

AGENCY: General Fund Taxes

LFB PAPER #: 1152

ISSUE: Alternative General Fund Revenue Sources

ALTERNATIVE: ??

SUMMARY:

I assume there is a master plan here with regard to raising/not raising taxes.

BY: Cindy



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Joint Committee on Finance

Paper #1152

Alternative General Fund Revenue Sources (General Fund Taxes)

This paper presents information and fiscal estimates relating to a number of options to provide additional general fund revenue in the 2001-03 biennium. For each provision, a description of current state law is provided, along with the fiscal effect and any points to note in interpreting the data. Each fiscal estimate shows the impact of the proposal as a change to current law. If multiple provisions are adopted, the fiscal estimates may need to be adjusted to account for interaction effects.

The alternatives presented in this paper should not be viewed as comprehensive. There are many other options that could be considered by the Legislature in its deliberations on Special Session Assembly Bill 1.

Capital Gains Exclusion

Under Wisconsin law, a 60% capital gains exclusion is provided for long-term capital gains from the sale of assets held at least one year. Short-term capital gains are taxed as ordinary income. In addition to the 60% exclusion on long-term capital gains, gains realized on the sale of a business to a family member and the sale of qualifying small business stock are completely excluded from taxation. The amount of net capital losses that may be used to offset ordinary income is limited to \$500 annually, with the remainder carried over to offset income in future years.

Capital gains or losses result from the sale of property designated as capital assets, including: (a) investment property such as stock, bonds or real estate; and (b) property held for personal use such as a home, household furnishings or jewelry. The sale or exchange of business or farm assets may also be treated as capital gains or losses.

If the value received for an asset exceeds its basis, then a gain occurs. Similarly, if the basis of the asset is greater than the amount received from the sale, a loss is reported. Gain or loss from the sale of an asset that is not a capital asset is taxed as ordinary income or loss. Long- and short-term losses can be used to offset long- and short-term gains, with the remaining amount defined as a net capital gain or loss.

Under federal law, capital gains on assets held for more than 12 months are taxed at a maximum marginal rate of 20% (10% for taxpayers in the 15% bracket). The amount of net capital losses that may be used to offset ordinary income is limited to \$3,000 annually, with the remainder carried forward to offset income in future years.

Capital gains realizations vary significantly from year to year. The estimates provided below are based on the 1999 Wisconsin tax sample and assumptions about economic conditions over the remainder of the biennium. However, depending on market conditions and individual behavior, the actual effects of the proposals could be higher or lower than the estimates provided.

Alternatives

1. Effective for tax year 2002, eliminate the 60% state exclusion for long-term capital gains. It is estimated that this alternative would increase general fund tax collections by \$212.4 million in 2002-03.

2. Effective for tax year 2002, change the 60% state exclusion for long-term capital gains to a 30% exclusion for long-term capital gains. It is estimated that this alternative would increase general fund tax collections by \$105.1 million in 2002-03.

Individual Income Tax Rates

Under current law, there are four income tax brackets, which are indexed annually to account for changes in inflation. As outlined below, the marginal tax rates range from 4.6% to 6.75%.

Rates and Brackets --Tax Year 2002

<u>Single</u>	<u>Taxable Income Brackets</u>		<u>Marginal Tax Rate</u>
	<u>Married-Joint</u>	<u>Married-Separate</u>	
Less than \$8,280	Less than \$11,040	Less than \$5,520	4.60%
8,280 to 16,560	11,040 to 22,080	5,520 to 11,040	6.15
16,560 to 124,200	22,080 to 165,600	11,040 to 82,800	6.50
124,200 and Over	165,600 and Over	82,800 and Over	6.75

The state's individual income tax generated \$5.96 billion in 1999-00 and \$5.16 billion in 2000-01. Under the budget reform bill, collections are estimated to be \$5.21 billion in 2001-02 and \$5.31 billion in 2002-03. [The decrease in revenue from 1999-00 to 2000-01 is a result of modifications to the individual income tax enacted during the 1999 Legislative session.]

Alternatives

1. Beginning in tax year 2002, increase each of the marginal tax rates by 2.5% to rates of 4.72%; 6.30%; 6.66%; and 6.92%. The estimated fiscal effect would be an increase in general fund tax revenues in 2002-03 of \$198.5 million. This estimate assumes that the withholding tables would be changed some time during the first half of the 2002-03 fiscal year to reflect the new rates. Of this amount, an estimated \$141.8 million would represent the ongoing, annualized effect of increasing the tax rates and an estimated \$56.7 million would be the one-time effect of changing the withholding tables.

2. Beginning in tax year 2002, increase each of the marginal tax rates by 5% to rates of 4.83%; 6.46%; 6.83%; and 7.09%. The estimated fiscal effect would be an increase in general fund tax revenues in 2002-03 of \$397.6 million. This estimate assumes that the withholding tables would be changed some time during the first half of the 2002-03 fiscal year to reflect the new rates. Of this amount, an estimated \$284.0 million would represent the ongoing, annualized effect of increasing the tax rates and an estimated \$113.6 million would be the one-time effect of changing the withholding tables.

3. Beginning in tax year 2002, increase each of the marginal tax rates by 10% to rates of 5.06%; 6.77%; 7.15%; and 7.43%. The estimated fiscal effect would be an increase in general fund tax revenues in 2002-03 of \$796.7 million. This estimate assumes that the withholding tables would be changed some time during the first half of the 2002-03 fiscal year to reflect the new rates. Of this amount, an estimated \$569.1 million would represent the ongoing, annualized effect of increasing the tax rates and an estimated \$227.6 million would be the one-time effect of changing the withholding tables.

Individual Income Surtax

A surtax may be imposed on the individual income tax to increase general fund revenues on a temporary basis. The surtax could be computed as a percentage of either gross tax liability or net tax liability.

Alternatives

(Fiscal Effect in Millions)

1. Provide a temporary, individual income surtax on gross tax liability for tax year 2002 at one of the rates identified below. [A surtax based on gross tax liability is similar to the 10% surtax that was used in 1983.]

<u>Option</u>	<u>2002-03</u>
5%	\$284.0
10%	569.1

2. Provide a temporary, individual income tax surtax on net tax liability for tax year 2002 at a rate of:

<u>Option</u>	<u>2002-03</u>
5%	\$242.3
10%	484.6

Indexing of Individual Income Tax Brackets and Standard Deduction

Under current law, the income tax brackets and the standard deduction are indexed annually for inflation. The tax brackets for 2002 are shown in the table under "Individual Income Tax Rates," above. The standard deduction formulas for 2002 are outlined below.

Standard Deduction --Tax Year 2002

<u>Filing Status</u>	<u>Wisconsin AGI</u>	<u>Standard Deduction</u>
Single	Less than \$11,020	\$7,650
	\$11,020 to \$74,770	\$7,650 - 12%(WAGI-\$11,020)
	Greater than \$74,770	\$0
Married, Joint	Less than \$15,470	\$13,770
	\$15,470 to \$85,093	\$13,770- 19.778%(WAGI-\$15,470)
	Greater than \$85,093	\$0
Married, Separate	Less than \$7,350	\$6,540
	\$7,350 to \$40,417	\$6,540 - 19.778%(WAGI-\$7,350)
	Greater than \$40,417	\$0
Head-of- Household	Less than \$11,020	\$9,880
	\$11,020 to \$32,228	\$9,880 - 22.515%(WAGI-\$11,020)
	Greater than \$32,228	Single Standard Deduction

Alternatives

1. Suspend indexing of the income tax brackets for tax year 2002. Instead, maintain the tax brackets as in 2001, which are outlined below.

Alternative Tax Brackets -- Tax Year 2002

<u>Single</u>	<u>Taxable Income Brackets</u>		<u>Marginal Tax Rate</u>
	<u>Married-Joint</u>	<u>Married-Separate</u>	
Less than \$8,060	Less than \$10,750	Less than \$5,380	4.60%
8,060 to 16,130	10,750 to 21,500	5,380 to 10,750	6.15
16,130 to 116,330	21,500 to 155,100	10,750 to 77,550	6.50
116,330 and Over	155,100 and Over	77,550 and Over	6.75

The estimated fiscal effect would be to increase general fund tax revenues in 2002-03 by \$11.0 million. There would be no effect in subsequent fiscal years, as the suspension of indexing would apply to tax year 2002 only.

2. Suspend indexing of the standard deduction for tax year 2002. Instead, maintain the standard deduction formulas as in 2001, which are outlined below.

Alternative Standard Deduction -- Tax Year 2002

<u>Filing Status</u>	<u>Wisconsin AGI</u>	<u>Standard Deduction</u>
Single	Less than \$10,730	\$7,440
	\$10,730 to \$72,730	\$7,440 - 12%(WAGI-\$10,730)
	Greater than \$72,730	\$0
Married, Joint	Less than \$15,070	\$13,410
	\$15,070 to \$82,872	\$13,410 - 19.778%(WAGI-\$15,070)
	Greater than \$82,872	\$0
Married, Separate	Less than \$7,160	\$6,370
	\$7,160 to \$39,367	\$6,370 - 19.778%(WAGI-\$7,160)
	Greater than \$39,367	\$0
Head-of- Household	Less than \$10,730	\$9,620
	\$10,730 to \$31,460	\$9,620 - 22.515%(WAGI-\$10,730)
	Greater than \$31,460	Single Standard Deduction

The estimated fiscal effect would be to increase general fund tax revenues in 2002-03 by \$26.2 million. There would be no effect in subsequent years, as the suspension of indexing would apply to tax year 2002 only.

