


1999 Session		LRB Number <i>99-3696/4</i>			
FISCAL ESTIMATE DOA-2048 N(R06/99) <input checked="" type="checkbox"/> ORIGINAL <input type="checkbox"/> UPDATED <input type="checkbox"/> CORRECTED <input type="checkbox"/> SUPPLEMENTAL		Bill Number SB 411			
Subject Ad valorem property tax exemption for certain air carriers; limiting state funding for aeronautical assistance programs to the amount received from aeronautical revenue sources.		Amendment No. if Applicable Administrative Rule Number			
Fiscal Effect State: <input type="checkbox"/> No State Fiscal Effect Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation. <table style="width: 100%; border: none;"> <tr> <td style="width: 50%; border: none;"> <input type="checkbox"/> Increase Existing Appropriation <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriation <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Create New Appropriation </td> <td style="width: 50%; border: none;"> <input type="checkbox"/> Increase Costs - May be possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Decrease Costs </td> </tr> </table>			<input type="checkbox"/> Increase Existing Appropriation <input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Appropriation <input checked="" type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Create New Appropriation	<input type="checkbox"/> Increase Costs - May be possible to Absorb Within Agency's Budget <input type="checkbox"/> Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> Decrease Costs	
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Local: <input type="checkbox"/> No local government costs <table style="width: 100%; border: none;"> <tr> <td style="width: 33%; border: none;"> 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 </td> <td style="width: 33%; border: none;"> 3. <input type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input checked="" type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory </td> <td style="width: 33%; border: none;"> 5. Types of Local Governmental Units Affected: <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Villages <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others _____ <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts </td> </tr> </table>			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 type="checkbox"/> Increase Revenues <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input checked="" type="checkbox"/> Decrease Revenues <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	5. Types of Local Governmental Units Affected: <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Villages <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input type="checkbox"/> Others _____ <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
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Fund Sources Affected <input type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input checked="" type="checkbox"/> SEG <input type="checkbox"/> SEG-S		Affected Chapter 20 Appropriations Repeals s.20.395 (2) (dq); creates s.20.395 (2) (cr)			
Assumptions Used in Arriving at Fiscal Estimate The bill has two distinct provisions: I. It creates an exemption from the "ad valorem" property tax on commercial air carriers for any air carrier company that operates a hub terminal facility in Wisconsin. II. It provides that beginning on July 1, 2001 (the start of the next biennium), state-funding for Aeronautics Assistance (mainly airport projects and their administration) would be funded exclusively from the remaining aeronautical revenues deposited in the Transportation Fund. The separate appropriation for the Aviation Careers Education (ACE) program, a summer youth work-experience program in Milwaukee and Madison, would be unaffected (\$138,300 in Fiscal Year 2000-01); it would be supported exclusively from non-aviation revenues. (See "Long-Range" section below, and attached page). I. Hub Terminal Tax Exemption Based on the definition in the bill, only one air carrier currently qualifies. In 1999 this company's ad-valorem assessment was \$1,729,591. The bill provides that the exemption would first apply to property tax assessments as of January 1, 2001. Under current law, the ad-valorem tax rate (the statewide average net property tax rate) is expected to continue declining, from \$22.11/\$1,000 in 1999 to \$20.83/\$1,000 in 2002 as a result of the State's general property tax relief policies. Therefore, annualized revenue loss depends on the assessed value of the company in Calendar Year 2001 when the exemption takes effect. Assuming 1% yearly growth in the value of the company, the annualized revenue loss would be about \$1,700,000. Assuming 3% growth, it would be about \$1,800,000. Due to the effective date of the exemption and the relationship to fiscal-year receipts, the estimated effect in the current biennium is \$848,000 (revenue loss in Fiscal Year 2000-01) assuming 1% growth in value. 1999 Act 9 (the 1999-2001 biennial budget) made appropriations that left a projected ending balance in the Transportation Fund of \$322,200. At \$848,000 or more, the cost of the hub terminal tax exemption in 2000-01 would exceed this unappropriated balance by at least \$525,800. The bill does not address this imbalance.					
Long-Range Fiscal Implications 1. The bill exceeds the unappropriated balance of the Transportation Fund assumed in the budget by about \$525,800, which may be viewed as a first draw on any revenue growth or the next biennial budget. 2. Base funding for Aeronautics Assistance would be reduced by about \$6.5 million SEG in 2001-2003 (the total for the two years of the next biennium). This figure is explained in more detail on the attached page.					
Prepared by: Mark Mansfield (Narrative) John Bolles (Revenue estimates)	Telephone No. 266-1876 266-1259	Agency DOT			
Authorized Signature 	Telephone No. 267-9618	Date Feb. 29, 2000			

Assumptions Used in Arriving at Fiscal Estimate (Continued)

II. Aeronautics Revenues & Airport Program Size

Under the bill, beginning July 1, 2001, new state funding for Aeronautics Assistance (mainly airport projects and their administration) would be limited to the amount received from three types of aeronautical revenues currently deposited in the transportation fund. These sources would be:

1. The remaining revenues from the ad valorem property tax (associated with air carriers other than the one that would receive the tax exemption created by this bill);
2. The proceeds of the excise tax on fuel used by general aviation (G.A.) aircraft;
3. Proceeds from a weight-based G.A. aircraft registration fee.

