

Vote Record

Committee on Agriculture, Financial Institutions and Insurance

Date: JUN 03 2003

Moved by: _____ Seconded by: _____

AB _____ SB 173 Clearinghouse Rule _____
AJR _____ SJR _____ Appointment _____
AR _____ SR _____ Other _____

A/S Amdt _____
A/S Amdt _____ to A/S Amdt _____
A/S Sub Amdt _____
A/S Amdt _____ to A/S Sub Amdt _____
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- Be recommended for:
- Passage
 - Adoption
 - Confirmation
 - Concurrence
 - Indefinite Postponement
 - Introduction
 - Rejection
 - Tabling
 - Nonconcurrency

<u>Committee Member</u>	<u>Aye</u>	<u>No</u>	<u>Absent</u>	<u>Not Voting</u>
Senator Dale Schultz	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Ronald Brown	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Neal Kedzie	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator David Hansen	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Senator Julie Lassa	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Totals: _____

Committee on Agriculture, Financial Institutions and Insurance

Date: June 3, 2003

Committee Ballot

The Senate Committee on Agriculture Financial Institutions and Insurance
After Public Hearing and in Executive Session on:

✂ Senate Bill 173, Relating to: the agricultural producer security program, granting rule-making authority, and making an appropriation

And

Senate Bill 176, relating to: authorizing municipal insurance mutuals to provide property insurance,

request you as a member indicate your vote on Senate Bill 173 and Senate Bill 176

Committee Member

Senator Neal Kedzie on SB 173

AYE



NAY



NOT VOTING



AYE



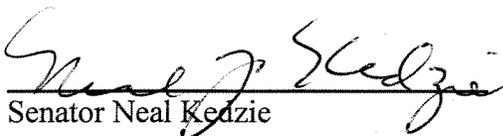
NAY



NOT VOTING



Senator Neal Kedzie on SB 176



Senator Neal Kedzie

Committee on Agriculture, Financial Institutions and Insurance

Date: June 3, 2003

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Committee Member

Senator Julie Lassa on SB 173

AYE



NAY



NOT VOTING



AYE



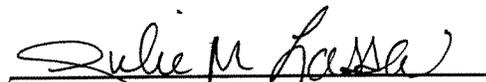
NAY



NOT VOTING



Senator Julie Lassa on SB 176



Senator Julie Lassa

Committee on Agriculture, Financial Institutions and Insurance

Date: June 3, 2003

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Committee Member

Senator Dale Schultz on SB 173

AYE

NAY

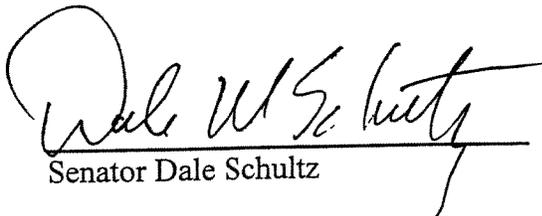
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AYE

NAY

NOT VOTING

Senator Dale Schultz on SB 176


Senator Dale Schultz

Committee on Agriculture, Financial Institutions and Insurance

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Committee Member

Senator Dave Hansen on SB 173

AYE

NAY

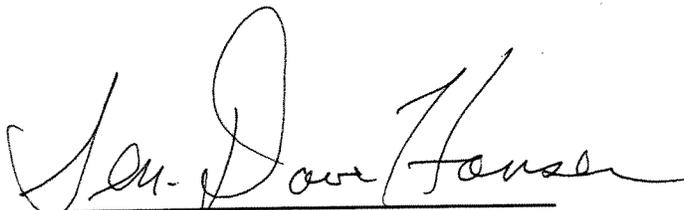
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Senator Dave Hansen on SB 176

AYE

NAY

NOT VOTING



Senator Dave Hansen

Committee on Agriculture, Financial Institutions and Insurance

Date: June 3, 2003

Committee Ballot

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And

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Request you as a member indicate your vote on Senate Bill 173 and Senate Bill 176

