

March 2, 2000

Senate Bill 244 (Baumgart/Black)

Sales and Use Tax Transfer to the Conservation Fund

Summary of Bill -

This bill, as amended, would transfer one-fifteenth of one percent of the annual revenue from sales and use tax receipts to the conservation fund, and create a council to help DNR dole out the money. The ten separate accounts that make up the conservation fund are used to finance many of the state's natural resource management programs.

License fees, etc., bring in about \$70 million a year for the Fish & Wildlife account of the conservation fund, yet only \$57 million is directed back to those activities. The Forestry account gets more than it brings in, while most other accounts are pretty evenly balanced between revenues and expenditures. At least 75% of the new sales and use revenue under SB 244 would have to go to the Fish & Wildlife, forestry and parks accounts.

At this time, all sales and use tax revenues are deposited in the general fund, and amount to about 1/3 of all general fund tax collections. Collections will total about \$3.5 billion this FY.

Staff Comments -

Many hunting and fishing groups have been working on this issue for many years. They feel they are paying more than they have to for licenses, etc., to subsidize other programs. They want their "fair share" and they want a broader base of funding for natural resource activities that benefit everyone.

FB estimates about \$50 million in sales and use tax revenue would be transferred to the conservation fund in 2001-2002. If SB 244 is enacted, it would increase the conservation fund by nearly 30%. This would of course worsen the impending structural deficit

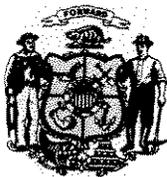
Standing Committee Action -

SSA1 to SB 244 was approved 3-2 by the Senate Committee on Agriculture and Environmental Resources on November 3, 1999.

Recommended JFC Action -

Approve SSA1 to SB 244.
Passage of SB 244 as amended.

Prepared by: Barry



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March 2, 2000

TO: Members
Joint Committee on Finance

FROM: Bob Lang, Director

SUBJECT: Senate Bill 244: Sales and Use Tax Transfer to the Conservation Fund

On November 3, 1999, the Senate Committee on Agriculture, Environmental Resources and Campaign Finance Reform recommended passage of Senate Substitute Amendment 1 to Senate Bill 244 on a vote of 3 to 2. SB 244 would provide for a transfer of revenue from sales and use tax receipts to the conservation fund and for the creation of a council to assist the Department of Natural Resources (DNR) in devising a request for expenditure of this revenue.

BACKGROUND

Conservation Fund

The conservation fund is a segregated trust fund used to finance many of the state's resource management programs administered by DNR, including wildlife and fish management, forestry, the state parks system, the endangered resources program, and several recreational vehicle programs. The conservation fund also supports programs and operations in other agencies, including the Departments of Agriculture, Trade and Consumer Protection, Workforce Development and Commerce, the Minnesota-Wisconsin Boundary Area Commission, the Lower Wisconsin State Riverway Board, the Kickapoo Reserve Management Board, the University of Wisconsin System, and the State Historical Society.

State and federal law require that some types of conservation fund revenues be used exclusively for particular activities. In addition, the statutes require that all monies received through DNR resource management, enforcement and local support activities be credited to the program which generated them. Therefore, separate accounts within the conservation fund have been administratively created to facilitate its management. One account, into which snowmobile program revenues are deposited, is designated by statute. The accounts within the conservation

fund enable DNR to ensure that revenues are utilized for authorized purposes. In addition, the accounts system is useful in developing budgets for each program area.

The ten accounts of the conservation fund are: fish and wildlife, forestry, parks, water resources, snowmobile, boat registration, all-terrain vehicle (ATV), endangered resources, natural resources magazine and motorcycle recreation. The following table shows revenue and expenditures to each account in 1998-99. Expenditures could exceed revenues in some accounts for the fiscal year based on unobligated balances carried over from the prior fiscal year. It should also be noted that revenue to the fish and wildlife account in 1998-99 increased by 20 percent over the prior fiscal year revenue of approximately \$58 million, due at least in part to faster booking of revenue to the account under the newly-implemented Automated License Issuance System (ALIS).