3. Suspend indexing of the tax brackets and the standard deduction for tax year 2002. Instead, maintain the brackets and the standard deduction formulas as in 2001, as outlined in the two preceding alternatives. Under this option, it is estimated that general fund tax revenues would increase by \$37.3 million in 2002-03. This estimate is slightly higher than adding the effects of the two individual alternatives as a result of interaction effects.

Corporate Tax Rate

Under Wisconsin law, a flat 7.9% corporate income tax rate is applied to all income subject to the state corporate income tax.

Alternatives
(Fiscal Effect in Millions)

1. Effective for tax year 2002, increase the corporate income tax rate from 7.9% to:

<u>Option</u>	<u>2002-03</u>
8.0%	\$10.2
8.4%	50.8
8.9%	101.6

The estimates include one-time revenues from reconciling the timing of declaration and final tax payments. The one-time amounts are \$3.2 million for the 8.0% rate, \$15.8 million for the 8.4% rate and \$31.5 million for the 8.9% rate.

Corporate Surtax

A surtax may be imposed on the corporate income and franchise tax to increase general fund revenues on a temporary basis. The surtax would be computed as a percentage of net tax liability, prior to the subtraction of tax credits.

Alternatives
(Fiscal Effect in Millions)

1. For tax year 2002, impose a temporary surtax on corporate income and franchise tax net tax liabilities at a rate of:

<u>Option</u>	<u>2002-03</u>
5%	\$29.2
10%	58.3

Combined Reporting

In general, the Wisconsin corporate income and franchise tax is computed using federal provisions to determine income and deductions and then apportioning the net income of a multistate corporation, applying the tax rate and allowing for any credits. Under current Wisconsin law, each separate corporation, including a member of a group of affiliated corporations, is taxed as a separate entity. Each individual corporation reports its own income, its own deductions and its own net tax due.

Alternative

1. Require corporations that are subject to the state corporate income and franchise tax and that are members of an affiliated group engaged in a unitary business to compute state corporate income and franchise tax liability using the combined reporting method of determining income. It is estimated that adopting combine reporting would increase state corporate income and franchise tax revenues by \$70.0 million annually.

Sales Tax

Wisconsin currently imposes a 5% general sales tax on gross receipts from the sale and rental of all personal property not specifically exempted and selected services specifically listed in the statutes.

Alternatives

(Fiscal Effect in Millions)

1. Effective July 1, 2002, increase the current 5.0% sales tax rate to:

<u>Option</u>	<u>2002-03</u>
5.5%	\$383.0
6.0%	766.0

2. Modify the goods and services currently exempt from the tax to include additional taxable items as identified in the attachment to this memorandum. The estimates in the attachment, which were prepared by the Department of Revenue, assume an effective date of July 1, 2002. Additional lead time may be necessary to identify and contact retailers if a significant base expansion were adopted.

Certain expenditures for large, high-cost items are volatile and may be sensitive to changes in interest rates and other economic conditions. Further, to a certain extent, purchases by exempt buyers and noncompliance by certain sellers may lower the projected sales tax estimate. To account for noncompliance, an adjustment has been incorporated to reflect a reduced fiscal estimate for

some items. Finally, the attachment excludes certain exempt goods which are believed to be minimal or are impossible to estimate.

Excise Taxes

Under current law, excise taxes are imposed on cigarettes, tobacco products, liquor, wine and beer. The current law rates, along with a range of alternatives to increase each tax, follow:

Alternatives
(Fiscal Effect in Millions)

	<u>2002-03</u>
<i>Cigarettes -- 77 cents per pack</i>	
Increase 5 cents/pack	\$20.3
Increase 10 cents	40.4
Increase 50 cents	191.1
Increase \$1.00	355.5
 <i>Tobacco Products -- 25% of Manufacturer's List Price</i>	
Increase to 30% of manufacturer's price	3.1
Increase to 35% of manufacturer's price	6.2
 <i>Beer Tax -- \$2.00 per 31 gallon barrel</i>	
Increase rate \$.50 per barrel	2.4
Increase rate \$1.00 per barrel	4.7
Increase rate \$2.00 per barrel	9.4
 <i>Liquor and Wine Tax -- Liquor, 85.86 cents per liter/ wine under 14%, 6.605 cents per liter/wine with 14% to 21%, 11.89 cents per liter/ hard cider, 1.71 cents per liter</i>	
10% rate increase	3.6
20 % rate increase	7.2

The effective date for the excise tax increases is assumed to be July 1, 2002. Whenever there is an increase in an excise tax, additional revenues are realized from a floor tax on inventories. The floor tax is incorporated in the cigarette tax estimates. Data is not available for other excise taxes; however, the fiscal effect would be significantly less than for cigarettes. The estimates for the cigarette tax have also been adjusted to account for refunds of the tax on cigarettes sold by Indian tribes.

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ATTACHMENT

Revenue Gain from Eliminating Sales and Use Tax Exemptions and Imposing the Tax on Exempt Services (In Millions)

2002-03*

Exemptions for Property Sold Primarily to Households

Food	\$580.00
Meals Furnished by Institutions of Higher Education	8.40
Water Sold Through Mains	16.20
Fuel and Electricity for Residential Use	81.00
Long-Term Rental Payments for Residential Real Estate	195.00
Manufactured Homes and Mobile Homes Used as Primary Housing	2.70
Motor Fuels	182.00
Newspapers, Periodicals and Shoppers Guides	12.20
Caskets and Burial Vaults	8.40
Coin-Operated Laundry and Dry Cleaning Services	2.50
Cloth Diapers and Diaper Services	0.04

Exemptions Related to Health Care

Prescription Drugs and Medicines	83.00
Equipment Used in the Treatment and Testing of Diabetes	1.00
Medical Equipment	10.80
Accommodations Provided by Hospitals, Nursing Homes, Nonprofit Associations and Religious Organizations	134.00

Exemptions Related to Farming

Farm Machinery	28.00
Electricity Used in Farming	5.50
Fuel Used in Farming	3.70
Veterinary Services and Medicines for Farm Livestock	4.50
Semen for Livestock Breeding	1.90
Milkhouse Supplies	3.90

Exemptions Related to Nonfarm Businesses

Machinery and Equipment Used in Manufacturing	246.00
Waste Treatment Facilities	29.00
Logging Equipment	0.50
Wood Residue Used as Fuel in a Business Activity	0.10
Long-Term Rental Payments for Real Estate Used for Business Purposes	305.00
Trucks, Tractors, Buses and Other Vehicles Sold to Common or Contract Carriers	27.00
Commercial Vessels and Barges	0.50
Rolling Stock Used in Railroad Operations	8.70
Motion Picture and TV Film	2.50

*Assumes an effective date of July 1, 2002.

2002-03*

Exemptions for Government Agencies and Nonprofit Organizations

Sales to State and Local Governments and Schools	\$195.00
Religious, Charitable, Scientific and Educational Organizations	49.00
Charges for Emergency Telephone Systems	0.55
Hot Lunches and Other Personal Property Sold by Elementary and Secondary Schools	7.20
Certain Items Sold by the Department of Agriculture, Trade and Consumer Protection	0.02
Fees for Admission and Camping at State Parks	0.60
Admissions to Certain Historical Museums	0.05

Definitional and Miscellaneous Exemptions

Labor Input into Construction	310.00
Trade-Ins	78.00

Personal, Recreational and Related Services

Beauty and Barber Services	17.90
Funeral Services	7.60
Bank Account Service Charges	24.00
Dues and Fees Paid to Business Associations and Fraternal Organizations	12.40
Live Bands and Orchestras	0.20
Health and Reducing Clubs	7.00
Admissions to Educational Events and Places	5.60
Veterinary Services for Pets	9.50
Dance Studios	0.10
Auto and Travel Clubs	1.70

Professional Services

Services of Physicians, Dentists and Other Health Professionals	220.00
Legal Services	82.00
Architectural, Engineering and Surveying Services	54.00
Accounting Services	47.00

Business Services

Advertising	83.00
Computer Services	110.00
Management Consulting and Public Relations	43.00
Personnel Services	65.00
Addressing and Mailing	8.60
Credit Rating and Collection Services	6.30
Protective Services	12.30
Research, Development and Testing Services	13.60

Services Related to Real Property

Commissions to Real Estate Brokers	36.00
Repair of Real Property	25.50
Interior Design	2.80
Janitorial Services	20.00
Disinfecting and Exterminating Services	2.40
Sewerage Services	22.80

*Assumes an effective date of July 1, 2002.

Source: Department of Revenue

Revenue

*Burke motion to
restore Auditor position*

(LFB Summary of the Governor's Budget Reform Bill: Page 76)

LFB Summary Item for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	3.5% and 5.0% Budget Reductions (see Paper #1120)

GENERAL FUND TAXES--EXCISE TAXES AND REGULATION
OF ALCOHOL AND TOBACCO

Direct Marketing of Cigarettes and Tobacco Products

Motion:

Move to create new statutory provisions and amend existing statutes to permit and regulate the sale of cigarettes and other tobacco products through direct marketing activities, including over the internet, as outlined below.

Municipal Retail License Requirement

Under current law, no person may sell, expose for sale, possess with intent to sell, exchange, barter, dispose of or give away any cigarettes or tobacco products to any person not holding a license or permit for the sale of cigarettes without first obtaining a license from the clerk of the city, village or town wherein such privilege is sought to be exercised. The motion would provide that direct marketers who have obtained a permit from the Department of Revenue (DOR) could sell cigarettes and tobacco products in Wisconsin without obtaining a municipal retailer's license.

