

2003 SENATE BILL 173

1 **AN ACT** *to repeal* 126.07 and 126.72 (4); *to renumber* 126.31 (1) and 126.47 (1);
2 *to renumber and amend* 126.16 (3), 126.31 (3), 126.47 (3) and 126.61 (3); *to*
3 *amend* 20.115 (1) (v), 20.115 (1) (wb), 25.463, 126.05 (2), 126.08, 126.14 (2) (b)
4 3. and 4., 126.15 (1) (intro.), 126.16 (8) (a) (intro.), 126.16 (8) (b) (intro.), 126.29
5 (2) (a), 126.30 (1) (intro.), 126.31 (8) (a) (intro.), 126.45 (3) (a), 126.45 (3) (c) 3.
6 and 4., 126.46 (1) (intro.), 126.46 (2) (c), 126.46 (2) (e), 126.46 (4) (c), 126.46 (4)
7 (e), 126.47 (7) (a) (intro.), 126.59 (2) (c) 3. and 4., 126.60 (1) (intro.), 126.61 (1)
8 (c) (intro.), 126.61 (7) (a) (intro.), 126.61 (7) (b) (intro.), 126.71 (1) (d), 126.71 (1)
9 (e), 126.72 (1), 126.73, 126.86 (1) (f) and (g) and 126.90; *to repeal and recreate*
10 126.06 and 126.72 (2) and (3); and *to create* 20.115 (1) (wc), 126.15 (6m), 126.16
11 (1) (c), 126.16 (3) (b), 126.16 (8) (bm), 126.30 (5m), 126.31 (1) (b), 126.31 (3) (b),
12 126.31 (8) (am), 126.46 (5m), 126.47 (1) (b), 126.47 (3) (b), 126.47 (7) (am),
13 126.60 (5m), 126.61 (1) (bm), 126.61 (3) (b) and 126.61 (7) (bm) of the statutes;

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1 **relating to:** the agricultural producer security program, granting
2 rule-making authority, and making an appropriation.

Analysis by the Legislative Reference Bureau

The people of the state of Wisconsin, represented in senate and assembly, do enact as follows:

3 **SECTION 1.** 20.115 (1) (v) of the statutes is amended to read:

4 20.115 **(1)** (v) *Agricultural producer security; ~~bonds~~ contingent financial*
5 *backing*. From the agricultural producer security fund, a sum sufficient to acquire
6 the surety ~~bonds~~ contingent financial backing required under ss. ~~s.~~ 126.06 and
7 ~~126.07~~.

8 **SECTION 2.** 20.115 (1) (wb) of the statutes is amended to read:

9 20.115 **(1)** (wb) *Agricultural producer security; ~~bond~~ proceeds of contingent*
10 *financial backing*. From the agricultural producer security fund, all moneys received
11 under s. 126.72 (2) ~~and (3)~~ to be used to make default claim payments under s. 126.71
12 (1).

13 **SECTION 3.** 20.115 (1) (wc) of the statutes is created to read:

14 20.115 **(1)** (wc) *Agricultural producer security; repayment of contingent*
15 *financial backing*. From the agricultural producer security fund, a sum sufficient to
16 make payments under s. 126.06 (3).

17 **SECTION 4.** 25.463 of the statutes is amended to read:

18 **25.463 Agricultural producer security fund.** There is established a
19 separate nonlapsible trust fund designated as the agricultural producer security
20 fund, to consist of all fees, surcharges, assessments, reimbursements, and proceeds

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1 of ~~surety bonds~~ contingent financial backing received by the department of
2 agriculture, trade and consumer protection under ch. 126.

3 **SECTION 5.** 126.05 (2) of the statutes is amended to read:

4 126.05 (2) The department shall deposit into the fund all fees, surcharges,
5 assessments, reimbursements, and proceeds of ~~surety bonds~~ contingent financial
6 backing that the department collects under this chapter. The department shall keep
7 a record by contractor and industry, of all deposits.

