


Wisconsin Counties Association

MEMORANDUM

TO: Honorable Members of the Assembly Committee on Ways and Means
FROM: Sarah Diedrick-Kasdorf, Legislative Associate 
DATE: March 10, 1999
SUBJECT: Assembly Bill 118

The Wisconsin Counties Association (WCA) supports Assembly Bill 118, under which shared revenue payments are phased out over a five year period if a light, heat or power company plant is decommissioned.

At the 1995 WCA Annual Convention, a resolution was passed which requests the Legislature to draft and enact legislation to provide for the phase-out of shared utility tax payments over a five-year term in the event of the closing of a power plant. Specifically, the phase-out schedule in the event of a planned or emergency closing of a power plant, as adopted by the WCA Annual Convention, is as follows:

Year	Percentage of Final Operating Year's Aid
One	100%
Two	80%
Three	60%
Four	40%
Five	20%

Passage of Assembly Bill 118 will ease the burden a county could face if shared utility tax payments were completely eliminated the year the power plant closed.

Attached please find a copy of the resolution adopted at the WCA Annual Convention. WCA respectfully requests your support for this legislation.

If you have any questions, please do not hesitate to contact the WCA office.

Thank you for considering our comments.

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Lynda L. Bradstreet, Administrative Director

TAXATION
AND FINANCE

1995 WCA RESOLUTION #17

Enact a "Safety Net Payment Schedule" of Shared Utility Tax Payments
in the Event of the Closing of a Power Plant

(Buffalo County)

WHEREAS, Buffalo County receives annual payments from the State of Wisconsin as shared utility tax payments in lieu of collecting property tax from the Dairyland Power Plant; and

WHEREAS, the amount received in 1994 totaled \$375,530.00; and

WHEREAS, if the plant were to be closed for any reason, the payments would stop immediately; and

WHEREAS, Buffalo County would be hard-pressed to replace a loss of funding in an amount as great as \$375,530.00 in one year or less; and

WHEREAS, Buffalo County believes that, for budgetary purposes, a graduated phase-out of shared utility tax payments should be established by statute to cover the unlikely event of closing of a power plant; and

WHEREAS, Buffalo County proposes that the Legislature enact legislation providing for a phase-out formula to be established under s. 79.04, Wis. Stats., in the event of a planned or emergency closing of a power plant in the following manner:

<u>YEAR</u>	<u>PERCENTAGE OF FINAL OPERATING YEAR'S AID</u>
ONE	100%
TWO	80%
THREE	60%
FOUR	40%
FIVE	20%; and

WHEREAS, the impact to the state budget is negligible, as the gross revenue payments made to the state by light, heat and power companies are many times in excess of the monies paid out by the state as shared utility tax payments.



BILL SUMMARY

AB118: Shared revenue payments for former utility property

Date: *September 16th, 1999*

BACKGROUND

Under current law, counties and municipalities cannot levy property taxes on property occupied by utility plants. To offset this loss of local revenue, the state compensates the localities by levying a special tax on the utility property, which is then distributed to the localities under a formula calculated in the statutes, the shared utility tax payment. In the event that a utility plant is decommissioned, the shared utility tax payment from the state ends and the utility property returns to the property tax roll.

SUMMARY OF AB 118

AB 118 is designed for the event in which a utility plant is decommissioned and the shared utility tax payments from the state cease. In such a situation, localities would be faced with an abrupt and large reduction in revenue. Although the utility property would be on the tax roll, the revenue generated by the property tax is greatly reduced due to the inherent low value of property containing a decommissioned utility plant.

Under AB 118, the drastic effects of this abrupt loss of revenue to the localities would be moderated by the state providing a five-year, scaled phase-out of the utility payments. Each year the payments would be reduced by 20% of the original total to help the localities adjust to the reduction of lost revenue. Any payment under this five-year phase-out would be reduced by property tax collected on the decommissioned property.

AMENDMENTS

There were no amendments offered.

FISCAL EFFECT

A fiscal estimate prepared by the DOR, indicates that the only effect upon the state would be a small increase in costs to the Department, but that increase could be absorbed by the Agency's current budget.

The bill would have no net effect on the overall shared revenue payments to municipalities. However, the fiscal estimate does indicate that under this bill, "shared revenue payments to many localities would decrease by a small amount."

PROS

1. Would allow counties and municipalities some time to adjust to an abrupt and permanent reduction in revenue.

CONS

1. If a situation were to occur where the provisions of this bill would activate, many localities would experience a small temporary reduction in shared revenue payments.

