

2011 Legislative Session FISCAL ESTIMATE MANUAL



State of Wisconsin
Legislative Reference Bureau
Informational Bulletin 10-1, November 2010
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INTRODUCTION

PURPOSE OF THIS MANUAL.

This manual explains fiscal estimates and presents information on fiscal estimate procedure; it describes how to prepare a fiscal estimate and tries to identify some of the pitfalls; it addresses technical memos with which the fiscal expert can suggest improvements to a bill; it presents the statute and legislative rule provisions governing fiscal estimate procedure.

WHY FISCAL ESTIMATES?

Many legislative bills, if enacted, will affect the finances of Wisconsin state or local government or both. They might increase or reduce expenditures, increase the yield of an existing tax, or impose a tax on a new base. In many instances, the fiscal implications of a bill will not be apparent, but the state legislature needs precise supporting information on which to base its decision-making. Even an agency specialist may have difficulty ascertaining a bill's fiscal implication. Therefore, fiscal estimates are prepared to assist the legislator whose job is to make an informed decision on every introduced bill.

FISCAL ESTIMATE SYSTEM WEB SITE.

The Department of Administration (DOA) fiscal estimate system Web site (<http://fes.doa.state.wi.us/>) provides a means to request, assign, submit, track, and view fiscal estimates. While the Web site is used primarily by DOA, the Legislative Reference Bureau (LRB), and the various agencies assigned to prepare fiscal estimates, it is also accessible to the general public. Visitors log on the system as a "general public user" and can access information on any fiscal estimate that became public since March of 2001.

ONLINE FISCAL ESTIMATE PREPARATION MANUALS.

The LRB Fiscal Estimate Manual, along with DOA fiscal estimate system application manuals for agency liaisons, preparers, and approvers, is available at the DOA fiscal estimate Web site.

AGENCY LIAISON LISTINGS.

Each agency should designate the person in the agency who will prepare fiscal estimates. An agency should delegate the task to a specific person or unit rather than list the name of the secretary or administrator. Fiscal estimates have been delayed because they were directed to an agency head that had not authorized anyone to act in his or her absence.

Throughout the legislative session, information regarding agency liaison, preparer, and approver assignments needs to be kept up-to-date on the fiscal estimate system Web site.

SUBMITTAL OF FISCAL ESTIMATE WORKSHEET.

You do not need to submit a fiscal estimate worksheet for a bill that has no fiscal effect. However, complete the fiscal estimate narrative as soon as possible.

IDENTIFICATION OF PREPARERS.

To satisfy the requirements of Legislative Joint Rule 42 (2), the fiscal estimate system automatically dates each fiscal estimate and inserts the name and telephone number of the fiscal estimate’s preparer and the authorized agency approver in the appropriate spaces on the fiscal estimate form.

Please also remember to include the state agency name, the preparer’s name and telephone number, and the preparation date, on each technical memo submitted.

FIVE WORKING DAYS TO PREPARE FISCAL ESTIMATES.

Legislative Joint Rule 42 (3) requires assigned agencies to transmit electronically completed fiscal estimates to DOA within five working days. This deadline applies whether or not the Legislature is in session and whether or not the bill has been introduced.

EXTENSIONS.

If the preparation of a fiscal estimate requires more than five working days, you may request an extension before the deadline by calling the DOA Fiscal Estimate Coordinator at 266-3330. The Joint Rule directs DOA to grant extensions on a limited basis only, so be sure your reasons for the requested extension outweigh the delay that you might be causing. The extension may not exceed an additional five working days.

FISCAL ESTIMATE REQUIRED FOR LEGISLATIVE ACTION.

Section 13.093 (2) of the Wisconsin Statutes states that all legislative action (other than referral to a standing committee) stops for a “fiscal estimate required” bill until a fiscal estimate has been made available to the Legislature. If the bill is before the house, the statutes state that the house may not act on it. If the bill is before a standing committee and slated for a public hearing, the statutes state that the public hearing may not be held. If it is slated for executive action, the statutes state that executive action stops until a fiscal estimate is obtained.

RECENT CHANGES.

There was no new legislation enacted in the 2009-10 session that would impact the fiscal estimate process, procedure or rules.

QUESTIONS.

If you have questions concerning fiscal estimate procedure, please contact the DOA Fiscal Estimate Coordinator, located on the 10th floor of the Administration Building, 101 East Wilson Street. The position is currently held by Linda Nelson. She can be reached at 266-3330 or at: (linda.nelson@wisconsin.gov).

Agency staff with questions concerning the preparation or content of a specific fiscal estimate should contact their assigned analyst in the State Budget Office.

FISCAL ESTIMATE PROCESS

OVERVIEW.

The LRB drafting attorney makes the initial determination that a bill requires a fiscal estimate. Upon introduction, the LRB transmits electronically all drafts requiring a fiscal estimate to the Fiscal Estimate Coordinator at DOA for assignment. If desired, the draft's requester can request to have the fiscal estimate assignments made prior to the draft's introduction. All agencies that would collect money, receive an appropriation, administer a program, or have the most knowledge about the bill are required to prepare a fiscal estimate. Upon completion, an authorized agency representative reviews and approves the fiscal estimate.

Then the agency electronically forwards the fiscal estimate to DOA for its review. Under Joint Rule 46 (5), DOA may correct a computational or other clerical error without making any substantive change. (On its own initiative, however, DOA may submit a *supplemental* fiscal estimate when it disagrees with the *original* fiscal estimate the affected state agency submitted.) DOA then forwards the fiscal estimate to the LRB, which electronically forwards the fiscal estimate to the bill's primary author for review. After introduction, the fiscal estimate is reproduced separately as an appendix to the bill.

ELECTRONIC TRANSMISSION OF FISCAL ESTIMATES.

Legislative Joint Rules require that all fiscal estimate requests and all documents submitted in the fiscal estimate process be transmitted electronically rather than in paper form. A presiding officer may, however, permit a primary author to transmit a request for a *supplemental* fiscal estimate by other means, and the president of the Senate and the speaker of the Assembly acting jointly may permit, for a limited time, the transmission in paper form.

FISCAL ESTIMATE DETERMINATIONS.

Prior to the bill's introduction, the bill's requester may challenge the drafting attorney's decision by contacting the LRB chief. The chief's decision at this stage is final.

If someone discovers after introduction that the LRB failed to detect the bill's possible fiscal implications, a request for a fiscal estimate may be submitted to DOA if both the bill's primary author and the LRB chief agree. In this case, legislative action on the bill does not stop for the fiscal estimate to be prepared. Also, per Legislative Joint Rule 49, any legislator may raise a point of order that a fiscal estimate is required when the bill is before the legislator's house. In that case, the presiding officer's decision that the bill needs a fiscal estimate is final subject to overruling by the house. If it is decided that the bill requires a fiscal estimate, the statutes provide that legislative action stops until the fiscal estimate is obtained.

Occasionally a bill is marked "fiscal estimate required" when it does not have a fiscal effect. However, it is better that a few bills come back from agency experts with a fiscal estimate reading "This bill has no fiscal effect because it neither increases nor decreases any state or local fiscal liability or revenue" than to fail to send out for a fiscal estimate a bill that may have a significant hidden fiscal effect.

REVIEW OF ORIGINAL ESTIMATE BY AUTHOR.

Joint Rule 48 (1). The primary author of an introduced bill has five working days before publication to review each *original* fiscal estimate and worksheet. The period starts on the day on which the LRB electronically transmits the initial estimate to the primary author.

During the five-day period, the author may further explain the bill to the agency and request that the agency rewrite its fiscal estimate. If the agency agrees to rewrite it, and the author agrees to the delay in publication, the rewritten *original* estimate is the only one published. (Both the initial *original* estimate and the rewritten *original* estimate are placed in the drafting file maintained by the LRB.) If a new *original* fiscal estimate is being prepared, immediately notify Linda Nelson at DOA (phone: 266-3330) or (linda.nelson@wisconsin.gov) and the LRB (Attn: Mike Barman), (phone: 266-3561) or (lrb.legal@legis.wisconsin.gov). Failure to notify the LRB will result in both the initial and the rewritten fiscal estimates being published.

Note: When a committee introduces a bill, the committee chair is considered the primary author. (Exception: The director of the Joint Legislative Council reviews any fiscal estimates introduced by Joint Statutory Committee - Joint Legislative Council.)

BILLS MODIFIED BY AMENDMENTS.

Joint Rule 48 (2). The bill's primary author may electronically submit to the LRB (Attn: Mike Barman), (phone: 266-3561) or (lrb.legal@legis.wisconsin.gov) a request for assigned agencies to also prepare an *original* fiscal estimate for the bill as affected by an introduced or un-introduced simple amendment or substitute amendment. In turn the LRB will then submit the new request to DOA for assignment and will include an electronic copy of the simple amendment or substitute amendment. The request must be submitted to the LRB prior to the *original* fiscal estimate's publication. If the *original* fiscal estimate has already been published the author can opt to have a *supplemental* fiscal estimate prepared (see below).

