

**FISCAL ESTIMATE FORM**

**1999 Session**

- ORIGINAL     UPDATED  
 CORRECTED     SUPPLEMENTAL

**LRB # 99-4483/2**

**INTRODUCTION # SB 506**

**Admin. Rule #**

**Subject**  
**License Fee for Wholesale Merchant Electric Plants**

**Fiscal Effect**

- State:**  No State Fiscal Effect  
 Check columns below only if bill makes a direct appropriation or affects a sum sufficient appropriation
- Increase Existing Appropriation     Increase Existing Revenues  
 Decrease Existing Appropriation     Decrease Existing Revenues  
 Create New Appropriation
- Increase Costs - May be Possible to Absorb Within Agency's Budget  Yes  No  
 Decrease Costs

**Local:**  No Local Government Costs

- |   |   |   |
|---|---|---|
| <p>1. <input type="checkbox"/> Increase Costs<br/> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> <p>2. <input type="checkbox"/> Decrease Costs<br/> <input type="checkbox"/> Permissive <input type="checkbox"/> Mandatory</p> | <p>3. <input checked="" type="checkbox"/> Increase Revenues<br/> <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory</p> <p>4. <input checked="" type="checkbox"/> Decrease Revenues<br/> <input type="checkbox"/> Permissive <input checked="" type="checkbox"/> Mandatory</p> | <p>5. Types of Local Governmental Units Affected:<br/> <input checked="" type="checkbox"/> Towns    <input checked="" type="checkbox"/> Villages    <input checked="" type="checkbox"/> Cities<br/> <input checked="" type="checkbox"/> Counties    <input type="checkbox"/> Others _____<br/> <input type="checkbox"/> School Districts    <input type="checkbox"/> WTCS Districts</p> |
|---|---|---|

**Fund Sources Affected**

- GPR     FED     PRO     PRS     SEG     SEG-S

**Affected Ch. 20 Appropriations**

**Assumptions Used in Arriving at Fiscal Estimate:**

The bill affects state utility tax collections and state shared revenues, as discussed below:

**State utility taxes**

Under current law, gross revenues from wholesale sales of electricity are taxed under the state utility tax at 3.19%. Under the bill, gross revenues from wholesale sales of electricity from July 1, 2002 to June 30, 2008 would be taxed at 1.59%.

Based on revenue data for 1998, the bill would reduce state utility tax collections from existing electric utilities by about \$7.6 million each year. Since revenues from wholesale sales fluctuate considerably from year-to-year, depending in part on weather conditions and the availability of generating units, the actual level of lost utility tax revenue could differ significantly from the above amount.

Additional revenue losses could occur if new generating capacity is built in the state. Based on historic experience, about 2000MW to 4000MW of electric plant capacity is constructed in this state every 10 years. Based on information on existing wholesale electric companies in Wisconsin, and assuming that all the power generated by the added capacity is sold wholesale, the bill would reduce state tax collections by \$3 to \$4 million for every 1,000 megawatts (MW) of generating capacity. Thus, the bill could potentially reduce state revenues by an additional amount of \$6 million to \$8 million annually (2000MW at \$3 million to \$4 million per 1000MW) to as much as \$12 million to \$16 million (4000MW at \$3 to \$4 million per 1000MW) by 2008.

Thus, the total revenue loss ranges from \$13.6 million (at 2000 MW of added wholesale generating capacity) to \$23.6 million (at 4000 MW of added wholesale generating capacity).

(continued on page two)

**Long-Range Fiscal Implications:**

Agency/Prepared by: (Name & Phone No.)	Authorized Signature/Telephone No.	Date
Wisconsin Department of Revenue Daniel P. Huegel, (608) 266-5705	Yeang-Eng Braun <i>Yeang-Eng Braun</i> (608) 266-2700	3/22/00

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State shared revenues

Under the shared revenues utility payment, a total of 9 mills is paid on the net book value of certain utility property, including "qualified wholesale electric company" plant. If the property is located in a town, the town receives 3 mills and the county 6 mills. If the property is located in a village or city, the village or city receives 6 mills and the county 3 mills. The utility payment is funded out of the appropriation for shared revenues.

Under the bill, municipalities and counties with generating plants defined as "wholesale merchant plants" for state utility regulation purposes would qualify for a shared revenue utility payment on behalf of such property. To the extent such plants are built, shared revenue utility payments would increase under the bill.

MTB 3/22/00

**FISCAL ESTIMATE WORKSHEET**

Detailed Estimate of Annual Fiscal Effect

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**I. One-Time Costs or Revenue Impacts for State and/or Local Government (do not include in annualized fiscal effect):**

II. Annualized Costs:	Annualized Fiscal impact on State funds from:	
A. State Costs by Category	Increased Costs	Decreased Costs
State Operations - Salaries and Fringe	\$	\$ -
(FTE Position Changes)	( FTE)	(- FTE)
State Operations-Other Costs		-
Local Assistance		-
Aids to Individuals or Organizations		-
<b>TOTAL State Costs by Category</b>	<b>\$</b>	<b>\$ -</b>
B. State Costs by Source of Funds	Increased Costs	Decreased Costs
GPR	\$	\$ -
FED		-
PRO/PRS		-
SEG/SEG-S		-
III. State Revenues - Complete this only when proposal will increase or decrease state revenues (e.g., tax increase, decrease in license fee, etc.)	Increased Rev.	Decreased Rev.
GPR Taxes	\$	\$ -
GPR Earned		-
FED		-
PRO/PRS		-
SEG/SEG-S		-
<b>TOTAL State Revenues</b>	<b>\$</b>	<b>\$ -</b>

**NET ANNUALIZED FISCAL IMPACT**

	<u>STATE</u>	<u>LOCAL</u>
NET CHANGE IN COSTS	\$ _____	\$ _____
NET CHANGE IN REVENUES	\$ see text of fiscal note	\$ _____

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