



State Representative
58th Assembly District

Committee Chair: Ways and Means

Memorandum

To: Members, Assembly Ways and Means Committee

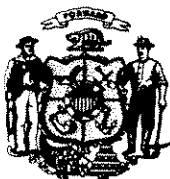
From: Rep. Mickey Lehman

Date: January 8th, 1999

Re: AJR 2

Attached please find a copy of Assembly Joint Resolution 2, which is before the Committee on Tuesday, January 12th, at 9:00am in the North Hearing Room.

On Monday, I will be distributing copies of a memo from the Legislative Fiscal Bureau on the Joint Resolution.



Legislative Fiscal Bureau

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January 11, 1999

TO: Representative Michael Lehman
Room 103 West, State Capitol

FROM: Rick Olin, Fiscal Analyst

SUBJECT: Assembly Joint Resolution 2 Regarding the Distribution of Revenues from the State Lottery, Pari-Mutuel On-Track Betting and Bingo

At your request, this memorandum provides information on 1999 Assembly Joint Resolution 2 (AJR 2), which would amend provisions in the Wisconsin Constitution regarding the distribution of revenues from the state lottery, pari-mutuel on-track betting and bingo.

Amendments to the Wisconsin Constitution must be adopted by two successive Legislatures and ratified by the voters before becoming effective. A proposed change is introduced in the form of a joint resolution. AJR 2 was introduced on January 7, 1999, and referred to the Assembly Committee on Ways and Means. The resolution contains wording identical to 1997 Assembly Joint Resolution 80, which was approved by the Legislature in the 1997-99 legislative session.

A resolution identical to AJR 2 has been introduced in the Senate as SJR 2 and has been referred to the Committee on Judiciary and Consumer Affairs.

SUMMARY OF JOINT RESOLUTION

AJR 2 would amend three provisions in Section 24 of Article IV of the Wisconsin Constitution. That section enumerates the forms of gambling that are permissible in the state, and identifies certain activities as not constituting gambling. The three provisions to be amended relate to the state lottery, pari-mutuel on-track betting and bingo. Specifically, AJR 2 would permit state revenues from those activities to continue to be used for operations, regulation and enforcement activities related to gambling, but would limit the use of the remaining revenues to property tax relief for state residents. State revenues would be defined to include investment earnings on lottery, pari-mutuel on-track betting and bingo revenues. The distribution of monies for property tax relief

for state residents would be subject to two conditions. First, the distribution could not be based on the recipient's age or income. Second, the distribution would not have to conform to the rules of uniform taxation required under Section 1 of Article VIII of the Wisconsin Constitution.

Because AJR 2 is the Legislature's second consideration of this proposal, the resolution also specifies the date for submitting the question to the people at a statewide election and contains the wording for the ballot question. The question would appear on the ballot for the election scheduled for Tuesday, April 6, 1999, and would be worded as follows:

Question 1: "Distribution of gambling proceeds. Shall section 24 (3), (5) and (6) (a) of article IV of the constitution be amended to require that the net proceeds of the state lottery and of moneys received by the state from bingo games and pari-mutuel on-track betting be used for property tax relief for residents of this state as provided by law, but subject to the condition that the distribution not vary based on the income or age of the person provided property tax relief?"

FISCAL EFFECT

Under AJR 2, gambling revenues available for property tax relief are estimated to range from \$120 million to \$125 million, annually. Table 1 reports the estimated revenues from the affected sources for 1998-99 and 1999-00. These amounts are net of funds expended on operations, regulation and enforcement activities related to gambling.

TABLE 1

**Estimated Revenues from Gambling Activities
Available for Property Tax Relief under Proposed Joint Resolution**

	<u>1998-99</u>	<u>1999-00</u>
Bingo Revenues	\$507,800	\$429,200
Pari-Mutuel Revenues	2,632,600	2,552,200
Lottery Proceeds	<u>121,025,700</u>	<u>119,559,100</u>
Total Available Revenues	\$124,166,100	\$122,540,500

Under current law, these revenues are used in a variety of ways. Under the joint resolution, their use would be restricted to property tax relief for state residents. Currently, lottery proceeds are used to fund the lottery and farmland tax relief credits. While both credits are for property tax relief, the credits are received both by residents and by nonresidents. Therefore, AJR 2 would

require modifications to these programs. Additional changes would be required for statutory provisions directing the distribution of the other revenues:

- \$386,000 in bingo revenues and \$2,200,000 in pari-mutuel revenues are deposited annually in the general fund;

- \$14,000 in pari-mutuel revenues and \$36,000 in lottery revenues are expended annually by the Department of Health and Family Services for compulsive gambling awareness campaigns;

- up to \$650,000 in pari-mutuel revenues is distributed annually by the Department of Agriculture, Trade and Consumer Protection as aid to counties, agricultural societies, associations or boards and dairy livestock associations; and

- up to \$50,000 in pari-mutuel revenues is distributed annually by the Department of Agriculture, Trade and Consumer Protection as assistance to the Wisconsin Livestock Breeders Association for junior livestock shows and other educational programs.