Committee Member

Senator Ron Brown on SB 173

AYE



NAY



NOT VOTING



AYE



NAY



NOT VOTING



Senator Ron Brown on SB 176

Senator Ron Brown

Committee on Agriculture, Financial Institutions and Insurance

Date: June 3, 2003

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Committee Member

Senator Dale Schultz on SB 173

AYE

NAY

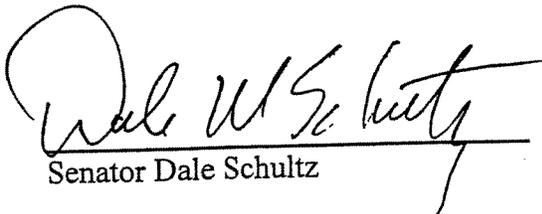
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NAY

NOT VOTING

Senator Dale Schultz on SB 176


Senator Dale Schultz

0651/1
Amend unamended -
Consensus - Reefflected
Adopt Amend
Pass as Amend - Reel per



**Senate Committee on Agriculture, Financial Institutions
and Insurance**

Room 18 South State Capitol, PO Box 7882, Madison WI 53707-7882
(608) 266-0703

Senator Dale W. Schultz, Chairman

June 12, 2003

Representative Al Ott, Chairman
Assembly Committee on Agriculture
Room 318 North
State Capitol
Madison, WI 53707

Re: Assembly Bill 349

Dear Chairman Ott & Members,

Thank you for this timely hearing on Assembly Bill 349, the companion to Senator Ron Brown's Senate Bill 173.

The members of the Senate Agriculture Committee held a public hearing on Senate Bill 173 on June 3rd, 2003. It was reported out of our committee without amendment with all members voting Aye. Seven individuals or organizations appeared and testified for the bill. There were no appearances or registrations in opposition.

While this bill makes some necessary changes to the Agricultural Producer Security Fund, it does not change the intent of the Security Fund which insures that if a processor is unable to meet it's financial obligations, the producer will be paid for the commodity he delivered under that contract.

Primarily, Assembly Bill 349 makes three changes to the Agricultural Producer Security Fund. It changes the requirement that the Department obtain surety bonds with a more general requirement that contingent credit, such as letters of credit or other financial instruments may be used instead. This modification became necessary because of recent uncertainties in the bond market. In fact when DATCP solicited bids for these bonds on numerous occasions, no bidders responded.

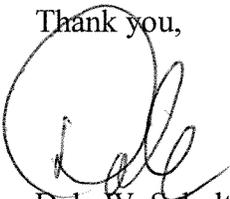
AB 349 also requires contractors who have very high default exposure to both contribute to the fund and also obtain individual security. This provision will only affect very large contractors who would exceed the capacity of both the fund and the backup security. The bill also changes the interest rate on loans from the Agrichemical Management Fund to the Agricultural Producer Security Fund. Currently the interest rates on these loans are compounded at 5% annually. AB 349 maintains the 5% interest rate until July 1 2003, and reduces it to 2%.

Contractors and producer groups both recognize the need for these changes and have voiced their support. Passage of Assembly Bill 349 will provide better protection to producers at lower cost to contractors.

It is my understanding that a necessary technical amendment may be offered which seek to clarify that any obligations entered into would be subject to and payable only from appropriations from the agricultural producer security fund under 20.115 and would not be obligations general or otherwise of the state or any administrative or political subdivision. I would support adoption of such an amendment by the committee and will be encouraging Senator Brown to offer a Senate Substitute Amendment on the floor of the Senate when SB 173 is calendared.

I urge the committee to give favorable consideration to passage of this bill.

Thank you,

A handwritten signature in black ink, appearing to read "Dale", is written over a circular stamp or mark.