Under current law, any person violating the requirement to obtain a municipal license under this provision is subject to a fine of \$25 to \$100 for a first offense and a fine of \$25 to \$200 for a second or subsequent offense. If upon such second or subsequent violation, the person was personally guilty of a failure to exercise due care to prevent the violation, the person is subject to a fine of \$25 to \$300, imprisonment for up to 60 days or both.

The motion would modify this provision by increasing the penalty for a first offense to a fine of \$500 to \$1,000 and increasing the penalty for a second or subsequent offense to a fine of \$1,000 to \$5,000, imprisonment for up to 180 days or both. The motion would delete the current provision that imposes additional penalties for individuals who are guilty of failing to exercise due care to avoid a second or subsequent violation.

Current law also provides that the municipality must terminate the license of any person who is convicted of being personally guilty of a failure to exercise due care to prevent the violation for a period of five years, during which the person may not act as the servant or agent of a licensed cigarette or tobacco products retailer for the performance of acts authorized by the license. The

motion would make this provision apply only to second or subsequent convictions.

Direct Marketing of Cigarettes

The motion would create new provisions in the cigarette tax statutes (Chapter 139) regarding direct marketing of cigarettes:

“Consumer” would mean any natural person who receives cigarettes for his/her own personal use or consumption and any natural person who has title to or possession of cigarettes for other than sale or resale.

"Direct marketer" would mean any person who solicits or sells cigarettes to consumers in Wisconsin by direct marketing. "Direct marketing" would mean publishing or making accessible an offer for the sale of cigarettes to consumers in this state, or selling cigarettes to consumers in this state, using any means by which the consumer is not physically present at the time of sale on a premise that sells cigarettes, including, but not limited to, using newspapers, magazines, radio or television broadcasts, mailings, the telephone, or the internet.

Under the current cigarette tax statutes, “distributor” means any person who acquires unstamped cigarettes from the manufacturer thereof, affixes tax stamps to the packages or other containers, stores them and sells them for resale or who acquires stamped cigarettes from another permittee for such sales. The motion would modify this definition to also include a person who acquires cigarettes for resale from the first importer of record of the cigarettes. In addition, it provides that the definition would include any person who may acquire stamped cigarettes from another distributor (rather than from another permittee) for resale.

“Person” would mean any individual, sole proprietorship, partnership, LLC, corporation, or association, or any owner of a single-owner entity that is disregarded as a separate entity under state income tax provisions. Under current law, the general definition of "person" in the statutes includes all partnerships, associations and bodies politic or corporate.

Under the motion, no person could sell cigarettes to consumers in this state as a direct marketer or solicit sales of cigarettes to consumers in this state by direct marketing unless the person has obtained a permit from DOR to make such sales or solicitations. The person would have to file an application for a permit with DOR, in the manner prescribed by the Department, and submit the following fee with the application: (a) if the person sells no more than 30,000 cigarettes annually to consumers in this state by direct marketing, \$1,000; (b) if the person sells more than 30,000 but less than 600,001 cigarettes annually, \$5,000; or (c) if the person sells more than 600,000 cigarettes annually, \$10,000. A permit issued under this provision would expire on December 31 of each year.

DOR could not issue a permit to a person unless the person certifies to the Department that the person will acquire unstamped cigarettes from the manufacturer or from the first importer of record, pay the state cigarette tax, affix tax stamps to the cigarette packages or containers, store

such packages or containers, and sell only such packages or containers to consumers in this state by direct marketing; or purchase cigarettes, to the packages or containers of which stamps have been affixed, store such packages or containers, and sell only such packages or containers to consumers in this state by direct marketing.

No person could be issued a direct marketer's permit unless the person certifies to DOR, in the manner prescribed by the Department, that all cigarette sales to consumers in this state will be credit card transactions; that the invoices for all shipments of cigarette sales from the person will bear the person's name, address and permit number; and that the person will provide DOR any information the Department considers necessary to administer this provision.

No direct marketer could purchase tax stamps or sell cigarettes in excess of the number of cigarette sales specified in his or her permit unless the person pays the applicable, higher permit fee. Any person who sells cigarettes in excess of the number of cigarette sales specified in his or her permit would have to pay a penalty to DOR of \$5,000 or an amount that is equal to \$50 for every 200 cigarettes, or fraction of 200 cigarettes, whichever is greater.

No person could sell cigarettes to consumers in this state by direct marketing unless the cigarette tax is paid on such cigarettes and tax stamps are affixed to the cigarette packages or containers. No person could sell cigarettes to consumers in this state by direct marketing unless the sales or use tax is paid on the sale of such cigarettes.

No person could sell cigarettes to consumers in this state by direct marketing unless the person first obtains a notarized copy of the purchaser's driver's license or official Wisconsin identification card, verifying that the purchaser is at least 18 years of age. The direct marketer would be required to keep all certified copies of the driver's license or identification card on file and available for inspection by authorized employees of DOR for four years from the date of the last sale to an individual. In addition, the government-issued form of identification would be required to be checked against a government-issued database for verification of authenticity and accuracy.

Any person who, without having a valid permit, sells or solicits sales of cigarettes to consumers in this state by direct marketing would have to pay a penalty to DOR of \$5,000 or an amount that is equal to \$50 for every 200 cigarettes, or fraction of 200 cigarettes, sold to consumers in this state by direct marketing, whichever is greater.

No sale of cigarettes to a consumer in this state by direct marketing could exceed 10 cartons for each invoice or 20 cartons in a 30-day period for each purchaser or address. Any person who sells or purchases cigarettes that exceed these maximum amounts would have to pay a penalty to DOR of \$5,000 or an amount that is equal to \$50 for every 200 cigarettes, or fraction of 200 cigarettes, sold above the maximum amounts, whichever is greater. In addition, any person who purchases cigarettes that exceed the maximum amounts would have to apply for a cigarette distributor's permit.

No cigarettes could be shipped or delivered to a person who is under 18 years of age. Every

package used to ship cigarettes that are sold under these provisions and are to be delivered to a person in this state would have to be clearly labeled to indicate both that the package contains cigarettes and that the package may not be delivered to a person who is under 18 years of age.

The current 1.6% distributor's discount and other cigarette tax payment provisions would apply to direct marketers.

Direct Marketing of Tobacco Products

The motion would create new provisions in Chapter 139 regarding direct marketing of tobacco products:

Currently, "consumer" means any person who has title to or possession of tobacco products in storage for use or other consumption in this state. The motion would alter this definition to mean any natural person who receives tobacco products for his or her own personal use or consumption or any natural person who has title to or possession of tobacco products for other than sale or resale.

"Direct marketer," "direct marketing" and "person" would be defined as under the cigarette tax provisions.

Under the current tobacco products tax statutes, the definition of "distributor" means, among other things, any person engaged in the business of selling tobacco products in this state who brings, or causes to be brought, into this state from outside the state any tobacco products for sale. The motion would change this definition to specify that "distributor" would mean, among other things, any person in this state engaged in the business of selling tobacco products who brings, or causes to be brought, into this state from outside the state any tobacco products for sale.

The current definition of "distributor" also includes any person engaged in the business of selling tobacco products outside this state who ships or transports tobacco products to retailers in this state to be sold by those retailers. The motion would modify this definition to read any person outside this state engaged in the business of selling tobacco products who ships or transports tobacco products to retailers in this state to be sold by those retailers.

Under the motion, no person could sell tobacco products by direct marketing to consumers in this state as a direct marketer or solicit sales of tobacco products to consumers in this state by direct marketing unless the person has obtained a permit from DOR to make such sales or solicitations. The person would have to file an application for a permit with DOR, in the manner prescribed by the Department, and submit a \$500 fee with the application.

No person could be issued a direct marketing permit unless the person holds a valid tobacco products distributor's permit. The provisions requiring denial of a cigarette distributor's permit to persons who have been convicted of certain crimes would also apply to tobacco products direct marketing permits. A permit issued under this provision would expire on December 31 of each year.

No person could be issued a permit under these provisions unless the person certifies to DOR, in the manner prescribed by the Department, that all tobacco product sales to consumers in this state will be credit card transactions; that the invoice for all shipments of tobacco product sales from the person will bear the person's name and address and the number of the direct marketing permit; and that the person will provide DOR any information the Department considers necessary to administer these provisions.

No person could sell tobacco products over the internet to consumers in this state unless the tobacco products tax and sales and use tax have been paid with regard to such products.

No person could sell tobacco products to consumers in this state by direct marketing unless the person first obtains a notarized copy of the purchaser's driver's license or official Wisconsin identification card, verifying that the purchaser is at least 18 years of age. The direct marketer would be required to keep all certified copies of the driver's license or identification card on file and available for inspection by authorized employees of the department for four years from the date of the last sale to an individual. In addition, the government-issued form of identification would be required to be checked against a government-issued database for verification of authenticity and accuracy.

Any person who, without having a valid direct marketing permit, sells or solicits sales of tobacco products to consumers in this state by direct marketing would have to pay a penalty to DOR of \$5,000 or an amount that is equal to 50% of the tax due on the tobacco products the person sold, without having a valid permit, to consumers in this state by direct marketing, whichever is greater.

No tobacco products could be shipped or delivered to a person who is under 18 years of age. Every package used to ship tobacco products that are sold under these provisions and are to be delivered to a person in this state would have to be clearly labeled to indicate both that the package contains tobacco products and that the package may not be delivered to a person who is under 18 years of age.