8 **SECTION 6.** 126.06 of the statutes is repealed and recreated to read:

9 **126.06 Contingent financial backing. (1)** DEPARTMENT TO ACQUIRE. Using
10 moneys appropriated under s. 20.115 (1) (v), the department shall acquire contingent
11 financial backing to secure payment under s. 126.72 (2) of claims against
12 contributing contractors, as defined in s. 126.68 (1). The contingent financial
13 backing may be in one or more of the following forms:

14 (a) A surety bond.

15 (b) A contract to provide a cash loan to the fund whenever the department
16 requests a loan payable as provided in sub. (3).

17 (2) AMOUNT. The department shall acquire contingent financial backing under
18 sub. (1) in the amount that, in the department's judgment, is sufficient to meet
19 reasonably foreseeable needs under s. 126.72 (2), except as follows:

20 (a) The department may acquire a smaller amount of contingent financial
21 backing if, in the department's judgment, that is necessary to avoid excessive
22 acquisition costs or repayment liabilities.

23 (b) The department may not acquire contingent financial backing in an amount
24 that exceeds \$17,000,000, unless the department establishes a different maximum
25 amount by rule.

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1 **(3) REPAYMENT.** The department shall pay principal and interest costs of any
2 loan provided under sub. (1) (b) only from the appropriation from the agricultural
3 producer security fund under s. 20.115 (1) (wc).

4 **SECTION 7.** 126.07 of the statutes is repealed.

5 **SECTION 8.** 126.08 of the statutes is amended to read:

6 **126.08 Start-up loan to fund; repayment.** On January 1, 2002, \$2,000,000
7 is transferred as a loan from the agrichemical management fund, to the agricultural
8 producer security fund. The department shall repay this loan principal, plus interest
9 ~~compounded at 5% annually,~~ from the agricultural producer security fund by July 1,
10 2006. Interest shall be compounded at 5% annually before July 1, 2003, and at 2%
11 annually beginning on July 1, 2003. The department shall transfer at least \$250,000
12 from the agricultural producer security fund to the agrichemical management fund
13 on July 1 of each year, beginning on July 1, 2003. The department may accelerate
14 the loan repayment, at its discretion.

15 **SECTION 9.** 126.14 (2) (b) 3. and 4. of the statutes are amended to read:

16 126.14 **(2) (b) 3.** The grain dealer fails to reimburse the department, within 60
17 days after the department issues a reimbursement demand under s. 126.73 (1), for
18 the full amount that the department pays to claimants under s. 126.72 (1) or under
19 s. 126.72 (2) with the proceeds of a loan under s. 126.06 (1) (b) because of that grain
20 dealer's default.

21 4. The grain dealer fails to reimburse a bond surety, within 60 days after the
22 bond surety issues a reimbursement demand under s. 126.73 (2), for the full amount
23 that the surety pays to the department under s. 126.72 (2) ~~or (3)~~ for the benefit of
24 claimants affected by that grain dealer's default.

25 **SECTION 10.** 126.15 (1) (intro.) of the statutes is amended to read:

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1 126.15 (1) GENERAL. (intro.) A contributing grain dealer shall pay an annual
2 fund assessment for each license year. The Except as provided in sub. (6m), the
3 assessment equals \$20 or the sum of the following, whichever is greater, unless the
4 department by rule specifies a different assessment:

5 **SECTION 11.** 126.15 (6m) of the statutes is created to read:

6 126.15 (6m) REDUCED ASSESSMENT FOR CERTAIN GRAIN DEALERS FILING SECURITY.

7 If a grain dealer files security under s. 126.16 (1) (c), the grain dealer's assessment
8 is the amount determined under sub. (1) reduced by an amount determined as
9 follows:

10 (a) Divide the amount of security that the grain dealer is required to file as
11 determined under s. 126.16 (3) (b) by the amount of the grain dealer's estimated
12 default exposure, as defined in s. 126.16 (1) (c) 1.

13 (b) Multiply the amount of the assessment determined under sub. (1) by the
14 amount determined under par. (a).

15 **SECTION 12.** 126.16 (1) (c) of the statutes is created to read:

16 126.16 (1) (c) 1. In this paragraph, "estimated default exposure" means the sum
17 of the following:

18 a. Thirty-five percent of the grain dealer's average monthly payment for the
19 3 months, during the preceding 12 months, in which the grain dealer made the
20 largest monthly payments for producer grain procured in this state.