Conservation Fund Account Revenues and Expenditures, 1998-99

<u>Account</u>	<u>Revenue</u>	<u>Expenditures</u>
Fish and Wildlife	\$70,201,200	\$56,697,600
Forestry	60,574,200	65,002,500
Water Resources	11,018,900	9,565,600
Parks	10,239,400	9,268,800
Snowmobile	7,023,300	6,530,600
Boat Registration	5,325,800	3,835,300
Endangered Resources	1,435,200	1,227,600
All-Terrain Vehicle	1,398,300	1,116,200
Natural Resources Magazine	1,047,700	753,800
Motorcycle Recreation	65,000	124,700
Total	\$168,329,000	\$154,122,700

Several of the DNR programs supported by conservation fund revenue are also appropriated funding from non-segregated sources. Appropriations from the general fund in 2000-01, for example, support the parks program (\$5.0 million), fisheries management and habitat protection (\$3.3 million), law enforcement (\$2.3 million) and the endangered resources program (\$0.7 million). Additionally, in 2000-01, \$2.5 million in tribal gaming revenue will be transferred to the fish and wildlife account, and \$750,000 in tribal gaming revenue is appropriated for snowmobile enforcement and safety.

Sales and Use Tax

Wisconsin imposes a 5% general sales and use tax on the gross receipts from the sale and rental of all tangible personal property (unless specifically exempted) and selected services. Currently, all sales and use tax collections are deposited in the general fund and amount to approximately one-third of all general fund tax collections. Sales and use tax revenues were

\$3,284.7 million in 1998-99 and are estimated at \$3,500.0 million in 1999-00 and \$3,710.0 million in 2000-01. The 2000-01 revenue estimate is based on \$74.6 billion in taxable sales.

SUMMARY OF SUBSTITUTE AMENDMENT

SSA 1 to SB 244 would require the Department of Revenue (DOR) to certify to the Department of Administration (DOA) by September 1, 2001, and annually by September 1 thereafter, the amount of gross receipts on which sales taxes are imposed and the amount of sales prices on which use taxes are imposed for the previous fiscal year. The substitute amendment would create a sum-sufficient appropriation under s. 20.855 (miscellaneous appropriations) to allow for an annual transfer on September 1 of one-fifteenth of one percent of the sum of the certified amounts to the conservation fund. The first transfer would be made in fiscal year 2001-02.

In the agency's budget request for the 2001-03 biennium and for each subsequent biennium, DNR would be required to submit a proposal for the appropriation of the sales and use tax revenue that is transferred to the conservation fund. At least 75 percent of the transferred funds would have to be appropriated for the fish and wildlife, forestry and parks programs. (These three accounts currently represent over 80 percent of conservation fund revenues and expenditures.)

The substitute amendment would create a Council on the Conservation Fund that would be required to assist the Department in the preparation of its budget request. The members of the Council would be appointed by the DNR Secretary and would be required to include at least one representative from each of the following: the Conservation Congress, a fishing organization, a hunting organization, a land and water conservation organization, an organization that promotes public interest in state parks and forests, a snowmobile organization and an environmental organization. Also, the Council would be required to include at least one person who provides outdoor skills training or education.

FISCAL EFFECT

SSA 1 to SB 244 would have no fiscal effect in the 1999-01 biennium, given that the first transfer of sales and use tax revenue from the general fund to the conservation fund would be made in fiscal year 2001-02. Based on estimated 2000-01 sales and use tax data, approximately \$49.7 million would be transferred from the general fund to the conservation fund in 2001-02. This amount represents 1.3 percent of total estimated sales tax revenue for that fiscal year.

Under current law, the conservation fund is expected to have revenues of approximately \$171 million with authorized expenditures of approximately \$175 million in fiscal year 2000-01. The June 30, 2001, available fund balance is estimated at \$27 million. (Roughly three-fourths of this June 30, 2001, balance may be attributable to two accounts. A potential one-time increase in fish and wildlife account revenue from ALIS implementation results in an estimated \$13.6 million

balance in that account. A one-time increase in revenue to the boat registration account in the 1999-01 biennium due to converting the registration cycle from two to three years results in an estimated \$6.2 million balance, with an anticipated decline in revenues in 2001-02.) Based on these estimates, SSA 1 to SB 244 would increase revenue to the conservation fund by approximately 29 percent. The fiscal note prepared by DNR for SB 244 gives no indication of how this additional revenue would be spent. Rather, DNR notes that the appropriation of sales tax revenue for Wisconsin conservation and recreation programs would be determined in the 2001-03 biennial budget.

Prepared by: Russ Kava and Faith Russell