

**BILL HISTORY FOR SENATE BILL 173 (LRB -2649)**

An Act to repeal 126.07 and 126.72 (4); to renumber 126.31 (1) and 126.47 (1); to renumber and amend 126.16 (3), 126.31 (3), 126.47 (3) and 126.61 (3); to amend 20.115 (1) (v), 20.115 (1) (wb), 25.463, 126.05 (2), 126.08, 126.14 (2) (b) 3. and 4., 126.15 (1) (intro.), 126.16 (8) (a) (intro.), 126.16 (8) (b) (intro.), 126.29 (2) (a), 126.30 (1) (intro.), 126.31 (8) (a) (intro.), 126.45 (3) (a), 126.45 (3) (c) 3. and 4., 126.46 (1) (intro.), 126.46 (2) (c), 126.46 (2) (e), 126.46 (4) (c), 126.46 (4) (e), 126.47 (7) (a) (intro.), 126.59 (2) (c) 3. and 4., 126.60 (1) (intro.), 126.61 (1) (c) (intro.), 126.61 (7) (a) (intro.), 126.61 (7) (b) (intro.), 126.71 (1) (d), 126.71 (1) (e), 126.72 (1), 126.73, 126.86 (1) (f) and (g) and 126.90; to repeal and recreate 126.06 and 126.72 (2) and (3); and to create 20.115 (1) (wc), 126.15 (6m), 126.16 (1) (c), 126.16 (3) (b), 126.16 (8) (bm), 126.30 (5m), 126.31 (1) (b), 126.31 (3) (b), 126.31 (8) (am), 126.46 (5m), 126.47 (1) (b), 126.47 (3) (b), 126.47 (7) (am), 126.60 (5m), 126.61 (1) (bm), 126.61 (3) (b) and 126.61 (7) (bm) of the statutes; relating to: the agricultural producer security program, granting rule-making authority, and making an appropriation. (FE)

2003

05-21. S.	Introduced by Senators <b>Brown, Schultz, Lassa and Roessler</b> ; cosponsored by Representatives <b>Ott, Gronemus, Gunderson, Pettis, Loeffelholz, Musser, Freese, Townsend and Petrowski</b> .	
05-21. S.	Read first time and referred to committee on Agriculture, Financial Institutions and Insurance .....	186
06-02. S.	Fiscal estimate received.	
06-03. S.	Public hearing held.	
06-03. S.	Representatives <b>Ainsworth, Ward, Towns, Krawczyk, Kestell, Suder, Hahn, Hines and Bies</b> added as a cosponsors .....	204
06-03. S.	Executive action taken.	
06-04. S.	Report passage recommended by committee on Agriculture, Financial Institutions and Insurance, Ayes 5, Noes 0 .....	210
06-04. S.	Available for scheduling.	
06-06. S.	Fiscal estimate received.	
06-23. S.	Senate amendment 1 offered by Senator <b>Brown (LRB a0652)</b> .....	247
06-23. S.	Placed on calendar 6-24-2003 by committee on Senate Organization.	
06-24. S.	Senator <b>M. Meyer</b> added as a coauthor .....	249
06-24. S.	Read a second time .....	250
06-24. S.	Referred to joint committee on Finance .....	250
06-24. S.	Withdrawn from joint committee on Finance and taken up .....	250
06-24. S.	Senate amendment 1 <b>adopted</b> .....	250
06-24. S.	Ordered to a third reading .....	250
06-24. S.	Rules suspended .....	250
06-24. S.	Read a third time and <b>passed</b> , Ayes 33, Noes 0 .....	250
06-24. S.	Ordered immediately messaged .....	250
06-24. A.	Received from Senate .....	285
06-24. A.	Read first time and referred to committee on Rules .....	285
06-25. A.	Made a special order of business at 8:05 A.M. pursuant to Assembly Resolution 23 ...	286
06-25. A.	Read a second time .....	289
06-25. A.	Ordered to a third reading .....	289
06-25. A.	Rules suspended .....	289
06-25. A.	Read a third time and <b>concurred in</b> , Ayes 93, Noes 0 .....	289
06-25. A.	Ordered immediately messaged .....	289
06-26. S.	Received from Assembly concurred in.	

