature. In addition, the water program has been impacted by mandated General Fund reductions over the last three fiscal years. In 2003, the legislature authorized Environmental Fund Consolidation which allowed the PCA to consolidate all of the accounts, including the water quality fee account, into the Environmental Fund. This consolidation simplified the PCA’s funding structure and provided flexibility needed to assign dollars to environmental priorities. This flexibility, along with the Performance Partnership Grant (where dollars from six federal media grants are consolidated) has allowed PCA to maintain water quality point source permitting programs, and provide a little additional support for priority non-point source water programs in the face of stagnant or declining state and federal resources.

Contact

For more information, contact Ralph Heussner, Communications Director at (651) 296-6977 or toll-free at 1 (800) 657-3864.

The PCA web site at: <http://www.pca.state.mn.us> provides useful information about Minnesota’s environment. The types of information available through the site include regulatory news and updates, rules, public notices, agency initiatives, and details about environmental quality and current “hot topics.”

For information on how this agency measures some of its efforts to meet statewide goals, please visit: <http://www.departmentresults.state.mn.us>

POLLUTION CONTROL AGENCY

Program: WATER

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	10,467	10,467	10,467	10,467	20,934
Subtotal - Forecast Base	10,467	10,467	10,467	10,467	20,934
Governor's Recommendations					
General Fund Reduction		0	(2,550)	(2,550)	(5,100)
Total	10,467	10,467	7,917	7,917	15,834
State Government Spec Revenue					
Current Appropriation	48	48	48	48	96
Subtotal - Forecast Base	48	48	48	48	96
Total	48	48	48	48	96
Environmental					
Current Appropriation	8,941	8,941	8,941	8,941	17,882
Subtotal - Forecast Base	8,941	8,941	8,941	8,941	17,882
Governor's Recommendations					
General Fund Reduction		0	11,703	11,703	23,406
Total	8,941	8,941	20,644	20,644	41,288
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	9,416	11,799	7,917	7,917	15,834
State Government Spec Revenue	44	52	48	48	96
Special Revenue	87	0	0	0	0
Environmental	7,468	10,661	20,644	20,644	41,288
Statutory Appropriations					
Public Facilities Authority	5,189	5,707	2,263	2,263	4,526
Special Revenue	448	452	0	0	0
Federal	12,776	15,072	9,092	7,176	16,268
Total	35,428	43,743	39,964	38,048	78,012
<u>Expenditures by Category</u>					
Total Compensation	14,944	15,656	15,572	16,202	31,774
Other Operating Expenses	6,505	11,337	13,614	12,010	25,624
Local Assistance	9,882	12,174	9,453	8,511	17,964
Other Financial Transactions	4,097	4,576	1,155	1,155	2,310
Transfers	0	0	170	170	340
Total	35,428	43,743	39,964	38,048	78,012
<u>Expenditures by Activity</u>					
Water	35,428	43,743	39,964	38,048	78,012
Total	35,428	43,743	39,964	38,048	78,012
Full-Time Equivalent (FTE)	217.3	222.9	238.0	237.2	

Program Description

The state's air quality is affected by pollution from transportation, energy production, manufacturing, and other activities. Clean and clear air, however, is essential for Minnesota's environmental, social, and economic well-being and is also required by state and federal law. The federal Clean Air Act (CAA) is the national environmental framework for these requirements, and it is the foundation of Minnesota's air quality program.

In 1990, the CAA was amended to dramatically expand the air program in Minnesota and nationwide through the assessment of air emission fees, new permit and compliance requirements, and activities to control emissions of hazardous air pollutants. In addition, the CAA amendments created programs to focus on small sources and vehicles that contribute significantly to air problems. In 1997, the U.S. Environmental Protection Agency (EPA) developed new, more restrictive standards for ozone and particulate matter. In 1998, the EPA finalized a new program to reduce regional haze and also began considering global climate change, an issue of developing environmental concern.

Program at a Glance

- ◆ Implementing Air quality point source permitting, compliance determination, and enforcement
- ◆ Developing and implementing strategies to reduce air pollution from small sources of air pollution – including mobile sources
- ◆ Monitoring air quality
- ◆ Develop and implementing ozone and particulate matter reduction efforts
- ◆ Developing and implementing air toxic (e.g., mercury, benzene) reduction efforts

The agencies strategic goals for this program are:

- ◆ Minnesota's outdoor air quality will meet or improve upon all environmental and human health-related federal and state ambient air quality standards;
- ◆ Minnesota's outdoor air quality will meet environmental and human health benchmarks for toxic and other air pollutants; and
- ◆ Minnesota will take responsibility for reducing its share of air pollutants generated in the state that have regional, national and global impacts.

The Pollution Control Agency's (PCA) Strategic Plan can be accessed at <http://www.pca.state.mn.us/publications/reports/strategicplan.html>.

Population Served

This program serves all citizens of the state. Further, certain groups of citizens (e.g., the very young and very old, people who suffer from asthma, heart disease, and even athletes who participate in outdoor activities) are more vulnerable than others to the harmful effects of air pollution.

As a result of their daily activities, citizens are responsible for emitting large amounts of air pollution. Approximately 46% of air pollutants in Minnesota are emitted from mobile sources, which include automobiles, trucks, buses, and recreational equipment. More information about air quality in Minnesota is available on the PCA Web site at <http://www.pca.state.mn.us/air/index.html>.

This program also regulates industrial sources of air pollution. At present, there are more than 4,000 facilities that need some type of air permit. Of those, 350 are large enough to need a federal air quality permit (320 of these had been issued as of 7-1-04).

Services Provided

Assess:

- ◆ monitor compliance with ambient air quality standards around the state;
- ◆ maintain daily air quality index for the Twin Cities, Duluth, Rochester and St. Cloud. Issue alerts when air quality is expected to exceed health benchmarks;
- ◆ monitor for toxic air pollutants;
- ◆ develop annual emission inventories; and
- ◆ conduct air toxic evaluations for point sources.

Restore/Improve:

- ◆ develop State Implementation Plans for maintaining and improving air quality;
- ◆ participate in multi-state regional air planning efforts to reduce regional haze, ozone, and fine particulate matter; and
- ◆ reduce emissions of pollutants that contribute to regional haze, ozone, fine particulate matter, and toxic air pollutants.

Prevent/Protect:

- ◆ issue and maintain federal and state air quality permits;
- ◆ issue construction permits for new and expanding facilities;
- ◆ monitor compliance with air quality rules, regulations, and permits; and
- ◆ take enforcement action when warranted.