21 b. The grain dealer's highest total, at any time during the preceding 12 months,
22 of unpaid obligations for producer grain procured in this state under deferred
23 payment contracts.

24 2. A grain dealer shall file security with the department, and maintain that
25 security until the department releases it under sub. (8) (bm), if the grain dealer files

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1 an annual financial statement under s. 126.13 (1) that shows negative equity, a
2 current ratio of less than 1.25 to 1.0, or a debt to equity ratio of more than 4.0 to 1.0
3 and the grain dealer's estimated default exposure is greater than the following
4 amount:

- 5 a. For the license year beginning on September 1, 2003, \$18,000,000.
- 6 b. For the license year beginning on September 1, 2004, \$19,000,000.
- 7 c. For a license year that begins on September 1, 2005, or later, \$20,000,000.

8 **SECTION 13.** 126.16 (3) of the statutes is renumbered 126.16 (3) (a), and 126.16
9 (3) (a) (intro.) and 1., as renumbered, are amended to read:

10 126.16 (3) (a) (intro.) ~~A~~ Except as provided in par. (b), a grain dealer who is
11 required to file or maintain security under this section shall at all times maintain
12 security that is at least equal to the sum of the following:

- 13 1. ~~An amount equal to 35%~~ Thirty-five percent of the grain dealer's average
14 monthly payment for the 3 months, during the preceding 12 months, in which the
15 grain dealer made the largest monthly payments for producer grain procured in this
16 state, except that this amount is not required of a contributing grain dealer ~~after~~
17 ~~December 1, 2002.~~

18 **SECTION 14.** 126.16 (3) (b) of the statutes is created to read:

19 126.16 (3) (b) A grain dealer who is only required to file or maintain security
20 under sub. (1) (c) shall at all times maintain security equal to the grain dealer's
21 estimated default exposure, as defined in sub. (1) (c) 1., less the following amount:

- 22 1. For the license year beginning on September 1, 2003, \$18,000,000.
- 23 2. For the license year beginning on September 1, 2004, \$19,000,000.
- 24 3. For a license year that begins on September 1, 2005, or later, \$20,000,000.

25 **SECTION 15.** 126.16 (8) (a) (intro.) of the statutes is amended to read:

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1 126.16 **(8)** (a) (intro.) The department may release security filed under sub. (1)
2 (a), except for any amount of security that the grain dealer is required to file because
3 sub. (1) (b) or (c) applies to the grain dealer, if any of the following applies:

4 **SECTION 16.** 126.16 (8) (b) (intro.) of the statutes is amended to read:

5 126.16 **(8)** (b) (intro.) The department may release security filed under sub. (1)
6 (b), except for any amount of security that the grain dealer is required to file because
7 sub. (1) (a) or (c) applies to the grain dealer, if any of the following applies:

8 **SECTION 17.** 126.16 (8) (bm) of the statutes is created to read:

9 126.16 **(8)** (bm) The department may release security filed under sub. (1) (c),
10 except for any amount of security that the grain dealer is required to file because sub.
11 (1) (a) or (b) applies to the grain dealer, if the grain dealer files 2 consecutive annual
12 financial statements under s. 126.13 showing that the grain dealer no longer has
13 negative equity, a current ratio of less than 1.25 to 1.0, or a debt to equity ratio of more
14 than 4.0 to 1.0.

15 **SECTION 18.** 126.29 (2) (a) of the statutes is amended to read:

16 126.29 **(2)** (a) A grain warehouse keeper who is required to file security under
17 s. 126.31 (1) (a) is disqualified from the fund until the department releases that
18 security under s. 126.31 (8) (a).