**2003**  
**ENROLLED BILL**

03en S B-173

**ADOPTED DOCUMENTS:**

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Amendments to above (if none, write "NONE"): SAI

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Topic Agricultural product security program

6/26/03    [Signature]  
Date                      Enrolling Drafter

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## 2003 SENATE BILL 173

May 21, 2003 - Introduced by Senators BROWN, SCHULTZ, LASSA and ROESSLER, cosponsored by Representatives OTT, GRONEMUS, GUNDERSON, PETTIS, LOEFFELHOLZ, MUSSER, FREESE, TOWNSEND and PETROWSKI. Referred to Committee on Agriculture, Financial Institutions and Insurance.

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;

**SENATE BILL 173**

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

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***Analysis by the Legislative Reference Bureau***

This bill makes changes in the agricultural producer security program that is administered by the Department of Agriculture, Trade and Consumer Protection (DATCP). The program is designed to reimburse milk, grain, and vegetable producers for a portion of the losses they incur when milk contractors, grain dealers, grain warehouse keepers, and vegetable contractors (collectively referred to as contractors) default on their financial obligations. A milk contractor is a person who buys milk from milk producers or who markets milk on behalf of producers. A grain dealer is a person who buys grain from grain producers or who markets grain on behalf of producers. A grain warehouse keeper is a person who operates a warehouse for the storage of grain that belongs to others. A vegetable contractor is a person who buys vegetables from vegetable producers for use in food processing or who markets vegetables for use in food processing on behalf of producers.

***Contingent financial backing***

Current law requires certain contractors to contribute to the agricultural producer security fund. Some contractors are disqualified from the fund because of their financial conditions. If a contributing contractor defaults on its financial obligations to producers, DATCP makes payments from the fund, up to a maximum deductible amount per default. The deductible varies by industry. The law requires DATCP to buy surety bonds to provide contingent financial backing, that is, to make payments to producers when the total amount of payments that are authorized to be made to producers because of a default exceeds the deductible. The law requires DATCP to buy three bonds, in the amount of \$5,000,000 to \$20,000,000 each, one for the benefit of milk producers, one for the benefit of grain producers, and one for the benefit of vegetable producers. DATCP is also required to buy a bond in the amount of \$20,000,000 to \$40,000,000 to be used if one of the industry-specific bonds is not large enough to make authorized payments in case of a large default.

This bill authorizes DATCP to acquire a contract to provide a cash loan to the fund whenever DATCP requests a loan rather than, or in addition to, a surety bond in order to provide contingent financial backing for the agricultural producer security fund. If DATCP obtains a loan, it would repay the principal and interest from the payments made to the fund by contractors. The bill changes the requirements about the amount of contingent financial backing that DATCP must obtain. Under the bill, DATCP is to acquire the amount of contingent financial backing that it determines is sufficient to meet reasonably foreseeable needs for payments to producers, except that DATCP may acquire a smaller amount if necessary to avoid excessive acquisition costs or repayment liabilities and except that DATCP may not acquire contingent financial backing in an amount that exceeds \$17,000,000 unless DATCP establishes a different maximum amount by rule.

**SENATE BILL 173**

The bill also changes the deductible amounts (the amounts that are paid to producers from the agricultural producer security fund, above which payments are made from the contingent financial backing). The current deductibles range from \$500,000 to \$1,500,000. Under the bill, the deductible is 60% of the balance in the fund on the last day of the month before the month in which the default necessitating the payments occurs.

***Security filed by contractors***

Under current law, contractors who are disqualified from the agricultural producer security program because of their financial conditions are required to file security with DATCP to provide payment to producers in case the contractors default on their financial obligations to producers. The security may be in a form such as a surety bond or a certificate of deposit. Some grain dealers and vegetable contractors who contribute to the fund and who use deferred payment contracts are also required to file security.

This bill requires some additional contractors who contribute to the fund to file security with DATCP to provide an additional source of payment in case the contractors default. A contractor must file security if it does not satisfy financial criteria specified in the bill and it does more than a specified amount of business. The larger the contractor, the more security it must file. The financial criteria vary according to industry. The amount of the contribution to the fund that must be paid by a contractor who is required to file security under this bill is reduced by an amount that varies according to the amount of security that must be filed. The higher the amount of security, the more the contribution is reduced.