See the Assembly and the Senate Rules for additional fiscal estimate options.

SUPPLEMENTAL FISCAL ESTIMATES.

Legislative Joint Rules 41 (3) (a), (b), (c), and (f), 46 (4), and 48 (3) provide for the preparation and publication of *supplemental* fiscal estimates.

(1) Joint Rule 48 (3). The primary author of an introduced bill may request the Legislative Fiscal Bureau (LFB) or DOA to prepare a *supplemental* fiscal estimate on a bill if the primary author disagrees with an estimate a state agency prepared.

(2) Joint Rule 41 (3) (c). DOA may submit a *supplemental* estimate on its own initiative when the department disagrees with an *original* fiscal estimate.

(3) Joint Rule 41 (3) (b). By request of the primary author of an introduced bill, the presiding officer of either house of the Legislature may request (through DOA) that a state agency prepare a *supplemental* fiscal estimate on a bill or on a bill as affected by a proposed simple amendment or substitute amendment. DOA will notify the LRB of the request.

(4) Joint Rule 41 (3) (a). The Joint Committee on Finance, by a majority of its members or by either co-chairperson, may request from a state agency (through DOA) or from LFB a *supplemental* fiscal estimate on a bill or on a bill as affected by a proposed simple amendment or substitute amendment, if the committee or co-chairperson believes that the estimate on the bill or the modified bill would be substantially different from the estimate on the original bill.

CONSOLIDATED FISCAL ESTIMATES.

Legislative Joint Rule 41 (3) (d) permits DOA to prepare a *consolidated* estimate summarizing all *original* fiscal estimates prepared by state agencies relating to a bill.

UPDATED FISCAL ESTIMATES.

Legislative Joint Rule 41 (3) (e) permits any state agency to submit an *updated* estimate, supplementing its *original* estimate, when the agency has available better or more current information.

CORRECTED FISCAL ESTIMATES.

Under Legislative Joint Rule 46 (5), DOA or the state agency that originally prepared the fiscal estimate may prepare a *corrected* fiscal estimate to correct any computational or other clerical error but may not make a substantive change.

Any *supplemental, consolidated, updated, or corrected* fiscal estimate submitted is reproduced and distributed to supplement the *original* fiscal estimate released for the bill.

REVIEW PERIODS:

Original fiscal estimates	five-day review period
Supplemental fiscal estimates	no review period (immediate release)
Consolidated fiscal estimates	five-day review period
Updated fiscal estimates	five-day review period
Corrected fiscal estimates	no review period (immediate release*)

* Release of the *original* fiscal estimate prepared by an agency on a specific bill should precede the release of any “*corrected*” fiscal estimates submitted by that agency.

PREPARING A FISCAL ESTIMATE

CONFIDENTIALITY.

A preparer may not, under any circumstances, disclose the content of an un-introduced bill draft. You can quickly distinguish an un-introduced bill draft from an introduced bill. The introduced bill is identified with a bill number such as “2011 ASSEMBLY BILL 44.” or “2011 SENATE BILL 321.” In the case of un-introduced bill drafts, this field contains no bill number and simply reads “2011 BILL.” Bill drafts are identifiable by their LRB number, which appears in the upper right-hand corner on every page of the bill.

It looks like this: **LRB-2836/2**

JTK:cjs:jf

In the example above, the “-” indicates that the draft is a bill. Other types of drafts include substitute amendments (“s”), and simple amendments (“a”). “2836” is the LRB number. The number following the slash indicates the draft’s version. The second line contains initials of LRB staff who worked on the bill draft.

The LRB is not permitted to tell you the name of the requester of an un-introduced bill unless instructed to do so by the requester. A bill draft is a preliminary working document developed by the LRB attorney to express in writing the requester’s ideas. Depending on what additional information becomes available to the requester — such as accurate fiscal information — the bill draft may be extensively changed before it is introduced or not introduced. If you have a question concerning the interpretation of the bill draft or need to relay information to the requester, contact the LRB attorney who drafted the bill.

Thus, do not circulate a bill draft and do not discuss the bill draft's content with any person other than those persons who have to help you complete the fiscal information. The Legislative Reference Bureau, as the bill-drafting agency, is not permitted to discuss publicly any bill draft until the bill draft has been introduced in the Legislature. As the agency assigned the responsibility of preparing the fiscal information, you should observe the same confidentiality. If you have a question concerning the interpretation of the bill draft or need to relay information to the requester, you may contact the LRB attorney who drafted the bill. The fiscal estimate should reflect your independent interpretation of what will be required of your agency if the bill as drafted becomes law. The fiscal estimate should not be influenced by the intentions or desires expressed within or aside from the draft.

BILL DEFICIENCIES OR WORKABILITY CONCERNS.

If the draft contains a mechanical flaw or appears unworkable, point this out and make suggestions in a technical memo and not in the fiscal estimate. See Section IV for further information about technical memos.

RETAINING INFORMATION.

Keep all information you obtained in preparing the fiscal estimate. Similar bills may come to you during the session and the information may help you prepare the new fiscal estimate.

OBJECTIVITY.

A fiscal estimate should accurately, factually, and objectively set forth the total fiscal impact estimated to occur if the bill becomes law. It should neither endorse nor oppose the bill, nor concern itself with the bill's merits as a matter of public policy. The fiscal estimate should give no hint as to the attitude that you or your agency may have regarding the substance of the bill. If the bill has technical defects or if you wish to convey other information to the requester or to the legislative attorney, provide a technical memo separate from the fiscal estimate (see Part IV), or have your agency representative explain at the public hearing what you consider to be the technical defects or your suggested improvements. (If you choose the latter course, do not tell that representative about the bill until after it is introduced or is noticed for a committee hearing.)

SPECIFICITY.

Imprecise terms, such as "little fiscal effect" or "minimal fiscal effect," are not useful. For a multimillion-dollar program, a \$100,000 cost impact may be viewed as minimal. To the legislator who is thinking of minimal as being a cost of less than \$5,000, however, \$100,000 is not a minimal cost. Therefore, provide the specific fiscal effect anticipated. Some added responsibilities and activities may be able to be absorbed by an agency within its existing appropriation levels. If so, note that possibility in the assumptions section of the estimate. The fiscal estimate should nonetheless identify the estimated cost. An increased cost that can be absorbed should be so identified, because that situation is clearly different from the situation where no cost is anticipated.

Remember that other bills may be considered during the session for which your agency may also be expected to absorb the cost. Although your agency may be able to absorb some or all of the costs associated with one bill, your agency may not be able to absorb the costs associated with several bills. Therefore, if you indicate that costs can be absorbed, you may want to state that this assumes several bills requiring absorption do not pass.

If you conclude that your agency will need additional staff to perform the activities required by a bill, include in the fiscal estimate narrative a statement concerning the bill's impact on the agency's staffing. Position control is a major facet of the legislative budget process and information on the number and type of additional staff members that may be required, as well as the cost, should be readily available to the Legislature.

Any changes in the procedures or operations of state government may have a fiscal effect. The fiscal effect may be undetectable or the agency may be required to absorb the added workload within its existing resources. Nevertheless, avoid providing the following type of vague fiscal estimate: "This bill would have little fiscal effect. Any

costs involved in the administration of the bill would be absorbed in existing appropriations of the department.”

OTHER SOURCES OF LEGISLATIVE INFORMATION.

When preparing a fiscal estimate, remember that the Legislature also collects information about a bill from other sources. The fiscal estimate should put a price tag on legislation; it should not explain what the law is now or what it will be if the proposal is adopted. That information is in the analysis by the LRB, which is printed on every bill. Legislative staff will advise the members on the policy implications of each bill and available alternatives.

Finally, nearly every bill introduced in the Legislature receives a public hearing before a standing committee. At that time, interested persons can argue for or against the bill. Agency representatives frequently appear at public hearings to offer suggestions on how the bill could be improved or to show how the bill conflicts with existing policies, programs, or laws.

EFFECT ON AGENCY BUDGET.

If, in your agency’s best judgment, the proposal as drafted will increase or decrease costs or revenues, those amounts should be indicated in the fiscal estimate. If the proposal as drafted will not increase or decrease costs, that should also be indicated. The estimate should present the best dollar estimate, regardless of whether additional appropriations are provided or new revenues raised, or whether appropriations could be reduced or money lapsed or less revenue collected.

If a bill contains an appropriation, the agency should do two things: (1) Estimate the operational level that the agency feels can be performed with the amount appropriated. (2) Estimate the cost necessary to achieve the operational level expected by the agency.

Don’t be misled by appropriation amounts. Appropriations may be based on a fiscal estimate prepared several sessions ago and may bear no relation to current salary ranges. Or the amount may be a guess on the part of the requester or it may represent the amount the requester believes should be appropriated. Consequently, specify the assumptions used to arrive at the cost, especially in local fiscal estimates because of the frequent lack of data.

You should also recognize that, despite your estimate, the Legislature may decide to appropriate no more than the amount indicated or to provide no additional funds. Most agencies have some flexibility and can modify priorities or work schedules to accomplish other activities in addition to their current activities, although the level of current activities may have to be modified.