19 **SECTION 19.** 126.30 (1) (intro.) of the statutes is amended to read:

20 126.30 **(1)** GENERAL. (intro.) A contributing grain warehouse keeper shall pay
21 an annual fund assessment for each license year. The Except as provided in sub.
22 (5m), the assessment equals \$20 or the sum of the following, whichever is greater,
23 unless the department by rule specifies a different assessment:

24 **SECTION 20.** 126.30 (5m) of the statutes is created to read:

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1 **126.30 (5m)** REDUCED ASSESSMENT FOR CERTAIN GRAIN WAREHOUSE KEEPERS FILING
2 SECURITY. If a grain warehouse keeper files security under s. 126.31 (1) (b), the grain
3 warehouse keeper’s assessment is the amount determined under sub. (1) reduced by
4 an amount determined as follows:

5 (a) Divide the amount of security that the grain warehouse keeper is required
6 to file as determined under s. 126.31 (3) (b) by the amount of the grain warehouse
7 keeper’s estimated default exposure, as defined in s. 126.31 (1) (b) 1.

8 (b) Multiply the amount of the assessment determined under sub. (1) by the
9 amount determined under par. (a).

10 **SECTION 21.** 126.31 (1) of the statutes is renumbered 126.31 (1) (a).

11 **SECTION 22.** 126.31 (1) (b) of the statutes is created to read:

12 **126.31 (1) (b) 1.** In this paragraph, “estimated default exposure” means 20%
13 of the current local market value of grain that the grain warehouse keeper holds in
14 this state for others.

15 2. A grain warehouse keeper shall file security with the department, and
16 maintain that security until the department releases it under sub. (8) (am), if the
17 grain warehouse keeper files an annual financial statement under s. 126.28 (1) that
18 shows negative equity, a current ratio of less than 1.25 to 1.0, or a debt to equity ratio
19 of more than 4.0 to 1.0 and the grain warehouse keeper’s estimated default exposure
20 is greater than the following amount:

21 a. For the license year beginning on September 1, 2003, \$18,000,000.

22 b. For the license year beginning on September 1, 2004, \$19,000,000.

23 c. For a license year that begins on September 1, 2005, or later, \$20,000,000.

24 **SECTION 23.** 126.31 (3) of the statutes is renumbered 126.31 (3) (a) and
25 amended to read:

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1 126.31 (3) (a) ~~A~~ Except as provided in par. (b), a grain warehouse keeper who
2 is required to file or maintain security under this section shall at all times maintain
3 security equal to at least 20% of the current local market value of grain that the grain
4 warehouse keeper holds in this state for others.

5 **SECTION 24.** 126.31 (3) (b) of the statutes is created to read:

6 126.31 (3) (b) A grain warehouse keeper who is only required to file or maintain
7 security under sub. (1) (b) shall at all times maintain security equal to the grain
8 warehouse keeper's estimated default exposure, as defined in sub. (1) (b) 1., less the
9 following amount:

10 a. For the license year beginning on September 1, 2003, \$18,000,000.

11 b. For the license year beginning on September 1, 2004, \$19,000,000.

12 c. For a license year that begins on September 1, 2005, or later, \$20,000,000.

13 **SECTION 25.** 126.31 (8) (a) (intro.) of the statutes is amended to read:

14 126.31 (8) (a) (intro.) The department may release security filed under sub. (1)
15 (a) if any of the following applies:

16 **SECTION 26.** 126.31 (8) (am) of the statutes is created to read:

17 126.31 (8) (am) The department may release security filed under sub. (1) (b),
18 except for any amount of security that the grain warehouse keeper is required to file
19 because sub. (1) (a) applies to the grain warehouse keeper, if the grain warehouse
20 keeper files 2 consecutive annual financial statements under s. 126.28 showing that
21 the grain warehouse keeper no longer has negative equity, a current ratio of less than
22 1.25 to 1.0, or a debt to equity ratio of more than 4.0 to 1.0.

23 **SECTION 27.** 126.45 (3) (a) of the statutes is amended to read:

24 126.45 (3) (a) A milk contractor who is required to file security under s. 126.47
25 (1) (a) is disqualified from the fund until the department releases that security under

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1 s. 126.47 (7) (a). This paragraph does not apply, during the period beginning on May
2 1, 2002, and ending on April 30, 2007, to a qualified producer agent who files security
3 under s. 126.47 (3) (e) (a) 3.