Provisions Regarding Salespersons

Current law provides that no person may sell or take orders for cigarettes or tobacco products for resale in Wisconsin for a manufacturer or permittee without first obtaining a salesperson's permit from DOR. Further, under current law no manufacturer or permittee can authorize a person to so sell or take orders for cigarettes or tobacco products without that person having secured a salesperson's permit. The motion would modify these requirements to provide that: (a) in addition to a salesperson's permit, the person would be required to obtain a business tax registration certificate from DOR; (b) the certification requirements would apply to sales activities rather than resales; and (c) soliciting sales of cigarettes or tobacco products would be covered in addition to actual sales.

Required Payment of Tobacco Products Tax

The motion would create a provision specifying that no person may possess taxable tobacco products in this state unless the tobacco products tax is paid. In addition, the motion would specify that no person other than a distributor with a valid permit from DOR could import into Wisconsin taxable tobacco products for which the tobacco products tax has not been paid.

Modifications to Chapter 134 (Miscellaneous Trade Regulations)

Under current law, Chapter 134 prohibits the sale of cigarettes and tobacco products to minors by retailers, manufacturers, distributors, jobbers and subjobbers. The motion would also apply these provisions to direct marketers of cigarettes and tobacco products.

In addition, the motion would provide that proof of all of the following facts by a direct marketer who sells cigarettes or tobacco products to a person under the age of 18 would be a defense to any prosecution for a violation of the prohibition against selling or giving cigarettes or tobacco products to a person under age 18: (a) that the direct marketer used a mechanism, approved by DOR, for verifying the age of the purchaser; (b) that the purchaser falsely represented that he or she had attained the age of 18 and presented a copy or facsimile of a government-issued identification; (c) that the name and birthdate of the purchaser, as indicated by the purchaser, matched the name and birthdate on the identification presented to the direct marketer; and (d) that the sale was made in good faith, in reasonable reliance on the mechanism approved by DOR and the representation and identification presented by the purchaser, and in the belief that the purchaser had attained the age of 18.

Cigarette Tax Meter Machines

Under current law, in lieu of tax stamps, the Secretary of DOR may allow impressions applied by the use of meter machines to signify that the cigarette tax has been paid. The motion would repeal this provision.

Penalties for Illegal Possession of Cigarettes

Under current law, it is unlawful for any person to possess in excess of 400 cigarettes unless the required state tax stamps are properly affixed. This provision does not apply to cigarette manufacturers, distributors or warehouse operators possessing valid permits issued by DOR. The motion would delete the 400-cigarette threshold in this provision so that possession of any number of unstamped cigarettes would be illegal. The motion would specify that this provision would not apply to direct marketers.

The motion provides that the following penalties could be imposed for possession of unlawful cigarettes. If the violator is a consumer, as defined in the motion: (a) payment of any use tax due but not paid; (b) payment of interest of 1.5% per month (or fraction thereof) on the delinquent tax for the period starting on the date the tax became due until the tax was paid; (c) a

penalty of \$25 for each 200 cigarettes [\$25 per carton]. For all other persons, the violations would be subject to the following penalties: (a) for possession of 6,000 or fewer cigarettes [30 or fewer cartons], a fine of not more than \$200, or imprisonment for not more than 6 months, or both; (b) for more than 6,000 but 36,000 or fewer cigarettes, a fine of not more than \$1,000, or imprisonment for not more than one year in the county jail, or both; (c) for more than 36,000 cigarettes, a fine of not more than \$10,000, or imprisonment for not more than 3 years, or both.

Under current law, in general, no person other than a licensed distributor may import into this state more than 400 cigarettes on which the state cigarette tax has not been paid and the container of which does not bear proper tax stamps. The motion would delete the 400-cigarette threshold in this provision so that importing any number of untaxed cigarettes would be illegal. In addition, the motion would specify that this provision would not apply to direct marketers.

Permit Requirement for Cigarette Manufacturers and Distributors

Under current law, no person may manufacture cigarettes in this state or sell cigarettes in this state as a distributor, jobber, vending machine operator or multiple retailer and no person may operate a warehouse in this state for the storage of cigarettes for another person without first filing an application for and obtaining the proper permit to perform such operations from DOR. This provision applies to all officers, directors, agents and stockholders holding 5% or more of the stock of any corporation applying for a permit. The motion would apply the permit requirement to direct marketers. In addition, the provision regarding corporate officers, directors, agents and stockholders would be repealed.

Under current law, subject to nondiscrimination provisions, no permit may be granted to any person to whom any of the following applies: (a) the person has been convicted of a misdemeanor not involving Chapters 340 to 349 (relating to motor vehicles) at least three times; (b) the person has been convicted of a felony, unless pardoned; (c) the person is addicted to the use of a controlled substance or controlled substance analog; (d) the person has income which comes principally from gambling or has been convicted of two or more gambling offenses; (e) the person has been guilty of crimes relating to prostitution; (f) the person has been guilty of crimes relating to loaning money or anything of value to persons holding licenses or permits pursuant to the provisions regarding the regulation of alcohol beverages; or (g) the person does not hold a sales tax seller's permit, if the person is a retailer.

The motion would repeal items (a) through (f) and, instead, provide that no permit could be granted to any person who: (a) has an arrest record or a conviction record (subject to nondiscrimination provisions); (b) has been convicted of a felony, or as a repeat or habitual offender, unless pardoned (also subject to nondiscrimination provisions) or (c) has not submitted proof that the person holds a sales tax seller's permit or that DOR will issue a seller's permit to the person. The motion would also specify that these provisions apply to all partners of a partnership, all members of an LLC, all shareholders of a tax-option corporation, and all officers of a corporation. In addition, the motion would provide that, subject to nondiscrimination provisions, if a business entity has been convicted of a crime, the entity could not be issued a permit unless the

entity has terminated its relationship with the individuals whose actions directly contributed to the conviction.

Required Records for Cigarette Distributors and Direct Marketers

Under current law, cigarette distributors must keep records of purchases and sales of cigarettes and of purchases and disposition of cigarette tax stamps. In general, cigarette permittees must render a true and correct invoice of every sale of cigarettes at wholesale and, on or before the 15th day of each calendar month, file a verified report of all cigarettes purchased, sold, received, warehoused or withdrawn during the preceding calendar month. However, certain permittees file the reports monthly rather than quarterly.

The motion would require cigarette direct marketers to keep the same records that are currently required of distributors and report on a quarterly basis. In addition, the motion would specify that records of purchases and sales of cigarettes that are kept by direct marketers would have to indicate, for each shipment of cigarettes into this state in the month preceding the report, the invoice date and number; the quantity of cigarettes shipped; the brand name of the cigarettes shipped; the manufacturer of the cigarettes shipped and the manufacturer's origin; the purchaser's name, address, and birth date; the name of the person to whom the cigarettes were shipped; the address to which the cigarettes were shipped; and any other information DOR requires.

For all permittees, the motion would require that the monthly or quarterly report would have to cover all sales of cigarettes, not just sales at wholesale.

Penalties for Failure to Keep Required Records or to Allow Inspection

Under current law, any cigarette permittee who fails to keep the records required under the cigarette or tobacco products tax statutes may be fined not less than \$100 nor more than \$500 or imprisoned not more than six months or both. The motion would, instead, specify that the penalty for a first offense would be a fine of \$500 to \$1,000. For a second or subsequent offense, the penalty would be a fine of \$1,000 to \$5,000, imprisonment for up to 180 days or both.

Currently, any person who refuses to permit any examination or inspection of its premises or records authorized under the cigarette or tobacco products tax statutes may be fined not more than \$500 or imprisoned not more than 90 days or both. The motion would increase this penalty to a fine of \$500 to \$1,000, imprisonment for up to 180 days or both.

Other Penalties

The motion would create a new provision specifying that any person who manufactures or sells cigarettes in this state without holding the proper permit issued under the cigarette tax statutes could be fined not less than \$1,000 nor more than \$10,000 or imprisoned not less than six months nor more than two years or both.

Under current law, in addition to the penalties imposed for violation of the cigarette or tobacco products tax statutes or any of the rules of DOR, the permit of any person convicted must be automatically revoked and he or she may not be granted another permit for a period of two years following the revocation. Under the motion, revocation of the permit would only occur after a second conviction and would be for a period of five years, during which the person could not act as the employee or agent of a cigarette permittee to perform acts authorized by any permit issued under the cigarette tax provisions.

Assistance by Attorney General in Prosecutions

Under current law, upon request by the Secretary of DOR, the Attorney General may represent this state or assist a district attorney in prosecuting any case arising under the cigarette tax statutes. The motion would extend this authority to violations of Chapter 134 (Miscellaneous Trade Regulations) that involve the sale of cigarettes and tobacco products.

- remove in caucus

Administrative Appropriations

The motion would create two annual PR appropriations in DOR, one for enforcing and administering the new provisions regarding cigarette direct marketing permits and one for enforcing and administering the new provisions regarding tobacco products direct marketing permits. The appropriations would be funded with monies received from permits issued and penalties assessed on cigarette and tobacco products direct marketers. The motion would provide expenditure authority of \$126,600 PR in 2002-03 for DOR's administrative costs. In addition, 1.5 PR FTE positions would be created in that year.

Under current law, all cigarettes acquired, owned, imported, possessed, kept, stored, made, sold, distributed or transported in violation of the cigarette tax statutes are subject to seizure by DOR or any peace officer. If cigarettes which do not bear the proper tax stamps or on which the tax has not been paid are seized, they may be given to law enforcement officers to use in criminal investigations or sold to qualified buyers by DOR. If the cigarettes are sold, after deducting the costs of the sale and the keeping of the property, the proceeds of the sale are paid into the state treasury. The motion would specify that proceeds from the sale of cigarettes seized from direct marketers who violate the cigarette tax statutes would be deposited in the new DOR appropriation for administration of cigarette direct marketing permits.

