

Fiscal Estimate Narratives

DATCP 5/22/2003

LRB Number	03-2649/1	Introduction Number	SB-173	Estimate Type	Original
Subject					
Modify agricultural producer security program					

Assumptions Used in Arriving at Fiscal Estimate

Generally, this bill makes three changes to the Agricultural Producer Security Fund administered by DATCP. It replaces the requirement that DATCP obtain four surety bonds with a more general requirement that DATCP obtain contingent financial backing (which could be a bond, letter of credit or some other financial instrument). It requires contractors who contribute to the fund and have a very high estimated default exposure to obtain individual security in addition to contributing to the fund. Finally, this bill changes the interest rate on a loan from the Agrichemical Management Fund to the Agricultural Producer Security Fund.

The requirement that contractors with high estimated default exposure must post individual security could result in a small loss of revenue for the Agricultural Producer Security Trust Fund. For those contributing contractors who have an estimated default exposure greater than \$18 million in 2003, \$19 million in 2004 and \$20 million thereafter; the contractor is required to post individual security along with paying assessments into the fund. In exchange for posting individual security, the contractor is entitled to a reduction in its assessment obligations to the fund. The assessment is reduced by an amount that is proportionat to amount of the estimated default exposure that is greater than \$18 million, \$19 million or \$20 million. We estimate that this will result in roughly \$22,000 lower total annual assessments. However, \$22,000 is only about 1.1% of the total annual assessments collected by the fund. Presently, there are very few (if any) contractors who would fall under this provision.

This bill would also have an impact on DATCP's internal fund accounting. Under current law, there is a loan from the Agricultural Chemical Management Fund to the Agricultural Producer Security Fund at an interest rate of 5%. This bill reduces the interest rate to 2%. By current statute and under this bill, the loan must be repaid by June, 2006, but DATCP is on schedule to repay the loan more quickly. If DATCP discontinues accelerated payments, it could result in up to \$66,000 in interest expense saved for the producer security fund and \$66,000 in lost interest revenue for the ag. chem. management fund. However, because of the accelerated payments, the actual effect will be smaller.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		-22,000
	TOTAL State Revenues	\$	-\$22,000
NET ANNUALIZED FISCAL IMPACT			
		<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-22,000	\$
Agency/Prepared By		Authorized Signature	Date
DATCP/ Kevin LeRoy (608) 224-4928		Barb Knapp (608) 224-4746	5/22/2003