***Repayment of start-up loan to fund***

The legislation creating the agricultural producer security program transferred \$2,000,000 from the agrichemical management fund to the agricultural producer security fund. Under current law, DATCP must repay that amount, plus interest compounded at 5% annually, from the agricultural producer security fund by July 1, 2006. This bill changes the interest rate to 2%, beginning on July 1, 2003.

For further information see the *state* fiscal estimate, which will be printed as an appendix to this bill.

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

- 1           **SECTION 1.** 20.115 (1) (v) of the statutes is amended to read:
- 2           20.115 (1) (v) *Agricultural producer security; ~~bonds~~ contingent financial*
- 3 *backing*. From the agricultural producer security fund, a sum sufficient to acquire
- 4 the ~~surety bonds~~ contingent financial backing required under ~~ss. s.~~ s. 126.06 and
- 5 126.07.

## SENATE BILL 173

## SECTION 2

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

2           20.115 (1) (wb) *Agricultural producer security; ~~bond~~ proceeds of contingent*  
3 *financial backing.* From the agricultural producer security fund, all moneys received  
4 under s. 126.72 (2) and (3) to be used to make default claim payments under s. 126.71  
5 (1).

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

7           20.115 (1) (wc) *Agricultural producer security; repayment of contingent*  
8 *financial backing.* From the agricultural producer security fund, a sum sufficient to  
9 make payments under s. 126.06 (3).

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

11          **25.463 Agricultural producer security fund.** There is established a  
12 separate nonlapsible trust fund designated as the agricultural producer security  
13 fund, to consist of all fees, surcharges, assessments, reimbursements, and proceeds  
14 of ~~surety bonds~~ contingent financial backing received by the department of  
15 agriculture, trade and consumer protection under ch. 126.

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

17          126.05 (2) The department shall deposit into the fund all fees, surcharges,  
18 assessments, reimbursements, and proceeds of ~~surety bonds~~ contingent financial  
19 backing that the department collects under this chapter. The department shall keep  
20 a record by contractor and industry, of all deposits.

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

22          **126.06 Contingent financial backing.** (1) DEPARTMENT TO ACQUIRE. Using  
23 moneys appropriated under s. 20.115 (1) (v), the department shall acquire contingent  
24 financial backing to secure payment under s. 126.72 (2) of claims against

SENATE BILL 173

1 contributing contractors, as defined in s. 126.68 (1). The contingent financial  
2 backing may be in one or more of the following forms:

3 (a) A surety bond.

4 (b) A contract to provide a cash loan to the fund whenever the department  
5 requests a loan. *5-5* *SAL*

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

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

12 (b) The department may not acquire contingent financial backing in an amount  
13 that exceeds \$17,000,000, unless the department establishes a different maximum  
14 amount by rule. *5-16* *SAH*

15 (3) REPAYMENT. The department shall pay principal and interest costs of any  
16 loan provided under sub. (1) (b) *from the appropriation* under s. 20.115 (1) (wc).

17 SECTION 7. 126.07 of the statutes is repealed.

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

19 **126.08 Start-up loan to fund; repayment.** On January 1, 2002, \$2,000,000  
20 is transferred as a loan from the agrichemical management fund, to the agricultural  
21 producer security fund. The department shall repay this loan principal, plus interest  
22 ~~compounded at 5% annually,~~ from the agricultural producer security fund by July 1,  
23 2006. Interest shall be compounded at 5% annually before July 1, 2003, and at 2%  
24 annually beginning on July 1, 2003. The department shall transfer at least \$250,000  
25 from the agricultural producer security fund to the agrichemical management fund

**SENATE BILL 173****SECTION 8**

1 on July 1 of each year, beginning on July 1, 2003. The department may accelerate  
2 the loan repayment, at its discretion.

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

4 126.14 (2) (b) 3. The grain dealer fails to reimburse the department, within 60  
5 days after the department issues a reimbursement demand under s. 126.73 (1), for  
6 the full amount that the department pays to claimants under s. 126.72 (1) or under  
7 s. 126.72 (2) with the proceeds of a loan under s. 126.06 (1) (b) because of that grain  
8 dealer's default.