Historical Perspective

One of the major changes in the 1990s CAA was the creation of a national operating permit program (Title V) for large sources that emit air pollutants. Now that air pollution is managed by this system, permits are issued by states, or when a state fails to carry out the CAA satisfactorily, by EPA. All Title V air quality operating permits required by the 1990 CAA were to have been issued in Minnesota by 2000.

In Minnesota, some of the operating permits for major facilities still need to be issued. In addition, these permits are issued for five years, so that some of the first to be issued now need to be renewed. A similar situation exists in many states. When the EPA developed the rules for this program, they underestimated the amount of work involved. The effort required to respond to public concern about controversial facilities was also underestimated. The PCA intends to finish issuing the initial round of permits by the end of 2004. The need to issue construction permits in a timely manner for new and expanding facilities has affected the PCA's ability to provide core permit program services.

The PCA continues to analyze data to identify and target sources that are out of compliance. For facilities with federal air quality permits, the compliance rates are currently at approximately 95%.

In 2001, for the first time since the 1970s, the PCA had to issue air quality alerts in the Twin Cities due to levels of ozone (smog) pollution exceeding health advisory thresholds. In addition, there have also been numerous alerts in subsequent years for both ozone and particulate matter. Daily air quality readings are available on the PCA Web site at <http://aqi.pca.state.mn.us/hourly/>.

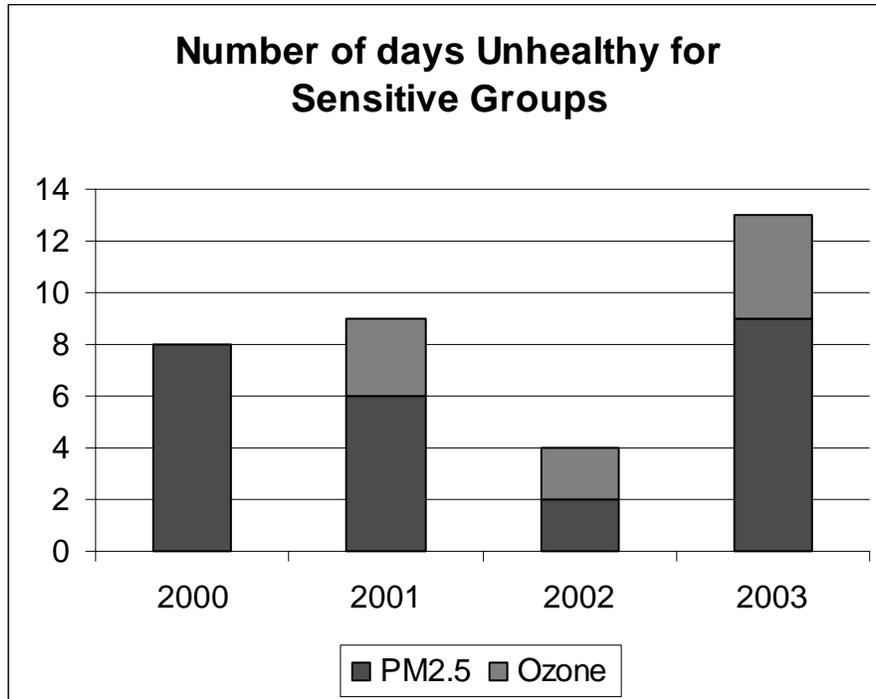
The air quality alerts have raised concerns that the Twin Cities area may fall out of compliance with federal air quality standards. If this were to happen, it would result in extra regulations for industry and citizens (i.e., implementation of a new inspection/maintenance program for autos, and imposition of Reasonably Available Control Technology requirements on industry for control of Volatile Organic Compounds (VOCs) and Nitrogen Oxides (NOx) emissions) and extra work for the PCA in developing new rules to control emissions. A Minnesota Chamber study estimated that the additional effort might cost from \$189 - \$266 million dollars annually in 1999 dollars.

Also of increasing concern is fine particle pollution. The EPA recently issued stricter standards for particles less than 2.5 microns in diameter. Minnesota is expected to meet the new standard. However, a substantial and growing body of scientific literature shows that fine particles in the air cause premature death and increased hospital admissions from heart and respiratory disease, even at levels below the new federal standard. For both ozone and particulate matter, Minnesotans will need to decide on what policy approaches to take to address the potential human health impacts of these emerging pollution problems. Because diesel emissions are considered to be particularly harmful, new efforts at the national level are beginning to focus on reducing the emissions from diesel engines.

The PCA is actively working with a new organization, Clean Air Minnesota, a public private partnership, to implement voluntary actions to reduce the pollutants that form ozone and fine particulate matter. The PCA is also actively seeking federal action, either through Congress, or new EPA rulemaking, to address these daunting air pollution problems.

Key Measures

The following graph shows the number of days that air quality in Minnesota was unhealthy for sensitive groups. Sensitive groups are defined as active children and adults, and people with lung disease.



Program Funding

This program is funded by a mix of non-general fund state appropriations from the Environmental Fund and special revenue (96%) and federal (4%) funds.

Contact

For more information, contact Communications Director Ralph Heussner at (651) 296-6977 or toll-free at 1 (800) 657-3864.

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For information on how the PCA measures some of its efforts to meet statewide goals, please visit <http://www.departmentresults.state.mn.us>.

POLLUTION CONTROL AGENCY

Program: AIR

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
Environmental					
Current Appropriation	8,770	8,765	8,765	8,765	17,530
Subtotal - Forecast Base	8,770	8,765	8,765	8,765	17,530
Governor's Recommendations					
Air Fee Increase		0	532	839	1,371
Total	8,770	8,765	9,297	9,604	18,901
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environmental	8,262	9,273	9,297	9,604	18,901
Statutory Appropriations					
Special Revenue	264	300	141	141	282
Federal	460	605	366	366	732
Environmental	25	243	243	243	486
Total	9,011	10,421	10,047	10,354	20,401
<u>Expenditures by Category</u>					
Total Compensation	6,007	6,637	6,836	7,134	13,970
Other Operating Expenses	2,979	3,543	2,970	2,979	5,949
Other Financial Transactions	25	241	241	241	482
Total	9,011	10,421	10,047	10,354	20,401
<u>Expenditures by Activity</u>					
Air	9,011	10,421	10,047	10,354	20,401
Total	9,011	10,421	10,047	10,354	20,401
Full-Time Equivalents (FTE)	84.2	88.5	88.7	88.7	

Program Description

Clean and useable land is important to the environmental, social, and economic welfare of Minnesota. The purpose of the Pollution Control Agency’s (PCA) land programs are to protect the environment, public health, and quality of life of all citizens by cleaning up contaminated land sites, preventing future contamination, and protecting ground water.

