

Fiscal Estimate - 2009 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 09-4228/1	Introduction Number AB-0723	
Description The southeastern regional transit authority, the creation of interim regional transit authorities in southeast Wisconsin, requiring the exercise of rule-making authority, and making an appropriation		
Fiscal Effect		
State:		
<input type="checkbox"/> No State Fiscal Effect <input checked="" type="checkbox"/> Indeterminate		
<input type="checkbox"/> Increase Existing Appropriations <input type="checkbox"/> Decrease Existing Appropriations <input type="checkbox"/> Create New Appropriations	<input type="checkbox"/> Increase Existing Revenues <input type="checkbox"/> Decrease Existing Revenues <input checked="" type="checkbox"/> Increase Costs - May be possible to absorb within agency's budget <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> Decrease Costs	
Local:		
<input type="checkbox"/> No Local Government Costs <input type="checkbox"/> Indeterminate		
1. <input checked="" type="checkbox"/> Increase Costs <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 2. <input type="checkbox"/> Decrease Costs <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	3. <input checked="" type="checkbox"/> Increase Revenue <input checked="" type="checkbox"/> Permissive <input type="checkbox"/> Mandatory 4. <input type="checkbox"/> Decrease Revenue <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory	
5. Types of Local Government Units Affected <input checked="" type="checkbox"/> Towns <input checked="" type="checkbox"/> Village <input checked="" type="checkbox"/> Cities <input checked="" type="checkbox"/> Counties <input checked="" type="checkbox"/> Others <input type="checkbox"/> Interim RTAs & SERTA <input type="checkbox"/> School Districts <input type="checkbox"/> WTCS Districts		
Fund Sources Affected		
<input type="checkbox"/> GPR <input type="checkbox"/> FED <input checked="" type="checkbox"/> PRO <input type="checkbox"/> PRS <input type="checkbox"/> SEG <input type="checkbox"/> SEGS s.20.835(4)(gg)		
Affected Ch. 20 Appropriations		
Agency/Prepared By	Authorized Signature	Date
DOR/ Paul Ziegler (608) 266-5773	Paul Ziegler (608) 266-5773	3/9/2010

Fiscal Estimate Narratives
DOR 3/9/2010

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Assumptions Used in Arriving at Fiscal Estimate

PROPOSAL

Under current law, the Southeastern Regional Transit Authority (SERTA) has the authority to construct and manage a commuter rail system. The jurisdictional area of SERTA is the combined areas of the counties of Kenosha, Racine and Milwaukee. SERTA may impose a car rental fee of up to \$18 per transaction.

This bill authorizes the creation of Interim Regional Transit Authorities (IRTAs). IRTAs may be formed within the southeast Wisconsin counties of Kenosha, Racine, Waukesha, Milwaukee, Ozaukee, and Washington, provided that at least one of the participating political subdivisions (a city, village, town, or county) creating the IRTA operated a transit system receiving state aids on the effective date of the bill. The jurisdictional area of an IRTA is the combined jurisdictional area of the towns, villages and cities that are participating political subdivisions of the IRTA, except that, if a county is a participating political subdivision, the jurisdictional area of the authority is the territorial boundaries of the county. An IRTA cannot include more than one county and may not include municipalities located in different counties.

In general, IRTAs will have the authority to levy a sales and use tax of up to 0.5%, impose a room tax of up to 2%, impose a local vehicle registration fee, and charge a membership fee to participating localities. Of these four revenue sources, however, an authority that includes Milwaukee County may only generate revenue from the sales and use tax. The sales and use taxes and the room taxes would be administered by the Department of Revenue (DOR). Local vehicle registration fees would be administered by the Department of Transportation (DOT). DOR would retain 2.55% of the room tax collections for its costs in administering the room taxes. DOR would retain 1.5% of the sales tax collections for its costs in administering IRTA sales taxes.

Each IRTA may only impose the sales tax if approved by a referendum in the IRTA's jurisdictional area. For an IRTA that has Milwaukee County as its boundaries, the referendum regarding the imposition of a sales tax for transit purposes that was approved in 2008 satisfies the referendum requirement.

With certain transitional provisions, if an IRTA imposes a sales tax, no participating locality in the IRTA may levy a property tax for transit.

Property owned by an IRTA would be exempt from property taxes. Income received by these entities would also be exempt from state income taxes.

Once three IRTAs have been certified by DOT as meeting certain revenue and transit service requirements, the certified IRTAs are dissolved and the duties and powers of the IRTAs are transferred to the SERTA -- including, with some limitations and restrictions, the revenue raising powers of the IRTAs.

FISCAL EFFECT

The bill would allow for up to a 0.5% sales tax to be applied, at a maximum, across the entirety of the six counties in which IRTAs may be formed. Four of these counties (Kenosha, Milwaukee, Ozaukee, and Washington) have imposed the 0.5% county sales tax authorized under current law. In 2009, these counties received the following amounts from the 0.5% county sales tax: Kenosha - \$10.1 million, Milwaukee - \$60.1 million, Ozaukee - \$5.9 million, and Washington - \$8.8 million. The remaining two counties in which the bill allows IRTAs to be formed, Racine and Waukesha, do not impose the county sales tax. Based on estimates published by the UW-Extension, however, Racine County could have generated \$13.2 million and Waukesha County could have generated \$38.1 million if these counties had imposed the tax in 2009. While all of the above figures may be modestly suppressed due to the current recession, these amounts provide general guidance as to the maximum amount of revenue that could be generated from IRTA sales tax rate

assuming the tax is imposed at its highest allowable rate and over the entirety of the six counties. The total of the above figures is \$136.2 million. Based on this total, DOR could receive a maximum of \$2.1 million for administering the IRTA sales taxes.

The Department of Revenue does not have information on room tax rates imposed by individual municipalities under current law. Consequently, the department does not have information to estimate the amount of revenue that could be generated by IRTA room taxes. While DOR administers the Milwaukee area Exposition District room tax, the bill does not allow the Milwaukee IRTA to impose a room tax. As a result, Exposition District collections are not applicable to estimating room tax collections authorized by this bill.

While the bill allocates a portion of room and sales tax collections for DOR costs, the department would need additional expenditure authority to expend these funds.

While the bill's impact on property tax levies is uncertain, it may lead to a reduction in property taxes if levy limits on counties and municipalities are extended. Under current law, counties and municipalities are subject to levy limits for the tax levy imposed in 2009 and 2010. With certain exceptions and exclusions, the limits restrict the increase in a county or municipality's levy to no more than 3% or the percentage increase in the locality's equalized value due to net new construction. Under the levy limits, if a county or municipality transfers responsibility for providing a service to another governmental unit, DOR may decrease the locality's levy limit to reflect the transfer. Consequently, so long as levy limits remain in place, property taxes could go down under the bill. If, however, levy limits are not renewed for the levies for 2011 and subsequent years, the bill's prohibition on levying for transit purposes could be offset by increases in the levy for other purposes.

The property tax exemption for IRTA property will shift property taxes to remaining taxable property owners. The magnitude of this shift is dependent on the degree that the bill creates an overall increase in publicly owned property.

The income tax exemption for IRTA income could impact state revenues if the bill results in a net reallocation of activity from private to public sectors.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2009 Session

Detailed Estimate of Annual Fiscal Effect

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Description The southeastern regional transit authority, the creation of interim regional transit authorities in southeast Wisconsin, requiring the exercise of rule-making authority, and making an appropriation		
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	\$increase DOR costs	\$see text
NET CHANGE IN REVENUE	\$increase program revenue	\$see text
Agency/Prepared By		
Authorized Signature		Date
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