Note:

DOR estimates that adoption of the provisions incorporated in the motion would result in additional revenues from permit fees paid by direct marketers of cigarettes and tobacco products of approximately \$160,000 in state fiscal year 2001-02 for 103 anticipated permits and \$175,000 in state fiscal year 2002-03 for 110 anticipated permits. These revenues would be credited to the two

appropriations created in DOR for enforcing the cigarette and tobacco products direct marketing provisions. DOR does not believe that any additional revenues from the cigarette excise tax or from the tobacco products tax would result from adoption of this proposal. The motion would provide DWD with administrative costs of \$126,600 in 2002-03. Of this amount, \$16,000 is a one-time cost, while \$110,600 represents the ongoing annual cost. In addition, 1.5 PR positions would be created.

[Change to Bill: \$335,000 PR-REV, \$126,600 PR and 1.5 PR positions]

MO# 340

BURKE	(Y)	N	A
DECKER	(Y)	N	A
MOORE	Y	(N)	A
SHIBILSKI	(Y)	N	A
PLACHE	Y	(N)	A
(2) WIRCH	(Y)	N	A
DARLING	Y	(N)	A
ROSENZWEIG	Y	(N)	A
GARD	(Y)	N	A
KAUFERT	Y	(N)	A
ALBERS	(Y)	N	A
(1) DUFF	(Y)	N	A
WARD	Y	(N)	A
HUEBSCH	Y	(N)	A
HUBER	Y	(N)	A
COGGS	(Y)	N	A

AYE 8 NO 8 ABS _____

Secretary of State

There are no provisions in Special Session Assembly Bill 1 regarding this agency.

Adolescent Pregnancy Prevention and Pregnancy Services Board

(LFB Summary of the Governor's Budget Reform Bill: Page 13)

LFB Summary Item for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	3.5% and 5.0% Budget Reductions (see Paper #1120)

Underage Tobacco Enforcement

LFB Summary Item for Which an Issue Paper Has Been Prepared

Item #

Title

-

Underage Tobacco Enforcement (Paper #1171)



Legislative Fiscal Bureau

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March 4, 2002

Joint Committee on Finance

Paper #1171

Underage Tobacco Enforcement

CURRENT LAW

The Synar Amendment. In 1992, Congress enacted legislation to encourage states to reduce the sale and distribution of tobacco products to minors. This legislation, commonly referred to as the Synar Amendment, requires states to: (a) have and enforce laws that prohibit tobacco sales to minors; (b) conduct random inspections of tobacco retail or distribution outlets to estimate the level of compliance; and (c) report the outcome of inspection and enforcement activities to the U.S. Department of Health and Human Services (DHHS). The Substance Abuse and Mental Health Services Administration (SAMHSA) in DHHS is responsible for promulgating regulations and overseeing states' compliance with the Synar requirements.

The Synar Amendment requires states to demonstrate that minors are able to purchase tobacco products 20% or less of the time such attempts are made, beginning in federal fiscal year (FFY) 2002-03. States are required to meet negotiated rates of compliance in the years before FFY 2002-03. States are also required to report the outcome of enforcement activities. If a state is found not to be in compliance with the requirements for any federal fiscal year, the state may lose up to 40% of its federal Substance Abuse Prevention and Treatment (SAPT) block grant allocation.

Substance Abuse Prevention and Treatment (SAPT) Block Grant. The federal SAPT block grant provides funding to develop and implement prevention, treatment and rehabilitation activities directed to substance abuse. In Wisconsin, the Department of Health and Family Services (DHFS) is the administering agency for the SAPT block grant.

In 2001 Wisconsin Act 16 (the 2001-03 biennial budget act), it was estimated that in 2001-02, \$24,837,900 FED would be available under the SAPT block grant. Most of the block grant (\$9,735,700) was budgeted for distribution to counties through community aids and \$1,583,000 was budgeted for substance abuse services in the Bureau of Milwaukee Child Welfare. In addition, \$10,629,200 was budgeted for distribution to counties, tribes and other organizations for

community-based substance abuse programs and \$1,649,200 for the Department of Corrections to provide substance abuse services to persons in the criminal justice system. The remaining amount was budgeted to support state operations (\$1,240,800).

In 2001-02, \$74,000 FED from the SAPT block grant was budgeted to fund costs associated with the Synar Amendment. DHFS uses this funding to complete the annual compliance check survey, which determines the state's inspection failure rate, and for training, which has included sending information packets to every merchant across the state that is licensed to sell tobacco products. These information packets contain health and educational materials, tips for training employees, signs for merchants to display and other materials that are intended to assist merchants in enforcing state and federal regulations regarding the sale of tobacco to minors. In 2000-01, most of the training activities focused on the state law regarding the use of minors in undercover investigations.

GOVERNOR

No provision.

DISCUSSION POINTS

Compliance with Federal Regulations

1. Wisconsin's 2001 Synar tobacco sales compliance survey randomly selected 850 licensed retailers statewide. A total of 555 cases were recorded and 187 successful cigarette purchases by minors were made. This resulted in an inspection failure rate (IFR) of 33.7%. Because Wisconsin's target IFR for 2001 was 22%, the IFR was 11.7 percentage points above the target and Wisconsin was out of compliance with the regulations under the Synar Amendment. The 2001 IFR is 9.1 percentage points higher than Wisconsin's IFR for 2000 of 24.6%.

2. The table on the following page shows Wisconsin's target IFR from 1997 to 2002 and its actual IFR from 1996 to 2001. Federal regulations require states to conduct random, unannounced inspections during the fiscal year and use a 95% confidence interval when determining compliance. This interval is about three percentage points above and below the target IFR. Therefore, Wisconsin is in compliance if the actual IFR is within three percentage points of the target IFR. This explains how Wisconsin was in compliance for 2000.

Wisconsin's Annual Inspection Failure Rates

<u>Year</u>	<u>Target Inspection Failure Rate</u>	<u>Actual Inspection Failure Rate</u>	<u>In Compliance?</u>
1996	--	47.7%	N/A
1997	35%	22.6	Yes
1998	30	27.8	Yes
1999	25	22.0	Yes
2000	23	24.6	Yes
2001	22	33.7	No
2002	20	--	--

Since Wisconsin was out of compliance in 2001, the state will be assessed a penalty equal to 40% of the state's FFY 2001-02 SAPT block grant allocation. Since the enactment of Act 16, DHFS staff have reestimated the amount of SAPT the state expects to receive in FFY 2001-02 to \$25,737,900; a 40% penalty on this award level is \$10,295,200. Attachment 1 identifies the estimated reductions in county and statewide programs that would result from a 40% across-the-board reduction to the SAPT block grant, based on actual calendar year 2002 allocations.

3. The DHHS federal appropriations bill for FFY 2001-02 includes a provision that allows a state that is out of compliance with the Synar Amendment requirements to commit additional state funds to underage tobacco enforcement activities to avoid the 40% penalty on the state's SAPT allocation. The amount of additional state funding must equal 1% of the state's SAPT allocation for each percentage point by which the state misses the retailer compliance rate goal. In addition, the state is required to maintain its expenditures in the current fiscal year for tobacco prevention programs and for compliance activities at least at the previous year's level. The additional funds the state commits are considered one-time funds that will not be incorporated into the future calculation of state expenditures on tobacco prevention programs and compliance activities.

4. DHFS intends to negotiate with DHHS to reduce the amount of the SAPT penalty and hopes to avoid the SAPT penalty entirely by demonstrating that the state will commit additional funding for enforcement activities, as allowed under the DHHS federal appropriations bill. However, DHFS would be required to show that the state will commit an additional \$3,011,300 in state funding for underage tobacco enforcement activities. This amount equals 11.7% of the state's estimated FFY 2001-02 SAPT allocation.

5. "Enforcement activities" are defined as anything to change retailer behavior. Thus, it can include training, public awareness campaigns and law enforcement activities. As part of the negotiations with DHHS, a specific plan of action would be agreed upon by both DHHS and DHFS. The state is then responsible for carrying out the plan.

6. Federal law requires the Governor to certify that the state will commit additional state funds for enforcement activities by May 1, 2002, in order to avoid the SAPT penalty. Federal law also requires that the state's administering agency have access to the funds by June 30, 2002, although the funds do not need to be fully contracted by that date.

Funding Options

7. If the Committee determines that the state should try to avoid the loss of approximately \$10.3 million in federal SAPT block grant funds in FFY 2001-02 by committing additional state funds to support underage tobacco enforcement activities, it could address the issue as part of the budget reform bill and provide \$3,011,300 GPR in one-time funds in 2001-02 for this purpose.

8. However, in light of current demands on general fund revenues, the Committee could consider reallocating a portion of funding currently budgeted in the Tobacco Control Board for tobacco control and prevention activities to instead fund underage tobacco enforcement activities. In state fiscal year 2002-03, \$15.3 million SEG is budgeted for Tobacco Control Board grants and program administration. Of the \$15.0 million SEG budgeted for grants in 2002-03, \$3.5 million is legislatively earmarked (\$1 million for UW- Madison Tobacco Research and Intervention Center, \$2 million for the Thomas T. Melvin youth tobacco prevention and education program and \$500,000 for the Medical College of Wisconsin), and \$6.25 million is committed for calendar year 2002 contracts (shown in Attachment 2 to this paper) for tobacco prevention and control activities. As a result, the Board has total uncommitted funds of \$5.25 million for 2002-03.