These uses would not be permitted under AJR 2.

UNIFORMITY CLAUSE

AJR 2 would not amend the uniformity clause of the Wisconsin Constitution. Instead, AJR 2 would amend the section of the Constitution regarding gambling so that the expenditures of state revenues from gambling would not be subject to limitations imposed by the uniformity clause.

The uniformity clause requires that property taxes be imposed equally, according to value and at the same rate, for all classes of property within a taxing jurisdiction. Uniformity generally requires that property of equal value be taxed equally, or be entirely exempt from taxation.

In October, 1996, a Dane County Circuit Court found the previous lottery credit unconstitutional because it violated the uniformity clause. From 1991(92) through 1995(96), lottery credits were extended exclusively to property used as the owner's primary residence. The credit caused taxes to be unequal between properties receiving the credit and properties not receiving the credit. Passage of AJR 2 would permit, but not require, a homeowner credit similar to the one in existence before the 1996 court decision.

If you have any questions on this information, please let me know.

RO/dls



State Representative
58th Assembly District

Committee Chair: Ways and Means

Memorandum

To: Members, Assembly Ways and Means Committee

From: Rep. Mickey Lehman

Date: January 11th, 1999

Re: AJR 2

Attached please find a copy of a summary of Assembly Joint Resolution 2, prepared by the Legislative Fiscal Bureau.

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TOWNS: Addison, Cedarburg (Wards 1,2,3,6, and 7), Hartford, Jackson, Polk (Wards 1, 2, 3, 4, 5 and 8), Rubicon, Trenton and West Bend


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BILL SUMMARY

AJR: Distribution of the net proceeds of the state lottery, Pari-mutuel on-track betting, and bingo.

Date: *January 14, 1999*

BACKGROUND

Article IV, Section 24(6) of the Wisconsin Constitution authorizes a state lottery and requires that its net proceeds be used for property tax relief as provided by law. In October 1996, a Dane County Circuit Court found the distribution of the lottery credit to an owner's primary residence was unconstitutional because it violated the state's "uniformity clause" that requires property taxes to be assessed and extended to taxpayers in a uniform manner. To resolve the constitutional problems, the 1997-99 State Budget Act modified the distribution of the lottery credit to include all taxable properties.

SUMMARY OF AJR 2

Assembly Joint Resolution 2 is a proposed constitutional amendment to the 1999-2000 Legislature for second consideration. AJR 2 provides that:

- a) all moneys received by the state that are attributable to bingo games and pari-mutuel on-track betting (other than moneys used for the regulation of and enforcement of law relating to bingo games and pari-mutuel on-track betting) and the net proceeds of the state lottery must be used for property tax relief for residents of this state;
- b) the distribution of these moneys may not vary based on the income or age of the person provided the property relief;
- c) the distribution of these moneys is not subject to the uniformity requirement of Section 1 of Article VIII of the State Constitution.

FISCAL EFFECT

The fiscal effect is undetermined.

PROS

1. The original intent of the Legislature was to distribute the lottery credit to Wisconsin residents. AJR 2 will guarantee that the distribution of the lottery proceeds is done in this manner.
2. By indicating Wisconsin residents and not basing the distribution on age or income, this constitutional amendment should withstand any future court challenges.
3. Inclusion of all moneys received by the state that are attributable to pari-mutuel on-track betting and bingo, other than moneys used for regulation and enforcement, will boost the lottery credit and provide additional property tax relief.

CONS

1. As the second consideration of a constitutional amendment, AJR 2 will require passage by both houses and will need to be ratified by state voters.
2. Net proceeds from the pari-mutuel on-track betting and bingo currently go into the general fund and as such, are available for additional state government spending. By utilizing these revenue sources for property tax relief, it may prevent non-property owners from receiving other forms of tax relief.
3. By not specifying "primary residences" or "agricultural land" in the amendment, it could jeopardize whether farmers would be eligible for an appropriate level of property tax relief and whether primary residences could include out-of-state property owners.

SUPPORTERS

Rep. Michael Lehman testified in support of the resolution. Sabrina Gentile, representing the Wisconsin Farm Bureau registered in favor.

OPPOSITION

Bill Smith, representing the National Federation of Independent Business registered against the resolution, as did Kathi Kilgore of the Wisconsin Restaurant Association.

HISTORY

Assembly Joint Resolution 2 was introduced on January 7, 1999, and referred to the Assembly Committee on Ways and Means. A public hearing and executive session were held on Tuesday, January 12, 1999. The Committee recommended passage of the Resolution by a 15-0-1 vote (Rep. Ziegelbauer was absent.)

Prepared by Rep. Lehman's Office
Contact: Andrew Nowlan