



## Legislative Fiscal Bureau

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May 14, 2015

Joint Committee on Finance

Paper #591

### **Public Utility Aid -- Sum Sufficient Reestimate (Shared Revenue and Tax Relief -- Direct Aid Payments)**

[LFB 2015-17 Budget Summary: Page 403, #2]

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#### **CURRENT LAW**

Utility aid compensates counties and municipalities for costs they incur in providing services to public utilities. These costs cannot be directly recouped through property taxation since utilities are exempt from local taxation and, instead, are taxed by the state. Aid is limited to three types of qualifying properties owned by certain public utility companies. These companies include investor-owned and municipally-owned light, heat, and power companies, qualified wholesale electric companies, transmission companies, electric cooperatives, and municipal electric associations. Qualifying utility property includes electric substations, general structures, such as office buildings, and power production plants. Aid on substations and general structures is computed by applying a rate of nine mills to the net book value of the qualifying property. Aid on power production plants equals \$2,000 multiplied by the plant's generating capacity, expressed in megawatts. If the production plant derives energy from a renewable energy resource or from garbage, an additional \$2,000 per megawatt is paid. If the production plant began operating after 2003, additional aid may be paid based on the plant's location or its use in cogeneration or as a baseload plant. Finally, payments are made if spent nuclear fuel from production plants is stored in the county or municipality. Aid payments are divided between the county and municipality where the qualifying property is located based on percentages specified in the statutes. In 2014 (2014-15), utility aid payments equaled \$34.4 million for counties and \$36.3 million for municipalities, or \$70.7 million in total.

#### **GOVERNOR**

Increase estimated payments by \$400,000 GPR in 2015-16 and \$1,900,000 GPR in 2016-17 from the sum sufficient public utility distribution account to reflect estimated payment amounts. With these adjustments, base level funding of \$70,600,000 would increase to

\$71,000,000 in 2015-16 and \$72,500,000 in 2016-17. These amounts represent increases of 0.6% in 2015-16 and 2.1% in 2016-17.

## MODIFICATION

Increase estimated aid payments by \$900,000 GPR in 2015-16 and \$700,000 GPR in 2016-17.

**Explanation:** Total aid payments are estimated at \$71,900,000 GPR in 2015-16 and \$73,200,000 GPR in 2016-17. These amounts represent increases of 1.8% in 2015-16 over the base amount and 1.8% in 2016-17 over the 2015-16 reestimate. However, the actual amount for 2014-15 will exceed the base year estimate of \$70,600,000. The actual payment of \$70,753,600 is known because the final payments from the appropriation were made in November, 2014. Using the 2014-15 actual amount, year-to-year increases of 1.6% in 2015-16 and 1.8% in 2016-17 are expected under the reestimates. For the 2013-15 biennium, increases of 2.2% occurred in both 2013-14 and 2014-15. The rates of increase in 2015-17 are expected to diminish as some plants are retired or decommissioned, including the Kewaunee Power Station, and no new plants will be brought on-line. Nonetheless, the reestimates forecast payment increases in both years, due largely to increases in the value of property aided under the nine-mill formula. Those increases reflect enhancements to the state's electric transmission system that require additional substations and substation improvements.

Change to Bill	
GPR	\$1,600,000

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