APPROPRIATION ZEROS.

If a bill lacks an appropriation, specify the effect of the proposed change on existing staff efforts. Indicate what operational level could be accomplished with existing resources. In some cases, the agency may be able to carry out the new activity without additional staff but in others only a minimal effort may be possible with existing staff. An agency

must specify in the assumptions section of the fiscal estimate the basis on which the estimate was made.

If your agency determines that program implementation will require additional funding, you should mention in a technical memo separate from the estimate that the zero needs to be replaced by the correct dollar amount if the Legislature intends that the program be funded. This approach might save you some difficulties later.

COST MITIGATION THROUGH CONTRACTUAL SERVICE.

Section 13.093 (2) (a) of the Wisconsin Statutes requires a fiscal estimate to indicate whether any increased costs incurred by the state as a result of the bill can be mitigated by using contractual services that are procured using a competitive bidding process. In other words, the fiscal estimate must indicate, generally, whether the proposal's fiscal impact may be lessened by having services performed under a contract with private parties rather than by state employees.

LIMITED FISCAL IMPACT; EFFECT ON HANDLING OF BILLS.

Under section 16.47 (2) of the Wisconsin Statutes, if the fiscal estimate indicates that a bill's annualized state fiscal impact is no more than \$10,000, the bill can be passed by the Legislature before the biennial budget bill without special authorization. If the fiscal estimate indicates that a bill's annualized state impact is more than \$10,000, either the Governor or the Joint Committee on Finance may recommend the bill, regardless of amount, for passage before the passage of the biennial budget bill. If the biennial state fiscal impact is no more than \$100,000, the Committee on Organization in either house may recommend the bill for enactment before passage of the biennial budget bill. This provision demonstrates the need for accuracy in fiscal estimate preparation.

LACK OF SPENDING AUTHORITY.

Difficulties have arisen in the past from supplementary appropriations designated to the wrong appropriations paragraph in Chapter 20 of the Wisconsin Statutes, even though the bill made an appropriation to the right agency. Therefore, if a bill provides an appropriation, be sure that it correctly provides your agency with the spending authority needed to administer the program. If you detect an error, attach a technical memo to the fiscal estimate so that the information can be sent to the LRB and, through it, to the requester.

Some bills have been introduced and marked "fiscal estimate required" that did not contain an appropriation or provide for supplementation of an existing appropriation, even though the bills involved significant costs. In many instances, the requester intended that the agency to which the program would be assigned should absorb the costs out of its existing appropriations. This assumption may be realistic, but even if it is unrealistic, the decision is to be made by the requester and ultimately by the Legislature. In such instances, end the fiscal estimate with: "The bill makes no provision for the funding of the costs involved in ...". Again, you can use a technical memo to call the omission of new funding to the attention of the LRB, but the omission may be the intent of the requester. The LRB will forward to the requester a copy of the technical memo with the fiscal estimate and the following form letter:

We received the attached technical memorandum relating to your bill. This copy is for your information and your file. If you wish to discuss this memorandum or the necessity of revising your bill or preparing an amendment, please contact me.

EXPLAIN ESTIMATING METHODS.

Write your estimate so that the members of the Legislature can see the assumptions made and the methods you used to arrive at the total cost or savings shown. That way, if an amendment changes one of the parts of the bill, the information given in your estimate might allow a legislature to ascertain the fiscal effects of the bill as amended. If the estimated dollar cost or anticipated revenue yield of the bill is arrived at by estimating unit amounts, indicate the units and the unit costs used.

If, after careful evaluation, you cannot give a specific estimate, provide a dollar range estimate. For instance state that the “cost might vary from \$5 million to \$20 million depending on variables that cannot be fully ascertained” instead of stating that “no reliable estimate can be given”.

SOURCE OF FUNDS.

Be specific regarding where the money comes from. Most funding will be from general purpose revenues (GPR) but it may come from other sources, such as program revenues, federal moneys, or from a segregated fund.

Do not assume that program revenue collected will equal the cost of administering a program. Some agencies have incorrectly assumed that a bill has no fiscal effect if, for example, it imposes a license fee and appropriates all moneys received to administer the license. The preparer should estimate both the revenue and cost of administration.

LOCAL FISCAL EFFECT.

Local fiscal estimates are usually prepared by the state agency with relevant responsibilities, not only because that agency is most likely to have pertinent data, but also because it might know a local official who could provide the required information. Because local information is often incomplete, local fiscal estimates rely heavily on generalizations and approximations, so state your assumptions explicitly.

FISCAL ESTIMATES FOR BILLS WITH NO FISCAL EFFECT.

Bills with no fiscal effect require a fiscal estimate narrative but not a fiscal estimate worksheet.

PREPARING FISCAL ESTIMATE FORMS

FISCAL ESTIMATE IDENTIFICATION.

The fiscal estimate system automatically enters the LRB draft number and, if applicable, the introduction number for each draft or bill on each fiscal estimate form and worksheet. The system also automatically marks assignments as either *original* or *supplemental* when the assignment is initiated by the LRB and the State Budget Office. Agencies may initiate *corrected* and *updated* fiscal estimates and mark them as such as they are created.

The DOA Fiscal Estimate Coordinator enters the description of the draft or bill on the form and worksheet according to the description written by the LRB drafting attorney. For instance, 1979 Assembly Bill 34 has the following title:

AN ACT to amend 118.14 (1) and 121.004 (5) (c); and to create 118.14 (3) of the statutes, relating to: allowing a school district, subject to the state superintendent's approval, to operate a kindergarten for 4-year-olds.

The Fiscal Estimate Coordinator also enters a short description in the "subject" area of the form and worksheet according to the language included in the description, such as "kindergarten for 4-year-olds."

The fiscal estimate system automatically inserts the date on which the estimate was completed, the agency name, and the names and phone numbers of the persons who prepared and approved the estimate. Legislative Joint Rule 42 eliminates the requirement that each fiscal estimate be signed by a responsible official of the agency preparing the fiscal estimate.

FISCAL ESTIMATE NARRATIVE.

(1) **FISCAL EFFECT.** Complete the check boxes included on the form. They aid legislators, especially committee chairpersons and presiding officers in quickly determining the nature of the fiscal effect. This information determines how a bill is handled, including whether it should be referred to the Joint Committee on Finance or whether it requires the attachment of an emergency clause. As many boxes should be checked as are appropriate, but check at least one box in both the state fiscal effect and local fiscal effect areas on every fiscal estimate proposal. Note that the check boxes relating to types of local governmental units affected include separate boxes for school districts and for technical college districts.

(2) **ASSUMPTIONS USED IN ARRIVING AT FISCAL ESTIMATE.** The fiscal estimate form should not restate the fiscal estimate in written narrative form. Rather, it should summarize briefly the principal assumptions or criteria used to calculate the estimated fiscal impact of the bill. This section should be completed as follows:

(a) A short (generally one line) introductory statement that identifies the nature of the costs in terms of the statutory provisions of the bill. For example:

(1) 1983 AB-508: “This bill (would) require school boards to include transportation in their plan of providing safeguards for students residing in hazardous areas.”

(2) 1983 AB-519: “This bill would require that (all) disability insurance policies (in the state) be written to include coverage for home care and for transportation services.”

(b) The assumptions section should then identify the significant assumed new or changed conditions that would occur if the particular legislative proposal were to become law and that are estimated to result in increased or decreased costs. This narrative should explain and flow logically and should not merely list random statistical items or comments. As an example of the latter, the following assumptions section was included in the fiscal estimate to 1977 AB-808, which permitted studded tires on vehicles used for rural newspaper delivery:

(1) There are 37 daily and 236 other newspapers published in Wisconsin.

(2) In addition, there are an unknown number of shopper type advertising papers in the state which might qualify as newspapers under s. 985.03 (1) (c) and so might have vehicles that would qualify for studded tires under this proposal.

(3) (a) Seven daily newspapers were contacted. They included the two metropolitan news companies and a sampling of the 35 remaining.

(b) The best information available is that about 50 of the 236 non-daily newspapers have or soon will have delivery systems. In addition, some of the local newspapers also publish an “advertising” paper.

(c) All vehicles eligible for studded tires under this bill are expected to do so. This would be:

<u>Rural Route Delivery</u>	<u>Vehicles</u>
Daily Newspapers	850
Other Newspapers	<u>150</u>
	1,000

(4) Advertising papers cover 1,100,000 households in Wisconsin. Some receive more than one of these papers. It is estimated about 30-40% of the total are rural and one rural route will average 500 stops. Therefore, there is a potential that 660 to 880 vehicles are needed for this purpose. At least some of these advertising publications are not now considered newspapers for sales tax purposes, and it would be

difficult to classify them as newspapers under s. 985.03 (1) (c). Therefore, they have not been included in the fiscal impact computations. They are mentioned because there are some cases under litigation that might change this premise.

