

REVENUE

Budget Summary						FTE Position Summary				
Fund	2022-23 Adjusted Base	Act 19		2023-25 Change Over Base Year Doubled		2022-23	Act 19		2024-25 Over 2022-23	
		2023-24	2024-25	Amount	%		2023-24	2024-25	Number	%
GPR	\$192,630,300	\$205,511,300	\$204,772,600	\$25,023,300	6.5%	950.15	952.15	952.15	2.00	0.2%
PR	21,313,300	22,437,800	21,751,000	1,562,200	3.7	135.40	131.00	131.00	- 4.40	- 3.2
SEG	29,755,200	23,805,900	23,855,100	- 11,849,400	- 19.9	92.45	94.65	94.65	2.20	2.4
TOTAL	\$243,698,800	\$251,755,000	\$250,378,700	\$14,736,100	3.0%	1,178.00	1,177.80	1,177.80	- 0.20	0.0%

Budget Change Items

Departmentwide

1. STANDARD BUDGET ADJUSTMENTS [LFB Paper 105]

Provide adjustments to the base budget for: (a) turnover reduction (-\$3,165,800 GPR and -\$235,200 SEG annually); (b) full funding of continuing position salaries and fringe benefits (\$324,100 GPR, \$132,900 PR, and \$252,800 SEG annually); (c) reclassifications and semiautomatic pay progression (\$148,200 PR and \$26,900 SEG in 2023-24 and \$210,900 PR and \$36,100 SEG in 2024-25); (d) full funding of lease and directed moves costs (-\$271,400 GPR, -\$26,600 PR, and \$123,000 SEG in 2023-24 and -\$260,100 GPR, -\$26,100 PR, and \$123,100 SEG in 2024-25); and (e) minor transfers within the same alpha appropriation.

GPR	- \$6,214,900
PR	572,200
SEG	344,300
Total	- \$5,298,400

2. MINOR TRANSFERS BETWEEN APPROPRIATIONS [LFB Paper 670]

Transfer \$195,900 GPR and 2.0 communications positions annually from the Department of Revenue's (DOR) collection of taxes -- general program operations appropriation to its administrative services and space rental -- general program operations appropriation to create the Office of Communications in the Secretary's Office.

3. GENERAL PROGRAM OPERATIONS APPROPRIATIONS REDUCTIONS

GPR	- \$2,753,600
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Reduce funding for the following DOR general program operations appropriations annually:

(a) \$392,400 in the state and local finance -- general program operations appropriation; and (b) \$984,400 in the administrative services and space rental -- general program operations appropriation.

Tax Administration

1. CONVERT REVENUE AGENT PROJECT POSITIONS TO PERMANENT POSITIONS [LFB Paper 670]

Extend the expiration of the 38.0 GPR project positions provided to DOR under 2017 Act 59 from June 30, 2025, to September 30, 2025. The 38 project positions are located within DOR's Division of Income, Sales, and Excise Tax, and consist of: (a) 17 audit revenue agent positions and one supervisor position in the Division's Audit Bureau; and (b) 19 tax collection revenue agent positions and one supervisor position in the Division's Compliance Bureau. Direct the Department of Administration to provide salary and fringe in preparing the base for the 2025-27 biennial budget sufficient to extend the 38 project positions through September 30, 2025.

2. ADVANCED TECHNOLOGY SYSTEM PROJECT [LFB Paper 672]

GPR	\$1,950,000
PR	<u>1,950,000</u>
Total	\$3,900,000
GPR-Tax	\$7,600,000
PR-REV	\$480,000
GPR-REV	- 1,470,000

Provide \$1,350,000 GPR and \$1,350,000 PR in 2023-24 and \$600,000 GPR and \$600,000 PR in 2024-25 for supplies and services to implement an advanced technology system in DOR's Compliance Bureau. The Administration indicates that this system will utilize data analytics to enhance collections of both delinquent taxes and debts owed to local governments and state agencies by \$10,800,000 in 2024-25, \$15,000,000 in 2025-26, and \$20,000,000 in 2026-27. The Administration estimates that 70% (\$7,600,000 in 2024-25, \$10,500,000 in 2025-26, and \$14,000,000 in 2026-27) of enhanced collections will come from delinquent general fund taxes. The remaining 30% (\$3,200,000 in 2024-25, \$4,500,000 in 2025-26, and \$6,000,000 in 2026-27) of enhanced collections will come from debts owed to state agencies and local governments under the statewide debt collection program.

