Wisconsin Department of Administration
Division of Executive Budget and Finance

Fiscal Estimate - 2007 Session

☒ Original ☐ Updated ☐ Corrected ☐ Supplemental

LRB Number 07-3988/2	Introduction Number AB-0865

Description
Utility aid payments based on a production plant's value in 1990

Fiscal Effect

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

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

Fund Sources Affected
☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG ☐ SEGS

Affected Ch. 20 Appropriations
20.835 (1) (d)

Agency/Prepared By	Authorized Signature	Date
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Fiscal Estimate Narratives

DOR 2/25/2008

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Description Utility aid payments based on a production plant's value in 1990		

Assumptions Used in Arriving at Fiscal Estimate

CURRENT LAW

Public utilities are exempt from local property taxes and taxed instead by the state. Utility shared revenue payments for municipalities and counties are intended to offset part of the cost of providing services to tax-exempt utility properties, and to compensate for the disamenities that certain types of utility property can create. The utility shared revenue payment has six components: (1) an ad valorem payment, (2) a spent nuclear fuel storage payment, (3) a minimum payment, (4) a per capita limit, (5) a megawatt-based payment, (6) incentive payments, and (7) what, for discussion purposes, will be referred to as a "special provision". These components are discussed below.

Ad valorem payment: This payment is based on the "net book value" of "qualifying property" for "eligible utilities". For property in a town, the town is paid 3 mills and the county is paid 6 mills. For property in a village or city, the village or city is paid 6 mills and the county is paid 3 mills. "Net book value" is the original cost of the property minus depreciation. "Qualifying property" includes production plants that were in operation on January 1, 2004 and not subsequently rebuilt or "repowered", substations, and general structures, but excludes the land on which this property is located. "Eligible utilities" include investor-owned gas and electric companies, electric cooperatives, municipal electric association projects, and qualified wholesale electric companies (companies that wholesale 95% or more their power and have a total generating of 50 megawatts (MW) or more). The total value of "qualifying property" for a power plant in one municipality may not exceed $125 million. Ending in 2008, the net book value for payment purposes in a municipality may not be less than the net book value used for 1990 payments (the value as of December 31, 1989), minus the value of property removed since that date.

Spent nuclear fuel: $50,000 is paid to made to any municipality and county in which spent nuclear fuel is stored on December 31 of the prior year. If the nuclear fuel storage facility is located within one mile of another municipality or county, the municipality or county where the fuel is stored is paid $40,000 and the nearby municipality or county is paid $10,000.

Minimum payment: For a county or municipality with an electric generating plant with a rated capacity of 200 megawatts (MW) or more that was in operation on January 1, 2004 and not subsequently rebuilt or "repowered", a minimum of $75,000 is paid.

Megawatt-based payment: For a power plant that began operation or was "repowered" after December 31. 2003, a payment of $2,000 per megawatt (MW) is made. For a plant in a town, one-third is paid to the town and two-thirds is paid to the county. For a plant in a village or city, two-thirds ($1,333.33) is paid to the village or city and one-third ($666.67) is paid to the county.

Incentive payments: A power plant that qualifies for the megawatt-based payment may qualify for incentive payments. There are three incentive payments: (a) For a non-nuclear plant with a capacity of at least 1 MW built on a brownfield or on the site of or adjacent to a decommissioned or an existing power plant, the municipality and county are paid $600 per MW. (b) For a plant with a capacity of at least 50 MW that is a baseload plant, the municipality and county are paid $600 per MW. (c) For a plant with a capacity of at least 1 MW that is a co-generation facility or that derives its energy from a renewable energy source, the municipality and count are paid $1,000 per MW. If a plant qualifies for both of these, the cogeneration payment takes precedence.

Per capita limit: The total payment from the ad valorem payment, the minimum payment, and the megawatt-based components may not exceed $300 per capita for municipalities and $100 per capita for counties. In 2009, the limit will increase to $425 for municipalities and $125 for counties. This limit does not apply to payments under the spent nuclear fuel storage and incentive components.

"Special provision": Beginning in 2009, for production plants that qualify for payments under the ad valorem component, the base payment will be the greater of (a) the amount calculated under the current ad valorem component, or (b) the amount that would be paid under the $2,000 per MW payment plus the incentive payments for plants fueled by a renewable energy source. Once a payment is made under alternative (b), all future payments are calculated under alternative (b).

Total utility shared revenue payments for 2008 are estimated to be about $38.9 million, of which $4.5 million is due to the MW-based payment, $1.7 million is due to the incentive payments, and the remaining $32.7 million is due to the other components. Shared revenue utility payments are made from two appropriations. The megawatt-based payment and incentive payments are made from the appropriation under s. 20.835 (1) (dm) – Public utility distribution account. The other payments are made from the appropriation under sec. 20.835 (1) (d) -- Shared revenue account.

PROPOSED LAW

The bill changes how the "special provision" component payments for municipalities are calculated. Under the bill, a municipality would be paid the greater of (a) the amount it receives for substations and general structures plus the amount it receives for power plants under either the ad valorem component or the MW-based plus alternate fuel incentive payments, whichever applies, or (b) the amount it would receive if the ad valorem payment had been based on the net book value of all qualifying utility property in the municipality for 1990 payment purposes, less the value of any property subsequently removed.

In effect, the bill reinstates payments based on the 1990 value guarantee for certain municipalities. Based on information on projected 2009 utility shared revenue payments from the Legislative Fiscal Bureau, it is estimated that 4 municipalities would see increased utility shared revenue payments increased under the bill: City of Menomonie in Dunn County ($413), Town of Anson in Chippewa County ($99,317), Town of Wilson in Sheboygan County ($13,132), and Village of Rothschild in Marathon County ($26,248). As a result, the bill increases total shared revenue payments by $139,110. Because net book values for 2009 payments are not know at the current time, the actual change in payment may be higher or lower than this amount.

ADMINISTRATIVE COSTS

DOR administrative costs have not yet been determined. Programming needs, in particular, could create significant one-time costs. Depending on costs yet to be determined for this bill and responsibilities assigned by other legislation or budgetary changes, DOR may require additional resources to conduct the administrative duties required by the bill.

Long-Range Fiscal Implications

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Fiscal Estimate Worksheet - 2007 Session

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 funds from:**	
	Increased Costs	Decreased Costs
A. State Costs by Category		
State Operations - Salaries and Fringes	$	$
(FTE Position Changes)		
State Operations - Other Costs		
Local Assistance	139,110	
Aids to Individuals or Organizations		
TOTAL State Costs by Category	**$139,110**	**$**
B. State Costs by Source of Funds		
GPR	139,110	
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, ets.)

	Increased Rev	Decreased Rev
GPR Taxes	$	$
GPR Earned		
FED		
PRO/PRS		
SEG/SEG-S		
TOTAL State Revenues	**$**	**$**

NET ANNUALIZED FISCAL IMPACT

	State	Local
NET CHANGE IN COSTS	$139,110	$
NET CHANGE IN REVENUE	$	$

Agency/Prepared By	**Authorized Signature**	**Date**
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