(5) From previous studies, damages to roads from studded tires is estimated to be \$10 per year per tire. While this will vary depending on the number of studded tires using a given road, the figure still seems valid. Most of the travel will be on local roads.

(6) It is assumed only vehicles used primarily for rural delivery to individual households would be included. Trucks and other vehicles delivering bundles of papers to route carriers would not be included.

Although the assumptions provided in this example were generally relevant, more information may have been provided than was necessary, and in a manner that could have been improved in terms of narrative style. The following shorter, more coherent narrative might have been more understandable:

This proposal would add vehicles used for rural newspaper delivery to those vehicles that are exempted from the prohibition on the use of studded snow tires. This fiscal estimate assumes that all vehicles that, under this proposal, would be eligible to be equipped with studded tires would be so equipped and that the estimated increased wear and tear to roads caused by studded tires will be remedied from within the overall existing level of state or local appropriations for highway maintenance. The assumption is made that only vehicles directly involved in the delivery of rural newspapers would be affected by this exemption. It is also assumed that the shopper type of advertising newspapers would not be included under the definition of rural newspapers. It is estimated, based on a sampling of newspapers, that initially there would be about 850 vehicles involved in the rural delivery of daily newspapers and another 150 vehicles involved in the rural delivery of non-daily (basically weekly) newspapers or a total of 1,000 vehicles. Previous studies suggest that the estimated damage to roads from studded tires is approximately \$10 annually per studded tire (normally two per vehicle). The total additional wear and tear cost from the expanded use of studded tires is assumed to be distributed 25% on state trunk highways and 75% on local roads.

The assumptions section does not show the detailed calculations used to arrive at the \$20,000 fiscal effect shown in the estimate but does provide in a concise manner the necessary assumptions and data used to arrive at the estimate.

(3) LONG-RANGE FISCAL IMPLICATIONS. In most cases, especially under the full annualized cost concept (under which the estimated total ongoing cost of the proposal is shown rather than the cost in the next fiscal year), you will have nothing to enter in the long-range fiscal implications section. Do not use this section to indicate that items such

as inflationary costs or costs of future employee pay increases will result in increases in total costs.

Use this section for situations in which a newly initiated or changed program will result in substantially increased costs that will not occur until several years in the future. For example, if a law were passed this year to require two additional years of high school for all students, the initial cost might be only the increased number of teachers required. However, long-range costs would include constructing school buildings, and enrollments in the technical colleges and universities might be reduced for a two-year period.

Another example is a bill affecting a program with a clientele or caseload that is continually changing. A proposal affecting AFDC payments might have a \$2 million cost today, but a \$3 million cost in two years, based on expected caseload increases. Because a single dollar estimate is requested, the current figure should be selected, and the estimated annual increase or decrease based on caseload changes should be referenced in the long-range fiscal implications section.

FISCAL ESTIMATE WORKSHEET.

If the bill has a fiscal effect, it requires a fiscal estimate worksheet in addition to the narrative. If the bill does not have a fiscal effect, the worksheet is not required. The following points discuss the worksheet portion of the fiscal estimate:

(1) **ANNUALIZED FISCAL IMPACT.** The dollar amounts that are to be shown in the fiscal estimate are based on the concept of “full annualized cost” to provide, to the extent possible, a consistent measurement of the fiscal impact of various legislative proposals.

The full annualized cost should show the annual fiscal impact that your agency estimates will result from the proposal once the required changes are made and the proposed program is fully implemented. Thus, for example, a legislative proposal that is not introduced until late in the session, which would require nine months to draft rules and hire staff, and another six months to get the program fully operational, might be identified as having little or no fiscal effect in the current fiscal biennium. However, some twelve to eighteen months after passage, the estimated ongoing annual cost of that proposal might be substantial. This latter cost estimate, the estimated full annualized cost, should be shown.

Although the annualized cost approach generally results in more consistent and useful fiscal estimates, it can create difficulties for some proposals. Take, for example, an increase in the tuition grant program, to be phased in over four years (seniors, juniors, sophomores, and then freshmen). How should the full annualized cost be stated?

The cost shown should be the cost when the increase is totally phased in (for example in the fourth year) and based on the agency’s best available estimate of the eligible number of students and grants. The agency should make its best estimate of the total cost at the point of full implementation rather than providing only a range or no estimate. The agency should then also note in the long-range fiscal implications of the fiscal estimate narrative form that likely increases, for example, in student enrollments in the next ten years could result in a 5 percent annual increase in program costs. The agency should also note in the assumptions section the cost estimates for the three years leading up to the year of full implementation.

(2) COSTS AND REVENUES - INCREASES AND DECREASES. Section II of the fiscal estimate worksheet has two columns for showing the estimated annualized cost of the proposed legislation. One column is headed "Increased Costs," under which all increases in expenditures projected as a result of the proposal should be listed and shown as positive numbers. The second column is headed "Decreased Costs," under which all reductions in expenditures projected as a result of the proposal should be listed and shown as negative numbers.

Section III of the fiscal estimate worksheet also has two columns. In this case, the two columns are for showing the estimated annualized revenue effect of the proposed legislation. The column headed "Increased Revenues" is the column where any increases in revenues anticipated as a result of the proposed legislation should be listed and shown as positive numbers. The column headed "Decreased Revenues" is the column where any reductions in existing revenues projected to occur as a result of the bill should be listed and shown as negative numbers.

For Section II and Section III, the totals columns should be the total of the discrete entries in those sections.

(3) NET ANNUALIZED FISCAL EFFECT. Two columns are shown, one for the net annualized fiscal impact on state government and one for the net annualized fiscal impact on local governments. To eliminate confusion over the contrasting fiscal effects of increased revenues versus increased costs, or decreased revenues versus decreased costs, fiscal estimate preparers should simply add the increased and decreased costs and revenues and indicate the results on the appropriate line, using a negative sign to indicate the net sum.

TECHNICAL MEMOS

DEFICIENCIES IN THE BILL DRAFT.

Use a technical memo to call ambiguities or mechanical deficiencies to the attention of the LRB drafting attorney. The LRB will also forward the memo to the requester (or the primary author if the bill has been introduced).

Recommended changes and explanatory information give requesters the opportunity to modify the bill before introduction or early in the legislative process when the bill is most subject to change. Legislation that an agency would be required to administer should be made workable at this early stage, even if the agency is opposed to policy aspects of the legislation. Often this is the Legislature's primary opportunity to consider the agency's concerns.

OBJECTIVITY.

In the technical memo, just as in the fiscal estimate, do not take a position on the policy issue and confine your comments to an objective statement of the facts. Also, be sure to keep technical remarks out of the fiscal estimate, as it will be printed as an appendix to the bill.

When preparing a technical memo, always include: 1) the preparer's name and telephone number, 2) the LRB number, and 3) the introduction number if the bill draft has been introduced (e.g. AB-635). Technical memos can be completed outside of the fiscal estimate system and added to the estimate assignment as an attachment to the system.

EXAMPLES.

The following examples of technical memos illustrate the types of objections raised. Each of the following technical notes provided the impetus for the preparation and introduction of a substitute amendment clarifying the bill.

1977 AB-119: A panel is a list of physicians, chiropractors, or podiatrists supplied by the employer. When an employee has the right to select any physician, chiropractor, or podiatrist there is no panel. It is suggested that in the amendment to s. 102.42 (4), Page 2, Line 15, the words "panel member" be deleted and the word "practitioner" be substituted. Likewise on Page 2, Line 21, it is suggested that the word "panel" be deleted.

Under the present statute the employee has the absolute right to make a second choice of doctors for treatment. Under the proposed amendment, the employee would not. It is not known if it was the intention to restrict that right.

1977 AB-145: There are three areas that would cause difficulties:

(1) As written the X-POW designation could be used on any vehicle. This would be in conflict with those vehicles registered by weight. This could be corrected by adding the words "to register an

automobile” after “application” and before “by” in line 7 of the proposal.

(2) The lettering X-POW contains five spaces if used in full 3 1/16 inch letters. This would allow for only nine plates, numbers one to nine, unless the letters are reduced in size and “stacked” so they would be in a vertical position. If this option is not acceptable some other designation should be substituted.

(3) It is assumed those wanting this type of registration plate are former members of the U.S. Armed Services. As this proposal is written any person, from any country, who was held as prisoner of war by any other country would be eligible for the registration plates specified in the proposal.

The following information was useful:

1977 SB-138: 1. It would be helpful if the term “household” were defined.

2. If the tax liability is greater than zero, but less than \$25, is it the intent to rebate \$25 or the amount of the liability?

3. It would be impossible to meet the May 1, 1977, date for some 1976 returns either because they will not be processed by that time or because they will not have yet been filed. Thus, some rebates, if they are to be paid at all, would not be paid by the May 1 deadline.

4. Is it the intent to limit the rebate to Wisconsin residents? Part year?

5. If the rebate were considered to be a refund of state income taxes, it would be subject to state and federal income taxation for the 1977 return, especially if the taxpayer used the itemized deductions as opposed to the standard deduction.

