

FISCAL ESTIMATE FORM

1999 Session

- ORIGINAL UPDATED
 CORRECTED SUPPLEMENTAL

LRB # 99 – 3190/1
INTRODUCTION # 99 SB 427
 Admin. Rule #

Subject

Creates a qualified transportation fringe benefit for state employees.

Fiscal Effect

State: No State Fiscal Effect

Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation.

Increase Costs - May be possible to Absorb Within Agency's Budget Yes No

- Increase Existing Appropriation Increase Existing Revenues
 Decrease Existing Appropriation Decrease Existing Revenues
 Create New Appropriation

Decrease Costs

Local: No local government costs

1. Increase Costs
 Permissive Mandatory
 2. Decrease Costs
 Permissive Mandatory

3. Increase Revenues
 Permissive Mandatory
 4. Decrease Revenues
 Permissive Mandatory

5. Types of Local Governmental Units Affected:
 Towns Villages Cities
 Counties Others _____
 School Districts WTCS Districts

Fund Sources Affected

- GPR FED PRO PRS SEG SEG-S

Affected Ch. 20 Appropriations

s. 20.515 (1) (c) and s. 20.515 (1)(ud)

Assumptions Used in Arriving at Fiscal Estimate:

SB 427 creates a qualified transportation benefit program for state employees to voluntarily elect to participate in a reimbursement program that allows employees to pay for parking and mass transportation expenses on a pre-tax basis as permitted by Section 132 of the Internal Revenue Code. SB 427 will produce State, Federal, and Social Security tax savings to participants and savings to the State by the elimination of employer Social Security taxes (7.65% of payroll).

Assumptions Used:

- All classified and non-classified State and University employees are eligible to participate in the program.
- Approximately 3,100 employees would participate in the first year of the program (based upon an October 1999 survey sent to State and University employees, 3,094 responded with a positive interest).

<u>Average cost/month</u>	<u># of Interested Employees</u>	<u>Projected Monthly Contributions</u>
Parking:		
\$1-24	539	\$ 6,468
\$25-49	399	\$14,763
\$50-74	704	\$43,648
\$75-99	495	\$43,065
\$100-149	213	\$26,412
\$150+	28	\$ 4,200
Van Pool – Bus:		
\$1-24	567	\$ 6,804
\$25-29	648	\$23,976
\$50+	85	\$ 4,250
Total:	3,094	\$173,586

The projected contributions were derived by multiplying the number of employees by the median cost in each range.

(Continued on page 2)

(ETF) (03/13/00)

Costs to Administer Program:

An estimate of costs associated with implementing and administering a transportation expense reimbursement program was solicited from the current Employee Reimbursement Accounts Program third party administrator. The following estimate was provided:

Start-up Fee - \$50,000: one-time start-up cost of the program. \$25,000 to be paid upon commencement of the third party administrator's work on the project and the balance (if any, but no more than \$25,000) to be paid upon completion of pre-effective date development work.

Enrollment fee - \$87,000: cost of developing, printing, and distributing informational materials and forms for all eligible State employees. It also includes the staff and system costs associated with performing enrollment functions. Fee can be paid in equal monthly installments over the course of the initial contract period.

Administration Fee - \$93,000: this is the monthly administration fee and is based on the actual number of participants in the program for the billing month.

Number of Participants

<u>Minimum</u>	<u>Maximum</u>	<u>Per Participant Per Month</u>
1	999	\$4.25
1,000	1,999	\$3.50
2,000	2,999	\$2.80
3,000	3,999	\$2.50
4,000	4,999	\$2.35
5,000	5,999	\$2.25
6,000	6,999	\$2.20
7,000	7,999	\$2.15
8,000	8,999	\$2.10
9,000	No Limit	\$2.00

Using the estimate of 3,100 participants, the annual administration fee would be \$93,000 (3,100x\$2.50x12 = 93,000)

Savings:

If approximately 3,100 State and UW employees participated in the program:

Employees would have potential tax savings of \$575,955 (15% for federal taxes; 5% for state taxes and 7.65% for Social Security). Employees in higher tax brackets would save more.

With annual projected contributions of \$2,083,032 (monthly contributions of \$173,586 x 12), the State and University would realize an annual savings of \$159,400 in Social Security taxes (\$2,083,032 x 7.65%).

Total costs for the program would include an annual enrollment fee and monthly administration fee minus the projected employer FICA savings (\$87,000 + \$93,000 - \$159,400 = \$20,600).

Note: All monies that the Department of Employee Trust Funds currently administers are trust fund dollars, and the Department may not use the monies for other than trust fund purposes.

Long-Range Fiscal Implications:

On-going costs for an annual enrollment fee and monthly administrative fee based upon the number of participants will be required under the program. Program expenses will be partially offset by Social Security savings (7.65%) to employers.

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FISCAL ESTIMATE WORKSHEET

Detailed Estimate of Annual Fiscal Effect

1999 Session

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LRB # 99 - 3190/1

Admin. Rule #

INTRODUCTION # 99 SB 427

Subject

Creates a qualified transportation fringe benefit for state employees

I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):
 \$50,000 GPR

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	20,600	-
Local Assistance		-
Aids to Individuals or Organizations		-
TOTAL State Costs by Category	\$ 20,600	\$ -
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$ 9,300	\$ -
FED		-
PRO/PRS	11,300	-
SEG/SEG-S		-
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		-
TOTAL State Revenues	\$	\$ -

NET ANNUALIZED FISCAL IMPACT

STATE

LOCAL

NET CHANGE IN COSTS \$20,600 \$ _____

NET CHANGE IN REVENUES \$ _____ \$ _____

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