9. Federal law requires the state to maintain expenditures for prevention and enforcement activities in FFY 2001-02 at the FFY 2000-01 level. Based on a review of the Board's expenditures, it appears that the amount budgeted for the Board's prevention and enforcement activities in FFY 2001-02 is greater than the actual expenditures in FFY 2000-01. Therefore, the Committee could reallocate \$3,011,300 SEG of the \$5.25 million of uncommitted funds available to the Board in 2002-03 on a one-time basis to increase underage enforcement activities. Any funds reallocated from the Board would reduce the amount available to continue funding its current programs, beginning in calendar year 2003.

10. Another option is to reallocate funding currently budgeted for another DHFS program. DHFS staff have considered reallocating funding currently budgeted for counties to support services to persons convicted of operating while intoxicated (OWI) offenses to instead fund underage tobacco enforcement activities.

11. Persons convicted of OWI offenses are assessed a \$355 driver improvement surcharge. Counties forward 38.5% of these revenues to the state, which is deposited in a DHFS clearinghouse appropriation and transferred to various agencies for programs related to alcohol abuse and law enforcement. The county in which the offense occurred retains the remainder of the revenue from the surcharge.

12. An estimated \$3.6 million in revenues will be available to the state in 2001-02 from the driver improvement surcharge. This funding is distributed to five state agencies: the Departments of Justice, Public Instruction, Health and Family Services, Transportation and the University of Wisconsin. In the 2001-03 biennium, DHFS is budgeted \$1,000,000 PR annually from this source.

13. Currently, DHFS is required to allocate its OWI funding to county human services departments and Chapter 51 boards under the intoxicated driver program for treatment of persons convicted of OWI offenses according to a plan developed by DHHS. DHFS has allocated the money to counties to fund costs resulting from a deficit in the county's intoxicated driver program (IDP) if the county meets the following criteria: (a) collections of surcharge fines and third-party revenue are insufficient to cover the actual or projected cost of services; (b) the county demonstrates a good faith effort to collect surcharges; (c) projected or actual expenditures exceed projected or actual revenues; and (d) the county demonstrates IDP client outcomes. Counties apply for the supplemental funding annually and DHFS allocates the funding based on the amount budgeted and counties' demonstrated need for the supplemental funds. The funding is allocated on a calendar year basis.

14. DHFS has notified counties that the supplemental funding budgeted in 2001-02 for IDP to fund calendar year 2001 costs will not be distributed at this time. DHFS does not want to distribute this funding for IDP so that it would be available if the Legislature wishes to reallocate it to increase support for underage tobacco enforcement activities.

15. DHFS proposed statutory changes that would reallocate IDP funds as a means of avoiding the SAPT penalty to the Governor for inclusion in the budget reform bill. However, the Governor chose not to include the Department's proposal in the bill.

16. The state is projected to need \$3,011,300 in additional funding to avoid the 40% penalty on the FFY 2001-02 SAPT block grant. The maximum amount of funding available from IDP over the 2001-03 biennium is \$2,000,000. Therefore, even if the Committee chose to reallocate IDP funds for underage tobacco enforcement activities, an additional \$1,011,300 would need to be provided for this purpose. Further, Wisconsin will most likely be out of compliance with the Synar Amendment for the next year or two. If the option exists in future years to negotiate a reduced penalty with DHHS, and the state exercises that option, additional state funds would be needed each year. Using IDP funds budgeted in the 2001-03 biennium to avoid the 40% penalty on the SAPT block grant could be viewed as a one-time fix to a problem that will require additional state funds in the next biennium. If the Committee chooses this option, the IDP funds budgeted in 2002-03 would not be available for either IDP or to increase underage enforcement activities to avoid a future penalty on the state's SAPT block grant.

17. DHFS is required to allocate the funding for IDP within state fiscal year 2001-02, which ends June 30, 2002. If no statutory changes are enacted, DHFS will be required to allocate the funding to counties under IDP by the end of the fiscal year. If DHFS distributes the funds for IDP, 24 counties would receive funding, as identified in Attachment 3.

18. Alternatively, the Committee could decide to use a combination of funding sources - additional GPR, funding currently budgeted in the Tobacco Control Board and OWI revenue appropriated for IDP, to increase underage tobacco enforcement activities.

19. If the Committee decides to increase state funding for enforcement activities, it would also need to decide which agency would receive and administer the funding. Three options are presented for the Committee's consideration -- DHFS, the Tobacco Control Board and placing the funds in the Committee's supplemental appropriation.

20. The Wisconsin Tobacco Control Board distributes grants for a number of programs and activities, including enforcement of local laws aimed at restricting underage access to tobacco. However, until last year, the Board was not promoting enforcement through compliance checks as a priority for a couple of reasons. First, the Board provides resources to local coalitions, through a contract with the DHFS Division of Public Health (DPH). One of the allowable uses of the funding is to conduct compliance checks. However, due to the ambiguity of the state law and concern about the legal implications, local coalitions did not use their funding for compliance purposes. Second, the Board's Executive Director indicated that research shows that compliance checks are not the most effective or expedient method to decrease youth consumption of tobacco products. Therefore, the Board had not identified compliance checks as a priority and instead focused on other methods to decrease youth consumption.

21. Last year, DHFS and the Department of Justice (DOJ) determined that coalitions that received Tobacco Control Board grants through DPH could conduct compliance checks, since they were under contract with DHFS. In addition, due to the results of the state's compliance survey last summer and the financial impacts on the state, the Board decided to promote compliance checks. Thus, in June, 2001, local staff received appropriate training in conducting compliance checks and these local coalitions have begun conducting compliance checks in their community.

22. If the Committee wished to provide additional funding to reduce the state's federal penalty, it could provide this funding to the Tobacco Control Board because: (a) the Board has the infrastructure in place to distribute the funding to local communities; (b) these coalitions have already received the necessary training to perform compliance checks; (c) the Board's contracts with local agencies are performance-based contracts, so the Board would be able to track results from the funding; and (d) the Board has existing relationships with local coalitions who are already involved in reducing tobacco consumption.

23. However, the Committee could choose to provide this additional funding to DHFS. The Department is the designated state agency for the SAPT block grant and is responsible for the administration of the compliance survey and other federal regulations associated with the block grant. Therefore, by providing DHFS with the additional funds, it might better ensure that these funds are administered in accordance with federal regulations and the results of negotiations with DHFS and DHHS staff.

24. Alternatively, the funds could be placed in the Committee's supplemental appropriation, to be released upon the approval of a joint request from DHFS and the Board under a 14-day passive review process. The request would specify how the funding would be distributed, the enforcement activities that the funding would support and how the distribution of funding complies with the plan negotiated and agreed upon with DHHS. However, placing the funding in the Committee's appropriation may delay implementation of additional enforcement activities. The enforcement activities should begin as soon as possible so that the state can more quickly comply with the Synar Amendment.

25. Because it is possible, though unlikely, that the state will be able to negotiate a lower level of additional state funding to avoid the SAPT penalty, the Committee could require that the administrating agency of these funds be allowed to spend an amount equal to, but not greater than, the agreed upon level of funding in the negotiated plan of action with DHHS and this amount could not exceed \$3,011,300. In addition, since the funding is one-time funding, appropriate adjustments would need to be made to the appropriation structure in either agency (DHFS or the Board).

26. The option to provide additional state funds to avoid a reduction in federal SAPT funds may not be available to states next year. The National Association of State Alcohol and Drug Abuse Directors (NASADAD) indicated that Congress may not include a provision in the 2001-02 appropriation bill for DHHS as part of the federal budget to allow states to provide additional state funding in order to prevent the loss of federal SAPT dollars if the state is not in compliance with the Synar amendment. If this occurs, states that are out of compliance would be subject to the full 40% penalty.

Enforcement

27. Under the Synar Amendment, states are required to show that they are enforcing the state's laws restricting the sale of tobacco products, including cigarettes, to minors. If the state is unable to show such activities in its annual SAPT application, DHHS could determine that the state is not complying with the requirement, regardless of whether or not the state met its target IFR.

28. 1999 Wisconsin Act 9 (the 1999-01 biennial budget act) made numerous changes relating to the authority of local law enforcement agencies to conduct activities to enforce the prohibition of selling tobacco products to minors. Perhaps the most significant change was to authorize DHFS to contract with local health departments, as agents of DHFS, with a state agency, or with law enforcement agencies of the state or of a county, city, village or town, to conduct annual, unannounced investigations at retail outlets, including sites of tobacco vending machines, to survey overall levels of compliance with the prohibition to sell tobacco products to minors. This statute is somewhat ambiguous relating to the authority of local organizations to conduct enforcement activities if those organizations were not under contract with DHFS. Attorneys at DOJ have concluded that local agencies that are not under contract with DHFS do not have the authority to conduct activities to enforce the prohibition to sell tobacco products to minors if those activities include using minors in unannounced, undercover visits to retailers who sell tobacco products (based on s. 254.92 (2) (b) of the statutes).

29. A minor under 18 years of age, but not under 15 years of age, may purchase, attempt to purchase or possess cigarettes or tobacco products in the course of his or her participation in an investigation that is under contract with DHFS (as stated in s. 254.916 of the statutes) that is conducted in accordance with statutory requirements regarding such investigations. The issue is that local agencies, under this provision, do not have the authority to conduct investigations using minors unless the local agency is under contract with DHFS for these investigations. Therefore, local agencies are not independently conducting such investigations and active enforcement of the state and local youth access to tobacco laws have virtually ceased. While local authorities are still allowed to enforce these state and local laws, they are unable to do so proactively, unless they are under contract with DHFS. Instead, the authorities react to reported incidents of a retailer selling tobacco products to minors or through other, indirect methods.