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

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

14 126.15 (1) GENERAL. (intro.) A contributing grain dealer shall pay an annual  
15 fund assessment for each license year. The Except as provided in sub. (6m), the  
16 assessment equals \$20 or the sum of the following, whichever is greater, unless the  
17 department by rule specifies a different assessment:

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

19 126.15 (6m) REDUCED ASSESSMENT FOR CERTAIN GRAIN DEALERS FILING SECURITY.  
20 If a grain dealer files security under s. 126.16 (1) (c), the grain dealer's assessment  
21 is the amount determined under sub. (1) reduced by an amount determined as  
22 follows:

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



**SENATE BILL 173**

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

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

4 126.16 (1) (c) 1. In this paragraph, “estimated default exposure” means the sum  
5 of the following:

6 a. Thirty-five percent of the grain dealer’s average monthly payment for the  
7 3 months, during the preceding 12 months, in which the grain dealer made the  
8 largest monthly payments for producer grain procured in this state.

9 b. The grain dealer’s highest total, at any time during the preceding 12 months,  
10 of unpaid obligations for producer grain procured in this state under deferred  
11 payment contracts.

12 2. A grain dealer shall file security with the department, and maintain that  
13 security until the department releases it under sub. (8) (bm), if the grain dealer files  
14 an annual financial statement under s. 126.13 (1) that shows negative equity, a  
15 current ratio of less than 1.25 to 1.0, or a debt to equity ratio of more than 4.0 to 1.0  
16 and the grain dealer’s estimated default exposure is greater than the following  
17 amount:

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

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

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

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

23 126.16 (3) (a) (intro.) ~~A~~ Except as provided in par. (b), a grain dealer who is  
24 required to file or maintain security under this section shall at all times maintain  
25 security that is at least equal to the sum of the following:

**SENATE BILL 173****SECTION 13**

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

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

7           126.16 (3) (b) A grain dealer who is only required to file or maintain security  
8 under sub. (1) (c) shall at all times maintain security equal to the grain dealer's  
9 estimated default exposure, as defined in sub. (1) (c) 1., less the following amount:

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

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

14           126.16 (8) (a) (intro.) The department may release security filed under sub. (1)  
15 (a), except for any amount of security that the grain dealer is required to file because  
16 sub. (1) (b) or (c) applies to the grain dealer, if any of the following applies:

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

18           126.16 (8) (b) (intro.) The department may release security filed under sub. (1)  
19 (b), except for any amount of security that the grain dealer is required to file because  
20 sub. (1) (a) or (c) applies to the grain dealer, if any of the following applies:

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

22           126.16 (8) (bm) The department may release security filed under sub. (1) (c),  
23 except for any amount of security that the grain dealer is required to file because sub.  
24 (1) (a) or (b) applies to the grain dealer, if the grain dealer files 2 consecutive annual  
25 financial statements under s. 126.13 showing that the grain dealer no longer has

**SENATE BILL 173**

1 negative equity, a current ratio of less than 1.25 to 1.0, or a debt to equity ratio of more  
2 than 4.0 to 1.0.

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

4 126.29 (2) (a) A grain warehouse keeper who is required to file security under  
5 s. 126.31 (1) (a) is disqualified from the fund until the department releases that  
6 security under s. 126.31 (8) (a).

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

8 126.30 (1) GENERAL. (intro.) A contributing grain warehouse keeper shall pay  
9 an annual fund assessment for each license year. The Except as provided in sub.  
10 (5m), the assessment equals \$20 or the sum of the following, whichever is greater,  
11 unless the department by rule specifies a different assessment:

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

13 126.30 (5m) REDUCED ASSESSMENT FOR CERTAIN GRAIN WAREHOUSE KEEPERS FILING  
14 SECURITY. If a grain warehouse keeper files security under s. 126.31 (1) (b), the grain  
15 warehouse keeper's assessment is the amount determined under sub. (1) reduced by  
16 an amount determined as follows:

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

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

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

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

**SENATE BILL 173**

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

4           2. A grain warehouse keeper shall file security with the department, and  
5 maintain that security until the department releases it under sub. (8) (am), if the  
6 grain warehouse keeper files an annual financial statement under s. 126.28 (1) that  
7 shows negative equity, a current ratio of less than 1.25 to 1.0, or a debt to equity ratio  
8 of more than 4.0 to 1.0 and the grain warehouse keeper’s estimated default exposure  
9 is greater than the 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 23.** 126.31 (3) of the statutes is renumbered 126.31 (3) (a) and  
14 amended to read:

15           126.31 (3) (a) ~~A~~ Except as provided in par. (b), a grain warehouse keeper who  
16 is required to file or maintain security under this section shall at all times maintain  
17 security equal to at least 20% of the current local market value of grain that the grain  
18 warehouse keeper holds in this state for others.

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

20           126.31 (3) (b) A grain warehouse keeper who is only required to file or maintain  
21 security under sub. (1) (b) shall at all times maintain security equal to the grain  
22 warehouse keeper’s estimated default exposure, as defined in sub. (1) (b) 1., less the  
23 following amount:

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

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

**SENATE BILL 173**

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

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

3 126.31 (8) (a) (intro.) The department may release security filed under sub. (1)  
4 (a) if any of the following applies:

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

6 126.31 (8) (am) The department may release security filed under sub. (1) (b),  
7 except for any amount of security that the grain warehouse keeper is required to file  
8 because sub. (1) (a) applies to the grain warehouse keeper, if the grain warehouse  
9 keeper files 2 consecutive annual financial statements under s. 126.28 showing that  
10 the grain warehouse keeper no longer has negative equity, a current ratio of less than  
11 1.25 to 1.0, or a debt to equity ratio of more than 4.0 to 1.0.

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

13 126.45 (3) (a) A milk contractor who is required to file security under s. 126.47  
14 (1) (a) is disqualified from the fund until the department releases that security under  
15 s. 126.47 (7) (a). This paragraph does not apply, during the period beginning on May  
16 1, 2002, and ending on April 30, 2007, to a qualified producer agent who files security  
17 under s. 126.47 (3) ~~(e)~~ (a) 3.

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

19 126.45 (3) (c) 3. Failure to reimburse the department, within 60 days after the  
20 department issues a reimbursement demand under s. 126.73 (1), for the full amount  
21 that the department pays to claimants under s. 126.72 (1) or under s. 126.72 (2) with  
22 the proceeds of a loan under s. 126.06 (1) (b) because of that milk contractor's default.

23 4. Failure to reimburse a bond surety, within 60 days after the bond surety  
24 issues a reimbursement demand under s. 126.73 (2), for the full amount that the

**SENATE BILL 173**

1 surety pays to the department under s. 126.72 (2) ~~or (3)~~ for the benefit of claimants  
2 affected by that milk contractor's default.

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

4 126.46 (1) GENERAL. (intro.) A contributing milk contractor shall pay an  
5 annual fund assessment for each license year. The Except as provided in sub. (5m),  
6 the assessment equals \$20 or the sum of the following, whichever is greater, unless  
7 the department by rule specifies a different assessment:

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

9 126.46 (2) (c) If Except as provided in par. (e), if the milk contractor has filed  
10 an annual financial statement under s. 126.44 and that financial statement shows  
11 a current ratio of less than or equal to 1.05 to 1.0, the milk contractor's current ratio  
12 assessment rate equals the current ratio assessment factor in sub. (3) (b) multiplied  
13 by 0.1201478.

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

15 126.46 (2) (e) ~~If the milk contractor has not filed an annual financial statement~~  
16 ~~under s. 126.44 and the milk contractor procures producer milk in this state solely~~  
17 ~~as a producer agent~~ and the milk contractor has not filed an annual financial  
18 statement under s. 126.44 or has filed an annual financial statement that shows a  
19 current ratio of less than or equal to 1.05 to 1.0, the milk contractor's current ratio  
20 assessment rate is 0.00025, except that, for the milk contractor's 5th or higher  
21 consecutive full license year of participation in the fund, the milk contractor's  
22 current ratio assessment rate is 0.000175.