4 **SECTION 28.** 126.45 (3) (c) 3. and 4. of the statutes are amended to read:

5 126.45 (3) (c) 3. Failure to reimburse the department, within 60 days after the
6 department issues a reimbursement demand under s. 126.73 (1), for the full amount
7 that the department pays to claimants under s. 126.72 (1) or under s. 126.72 (2) with
8 the proceeds of a loan under s. 126.06 (1) (b) because of that milk contractor's default.

9 4. Failure to reimburse a bond surety, within 60 days after the bond surety
10 issues a reimbursement demand under s. 126.73 (2), for the full amount that the
11 surety pays to the department under s. 126.72 (2) ~~or (3)~~ for the benefit of claimants
12 affected by that milk contractor's default.

13 **SECTION 29.** 126.46 (1) (intro.) of the statutes is amended to read:

14 126.46 (1) GENERAL. (intro.) A contributing milk contractor shall pay an
15 annual fund assessment for each license year. The Except as provided in sub. (5m),
16 the assessment equals \$20 or the sum of the following, whichever is greater, unless
17 the department by rule specifies a different assessment:

18 **SECTION 30.** 126.46 (2) (c) of the statutes is amended to read:

19 126.46 (2) (c) If Except as provided in par. (e), if the milk contractor has filed
20 an annual financial statement under s. 126.44 and that financial statement shows
21 a current ratio of less than or equal to 1.05 to 1.0, the milk contractor's current ratio
22 assessment rate equals the current ratio assessment factor in sub. (3) (b) multiplied
23 by 0.1201478.

24 **SECTION 31.** 126.46 (2) (e) of the statutes is amended to read:

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1 126.46 (2) (e) If the milk contractor ~~has not filed an annual financial statement~~
2 ~~under s. 126.44 and the milk contractor~~ procures producer milk in this state solely
3 as a producer agent and the milk contractor has not filed an annual financial
4 statement under s. 126.44 or has filed an annual financial statement that shows a
5 current ratio of less than or equal to 1.05 to 1.0, the milk contractor's current ratio
6 assessment rate is 0.00025, except that, for the milk contractor's 5th or higher
7 consecutive full license year of participation in the fund, the milk contractor's
8 current ratio assessment rate is 0.000175.

9 **SECTION 32.** 126.46 (4) (c) of the statutes is amended to read:

10 126.46 (4) (c) If Except as provided in par. (e), if the milk contractor has filed
11 an annual financial statement under s. 126.44 and that financial statement shows
12 negative equity or a debt to equity ratio of at least 3.1 to 1.0, the milk contractor's
13 debt to equity ratio assessment rate equals the debt to equity ratio assessment factor
14 in sub. (5) (b) multiplied by 0.8146917.

15 **SECTION 33.** 126.46 (4) (e) of the statutes is amended to read:

16 126.46 (4) (e) If the milk contractor ~~has not filed an annual financial statement~~
17 ~~under s. 126.44 and the milk contractor~~ procures producer milk in this state solely
18 as a producer agent and the milk contractor has not filed an annual financial
19 statement under s. 126.44 or has filed an annual financial statement that shows
20 negative equity or a debt to equity ratio of at least 3.1 to 1.0, the milk contractor's
21 debt to equity ratio assessment rate is 0.00025, except that, for the milk contractor's
22 5th or higher consecutive full license year of participation in the fund, the milk
23 contractor's debt to equity ratio assessment rate is 0.000175.

24 **SECTION 34.** 126.46 (5m) of the statutes is created to read:

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1 **126.46 (5m)** REDUCED ASSESSMENT FOR CERTAIN MILK CONTRACTORS FILING
2 SECURITY. If a milk contractor files security under s. 126.47 (1) (b), the milk
3 contractor's assessment is the amount determined under sub. (1) reduced by an
4 amount determined as follows:

5 (a) Divide the amount of security that the milk contractor is required to file as
6 determined under s. 126.47 (3) (b) by the amount of the milk contractor's estimated
7 default exposure, as defined in s. 126.47 (1) (b) 1.

8 (b) Multiply the amount of the assessment determined under sub. (1) by the
9 amount determined under par. (a).

10 **SECTION 35.** 126.47 (1) of the statutes is renumbered 126.47 (1) (a).