Dale W. Schultz, Chairman
Senate Committee on Agriculture
Financial Institutions & Insurance

Additional Explanation of Fiscal Note attached to

AB 349 / 53-173

DATCP has submitted a fiscal note estimating that AB 349 would cause an estimated \$22,000 reduction in annual revenues into the fund. However, the bill also caps the maximum possible default that the fund would be required to pay – therefore substantially reducing potential losses due to very large defaults.

Under current law, the fund (and its backup surety bonds) is responsible for paying producers if any contributing contractor defaults on payment. There are no limits on the size of the default. In the case of a very large contractor defaulting, this could result in the fund having a payment obligation of \$25 million or more.

AB 349 requires contractors whose potential default exposure is greater than \$17 million (in 2003), \$18 million (in 2004) or \$20 million (in 2005 or later) to file individual security (such as a bond or letter of credit) for the amount greater than the limit. In exchange, any contractor who falls under this requirement is granted a reduction in their assessment into the fund. The reduction in assessments is designed to reimburse the contractor for the cost of having to maintain some individual security.

Capping the Agricultural Producer Security Fund's potential default exposure is well worth the slight reduction in annual fund assessments.

Fiscal Estimate Narratives

DATCP 5/29/2003

LRB Number	03-2265/2	Introduction Number	AB-349	Estimate Type	Updated
Subject					
Modify the 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 possibly (but not likely) 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 proportionate to amount of the estimated default exposure that is greater than \$18 million, \$19 million or \$20 million. Based on contractor purchases reported for the April 30, 2002 license applications, we estimate that this would result in roughly \$22,000 lower total annual assessments. However, based on contractor purchases reported for the April 30, 2003 license applications, there are no contractors who fall into this category. Therefore, there would be no fiscal effect.

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

O'Brien, John

From: Kalies, Beata
Sent: Friday, June 06, 2003 3:37 PM
To: Patronsky, Mark; Brown, Ronald; Vick, Hannah; Schultz, Dale; O'Neill, Eileen; O'Brien, John; Nilsestuen, Rod J DATCP; Hanson, Eric J DATCP; Matson, James K DATCP; LeRoy, Kevin J DATCP; 'info@wasa.org'; 'rstatz@nfo.org'; 'John.Manske@wfcmac.org'; 'Bill.Oemichen@wfcmac.org'; 'pzimmerman@wfbf.com'; 'Tony.Lagenohl@capitolconsultants.net'; 'wistax@wistax.org'; 'PCC@quarles.com'; 'LFischer4@new.rr.com'; 'jdemwfpa@mhtc.net'; 'jumhoefer@wischeesemakersassn.org'; 'sanstadt@charter.net'; 'Scoop@uriah.com'; 'wisfarmer@charterinternet.net'; 'news@wisconsinagconnection.com'; Alvin Ott; Amy Sue Vruwink; Anne Emerson; Barbara Gronemus; Carol Redell; Carolyn Hughes; Casey Langan; David Matzen; David Zehren; Debi Towns; Erin Napralla; Gabe Loeffelholz; Geoff Gaston; Jake Hines; Jerry Petrowski; Joe Plouff; John Ainsworth; John Anderson; John Steinbrink; Jon Mielke; Kathryn Scott; Larry Balow; Linda Junck; Linda Narveson; Mary Williams; Mollie Hertel; Scott Suder; Steve Kestell; Tom Hebl; William Cross; William Keeton
Cc: *Legislative All Senate; *Legislative All Assembly; Moll, Keeley A DATCP; Karius, Bob; Jordahl, Harald - Office of Governor Jim Doyle
Subject: Asm. Ag Cmte Hearing & Exec 6/12
Follow Up Flag: Follow up
Flag Status: Flagged

*Assembly***PUBLIC HEARING**
Committee on Agriculture

The committee will hold a public hearing on the following items at the time specified below:

Thursday, June 12, 2003
9:00 AM
417 North (GAR Hall)

Assembly Bill 349

Relating to: the agricultural producer security program, granting rule-making authority, and making an appropriation.

