

Fiscal Estimate - 2009 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 09-1957/2	Introduction Number SB-399
Description Authorizing two or more cities, villages, towns, or counties, or a combination of such political subdivisions, to create a commission to issue conduit revenue bonds and exercise eminent domain authority and exempting from taxation interest on such bonds	
Fiscal Effect	
State:	
<input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate	
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input checked="" type="checkbox"/> Decrease Existing Revenues
<input type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input type="checkbox"/> Decrease Costs	
Local:	
<input type="checkbox"/> No Local Government Costs <input checked="" type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input checked="" type="checkbox"/> Increase Revenue <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts	
Fund Sources Affected	
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	
Affected Ch. 20 Appropriations	
Agency/Prepared By	Authorized Signature
DOA/ Cathleen Connolly (608) 261-2292	Martha Kerner (608) 266-1359
Date	
12/2/2009	

Fiscal Estimate Narratives

DOA 12/2/2009

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Assumptions Used in Arriving at Fiscal Estimate

Senate Bill (SB) 399 allows two or more cities, villages, towns or counties or a combination of those entities to create a commission to issue conduit bonds. The interest on the bonds would be exempt from taxation. The commissions would be authorized to issue conduit bonds and exercise eminent domain. The bond proceeds would be transferred to a private entity borrower that would use the money to finance a project that has a public benefit. The location of the proposed project is not limited to the State of Wisconsin. The private borrower would be solely responsible for paying back the bond and interest on the bonds from the revenue generated by the new project. The borrower also has to provide security for the bonds. The bonds would not be public debt and the member government entities and the state are not liable on bonds or any other contract under this section or any debt, obligation, or liability of the commission.

SB 399 provides that the Wisconsin Attorney General is required to review and approve the agreements setting up commissions. The Governor may review the agreements and provide comments to the Attorney General. No action by the Attorney General is construed as approval of the agreement.

The fiscal impact on the State of Wisconsin is an indeterminate decrease in income tax revenues. Generally, municipal bonds are not exempt from Wisconsin state income taxes. SB 399 specifically makes the proposed conduit bonds exempt from state income tax. Therefore, Wisconsin taxpayers who purchase the bonds will not pay income tax on the interest they earn on the bonds. According to the Department of Administration's Office of Capital Finance, for every \$100 in interest income the marginal tax rate is \$7.75.

Local and state government entities from outside Wisconsin may be part of these new commissions, but at least one member must be from Wisconsin. The project that is financed could be located in Wisconsin or in any other state. Therefore, the subsidized interest rate (subsidized by a reduction in the Wisconsin income tax) may be used to bond for private projects outside the State of Wisconsin.

The reduction in state revenue is difficult to determine because it is unknown how many bonds will be sold, how many of the bonds will be purchased by Wisconsin taxpayers, and what the interest rate will be on the bonds.

The fiscal impact on local governments is a potential increase in revenue because a local government that participates in a commission may receive fees associated with the issuance of the bonds. The increase in revenue is difficult to determine because it is unknown how many local governments will participate and how many bonds will be sold.

Long-Range Fiscal Implications

An ongoing reduction in state income tax revenues.