11 **SECTION 36.** 126.47 (1) (b) of the statutes is created to read:

12 **126.47 (1) (b) 1.** In this paragraph, "estimated default exposure" means 75%
13 of the amount last reported under s. 126.41 (6) (b) or (9).

14 2. A milk contractor shall file security with the department, and maintain that
15 security until the department releases it under sub. (7) (am), if the milk contractor
16 files an annual financial statement under s. 126.44 (1) that shows negative equity,
17 a current ratio of less than 1.25 to 1.0, or a debt to equity ratio of more than 2.0 to
18 1.0 and the milk contractor's estimated default exposure is greater than the
19 following amount:

20 a. For the license year beginning on May 1, 2003, \$18,000,000.

21 b. For the license year beginning on May 1, 2004, \$19,000,000.

22 c. For a license year that begins on May 1, 2005, or later, \$20,000,000.

23 **SECTION 37.** 126.47 (3) of the statutes is renumbered 126.47 (3) (a), and 126.47
24 (3) (a) (intro.), 1. and 2. (intro.), as renumbered, are amended to read:

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1 126.47 (3) (a) (intro.) ~~A~~ Except as provided in par. (b), a milk contractor who
2 is required to file or maintain security under this section shall at all times maintain
3 the following amount of security:

4 1. Except as provided in ~~par. (b) or (c)~~ subd. 2. or 3., security equal to at least
5 75% of the amount last reported under s. 126.41 (6) (b) or (9).

6 2. (intro.) Except as provided in ~~par. (c)~~ subd. 3., for a milk contractor who
7 procures milk in this state solely as a qualified producer agent, security equal to at
8 least the following amounts:

9 **SECTION 38.** 126.47 (3) (b) of the statutes is created to read:

10 126.47 (3) (b) A milk contractor who is only required to file or maintain security
11 under sub. (1) (b) shall at all times maintain security equal to the milk contractor's
12 estimated default exposure, as defined in sub. (1) (b) 1., less the following amount:

- 13 a. For the license year beginning on May 1, 2003, \$18,000,000.
14 b. For the license year beginning on May 1, 2004, \$19,000,000.
15 c. For a license year that begins on May 1, 2005, or later, \$20,000,000.

16 **SECTION 39.** 126.47 (7) (a) (intro.) of the statutes is amended to read:

17 126.47 (7) (a) (intro.) The department may release security filed under sub. (1)
18 (a) if any of the following applies:

19 **SECTION 40.** 126.47 (7) (am) of the statutes is created to read:

20 126.47 (7) (am) The department may release security filed under sub. (1) (b),
21 except for any amount of security that the milk contractor is required to file because
22 sub. (1) (a) applies to the milk contractor, if the milk contractor files 2 consecutive
23 annual financial statements under s. 126.44 showing that the milk contractor no
24 longer has negative equity, a current ratio of less than 1.25 to 1.0, or a debt to equity
25 ratio of more than 2.0 to 1.0.

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SECTION 41. 126.59 (2) (c) 3. and 4. of the statutes are amended to read:

26 126.59 **(2)** (c) 3. Failure to reimburse the department, within 60 days after the
27 department issues a reimbursement demand under s. 126.73 (1), for the full amount
28 that the department pays to claimants under s. 126.72 (1) or under s. 126.72 (2) with
29 the proceeds of a loan under s. 126.06 (1) (b) because of that vegetable contractor's
30 default.

31 4. Failure to reimburse a bond surety, within 60 days after the bond surety
32 issues a reimbursement demand under s. 126.73 (2), for the full amount that the
33 surety pays to the department under s. 126.72 (2) ~~or (3)~~ for the benefit of claimants
34 affected by that vegetable contractor's default.

35 **SECTION 42.** 126.60 (1) (intro.) of the statutes is amended to read:

36 126.60 **(1)** GENERAL. (intro.) A contributing vegetable contractor shall pay an
37 annual fund assessment for each license year. The Except as provided in sub. (5m).
38 the assessment equals \$20 or the sum of the following, whichever is greater, unless
39 the department by rule specifies a different assessment:

40 **SECTION 43.** 126.60 (5m) of the statutes is created to read:

41 126.60 **(5m)** REDUCED ASSESSMENT FOR CERTAIN VEGETABLE CONTRACTORS FILING
42 SECURITY. If a vegetable contractor files security under s. 126.61 (1) (bm), the
43 vegetable contractor's assessment is the amount determined under sub. (1) reduced
44 by an amount determined as follows:

45 (a) Divide the amount of security that the vegetable contractor is required to
46 file as determined under s. 126.61 (3) (b) by the amount of the vegetable contractor's
47 estimated default exposure, as defined in s. 126.61 (1) (bm) 1.