By Representatives Ott, Ainsworth, Bies, Gronemus, Gunderson, Hahn, Hines, Kestell, Krawczyk, Loeffelholz, Musser, Owens, Pettis, Suder, Towns, Townsend, Ward, Freese and Petrowski; cosponsored by Senators Brown, Schultz and Lassa.

An Executive Session may be held on AB 349 and AB 156.

Representative Alvin Ott
Chair

OBrien, John

From: kmccabe@pcii.net
Sent: Thursday, June 12, 2003 7:56 AM
To: Sen.Schultz@legis.state.wi.us
Subject: I oppose the legislative attacks on the environment

Dear elected official,

Please change the actions taken by the Joint Finance Committee that are an assault on our clean water, air and land. Your vote on the state budget can improve the health and quality of life for my family.

Please work to:

- * Restore land and habitat protection by fully funding the Warren Knowles-Gaylord Nelson Stewardship Fund through 2010.
- * Restore bonding authority for cost-sharing of projects to control polluted runoff and for municipal flood control projects that keep parasites out of drinking water, prevent fish kills, and reduce flood damage and deaths.
- * Reverse the transfer of \$10 million from the Recycling Fund needed by municipalities to recycle their trash rather than fill limited landfill space.
- * Not allow road-building costs to shift to all taxpayers. Make the Department of Transportation live within its budget by delaying some road projects. Unfreeze local road and mass transit aid so these costs are not added to property taxes.
- * Restore Smart Growth planning grants that make communities livable.
- * Restore the Public Benefits program to invest in clean renewable energy sources and to help businesses and residents save future energy costs through energy efficiency and conservation projects.
- * Raise fees paid by industries that seek permits to emit air pollution.
- * Don't eliminate wardens or attorneys that enforce laws that protect our families and communities. Don't prohibit chemical spill investigations.

Thank you for working to make these changes. Together we can leave our children a legacy of clean air, clean water and wild lands.

Sincerely,
Kerry McCabe
505 S. Tyler Street
Lancaster, WI 53813

OBrien, John

From: kimgrittner@hotmail.com
Sent: Thursday, June 12, 2003 8:06 AM
To: Sen.Schultz@legis.state.wi.us
Subject: I oppose the legislative attacks on the environment

Dear elected official,

Please change the actions taken by the Joint Finance Committee that are an assault on our clean water, air and land. Your vote on the state budget can improve the health and quality of life for my family.

Please work to:

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- * Restore bonding authority for cost-sharing of projects to control polluted runoff and for municipal flood control projects that keep parasites out of drinking water, prevent fish kills, and reduce flood damage and deaths.
- * Reverse the transfer of \$10 million from the Recycling Fund needed by municipalities to recycle their trash rather than fill limited landfill space.
- * Not allow road-building costs to shift to all taxpayers. Make the Department of Transportation live within its budget by delaying some road projects. Unfreeze local road and mass transit aid so these costs are not added to property taxes.
- * Restore Smart Growth planning grants that make communities livable.
- * Restore the Public Benefits program to invest in clean renewable energy sources and to help businesses and residents save future energy costs through energy efficiency and conservation projects.
- * Raise fees paid by industries that seek permits to emit air pollution.
- * Don't eliminate wardens or attorneys that enforce laws that protect our families and communities. Don't prohibit chemical spill investigations.

Thank you for working to make these changes. Together we can leave our children a legacy of clean air, clean water and wild lands.

Sincerely,
Kim Grittner
7751 Schurch Road
Barneveld, WI 53507



Wisconsin State Senator
Ron Brown
District 31

**SB 173/AB 349 – Producer Security Fund
Testimony by Senator Ron Brown
Senate Committee on Agriculture, Financial Institutions, & Insurance
June 3, 2003**

Senator Schultz and members of the Senate Agriculture, Financial Institutions, and Insurance Committee, thank you for allowing me to submit testimony in support of AB 349/SB 173, the Producer Security Fund Bill.