Through the PCA’s strategic plan, a vision for the land programs was established. The vision set out three goals:

- ◆ reduce or eliminate the use of environmentally harmful substances in manufacturing products or delivering services;
- ◆ minimize or reduce the release of contaminants to or from the land; and
- ◆ restore contaminated land to productive use.

The strategic plan set out two goals for protecting ground water:

- ◆ assess the status or condition of Minnesota’s ground water systems; and
- ◆ prevent or reduce degradation and depletion of ground water.

The details of the PCA’s Strategic Plan may be found at http://www.pca.state.mn.us/publications/reports/strategic_plan.html.

The land program’s integrated system of activities is designed to ensure that hazardous materials, petroleum products, and solid wastes are managed properly throughout the life-cycle of their use, transport, and disposal. Through this system, the PCA seeks to:

- ◆ develop and maintain state and local capabilities to clean up spills of hazardous materials and petroleum products, due to accidents or natural disasters;
- ◆ develop capabilities to respond to spread of hazardous materials due to epidemics or terrorist actions;
- ◆ ensure proper shipping, handling, and storage of hazardous materials and bulk petroleum products;
- ◆ ensure proper disposal of wastes;
- ◆ clean up, or provide incentives for voluntary clean up of hazardous waste, petroleum, and solid waste releases that occurred before preventative land programs were established; and
- ◆ prevent and reduce degradation of ground water.

Population Served

Because this program serves to protect Minnesotans from harmful effects of contaminated land and ground water, it serves all citizens of the state. Furthermore, it specifically serves those people that live in the vicinity of a contaminated site, a spill incident or a facility that stores petroleum products, or hazardous materials, or manages solid waste.

The program also regulates a large and diverse array of businesses and industries in Minnesota. The list below provides a snapshot of those being served by PCA land programs:

- ◆ hazardous waste-related businesses and industries; including 9,000 hazardous waste handlers, about 30 treatment, storage and disposal facilities, 80 large quantity generators, 450 small quantity generators, and 8,500 very small quantity generators;

Program at a Glance

- ◆ Solid waste and hazardous waste permitting, compliance determination, and enforcement
- ◆ Storage tank leak prevention through training and regulation
- ◆ Emergency response to pollutant spills
- ◆ Limited ambient ground water quality monitoring
- ◆ Cleanup programs to address hazardous waste and petroleum product releases:
 - ⇒ Superfund
 - ⇒ Voluntary Investigation and Cleanup (VIC)
 - ⇒ Voluntary Petroleum Investigation and Cleanup (VPIC)
 - ⇒ Petroleum Remediation Program (PRP)
- ◆ Closed Landfill Remediation and Maintenance (CLP)

- ◆ solid waste land disposal facilities, with 38 permitted facilities owned by business or municipalities for mixed municipal/industrial waste; 102 demolition debris land disposal facilities; 107 transfer stations and about 38 miscellaneous facilities that treat, store, or dispose of solid waste;
- ◆ business, industry, or citizen-owned leaking underground tank sites, with 2,400 - 2,500 investigations or cleanups addressed annually and 12,000 total sites cleaned up by end of FY 2004;
- ◆ citizens and businesses, with 2,300 emergency spills reported annually;
- ◆ parties responsible for 97 active Superfund sites, with 132 sites already cleaned up; and
- ◆ industry, with about 200 voluntary investigation and cleanup applications that are reviewed and processed annually.

Services Provided

Assess:

- ⇒ The PCA licenses hazardous waste handlers and monitors hazardous wastes “cradle to grave” via a computerized system and in cooperation with metropolitan counties.
- ⇒ The PCA monitors ambient ground water quality at a limited number of sites around the state, working closely with the Minnesota Departments of Agriculture and Health.

Prevent/Protect:

- ⇒ The PCA conducts regulatory and training programs to prevent the release of petroleum, solid waste, and hazardous waste into Minnesota’s soil, ground water and surface water, protecting public health and the environment.
- ⇒ The PCA issues permits to and inspects solid waste, hazardous waste, and large aboveground storage tank facilities, and completes follow-up to ensure compliance as necessary.
- ⇒ The PCA oversees disposal of debris when natural disasters strike, and is currently preparing for debris management resulting from potential terrorist activities.

Restore/Improve:

- ⇒ The PCA oversees investigations and corrective actions by responsible parties at release sites and provides expedited assistance when requested.
- ⇒ The PCA hires contractors to conduct site investigations and complete risk-based corrective actions at release sites where a responsible person is not found or the responsible person is uncooperative.
- ⇒ The PCA assists developers in returning contaminated sites to productive use through its VIC Programs.
- ⇒ The PCA hires contractors to conduct cleanups at 112 closed landfills; and when possible, the PCA recovers the cost of CLP cleanups from insurance policies held by the landfill owners.
- ⇒ The PCA works with the state’s Petroleum Board to provide financial reimbursements to responsible parties conducting approved cleanups at petroleum leak sites.

Historical Perspective

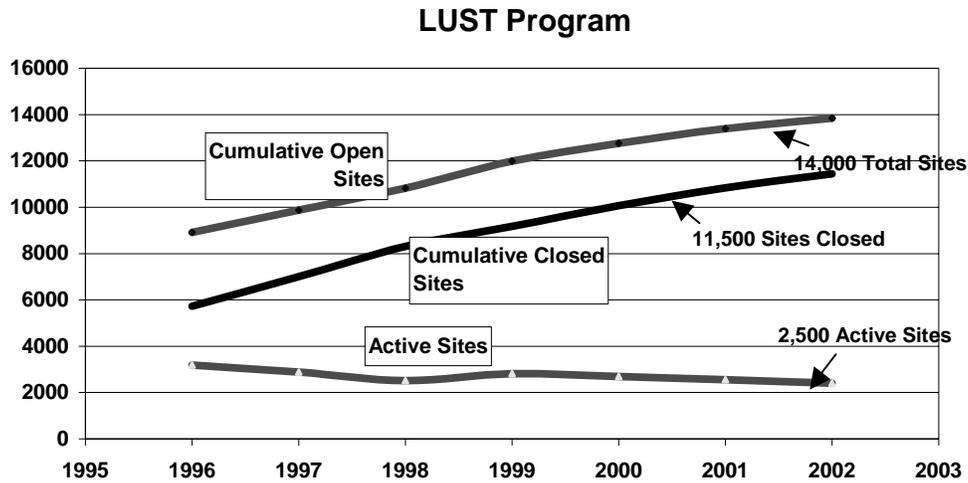
In the past, thousands of locations across the state posed acute or potential risks to land and ground water due to spilling, dumping, or poor management of wastes and petroleum products. From the mid-1970s through the mid-1990s, Congress and the Minnesota Legislature provided a range of legal authorities to the PCA to ensure that these risks to the environment and citizens were eliminated or controlled. Now, due to the network of land program activities within the PCA, risks from contaminant releases to the land have been largely eliminated or controlled, and an infrastructure exists to ensure that they remain so.

