

Fiscal Estimate Narratives
DATCP 9/7/2005

LRB Number 05-1813/4	Introduction Number AB-635	Estimate Type Original
Subject Exemption from licensing for certain vegetable contractors		

Assumptions Used in Arriving at Fiscal Estimate

DATCP currently administers the Agricultural Producer Security Fund under Chapter 126, Stats. This Fund is a trust fund created under s. 25.463, Wis. Stats. DATCP maintains a separate accounting in the fund for four different types of licensees (grain dealer, grain warehouse keeper, milk contractor and vegetable contractor), and two different regulatory functions ("indemnity" and "administrative") for a total of eight sub-accounts. Indemnity sub-accounts are monies that are held to reimburse producers in the event of a default by a "contributing" contractor (there are no funds available in the event of a default by a noncontributing contractor). "Administrative" sub-accounts are monies that the department uses to pay the expenses of operating the producer security program. Generally, the main source of revenue for indemnity sub-accounts are "assessments" paid by contributing contractors. Assessments are calculated based on the contractor's total purchases and its financial statement ratios. The main source of revenues for administrative sub-accounts is license fees paid by all licensed contractors. License fees are calculated based on a contractor's total purchases.

The remainder of this document relates only to the vegetable contractor sub-accounts (both "indemnity" and "administrative").

Under current law, persons who purchase vegetables (including potatoes) from producers for use in processing must obtain a vegetable contractor license. Most (but not all) licensed vegetable contractors must also contribute to the indemnity fund (these contractors are referred to as "contributing contractors"). Vegetable contractors who are either "disqualified" or pay Cash on Delivery are NOT contributing contractors. ("Disqualified contractors" are contractors who had negative owner's equity when first licensed.)

This bill, generally, would allow vegetable contractors who purchase potatoes for processing to opt out of contributing to the fund as long as certain conditions are met. Vegetable contractors who meet the conditions could forego paying assessments, and their purchases would not be covered by the Agricultural Producer Security Fund. Based on an assumption that nearly all of the potato buyers who are eligible would opt for the exception, we estimated that Indemnity sub-account revenues (assessments) would fall by \$102,000 in FY 05-06. However, because the statutory assessment rates decrease over the next few years, the estimated affect falls sharply over the next few years. We project that the average annual effect over the next four years would be a \$27,000 decrease in revenue.

This bill also includes an additional license fee of \$500 for potato buyers who opt out of contributing to the fund. Therefore, we predict this bill will increase revenues to the administrative sub-account by roughly \$5,000 per year. This amount is based on 10 potato buyers opting for the exemption. (It should be noted that, based on conversations with those involved in the instigation of this bill, it is DATCP's understanding that the \$500 fee is intended to replace existing statutory fees. However, as currently drafted, we believe this bill simply adds the \$500 fee to existing license fees. If we were preparing this Fiscal Estimate on what we believe the intent was, the estimated increased license fee revenues of \$5,000 in the administrative sub-account would be replaced with estimated decreased revenue of \$19,000 per year.)

Combining the estimated annual decrease of \$27,000 in indemnity (assessment) revenue and the estimated increase of \$5,000 in administrative (license fee) revenue results in a net fiscal effect of an annual decrease in revenue of \$22,000.

Long-Range Fiscal Implications

As noted above, this bill would have its most dramatic fiscal effect in FY 05-06, but would be less significant

as time goes on. Specifically, we project this bill would result in total combined lost revenues of roughly \$97,000 in FY 05-06 and roughly \$8,000 in FY 08-09. This is because the difference between existing statute and this bill becomes less significant as existing statutory assessment rates continue to decline over the next several years.

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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Subject			
Exemption from licensing for certain vegetable contractors			
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 (20.115(1)q)		-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
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