30. To increase enforcement activities in the state and to ensure that DHFS could identify these enforcement activities in the state's annual SAPT block grant, DHFS began administering contracts for enforcement activities in the last year. Using one-time funds, approved by the Department of Administration, the Bureau of Substance Abuse Services in DHFS issued two contracts for enforcement activities in 2001-02. The first contract was with the City of Appleton Police Department for \$4,500 from July 1, 2001 to September 30, 2001. The second contract is for \$3,500 with the City of Madison Health Department and began October 15, 2001, and is scheduled to continue through June 30, 2002. These contracts are used to fund undercover investigations, using minors, and citations are issued if the sale of tobacco products to a minor occurs.

31. In addition, DPH received a \$2.8 million grant from the Wisconsin Tobacco Control Board in calendar year 2002. DPH distributes this funding to local community coalitions to develop effective community-based programs to reduce tobacco use and change attitudes or norms regarding tobacco. Some of the coalitions have incorporated compliance activities into their program. In calendar year 2001, approximately 29 coalitions (which include counties and cities) used minors in compliance checks but did not issue citations if a violation occurred. In addition, a number of coalitions had retailer education as part of their programs, which included vending machine and advertising sign placement.

32. Engrossed Senate Bill 360 (Senate Substitute Amendment 1 to SB 360, as amended by Senate Amendment 1 to SSA 1 to SB 360) has passed the Senate and the Assembly. This bill allows local governments and law enforcement agencies to perform undercover investigations, deletes the requirement that local agencies have to be under contract with DHFS to perform these investigations, and establishes new training requirements for retailers and their employees or contracted agents.

ALTERNATIVES TO BILL

A. Funding

1. Provide \$3,011,300 GPR in 2001-02 on a one-time basis to support enforcement activities relating to restricting underage access to tobacco products. Specify that these funds could be expended or encumbered through June 30, 2003.

<u>Alternative A1</u>	<u>GPR</u>
2001-03 FUNDING	\$3,011,300

2. Reallocate \$3,011,300 SEG that is currently budgeted in the Tobacco Control Board for tobacco use prevention activities in 2002-03 to instead fund underage tobacco enforcement activities in 2001-02, per the agreement with DHHS. Specify that these funds could be expended or encumbered through June 30, 2003.

3. Reallocate \$2,000,000 PR that is currently budgeted in DHFS for grants to counties for their intoxicated driver programs to instead fund underage tobacco enforcement activities in 2001-02. In addition, provide \$1,011,300 GPR in 2001-02 to support these enforcement activities and specify that these funds could be expended or encumbered through June 30, 2003.

<u>Alternative A3</u>	<u>GPR</u>
2001-03 FUNDING	\$1,011,300

4. Reallocate \$1,000,000 PR from the IDP program in 2001-02 and \$1,000,000 SEG from the Tobacco Control Board in 2002-03 to increase funding on a one-time basis for underage tobacco enforcement activities in 2001-02. In addition, provide \$1,011,300 GPR in 2001-02 in one-time funds for this purpose. Specify that these funds could be expended or encumbered through June 30, 2003.

<u>Alternative A4</u>	<u>GPR</u>
2001-03 FUNDING	\$1,011,300

5. Reallocate \$1,505,600 PR from the IDP program (\$1,000,000 in 2001-02 and \$505,600 in 2002-03) and \$1,505,700 SEG in one-time funding from the Tobacco Control Board in 2002-03 to increase funding for underage tobacco enforcement activities in 2001-02. Specify that these funds could be expended or encumbered through June 30, 2003.

6. Take no action.

B. Agency

1. In addition to Alternative A1, A2, A3, A4 or A5, specify that the additional funding be budgeted in and administered by DHFS. Prohibit DHFS from expending more than the level of funding specified in the agreement with DHHS.

2. In addition to Alternative A1, A2, A3, A4 or A5, specify that the additional funding be budgeted in and administered by the Tobacco Control Board. Prohibit the Board from expending more than the level of funding specified in the agreement with DHHS.

3. In addition to Alternative A1, A2, A3, A4 or A5, place the additional funding in the Committee's program supplements appropriation. Require DHFS and the Tobacco Control Board to jointly submit a plan to the Committee under a 14-day passive review process for the release of these funds. Require the plan to specify how the funding will be distributed, what enforcement activities it will support, and how this distribution complies with the plan negotiated and agreed upon with DHHS.

4. Take no action.

Prepared by: Yvonne M. Arsenault

Attachments

MO# A2

2	BURKE	Y	N	A
1	DECKER	Y	N	A
	MOORE	Y	N	A
	SHIBILSKI	Y	N	A
	PLACHE	Y	N	A
	WIRCH	Y	N	A
	DARLING	Y	N	A
	ROSENZWEIG	Y	N	A
	GARD	Y	N	A
	KAUFERT	Y	N	A
	ALBERS	Y	N	A
	DUFF	Y	N	A
	WARD	Y	N	A
	HUEBSCH	Y	N	A
	HUBER	Y	N	A
	COGGS	Y	N	A

AYE 8 NO 8 ABS _____

ATTACHMENT 1

**Calendar Year 2002
Substance Abuse Prevention and Treatment Block Grant
County and Statewide Program Reduction Estimates**

<u>County</u>	<u>2002 SAPT Budget</u>	<u>40% Reduction</u>	<u>Balance</u>
Adams	\$34,248	\$13,699	\$20,549
Ashland	28,276	11,310	16,966
Barron	79,713	31,885	47,828
Bayfield	35,262	14,105	21,157
Brown	465,279	186,112	279,167
Buffalo	23,204	9,282	13,922
Burnett	28,760	11,504	17,256
Calumet	46,328	18,531	27,797
Chippewa	96,341	38,536	57,805
Clark	55,026	22,010	33,016
Columbia	77,128	30,851	46,277
Crawford	32,086	12,834	19,252
Dane	2,618,206	1,047,282	1,570,924
Dodge	111,966	44,786	67,180
Door	46,219	18,488	27,731
Douglas	110,750	44,300	66,450
Dunn	107,714	43,086	64,628
Eau Claire	519,446	207,778	311,668
Florence	8,512	3,405	5,107
Fond du Lac	182,892	73,157	109,735
Forest/Oneida/Vilas	325,754	130,302	195,452
Grant & Iowa	107,759	43,104	64,655
Green	45,365	18,146	27,219
Green Lake	32,340	12,936	19,404
Iron	7,985	3,194	4,791
Jackson	39,385	15,754	23,631
Jefferson	109,299	43,720	65,579
Juneau	42,890	17,156	25,734
Kenosha	715,331	286,132	429,199
Kewaunee	26,797	10,719	16,078
La Crosse	270,793	108,317	162,476
La Fayette	22,055	8,822	13,233
Lincoln/Langlade/Marathon	303,162	121,265	181,897
Manitowoc	140,547	56,219	84,328
Marinette	75,173	30,069	45,104
Marquette	23,939	9,576	14,363
Menominee	41,427	16,571	24,856
Milwaukee	5,823,075	2,329,230	3,493,845
Monroe	71,115	28,446	42,669
Oconto	48,966	19,586	29,380

<u>County</u>	<u>2002 SAPT Budget</u>	<u>40% Reduction</u>	<u>Balance</u>
Outagamie	\$311,259	\$124,504	\$186,755
Ozaukee	85,354	34,142	51,212
Pepin	11,569	4,628	6,941
Pierce	51,163	20,465	30,698
Polk	68,628	27,451	41,177
Portage	240,341	96,136	144,205
Price	19,379	7,752	11,627
Racine	695,171	278,068	417,103
Richland	32,819	13,128	19,691
Rock	835,033	334,013	501,020
Rusk	30,407	12,163	18,244
St. Croix	70,176	28,070	42,106
Sauk	82,089	32,836	49,253
Sawyer	50,066	20,026	30,040
Shawano	73,720	29,488	44,232
Sheboygan	178,215	71,286	106,929
Taylor	31,092	12,437	18,655
Trempealeau	43,091	17,236	25,855
Vernon	44,268	17,707	26,561
Walworth	243,911	97,564	146,347
Washburn	27,842	11,137	16,705
Washington	131,927	52,771	79,156
Waukesha	649,473	259,789	389,684
Waupaca	80,798	32,319	48,479
Waushara	37,207	14,883	22,324
Winnebago	269,227	107,691	161,536
Wood	<u>128,562</u>	<u>51,425</u>	<u>77,137</u>
Subtotal	\$17,503,300	\$7,001,320	\$10,501,980
Statewide Programs			
Tribes	\$467,674	\$187,070	\$280,604
Dept. of Corrections	1,649,200	659,680	989,520
Wisconsin Cert. Board	121,500	48,600	72,900
UW Board of Regents	157,900	63,160	94,740
Brighter Futures Initiative*	1,575,000	630,000	945,000
Administration	148,267	59,307	88,960
Operations	986,233	394,493	591,740
DOH HIV Life Care Services	74,000	29,600	44,400
DOH HIV Prevention	75,000	30,000	45,000
Rural/Urban Women's Projects**	<u>1,776,850</u>	<u>710,740</u>	<u>1,066,110</u>
Subtotal	\$7,031,624	\$2,812,650	\$4,218,974
Grand Total	\$24,534,924	\$9,813,970	\$14,720,954

*45% (or \$1,575,000) of the funding for the Brighter Futures Initiative are supported by the SAPT. The funds go to nine counties and all tribes.