As all of you know, our agricultural community in Wisconsin is struggling. The average family farm is having difficulty making ends meet and current economic times have exacerbated an already difficult livelihood. We've all heard stories of 2nd and 3rd generation farmers who have had to quit the business, simply because they couldn't afford to continue. During these times, the last thing farmers should have to worry about is whether or not their processor will go bankrupt.

The goal of AB 349/SB 173 is to make sure that farmers who sell their crops to processors will not be left "holding the bag" if a processor or contractor cannot meet its financial obligations. The Producer Security Fund was initially set up by the Department of Agriculture, Trade, and Consumer Protection (DATCP) to ensure that farmers would continue to get paid even if the processor couldn't pay the farmer.

Statutory language requires that the Producer Security Fund have back-up security through surety bonds. Unfortunately, the bond market is so bad right now that DATCP can't get any surety bonds and Wisconsin farmers are vulnerable in case a larger processor goes under. AB 349/SB 173 would allow DATCP to find other financial ways of securing the fund, like cash loans or credit, to get the back-up security it needs and protect our farmers.

An additional advantage of allowing DATCP to find other means of back-up security is that it would relieve many processors from additional expenses and regulatory burdens. Since the Producer Security Fund did not exist until 2001, processors who bought milk, grain or vegetables had to buy their own bonds to cover the crop investment. Since DATCP could not secure the back-up security through surety bonds, many of the processors had to buy their own bonds AND pay into the Producer Security Fund. As a small business owner, I know that having capital tied up in fees and regulatory bureaucracy can cripple expansion and output. Rectifying this overlap would substantially help smaller milk, grain and vegetable processors.

As we wrestle with the budget, it's encouraging to know that we can assist Wisconsin farmers and processors without spending tax dollars. By passing AB 349/SB 173, we can help the processing industry and protect Wisconsin's finest resource: agriculture.

Thank you for your support.

Ron Brown
State Senator
31st Senate District



State of Wisconsin
Jim Doyle, Governor

Department of Agriculture, Trade and Consumer Protection
Rod Nilsestuen, Secretary

DATE: February 14, 2003

TO: Board of Agriculture, Trade and Consumer Protection

FROM: *h* Rodney J. Nilsestuen, Secretary
Eric Hanson, Agricultural Producer Security Section *EH*

SUBJECT: **Agricultural Producer Security Legislation**

At the February 26, 2003 Board meeting, the department will present preliminary draft legislation (copy attached) to modify the agricultural producer security program under ch. 126, Stats. The department will not ask the Board to endorse this specific draft bill on February 26, but will seek general Board direction on a continued legislative effort.

The agricultural producer security program is designed to protect grain, milk and vegetable producers against catastrophic financial defaults by grain dealers, grain warehouse keepers, milk contractors and vegetable contractors (collectively known as "contractors" under ch. 126, Stats.). The program helps secure approximately \$10 *billion* in contractor payments to producers each year. A contractor's default can have a devastating impact on agricultural producers, not unlike a bank failure.

The Legislature completely overhauled the agricultural producer security program, effective January 1, 2002. To date, contractors and producer groups have expressed strong overall support for the new program, which provides better protection to producers at lower cost to contractors. But unforeseen changes in the insurance and bonding industry (related to September 11 and other events) have forced the department to reconsider some parts of the new program. The department has prepared this draft bill to address some remedial changes that may be needed.

On February 25, 2002, the department plans to discuss this draft bill with the Agricultural Producer Security Council, which represents affected producers and contractors (see membership list attached). The council supports this legislative effort in principle, but has not yet reviewed the specific provisions of this bill. This bill has not yet been introduced in the Legislature, although several legislators have expressed interest in it. Before any bill can be introduced in the Legislature, it must undergo final drafting by the Legislative Reference Bureau.