Reductions in federal and state funding have left the PCA with many challenges related to the operation and management of the Hazardous Waste (HW) Program. The HW Program has fulfilled its original purpose of keeping waste from large handlers out of the environment. However, mismanagement by smaller generators continues to be a problem. The challenge now is to maintain past gains with large facilities while improving hazardous waste management by small generators.

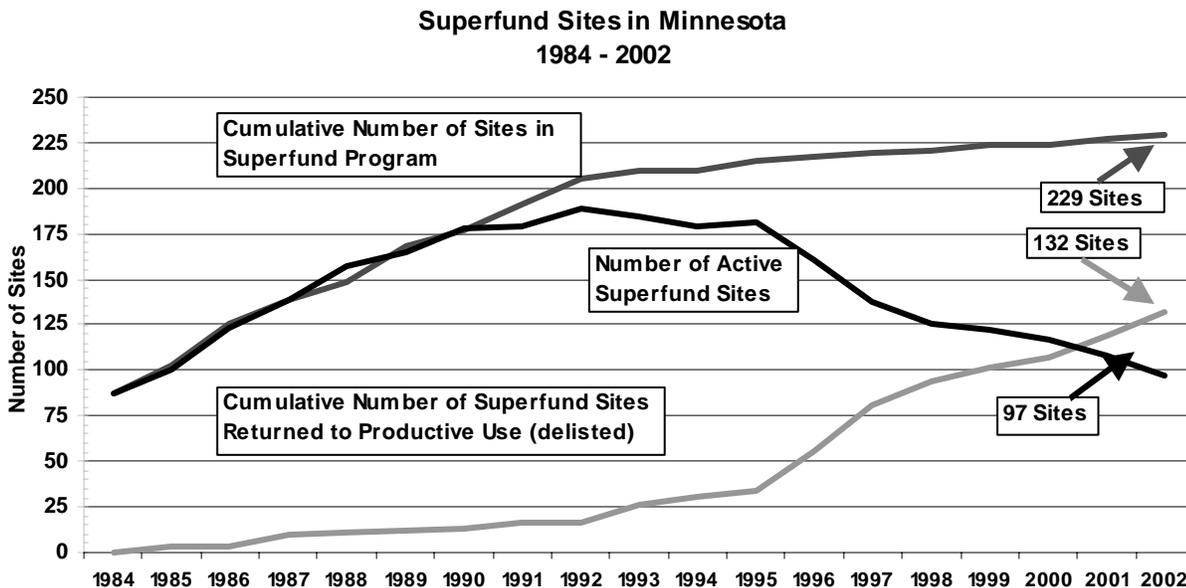
The PCA continues to make significant progress cleaning up contaminated sites through five remediation programs: Superfund Program, VIC Program, Resource Recovery and Conservation Act Corrective Action Program, CLP, and PRP Program. More details about these programs are available on the PCA website at <http://www.pca.state.mn.us/cleanup/index.html>.

Key Measures

The following graph shows the PCA and regulated community progress over the last 15 years in addressing PRP release sites.



The graph below shows the progress of the Superfund Program, over the last 19 years, in cleaning up hazardous waste contaminated sites in the state.



The compliance rate for hazardous waste storage and treatment and large quantity generators was 100% for those inspected by the PCA during FY 2004. The PCA continues to inspect these priority sites to ensure compliance is maintained.

Program Funding

This program is funded by a mix of non-general fund state appropriations from the environmental fund, the remediation fund and special revenues (90%) and federal (10%) funds.

Contact

For more information, contact Communications Director Ralph Heussner at (651) 296-6977 or toll-free at 1 (800) 657-3864.

The PCA web site at <http://www.pca.state.mn.us> provides useful information about Minnesota's environment. The types of information available through the site include regulatory news and updates, rules, public notices, agency initiatives, details about environmental quality, and current "hot topics."

For information on how this agency measures some of its efforts to meet statewide goals, please visit <http://www.departmentresults.state.mn.us>.

POLLUTION CONTROL AGENCY

Program: LAND

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
Environmental					
Current Appropriation	7,065	7,065	7,065	7,065	14,130
Subtotal - Forecast Base	7,065	7,065	7,065	7,065	14,130
Governor's Recommendations					
General Fund Reduction		0	(1)	(1)	(2)
Total	7,065	7,065	7,064	7,064	14,128
Remediation					
Current Appropriation	11,404	11,404	11,404	11,404	22,808
Subtotal - Forecast Base	11,404	11,404	11,404	11,404	22,808
Governor's Recommendations					
General Fund Reduction		0	(1)	(1)	(2)
Total	11,404	11,404	11,403	11,403	22,806
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environmental	6,611	7,011	7,064	7,064	14,128
Remediation	10,705	11,703	11,403	11,403	22,806
Statutory Appropriations					
Special Revenue	479	657	540	540	1,080
Federal	3,310	3,826	2,468	2,380	4,848
Remediation	24,942	33,818	13,690	12,553	26,243
Total	46,047	57,015	35,165	33,940	69,105
<u>Expenditures by Category</u>					
Total Compensation	15,630	15,228	14,695	14,807	29,502
Other Operating Expenses	29,770	41,142	26,293	25,120	51,413
Capital Outlay & Real Property	501	485	444	284	728
Local Assistance	146	160	0	0	0
Transfers	0	0	(6,267)	(6,271)	(12,538)
Total	46,047	57,015	35,165	33,940	69,105
<u>Expenditures by Activity</u>					
Land	46,047	57,015	35,165	33,940	69,105
Total	46,047	57,015	35,165	33,940	69,105
Full-Time Equivalents (FTE)	221.3	213.6	194.8	188.0	

Program Description

Multimedia activities provide scientific and technical support to staff throughout the Pollution Control Agency's (PCA's) air, land, and water programs to assist them in meeting the goals outlined in the PCA Strategic Plan found at www.pca.state.mn.us/publications/reports/strategicplan.htm Such support allows PCA to provide assistance to protect natural resources, regulate pollution sources when necessary and effectively clean up contaminated sites to restore beneficial uses. This staff assesses the impacts of pollutants on all media — air, water, land — rather than each in isolation. The program collects data on environmental conditions and presents the data in a form that is useful to PCA, policy makers, and the public.