48 (b) Multiply the amount of the assessment determined under sub. (1) by the
49 amount determined under par. (a).

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SECTION 44. 126.61 (1) (bm) of the statutes is created to read:

50 126.61 (1) (bm) 1. In this paragraph, “estimated default exposure” means the
51 sum of the following:

52 a. Seventy-five percent of the amount last reported under s. 126.56 (9) (b) or
53 (12) (a).

54 b. The full amount of the unpaid deferred contract obligations last reported
55 under s. 126.56 (9) (e) or (12) (b).

56 2. Except as provided in par. (c), a vegetable contractor shall file security with
57 the department, and maintain that security until the department releases it under
58 sub. (7) (bm), if the vegetable contractor files an annual financial statement under
59 s. 126.58 (1) that shows negative equity, a current ratio of less than 1.25 to 1.0, or a
60 debt to equity ratio of more than 4.0 to 1.0 and the vegetable contractor’s estimated
61 default exposure is greater than the following amount:

62 a. For the license year beginning on February 1, 2003, \$18,000,000.

63 b. For the license year beginning on February 1, 2004, \$19,000,000.

64 c. For a license year that begins on February 1, 2005, or later, \$20,000,000.

65 **SECTION 45.** 126.61 (1) (c) (intro.) of the statutes is amended to read:

66 126.61 (1) (c) (intro.) A vegetable contractor is not required to file security
67 under ~~par. (a) or (b)~~ this subsection if any of the following applies:

68 **SECTION 46.** 126.61 (3) of the statutes is renumbered 126.61 (3) (a), and 126.61
69 (3) (a) (intro.) and 1., as renumbered, are amended to read:

70 126.61 (3) (a) (intro.) ~~A~~ Except as provided in par. (b), a vegetable contractor
71 who is required to file or maintain security under this section shall, at all times,
72 maintain security that is at least equal to the sum of the following:

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1 1. Seventy-five percent of the amount last reported under s. 126.56 (9) (b) or
2 (12) (a), except that this amount is not required of a contributing vegetable contractor
3 after ~~May 1, 2002~~.

4 **SECTION 47.** 126.61 (3) (b) of the statutes is created to read:

5 126.61 (3) (b) A vegetable contractor who is only required to file or maintain
6 security under sub. (1) (bm) shall at all times maintain security equal to the
7 vegetable contractor's estimated default exposure, as defined in sub. (1) (bm) 1., less
8 the following amount:

9 1. For the license year beginning on February 1, 2003, \$18,000,000.

10 2. For the license year beginning on February 1, 2004, \$19,000,000.

11 3. For a license year that begins on February 1, 2005, or later, \$20,000,000.

12 **SECTION 48.** 126.61 (7) (a) (intro.) of the statutes is amended to read:

13 126.61 (7) (a) (intro.) The department may release security filed under sub. (1)
14 (a), except for any amount of security that the vegetable contractor is required to file
15 because sub. (1) (b) or (bm) applies to the vegetable contractor, if any of the following
16 applies:

17 **SECTION 49.** 126.61 (7) (b) (intro.) of the statutes is amended to read:

18 126.61 (7) (b) (intro.) The department may release security filed under sub. (1)
19 (b), except for any amount of security that the vegetable contractor is required to file
20 because sub. (1) (a) or (bm) applies to the vegetable contractor, if any of the following
21 applies:

22 **SECTION 50.** 126.61 (7) (bm) of the statutes is created to read:

23 126.61 (7) (bm) The department may release security filed under sub. (1) (bm),
24 except for any amount of security that the vegetable contractor is required to file
25 because sub. (1) (a) or (b) applies to the vegetable contractor, if the vegetable

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1 contractor files 2 consecutive annual financial statements under s. 126.58 showing
2 that the vegetable contractor no longer has negative equity, a current ratio of less
3 than 1.25 to 1.0, or a debt to equity ratio of more than 4.0 to 1.0.

