

Fiscal Estimate - 2003 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 03-1624/4	Introduction Number AB-684
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Subject
 Create Rural Finance Authority

Fiscal Effect

State:

<input type="checkbox"/> No State Fiscal Effect	<input type="checkbox"/> Increase Existing Revenues	<input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> Indeterminate	<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Increase Existing Appropriations	<input type="checkbox"/> Decrease Costs	
<input type="checkbox"/> Decrease Existing Appropriations		
<input type="checkbox"/> Create New Appropriations		

Local:

<input type="checkbox"/> No Local Government Costs	5. Types of Local Government Units Affected <input type="checkbox"/> Towns <input type="checkbox"/> Village <input type="checkbox"/> Cities <input type="checkbox"/> Counties <input type="checkbox"/> Others <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts
<input type="checkbox"/> Indeterminate	
1. <input type="checkbox"/> Increase Costs	3. <input type="checkbox"/> Increase Revenue
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory
2. <input type="checkbox"/> Decrease Costs	4. <input type="checkbox"/> Decrease Revenue
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory

Fund Sources Affected	Affected Ch. 20 Appropriations
<input checked="" type="checkbox"/> GPR <input type="checkbox"/> FED <input type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS	

Agency/Prepared By	Authorized Signature	Date
DOR/ Karyn Kriz (608) 261-8984	Dennis Collier (608) 266-5773	12/15/2003

Fiscal Estimate Narratives

DOR 12/15/2003

LRB Number	03-1624/4	Introduction Number	AB-684	Estimate Type	Original
Subject					
Create Rural Finance Authority					

Assumptions Used in Arriving at Fiscal Estimate

This bill would create the Wisconsin Rural Finance Authority (WRFA), an authority that may issue bonds and use the resulting funds to supply loans for agricultural purposes. The interest and income from bonds issued by WRFA would be exempt from state individual and corporate income tax. In addition, sales to the Wisconsin Rural Finance Authority would be exempt from sales tax and the storage, use, or other consumption of tangible personal property or taxable services by the authority would be exempt from use tax.

The maximum amount of aggregate principal of outstanding bonds issued by WRFA may not exceed \$26 million; however, this excludes bonds issued to refund outstanding bonds and bonds issued to make loans to beginning farmers.

The bill would place the Beginning Farmer Loan Program currently administered by the Wisconsin Housing and Economic Development Authority under the control of WRFA. Bonds issued for purposes of this program would not be subject to the \$26 million limit, but would instead be subject to a cap of \$17.5 million in aggregate principal on bonds outstanding.

If WRFA reaches the allowable caps and has \$26 million of aggregate principal on outstanding bonds and \$17.5 million in aggregate principal of bonds and notes under the Beginning Farmer Program and the interest rate is 5%, then \$2.2 million ($0.05 \times \43.5 million) of interest income would be exempt from taxation. Assuming an average marginal tax rate of 5.5%, the annual revenue loss to the state would be \$0.12 million ($\2.2 million $\times 0.055$). However, the revenue loss would most likely be quite a bit lower because WRFA would probably have less than \$43.5 million of aggregate principal on outstanding bonds, especially in the early years of the program. Therefore, it is assumed that the revenue loss resulting from excluding these interest payments from income tax would be minimal.

The revenue loss resulting from the sales and use tax exemption for sales to and consumption of taxable property and services by WRFA is expected to be minimal.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2003 Session

Detailed Estimate of Annual Fiscal Effect

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Subject			
Create Rural Finance Authority			
I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):			
II. Annualized Costs:		Annualized Fiscal Impact on funds from:	
		Increased Costs	Decreased Costs
A. State Costs by Category			
	State Operations - Salaries and Fringes	\$	
	(FTE Position Changes)		
	State Operations - Other Costs		
	Local Assistance		
	Aids to Individuals or Organizations		
	TOTAL State Costs by Category	\$	\$
B. State Costs by Source of Funds			
	GPR		
	FED		
	PRO/PRS		
	SEG/SEG-S		
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)			
		Increased Rev	Decreased Rev
	GPR Taxes	\$	\$
	GPR Earned		
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$	\$
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$SeeText	\$
Agency/Prepared By		Authorized Signature	Date
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