Multimedia program staff evaluates the environmental risk of proposed projects and identifies pollution trends and emerging environmental issues. Multimedia activities include maintaining authorization to run federal programs, and enacting new rules, and seeking statutory changes as needed. Training in all state and federal requirements provided to regulated parties enables them to do their part in protecting and improving the environment.

Population Served

- ⇒ Area residents benefit from environmental assessments impact (discharge standards, effluent limits, air quality modeling review, risk assessment, ecological risk assessment, fish kill investigations, and others).
- ⇒ Local citizens and decision-makers at all levels of government use the data collected at monitoring sites operated by the PCA. Currently, 156 air quality monitors at 69 statewide locations monitor a variety of parameters including ozone, particulates, 57 volatile organics compounds, 16 metals, mercury deposition, regional haze, and others. Approximately 500 water monitoring sites have aided in the assessment of 8% of the state's 92,000 miles of streams and 14% of the 13.1 million acres of surface waters (2,790 lakes).
- ⇒ Parties regulated by the PCA receive training. In 2004, 3,767 people received training.
- ⇒ Industry receives assistance on pollution prevention and innovation projects.
- ⇒ Stakeholder groups are given the opportunity to express their opinions through customer research on new programs, budget development, process improvement, specific projects, and others.

Services Provided

Multimedia environmental activities include the following services:

Assess:

- ◆ analyzing data on the condition of the environment, and the stressors that impact it, to describe trends. This activity processes the data in a way that is of value to PCA, policy makers and citizens. For example the recently completed phosphorus study describes the various sources of phosphorus in the state;
- ◆ conducting environmental assessments that help affected persons understand the potential impact of a proposed project;
- ◆ completing environmental reviews which allows permittees, including local government, to initiate requested projects (75 environmental reviews were completed over the past two years); and
- ◆ conducting public participation efforts aimed at learning the environmental values and views of citizens.

Restore/Improve:

- ◆ developing intervention strategies to correct undesirable environmental conditions; and
- ◆ implementing the Mercury Reduction Initiative and other mercury control programs.

Prevent/Protect:

- ◆ using critical data to set standards in water, air, and land to protect Minnesota's resources these standards are used to assess and identify pollution, help set priorities for treatment and cleanup actions, and establish discharge and emission limits. One approach in standards development is setting Total Maximum Daily Loads [TMDLs] that can go into an impaired water body, an approach which identifies sources of pollutants

Program at a Glance

- ◆ Policy evaluation and development
- ◆ Environmental review of proposed projects
- ◆ Training of the regulated community
- ◆ Assessments for impact on the environment to support regulatory and cleanup project decisions by PCA programs: monitoring oversight, discharge standards, effluent limits, air quality modeling review, risk assessment, ecological risk assessment, fish kill investigations, and others
- ◆ Mercury reduction strategies

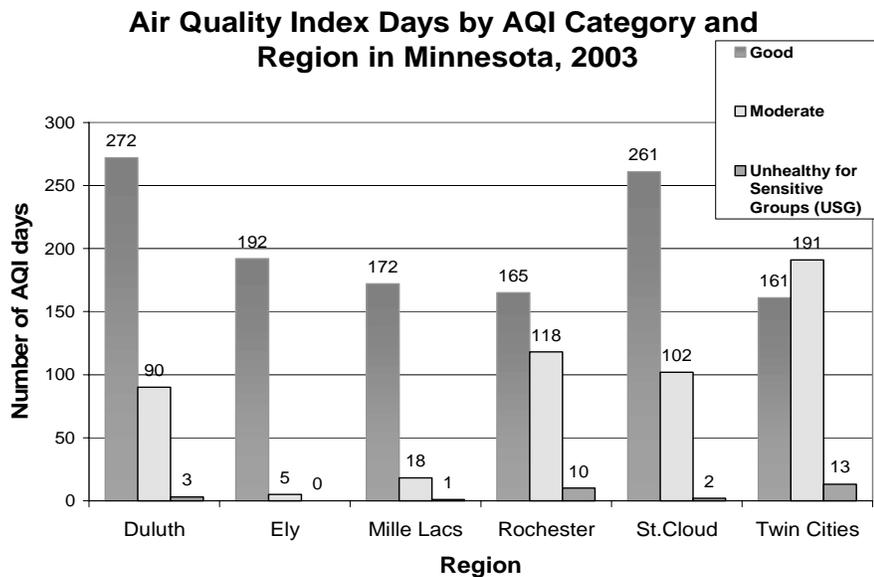
and how much each source must reduce its contribution to a water body in order to meet water quality standards. A list of impaired water bodies was prepared based on monitoring data;

- ◆ conducting risk evaluations and providing technical support to regulatory activities;
- ◆ providing data analysis, and developing reduction and prevention strategies that focus on preventing pollution; and
- ◆ developing administrative and technical rules to meet minimum federal program standards in order to maintain state authorization to run federal programs and to address environmental issues (five rules were completed over the past two years, and four obsolete rules were repealed).

Historical Perspective

The PCA has made good progress in environmental protection since the 1960s and continues to maintain ongoing regulatory activities. Minnesotans now need to address the next generation of environmental challenges—everyday human activities, the cumulative effects of which present significant environmental problems. Addressing these issues requires new approaches to solving and preventing problems. Staff is able to provide data and information to support environmental permitting and cleanup decisions as well as to develop intervention, reduction, and prevention strategies for that issues arise.

Key Measures



Program Funding

This program is funded by a mix of general (17%), other state (i.e. environmental, special revenue, Legislative Commission on Minnesota Resources) (29%) and federal (54%) funds.

Contact

For more information, contact Ralph Heussner, Communications Director at (651) 296-6977 or toll-free at 1 (800) 657-3864. The PCA web site at <http://www.pca.state.mn.us> provides useful information about Minnesota’s environment. The types of information available through the site include regulatory news and updates, rules, public notices, agency initiatives, details about environmental quality, and current “hot topics.”

For information on how this agency measures some of its efforts to meet statewide goals, please visit <http://www.departmentresults.state.mn.us>.

