



## Fiscal Estimate Narratives

DATCP 2/23/2010

LRB Number	09-3926/1	Introduction Number	AB-0748	Estimate Type	Original
<b>Description</b> Suspension of the requirement that certain milk contractors pay an assessment into the agricultural producer security fund					

### Assumptions Used in Arriving at Fiscal Estimate

The Agricultural Producer Security law (Chapter 126, Wis. Stats.) requires most of those who purchase milk from producers to obtain a milk contractor license and pay assessments into a fund that is used to pay producers in the event the contractor fails to pay for the milk. AB 748 suspends payment of these assessments for a period of one (1) license year commencing on May 1, 2010. This action will result in a one-time \$500,000 loss of revenue for the producer security fund.

Milk contractor assessments are determined by a statutory formula that considers the amount of milk purchased from producers, measured in dollars, the financial statement ratios of the contractor, and the number of years the milk contractor has participated in the producer security fund. Since no two milk contractors are alike in terms of the formula, assessments vary widely from contractor to contractor. All other things being equal, the worse a contractor's financial ratios, the more it pays into the fund. [Specifically, assessments are calculated using the current ratio (current assets ÷ current liabilities) and the debt to equity ratio (total debts ÷ total owner's equity).]

During the current license year that began on May 1, 2009, the assessment for all milk contractors was \$749,785. The department estimates that the total assessments for all milk contractors in the upcoming licensing year will be \$500,000. The reduction from the current license year is largely attributable to lower milk prices this license year as compared to prices in several prior license years. The department's estimate of loss in revenue for the producer security fund assumes that the financial ratios contractors report for the upcoming license year will not vary significantly those that were reported last license year. If this assumption proves incorrect, the estimate will change.

Since fund assessments are paid in quarterly installments, approximately \$125,000 of the reduction in assessment collections under this bill would occur in FY 11 and the remaining \$375,000, in FY 12.

AB 748 calls for a one-year suspension of assessments for milk contractors. However, current law already provides for an assessment "holiday" when the overall fund balance reaches \$11 million and the portion of the fund attributable to milk contractors reaches \$6 million. The department projects that in the absence of AB 748 and any default that significantly reduces the fund's total balance, milk contractors will reach their automatic assessment holiday for the first time in either the 2011 or 2012 license year.

### Long-Range Fiscal Implications

## Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

Original     
  Updated     
  Corrected     
  Supplemental

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<b>Description</b> Suspension of the requirement that certain milk contractors pay an assessment into the agricultural producer security fund			
<b>I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):</b>  One time LOSS of \$500,000 of revenue affecting the appropriation under s. 20.115(1)(q)(v)(w), Stats.			
<b>II. Annualized Costs:</b>		<b>Annualized Fiscal Impact on funds from:</b>	
		Increased Costs	Decreased Costs
<b>A. State Costs by Category</b>			
State Operations - Salaries and Fringes		\$	\$
(FTE Position Changes)			
State Operations - Other Costs			
Local Assistance			
Aids to Individuals or Organizations			
<b>TOTAL State Costs by Category</b>		<b>\$</b>	<b>\$</b>
<b>B. State Costs by Source of Funds</b>			
GPR			
FED			
PRO/PRS			
SEG/SEG-S			
<b>III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)</b>			
		Increased Rev	Decreased Rev
GPR Taxes		\$	\$
GPR Earned			
FED			
PRO/PRS			
SEG/SEG-S			
<b>TOTAL State Revenues</b>		<b>\$</b>	<b>\$</b>
<b>NET ANNUALIZED FISCAL IMPACT</b>			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$	\$
<b>Agency/Prepared By</b>		<b>Authorized Signature</b>	<b>Date</b>
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