

Fiscal Estimate - 2015 Session

Original
 Updated
 Corrected
 Supplemental

LRB Number 15-0802/1		Introduction Number AB-0066	
Description Creating the Wisconsin Renewable Energy Development Authority to participate in and guarantee certain energy-related loans, implement other energy-related programs, and make certain grants and making an appropriation			
Fiscal Effect			
State:			
<input type="checkbox"/> No State Fiscal Effect			
<input type="checkbox"/> Indeterminate			
<input type="checkbox"/> Increase Existing Appropriations		<input type="checkbox"/> Increase Existing Revenues	
<input type="checkbox"/> Decrease Existing Appropriations		<input checked="" type="checkbox"/> Decrease Existing Revenues	
<input type="checkbox"/> Create New Appropriations		<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"/> Decrease Costs			
Local:			
<input type="checkbox"/> No Local Government Costs			
<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	
5. Types of Local Government Units Affected			
<input type="checkbox"/> Towns		<input type="checkbox"/> Village	
<input type="checkbox"/> Counties		<input type="checkbox"/> Others	
<input type="checkbox"/> School Districts		<input type="checkbox"/> WTCS Districts	
<input type="checkbox"/> Cities			
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	
DOR/ Bradley Caruth (608) 261-8984		Michael Wagner (608) 266-6785	
Date			3/6/2015

Fiscal Estimate Narratives

DOR 3/6/2015

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Description Creating the Wisconsin Renewable Energy Development Authority to participate in and guarantee certain energy-related loans, implement other energy-related programs, and make certain grants and making an appropriation					

Assumptions Used in Arriving at Fiscal Estimate

The bill creates a Wisconsin Renewable Energy Development Authority (WREDA). WREDA is authorized to have up to \$500 million in outstanding bonds at any time and the bill creates an individual and corporate income tax exemption for interest from bonds issued by WREDA. In addition, under the bill WREDA's purchases are exempt from the sales and use tax.

This estimate pertains only to the provisions of the bill that provide exemptions from the individual and corporate income tax and the sales and use tax.

Income Tax Exemption - The bill creates an exemption under both the individual and corporate income tax for interest on bonds issued by WREDA. Because virtually all corporations pay the franchise tax rather than the corporate income tax, the fiscal effect of this provision would only relate to the individual income tax.

The authority is authorized to have a maximum of \$500 million in outstanding bonds at a time. IHS Global Insight estimates a bond rate for municipal bonds for 2016 of 5.0%, implying that WREDA could pay approximately \$25 million annually in interest on \$500 million of bonds. Based on a review of individual income tax returns with state and municipal interest income, the average marginal tax rate is 6.6%, implying a tax reduction of \$1.65 million annually associated with \$25 million of eligible interest income.

The fiscal effect will be lower to the extent that the bonds are bought by residents of other states. There is likely to be some home-state bias, in which bond purchasers prefer to buy bonds from their state of residence, but the size of that bias is unknown. Based on data from the the Bureau of Economic Analysis, Wisconsin personal interest income accounts for about 1.5% of national interest income. If national bond purchasers exhibit no home-state bias, the annual fiscal effect could be reduced to \$25,000 (1.5% x \$1.65 million). As an example of a national bond market with some home-state bias, if Wisconsin residents purchase 10% of WREDA bonds, the fiscal effect would be approximately \$165,000 annually (10% x \$1.65 million).

The fiscal effect of the exemption will be lower to the extent that WREDA issues less than the maximum amount of debt authorized under the bill. The fiscal effect will also be higher (lower) to the extent that the interest rate for debt issued by WREDA is higher (lower) than the rate estimated by IHS Global Insight.

Sales Tax Exemption - The exemption is expected to reduce sales and use tax collections by a minimal amount.

Long-Range Fiscal Implications

Fiscal Estimate Worksheet - 2015 Session

Detailed Estimate of Annual Fiscal Effect

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Description
 Creating the Wisconsin Renewable Energy Development Authority to participate in and guarantee certain energy-related loans, implement other energy-related programs, and make certain grants 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, ets.)		
	Increased Rev	Decreased Rev
GPR Taxes	\$	\$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	\$	\$

NET ANNUALIZED FISCAL IMPACT		
	<u>State</u>	<u>Local</u>
NET CHANGE IN COSTS	\$	\$
NET CHANGE IN REVENUE	\$See Text	\$

Agency/Prepared By	Authorized Signature	Date
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