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

24 126.46 (4) (c) If Except as provided in par. (e), if the milk contractor has filed  
25 an annual financial statement under s. 126.44 and that financial statement shows

**SENATE BILL 173**

1 negative equity or a debt to equity ratio of at least 3.1 to 1.0, the milk contractor's  
2 debt to equity ratio assessment rate equals the debt to equity ratio assessment factor  
3 in sub. (5) (b) multiplied by 0.8146917.

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

5 126.46 (4) (e) If the milk contractor ~~has not filed an annual financial statement~~  
6 ~~under s. 126.44 and the milk contractor~~ procures producer milk in this state solely  
7 as a producer agent and the milk contractor has not filed an annual financial  
8 statement under s. 126.44 or has filed an annual financial statement that shows  
9 negative equity or a debt to equity ratio of at least 3.1 to 1.0, the milk contractor's  
10 debt to equity ratio assessment rate is 0.00025, except that, for the milk contractor's  
11 5th or higher consecutive full license year of participation in the fund, the milk  
12 contractor's debt to equity ratio assessment rate is 0.000175.

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

14 126.46 (5m) REDUCED ASSESSMENT FOR CERTAIN MILK CONTRACTORS FILING  
15 SECURITY. If a milk contractor files security under s. 126.47 (1) (b), the milk  
16 contractor's assessment is the amount determined under sub. (1) reduced by an  
17 amount determined as follows:

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

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

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

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

## SENATE BILL 173

1           126.47 (1) (b) 1. In this paragraph, “estimated default exposure” means 75%  
2 of the amount last reported under s. 126.41 (6) (b) or (9).

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

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

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

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

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

14           126.47 (3) (a) (intro.) ~~A~~ Except as provided in par. (b), a milk contractor who  
15 is required to file or maintain security under this section shall at all times maintain  
16 the following amount of security:

17           1. Except as provided in ~~par. (b) or (c)~~ subd. 2. or 3., security equal to at least  
18 75% of the amount last reported under s. 126.41 (6) (b) or (9).

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

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

23           126.47 (3) (b) A milk contractor who is only required to file or maintain security  
24 under sub. (1) (b) shall at all times maintain security equal to the milk contractor’s  
25 estimated default exposure, as defined in sub. (1) (b) 1., less the following amount:



**SENATE BILL 173**

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

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

5           126.47 (7) (a) (intro.) The department may release security filed under sub. (1)

6           (a) if any of the following applies:

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

8           126.47 (7) (am) The department may release security filed under sub. (1) (b),

9           except for any amount of security that the milk contractor is required to file because

10          sub. (1) (a) applies to the milk contractor, if the milk contractor files 2 consecutive

11          annual financial statements under s. 126.44 showing that the milk contractor no

12          longer has negative equity, a current ratio of less than 1.25 to 1.0, or a debt to equity

13          ratio of more than 2.0 to 1.0.

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

15          126.59 (2) (c) 3. Failure to reimburse the department, within 60 days after the

16          department issues a reimbursement demand under s. 126.73 (1), for the full amount

17          that the department pays to claimants under s. 126.72 (1) or under s. 126.72 (2) with

18          the proceeds of a loan under s. 126.06 (1) (b) because of that vegetable contractor's

19          default.

20          4. Failure to reimburse a bond surety, within 60 days after the bond surety

21          issues a reimbursement demand under s. 126.73 (2), for the full amount that the

22          surety pays to the department under s. 126.72 (2) ~~or (3)~~ for the benefit of claimants

23          affected by that vegetable contractor's default.

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

**SENATE BILL 173**

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

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

6           **126.60 (5m) REDUCED ASSESSMENT FOR CERTAIN VEGETABLE CONTRACTORS FILING**  
7 **SECURITY.** If a vegetable contractor files security under s. 126.61 (1) (bm), the  
8 vegetable contractor's assessment is the amount determined under sub. (1) reduced  
9 by an amount determined as follows:

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

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

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

16           **126.61 (1) (bm) 1.** In this paragraph, "estimated default exposure" means the  
17 sum of the following:

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

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

22           2. Except as provided in par. (c), a vegetable contractor shall file security with  
23 the department, and maintain that security until the department releases it under  
24 sub. (7) (bm), if the vegetable contractor files an annual financial statement under  
25 s. 126.58 (1) that shows negative equity, a current ratio of less than 1.25 to 1.0, or a