Background

The current agricultural producer security program was created, effective January 1, 2002, by 2001 Wis. Act 16. The current program replaced prior separate programs for grain, milk and vegetables. The department of agriculture, trade and consumer protection ("DATCP") administers the current program.

Wisconsin Food and Agricultural Products - \$40 Billion for Wisconsin's Economy

2811 Agriculture Drive • PO Box 8911 • Madison, WI 53708-8911 • 608-224-5012 • Wisconsin.gov

Prior Law: "All or Nothing" Security

Under prior law, contractors were required to file annual financial statements with DATCP. If the contractor's financial statement failed to meet minimum financial standards (even if "just barely"), the contractor was required to file individual security with DATCP. DATCP could use that security to pay producers if the operator defaulted. Under the prior law, DATCP held over \$170 million in security from contractors who failed to meet minimum financial standards. This represented a very large cost for many contractors.

At the same time, contractors who met minimum financial standards (even if "just barely") were *not* required to file security. If one of those operators defaulted, there was no security to pay producers. If a contractor's financial condition worsened, so that the contractor could no longer meet minimum financial standards, DATCP was required to demand security. Security requirements put further strain on the contractor's financial condition, possibly increasing the contractor's risk of default.

Individual security filings were costly to the industry, and deprived contractors of needed working capital. Security filings could not keep pace with volatile commodity price changes, which affected the amount of security needed. Some forms of security, authorized under prior law, were also unworkable in practice. As a result, producer payments were sometimes delayed for years.

Current Law: Indemnity Fund and Backup Bonds

The current law substitutes a collective "insurance pool" for the prior "all or nothing" program of individual security. Nearly all contractors who procure grain, milk or processing vegetables from producers must hold an annual license from DATCP and must contribute to an agricultural producer security fund (there are some exceptions). DATCP tracks fund contributions by industry (grain, milk and vegetables), but pools those contributions in a single fund.

If a contributing contractor defaults on payments to producers, DATCP may draw on the fund to compensate producers for all or part of their losses. Current law specifies a maximum *authorized payment* to each producer (the amount varies by industry). DATCP may make the authorized payments from the fund, up to a maximum *deductible amount* per contractor (this amount also varies by industry).

Required fund contributions vary by industry. They also vary according to the size, financial condition and procurement practices of the contributing contractor. Other things equal, contributing contractors pay higher fund assessments if they procure large amounts of commodities, are in weak financial condition, or engage in high-risk practices. In other words, their "insurance premiums" are adjusted for risk.

The fund currently has a balance of approximately \$3.4 million. This balance is expected to grow. The current balance is already adequate to cover small and medium-sized defaults (the largest default to date was the \$2.5 million Kasson Cheese default). But the balance is not yet adequate to cover very large defaults, or multiple defaults that might occur within a short time period.

For these situations, the current law contemplates a system of backup security. DATCP must purchase backup surety bonds to cover defaults that may exceed the capacity of the fund (bond purchase costs are payable from the fund). If DATCP makes a demand on a surety bond, the surety company may seek repayment from the defaulting contractor, but may not seek repayment from the fund.

Backup Bonds Not Currently Available

Because of current unsettled conditions in the insurance and bonding industry, DATCP has not been able to purchase the required backup surety bonds (there were no bidders in response to repeated bid requests). So there is, as yet, no backup security to cover large potential defaults that may exceed the capacity of the fund.

The current law authorizes DATCP to release security filed, under prior law, by contractors who now contribute to the fund. DATCP has already released approximately \$70 million of the \$170 million in security filed under the prior law. This has reduced costs and released working capital for contributing contractors.

But because DATCP has not been able to acquire backup security for the fund, DATCP has been forced to retain much of the security filed by larger contractors under the prior law. This helps protect against defaults that might exceed the capacity of the fund. But it also imposes an unforeseen burden on the affected contractors, who must also contribute to the fund.