4 **SECTION 51.** 126.71 (1) (d) of the statutes is amended to read:

5 126.71 (1) (d) For each default claim allowed under s. 126.70 against a qualified
6 producer agent who, at the time of the default, was a contributing contractor and
7 maintained security under s. 126.47 (3) ~~(e)~~ (a) 3., if the default occurs after April 30,
8 2002, and before May 1, 2004, 15% of the amount allowed.

9 **SECTION 52.** 126.71 (1) (e) of the statutes is amended to read:

10 126.71 (1) (e) For each default claim allowed under s. 126.70 against a qualified
11 producer agent who, at the time of the default, was a contributing contractor and
12 maintained security under s. 126.47 (3) ~~(e)~~ (a) 3., if the default occurs after April 30,
13 2004, and before May 1, 2007, 20% of the amount allowed.

14 **SECTION 53.** 126.72 (1) of the statutes is amended to read:

15 126.72 (1) PRODUCER SECURITY FUND. From the appropriation under s. 20.115
16 (1) (w), the department shall make payments authorized under s. 126.71 (1), up to
17 the deductible amount in sub. ~~(4)~~ (3).

18 **SECTION 54.** 126.72 (2) and (3) of the statutes are repealed and recreated to
19 read:

20 126.72 (2) PROCEEDS OF CONTINGENT FINANCIAL BACKING. The department, at the
21 direction of the secretary of agriculture, trade and consumer protection, shall draw
22 on the contingent financial backing acquired under s. 126.06 to make payments
23 authorized under s. 126.71 (1), to the extent that those payments exceed the
24 deductible amount in sub. (3).

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1 **(3) DEDUCTIBLE AMOUNT.** The deductible amount, for purposes of subs. (1) and
2 (2), is 60% of the cash balance in the agricultural producer security fund on the last
3 day of the month preceding the month in which the default occurs.

4 **SECTION 55.** 126.72 (4) of the statutes is repealed.

5 **SECTION 56.** 126.73 of the statutes is amended to read:

6 **126.73 Reimbursing payments. (1) PAYMENTS FROM THE FUND.** The
7 department may demand and collect, from a contractor, any claim amounts that the
8 department pays under s. 126.72 (1) or under s. 126.72 (2) with the proceeds of a loan
9 under s. 126.06 (1) (b) because of the contractor's default.

10 **(2) BOND PAYMENTS.** A bond surety may demand and collect, from a contractor,
11 any claim amounts that the bond surety pays to the department under s. 126.72 (2)
12 ~~or (3)~~ because of the contractor's default. The bond surety shall provide the
13 department with a copy of each demand under this subsection.

14 **SECTION 57.** 126.86 (1) (f) and (g) of the statutes are amended to read:

15 126.86 **(1) (f)** The contractor fails to reimburse the department, within 60 days
16 after the department issues a reimbursement demand under s. 126.73 (1), for the full
17 amount that the department pays to claimants under s. 126.72 (1) or under s. 126.72
18 (2) with the proceeds of a loan under s. 126.06 (1) (b) because of the contractor's
19 default.

20 **(g)** The contractor fails to reimburse a bond surety, within 60 days after the
21 bond surety issues a reimbursement demand under s. 126.73 (2), for the full amount
22 that the surety pays to the department under s. 126.72 (2) ~~or (3)~~ for the benefit of
23 claimants affected by the contractor's default.

24 **SECTION 58.** 126.90 of the statutes is amended to read:

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1 **126.90 Agricultural producer security council.** The agricultural producer
2 security council shall advise the department on the administration and enforcement
3 of this chapter. The council shall meet as often as the department considers
4 necessary, but at least once annually. The department shall inform the council of
5 fund balances and payments, ~~and.~~ The department shall consult with the council
6 before acquiring any contingent financial backing under s 126.06 and before
7 modifying any license fee, license surcharge, or fund assessment under this chapter.

8

(END)