**SENATE BILL 173**

1 debt to equity ratio of more than 4.0 to 1.0 and the vegetable contractor's estimated  
2 default exposure is greater than the following amount:

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

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

7 126.61 (1) (c) (intro.) A vegetable contractor is not required to file security  
8 under ~~par. (a) or (b)~~ this subsection if any of the following applies:

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

11 126.61 (3) (a) (intro.) ~~A~~ Except as provided in par. (b), a vegetable contractor  
12 who is required to file or maintain security under this section shall, at all times,  
13 maintain security that is at least equal to the sum of the following:

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

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

18 126.61 (3) (b) A vegetable contractor who is only required to file or maintain  
19 security under sub. (1) (bm) shall at all times maintain security equal to the  
20 vegetable contractor's estimated default exposure, as defined in sub. (1) (bm) 1., less  
21 the following amount:

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

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

**SENATE BILL 173**

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

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

6           126.61 (7) (b) (intro.) The department may release security filed under sub. (1)  
7 (b), except for any amount of security that the vegetable contractor is required to file  
8 because sub. (1) (a) or (bm) applies to the vegetable contractor, if any of the following  
9 applies:

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

11          126.61 (7) (bm) The department may release security filed under sub. (1) (bm),  
12 except for any amount of security that the vegetable contractor is required to file  
13 because sub. (1) (a) or (b) applies to the vegetable contractor, if the vegetable  
14 contractor files 2 consecutive annual financial statements under s. 126.58 showing  
15 that the vegetable contractor no longer has negative equity, a current ratio of less  
16 than 1.25 to 1.0, or a debt to equity ratio of more than 4.0 to 1.0.

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

18          126.71 (1) (d) For each default claim allowed under s. 126.70 against a qualified  
19 producer agent who, at the time of the default, was a contributing contractor and  
20 maintained security under s. 126.47 (3) (e) (a) 3., if the default occurs after April 30,  
21 2002, and before May 1, 2004, 15% of the amount allowed.

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

23          126.71 (1) (e) For each default claim allowed under s. 126.70 against a qualified  
24 producer agent who, at the time of the default, was a contributing contractor and

**SENATE BILL 173**

1 maintained security under s. 126.47 (3) ~~(e)~~ (a) 3., if the default occurs after April 30,  
2 2004, and before May 1, 2007, 20% of the amount allowed.

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

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

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

9 126.72 (2) PROCEEDS OF CONTINGENT FINANCIAL BACKING. The department shall  
10 draw on the contingent financial backing acquired under s. 126.06 to make payments  
11 authorized under s. 126.71 (1), to the extent that those payments exceed the  
12 deductible amount in sub. (3).

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

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

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

18 **126.73 Reimbursing payments.** (1) PAYMENTS FROM THE FUND. The  
19 department may demand and collect, from a contractor, any claim amounts that the  
20 department pays under s. 126.72 (1) or under s. 126.72 (2) with the proceeds of a loan  
21 under s. 126.06 (1) (b) because of the contractor's default.

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

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## SENATE BILL 173

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

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

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

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

12           **126.90 Agricultural producer security council.** The agricultural producer  
13 security council shall advise the department on the administration and enforcement  
14 of this chapter. The council shall meet as often as the department considers  
15 necessary, but at least once annually. The department shall inform the council of  
16 fund balances and payments, ~~and.~~ The department shall consult with the council  
17 before acquiring any contingent financial backing under s 126.06 and before  
18 modifying any license fee, license surcharge, or fund assessment under this chapter.

19   (END)

**SENATE AMENDMENT 1,  
TO 2003 SENATE BILL 173**

June 23, 2003 - Offered by Senator BROWN.

1 At the locations indicated, amend the bill as follows:

2 **1.** Page 5, line 5: after "loan" insert "payable as provided in sub. (3)".

3 **2.** Page 5, line 16: delete "from the appropriation" and substitute "only from  
4 the appropriation from the agricultural producer security fund".

5 **3.** Page 19, line 9: after "department" insert ", at the direction of the secretary  
6 of agriculture, trade and consumer protection,".

(END)

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