To the extent that nonresidents and households with tax liability of less than \$25 are not entitled to rebates, the \$38 million estimate would have to be reduced.

FISCAL ESTIMATE DIRECTIVES: STATUTE LAW

13.093 Reference of bills to joint committee on finance.

(2) (a) Any bill making an appropriation, any bill increasing or decreasing existing appropriations or state or general local government fiscal liability or revenues, and any bill that modifies an existing surcharge or creates a new surcharge that is imposed under ch. 814, shall, before any vote is taken thereon by either house of the legislature if the bill is not referred to a standing committee, or before any public hearing is held before any standing committee or, if no public hearing is held, before any vote is taken by the committee, incorporate a reliable estimate of the anticipated change in appropriation authority or state or general local government fiscal liability or revenues under the bill, including to the extent possible a projection of such changes in future biennia. The estimate shall also indicate whether any increased costs incurred by the state under the bill can be mitigated through the use of contractual service contracts let in accordance with competitive procedures. For purposes of this paragraph, a bill increasing or decreasing the liability or revenues of the unemployment reserve fund is considered to increase or decrease state fiscal liability or revenues. Except as otherwise provided by joint rules of the legislature or this paragraph, such estimates shall be made by the department or agency administering the appropriation or fund or collecting the revenue. The legislative council staff shall prepare the fiscal estimate with respect to the provisions of any bill referred to the joint survey committee on retirement systems which create or modify any system for, or make any provision for, the retirement of or payment of pensions to public officers or employees. The director of state courts shall prepare the fiscal estimate with respect to the provisions of any bill that modifies an existing surcharge or creates a new surcharge that is imposed under ch. 814. When a fiscal estimate is prepared after the bill has been introduced, it shall be printed and distributed as are amendments.

(b) Executive budget bills introduced under s.16.47 (1) are exempt from the fiscal estimate requirement under par. (a) but shall, if they contain a provision affecting a public retirement fund or providing a tax exemption, be analyzed as to those provisions by the respective joint survey committee. If such a bill contains a provision providing a tax exemption, the bill shall be simultaneously referred to the joint survey committee on tax exemptions and the joint committee on finance. The report of the joint survey committee on tax exemptions shall be prepared within 60 days of introduction for bills introduced under s. 16.47 (1).

(c) A bill containing penalty provisions is exempt from the fiscal estimate requirement under par. (a) if the bill contains no other provisions requiring a fiscal estimate under par. (a).

36.45 (2) When the board prepares a fiscal estimate under s. 13.093

(2) (a) with respect to the provisions of any bill that involves the appropriation of general purpose revenue to the board for a research or public service project, the board shall specify in its fiscal estimate the anticipated completion date of the project.

111.92 (1) (a) Any tentative agreement reached between the department, acting for the state, and any labor organization representing a collective bargaining unit specified in s. 111.825 (1) or (2) shall, after official ratification by the labor organization, be submitted by the department to the joint committee on employment relations, which shall hold a public hearing before its approval or disapproval. If the committee approves the tentative agreement, it shall introduce in a bill or companion bills, to be put on the calendar or referred to the appropriate scheduling committee of each house, that portion of the tentative agreement which requires legislative action for implementation, such as salary and wage adjustments, changes in fringe benefits, and any proposed amendments, deletions, or additions to existing law. Such bill or companion bills are not subject to ss. 13.093 (1), 13.50 (6) (a) and (b) and 16.47 (2). The committee may, however, submit suitable portions of the tentative agreement to appropriate legislative committees for advisory recommendations on the proposed terms. The committee shall accompany the introduction of such proposed legislation with a message that informs the legislature of the committee's concurrence with the matters under consideration and which recommends the passage of such legislation without change. If the joint committee on employment relations does not approve the tentative agreement, it shall be returned to the parties for renegotiation. If the legislature does not adopt without change that portion of the tentative agreement introduced by the joint committee on employment relations, the tentative agreement shall be returned to the parties for renegotiation.

230.12 (1) (bf) *Legislative action.* Provisions of the compensation plan that the joint committee on employment relations approves which require legislative action for implementation, such as changes in fringe benefits and any proposed amendments, deletions or additions to existing law, shall be introduced by the committee in a bill or companion bills, to be put on the calendar. The bill or companion bills are not subject to ss. 13.093 (1), 13.50 (6) (a) and (b) and 16.47 (2). The committee may, however, submit suitable portions of the bill or companion bills to appropriate legislative committees for advisory recommendations on the proposed changes. The committee shall accompany the introduction of such proposed legislation with a message that informs the legislature of the committee's concurrence with the matters under consideration and which recommends the passage of such legislation without change. It is the intent of the legislature to make this process consistent with that set forth under s. 111.92.

234.93 (3m) EXTENSION OF LOAN GUARANTEE PROGRAM. When the authority prepares a fiscal estimate under s. 13.093 (2) (a) with respect to any bill that extends a program that is guaranteed by funds from the Wisconsin development reserve fund, the authority shall

include in its fiscal estimate a projection for the next June 30, that compares the amounts required on that date to pay outstanding claims and to fund guarantees under all of the programs guaranteed by funds from the Wisconsin development reserve fund, and the balance remaining in the Wisconsin development reserve fund on that date after deducting such amounts, if the program is extended, with such amounts and the balance remaining if the program is not extended.

FISCAL ESTIMATE DIRECTIVES: JOINT RULES

The fiscal estimate procedure under the joint rules of the Legislature is set forth in Joint Rules 41-50.

JOINT RULE 41. When fiscal estimates required or permitted. (1) (a) All bills making an appropriation and any bill increasing or decreasing existing appropriations or state or general local government fiscal liability or revenues shall carry a fiscal estimate.

(b) An executive budget bill introduced under section 16.47 (1) of the statutes is exempt from the fiscal estimate requirement under par. (a) but may, if it contains a provision affecting a public retirement system or providing a tax exemption, be analyzed as to that provision by the appropriate joint survey committee.

(c) For purposes of par. (a), a bill increasing or decreasing the liability or revenues of the unemployment reserve fund is considered to increase or decrease state fiscal liability or revenues.

(2) (a) Fiscal estimates are required on original bills only and not on substitute amendments or amendments.

(b) A bill containing a penalty provision is exempt from the fiscal estimate requirement if the bill contains no other provisions requiring a fiscal estimate under sub. (1) (a).

(3) (a) The joint committee on finance by the approval of a majority of its members, or either co-chairperson of the committee, may transmit electronically a request for the Legislative Fiscal Bureau, or through the Department of Administration for an appropriate state agency, to prepare a *supplemental* fiscal estimate on any bill or on a bill as affected by any proposed amendment or proposed substitute amendment if the committee or co-chairperson believes that the fiscal estimate on the bill, or on the bill as affected by the proposed amendment, would be substantially different from the fiscal estimate on the original bill. A *supplemental* fiscal estimate prepared under this paragraph shall be transmitted electronically to the Legislative Reference Bureau for reproduction and insertion in the bill jacket envelope.

(b) Upon a request of a bill's primary author, transmitted electronically unless directed otherwise by the presiding officer, the presiding officer of either house may transmit electronically a request through the Department of Administration for an appropriate state agency to prepare a *supplemental* fiscal estimate on any bill, or on a bill as affected by any proposed amendment or proposed substitute amendment, if the presiding officer believes that the fiscal estimate on the bill, or on the bill as affected by the proposed amendment, would be substantially different from the fiscal estimate on the original bill. Unless otherwise determined by the house in which the bill may be placed on the calendar, failure to receive a *supplemental* fiscal estimate requested under this paragraph on a bill that already has one or more *original* fiscal estimates shall not delay consideration of the bill. A *supplemental* fiscal estimate prepared under this paragraph shall be transmitted electronically to the Legislative Reference Bureau for reproduction and insertion in the bill jacket envelope.

(c) The Department of Administration may transmit electronically a *supplemental* fiscal estimate to the Legislative Reference Bureau for reproduction and insertion in the bill

jacket envelope if the department disagrees with a fiscal estimate prepared by a state agency.

(d) In addition to the *original* estimates prepared by state agencies, the Department of Administration shall, if appropriate, transmit electronically to the Legislative Reference Bureau for review by the requester under joint rule 48 and for reproduction and insertion in the bill jacket envelope, a *consolidated* fiscal estimate summarizing all *original* fiscal estimates prepared by state agencies relating to a specific bill.

(e) Any state agency may transmit electronically to the Department of Administration for transmission electronically to the Legislative Reference Bureau for review by the primary author of an introduced bill under joint rule 48 and for reproduction and insertion in the bill jacket envelope an *updated* fiscal estimate supplementing the *original* estimate on any bill if the agency has available better or more current information.

(f) The Legislative Fiscal Bureau or the Department of Administration shall, if it receives an electronic request under joint rule 48 (3), prepare a *supplemental* fiscal estimate. If a *supplemental* fiscal estimate is requested electronically the fiscal bureau or the department shall transmit electronically the prepared *supplemental* fiscal estimate to the Legislative Reference Bureau for reproduction and insertion in the bill jacket envelope.