POLLUTION CONTROL AGENCY

Program: MULTIMEDIA

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
Environment & Natural Resource					
Current Appropriation	762	518	518	518	1,036
Technical Adjustments					
One-time Appropriations			(518)	(518)	(1,036)
Subtotal - Forecast Base	762	518	0	0	0
Governor's Recommendations					
LCMR Project		0	300	300	600
Total	762	518	300	300	600
General					
Current Appropriation	2,265	2,265	2,265	2,265	4,530
Subtotal - Forecast Base	2,265	2,265	2,265	2,265	4,530
Governor's Recommendations					
General Fund Reduction		0	(1)	(1)	(2)
Total	2,265	2,265	2,264	2,264	4,528
Environmental					
Current Appropriation	2,036	2,041	2,041	2,041	4,082
Subtotal - Forecast Base	2,036	2,041	2,041	2,041	4,082
Governor's Recommendations					
Department of Environmental Protection		0	19,754	19,754	39,508
Total	2,036	2,041	21,795	21,795	43,590
<u>Expenditures by Fund</u>					
Direct Appropriations					
Environment & Natural Resource	599	681	300	300	600
General	2,428	2,585	2,264	2,264	4,528
Environmental	1,980	2,097	21,795	21,795	43,590
Statutory Appropriations					
Special Revenue	700	983	990	990	1,980
Federal	8,519	8,848	7,847	7,575	15,422
Environmental	0	0	2,061	2,064	4,125
Gift	0	0	11	11	22
Total	14,226	15,194	35,268	34,999	70,267
<u>Expenditures by Category</u>					
Total Compensation	10,339	10,701	15,004	15,801	30,805
Other Operating Expenses	3,154	4,220	3,840	2,770	6,610
Local Assistance	733	273	16,412	16,413	32,825
Other Financial Transactions	0	0	12	15	27
Total	14,226	15,194	35,268	34,999	70,267
<u>Expenditures by Activity</u>					
Multimedia	14,226	15,194	35,268	34,999	70,267
Total	14,226	15,194	35,268	34,999	70,267
Full-Time Equivalent (FTE)	148.9	145.6	202.4	201.1	

Program Description

The Administrative Support program provides leadership and policy direction, through the Commissioner's Office, and agency-wide program coordination and support for the delivery of environmental programs in St. Paul and offices located throughout the state. This program includes the Commissioner's Office, the Citizens' Board, fiscal management, human resources management, information systems management, organizational development and training, communications services and business systems.

Population Served

This program serves the general public by developing environmental goals and priorities for the state. The Citizens' Board serves individuals and groups of citizens, representatives of local units of government, industries, and industrial organizations as they make environmental decisions. The general public and individual citizens are also served through Information Systems and Communication Services as people search the Pollution Control Agency (PCA) web site, read publications produced, or participate in public meetings. This program also provides management systems and services to support implementation of all PCA programs.

Services Provided

The PCA commissioner, along with the deputy and assistant commissioners, leads and directs the work of the PCA. The Commissioner's Office also provides leadership in implementing business and management practices in order to provide effective and efficient environmental programs. This approach relies on strategic planning, process design, and performance measurement which can be viewed in the PCA Strategic Plan at <http://www.pca.state.mn.us/publications/reports/strategicplan-2004.pdf>.

- ⇒ The Citizens' Board sets agency policy and makes decisions on varied and complex pollution problems. The Board provides a venue for the public to participate in key environmental decisions.
- ⇒ Process improvements are an ongoing activity facilitated through a focused agencywide use of SixSigma design and improvement principles.
- ⇒ Communications Services support agency programs by providing public information, media relations, community involvement, coordination of public hearing events, and publication management.
- ⇒ The Customer Assistance Center provides answers to the most commonly asked questions from regulated parties and the public in a timely manner.
- ⇒ Information Systems keeps the PCA tied to the world electronically. Large volumes of data are stored and made available to agency staff for environmental assessment, permit writing, compliance determination and enforcement. Information is also made available to the public in report form through web access. The web is also an important link for PCA clientele to conduct business with the agency. This requires effective, well-maintained systems.
- ⇒ Cost effective and environmentally sound business solutions meet the agency's business needs and model effective environmental business practices. This is seen in the purchase of alternative technology vehicles, purchase of office supplies that have been made with recycled materials (green procurement), and implementing recycling processes to reduce waste generation. In FY 2000, 74% of waste from the PCA was recycled.
- ⇒ Funds are expended as appropriated, managed according to general government accounting practices, and paid in a timely and accurate way to vendors.
- ⇒ Human Resources and Organizational Development and Training provide support to PCA leaders in human resource issues, in the assessment of individual and group development needs, and how to fill those needs for 751 FTE (includes nine FTE for student workers and interns).

Program at a Glance

- ◆ The PCA Citizens' Board sets policy and resolves certain controversial matters in the PCA's regulatory work.
- ◆ The Commissioner's Office leads the work of the PCA.
- ◆ Fiscal Services, Business Systems, Human Resources, Organizational Development and Training, Information Systems, and Communication Services support all program operations of the PCA.

Historical Perspective

During the past decade, PCA has experienced a variety of funding challenges. The agency's water and hazardous waste fee revenues have not kept pace with inflation, and legislators have transferred money into these fee accounts on many occasions to address potential deficits. Several PCA proposals for fee increases have not been enacted by the legislature.

In 2003, the legislature authorized Environmental Fund Consolidation which allowed the PCA to consolidate funding accounts into two new funds, the Environmental Fund and the Remediation Fund. This consolidation simplifies the PCA's funding structure and the two funds are designed with the flexibility needed to assign dollars to environmental priorities. This flexibility, along with the federal Performance Partnership Grant (where grant dollars from six federal media grants are consolidated) has allowed the PCA to maintain water quality point source permitting programs in the face of stagnant or declining state and federal resources, and to provide a little additional support for priority non-point water and air programs.

Key Measures

- ⇒ In 2003, fee revenues were collected from approximately 7,600 fee payers (5,900 Water Quality and Air Quality annual fees, 1,700 construction storm water application fee) at a collection rate of 99.5%.
- ⇒ The PCA provides information to Minnesota citizens:
 - ◆ The quarterly "Minnesota Environment" magazine is mailed to 26,000 subscribers.
 - ◆ In 2003, there were 3,781,644 pages viewed by users on the PCA web site.
 - ◆ The Customer Assistance Center responded to 9,275 inquiries in 2003 with 98.4% of the responses made within 24 hours; and
 - ◆ An estimated 300,000 citizens visited the PCA state fair booths which focused on water pollution and mobile sources of air pollution.
- ⇒ The PCA exceeded the federal standard that requires state agencies to acquire 75% of light duty vehicles annually as alternative fuel vehicles and the use of alternative fuels is increasing.