Under DOR's debt collection appropriation, all revenues collected in excess of expenditures are transferred to the general fund at the end of the fiscal year. Estimate a reduction in the year-end transfer to the general fund of \$1,350,000 GPR-REV in 2023-24 and \$120,000 GPR-REV in 2024-25 to reflect increased PR expenditures, partly offset by increased debt collection fees estimated at \$480,000 PR-REV in 2024-25.

3. REPEAL BASEBALL STADIUM TAX ADMINISTRATION APPROPRIATION [LFB Paper 674]

	Funding	Positions
PR	- \$855,000	- 4.40

Delete \$427,500 and 4.40 positions annually to eliminate the funding and vacant positions associated with DOR's collection of taxes -- administration of special district taxes appropriation. Repeal the appropriation on April 30, 2024. This appropriation was created to administer the baseball stadium district tax, which ended March 31, 2020. The Administration indicates that the delayed effective date for the repeal of this appropriation is necessary to allow taxpayers to timely file amended returns.

[Act 19 Sections: 154, 169, 351, and 9437(1)]

4. REPEAL FOOTBALL STADIUM TAX ADMINISTRATION APPROPRIATION [LFB Paper 674]

PR	- \$105,000
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Delete \$52,500 annually to eliminate funding associated with DOR's collection of taxes -- administration of local professional football stadium district taxes appropriation, and repeal the appropriation on the effective date of the bill.

[Act 19 Sections: 155, 170, and 352]

5. PERSONAL PROPERTY TAX REPEAL ADMINISTRATIVE COSTS

	Funding	Positions
GPR	\$342,200	2.00

Provide \$171,100 GPR and 2.0 GPR project positions annually to DOR's state and local finance -- general program operations appropriation to help implement the repeal of the personal property tax under 2023 Act 12. Specify that these project positions are authorized from July 1, 2023, to June 30, 2025.

6. ADMINISTRATION OF CITY OF MILWAUKEE SALES AND USE TAX APPROPRIATION

Create a PR appropriation under DOR for the administration of municipal (City of Milwaukee) sales and use taxes. Under separate provisions of the bill, 1.75% of the taxes collected under a newly-created shared revenue and tax relief municipality (City of Milwaukee) taxes appropriation are credited to DOR's appropriation. [For additional information, see "Shared Revenue and Tax Relief -- Local Revenue Options."]

[Act 19 Section: 156]

Lottery Administration

1. LOTTERY SALES PROJECTIONS

Project sales of \$912.1 million annually in the 2023-25 biennium. In addition, reestimate 2022-23 lottery sales at \$979.7 million to reflect recent sales experience. Projected lottery sales provide the basis for estimating the lottery and gaming property tax credit in the next biennium. In addition, the projected sales directly affect appropriations for retailer compensation and lottery vendor fees. The projected sales are based on sales models utilized by DOR to estimate both lotto (on-line) and instant ticket games. The following table shows these projections, as well as 2021-22 actual lottery sales and estimated sales in 2022-23.

Lottery Sales Projections (\$ in millions)

Game Type	Actual 2021-22	Estimated 2022-23	Estimated 2023-24	% Change from 2022-23	Estimated 2024-25	% Change from 2023-24
Scratch	\$637.8	\$655.6	\$643.5	-1.8%	\$643.5	0.0%
Pull-tab	1.1	1.3	1.3	0.0	1.3	0.0
Lotto	<u>248.9</u>	<u>322.8</u>	<u>267.3</u>	<u>-17.2</u>	<u>267.3</u>	<u>0.0</u>
Total	\$887.8	\$979.7	\$912.1	-6.9%	\$912.1	0.0%

2. LOTTERY FUND CONDITION STATEMENT [LFB Paper 675]

The total revenue available for tax relief, minus a statutory reserve (2% of gross revenue) and the amount appropriated for the lottery and gaming credit late applications payments, determines the amount available for the lottery and gaming tax credit. The following fund condition provides information on operating revenues, appropriated amounts for expenditures, estimates of interest earning and gaming-related revenue, and the amounts available for tax relief credits. This fund condition reflects a higher estimated 2023-24 opening balance of \$43,939,100, associated with anticipated higher sales in 2022-23, compared to earlier estimates. It also reflects estimated sales in the 2023-25 biennium (described in the previous item), as well as changes in SEG expenditures for general program operations associated with the provision of additional positions (see later items), increased turnover projections, and increased GPR expenditures for retailer compensation and vendor fees, which result in corresponding reductions in SEG expenditures for those purposes. Total funding for the lottery and gaming credit, including late applications, would be \$338,875,800 in 2023-24 and \$312,640,000 in 2024-25.