(g) A state agency shall transmit electronically any fiscal estimate requested electronically under joint rule 48 (2) to the Department of Administration for transmission electronically to the Legislative Reference Bureau for review by the primary author under joint rule 48 and for reproduction and insertion in the bill jacket envelope.

(h) Any state agency may rewrite its *original* fiscal estimate as provided under joint rule 48 (4).

(i) The Department of Administration may correct any fiscal estimate prepared by a state agency as provided under joint rule 46 (5).

JOINT RULE 42. General procedures. (1) (a) Fiscal estimates shall be prepared by all state agencies receiving the appropriation, collecting the revenue, administering the program or having information concerning the subject matter of the bill. Bills containing provisions for both appropriations and revenues or either appropriations or revenues for more than one state agency shall receive estimates from each such agency.

(b) In addition, the Department of Administration shall, when appropriate, prepare a *consolidated* fiscal estimate as required under joint rule 41(3) (d).

(c) For bills with a fiscal impact on general local government, the Department of Administration shall obtain the requisite information from all appropriate state agencies.

(2) The name of the state agency preparing the estimate, and the date, shall be reproduced at the end of the estimate. The estimate shall also include the name and telephone number of a responsible official of the agency.

(3) Each state agency shall prepare the fiscal estimate within five working days from the date on which it receives the bill, but the Department of Administration, on a limited basis only and upon an agency's request received before the end of the five-day period

and applicable to only one fiscal estimate, may extend the period for the specified fiscal estimate to not more than ten working days if the bill necessitates extended research. Whenever the extension is granted, the Department of Administration shall immediately notify the Legislative Reference Bureau.

(4) The state agencies are requested to use the bills, substitute amendments and amendments transmitted to them for official purposes only. In particular, no state agency may copy, or otherwise disseminate information regarding, any bill, substitute amendment or amendment submitted to it by "LRB" number, indicating that the bill, substitute amendment or amendment transmitted has not been offered or introduced in the legislature.

JOINT RULE 43. Reliable dollar estimate. The estimate shall be factual in nature, and shall provide as reliable a dollar estimate as possible. The fiscal estimate shall contain, a statement setting forth the assumptions used in arriving at the dollar estimate. Identification of technical or policy problems in the bill shall not be included in the estimate but should be transmitted electronically and separately in a technical memorandum.

JOINT RULE 44. Bill jackets to display "FE." (1) The jackets of all bills carrying a fiscal estimate shall have the initials "FE" displayed on them.

(2) (a) The preliminary determination of whether the bill requires a fiscal estimate shall be made by the Legislative Reference Bureau which except as otherwise provided in joint rule 54 (2m), shall indicate that a bill requires a fiscal estimate by displaying "FE" prominently on the jacket.

(b) No jacket on which the "FE" symbol has been defaced may be accepted for introduction unless the deletion of the "FE" symbol has been initialed by the chief or the director of legislative attorneys of the Legislative Reference Bureau.

JOINT RULE 45. Duties of Legislative Reference Bureau. (1) After a proposed bill has been drafted the Legislative Reference Bureau shall inform the requester that a fiscal estimate is required when it submits the draft to the requester. If authorized by the requester, the bureau shall promptly transmit electronically the proposed bill to the Department of Administration for preparation of a fiscal estimate. The requester may introduce the bill without the fiscal estimate, but when such a bill is introduced the Legislative Reference Bureau shall promptly transmit electronically a copy of the bill to the Department of Administration for preparation of a fiscal estimate. The Legislative Reference Bureau shall keep a record of the date on which each bill is thus transmitted electronically and its number.

(2) If the fiscal estimate is procured before the bill is introduced, the Legislative Reference Bureau shall transmit electronically a copy of the estimate to the requester. If the requester desires to introduce the bill, the reference bureau shall place the estimate and any worksheet at the end of the bill or in the jacket envelope, and prepare the bill for introduction. The fiscal estimate and any worksheet shall be reproduced at the end of the bill or as an appendix as are amendments. If the fiscal estimate is transmitted electronically to the Legislative Reference Bureau after the bill has been introduced the

Legislative Reference Bureau shall transmit electronically a copy of the estimate and any worksheet to the primary author of the introduced bill as provided under joint rule 48.

(3) The chief clerk shall enter in the history file for a bill the dates when a fiscal estimate on an original bill is published, when a fiscal estimate on any bill as amended or as amended by any proposed amendment or substitute amendment is published, when a *supplemental* fiscal estimate is published and when a memorandum under joint rule 47 is inserted in the bill jacket. If a fiscal estimate is requested after the bill is introduced, the chief clerk shall enter in the history file for the bill the dates when a fiscal estimate on an original bill is requested, when a fiscal estimate on any bill as amended or as amended by any proposed amendment or substitute amendment is requested, and when a *supplemental* fiscal estimate is requested.

JOINT RULE 46. Duties of Department of Administration and state agencies. (1) The Department of Administration shall promptly review each bill received, determine all of the agencies that shall prepare a fiscal estimate, and transmit electronically the fiscal estimate request to those agencies, keeping a record of the date of electronic transmission to and electronic receipt from the agencies and the number of the bill.

(2) The state agency shall prepare the estimate and any worksheet and such copies as are specified by the Department of Administration. It shall transmit electronically the estimate and any worksheet and the bill within five working days to the Department of Administration unless the Department of Administration, under joint rule 42 (3), extends the period for preparation of the estimate. The Department of Administration shall notify electronically the state agency of any bill not transmitted electronically to the Department of Administration within the deadline.

(3) The Department of Administration shall promptly transmit electronically all fiscal estimates and any worksheets to the Legislative Reference Bureau, retaining one copy of each estimate and worksheet.

(4) The Department of Administration shall, when requested under joint rule 48 (3), prepare a *supplemental* fiscal estimate, and shall transmit electronically the *supplemental* fiscal estimate to the Legislative Reference Bureau for reproduction and insertion in the bill jacket envelope.

(5) The Department of Administration may correct any computation or other clerical error in a fiscal estimate prepared by an agency but may not make any substantive change. If the department makes such a correction it shall note on the fiscal estimate prepared by the agency the manner in which it has been corrected by the department and shall transmit electronically both the *corrected* and uncorrected fiscal estimates to the Legislative Reference Bureau.

JOINT RULE 47. Duties of joint committee on finance. The joint committee on finance may by the vote of a majority of its members direct that any Legislative Fiscal Bureau memorandum on a bill referred to the committee, other than a budget bill, be inserted in the bill jacket envelope. If the committee so directs, an electronic copy of the memorandum shall be distributed to all legislators and to the Legislative Reference Bureau.

JOINT RULE 48. Review of agency prepared fiscal estimates. (1) On the sixth working day after the Legislative Reference Bureau transmits electronically a copy a copy of a fiscal estimate for an introduced bill to the primary author, the bureau shall transmit electronically a copy of the fiscal estimate and any worksheet to the Legislative Fiscal Bureau and to the chief clerk of the house of origin to be inserted in the bill jacket envelope and shall forthwith cause the estimate and any worksheet to be reproduced as are amendments.

(2) During the five-day period under sub. (1), the primary author of an introduced bill may transmit electronically a request that an *original* fiscal estimate for the bill as affected by a proposed amendment or a proposed substitute amendment, whether offered for introduction or not, be prepared by the agency that prepared the fiscal estimate for the bill.

(3) The primary author of an introduced bill may transmit electronically a request that the Legislative Fiscal Bureau or the Department of Administration prepare a *supplemental* fiscal estimate if the primary author disagrees with the fiscal estimate for the bill prepared by the state agency.

(4) During the five-day period under sub. (1), the primary author of an introduced bill may transmit electronically a request that the agency that prepared the fiscal estimate rewrite its fiscal estimate. If the agency agrees to rewrite the estimate and the primary author agrees to a delay in the publication of the fiscal estimate, the agency shall immediately electronically notify the Department of Administration and the Legislative Reference Bureau and the rewritten fiscal estimate, notwithstanding sub. (1), shall be the only *original* estimate reproduced and inserted in the bill jacket envelope, but both the rewritten and the initial fiscal estimate shall be retained by the Legislative Reference Bureau.

JOINT RULE 49. Bills not conforming. (1) Any member may at any time that a bill is before the house raise the issue that the bill requires a fiscal estimate, and if the presiding officer determines that the bill (not having the estimate) requires an estimate, the presiding officer shall direct the Legislative Reference Bureau to secure the requisite estimate.

(2) Bills requiring fiscal estimates shall not be voted on by either house, and shall receive neither a public hearing nor be voted on by a standing committee, before the receipt of the *original* fiscal estimate for the bill.

(3) If the fiscal estimate for the bill has not been provided to the members when the vote on passage is taken, the chief clerk shall read the fiscal estimate at length before the vote.

JOINT RULE 50. Waiver of requirement to transmit electronically. The president and

the speaker may jointly waive for a limited time any requirement under Joint Rules 41, 43, 45, 46, 47, and 48 for electronic transmission and permit, instead, transmission in paper form.