Program Funding

This program is funded by a mix of general (17%) and other state funds (i.e. special revenues, including federal indirect) – (83%).

Contact

For more information, contact Ralph Heussner, Communications Director at (651) 296-6977 or toll-free at 1 (800) 657-3864.

The PCA web site at <http://www.pca.state.mn.us> provides useful information about the Minnesota's environment. The types of information available through the site include regulatory news and updates, rules, public notices, agency initiatives, details about environmental quality, and current "hot topics."

For information on how this agency measures some of its efforts to meet statewide goals, please visit <http://www.departmentresults.state.mn.us>.

POLLUTION CONTROL AGENCY
 Program: ADMINISTRATIVE SUPPORT

Program Summary

<i>Dollars in Thousands</i>					
	Current		Governor Recomm.		Biennium
	FY2004	FY2005	FY2006	FY2007	2006-07
<u>Direct Appropriations by Fund</u>					
General					
Current Appropriation	1,983	1,983	1,983	1,983	3,966
Subtotal - Forecast Base	1,983	1,983	1,983	1,983	3,966
Governor's Recommendations					
General Fund Reduction		0	(400)	(400)	(800)
Total	1,983	1,983	1,583	1,583	3,166
<u>Expenditures by Fund</u>					
Direct Appropriations					
General	1,514	1,901	1,583	1,583	3,166
Statutory Appropriations					
State Government Spec Revenue	0	1	1	1	2
Special Revenue	10,031	11,766	10,671	10,671	21,342
Environmental	79	86	86	86	172
Remediation	92	117	117	117	234
Total	11,716	13,871	12,458	12,458	24,916
<u>Expenditures by Category</u>					
Total Compensation	6,338	6,640	6,961	7,264	14,225
Other Operating Expenses	5,377	7,231	5,349	5,046	10,395
Local Assistance	1	0	0	0	0
Transfers	0	0	148	148	296
Total	11,716	13,871	12,458	12,458	24,916
<u>Expenditures by Activity</u>					
Administrative Support	11,716	13,871	12,458	12,458	24,916
Total	11,716	13,871	12,458	12,458	24,916
Full-Time Equivalent (FTE)	86.3	88.8	88.8	88.8	

POLLUTION CONTROL AGENCY

Agency Revenue Summary

Dollars in Thousands

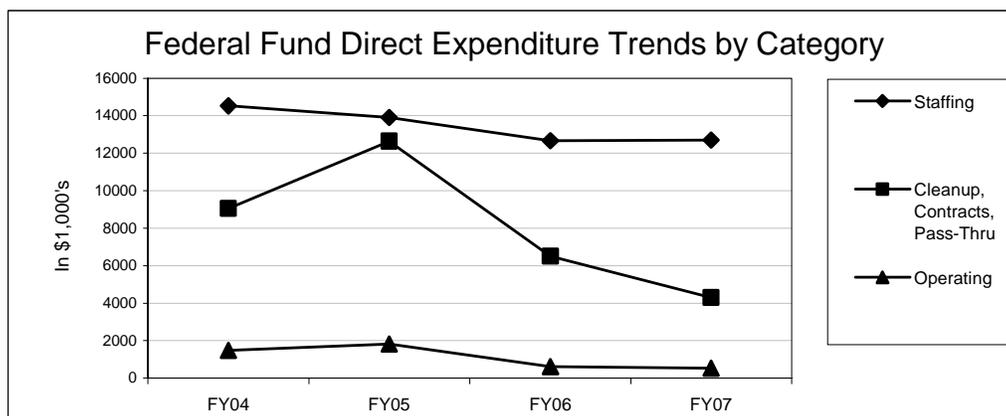
	Actual FY2004	Budgeted FY2005	Governor's Recomm.		Biennium 2006-07
			FY2006	FY2007	
<u>Non Dedicated Revenue:</u>					
Departmental Earnings:					
General	10	8	8	8	16
Petroleum Tank Release Cleanup	7	8	8	8	16
State Government Spec Revenue	39	37	37	37	74
Environmental	17,428	19,319	21,389	21,878	43,267
Remediation	87	0	0	0	0
Other Revenues:					
General	417	310	313	313	626
Petroleum Tank Release Cleanup	53	40	40	40	80
Environmental	1,007	1,253	981	808	1,789
Remediation	3,598	3,548	2,050	1,849	3,899
Closed Landfill Investment	108	39	2	0	2
Other Sources:					
General	0	0	37	37	74
Total Non-Dedicated Receipts	22,754	24,562	24,865	24,978	49,843
<u>Dedicated Receipts:</u>					
Departmental Earnings:					
Special Revenue	305	735	256	256	512
Grants:					
Special Revenue	3,844	3,942	4,119	4,119	8,238
Federal	24,993	28,192	19,773	17,497	37,270
Other Revenues:					
Public Facilities Authority	82	70	70	70	140
Special Revenue	7,415	7,853	7,967	7,967	15,934
Environmental	15	22	28	28	56
Remediation	190	31	42	52	94
Gift	0	0	11	11	22
Other Sources:					
Public Facilities Authority	1,190	1,085	1,085	1,085	2,170
Environmental	163	157	169	172	341
Taxes:					
Remediation	670	0	0	0	0
Total Dedicated Receipts	38,867	42,087	33,520	31,257	64,777
Agency Total Revenue	61,621	66,649	58,385	56,235	114,620

In the FY 2004-05 biennium, the Pollution Control Agency (PCA) received approximately 19% of its resources from the federal government. This funding came from the United States Environmental Protection Agency (EPA) in the form of several large, media specific grants, as well as smaller, specific purpose grants. The funds are important because they enable the PCA to carry out activities specified in the current Environmental Performance Partnership Agreement (EnPPA) – our annual agreement with the EPA to strategically address shared-priority environmental issues at a state level – and other EPA and PCA initiatives. The EnPPA serves as the program plan for the Performance Partnership Grant (PPG).

The PCA again received a PPG with a budget period that was aligned with federal FY 2005 and FY 2006. The PPG combines five specific grants into one award, increasing the PCA’s flexibility to direct resources where they are most needed; to address environmental priorities while maintaining our commitments on deliverables to the EPA. By having one award and program plan for the PPG, administrative requirements of what once were multiple federal grants are streamlined.

There are, however, approximately 50 other grants including cleanup and Water’s nonpoint source implementation programs that are not included in the PPG.