**The statewide rural/urban women's allocation for 2002 is \$2,167,900 of which \$1,776,850 is from the SAPT block grant. The remaining \$391,050 is from DAPIS program revenue.

ATTACHMENT 2

Wisconsin Tobacco Control Board
Calendar Year 2002 Allocations

<u>Program</u>	<u>Allocations</u>
Media and Countermarketing	\$2,600,000
Wisconsin Quit Line	1,000,000
Community Coalitions	2,800,000
Technical Assistance and Training	300,000
School Grants	625,000
Ethnic Network	418,000
Youth-Led Movement	661,520
Monitoring and Evaluation	1,115,000
Resource Center	200,000
Spit Tobacco	92,000
Young Adult Pilot Studies	190,000
Pregnant Smokers Pilot Studies	178,646
Youth Cessation Pilot Studies	<u>163,179</u>
Total	\$10,343,345

ATTACHMENT 3

2001 IDP Supplemental/Emergency Funding Request Award

<u>County</u>	2001 Program <u>Costs</u>	2000 Surcharge Revenue <u>Collected</u>	Requested Funding	2001* Award <u>Excess</u>	2001 Award Reduced by 28%
Ashland	\$81,576	\$22,699	\$60,191	\$60,191	\$43,165
Calumet	36,814	29,270	8,814	3,300	2,367
Clark	64,575	37,972	20,411	20,411	14,637
Door	88,642	94,146	70,000	5,200	3,729
Forest/Oneida/Vilas	515,000	194,257	346,000	346,000	248,127
Iron	15,552	5,949	8,162	6,531	4,684
Juneau	75,000	64,097	7,000	7,000	5,020
Kewaunee	102,964	47,401	53,548	53,548	38,401
Lincoln/Langlade/Marathon	533,400	352,031	239,300	239,300	171,609
Marinette	187,222	177,033	68,087	68,087	48,827
Marquette	59,588	39,312	25,308	25,308	18,149
Menominee	14,058	11,758	5,270	5,270	3,779
Milwaukee	659,422	561,317	89,898	89,898	64,469
Monroe	65,117	70,904	15,189	15,189	10,893
Pierce	198,245	49,886	143,890	143,890	103,188
Portage	191,020	117,320	160,047	160,047	114,775
Price	48,771	25,365	19,112	19,112	13,706
Rock	449,798	345,887	80,904	80,904	58,019
Washington	263,237	223,791	25,286	25,286	18,133
Wood	<u>95,000</u>	<u>66,739</u>	<u>19,973</u>	<u>19,973</u>	<u>14,323</u>
Total	\$3,745,001	\$2,537,134	\$1,466,390	\$1,394,445	\$1,000,000

*This column represents the difference between the county's request and its third-party collections.

**Awards are prorated to reflect that \$1 million is budgeted annually for this purpose.

UNDERAGE TOBACCO ENFORCEMENT

Underage Tobacco Enforcement [Paper #1171]

Motion:

Move to authorize a county, town, village or city to enact an ordinance regulating the purchase or possession of cigarettes or tobacco products by a minor if the ordinance strictly conforms to state law, under s. 254.92 of the statutes. Provide that such a county ordinance would not apply within a town, village or city that also enacts such an ordinance. Provide that a citation issued to a minor for purchase or possession of cigarettes or tobacco products can be prosecuted in circuit court to recover a forfeiture if the action is brought under s. 254.92 of the statutes, or under a local ordinance that strictly conforms to s. 254.92 of the statutes.

Create a \$20 surcharge that would be paid by minors who violate current statutory prohibitions on purchasing, attempting to purchase or possessing tobacco products or cigarettes, or a local ordinance that strictly conforms with this statutory provision. In addition, create a \$20 surcharge that would be paid by retailers that violate prohibitions on tobacco sales to underage persons. Require the applicable court to collect the surcharge and forward it to DHFS. Require DHFS to work with the Wisconsin Tobacco Control Board to administer a grant program to support underage tobacco enforcement activities using the surcharge revenue. Create a PR appropriation in DHFS for receipt of this revenue and authorize DHFS to expend all moneys received from the surcharge revenue to support underage tobacco enforcement activities.

Note:

Under current law (s. 254.92 of the statutes), a person under 18 years of age may not purchase, attempt to purchase or possess any cigarette or tobacco product except under limited circumstances relating to the person's employment or participation in underage tobacco enforcement activities. There is no provision in current law that allows a local unit of government to enact a local ordinance that strictly conforms to this state prohibition. This motion would allow counties and towns to enact such an ordinance. (Cities and villages currently may enact such ordinances, but they need not strictly comply with state prohibitions.)

Under s. 134.66 (4) of the statutes, a person who sells cigarettes or tobacco products to minors is subject to a forfeiture of: (a) not more than \$500 if the person has not committed a previous violation within 12 months of the violations; or (b) not less than \$200 nor more than \$500

if the person has committed a previous violation within 12 months of the violation.

Under current law, the forfeiture for a minor purchasing, attempting to purchase, or possessing tobacco products or cigarettes cannot exceed \$50. This motion would establish a surcharge of \$20, which would be paid by the minor in addition to the forfeiture amount and a surcharge of \$20 which would be paid by retailers that violate prohibitions on tobacco sales to underage persons. The revenue from the surcharge would be deposited in a new PR appropriation in DHFS to support grants for underage tobacco enforcement activities.

It is not known how many citations are currently issued by law enforcement personnel to persons who violate the prohibition on underage tobacco purchases or possession or tobacco sales to minors, nor is it known how this change would affect the number of counties and towns that enact ordinances that strictly conform with the state prohibitions. For this reason, it is not known how much additional revenue would be generated by the surcharge.

[Change to Bill: See Text]

MO# _____

BURKE	Y	<input checked="" type="radio"/> N	A
DECKER	Y	<input checked="" type="radio"/> N	A
MOORE	Y	<input checked="" type="radio"/> N	A
SHIBILSKI	Y	<input checked="" type="radio"/> N	A
PLACHE	Y	<input checked="" type="radio"/> N	A
WIRCH	Y	<input checked="" type="radio"/> N	A
DARLING	Y	<input checked="" type="radio"/> N	A
ROSENZWEIG	Y	<input checked="" type="radio"/> N	A
GARD	Y	<input checked="" type="radio"/> N	A
KAUFERT	Y	<input checked="" type="radio"/> N	A
① ALBERS	<input checked="" type="radio"/> Y	<input checked="" type="radio"/> N	A
DUFF	Y	<input checked="" type="radio"/> N	A
WARD	Y	<input checked="" type="radio"/> N	A
HUEBSCH	Y	<input checked="" type="radio"/> N	A
HUBER	Y	<input checked="" type="radio"/> N	A
COGGS	Y	<input checked="" type="radio"/> N	A

AYE 1 NO 15 ABS _____

Insurance

(LFB Summary of the Governor's Budget Reform Bill: Page 60)

LFB Summary Item for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	Program Revenue Lapse (see Paper #1121)

Building Commission

(LFB Summary of the Governor's Budget Reform Bill: Page 24)

LFB Summary Item for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
3	Debt Restructuring Changes (Paper #1125)

LFB Summary Items for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	General Obligation Refunding Bonding
2	Deposit of Proceeds from Sale of Certain State Office Buildings to General Fund

LFB Summary Item for Introduction as Separate Legislation

<u>Item #</u>	<u>Title</u>
4	Retainage on State Public Works Contracts

AGENCY: Building Commission

Paper #: 1125

ISSUE: Debt Restructuring Changes

ALTERNATIVE: There are no Alternatives

SUMMARY: LFB will explain

BY: Tanya



Legislative Fiscal Bureau

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March 4, 2001

Joint Committee on Finance

Paper #1125

Debt Restructuring Changes (Building Commission)

[LFB Summary of the Governor's Budget Reform Bill: Page 25, #3]

CURRENT LAW

Under 2001 Act 16 (the 2001-03 budget) \$75 million of general obligation bonding is provided in a new bonding appropriation for refunding tax-supported and self-amortizing general obligation bonds. No debt can be incurred under this authorization after June 30, 2003. As a result, estimated GPR-Lapses were increased by \$50 million in 2002-03 to reflect projected savings from refunding \$50 million of general fund supported bonds that otherwise would be paid off in that year.

GOVERNOR

Increase estimated lapses to the general fund by \$25 million in 2001-02 and make a corresponding decrease in estimated lapses to the general fund of \$25 million in 2002-03. The Department of Administration indicates that these changes reflect the decision to carry out a restructuring of \$25 million in state general obligation debt in 2001-02 rather than 2002-03 as was anticipated under Act 16. These estimated lapses to the general fund reflect the projected savings from refunding general obligation bonds that would have otherwise been paid off in that year.

MODIFICATION TO BILL

Increase the estimated GPR-Lapse by an additional \$25 million in 2001-02 attributable to the \$75 million in refunding authority included in 2001 Act 16.

Arts Board

(LFB Summary of the Governor's Budget Reform Bill: Page 18)

LFB Summary Item for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	3.5% and 5.0% Budget Reductions (see Paper #1120)

Educational Communications Board

(LFB Summary of the Governor's Budget Reform Bill: Page 37)

LFB Summary Item for Which an Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
1	3.5% and 5.0% Budget Reductions (see Paper #1120)

LFB Summary Item for Which No Issue Paper Has Been Prepared

<u>Item #</u>	<u>Title</u>
2	Fuel and Utilities Lapse Estimate