Maintaining the Fund

In the absence of a major default, the fund balance is expected to grow over time. Eventually, this will reduce the need for backup security. DATCP may adjust fund assessments to maintain an appropriate balance in the fund. DATCP must consult with the Agricultural Producer Security Council before adjusting fund assessments.

DATCP may demand, from a defaulting contractor, any amount that DATCP pays out of the fund as a result of the contractor's default. But in some cases, DATCP may not be able to collect the amount owed (for example, if the defaulting contractor is bankrupt).

Contents of this Draft Legislation

Alternative Backup Security

This bill authorizes DATCP to purchase a line of credit, in lieu of surety bonds, as backup security for the fund. A line of credit is more readily available, because it involves less risk for the surety company. If DATCP draws on the line of credit to pay producers victimized by a default, it must repay the loan principal and interest from the fund. DATCP may negotiate the terms with the surety company, when it purchases the line of credit. DATCP must consult with the agricultural producer security council (created under current law) before it purchases a line of credit.

DATCP may draw on the line of credit to pay producers victimized by a default, to the extent that the authorized payments exceed the *deductible amount* payable from the fund. If DATCP draws on the line of credit, DATCP must repay the loan principal and interest from the fund. Costs to purchase the line of credit, and to repay any loan principal and interest, are payable from the fund. The state has no obligation to pay the costs from other sources.

Amount of Backup Security

Under this bill, DATCP must purchase backup security (either a surety bond or line of credit, or both) that is sufficient to cover authorized payments related to a reasonably foreseeable default. However:

- DATCP may purchase a smaller amount of backup security if, in DATCP's judgment, that is necessary to avoid excessive purchase costs or repayment liabilities for the fund.
- The amount of the backup security may not exceed \$17 million.

Releasing Security Filed by Individual Contractors

If DATCP obtains a line of credit, as authorized by this bill, DATCP will be able to release nearly all of the security filed (under prior law) by contractors who now contribute to the fund. A very small number of contributing contractors will still be required to keep *some* individual security on file (less than currently), if they fail to meet minimum financial standards prescribed in this bill. These are very large contractors whose default would exceed the *combined* capacity of the fund *and* the new backup security. These contractors would be compensated, in part, by a reduction in their fund assessments. The bill spells out specific security requirements and fund assessment adjustments for grain, milk and vegetable contractors.

Maximum Payment from Fund

If a contractor defaults in payments to producers, DATCP may draw on the fund to compensate producers for all or part of their losses. Current law specifies a maximum *authorized payment* for each producer claim, depending on the type of contractor and the size of the producer's claim. DATCP may make the authorized payments from the fund, up to a maximum aggregate amount (*deductible amount*) for all producer claims against the contractor. DATCP must draw on backup security to make the balance of the authorized payments.

The current law specifies different *deductible amounts* for the different industries (grain, milk and vegetables). These amounts increase over time as the fund balance grows. This bill repeals the current deductible amounts, and specifies a new uniform deductible amount for all contractor defaults. The new uniform deductible amount is 60% of the cash balance in the fund on the last day of the month preceding the date of the default.

Start-up Loan to Fund; Repayment

When the Legislature created the agricultural producer security fund effective January 1, 2002, it established an initial fund balance of \$2 million by transferring that amount as a loan from the agricultural management fund. DATCP must repay the \$2 million principal, plus interest, from the agricultural producer security fund by July 1, 2006. DATCP must repay at least \$250,000 each year but may accelerate the loan repayment, at its discretion. Under current law, interest on the loan is compounded at 5% annually. This bill changes the current interest rate. Under this bill, interest is compounded at 5% annually until July 1, 2003 and at 2% annually beginning on July 1, 2003.