	<u>2023-24</u>	<u>2024-25</u>
Fiscal Year Opening Balance	\$43,939,100	\$18,247,600
Operating Revenues		
Total Ticket Sales	\$912,117,200	\$912,117,200
Retailer Fees and Miscellaneous	<u>262,800</u>	<u>262,800</u>
Gross Revenues	\$912,380,000	\$912,380,000
Expenditures (SEG)		
Prizes	\$578,481,400	\$578,481,400
General Program Operations	20,728,900	20,768,800
Gaming Law Enforcement	464,500	464,500
Lottery Credit Administration	337,600	337,600
Program and Other Reserves	<u>235,300</u>	<u>528,700</u>
Total SEG Expenditures	\$600,247,700	\$600,581,000
Expenditures (GPR)		
Retailer Compensation	\$64,366,400	\$64,366,400
Vendor Fees	<u>24,358,400</u>	<u>24,358,400</u>
Total GPR Expenditures	\$88,724,800	\$88,724,800
Net SEG Proceeds	\$312,132,300	\$311,799,000
Interest Earnings	\$1,052,000	\$841,000
Total Available for Tax Relief *	\$357,123,400	\$330,887,600
Appropriations For Tax Relief		
Lottery and Gaming Credit	\$338,025,800	\$311,790,000
Late Lottery and Gaming Credit Applications	<u>850,000</u>	<u>850,000</u>
Total Appropriations for Tax Relief	\$338,875,800	\$312,640,000
Gross Closing Balance	\$18,247,600	\$18,247,600
Reserve (2% of Gross Revenues)	\$18,247,600	\$18,247,600
Net Closing Balance	\$0	\$0

*Opening balance, net SEG proceeds, and interest earnings.

3. LOTTERY RETAILER COMPENSATION AND VENDOR FEES [LFB Paper 675]

GPR	\$31,699,600
SEG	<u>- 12,484,000</u>
Total	\$19,215,600

Provide \$12,366,800 annually to DOR's sum certain GPR appropriation for lottery retailer compensation and \$3,483,000 annually to DOR's sum certain GPR appropriation for lottery vendor fees. Additionally, reduce funding by \$5,305,000 annually to DOR's sum sufficient SEG appropriation for lottery retailer compensation and by \$937,000 annually to DOR's sum sufficient SEG appropriation for lottery vendor fees. These adjustments would convert all base SEG funding for retailer compensation and vendor fees to instead be funded with GPR, and provide additional GPR to reflect the higher costs of retailer compensation and

vendor fees associated with the estimated sales in the biennium (described above).

Basic retailer compensation is established by statute at 5.5% of the retail price of lotto lottery tickets and 6.25% of the retail price of instant tickets sold by the retailer. In addition, the retailer performance program provides an amount of up to 1% of gross lottery sales as incentive payments to retailers. Vendor fees are paid under a major procurement contract for the provision of data processing services to both the lotto and instant lottery games.

4. LOTTERY DRAW STAFF [LFB Paper 675]

	Funding	Positions
SEG	\$99,300	1.00

Provide \$42,600 in 2023-24 and \$56,700 in 2024-25 and 1.0 position to the Lottery Division's SEG general operations appropriation to assist with both the increased number of lotto games and the mid-day draws that have been implemented for several lotto games.

5. LOTTERY INVESTIGATORS [LFB Paper 675]

	Funding	Positions
SEG	\$164,900	1.00

Provide \$71,400 in 2023-24 and \$93,500 in 2024-25 and 1.0 positions to the Lottery Division's SEG general operations appropriation for an additional lottery investigator.

6. LOTTERY CONTRACTOR POSITION [LFB Paper 675]

	Funding	Positions
SEG	\$26,100	0.20

Provide \$11,200 in 2023-24 and \$14,900 in 2024-25 and 0.2 of a position to the Lottery Division's SEG general operations appropriation to supplement an existing 0.8 FTE position for a retailer services specialist.