FISCAL ESTIMATE DIRECTIVES: ASSEMBLY RULES

Assembly Rule 99. Fiscal estimates. (1) The speaker or presiding officer may request from the legislative fiscal bureau an *original* fiscal estimate on a bill if the speaker or presiding officer believes that a fiscal estimate on the bill will not be completed by the state agency assigned to prepare the fiscal estimate before the bill receives a public hearing, is voted on by an assembly standing committee, or is considered by the assembly.

(2) An *original* fiscal estimate prepared under sub. (1) shall be submitted to the legislative reference bureau for review by the requester under joint assembly and for reproduction and insertion in the bill jacket envelope. The fiscal estimate, however, may not be reproduced or inserted if the fiscal estimate prepared by the state agency is available for reproduction and insertion before the fiscal estimate prepared under sub. (1).

(3) Unless otherwise determined by the assembly, failure to receive a fiscal estimate requested under sub. (1) on a bill that already has one or more *original* fiscal estimates does not delay consideration of the bill. Unless otherwise determined by the assembly, failure to receive a fiscal estimate requested other than under sub. (1) on a bill that already has one or more *original* fiscal estimates requested under sub. (1) does not delay consideration of the bill.

FISCAL ESTIMATE DIRECTIVES: SENATE RULES

SENATE RULE 96. Fiscal estimates. (1) The committee on senate organization may request from the legislative fiscal bureau an *original* fiscal estimate on any bill if the committee believes that a fiscal estimate on the bill will not be completed by the state agency assigned to prepare the fiscal estimate before the bill receives a public hearing, is voted on by a senate standing committee, or is considered by the senate.

(1m) The chairperson of any committee may request from the legislative fiscal bureau an *original* fiscal estimate on a bill if the fiscal estimate on the bill is not completed by the state agency assigned to the prepare the fiscal estimate before the 5th day after the deadline specified under joint rule 42 (3).

(2) An *original* fiscal estimate prepared under sub. (1) shall be submitted to the legislative reference bureau for review by the requester under joint rule 48 and for reproduction and insertion in the bill jacket envelope. The fiscal estimate, however, may not be reproduced or inserted if the fiscal estimate prepared by the state agency is available for reproduction and insertion before the fiscal estimate prepared under sub. (1).

(3) Unless otherwise determined by the senate, failure to receive a fiscal estimate requested under sub. (1) on a bill that already has one or more *original* fiscal estimates shall not delay consideration of the bill. Unless otherwise determined by the senate, failure to receive a fiscal estimate requested other than under sub. (1) on a bill that already has one or more *original* fiscal estimates requested under sub. (1) shall not delay consideration of the bill.

APPENDIX

Sample Fiscal Estimate Narratives

1. *Fiscal estimate to a bill increasing the costs of state government.* The bill would supply a free copy of the Wisconsin statutes to every public library in Wisconsin that has a circulating collection of 5,000 volumes or more:

Wisconsin has 311 libraries with circulating collections of 5,000 volumes or more. A set of the statutes costs \$90; in addition, the state incurs \$1.85 shipping costs. The next edition of the statutes will become available in January 1997. It is assumed that the number of libraries, the cost of the books, and the shipping charges will remain unchanged from the previous edition. Because the statutes are printed every two years, 50% of the total cost is the annualized fiscal effect.

2. *Fiscal estimate to a bill increasing the revenues of state government.* The bill would increase the price of a resident fishing license from \$3 to \$4:

The department issues about 700,000 resident fishing licenses each year. If the cost of the license is increased by \$1, revenues would increase \$700,000 annually, less any decline in the number of licenses sold caused by the increased price. The additional revenue would be credited to the Conservation Fund. The cost of administration would not be affected.

3. *Fiscal estimate to a bill increasing both the costs and the revenues of state government.* The bill would create a radio and television announcers examining board issuing annual licenses to the practitioners at \$10 each:

Wisconsin's 18 television and 165 radio stations, estimating an average of eight announcers per television station and three announcers per radio station, have an estimated total of 640 television and radio announcers.

Administrative costs would include actual and necessary expenses plus about ten per diems each (\$25) for the three members of the examining board, and the one-quarter - time services of a typist to be furnished by the Department of Regulation and Licensing.

4. *Fiscal estimate indicating the range of the estimated gain or loss.* The bill related to legislative fee remissions in the University of Wisconsin System.

This proposal repeals the authorization to each senator and each representative to designate one out-of-state student in the University of Wisconsin System for remission of his or her nonresident tuition.

The revenue impact of this bill would depend on its effect on enrollments. The impact is uncertain. If the students receiving the scholarships are dependent on the tuition remission for entrance to or continuation in the UW System, the repeal of this remission category would cause a loss of the revenue currently collected from academic

fees charged to all students. Additional program revenue could be generated under this proposal if the 132 nonresident students continue to enroll despite the added tuition charge.

The net effect of enrollment changes and increased charges would probably fall in a range from a \$465,500 fee revenue loss to a \$1,186,200 revenue gain, annually. The lower estimate assumes that about 100 students (75% of the legislative remissions) would discontinue or not enter a program in Wisconsin (100 students times \$4,655 average resident academic fee not paid). The high revenue estimate assumes 100 students would pay the nonresident fee (\$11,862 average).

Changes in tuition rates in subsequent years will increase the amounts of revenue lost or gained.

5. *Fiscal estimate showing good use of data from other state agencies, rather than just “estimating.”* The bill would create a builders examining board.

Based on statistics collected by the department, this bill would affect approximately 2,053 general contractors and 4,971 specialty contractors, or a total of 7,024 contractors.

It is estimated that, initially, it will take one attorney, one code development specialist, five regional field investigators, and two clerk-typists to monitor and enforce the law. Staff estimates are based on information supplied by the Department of Agriculture, Trade and Consumer Protection and the Department of Regulation and Licensing for enforcing similar programs.

The first phase would consist of developing a program and method to notify all general contractors and specialty contractors about the law, establishing the five-member Builders Examining Board, developing the necessary registration forms, and promulgating procedural rules to enforce the law.

The second phase would consist of program enforcement, registration of builders, and investigation and disciplinary action resulting from noncompliance.

It is estimated that out of 15,000 housing projects per fiscal year, 10%, or approximately 1,500, will result in a claims procedure and an investigation which may require the board to initiate proceedings to determine the validity of the claim and which may require further disciplinary action. It is estimated that board expenses for the first fiscal year will cost between \$700 and \$1,000 per board member, or a total of \$5,000.

No estimate is included by this department for the fiscal impact this bill might have on the Attorney General’s office.

6. *Fiscal estimate setting out detailed assumptions when the needed experience data is not available.* The bill provides scholarship aids and business and economic development grants and loans to minority group members. Detailed assumptions permit the Legislature to better determine the effects of proposed changes to the bill. In addition, the long-range estimate is important if the full-annualized effect does not show the entire fiscal effect of a bill.

This proposal creates a program of scholarship aids for minority group members to be administered by the State Superintendent.

Scholarship aids will be paid for post-high school education for minorities who live in an urban area of the state and whose income level is below \$2,000 plus \$600 for each dependent. Grants not to exceed \$1,500 per year are available under this proposal.

There were 69,621 minority students enrolled in the public schools in Wisconsin in 1994-95. There is, however, no data on the number of minority students from urban areas attending post-secondary educational institutions. An estimate may be arrived by assuming that 4,640 students (one-fifteenth of the total) will graduate this year, and that three-quarters or 3,480 of these students reside in urban areas. Assuming that one-third or 1,160 of the urban minority high school graduates will enter postsecondary education and that 50% of the 1,160 students will be eligible for a grant under this program because they have incomes of less than \$2,000, an estimated 580 minority students would be eligible.

Although the maximum grant is \$1,500, we are assuming that the average grant will equal \$1,200 in as much as the grant will be based on financial needs.

We also assume that it will be necessary to provide staff members to administer this program so we are including one educational services assistant, plus one Typist II.

LONG-RANGE FISCAL IMPLICATIONS: This proposal provides for grants to be continued for a five-year period. It is reasonable to assume that the annual scholarship grants will double in the second year, increasing to four times the annual cost in the fourth year.

7. *Fiscal estimate providing the available data from which the assumptions were made and setting out the assumptions used.* The bill required the Department of Natural Resources to conduct a hearing to determine compliance with state solid waste disposal standards before ordering a solid waste site to close or conduct tests.

The number of orders issued per year have ranged from 60 to 260 since 1973, but the current average orders issued per year is approximately 60. Of the current 60 orders issued per year, hearings are held on approximately 15.

It is estimated that AB-421 would increase the number of hearings per year to 60, or an increase of 45 hearings per year. The increased

workload would require an additional attorney, hydrogeologist, two natural resource specialists, a typist and their support costs. The increased personnel needs are based on the following assumptions that are based on actual experience:

A typical hearing is one and one-half days in duration. Actual range varies from one to five days. Approximately 20% of cases are now appealed after Department of Natural Resources hearing. Transcript preparation time is now about seven hours clerical for each recorded hour on tape. One full day hearing will have six to eight recorded hours.