SUPPORTERS

Rep. Eugene Hahn, author; Sen. Roger Breske, lead co-sponsor; Wisconsin Counties Utility Tax Association; Wisconsin Counties Association; Wisconsin Utilities Association.

OPPOSITION

Wisconsin Alliance of Cities; City of Milwaukee.

HISTORY

Assembly Bill 118 was introduced on 2-9-1999, and referred to the Assembly Committee on Ways & Means. A public hearing was held on 3-10-1999. On 3-24-1999, the Committee voted 13-3 [Representatives La Fave, Morris-Tatum, and Ziegelbauer voting no] to recommend passage of AB 118.

CONTACT: Andrew Nowlan, Office of Rep. Michael Lehman

How ~~do~~ are ^{"aidable"} shared revenue payments collected by counties received shared utility tax payments?

118

DOR - No position.

Aidable rates would \uparrow with a \downarrow of shared utility tax payments, what is the correlation.

Any payments would be reduced by any amount of tax that would then be collected ~~on~~ on the decommissioned property.

Advance of Cities -
This would draw money from aidable revenues to give to these communities.

WISCONSIN COUNTIES UTILITY TAX ASSOCIATION

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Statement in Support of 1999 Assembly Bill 118

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KEWAUNEE
LA CROSSE
MANITOWOC
MARATHON
MARINETTE
OZAUKEE
ROCK
SHEBOYGAN
VERNON

Under present law, counties and municipalities are prohibited from levying local property taxes on utility plants. Instead, the state levies a tax determined under Chapter 76 of the Statutes. The county and municipality where a plant is located receive a payment for the property under a formula calculated in § 79.04 of the Statutes. This payment is far less than would be received if the county or municipality were levying a property tax on the utility plant.

AB 118 is designed to deal with the situation where a plant is decommissioned and the payments stop. In such a situation, there would be an abrupt termination to the payment received by the county and municipality. The bill would buffer this situation by providing a five year, scaled phase-out of payments under which the county and municipality will receive continuing payments reduced by 20% each year to permit the county and municipality to adapt to the loss of the shared utility tax payment. In each case, the payment is reduced by any property taxes collected on the decommissioned property.

To give some sense of impact on a county budget, 1998 shared utility tax payments to various member counties ranged from \$34,000 to \$1,000,000. The sudden loss of such aids would have a serious to devastating effect on each county budget, and this draft seeks to provide a transitional period to permit the county to adjust to such a loss. Please let me emphasize that this transitional aid would come from monies already received by the state through the state tax on utility companies.

At this time, no utility plants are scheduled for decommissioning. Therefore, this proposal has no immediate cost. We believe it is a prudent safety net, however, to put this legislation on the books now to protect counties and municipalities at such time in the future as decommissioning may occur.

The county boards in Buffalo, Chippewa, Columbia, Kenosha, Kewaunee, LaCrosse, Manitowoc, Marinette, Rock and Sheboygan Counties have adopted resolutions in support of this measure.

We urge your support for AB 118 as well.

Michael R. Vaughan

Assembly Committee on Ways and Means

DATE _____

Moved by Acas Seconded by Goet
 AB 118 SB _____ Clearinghouse Rule _____
 AJR _____ SJR _____
 A _____ SR _____ Other _____

A/S Amdt _____
 A/S Amdt _____ to A/S Amdt _____
 A/S Sub Amdt _____
 A/S Amdt _____ to A/S Sub Amdt _____
 A/S Amdt _____ to A/S Amdt _____ to A/S Sub Amdt _____

- Be recommended for:
- Passage
 - Introduction
 - Adoption
 - Rejection
 - Indefinite Postponement
 - Tabling
 - Concurrence
 - Nonconcurrence

	Committee Member	Aye	No	Absent	Not voting
1.	Rep. Mickey Lehman, chair	1			
2.	Rep. Tom Sykora, vice-chair	2			
3.	Rep. Bob Goetsch	3			
4.	Rep. Mike Huebsch	4			
5.	Rep. Frank Lasee	5			
6.	Rep. John Ainsworth	6			
7.	Rep. Suzanne Jeskewitz	7			
8.	Rep. Carol Owens	8			
9.	Rep. Joan Spillner	9			
10.	Rep. Wayne Wood	10			
11.	Rep. John La Fave		1		
12.	Rep. Lee Meyerhofer	11			
13.	Rep. Johnie Morris-Tatum		2		
14.	Rep. Jeffrey Plale	12			
15.	Rep. Bob Turner	13			
16.	Rep. Bob Ziegelbauer		3		
	Totals				

MOTION CARRIED

MOTION FAILED