Agricultural Producer Security Council

Appointed Individuals

First Name	Last Name	Title	Company	Representing
Gary	Braun	Director of Agriculture/Production Services	Del Monte Foods	Midwest Food Processors Association, Inc.
Mike	Carter	Director of Government and Grower Relations <i>Exec. Dir.</i>	Wisconsin Potato & Vegetable Growers Assoc.	Wisconsin Potato & Vegetable Growers Association, Inc.
Dave	Daniels			Wisconsin Farm Bureau Federation
Richard	Keller			Farmers' Educational and Cooperative Union of America, Wisconsin Division
John	Manske	Director of Governmental Relations	Wisconsin Federation of Cooperatives	Wisconsin Federation of Cooperatives
John	Petty	Executive Director	Wisconsin Agri-Service Association	Wisconsin Agri-Service Association, Inc.
Doug	Simon	Executive Vice President	Weyauwega Milk Products, Inc.	Wisconsin Cheese Makers Association
Ron	Statz	Membership Services Director	Wisconsin NFO	Wisconsin National Farmers Organization, Inc.
Ed	Welch	General Manager	AMPI North Central	Wisconsin Dairy Products Association, Inc.
Jim	Zimmerman			Wisconsin Corn Growers Association and the Wisconsin Soybean Association



E5904 Mill Road P.O. Box 185 Plain, WI 53577 Phone: (608) 546-5284 Fax: (608) 546-2805
 E-mail: mall@cedar Grovecheese.com

608 220 2505

Fax Cover Sheet

Send to: <i>John O'Brien</i>	From: <i>Bob Wills</i>
Fax #: <i>608 267-0375</i>	Date: <i>3-6-03</i> Time:

Urgent Reply ASAP Please Comment Please Review For your information

Total # of pages (incl. cover sheet):

Confidential

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349

Mr. John O'Brien
Office of Hon. Dale Schultz
Wisconsin State Senate

John,

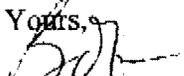
The extra financial statement that I am forced to pay for in spite of receiving no security from the state program is a matter of statutory rather than regulatory authority. It appears to be mandated by section 126.44(5)(b). This could be changed by just inserting the word "contributing" before "milk contractor". However, that change would perhaps allow interpretation by the department because it would not specify that audited or reviewed statements are not required for noncontributing contractors. Another way would be to insert a new section such as:

Section 126.44(5) is created to read: (3)

If a milk contractor is disqualified under s.126.45(b) and the milk contractor files security under s.126.47, the milk contractor may file compiled, reviewed or audited financial statements until the milk contractor requests to be released from security under s.126.47(7)(a). At that time audited or reviewed financial statements under (b) shall be required.

The agriculture department is apparently very concerned that you will hold up their administrative rule. They will have to amend the statute anyway. Maybe you can get them to agree to support this change. I'm not making any friends with this. Its probably not going to help my effort to get appointed to the ag board either. But it will save the company several thousand dollars a year at no cost to the state.

Thanks for your help.

Yours,

Bob Wilks

DEFINITION OF COMPLIAN

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Excuse FROM Quarterly
126.44(3)

The extra financial statement that I am forced to pay for in spite of receiving no security from the state program is a matter of statutory rather than regulatory authority. It appears to be mandated by section 126.44(5)(b). This could be changed by just inserting the word "contributing" before "milk contractor". However, that change would perhaps allow interpretation by the department because it would not specify that audited or reviewed statements are not required for noncontributing contractors. Another way would be to insert a new section such as:

Section 124.44(5)© is created to read:

If a milk contractor is disqualified under s.126.45(b) and the milk contractor files security under s.126.47, the milk contractor may file compiled, reviewed or audited financial statements until the milk contractor requests to be released from security under s.126.47(7)(a). At that time audited or reviewed financial statements under (b) shall be required.

The agriculture department is apparently very concerned that you will hold up their administrative rule. They will have to amend the statute anyway. Maybe you can get them to agree to support this change. I'm not making any friends with this. Its probably not going to help my effort to get appointed to the ag board either. But it will save the company several thousand dollars a year at no cost to the state.

Thanks for your help.