Ongoing federal grant program allocations are projected to decline over the upcoming biennium by an aggregate total of 30 % when compared to the combined revenues in FY 2004-05. This includes a 50% decrease in available funds for cleanups, contracts and pass-thru grants. Additionally, the PCA’s allocations are not adjusted for inflation, reflecting a further decrease in level of funded effort over time. It is significant that the reporting requirements for many areas of funding will remain relatively consistent with the prior period, producing concerns of under funded mandates in the near future if trends at a national level continue related to environmental funding. It is also notable that the PCA’s apparent increase in FY 2005 federal expenditures reflected on the Federal Fund Direct Expenditure Trend by Category chart (below) is due almost exclusively to the extension of project periods for our FY 2004 nonpoint source program pass-thru grants. The extensions allow spending to take place in the next fiscal year, “shifting” expenditures from FY 2004 to FY 2005, and provide the appearance of increased revenues for the period, which would not be an accurate assessment.



	FY 2004-05	FY 2006-07	Change from FY 2004-05 to FY 2006-07
Staffing	\$28,191	\$25,351	\$(2,840)
Operating Costs	3,539	1,128	(2,411)
Cleanup, Contracts, and Pass-Through Grants	21,686	10,791	(10,895)
Totals	\$53,416	\$37,270	\$(16,146)

Land Program activities expect significant reduction over the next biennium – now projected to be funded at 70% of the previous biennium’s amounts for the combined Superfund (SF), Leaking Underground Storage Tanks (LUST) and Brownfields program areas. The SF site-specific funding is projected to have the most significant decrease in funding, only receiving 35% of the FY 2004-05 levels due to reduction in the number of federally identified clean-up sites in Minnesota. The Superfund CORE grant – which provides flexibility in ongoing state administration of non-site-specific SF activities – is undergoing a 25% reduction over the FY 2006-07 biennium, driven by cutbacks at a national level. Finally, the Leaking Underground Storage Tanks (LUST) trust grant funding is decreasing by approximately \$100,000 from FY 2004-05 levels. Contrary to the trend in other Land areas, Brownfields funding to address cleanup issues for developed, contaminated and then abandoned commercial properties will increase by 17% by the end of the FY 2006-07 biennium.

Air Program activities also expect a decline in funding for the Section 105/Air Pollution Control portion of the PPG. The PCA continues to receive funding for the ambient monitoring of fine particulate matter (PM2.5), which is part of the Section 103/Air Research and Development Program grant. PM2.5 funding was reduced during the last biennium, but is expected to maintain its current level of funding without further reduction through 2007. The anticipated PM2.5 program conversion from Section 103 to 105 was not accomplished in federal regulations, and therefore the program was not added to the PPG during the last biennium.

While Water Program activities did experience a one-time increase in funding during the past biennium, the downward trend in federal funding dramatically affects this media as well. Non-Point Source funding in the Clean Water Act Section 319 was reduced by 13%, a drop of approximately \$1 million in funding. Apart from Non-Point Source Implementation resources, combined funding in all other water areas is projected to decline by 39 %. This drop in projected revenues will affect the PCA’s ability to address priority water programs. The PCA will also be impacted by an approximate \$5 million reduction to Minnesota’s allocation of the Clean Water State Revolving funding that is provided to the Public Facilities Authority to help pay for wastewater treatment plant infrastructure.

In the PCA’s multi-media area, the PCA received two competitive awards that will compliment last biennium’s technical advances in “flowing” electronic data from the state to federal levels. The new National Environmental Information Exchange Network grants will further develop and support the PCA’s integrated compliance, enforcement and permitting data management system. The “Challenge” grant will allow other state and federal partners to similarly share and exchange their data, saving resources and insuring all users’ access to the most current and complete data. The “Implementation” grant will both identify and correct data quality problems in data to be flowed, and train facility operators and PCA program staff in new processes regarding ongoing data management practices. This effort reflects the tenets of the *Pawlenty-Molnau Drive to Excellence*, by establishing secure, cost effective and efficient, high-speed electronic options for selected state- and federal-level business transactions. The goal of the Network’s effort is to increase the quality and availability of the environmental data that is generated by the PCA for its stakeholders.

Federal Programs (\$ in Thousands)	Related FY 2004 Spending	Primary Purpose	FY 2004 Revenues	FY 2005 Revenues	Estimated FY 2006 Revenues	Estimated FY 2007 Revenues
Reimbursement of Technical Services	\$0	SO	\$273	\$342	\$287	\$282
Air Pollution Control – Research	4	SO	377	365	338	338
Great Lakes Commission – Air Toxics Inventory	4	SO	113	28	28	28
Water Pollution Control Programs	15	SO	160	0	0	0
Water Quality Management Planning	0	SO	183	517	268	172
NonPoint Source Implementation Grants	1,849	SO	3,286	3,243	2,908	2,908

Federal Programs (\$ in Thousands)	Related FY 2004 Spending	Primary Purpose	FY 2004 Revenues	FY 2005 Revenues	Estimated FY 2006 Revenues	Estimated FY 2007 Revenues
NonPoint Source Implementation Grants	33	GPS	8,033	9,479	1,314	3,314
Wetlands Program Grants	84	SO	193	572	352	300
Water Quality Grants / NPDES	26	SO	429	191	130	130
Wastewater Operator Training and Security Grants	12	SO	38	61	48	48
Great Lakes Programs	57	SO	144	427	308	110
Beach Monitoring and Notification Program Grants	0	SO	163	207	106	106
Environmental Protection: Consolidated Research	0	SO	100	26	3	3
Performance Partnership Grants	1,444	SO	8,175	7,871	7,447	7,447
Surveys, Studies, Investigations and Special Purpose Grants	9	SO	201	405	110	85
Environmental Information Exchange Network Grants	0	SO	75	835	302	30
Pollution Prevention Grants Program	99	SO	79	142	98	98
Superfund State Site-Specific Cooperative Agreements	487	SO	1,238	1,703	541	494
Leaking Underground Storage Tank Trust Fund Program	147	SO	1,131	1,171	932	896
Brownfield Pilots Cooperative Agreements	0	SO	602	607	708	708
Total (Federal Direct)	\$4,267		\$24,993	\$28,192	\$19,773	\$17,497
Total (Federal Indirect – Special Revenue (P02))	0		3,783	4,011	4,195	4,195
Agency Total	\$4,267		\$28,776	\$32,203	\$23,968	\$21,692

Key:
 Primary Purpose
 SO = State Operations
 GPS = Grants to Political Subdivision