Under the provisions of the bill, the proceeds of these three revenue sources would be dedicated to Aeronautics Assistance programs and could not support the general operations of DOT or other transportation programs. The existing appropriation from the Transportation Fund for Aeronautics Assistance programs would be repealed on July 1, 2001, preventing other revenues from being appropriated for these programs (with the exception of the ACE program, funded by a separate unaffected appropriation).

1999 Act 9 established FY 2000-01 funding for the Aeronautics Assistance programs affected by this bill at \$11,832,200. This amount exceeds the projected revenues dedicated to support these programs under the provisions of the bill; therefore, the bill would require a program reduction unless modified by future legislation to increase the aeronautics revenue sources or fund the program from other sources. The estimated annualized and long-term fiscal effects are based on the following revenue assumptions:

1. **Ad Valorem Tax.** A declining tax rate (\$21.46/\$1,000 in 2000, \$21.20/\$1,000 in 2001, and \$20.83/\$1,000 in 2002) will tend to offset growth in the assessed value of the air carrier companies. Remaining ad valorem revenues could range from \$6.7 million to \$7.1 million per year assuming the exemption granted to one air carrier as a result of this bill will not affect payments from other air carrier companies. An estimate of \$6.8 million is assumed for FY 2001-2002 and \$7.0 million for FY 2002-2003. Due to the uniformity clause and other legal considerations, it would be difficult for the Legislature to increase the rate imposed for this tax.
2. **G.A. Fuel Tax.** Unlike other states that impose a fuel tax on commercial air carriers, Wisconsin air carriers that pay the ad valorem tax are exempt from the transportation fuel tax. The bill modifies this provision so that a company that receives the hub terminal exemption maintains the fuel tax exemption. The tax rate for this tax is 6 cents per gallon. It is not indexed and has never been increased since enacted in the 1981-83 biennial budget. Revenues were \$1,354,500 in 1999. Usage may be depressed by increased fuel prices, so little, if any growth is anticipated.
3. **G.A. Registration Fees.** Although the bill does not explicitly address whether the air carrier receiving the property tax exemption will continue to be exempt from the aircraft registration fee, this fiscal estimate makes that assumption. Aircraft registration fees were last increased in the 1981-83 biennial budget. Revenues were \$403,967 in 1999 and have been less than \$400,00 in some recent years, so little, if any growth is anticipated.

Existing fuel tax and registration fee revenues, taken together, approximately equal the \$1.7 million cost of the revenue loss associated with the ad valorem tax exemption for carriers with hub terminals. The bill does not increase aircraft registration fees or the fuel tax rate and does not create any new aviation fees. Given the link between revenues and program expenditures in the bill, some revenue growth may need to be reserved for pay plan needs; this is assumed to be relatively small. Based on the above, the program reduction implied for the next biennium is estimated as follows:

	<u>FY 2001-2002</u>	<u>FY 2002-2003</u>
Base level of Aeronautics Assistance, state funds:	\$11,832,200	\$11,832,200
Remaining Ad Valorem Tax Revenues:	\$ 6,800,000	\$ 7,000,000
G.A. Fuel Tax and Registration Fee Revenue:	\$ 1,700,000	\$ 1,700,000
Total estimated remaining Aviation Revenues:	\$ 8,500,000	\$ 8,700,000
Difference from Base Funding For Aeronautics:	\$ 3,332,200	\$ 3,132,200

2001-2003 Biennial Total Airport Program Reduction Implied: \$6.5 million.

A \$3.3 million reduction in local assistance is shown for purposes of the annualized fiscal effect. Using the \$1.7 million estimate of the annualized effect of the exemption, after July 1, 2001, there would be a net increase of about \$1.6 million annually in the Transportation Fund balance for non-Aeronautics purposes.

FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect
DOA-2047 (R06/99)

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB Number 99-3696/4	Amendment No. if Applicable
Bill Number SB 411	Administrative Rule Number

Subject

Tax Exemption for Certain Air Carriers; limiting state funds for Aeronautics to Aeronautical Revenues

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 State funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
State Operations - Salaries and Fringes		\$	\$ -
(FTE Position Changes)		(FTE)	(- FTE)
State Operations - Other Costs			-
Local Assistance			- 3,300,000
Aids to Individuals or Organizations			-
TOTAL State Costs by Category		\$	\$ - 3,300,000
B. State Costs by Source of Funds			
GPR		\$	\$ -
FED			-
PRO/PRS			-
SEG/SEG-S			- 3,300,000
III. State Revenues			
Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
GPR Taxes		\$	\$ -
GPR Earned			-
FED			-
PRO/PRS			-
SEG/SEG-S			- 1,700,000
TOTAL State Revenues		\$	\$ - 1,700,000

NET ANNUALIZED FISCAL IMPACT

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ - 3,300,000	\$ _____
NET CHANGE IN REVENUES	\$ - 1,700,000	\$ - 3,300,000

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