

Fiscal Estimate Narratives

DOR 3/31/2006

LRB Number	05-1209/1	Introduction Number	AB-1089	Estimate Type	Original
Description Creating a local airport district and authorizing the creation of local airport districts; authorizing the Board of Commissioners of Public Lands to make loans to a county that contains a 1st class city; and authorizing the Investment Board to make loans to a county that contains a 1st class city from the state investment fund					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a new type of local government unit called a local airport district. A local airport district would be a distinct government entity, separate from the state and from the local governments that create the district. A local airport district would have the same powers as most other sub-state governments except that it would not have the power to levy taxes.

The bill requires any county which owns or operates an airport at which 2,000,000 or more scheduled passenger enplanements occurred in the past 12 months to transfer ownership and control of the airport to a local airport district. Based on data for 2004, the only airport this would affect is General Mitchell International in Milwaukee.

The bill permits any other local government that owns or operates an airport with scheduled passenger service to transfer ownership and control of the airport to a local airport district. This could affect the following airports: Outagamie County Regional (Appleton), Chippewa Valley Regional (Eau Claire), Austin Straubel International (Green Bay), La Crosse Municipal, Dane County Regional (Madison), Central Wisconsin (Mosinee), and Rhinelander-Oneida County.

PROPERTY TAXES

The bill exempts property owned by a local airport district from property taxes. Since the airports affected by the bill are now owned by county or municipal governments and thus exempt from property taxes, the bill has no effect on property taxes.

INCOME TAXES

The bill exempts interest on bonds issued by a local airport district from state income taxation. Data from consolidated annual financial reports (CAFR) filed by passenger airport owning governments for 2004 showed total airport-related interest payments of \$10.9 million (\$6.7 million for Milwaukee County and \$4.2 million for all other airports). Assuming an income tax rate of 6.5%, that all airport district bonds were owned by Wisconsin taxpayers, and that all passenger airports were transferred to airport districts, the bill would reduce annual state income tax collections by \$708,500 (\$10.9 million X 0.065).

REAL ESTATE TRANSFER FEE

Under current law, a real estate transfer fee of 0.30% is imposed on transfers of real property at the time the transfer is submitted for recording by a county register of deeds. The county retains 20% of the fee and submits the rest to the state.

The bill exempts the transfer of real property to a local airport district from this fee. Data from CAFRs for 2004 showed the net book value of all passenger airports in Wisconsin was about \$560 million. Assuming that all airports were transferred to local airport districts at net book value, there would be a one-time reduction in real estate transfer fees of \$1,680,000 (\$560 million X 0.003). The county share of this reduction would be \$336,000 and the state share would be \$1,344,000.

MOTOR VEHICLE FUEL TAX

Under current law, local governments are subject to the state motor vehicle fuel tax. The bill exempts fuel used by an airport district in its operations from this tax. Since available data do not permit estimating the amount of fuel used in airport operations, it is not possible to reasonably estimate the reduction in state motor vehicle taxes this bill would engender.

SHARED REVENUE

Under current law, 15% of a county's shared revenue payment is paid on the fourth Monday in July and the remainder is paid on the third Monday in November. Under the bill, the entire payment for a county in which a local airport district is located shall be made on the third Monday in November. Based on a current interest rate of 4%, and assuming that every county with a passenger airport was affected, the four month delay in paying affected county shared revenues would increase state interest earnings by \$165,000 and decrease county interest earnings by an equal amount. Future years' interest effects will vary with changes in applicable interest rates.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2005 Session

Detailed Estimate of Annual Fiscal Effect

Original
 Updated
 Corrected
 Supplemental

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I. One-time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect): Assuming that all passenger airports were transferred to local airport districts at net book value, there would be a one-time reduction in the real estate transfer fee of \$1,680,000. The state share would be \$1,344,000 and the county share would be \$336,000.			
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	\$	\$-708,500
	GPR Earned	165,000	
	FED		
	PRO/PRS		
	SEG/SEG-S		
	TOTAL State Revenues	\$165,000	\$-708,500
NET ANNUALIZED FISCAL IMPACT			
		State	Local
NET CHANGE IN COSTS		\$	\$
NET CHANGE IN REVENUE		\$-543,500	\$-165,000
Agency/Prepared By		Authorized Signature	Date
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