

Fiscal Estimate - 2007 Session

Original Updated Corrected Supplemental

LRB Number 07-0941/2	Introduction Number AB-0077
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Description
Relating to: distributing the school levy and lottery and gaming property tax credits

Fiscal Effect

State:

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

Local:

<input type="checkbox"/> No Local Government Costs	<input type="checkbox"/> Indeterminate		
1. <input type="checkbox"/> Increase Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input checked="" type="checkbox"/> Increase Revenue	5. Types of Local Government Units Affected
<input type="checkbox"/> Decrease Costs	<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	<input checked="" type="checkbox"/> Decrease Revenue	
<input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory		<input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory	

- | | | |
|----------------------------------------------|---------------------------------------------|--------------------------------------------|
| <input checked="" type="checkbox"/> Towns | <input checked="" type="checkbox"/> Village | <input checked="" type="checkbox"/> Cities |
| <input checked="" type="checkbox"/> Counties | <input type="checkbox"/> Others | |
| <input type="checkbox"/> School Districts | <input type="checkbox"/> WTCS Districts | |

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

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Fiscal Estimate Narratives
DOR 3/7/2007

LRB Number	07-0941/2	Introduction Number	AB-0077	Estimate Type	Original
Description Relating to: distributing the school levy and lottery and gaming property tax credits					

Assumptions Used in Arriving at Fiscal Estimate

Under current law, the lottery and gaming credit and school levies credit are paid to municipalities. The lottery credit is paid on the 4th Monday in March, and the municipal treasurer is required to settle for the credit with every taxing jurisdiction no later than the following April 15. The school levies credit is paid on the 4th Monday in July, and the municipal treasurer is required to settle for the credit with the county treasurer no later than August 15. The county treasurer is required to settle with every taxing jurisdiction no later than August 20.

Under the bill, for most municipalities, the credits would be paid to the county on the same dates as under current law. County treasurers would be required to settle for the credits with every taxing jurisdiction by April 15 (for the lottery credit) or August 20 (for the school levies credit). A municipality with a total school levies and lottery credit payment of \$3 million or more could request that these credits continue to be paid to them directly. A municipality which chooses this option would be required to settle with taxing jurisdictions for the lottery credit by April 15 and to settle with the county for the school levies credit by August 20. For the 2005/06 property tax year, 27 municipalities, representing about 32.5% of total credit payments, could have used this option.

Under current law, municipalities can earn interest on the credit payments for the days between when the credits are paid to them and when they settle for the credits. Under the bill, the ability to earn interest would shift to counties. For purposes of estimating the potential shift in interest earnings, it is assumed that every municipality currently settles for the credits on the due date, the annual interest rate is 5.25% (equal to the rate paid on deposits in the state's Local Government Investment Pool for December 2006), and all credits would now be paid to counties. The shift in interest earnings for credit payments in 2007 would be as follows: for the lottery and gaming credit, $\$145,276,800 * (20/365) * 5.25\% = \$418,000$, and for the school levies credit, $\$593,050,000 * (23/365) * 5.25\% = \$1,962,000$. Thus, the total potential shift in interest earnings from municipalities to counties would total to \$2,380,000.

The actual shift in interest earnings from municipalities to counties would probably be less than the amount shown above because some municipalities that the bill permits to continue receiving credit payments will choose to do so. In addition, some municipalities settle for their credit payments shortly after receipt, instead of on the due date. The Department of Revenue does not have data on when municipalities currently settle for their credit payments. As a result, the Department is unable to estimate the actual shift in interest earnings that this bill could engender.

The Department of Revenue would incur one-time costs to change its computer and accounting systems regarding to whom the credits should be paid. These costs can be absorbed.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2007 Session

Detailed Estimate of Annual Fiscal Effect

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Description Relating to: distributing the school levy and lottery and gaming property tax credits			
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		\$	\$see text of fiscal note
Agency/Prepared By		Authorized Signature	Date
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