



## Legislative Fiscal Bureau

One East Main, Suite 301 • Madison, WI 53703 • (608) 266-3847 • Fax: (608) 267-6873

---

May 17, 2007

Joint Committee on Finance

Paper #707

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

#### *Bill Agency*

[LFB 2007-09 Budget Summary: Page 500, #2]

---

#### **CURRENT LAW**

Utility aid is paid from two appropriations. One utility aid appropriation was created by 2003 Wisconsin Act 31 and provides funding for payments to counties and municipalities containing light, heat, and power company production plants that began operations or were substantially reconstructed (repowered) after December 31, 2003. Payments are based on the generating capacity of the plants and consist of a basic payment and incentive payments tied to the plant's location, operating capacity, and energy source. Initial payments under the Act 31 provisions occurred in 2005 (2005-06).

The shared revenue appropriation comprises the second utility aid appropriation. Since the county and municipal aid program replaced the other three shared revenue components in 2004, utility aid is the only shared revenue component that continues to operate. The appropriation makes payments to counties and municipalities containing production plants that began operations before 2004, as well as for light, heat, and power companies' substations and general structures. Counties and municipalities receive aid equal to the net book value of qualifying utility property multiplied by a rate of nine mills. If the qualifying property is in a city or village, the municipality's payment is calculated at a rate of six mills, and the county receives a payment based on three mills. If the qualifying property is located in a town, the town's payment is calculated at a rate of three mills, and the county receives a payment based on six mills. The value of a utility's property at any single site is limited to \$125 million, and payments are further limited to no more than \$300 per capita for municipalities and \$100 per capita for counties. Finally, each county and municipality where spent nuclear fuel is stored receives an annual payment of \$50,000.

Utility aid payments are administered by the Department of Revenue.

## GOVERNOR

Decrease estimated payments by \$90,000 GPR in 2007-08 and increase estimated payments by \$125,000 GPR in 2008-09 under the public utility aid component of the shared revenue program to reflect estimated changes in the value of utility-owned property eligible for state aid under the three and six mill distribution formulas. Estimate total payments under these formulas at \$31,910,000 GPR in 2007-08 and \$32,125,000 GPR in 2008-09. Decrease estimated payments by \$157,600 GPR in 2007-08 and increase estimated payments by \$845,000 GPR in 2008-09 under the public utility distribution account to reflect changes in the number and types of property eligible for aid under the capacity-based distribution formula. Estimate total payments under this formula at \$6,242,400 GPR in 2007-08 and \$7,245,000 GPR in 2008-09. (A separate item in SB 40 would modify the funding source for county payments under the utility aid formulas.)

## MODIFICATION

Decrease utility aid payments by \$1,002,600 GPR in 2008-09 from the public utility distribution account appropriation to reflect payments under the capacity-based aid and incentive aid allocations. Increase utility aid payments from the shared revenue account appropriation by \$990,000 GPR in 2007-08 and \$1,275,000 GPR in 2008-09 to reflect estimated changes in the value of utility-owned property eligible for state aid under the three and six mill distribution formulas. Total aid payments are estimated at \$6,242,400 GPR annually under the capacity aid distribution and at \$32,900,000 GPR in 2007-08 and \$33,400,000 GPR in 2008-09 under the three and six mill distribution formulas.

**Explanation:** Relative to the Governor's estimates, the preceding amounts are \$990,000 higher in 2007-08 and \$272,400 higher in 2008-09. For the public utility distribution account appropriation, aid payments are estimated to be \$1,002,600 lower in 2008-09 because construction of several wind farms in eastern Wisconsin is not proceeding as quickly as anticipated and they are more likely to begin operation in 2008 (resulting in 2009-10 aid payments) than in 2007. For the shared revenue account appropriation, aid payments are estimated to be higher by \$990,000 in 2007-08 and \$1,275,000 in 2008-09 based on trends in historic rates of growth for the various types of aidable utility property (particularly substations), adjusted to exclude newly-constructed production plants.

	Change to Bill Funding	Change to Base Funding
GPR	\$1,262,400	\$1,984,800

Prepared by: Rick Olin