Wisconsin Department of Administration
Division of Executive Budget and Finance
DOA-2048 (R07/2000)

Fiscal Estimate - 2001 Session

[X] Original [ ] Updated [ ] Corrected [ ] Supplemental

LRB Number **01-3598/3**	Introduction Number **AB-584**

Subject

Shared revenue payments related to property owned by utilities

Fiscal Effect

State:

- [ ] No State Fiscal Effect
- [ ] Indeterminate
  - [X] Increase Existing Appropriations
  - [ ] Decrease Existing Appropriations
  - [ ] Create New Appropriations
  - [ ] Increase Existing Revenues
  - [ ] Decrease Existing Revenues
  - [X] Increase Costs - May be possible to absorb within agency's budget [X] Yes [ ] No
  - [ ] Decrease Costs

Local:

- [ ] No Local Government Costs
- [ ] Indeterminate
  1. [ ] Increase Costs [ ] Permissive [ ] Mandatory
  2. [ ] Decrease Costs [ ] Permissive [ ] Mandatory
  3. [X] Increase Revenue [ ] Permissive [X] Mandatory
  4. [ ] Decrease Revenue [ ] Permissive [ ] Mandatory
  5. Types of Local Government Units Affected
     [X] Towns [X] Village [X] Cities [X] Counties [ ] Others [ ] School Districts [ ] WTCS Districts

Fund Sources Affected

[X] GPR [ ] FED [ ] PRO [ ] PRS [ ] SEG [ ] SEGS

Affected Ch. 20 Appropriations

20.835 (1)(d), (dm)

Agency/Prepared By	**Authorized Signature**	**Date**
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Fiscal Estimate Narratives

DOR 10/23/01

LRB Number **01-3598/3**	Introduction Number **AB-584**	Estimate Type **Original**
Subject Shared revenue payments related to property owned by utilities		

Assumptions Used in Arriving at Fiscal Estimate

This bill makes several changes to the shared revenue utility payment.

(1) Separate appropriation: Under current law, shared revenue utility payments are funded from within the shared revenue appropriation. Under the bill, beginning with payments in 2003, shared revenue utility payments would be funded from a separate appropriation for these payments.

(2) Value limitation: For municipalities, the shared revenue utility payment is based on the net book value (original cost less depreciation) of qualifying utility property located in a municipality. For counties, the payment is based on the value in each municipality in the county. Under current law, the value on an individual generating station in a municipality may not exceed $125 million for payment purposes. Under the bill, the value limit would increase to the following amounts: in 2003, to $140 million; in 2004, to $160 million; in 2005, to $185 million; and in 2006, $250 million.

(3) Municipal per capita payment limitation: Under current law, the utility payment for municipalities (excluding payments for spent nuclear fuel storage) may not exceed $300 per capita. Under the bill, the per capita limit for municipalities would increase to the following amounts: in 2003, $450; in 2004, $650; in 2005, $950; and in 2006, $1200.

(4) County per capita payment limitation: Under current law, the utility payment for counties (excluding payments for spent nuclear fuel storage) may not exceed $100 per capita. Under the bill, the per capita limit for counties would increase to the following amounts: in 2003, $225; in 2004, $325; in 2005, $475; and in 2006, $600.

Based on data for existing plants, the above three changes would increase utility shared revenue payments. For municipalities, the increase would be as follows: in 2003, $0 (because under a provision of 2001 Wisconsin Act 16 total shared revenue payments to individual municipalities in 2003 will be 101% of their total payments in 2002); in 2004, $1.5 million; in 2005, $1.9 million; and in 2006 and thereafter, $2.4 million. For counties, the increase would be as follows: in 2003, $1.0 million; in 2004, $1.4 million; in 2005, $1.7 million; and in 2006 and thereafter, $2.2 million.

Under current law, all increases in the shared revenue utility payment are funded by an equal decrease in funding for the aidable revenues portion of the shared revenues formula. Under the bill, beginning in 2003, any increases in utility payments caused by the bill would be funded by an equal increase in the appropriation for utility shared revenue payments. However, any increases in utility shared revenue payments that would have occurred under current law (e. g., on up to $125 million in value on a new generating plant) would continue to be funded by an equal decrease in funding for the aidable revenues portion of the shared revenues formula.

Thus, this bill has the potential to increase state spending as follows: in 2003, $1.0 million; in 2004, $2.9 million; in 2005, $3.6 million; and in 2006 and thereafter, $4.6 million. Because of the potential for additional electric generating plants to be built in the state in the next few years, the actual increase in shared revenue utility payments compared to current law will likely be higher than the amounts shown above. However, the bill provides that the increase in shared revenue utility payments in a given year may not exceed the increase, if any, in that year's utility gross receipts tax collections compared to tax collections in fiscal year 2000-01.

(5) Payment for decommissioned plants: The bill creates a new payment for municipalities and counties in which an electric generating plant (excluding plants owned by a municipal electric utility since they are exempt from property taxes) is decommissioned. Under current law and the proposal, these plants are returned to the property tax roll when decommissioned. Under the bill, a special payment would be made for such a plant for up to 5 years after its return to the tax roll. Payments would equal the following percentages of the shared revenue utility payment made in the last year the plant was used by the utility (100% in the first year, 80% in the second year, 60% in the third year, 40% in the fourth year, and 20% in the fifth year) minus the property taxes

paid to the municipality or county from the plant's owners.

(6) Payment for certain new generating plants: Under current law, the payment based on net book value is calculated as that book value times the following mill rates: for property in towns, the town receives 3 mills and the county 6 mills; for property in villages or cities, the municipality receives 6 mills and the county 3 mills. Under the bill, the mill rate would be increased for plants constructed after the effective date of the bill that have a generating capacity of 50 megawatts or more and that are built on the site of an existing power plant or on a brownfield. The additional payment would start in the year the plant commenced producing electricity. The increase in mill rates would be as follows: for a coal-powered plant, 1 mill for the county and 2 mills for the town, village or city; for a plant that is not coal-powered or nuclear-powered, 1 mill for the county and town, village, or city. There are a large number of electric generating plants being considered for construction in the state in the next several years. The Department does not have enough information about the number of such plants or the type of fuel to be used to make a reasonable estimate of the increase in shared revenues this part of the bill would engender.

Long-Range Fiscal Implications