See attached schedule for all associated work for requested personnel.

8. *Fiscal estimate setting out the estimate for each part of the bill and giving the facts behind each part of the estimate.* The bill makes various changes in the laws administered by the Department of Agriculture, Trade and Consumer Protection. Setting out the estimate for each part of the bill facilitates the consideration of the bill by the Legislature.

- (1) Abolishes council on locker plants. No fiscal effect - council has not met for several years, thus no expense in present base.
- (2) Eliminating the requirement to prepare lists of owners of bee colonies. No fiscal effect list has not been prepared, thus no expense in present base.
- (3) Eliminates state aid to county fairs to promote horse harness racing. No fiscal effect -aid has not previously been paid for this category, thus no expense in present base.
- (4) Changes various provisions dealing with vaccination and control of animal brucellosis and T.B. No fiscal effect.
- (5) Revising certain labeling requirements. No fiscal effect.
- (6) Changing duration of certain license categories from one year to two. Decreases expenditures on an annual basis by \$700 (\$400 postage, \$300 printing). License base is 6,000.
- (7) Extension of authority to hold products for further inspection. No fiscal effect.

9. *Fiscal estimate providing information requiring speculation.* The bill exempts solar energy home heating systems and electricity generating devices from the property tax. This fiscal estimate, on a subject that requires a fair amount of speculation, identifies the areas where the fiscal impact would occur and specifies the expected range of the impact. Similarly, the long-range estimate sets forth the expected trend in the future. While the Legislature does not encourage generalities in fiscal estimates when specific details are possible, this subject can be approached only on this basis. The approach used is far better than a statement that the estimate cannot be determined because the needed data is unavailable. However, the Legislature prefers that, whenever possible, after identifying the cost range, an agency should indicate its best guess within that range as to a specific

dollar range. (It could be the midpoint or the high or low estimate and so it should state in its assumptions.)

The short-run (1997-99 biennium) annual fiscal impact is arrived at as follows:

1. Loss of Tax Revenue. Based on reports of no more than 10,000 residential solar heating/cooling applications nationwide, nor more than 200 in Wisconsin, on an estimated cost of application of between \$6,000 and \$10,000, and on a possible tenfold increase in applications by 1997, the value of tax-exempt property involved, on a cost basis, could be about \$15 million. Under normal assessment practices based on market value of an entire real estate parcel, it is unlikely that the rise in property value would be as great as the costs of the solar devices, so that between \$8 million and \$12 million of potential tax base could be lost.

The short-run impact of exemptions for electricity generation devices such as windmills is not expected to be significant. This is because such devices are still largely experimental in nature and may not add to the market value of property on which they are sited.

Based on 1994 average local property tax rates, the annual local tax revenue shift would be between \$217,000 and \$326,000. The state would lose about \$2,000 in forestry tax revenue to the Conservation Fund.

2. Administrative Costs. The mechanism needed to provide Department of Revenue approval to local assessors for exemptions may be expected to impose administrative costs at the state level. Processing costs to the department could involve the equivalent of a one-fourth time position for an annualized cost of \$4,600 including salary and overhead. Workload on district revenue offices would increase but would not initially require increased staff.

There will also be implementation costs at the local level since sales data will be needed to value parcels using tax exempt solar energy or electricity generating devices as though these tax exempt devices were not present. These costs will add to the workload of all local assessment staffs, but initially, this workload could be absorbed by present levels of staff.

LONG-RANGE FISCAL IMPLICATIONS: Because the proposed exemptions are permanent rather than temporary, the long-range impacts of this proposal will be cumulatively greater and greater as the use of these energy conversion devices becomes more widespread. It is not possible at this time to estimate the long-run impact of this proposal, except to say that it could involve much larger annual losses of revenue.

10. *Fiscal estimate based on another state's actual experience.* The information is very useful in showing both the estimated initial and estimated future costs and revenues. The bill provides for the issuance of identification cards to those not having a driver's license.

(1) Estimated effective date - January 1, 1998.

(2) Minnesota has a law similar to this bill, except that persons over 65 do not have to renew and those under 65 have to renew every four years. Their experience has been:

1990	8,819	of which	3,000 are over 65
1991	15,734	of which	4,200 are over 65
1992	21,431	of which	5,000 are over 65
1993	27,653	of which	5,500 are over 65
1994	34,679	of which	7,500 are over 65

(3) Start-up costs would be \$6,200 for programming and computer time. Administrative costs would be \$.186 for data processing, \$.14 for other personnel costs per registration, and \$.15 for mailing the identification card, and another \$.15 when renewal notices are sent.

Conclusions: Based on Minnesota's experience, adjusted to a two-year renewal for registrants, results in the following estimated fiscal impact for Wisconsin:

Identification Cards	1				
	New	Renewal	Total	Revenues	Costs
1997-98	10,200		10,200	\$20,200	\$10,100
1998-99	18,300		18,300	36,600	8,700
1999-00	24,900	9,200	34,100	59,000	17,800
2000-01	32,100	16,500	48,600	80,700	25,900
2001-02	33,500	30,700	64,200	97,700	35,700

It is assumed some persons who would have obtained identification cards from Registers of Deeds would get the identification card authorized by this bill. The fiscal effect on local governments is not known, but is expected to be small.

LONG-RANGE FISCAL IMPLICATIONS: Minnesota has increased new issuances steadily since the identification card was adopted. This is expected to be repeated in Wisconsin.

11. *Fiscal estimate using another state's actual experience.* The bill relates to farmland and open space development rights agreements. The estimate shows both the possible maximum cost and the agency's best estimate of the cost and states the assumptions used in preparing the estimate. These types of fiscal information facilitate the Legislature's development of the bill.

Individual Income Tax: (100% State GPR Cost) Based on the Wisconsin Tax Model (a sample of 1994 returns), it is estimated that 100% participation by farmers in land development rights agreements would result in credit/refunds of approximately \$68.6 million in 1997-98. Based on the participation rate in Michigan, which has had a similar plan for several years, it is estimated that the credit/refund would be approximately \$0.9 million in 1997-98 (1.3% participation rate).

Based on the Michigan experience, it is anticipated that in the short term (for example, 1997-98 and 1998-99) the cost of the credit/refund would be about \$1.0 million annually. In five years or so, it is anticipated that (based on participation of other programs in other states that have been in effect for a number of years) the Wisconsin participation rate could easily achieve 20%, and 50% participation is well within the realm of possibilities. Based on the 1997-98 estimate for 100% participation, \$34.3 million annually, plus or minus the impact of changes in farmer income and property taxes between now and five years from now when the 20% to 50% participation rate is attained.

Corporation Franchise and Income Tax: (100% State GPR Cost) The credit/refund for corporations will be less significant for corporations than for individuals because for individuals the credit/refund is based on property taxes in excess of 7% of Wisconsin adjusted gross income (which is after the deduction of farm expenses) whereas the credit/refund for corporations is based on 7% of gross income (before any deductions for expenses). Given the differences in the definitions, it appears unlikely that corporations would qualify for any significant amounts of credit/refunds under this bill.

Property Tax: Although sufficient information upon which to base an estimate is not available, it is anticipated that the state reimbursement (100% state GPR cost) to county and town governments for property taxes lost by the exemption of the value of development rights for property located in towns would be relatively insignificant (less than \$100,000 annually) both in the short run and the long run. The state reimbursement to counties, villages, and cities for property located in villages and cities would be relatively insignificant in the 1997-98 biennium and would not exceed \$2 million or so annually in the long run. The bill does not provide state reimbursement for school levies.

12. Fiscal estimate providing a sample of the fiscal effect on five cities in a case where statewide data is unavailable. The bill relates to special elections to fill vacancies in city offices.

This bill requires vacancies in city council and mayoral offices to be filled at a special election if a primary election is not scheduled for the office in question within three months of the date on which the vacancy occurs. The fiscal effect of this bill on cities is indeterminable.

There is no statewide data available on the number of vacancies in city council and mayoral offices that have occurred in the past, so there is no way to project the number of such vacancies that will likely occur in the future. Therefore, the exact fiscal effect of this bill on cities is indeterminable.

It is possible, however, to provide estimates of the potential costs to an individual city for holding a special election. The following cities have provided rough cost estimates. If a primary election is needed, these estimates will double.

Platteville:	at-large aldermanic election = \$900-\$1,000; regular aldermanic election = \$500-\$600.
Menasha:	mayoral election = \$600-\$700; aldermanic election = \$200.
Milwaukee:	mayoral election = \$80,000-\$100,000; aldermanic election = \$5,000-\$5,500.
Stevens Point:	mayoral election = \$2,500; aldermanic election = \$380-\$400.
Madison	mayoral election = \$14,000; single aldermanic district election = \$2,500.

The above cost estimates include printing and publication costs, payments to poll workers, set-up of polling machines, and rental of buildings for polling places.